

PAABLE

# Overview of PA ABLE Savings Program



# PA ABLE Savings Program

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- What is ABLE?
- Who is eligible?
- Opening and Managing an Account
- Additional Details and Considerations



An ABLE account is a savings account for disability-related expenses.

It gives eligible individuals with qualified disabilities, and their families and friends, a tax-free way to save for disability-related expenses, **while maintaining government benefits** (with a limitation for SSI).



The PA ABLE Savings Program was created by the Pennsylvania General Assembly and is administered by the Pennsylvania Treasury Department.

Note: Some federal agencies have not yet provided guidance on how ABLE accounts will impact their services – leaving a number of questions unanswered.



State Treasurer Joe Torsella at the launch of the PA ABLE Savings Program in Harrisburg in April 2017.

## Save While Maintaining Government Benefits

- Savings placed in a PA ABLE account do **NOT** count against **ANY** federal need-based benefits including Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medical Assistance (Medicaid), housing assistance programs, student financial aid, and more.
- For Supplemental Security Income (SSI), you can save up to \$100,000 while maintaining your benefits. Above that, your SSI will be suspended but not terminated and your Medical Assistance benefits will continue.
- Earnings in an ABLE account also grow federal and Pennsylvania **income tax deferred** and withdrawals for “qualified disability expenses” are federal or Pennsylvania **income tax free**. **Plus, contributions to PA ABLE accounts are PA state tax deductible!**
- PA ABLE accounts also provides several PA state specific benefits (next slide).



## 6 Benefits Specific to PA ABLE

- PA ABLE assets are not counted for Pennsylvania needs-based disability, health, and student financial aid.
- Contributions to a PA ABLE account may be deducted from state taxable income up to \$15,000 per person, per year.
  - **Only contributions to a PA ABLE account qualify for the PA state income tax deduction.**
- Earnings are Pennsylvania state income tax free while in the account or when used for qualified expenses.
- Assets excluded from PA inheritance tax (both the principal and earnings) and also protected from creditors of the Account Owner or contributor in PA state proceedings.
- Eligible Individuals who have the legal capacity to contract must open the account and will have complete control - a trustee or representative is not needed.
  - For Account Owners who lack the capacity to contract, the Fiduciary maintains control of the account unless relinquished. Account Owners who reach the age of 21 and have the capacity to contract can request to take control of their account.



- ABLER Accounts with balance over \$100,000 will impact SSI benefits
- ABLER account assets are not subject to Medicaid (Medical Assistance) repayment to the PA Department of Human Services (once in estate, this is no longer case)
- ABLER accounts used for non-qualified withdrawals or housing may impact benefits (timing is important)
- Contributions made as a gift to eligible individual should be made directly to ABLER account



To be eligible for an ABLE account, a person must:

1. Have a qualifying disability which started before 26th birthday;

**AND**

- 2a. Be eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI)

**OR**

- 2b. Self-certify they meet certain disability standards (*next slide*)



To self-certify, the qualifying disability must be:

- Blindness, OR
- A “Medically determinable physical or mental impairment,”
- That results in “marked and severe functional limitations,” AND
- Is expected to last for 12 continuous months or result in death.

Anyone that self-certifies eligibility must possess a written diagnosis\* related to the impairment signed by a physician who meets SSA criteria.

*\*While not required to enroll, the written diagnosis must be provided if requested.*



- Enroll online at [PAABLE.gov](https://www.paable.gov) or with a paper application available online or by calling 855-529-ABLE (2253).
  - PAABLE accounts are **FREE to open** (other fees apply).
- **Eligible Individual** must open account if 18 or older with legal capacity to contract.
- To establish an account for minors or adults who lack the capacity to contract, a parent, guardian, or Power of Attorney may open the account (**Authorized Individual**).
- **Authorized Individual** may be parent, guardian, or power of attorney.



## 11 Opening and Maintaining – Contributing to an Account

- You may direct your contributions to one or any combination of seven investment options.
  - Contributions must be at least \$25.
- Contributions can be made online, by check, money order, via payroll deduction, or automatically from a bank.
  - Anyone may make a contribution.
- Roll over your 529 account funds into a PA ABLE account owned by you or a member of your family (limitations apply).
- Annual account contribution maximum of \$15,000 (from all sources).
  - Additional contributions by eligible individual may be permitted.
- Contributions are considered a completed gift to the Account Owner.
  - Importance for gifting – should be directly to ABLE account to avoid impacting benefits.

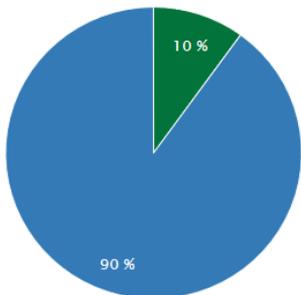


# 12 Opening and Maintaining – Investment Options

## Aggressive Option

Total Asset-Based Fee: 0.37%

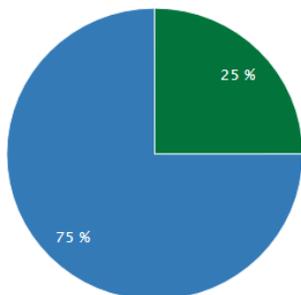
● Total Fixed Income ● Total Equity



## Moderately Aggressive Option

Total Asset-Based Fee: 0.37%

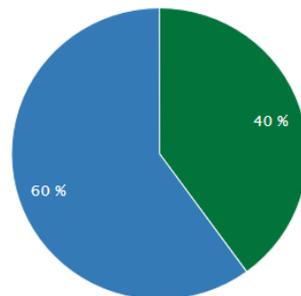
● Total Fixed Income ● Total Equity



## Growth Option

Total Asset-Based Fee: 0.38%

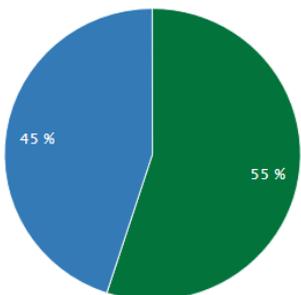
● Total Fixed Income ● Total Equity



## Moderate Option

Total Asset-Based Fee: 0.38%

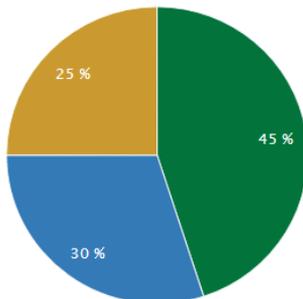
● Total Fixed Income ● Total Equity



## Moderately Conservative Option

Total Asset-Based Fee: 0.36%

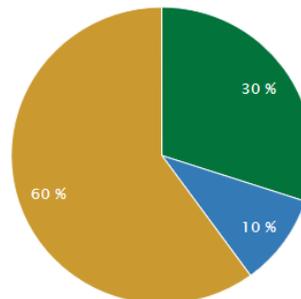
● Total Fixed Income ● Total Equity ● Total Cash Equivalents



## Conservative Option

Total Asset-Based Fee: 0.34%

● Total Fixed Income ● Total Equity ● Total Cash Equivalents



- Six Asset-allocation Options with varying mixes of stocks, bonds, and cash investments ranging from aggressive to conservative.
- Choose from one or all.
- Move funds among options twice in a calendar year.
- At any time, designate another option for new contributions.
- Next slide – Checking Option

- 100 percent of assets are invested in an FDIC-insured interest bearing checking account with Fifth Third Bank, which includes debit card (checks available for additional fee).
- \$0 charge for ATM card if used at one of the 44,000 Fifth Third Bank and partner ATMs (Allpoint and Presto). Out-of-Network ATM fee may apply (\$2.75 per use).
- Monthly service charge of \$2.00 is waived with electronic statements or an average monthly balance of at least \$250.00.
- \$0 overdraft or returned payment fees.
- More at [www.53.com](http://www.53.com) - including ATM locator.
- Customer Service Line: Fifth Third – 888-516-2375



- PA ABLE accounts are **free to open**.
- All PA ABLE accounts have an annual account maintenance fee of \$60 (charged \$15 quarterly).
- If you select e-delivery of statements, confirmations, and plan disclosure documents, the annual fee is reduced to \$45 annually (\$11.25 quarterly).
- Asset-based fees on investment portfolios (range: 0.34% - 0.38%)
- Checking account option fees (previous slide)



You may request a withdrawal:

- Online
- By phone
- In writing

You may also withdrawal from the checking account option:

- By using your debit card at the point of sale
- Making an ATM cash withdrawal
- By writing checks



### QUALIFIED DISABILITY EXPENSES

- Education
- Housing (some limitations)
- Transportation
- Employment training and support
- Assistive technology and personal support services
- Health
- Prevention and wellness
- Financial management and administrative services
- Legal fees
- Expenses for oversight and monitoring
- Funeral and burial expenses

Proposed IRS regulations includes “basic living expenses” and explain all expenses need not be “medically necessary” or for the SOLE benefit of the Eligible Individual



- Withdrawals used for “**qualified disability expenses**” are not subject to taxes.
- Withdrawals used for “**non-qualified expenses**” are subject to income tax on any earnings at the taxpayer’s tax rate plus an additional 10% penalty on the earnings.
- **Consequences for SSI recipients**
  - Withdrawals intended to be used for “qualified disability expenses” do not impact SSI benefits
  - **Withdrawals for non-qualified expenses and housing can impact SSI benefits unless used in the same month the withdrawal is taken.**
- Who determines if expense is qualified or non-qualified?
  - The account owner – subject to an IRS audit or review by the Social Security Administration. ***Documentation should be maintained.***



- Account value over \$100,000 counted as an asset
  - SSI benefits suspended. Not terminated.
  - Doesn't impact Medical Assistance (Medicaid) eligibility
- Importance for gifting – should be directly to ABLE account
- Reporting by recipient to Social Security Administration
- Reporting by states to SSA



- Withdrawals for housing and non-qualified withdrawals can reduce SSI benefits
  - Timing is critical
  - If used in the same month the withdrawal is taken there is no impact
  - If used in a different month from when the withdrawal is taken their benefits may be reduced
- **Example**: If rent is due on the first of the month, a recipient can take their withdrawal and pay their rent in the prior month. If they take their withdrawal in the prior month but pay their rent on the first of the next month, they may have their benefits reduced. Non-qualified withdrawals are addressed in a similar manner with regard to SSI benefits (however there are still tax consequences on the non-qualified withdrawal).



While federal ABLER law permits a state to file a claim **against an ABLER account** for Medicaid paid during the time the beneficiary had an ABLER account, PA's ABLER law prohibits it.

However, federal Medicaid law requires the state agency (PA Department of Human Services) to seek repayment of Medical Assistance **from the estate** if the beneficiary was 55 or older when he or she died.

- For expenses incurred after the beneficiary turned 55, which were for
  - Nursing facility services
  - Home and community-based services
  - Related hospital and prescription drug services
- However, repayment will be delayed when the deceased beneficiary is survived by:
  - A spouse;
  - Child under 21;
  - A disabled child of any age
- The PA Department of Human Services may seek repayment from the beneficiary's estate once the reason for the delay no longer exists.



*This presentation provides only highlights of the PA ABLE Savings Program (PA ABLE).*

*The Pennsylvania ABLE Savings Program is administered by the Pennsylvania Treasury Department. Before investing, please carefully read the Disclosure Statement (available at [PAABLE.gov](http://PAABLE.gov) or by calling 855-529-2253) to learn more about the program, including its effect on federal and state benefits, investment objectives, risks, fees, and tax implications.*



*Questions?*

*Contact Us at 855-529-2253 or  
[info@PAABLE.gov](mailto:info@PAABLE.gov)*

