CalABLE

Providing greater financial security to Californians living with a disability

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ABLE Background

Achieving Better Life Experiences Act of 2014

- Added Section 529A Qualified ABLE Program to the Internal Revenue Code.
- Allowed 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**

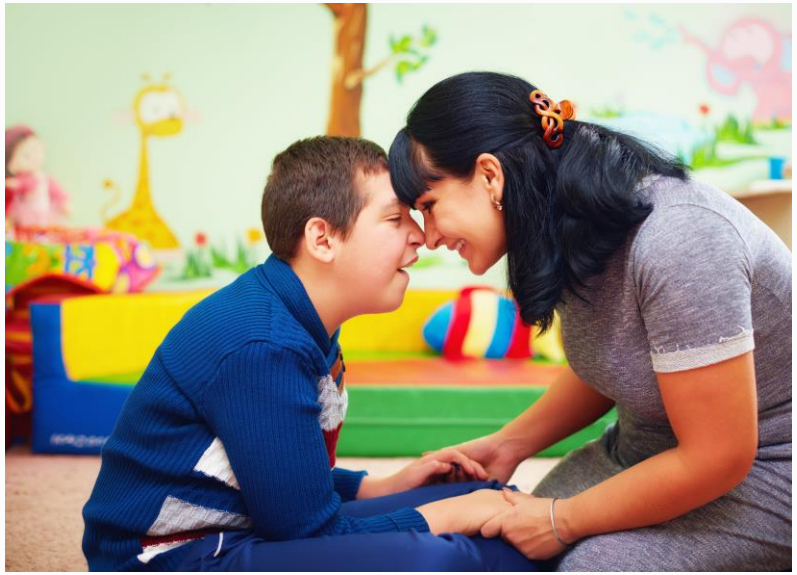
Why ABLE?

- The ABLE Act was established 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.

California ABLE Act: “CalABLE”

CalABLE - California’s ABLE Program

- California ABLE Act generally mirrors the federal law
- Online-based savings and investment program
- A national program
- Program administered by the State Treasurer and overseen by seven-member Board
- Launched on December 18, 2018



ABLE Basics

Some ABLE Basics

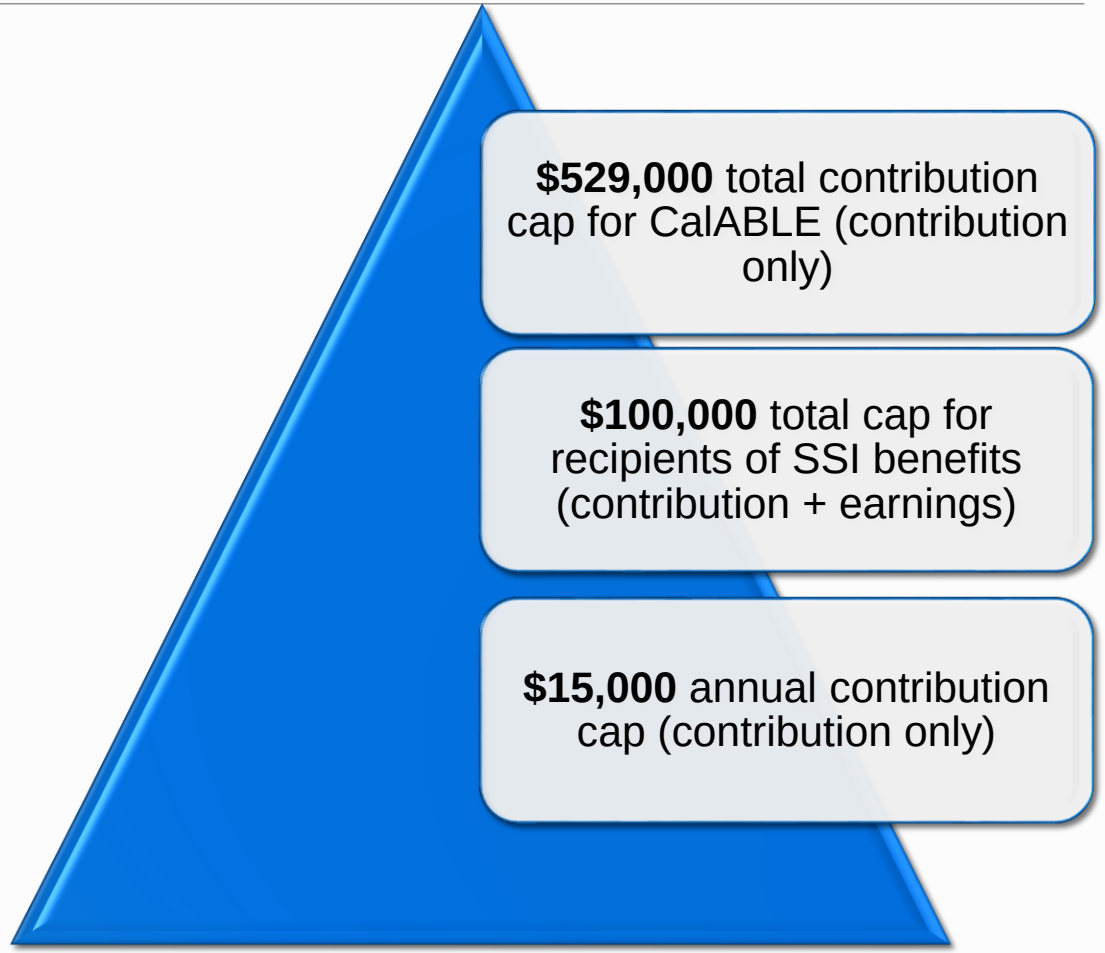
- Only one ABLE account
- Beneficiary is always the account owner
- Account can be opened by the beneficiary or an **Authorized Legal Representative** (parent, legal guardian/conservator, Power of Attorney)

Who is Eligible?

- Must be disabled before age 26 **– AND –**
- Meets 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

Account Contributions

- Before the ABLE Act
  - A person with a disability could not save more than $2,000 without impacting their SSI
- Now
  - You can save up to $15,000 per year and up to $100,000 in total before SSI is impacted
- CalABLE will automatically reject excess contributions



ABLE to Work

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

How Do ABLE Accounts Work?

How Do ABLE Accounts Work?

- Accounts are designed to **protect assets**, but they cannot shelter income
- Function both like a savings/checking or an investment account
- Anyone can contribute
- Funds are tax-exempt as long as they are spent on “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 maintain or improve your health, independence or quality of life**
- Categories are **intentionally broad**, and include education, **housing***, transportation, health care expenses and more
- **Non-QDE:** Not illegal, but if taken, 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)

Housing Guidance

Reinforces the language and spirit of the Federal ABLE Act

- HUD will exclude:
  - ABLE funds in determining family income
  - Third-party contributions
  - The entire 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*

Protection from Medi-Cal Recovery and Creditors

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

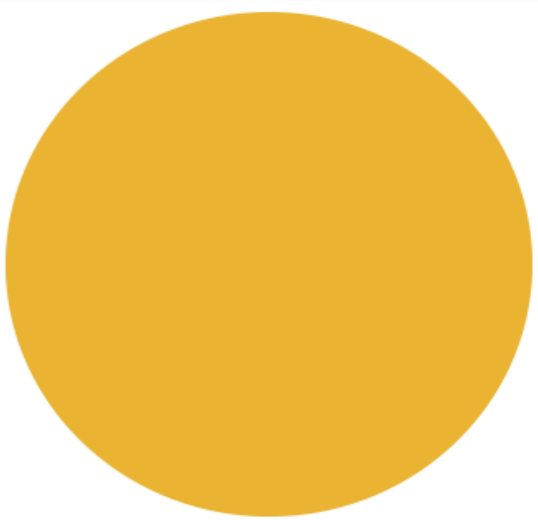
Investment Options

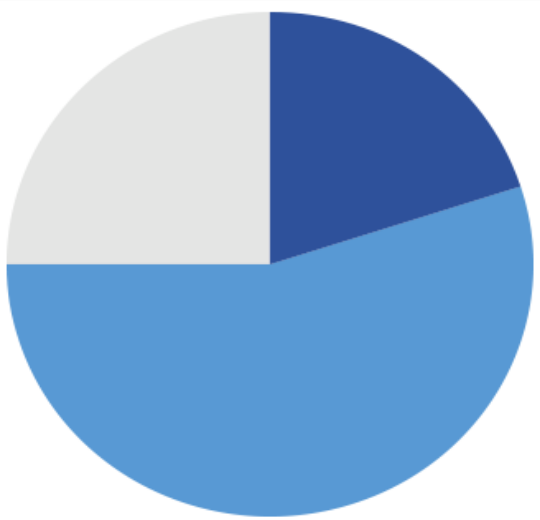
Saving and Investing

- 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

FDIC- Insured Portfolio

100% Interest-Bearing



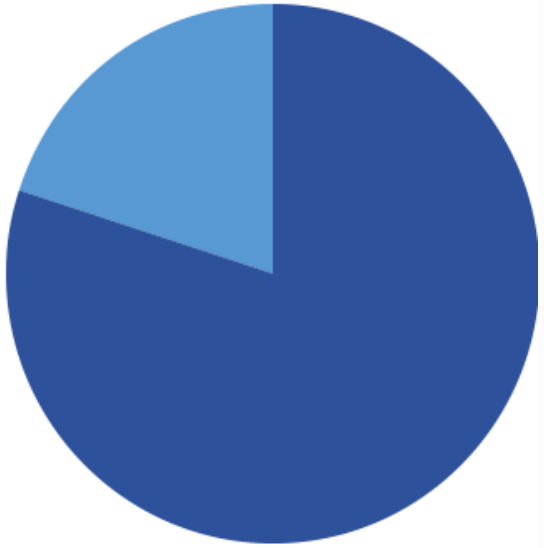


Conservative Portfolio

20% Stocks
55% Bonds
25% Funding Agreement

Moderate Portfolio

50% Stocks
45% Bonds
5% Funding Agreement



Aggressive Portfolio

80% Stocks
20% Bonds

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 mo
- Your choices must total to 100%.
- You can change your future investment choices at any time by logging into your account.

CONSERVATIVE	25	%
MODERATE	25	%
AGGRESSIVE GROWTH	50	%
FDIC-INSURED		%
Total Allocations	100 ✔	%

CalABLE Fees

Fee Type	
Account Maintenance Fee (annual – assessed in monthly installments)	$37
Underlying Investment Fee (asset-based; varies per investment choice)	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
Prepaid Debit Card (monthly)	$1.25*

** Additional fees may apply. Visit www.calablecard.com for a full listing of fees associated with the card*

CalABLE Fees (cont'd)

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

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

Opening an Account

CalABLE Features and Benefits

- Free, easy online enrollment process
- Contributions / deposits can be made **by anyone** via electronic fund transfers from a bank account, or by check
- eGifting
- Prepaid debit card

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

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

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

Ready to Open Your Account?

Get started at CalABLE.ca.gov

Resources and Contacts

Additional Resources

A collaboration between NDI and CalABLE

nationaldisabilityinstitute.org/achievable-corner

CalABLE Resources - treasurer.ca.gov/able/resources.asp

ABLE National Resource Center - ABLENRC.org

Disability Benefits 101 - DB101.org

CalABLE Staff

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Need Help with the Enrollment Process?

CalABLE Customer Call Center

Open 9:00 AM to 5:00 PM Pacific Time
Monday – Friday

833-Cal-ABLE (833-225-2253)

CalABLESupport@CalABLE.ca.gov

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”

Questions?

Disclaimer Statement

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.

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