



CalABLE 101

February 26, 2020

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Welcome



CALIFORNIA STATE TREASURER

FIONA MA, CPA

Presenters

Dante Q. Allen

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Dante Allen is the executive director for the CalABLE Act Board and is responsible for the strategic direction and operations of the program. Prior to joining CalABLE, Dante served in senior communications roles for organizations both large and small.



Presenters

Anne Osborne

Program Manager, CalABLE

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Anne Osborne is responsible for the outreach and education of CalABLE. Prior to joining CalABLE, Ms. Osborne was the lead analyst with the California School Finance Authority where she developed regulations and managed charter school grant funding.



Presenters

Glenn Friedman, CFA

Manager of Asset Allocation
TIAA-CREF Tuition Financing, Inc.

Glenn joined TIAA-CREF Tuition Financing, Inc. in 2013 as a Manager of Asset Allocation and Investments. He creates investment designs for state clients, conducts manager due diligence, evaluates portfolio risk and return characteristics, and delivers presentations to clients covering market updates and plan performance.

In a previous role, Glenn managed over \$10 billion in active equity products and implemented daily trading decisions for stocks, futures and currency overlays.



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Savings for people with disabilities

Achieving Better Life Experiences Act 2014

- Adds Section 529A Qualified ABLE Program to the Internal Revenue Code.
- Allows states to create **tax-advantaged** savings and investment programs for people with disabilities.
- Provides that assets in your ABLE account **will not affect eligibility for means-tested benefits like SSI or Medi-Cal.**

Disability defined

- An *eligible individual* is someone who, because of a functional limitation, qualifies for Supplemental Security Income (SSI) or Social Security disability benefits, or who can show that s/he has a physical or mental disability or blindness equal to the Social Security level of disability.
- The onset of the disability must have occurred before age 26, be severe in nature and be expected to last a year or longer.
- Must meet Social Security definition of disability included in the List of Compassionate Allowances or the Blue Book.

Why ABLE?

- ABLE Act is meant to empower people with disabilities and help them save to cover the additional costs of living and working with a disability.
- ABLE can support the financial well-being of people with disabilities to provide for themselves and their families.
- It also allows individuals with disabilities to maintain public benefit status even while saving above the established resource limits.

Who is Eligible?

- Must be disabled before age 26 **AND**
- Meet the eligibility criteria for disability benefits like SSI or SSDI - **OR-**
- Self-certification: has been diagnosed by a qualified physician with a physical or mental disability resulting in marked and severe functional limitations that is expected to last at least one year.
- Condition is listed on SSA's List of Compassionate Allowances or Blue Book Listings.

CaIABLE

- California's Qualified ABLE Program, established in 2018.
- Generally mirrors the federal act.
- Online-based savings and investment program.
- Administered through the California State Treasurer's Office.



Means-tested benefits programs

- Many benefits programs for people with disabilities have requirements and limitations based on the available resources of the beneficiary.
- These requirements are based on the type and severity of disability.
- Most programs have separate limitations for assets and income. Income is the amount of money (earned or unearned) that the beneficiary receives in a month. Assets are additional financial resources and include things like property and cash savings.
- ABLE was specifically developed to help individuals exceed the asset limits of these programs. It is not intended as a shelter for income.

Before ABLE

- SSI beneficiaries were limited to having less than \$2,000 in savings

Important things to know about ABLE

Most Important ABLE Aspects

- Beneficiary is always the account owner.
- Only one ABLE account per beneficiary.
- Criteria to open an ABLE account for an eligible individual:
 - U.S. Citizen residing in the United States.
 - 18 years old or older with the legal capacity to contract.
 - Have a Social Security number and permanent address.

Authorized Legal Representative

Authorized Legal Representative Definition:

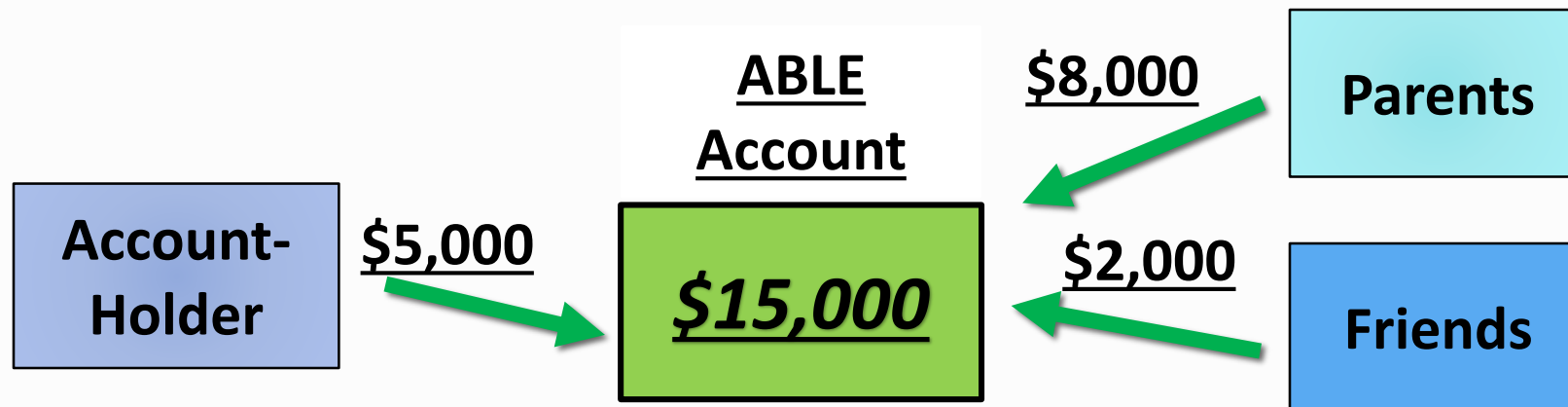
- Must meet the beneficiary criteria.
- Parent or legally appointed guardian.
- A person granted a legally enforceable power of attorney to act on behalf of the beneficiary.

ABLE Contributions

- Accounts are **asset-protected**—they cannot shelter income.
- Function like both a savings and checking account.
- Annual contribution limits: \$15,000, plus \$12,490 if working.

ABLE Contributors

- **Anybody can contribute**, including family, friends and individual account-holders.
- **\$15,000 limit is cumulative** among all parties.



Contribution Limits

- SSI will disregard amount in ABLE account up to \$100,000 benefits (contribution + earnings).
- \$529,000 total contribution cap for CalABLE (contribution only).
- Withdrawals are tax and penalty-free when used for Qualified Disability Expenses.

What is a Qualified Disability Expense (QDE)?

Any expense related to the designated beneficiary as a result of living a life with disabilities that helps to maintain or improve:

- **health**
- **independence**
- **quality of life**

QDE Examples

- Education
- Housing
- Transportation
- Employment training and support
- Adaptive equipment
- Health, prevention and wellness
- Vacation
- Financial management and oversight

Non-QDEs

- **Non-QDE:** Not illegal, but if taken, the expense is now subject to regular income taxes, plus a 10% tax penalty on account earnings—and benefits may be at risk (expense may now be considered a resource). Potential examples include:
 - Gambling
 - Alcohol
 - Expenses deemed questionable by the IRS

ABLE to work

- Permits working account owners to contribute above the \$15,000 annual contribution limit, if they or their employer are not contributing to a retirement plan.
 - Can contribute whichever is less:
 - Amount equal to annual gross salary OR
 - Federal Poverty Level (\$12,490 in 2020)
 - For a potential \$27,490 per year

Additional Tax Reform changes

- Rollovers from a 529 College Savings Account into an ABLA Account:
 - Funds will be rolled into an account belonging to the 529 beneficiary or a member of the beneficiary's family.
- Access to Saver's Credit:
 - Beneficiaries may qualify for this credit to help low- and moderate-income workers.
 - Contributions limited to \$2,000 per beneficiary, depending on your income.

All three provisions sunset after 2025.

ABLE vs. Special Needs Trusts

- Complementary tools that make up a broader financial planning strategy
- SNTs provide similar benefit protections as ABLE
- Not subject to contribution limit
- Less flexibility on how the money may be used

- **Advantages of ABLE Account:**
 - Inexpensive to set up and maintain.
 - Can be used to pay housing expenses without affecting SSI.
 - Tax-advantaged status.
 - Beneficiary has more control over funds.
 - Can open the account at any age (assuming disability started before age 26).

ABLE Impact on Housing

Reinforces the language and spirit of the Federal ABLE Act

- HUD will exclude:
 - ABLE funds in determining family income.
 - Third-party contributions.
 - The total value of an ABLE account from household assets.
 - Distributions from an ABLE account are not considered income.
- Wage income received will be included as income.

** Withdrawal and payment of housing expenses must occur in the same calendar month to avoid problems with program benefits.*

CaIABLE

CalABLE Basics

- Low fees.
- Free, easy online enrollment process
- Contributions/deposits can be made via electronic fund transfers (ACH) from a bank account, or by check
- National Program
- Prepaid debit card

CalABLE Act Board

- California State Treasurer's Office.
- Treasurer Fiona Ma, Board Chair.
- Meetings are held quarterly and are open to the public.



Ready to open your account?

Get started at: CalABLE.ca.gov



**Save & invest for the future
without affecting public
benefits.**

Tax-free treatment on earnings and withdrawals to pay for disability-related expenses.

[OPEN AN ACCOUNT](#)



What is needed to enroll?

- Social Security Number and Government issued ID of the beneficiary (and ALR if assigned).
- \$25 initial deposit.
- Routing and account number if you wish to link a bank account in order to transfer money to/from the CalABLE account.

Application walkthrough

- Personal information—create user ID and password.
- Provide beneficiary or Authorized Legal Representative.
- Select delivery options of how you would like to receive your statements and other information.
- Choose investment option.
- Link a bank account.
- Request a prepaid card.
- Make necessary certifications.

Getting money into your account

- Login at CalABLE.ca.gov.
- Deposits/contributions can be made at any time by check through USPS or by ACH transfer from an account linked to the CalABLE account or through the eGift portal.
- Allow 10 business days for contributions made by check or ACH transfer.

Receiving money from your account

- Login at CalABLE.ca.gov.
- Withdrawals/distributions can be requested by check (\$5/check fee) and mailed, or ACH transfer to connected account.
- Funds can be also loaded directly from the CalABLE account onto the optional Prepaid Card, which can be used where Visa debit cards are accepted.
- CalABLE does not track or verify whether a distribution is a QDE—keep records.
- Allow 10 business days for distributions made by check or ACH transfer.

Introducing the CalABLE Visa[®] Prepaid Card



- Load and reload your card directly from the CalABLE web portal.
- Use the card anywhere Visa debit cards are accepted, online or in-store.
- Statements provide purchase records.
- Low fees.

The CalABLE Visa Prepaid Card is issued by MetaBank[®], Member FDIC, pursuant to a license from Visa U.S.A. Inc

AchieveABLE Corner

**Discover just-in-time
financial education
resources for current
and future CalABLE
account holders**

AchievABLE Corner



Saving and investing

- Investments managed by TIAA-CREF.
- Money can be deposited into an FDIC insured portfolio or invested in any of three Target Risk Investment Options.
- Fees vary based on the savings/investment options selected.
- Funds may be transferred between portfolios two times annually.

Selecting your investment options

Core beliefs that guide the Investment Menu

- **Diversification.** Investment options that contain multiple components should be highly diversified and capture all relevant asset classes.
- **Simplicity.** Investment options should not be overwhelming to plan investors and should be easily identifiable and distinct from one another.
- **Choice.** Investment options should span the risk spectrum and offer plan participants the ability to achieve different investing goals.
- **Cost.** Investment options should be inexpensive.

CalABLE's four investment choices

FDIC-Insured Portfolio: Seeks a stable, conservative return by investing in a low risk, interest-bearing deposit account.

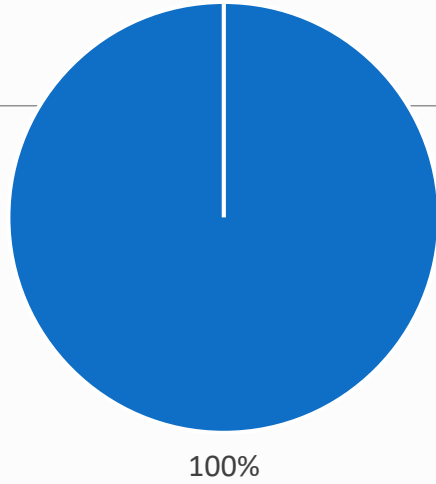
Conservative Portfolio: Seeks a conservative to moderate long-term total return by investing primarily in bond funds, with smaller allocations to stock funds and a funding agreement.

Moderate Portfolio: Seeks a moderate long-term total return by investing in stock funds, bond funds and a funding agreement.

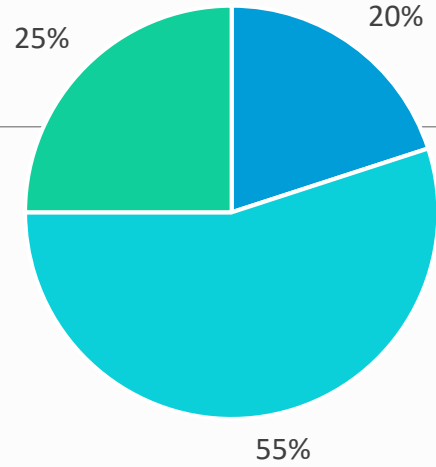
Aggressive Growth Portfolio: Seeks aggressive growth and long-term total returns by investing primarily in stock funds.

- Interest-Bearing Account
- Stocks
- Bonds
- Funding Agreement

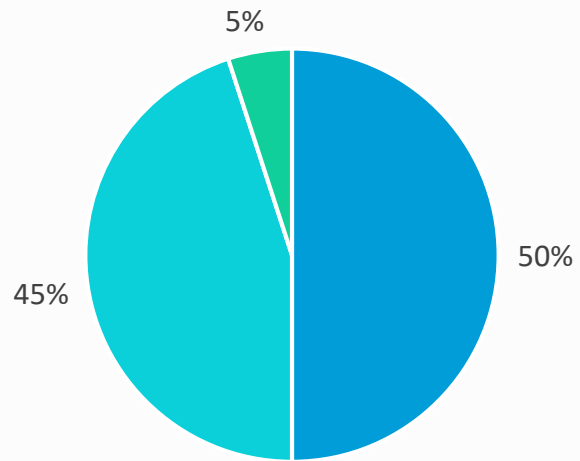
FDIC-Insured



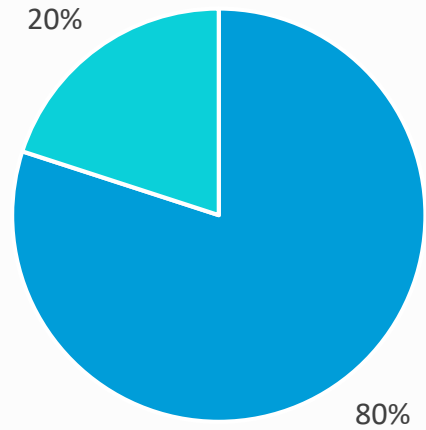
Conservative Portfolio



Moderate Portfolio



Aggressive Growth Portfolio





Interest-bearing

- Bank account from TIAA Bank:
- Savings account that includes interest payments.
 - FDIC Insured up to FDIC-permitted limits (generally up to \$250,000).



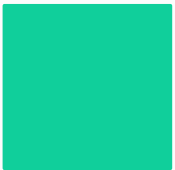
Stocks

- Diversified mutual funds from TIAA that target the U.S., international developed, and emerging market regions:
- Index funds track, as closely as possible, their respective market segment.
 - Costs are kept low.



Bonds

- Diversified fixed income funds from TIAA that target investment-grade bonds and inflation:
- Primarily covers government-issued bonds, highly rated corporates, securitized assets, and Treasury Inflation Protected Securities.
 - Costs are kept low.



Funding Agreement

- Insurance agreement with TIAA-CREF Life Insurance that guarantees a minimum rate between 1-3%:
- Reset annually.
 - Provides stability, protected from market risk.



INVESTMENT OPTIONS

How would you like the money in your CalABLE account to be invested?

- Before making a selection, please ensure you have read the [Program Disclosure Statement](#).
- Contributions will be invested according to the choices you designate below. You may select one or more.
- Your choices must total to 100%.
- You can change your future investment choices at any time by logging into your account.

CONSERVATIVE ⓘ

%

MODERATE ⓘ

%

AGGRESSIVE GROWTH ⓘ

%

FDIC-INSURED ⓘ

%

Total Allocations



%



Investing comes with risk:

- Your account value may go down for a variety of reasons
- **Resources are available:**
 - The Program Disclosure Statement contains a list of risks that should be reviewed before investing.
 - Also contains historical performance for all investment options, information on fees, and cost examples.
- The investment option(s) you select should be aligned with your personal preference, risk tolerance or style.
- May also consider other investment accounts outside of CalABLE or consult a financial advisor/tax expert before choosing.
- Past performance is no guarantee of future results.

CalABLE Details

CalABLE fees

Fee type	
Account Maintenance Fee (annual—assessed monthly)	\$37
Underlying Investment Fee (varies per investment choice & asset-based)	0.00% - 0.09%
State Administrative Fee	0.44%
Paper Statement Mail Delivery Fee (annually)	\$10
Insufficient Funds (per occurrence)	\$20
Check Issuance Fee (per check)	\$5

- Online enrollment free
- \$25 minimum deposit to open account

CalABLE fees (cont'd)

\$3,000 Assumed Assets				
Investment Option	FDIC	Conservative Growth	Moderate Growth	Aggressive Growth
Annual Account Maintenance Fee*	\$37	\$37	\$37	\$37
Underlying Investment Fee 0.00% FDIC 0.09% Conservative 0.09% Moderate 0.08% Aggressive	\$0	\$2.70	\$3	\$2.40
State Administrative Fee	\$0	\$13.20	\$13.20	\$13.20
Total Annual Fees**	\$37	\$52.90	\$53.20	\$52.60

* Annual Account Maintenance Fee deducted from account proportionately on monthly basis.

**Paper statements will include an additional annual \$10 fee.

Protection from Medi-Cal Recovery & creditors

- SB 218 (Dodd) passed in 2017:
 - Medi-Cal will not file a claim directly on the ABLE account. The state may recover on assets that have transferred from an ABLE account to an estate.
- AB 688 (Calderon) passed in 2017:
 - Exempts ABLE accounts from enforcement of money judgements.
- Account protection only applies to California residents with a CalABLE account.

What happens when an account owner passes away?

- Any outstanding QDEs may be paid using ABLE funds.
- The account is then transferred into the deceased individual's estate.
- Medi-Cal will only attempt recovery if (all conditions must apply):
 - The deceased was age 55 or older.
 - The individual was a user of comprehensive Medicaid services (in-home support, skilled nursing, etc.).
 - The individual's estate is required to go into probate (\$150,000 or more).
 - The individual is not survived by a spouse or children under 18 or a disabled child of any age.

Making sure you keep your benefits

- Keep track of all documents and files.
- Report money in your ABLE account to SSA and/or Medi-Cal.
- Include a letter explaining that ABLE should not eliminate your benefits.

If your benefits get canceled

- Gather all records and go to SSA and/or Medi-Cal office right away!
- Consider printing “What are ABLE Accounts” (or other relevant pages) from www.ableNRC.org.
- Express your urgency. Especially if Medi-Cal is your only insurance or if you get IHSS for attendants.
- Check in with your bank, doctors and attendants if delays will affect your income, healthcare, IHSS payments or other supports.

Need help with the enrollment process?

CalABLE Customer Engagement Center

Open 9:00 a.m. to 5:00 p.m. PST

Monday – Friday

[833-Cal-ABLE \(833-225-2253\)](tel:833-225-2253)

CalABLESupport@CalABLE.ca.gov



Additional Resources

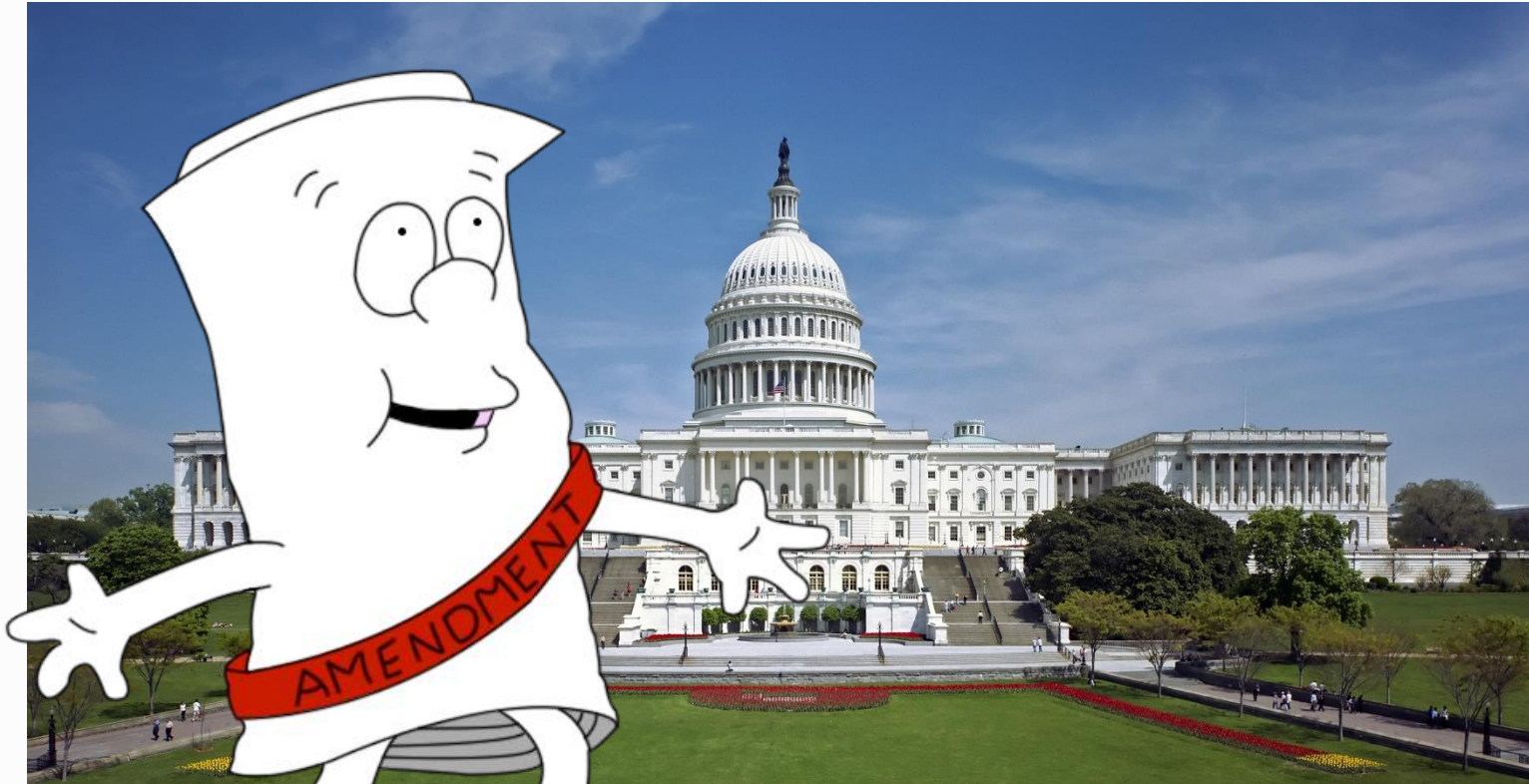
ABLE National Resource Center: <https://www.ablenrc.org/>

Disability Benefits 101: <https://www.db101.org/>

**Social Security Program Operations Manual System
(POMS:)**

<https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740>

Future of ABLE



ABLE Age Adjustment Act

The ABLE Age Adjustment Act (S. 2704/HR 4813) would raise the age limit for ABLE accounts up to age 46 (from the current 26):

- Useful for acquired disabilities (i.e. multiple sclerosis, spinal cord injury, some blindness and hearing loss, etc).
- Expands the pool of potential ABLE account-holders, including veterans and those with less time to save.

California proposed third-party contributions

- Exploring state legislation to make Third-party contributors tax deductible

Upcoming Webinars

- March 17, 2020-ABLE National Resource Center
- June 17, 2020-CalABLE Webinar Series Continues
- Contact us for in person education opportunities

Connect With CalABLE

- **Find us on Facebook, Twitter, YouTube and LinkedIn**
 - Facebook: California ABLE Act Board
 - Twitter: @CalABLE_Board
 - YouTube: California ABLE Act Board
 - LinkedIn: California ABLE Act Board
- Join our **email distribution list**: visit <http://www.treasurer.ca.gov/able>; under “Quick Links” in left side bar, click “Sign Up to Receive CalABLE Information”



Consider the investment objectives, risks, charges and expenses before investing in the California 529A Qualified ABLE Program (CalABLE Program). Please call toll-free 833-CAL-ABLE for a Disclosure Statement containing this and other information. Read it carefully.

Before investing in any ABLE program, you should consider whether your home state provides its taxpayers with favorable state tax or other benefits that are only available through investment in the home state's ABLE program. You also should consult your financial, tax, or other adviser to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to directly contact your home state's ABLE program, or any other ABLE program, to learn more about those plans' features, benefits and limitations. State-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

The CalABLE Program is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter.

None of the State of California, its agencies, TFI or TCS nor any of their applicable affiliates insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment option, and you may lose the principal amount invested. The FDIC Insured Portfolio is FDIC-insured up to \$250,000, subject to certain restrictions. Interests in the CalABLE Program are not registered with or in any way approved by the Securities and Exchange Commission or by any state securities commission. 1099668



Questions

