



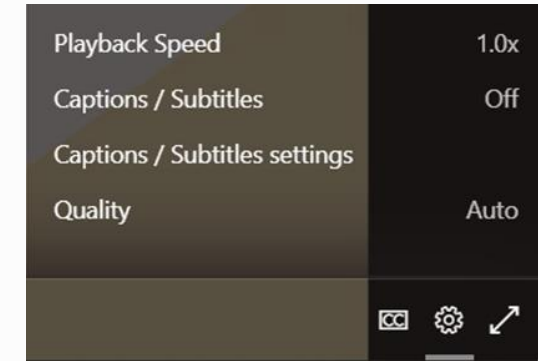
Qualified Disability Expenses



Webinar Setup

■ Captioning

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- Via your computer speakers: please make sure your speakers are turned on or your headphones are plugged in – *OR* –
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- For Q&A: Please use the Q&A box to submit any questions you have during the webinar, and we will direct the questions accordingly during the Q&A portion.
- If you are listening by phone and not logged in via a computer, you may also submit questions by emailing us at calable@treasurer.ca.gov.

Please note: this webinar is being recorded and the materials will be made available on the CalABLE website at <https://www.treasurer.ca.gov/able/index.asp>.

Welcome

Fiona Ma, California State Treasurer



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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.**
- **CalABLE is California's version of the ABLE Act.**



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 their public benefit status even while saving above the established resource limits.

ABLE Basics

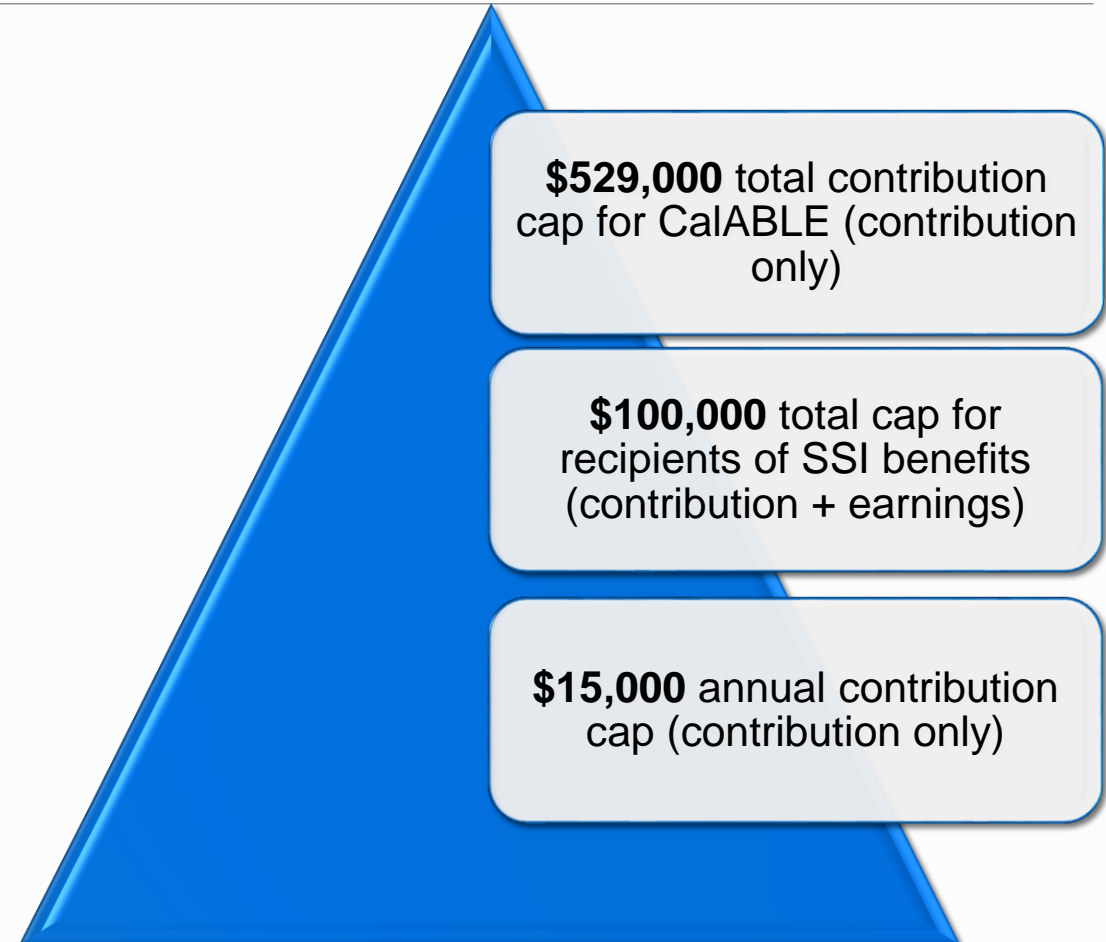
- Only one ABLE account
- Beneficiary is always the account owner
- Account can be opened by the beneficiary or an **Authorized Legal Representative** (parent, legal guardian/conservator, Power of Attorney)

Who is Eligible?

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

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 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



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
- Prepaid Debit Card option available
- 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**
- Program Operations Manual System (POMS) (4/16/2020)
<https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740>

POMS Examples of QDEs

- Education;
- Housing;
- Transportation;
- Employment training and support;
- Assistive technology and related services;
- Personal support services;
- Health;
- Prevention and wellness;
- Financial management and administrative services;
- Legal fees;
- Expenses for ABLE account oversight and monitoring;
- Funeral and burial; and,
- Basic living expenses.

Meet Armand - CalABLE Account Owner



“My CalABLE account helps me strive toward my long term financial and personal goals. The two goals I set for myself are to save up for graduate school and save up to move into my own apartment.”



Example: Change of Intent on the Use of a Distribution

In June, Jennifer takes a \$7,000 distribution from her ABLE account to pay an educational expense that is a QDE. Her educational expense is due in September. In August, Jennifer gets a job offer and decides not to return to school. The \$7,000 becomes a countable resource in September because she no longer intends to use it for an educational expense that is a QDE, unless Jennifer re-designates it for another QDE or returns the funds to her ABLE account prior to September.

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*



POMS Housing Expense Examples

Housing expenses for purposes of an ABLE account are similar to household costs for in-kind support and maintenance purposes.

However, for ABLE purposes, food is considered a qualified disability expense (basic living expense), but not a housing expense.

- Mortgage (including property insurance required by the mortgage holder);
- Real property taxes;
- Rent;
- Heating fuel;
- Gas;
- Electricity;
- Water;
- Sewer; and
- Garbage removal.

Housing Expense Example

Amy takes a distribution of \$500 from her ABLE account in May to pay a housing expense for June. She deposits the \$500 into her checking account in May, withdraws \$500 in cash on June 3, and pays her landlord. This distribution is a housing expense and part of her checking account balance as of June 1, which makes it a countable resource for the month of June.

Meet Amy – Parent of an ABLE Account Owner



“Scott will always need help managing money and paying his bills. It would not be prudent to give him access to a large amount of money, but having the ABLE account will allow him to gain some basic financial skills. Having an ABLE account is ideal for maximizing his benefits and financial independence.”

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

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 is a Non-Qualified Disability Expense (QDE)?

- **Non-QDE:** It is not illegal to take a Non-QDE, but if taken, the non-QDE 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)
 - Purchasing a gift for someone else
 - Anything illegal – drugs, items banned by the federal government

Non-Qualified Disability Expense Example

Sam takes a distribution of \$25,000 from his ABLE account in May for an assistive technology and related service. He pays a \$10,000 deposit. While waiting for the service to be completed, Sam takes a trip to a local casino in July where he loses \$1,000 of his ABLE distribution gambling. The \$1,000 he lost gambling is a countable resource in July. The other \$14,000 Sam retains is an excluded resource while it meets the requirements of a QDE.

Who's Keeping Track?

- CalABLE does not make a determination on what is considered a QDE
- Account holders are responsible for determining if the withdrawal meets the QDE criteria
- Account holder may be subject to an audit by the IRS
- Account holder maybe asked during the SSI benefits review to provide documentation

QDE Recordkeeping Tips

- Review your statement for accuracy
- Match your receipts to the statement
- Keep notes with your receipts
- Keep your receipts in a safe place – three years

Your Transaction History Online



CalABLE

[Contact Us](#)

Quarterly Statement

The screenshot shows the CalABLE website interface. At the top, there is a navigation bar with the following links: Home, Your Account, eGift, Financial, Documents, Profile, and Log Out. The 'Documents' link is circled in red. Below the navigation bar, there is a dropdown menu for 'Your Account' with the following options: Account Details, Enroll a Beneficiary, and Transaction History. The 'Transaction History' option is circled in red. On the left side, there is a section titled 'YOUR ACCOUNTS' with two links: MIKE N. TROUT and JAMES TROUT. Below this section, there is a note: 'Click on any name listed below to take action on that account'. In the center, there is a section for 'ROBERT J. TROUT' with the following information: Permanent Address: 225 ANAHEIM ANGELS WAY, LOS ANGELES, CA 90210; Primary Phone: (415) 555-4872; Secondary Phone: NOT ON FILE. There is an 'Update' button below the mailing address. On the right side, there is a section titled 'News & Announcements' with a sub-section titled 'Coronavirus Update' and a brief description of the update.

Keeping Notes

Transaction History

Beneficiary:

Current Account Balance: \$34,591.70
Available for Withdrawal: \$34,591.70

Transactions

Requested	Amount	Type	Method	Type or Payee	Processed
5/1/2019	(\$3.08)	Fee		N/A	5/1/2019
2/7/2019	\$100.00	Contribution	ACH	Work Contribution	2/7/2019
12/20/2018	(\$1,000.00)	Withdrawal	Check	N/A	2/7/2019

A	B	C	D	E	F	G
Requested	Amount	Type	Method	Type or Payee	Processed	Comments
2/7/2019	\$100.00	Contribution	ACH	Work Contribution	2/7/2019	
12/4/2018	\$2,758.46	Contribution	ACH	Work Contribution	12/4/2018	
7/29/2020	(\$34,591.70)	Transfer Out	Transfer	N/A	7/29/2020	
7/24/2020	(\$34,591.70)	Transfer Out	Transfer	N/A	7/24/2020	
4/3/2020	(\$100.00)	Withdrawal	ACH	N/A	4/6/2020	Transportation
4/3/2020	(\$500.00)	Withdrawal	ACH	N/A	4/6/2020	Rent
7/15/2019	(\$300.00)	Withdrawal	Check	N/A	7/23/2019	Groceries

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

Dante Allen

Executive Director

Dante.Allen@treasurer.ca.gov

(916) 653-4046

Sandra Kent

Associate Governmental Program Analyst

Sandra.Kent@treasurer.ca.gov

(916) 651-3257

Anne Osborne

Program Manager

Anne.Osborne@treasurer.ca.gov

(916) 653-0665

CalABLE Act Board Office

CalABLE@treasurer.ca.gov

(916) 653-1753



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 \(833-225-2253\)](tel:833-225-2253)

CalABLESupport@CalABLE.ca.gov



Connect With CalABLE

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 - Twitter: @CalABLE_Board
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 - 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.

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