



# Understanding ABLÉ Accounts

## Understanding ABLÉ Accounts

### Introduction:

An Achieving a Better Life Experience (ABLE) account is a tax-advantaged savings account designed to help individuals with disabilities and their families save and pay for qualified disability-related expenses. ABLÉ accounts provide individuals with disabilities greater financial independence, flexibility, and access to essential services and supports. In this paper, we will explore the key features, benefits, eligibility criteria, contribution limits, and potential uses of ABLÉ accounts.

### 1. Overview of ABLÉ Accounts:

- Established in 2014 under the Achieving a Better Life Experience Act, ABLÉ accounts are modeled after 529 college savings plans and provide individuals with disabilities and their families a tax-advantaged way to save for disability-related expenses.

- ABLÉ accounts are administered by states and authorized by Section 529A of the Internal Revenue Code, allowing contributions to grow tax-free and withdrawals for qualified disability expenses to be tax-free.

### 2. Eligibility Criteria for ABLÉ Accounts:

- To be eligible for an ABLÉ account, an individual must have a significant disability that occurred before age 26 and meet the disability criteria defined in the Social Security Act (Title II or Title XVI).

- Individuals who meet the Social Security Administration's definition of disability and receive Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) benefits automatically qualify for ABLÉ accounts.

- Individuals who are not receiving SSI or SSDI benefits may still be eligible for ABLÉ accounts if they meet the disability criteria and provide certification of disability from a licensed physician.

### 3. Key Features and Benefits of ABLÉ Accounts:

- Tax-Free Growth: Contributions to ABLÉ accounts grow tax-free, and withdrawals for qualified disability expenses, such as education, housing, transportation, healthcare, assistive technology, and personal support services, are tax-free.

- Financial Independence: ABLÉ accounts empower individuals with disabilities to save and manage their own funds, reducing reliance on means-tested government benefits and promoting financial independence.



# Understanding ABLE Accounts

- **Asset Protection:** Funds held in ABLE accounts are excluded from eligibility determinations for means-tested federal benefit programs, such as SSI and Medicaid, up to certain limits.
- **Contribution Flexibility:** Contributions to ABLE accounts can be made by the account beneficiary, family members, friends, or third parties, up to the annual contribution limit.
- **Control and Accessibility:** Account beneficiaries have control over their ABLE accounts and can access funds as needed to cover disability-related expenses without restrictions or penalties.

## 4. Contribution Limits and Restrictions:

- The annual contribution limit to ABLE accounts is currently set at \$15,000 (as of 2022), which is subject to adjustment for inflation in future years.
- Contributions exceeding the annual limit may be subject to gift tax, and contributions by the beneficiary are limited to the individual's earned income.
- ABLE account balances exceeding \$100,000 may impact eligibility for means-tested federal benefits, such as SSI, although Medicaid eligibility is not affected by the account balance.

## 5. Potential Uses of ABLE Account Funds:

- ABLE account funds can be used to cover a wide range of qualified disability-related expenses, including education, housing, transportation, healthcare, assistive technology, personal support services, legal fees, and financial management expenses.
- The flexibility of ABLE accounts allows individuals with disabilities to customize their savings strategy and use funds to meet their unique needs and goals, enhancing their quality of life and independence.

## Conclusion:

ABLE accounts offer individuals with disabilities and their families a valuable tool for saving and paying for qualified disability-related expenses while preserving eligibility for means-tested federal benefits. By understanding the eligibility criteria, features, benefits, contribution limits, and potential uses of ABLE accounts, individuals can make informed decisions and leverage this innovative savings vehicle to achieve greater financial security and independence for themselves or their loved ones with disabilities.