

ABLE 101 Part 5: Myths and Opportunities

Able accounts: there can be more than you think (or less).

The ABLE program is only a few years old, so people are still figuring out details and new opportunities for financial success. There are some myths that may make some people hesitant about opening an account, even if it's a good idea. These myths may also lead some people to make mistakes if they choose to open an account. Here are some ABLE myths and the truth about them – and some clever opportunities to use ABLE accounts to your advantage.

Myth: I can't open an ABLE account if I have a Special Needs Trust or 529(a) account.

This is incorrect! You can still have an ABLE account if you have a Special Needs Trust (SNT) or 529(a) account. Each of these accounts can have benefits and drawbacks compared to each other, so in some cases it may be worthwhile to choose one or the other or have a mix of account types open. For example, just looking at SNTs and ABLE accounts:

- With SNTs, spending must be controlled by a “trustee,” such as a family member or designated professional. With ABLE accounts, the account-holder can control spending through a web portal, debit card, and/or checkbook (depending on the state program). In some cases, a designated guardian or representative can also manage ABLE funds.
- ABLE account funds must be spent on “qualified disability expenses” (QDEs) while SNT funds can be spent on anything that goes directly to the beneficiary.
- ABLE accounts have limits on annual contribution amounts, savings without affecting SSI, maximum account amounts, and ways of changing investments. SNTs do not have limits on contributions or maximum funds and have more flexibility around investments.
- ABLE accounts allow for tax-free investments. Earnings from SNTs are taxed.

It is important to research the benefits and drawbacks of different accounts and programs before deciding which to use – and how to distribute funds between them. Consult with a benefits counselor, investment professional, or family members when you decide!

Myth: Every qualified disability expense (QDE) must be medically related.

Not at all! The list of qualified disability expenses is quite broad and can be just about anything that is related to a disability and will improve the account-holder's quality of life. Think about some of your options. Would adaptive cycling or skiing improve your health and personal well-being? Because adaptive activities are disability-related, you could pay for equipment, coaching, and travel to get on the ski slopes! Do you think that job courses could grow your opportunities and income? QDEs can include education, so you can use ABLE funds to expand your future economic potential. There are plenty of options aside from medical devices or expenses. So, just look around, do some brainstorming, and improve your life through ABLE!

Myth: Any earnings that I put into an ABLE account won't count as income.

Unfortunately, this isn't true. Any earnings that you get from work still count as income for tax purposes, as well as for determining SSI/SSDI amounts and eligibility for Medicaid and other federal benefits programs. Luckily, there are some tax advantages to depositing your income into an ABLE account. As of 2018, individuals are eligible for a Saver's Credit up to \$2,000 per year (through 2025), and some states' programs provide tax deductions for money deposited into an ABLE account by in-state residents. Always report income and changes in income to SSA and other agencies that manage benefits, especially if income will affect eligibility.

Myth: Money in ABLE investment funds will always continue to grow.

This is not necessarily true! Investment funds can go up or down with stock markets and other financial factors. More "aggressive" investments grow faster when the market goes up but can drop more when it goes down; more "conservative" investments grow slower but are less risky. Research ABLE investment funds and choose the best risk and potential reward for your future.

Opportunity: Get housing support without affecting your SSI.

The Social Security Administration adjusts your SSI benefit amount based on what they call "countable income," which includes "unearned income," such as cash benefits and housing support, and "earned income" from employment. Unearned income can affect SSI dollar-for-dollar, which means that if your family pays for your rent or gives you a room in their home for free, your SSI can be reduced by the value of that monthly rent. With an ABLE account, though, a family member could contribute the value of rent to your ABLE account each month, and then you could use ABLE funds to pay rent. Because deposits to ABLE accounts don't affect SSI (and housing is a QDE), you can get housing support without any reduction in SSI cash benefits!

Opportunity: Crowd-fund contributions to your ABLE account.

Anybody can contribute to an individual's ABLE account, not just the account-holder. Many ABLE programs provide websites where family, friends, and others can contribute to your account – and some also have mailing addresses for deposits. You can set up a webpage and link to it through emails or social media to gather broad contributions. And remember that annual contribution limits go from January to December, so a year-end fundraising drive is a great idea!

Opportunity: Use a 401(k) for tax-deferred savings!

ABLE accounts may not be for everybody, but there are other options out there! 401(k) plans let you put earnings from your paycheck directly into investment accounts, without them being taxed (money is taxed when it is withdrawn). Employers can even contribute matching funds! Let's check out an example. If somebody has a \$50,000 salary in California and uses zero deductions, she takes home around \$37,650 after taxes. If she contributes the maximum to her 401(k) (\$18,500 in 2018), she'll take home about \$24,950. That's \$12,700 less taken home – but \$18,500 put in the bank, for a positive change of \$7,800 per year. If your employer contributes, you may get even more money in the end!