CalABLE Webinar: Ask the Expert

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SANDRA KENT: Good afternoon and welcome to CalABLE's Ask the Expert webinar. My name is Sandra Kent, and I am an analyst with CalABLE. Before we begin the webinar, I'd like to quickly go over some housekeeping items for today's broadcast. Live captioning is provided and can be accessed through a clickable link in the Chat section of your webinar control panel.

If you have technical difficulties during the webinar, please contact GoToWebinar at (877) 582-7011 or https://support.logmeininc.com/gotowebinar. I'll note that streaming quality and audio can often be improved by simply closing any tabs and applications that you are not using during the webinar.

In the Handouts section of the control panel, you will find a copy of the slides from a longer CalABLE presentation, as well as some FAQs that might help answer some of the questions about the fundamentals of the CalABLE program. The beginning of today's webinar is a condensed version because we really hope to spend the majority of the time answering the questions you submitted either on the webinar registration form, or those you submit to us during this live broadcast. To submit questions, go to the Questions section of the control panel and type in your question for us.

And finally, a replay of this webinar will be available on our YouTube channel within about a week. Our YouTube channel also has a replay of our CalABLE 101 webinar, which is a longer explanation of the program and may be helpful for those of you who have not attended a CalABLE presentation before.

So now, I'd like to turn it over to Audrey Noda, who is the deputy treasurer for health and education here in the State Treasurer's Office. And she supervises the CalABLE Act Board. So Audrey?

DEPUTY TREASURER AUDREY NODA: Good afternoon, everyone. Again, I'm Audrey, the deputy treasurer for health and education, and on behalf of Treasurer Fiona Ma, who chairs the CalABLE Board, I would like to welcome you to CalABLE's Ask the Expert webinar. Today's webinar is an informal session where we'll discuss the basics of CalABLE. You'll have an opportunity to ask the expert questions about the programs. We want to hear from you and answer your questions about using your CalABLE account. Your questions provide valuable feedback, which helps us improve the program. CalABLE is a critical step toward ensuring that people with disabilities have access to important resources that can help put them on the path toward financial stability. Thank you for taking the time to join us, and I hope you find today's information useful. We'll continue to bring you content that is designed to improve the lives of the many people we serve. And now, I'd like to turn things over to CalABLE's expert, Executive Director Dante Allen.

DANTE ALLEN: Thank you, Deputy Treasurer Noda, and let me say thank you [audio cuts out]….

I'm sorry. A little technical difficulty. Not sure what happened, but was cut off as soon as I started speaking. As Audrey let you know, my name is Dante Allen. I'm the executive director for CalABLE. I really do want to thank you all for taking the time to come and talk with us today. This is actually the third in our webinar series on CalABLE. And as we move these forward, we'd like to get a little bit more sophisticated in how we are talking about the program so we want to get beyond the basics. And so one of the things that I know is very important to all of you are your questions. I'm certain that there are very specific questions that you may want to have answered. And this is a great opportunity to be able to do that.

The one thing that I want to do is I want to limit your expectations, and while I have been described as an expert, I would say that that expertise is limited and primarily limited to CalABLE. I've been with the program for two years and have studied it a great deal. But I'll tell you a few things about what I'm not. I'm not a licensed financial or investment advisor, and I will not provide you with financial advice. Now, there is some education that I can provide, and maybe even recommend the kinds of things that you should be thinking about when you are making your decision, but I will not give you direct advice on that. I'll also limit you by saying that I am not a benefits expert. I've studied a great deal about how benefits programs are impacted by CalABLE, and I will always give you my perspective from that standpoint.

The other thing that I'm going to do is spend quite a bit of time providing answers, but I really want you to know that all of these answers are things that you can find yourself, and I'm actually going to give you the resources to be able to do that. As a matter of fact, there are a number of websites that we use that have the information that we're willing to share with you today, and I just placed them in the chat, and so they're all available to you. They should be clickable links. If you can't click them and go to them, you can always copy and paste them. But these are the resources that we use the most.

And the first one, as you can imagine, is the CalABLE website. CalABLE.ca.gov is an excellent resource. It has all the ins and outs about the CalABLE program. It also has a link to our Disclosure Statement. And that Disclosure Statement is the step-by-step of all the policy and rules associated with joining CalABLE. It gives you all of the details about how everything works, whether it's from how long does your money need to be deposited before it can be withdrawn, to what you should do if you run into problems. In addition, later on in the slides that I have for you are the contact information for all of the CalABLE staff, and you can reach us directly, and we're available to help you as well as we have an 800 line, a customer service line, if you have very specific questions about your account.

I also have included the website address for the CalABLE Visa Prepaid Card. Now, that card is an optional item that is available to folks, and you may have the desire to get a CalABLE card. And so there are a few additional rules that aren't included in our Disclosure Statement that affect the card. The primary website that we use, and this is maybe especially useful for those who receive federal benefits, whether it's SSI or SSDI, is on the Social Security Administration's website. They have their Program Operations Manual System, or POMS for short. The POMS give you the detailed information of exactly how Social Security will judge everything that is related to ABLE. So it is a very valuable resource. And then the final website that I've given you is the ABLE National Resource Center, ablenrc.org, and that is a great website if you want to compare and contrast each state's ABLE program.

As you know, CalABLE is a federal – or ABLE is a federal law that allows states to create their own qualified ABLE programs. CalABLE is California's version, and there are many other programs that you can explore and may be interested in. And you may even be able to enroll. Most of those states are national programs, which means that you don't have to be a resident of those states in order to open an account there. California is one of those national programs, so we have account holders from California and many other states here in the United States. So those are all great references that I highly recommend that you keep and use to your advantage, and one of the things that we recognize whenever we have these kinds of webinars is that folks want to know the basics about CalABLE. And I don't seem to have control over the advancement of the slides.

SANDRA KENT: Dante, you may have to click into the presentation to be able to activate it again. There you go.

DANTE ALLEN: There we go. Okay. I did mention CalABLE is California's version of the federal ABLE Act. The federal ABLE Act was enacted in 2014. It said that states can create these programs. They're tax-advantaged savings and investment programs for the benefit of people with disabilities. Our program is administered through the California State Treasurer's Office, and the CalABLE Act Board is chaired by California State Treasurer Fiona Ma. All the CalABLE staff are employees of the State of California. And we launched our program in December of 2018, and since we've opened, we've had about just a little under 4,500 accounts opened. We're in just under $25 million in assets under management. So that's all pretty quickly in just 17 months' time of growth, but we know that there are plenty other people in California that can benefit from this program. So we want to share this message to as many people as possible.

I'm going to only run through very quickly the basics of CalABLE with this one. But as Sandra said at the beginning of today's webinar, we do have a full-length CalABLE 101 webinar that's available on our YouTube channel. You can also access it through the CalABLE.ca.gov website. If you want to go through a little bit slowly and go over all the specifics of the program, but I'm going to give you the most important things. With ABLE you're only allowed one ABLE account per beneficiary. The beneficiary is the person with the disability, and you're only allowed one ABLE account, at a time. And that's not one account per state. You're only allowed one account per time. You do have the ability, if you wanted to move your ABLE account from one state's program to another's, you could roll it over, and that's not a problem. But remember that you're only allowed one ABLE account at a time.

ABLE accounts are meant to be investment vehicles or savings vehicles. We offer a number of investment options or if you'd rather not participate in sort of the risk of investing, you have the ability to save. It's an online program too which means that you access it primarily through the online website portal. We do have where you can talk directly to the folks that are on the back end through our 800 line or through our e-mail system, but it is primarily an online program. There are no bank branches that you can go into.

I mentioned that the beneficiary is always the account owner and one of the important things that you should know about that is that means that once the money goes into the account, that money belongs to the account owner, the person with the disability. And so a lot of people think that, oh well, if I have a child with a disability and I'm putting money into their account, will that affect my taxes in any way? And the reality is that it doesn't because that money, once it goes into that ABLE account, is not your account anymore -- or it's not your money anymore. It belongs to that ABLE account owner.

The account can be opened by the beneficiary themselves if they're an adult with the ability, the capability to contract, or through an Authorized Legal Representative. And the law is very specific about who can become an Authorized Legal Representative. It can be a parent, a legal guardian or conservator, or someone with legal power of attorney over the financial matters of the beneficiary.

So who is eligible? And so as of today, a person with a disability, and as long as that disability began before age 26 and it meets the Social Security definition for a disability, and it is expected to last at least a year or longer, that person has the ability to open an ABLE account. Now, I can say that there is work being done at the federal level to increase that age of onset from 26 to 46, and that would mean that if your disability began before age 46 and it was expected to last a year or more, then you would be able to open a CalABLE account or any other ABLE program's account.

There are some limits to how much you can put into the CalABLE account and how it affects your benefits. So the first limit that you should be aware is that there is a $15,000 annual contribution limit. That means that per account, you can only place up to $15,000 into that account. And you should know that you can build that account, it will take you years to get there, but you could build that account to up to $100,000 before SSI would pay any attention to it. So before the ABLE act, if you had more than $2,000 in savings, you would get a letter from the Social Security Administration that said you have to spend that money down or risk losing your benefits. Now you can save in an ABLE account up to $100,000 before you would trigger any kind of warning about doing a spend down or having your benefits suspended. If you're not worried about benefits, though, you actually can put up to $529,000 into an ABLE account. Again, it will take you many years, because you're limited to the $15,000 per year contribution limit.

Now, ABLE to Work is an aspect of the federal tax reform of 2017 that says that if the beneficiary or the person with the disability is working, and they're not actively contributing to an employer-based retirement program, you can actually put in more than that $15,000 a year as long as that is coming from the earnings of the beneficiary. And it can be up to the federal poverty level, which in 2020 is an additional $12,490, so instead of being able to contribute just $15,000, an individual that was working could contribute up to $27,490 per year. So those are great opportunities.

The other thing I'll say is that an individual could receive contributions from any source, whether it's friends or family or parents. You have the ability to -- anyone can contribute to an ABLE account, but you need to keep in mind that any contribution contributes to that $15,000 annual limit. Now, when the money goes into the account, and let's say you're investing it, you can actually grow that money over time and then withdraw it. And any time that you withdraw it, you won't be subjected to taxes or penalties as long as the money is spent on Qualified Disability Expenses (QDE).

So what qualifies as a QDE? It's any expense related to the designated beneficiary as a result of living a life with a disability that helps to maintain or improve your health, independence, or quality of life. That's extremely broad, and it's meant to be so because these accounts are intended to be used for the things that you actually need them to. But a little bit more detail, you can use them for things like education, housing, transportation, health care and much, much more. The thing to keep in mind is if it helps to maintain or improve your health, independence, or quality of life.

Now, I should say that it's not illegal to take a Non-qualified Disability Expense. It just may be any growth that your account has had may be subjected to income tax, plus a penalty depending on the age of the beneficiary when you withdraw it. If they're under the age of 55, you may receive a 10% penalty from the federal government and a 2.5% penalty from California government. *[**CORRECTION**: the federal and state penalties for Non-qualified Disability Expenses apply regardless of the age of the beneficiary.]* So it is always advisable when you're talking money out of your ABLE account that you did do it for Qualified Disability Expenses. And the way that you can show that if need be is by keeping receipts and records of the things that you're using to make those purchases for. A few examples of Qualified Disability Expenses – you can use money in your ABLE account to pay for a vacation or to make improvements to your home. You can use it to pay for rent or the down payment of your home. You can use it for legal fees and many other things. And I won't get into an exhaustive list but know there are very few limits on what you can spend your money on.

I did say that I was going to give you the information to be able to reach us. So this is the entire CalABLE staff, and yes, it takes three people to cover the entire state of California and make sure that you have the information and the help you need to get the financial independence that you so justly deserve. So please do stay in contact with us. We like to consider ourselves resources to you and are happy to answer any of your questions.

If you need help with the enrollment process, I mentioned that we do have an 800 number. It's 833-Cal-ABLE. Those office hours are 9:00 AM to 5:00 PM. And that doesn't include the three of us. These are folks that are dedicated to answering your questions, and they can actually log into your account with you. I will say that's the one limitation for Sandra, Anne and myself is that if you have specific questions related to a transaction, we don't have the ability to see those things when you call us, and so those are the kinds of questions that may be more apt for the call center.

Here's the disclaimer. Like I said, we are an investment vehicle, and as is true with all investments, there is the potential for risk. That means that you can lose part or all of your money if you are not careful, but we do follow the federal regulations with our investments, and we can give you some very detailed investment information. Our investment portfolios are managed by TIAA-CREF. They are one of the world's largest financial investment firms, and they have over a trillion dollars in total assets under management. And they have been a great partner to CalABLE and look forward to answering your questions.

So as Sandra said at the beginning of the chat, if you have new questions that pop up, please put those into the Questions column, and we'll try to get to everyone's questions before we end. I'm going to start us off with some of the questions that were sent before today's webinar. And I know I went through the basics of the program really quickly, but I wanted to make sure that we had a chance to go through as many of your questions as possible. I'll give one more shout out to the CalABLE 101 webinar because we have literally dozens and dozens of questions that we spent a great deal of time putting our answers into writing to make sure that you have them there in front of you. They are attached to this webinar as one of the handouts, but it is also a great resource to be able to tap into.

So just getting started with a few questions. Why should I choose a California ABLE account? Which I think is a great question, and I'll answer it succinctly by saying that there are many differences -- let's say there are many similarities between the various states' ABLE programs. And there are a few differences. Let me tell you about the things that are going to be the same across ABLE programs. The eligibility requirements, like the age of onset, the fact that you have to meet the Social Security definition to qualify for disability, those things are going to be the same no matter what program that you join. The things that may be different from program to program – the fees associated with these programs may be a little bit different. The investment advisors – the folks who are managing the investments – that will be different from program to program. But the most significant difference that you may encounter is that each state may have passed some additional laws that make joining that state's program, if you are a resident of that state, more beneficial to you. And I'll give you one great example of that.

Here in California, we passed a law that says that when an ABLE account owner passes away, Medi-Cal will not attempt to tap into the money left into the ABLE account in order to pay itself back for anything that it's spent on that beneficiary's health care over the course of their lifetime. Now, that benefit is only available to Californians with a CalABLE account. So if you're from Oregon, and you open a CalABLE account, that benefit won't be available to you. Or if you're from here in California and you decide to go to another state to open your ABLE account, this benefit wouldn't apply to you either. So that's something that could become very costly to your friends or loved ones or anyone you wanted to leave your estate to when you pass away because money left in an ABLE account is recoverable by Medicare or Medicaid when you pass away for any money that they've spent for your healthcare. And so there are very good reasons. I would say that California, when you look at our fees, they are very much in line. I can't say that we are the most expensive or the least expensive. We are somewhere right in the middle, but we do have very low fees associated with us. And we've built this program to be very consumer-friendly. So I think that those are the best explanations I could say. I think that TIAA a great partner, and they have created some really significant investments for you. So those are all the reasons why I would say you should highly consider a CalABLE account, especially if you are a California resident.

Can housing costs be paid as a part of a mortgage or rent when the account beneficiary lives with their parents? That's another great question, and yes, the answer is that housing expenses can be paid with money from an individual's ABLE account. And that includes things like paying for rent, that includes things like a down payment for a house, and yes, you can use the ABLE account as a way of paying your rent, even when the beneficiary lives with their parent. So I'm sure that many of you, if you are receiving benefits like SSI and you know that if your adult children live at home with you, SSI is doing what they call a family contribution deduction from your total SSI benefit. And it's because SSI is supposed to be used to pay for things, the basic living expenses of people with disabilities. And so SSI assumes that if a child is living at home with their parents, that the parents are giving that contribution of residence in their home, and so they're reducing the monthly benefit that the SSI beneficiary receives.

But contributions from a parent into their ABLE account of their child are not considered as income for the child. And so let's say if you have a child living in your home, and you want to charge them $300 in rent. If you, from your own money, put that $300 into their ABLE account, then use the ABLE account to pay yourself back for that rent, then you're no longer doing that family contribution. And so the child would receive its full SSI benefit, and you've done something that is essentially a net zero transaction for you. It doesn't cost you any money because you put in $300, and you got out $300. So it's a good way of increasing the total SSI benefit that you receive. I know that's a little bit complicated what I just explained, but like I said, I'm happy to talk to folks in the future. And I wanted to turn things over to you. Are there any questions that have come along in the live questions that you think we may need to get to?

ANNE OSBORNE: Yes, we have several questions regarding the parents being the account holder and ALRs. If you could just explain that a little bit further. We have several questions of people asking if they can be their child's beneficiary if they are over the age of 18.

DANTE ALLEN: Yeah, that's a great question. Thanks for that, Anne. So like I said, the law is very specific about who can become an Authorized Legal Representative. And so parents or legal guardians are automatically eligible to be Authorized Legal Representatives. And that means if you're an ALR you have full control over the ABLE account, and you're able to do that even if the child is over the age of 18. So yes, there are lots of folks who are the Authorized Legal Representative of their adult children, and they may have started before age 18 and continued even after the age of majority. The thing that you should know, though, is that unless the child is not conserved after the age of 18, once that child does turn 18, they do have the ability to say, Mom or Dad, I no longer want you to be my Authorized Legal Representative, and they have the ability to have you removed unless you have that power of attorney or that individual is conserved. So those are important things to keep in mind.

ANNE OSBORNE: Another question we've had is concerning benefits after someone passes away. Go ahead.

DANTE ALLEN: Go ahead.

ANNE OSBORNE: You know, where does their ABLE account go after they pass away? Can it be in a will or how does that work?

DANTE ALLEN: Yeah, we do spend a great deal of time on this in our CalABLE 101 webinar. So if my response for you today is not sufficient, you have a great opportunity to go back to that. The one thing that I will say is that when a beneficiary passes away, the money left over in their ABLE account goes into their – well, you have the ability to use that money to pay for any outstanding Qualified Disability Expenses. And there are many expenses that can occur posthumously. So like death and burial expenses would be considered a Qualified Disability Expense. So you can use money in that ABLE account. Anything outstanding after all Qualified Disability Expenses have been paid will go into the estate of the deceased, and then that money can then be inherited by heirs, etc. So I would talk to someone who has an attorney that has the ability to tell you about, sort of, trusts or a living trust or wills if you really wanted to be very directive about what happens to that money. There is a potential that if the estate goes into probate, a number of things, factors would have to be in place. But there is a very small chance that Medi-Cal would attempt to recover some of the money paid on the health care. But again, it's very remote, and I do go into a lot more detail in our CalABLE 101 video about what that would take.

ANNE OSBORNE: I have a really unique question here. May I use my CalABLE account for a business, for a self-business, and to hire a part-time assistant?

DANTE ALLEN: So the short answer to that on both parts is yes, you can use it. And remember, the guideline is health, independence, or quality of life. I would say that for a business or even a personal care attendant, those are both independence and quality of life things so absolutely, those would be considered Qualified Disability Expenses.

ANNE OSBORNE: We do have a question about the investment accounts. Do you want me to take that, Dante?

DANTE ALLEN: Let me know what the question is first, and if I can't answer directly, I'll hand it over to you, Anne.

ANNE OSBORNE: Can you explain the account investment options?

DANTE ALLEN: Yeah. So I'll take this one, but please add to it if you feel I leave anything out. So at CalABLE, we have four different portfolios that you can choose. And once you open your account, you can place your money in any or all of those choices, and you even have the ability to move it around, move around your distributions after you've put the money in your account. And so we have what we call three target risk investment portfolios. And they're called target risk because they're based on the level of risk each account is subjected to. So there's a conservative risk portfolio, there's a moderate risk portfolio, and then there's an aggressive growth portfolio. And as you can imagine, the level of risk is stratified based on the conservative, moderate, aggressive. So the aggressive growth portfolio is made up more of things like the stock market investments. They're more short-term, and they will fluctuate as the market goes up and down. It may fluctuate more rapidly. It's designed to grow more quickly, but then there's also the possibility that your account could go down as the market goes down more quickly.

On the opposite end of the spectrum is the conservative growth portfolio, and that is based on more long-term investments like bonds, which means that they won't grow very quickly, but they won't be affected by the day-to-day ups and downs of the market like the more aggressive portfolio or even the moderate portfolio. And then the fourth portfolio that you can place your money in is an FDIC-insured portfolio. And these operate very much like a checking or a savings account. They are not attached to the market. They are not directly attached to the market. You earn a very small interest on them. That interest is most likely to be eaten up by the fees associated with an ABLE account. But let's say the stock market goes down, the balance in your FDIC-insured portfolio won't go down at all in tandem with that. Did I cover it well enough, Anne?

ANNE OSBORNE: I believe so. If they would like additional information of how the accounts are broken up, we have that on our website, and I can mention that if you would like me to, Dante.

DANTE ALLEN: You just did.

ANNE OSBORNE: [laughs] Okay. The FDIC account – it's a 100 percent interest-bearing account. The conservative portfolio – that's broken up at 20% stocks, 55% bonds and 25% in the funding agreement. We also have the other two options of the moderate portfolio, which is 50% stocks, 45% bonds and 5% funding agreement. And then the aggressive growth portfolio, which is 80% stocks and 20% bonds. So that's just a quick overview of how the funds are invested, and you can also find out additional information on our CalABLE.ca.gov website in the savings and investment tab.

DANTE ALLEN: And I'll probably add just a couple more things, Anne. One of the things that I'll say is that when you are placing your money in any of those portfolios, like let's say you choose the aggressive growth portfolio, it's not the same thing as buying a single stock in a single company. So we all see the daily index averages that go up and down. So it's not like your portfolio will go up or down directly and in tandem with those. There are actually a number of underlying investments that make up the larger portfolios, and so really it is more of an aggregate, and it's diversified in a way that is not directly responsive to the day-to-day of the market. The other thing that I'll say is that you have the ability to decide what percentage of each deposit goes into the various portfolios. And you do have the ability to move that money around twice a year if you want it to have the money go into a different portfolio.

ANNE OSBORNE: We have some questions regarding the 529 transfer, and I know that that was one of the questions on our slides. Did you want to talk about that?

DANTE ALLEN: Sure. One of the questions that we received ahead of the webinar, and hopefully it's close to the question you've received, Anne, is can I transfer money from a college savings account into a CalABLE account? And if yes, are there any tax issues? So the answer is yes, you do have the ability to roll over money like from a college savings program, no matter where you started it, no matter what state, into a CalABLE account. You are limited to the $15,000 contribution limit. But as long as you're moving the money from a college savings account into a CalABLE account, there should be no tax implications or any penalties associated with it.

ANNE OSBORNE: And then we also had one….

DANTE ALLEN: I was just going to add that you may want to talk to a licensed tax adviser that can verify anything that I'm saying today.

ANNE OSBORNE: We also have had a few questions about the tax implications of a CalABLE account.

DANTE ALLEN: Okay, do you want to give me one of them?

ANNE OSBORNE: The one on the slide says if you're…. Can you go on to another question, Dante, and I'll find that question again? I apologize.

DANTE ALLEN: Sure. Can my paycheck be deposited directly into my CalABLE account? So you can deposit your paycheck into an ABLE account. The thing that you have to be cautious about is there's a $15,000 contribution limit, or if you fit into an ABLE to work category, you can put in up to $27,490. The one thing that you should be aware of is that the ABLE account is not the same as a regular checking or savings account. As a matter of fact, when you deposit money into an ABLE account, there's a ten-day waiting period before you can actually access that money and move it out of the account. So the way that it works best, in my opinion, is if you're receiving direct deposit into your commercial checking account, you can set up a regular push from your checking account to move money over to the ABLE account. That's probably the best and most convenient way to do it, but you do have the ability to put the money into your ABLE account.

ANNE OSBORNE: Okay. Here it is. Are there any tax consequences when a contribution is made to an ABLE account from a parent or a relative?

DANTE ALLEN: Yeah, so some states have passed laws that say that when you make a third party contribution, say when you're a parent or family member of a person with an ABLE account, when you use your money to contribute to that individual's ABLE account, that you may receive a tax credit or tax deduction. Unfortunately, California's not one of those states. That's been legislation that has been considered over the last couple of years, and we haven't been able to get over the hump to get it passed, but it is something that we will continue to look at and pursue as an opportunity for California. There are some states that do offer that. Those are typically only available to residents of those states because if you don't live in the state, you typically don't pay taxes in the state, so the benefit is not very significant for you. But it does exist – only not here.

ANNE OSBORNE: Here's a very good question. If I withdraw, for example, $2,000 from the account, can I a few months later reimburse the fund up to $15,000?

DANTE ALLEN: So the answer to that is no. You have that $15,000 contribution limit is an annual limit. So you can only from January 1 to December 31, you can only deposit up to $15,000. You can't take money out and then put more money in. That's a hard limit for that annual contribution limit. Now, the other limit that I did talk about earlier, that $100,000 limit that said that if you get to above $100,000, Social Security may say you need to do a spenddown if you are receiving benefits. And so as long as you spend that money down to below $100,000, you could continue to put money back in it and get right up to that limit or above it again, but you'd have to keep doing the spend down to keep it below $100,000 to avoid putting your benefits in jeopardy.

ANNE OSBORNE: Can these contributions qualify for a child gift tax?

DANTE ALLEN: So contributions may qualify on your federal income tax as a gift. Yes, they may. And for the beneficiary, especially if they're putting their own money into their ABLE account, it would also qualify you for the federal Savers Tax Credit. But there are no state tax credits that you would qualify for as someone giving money to the beneficiary.

ANNE OSBORNE: Are rep payees considered an Authorized Legal Representative?

DANTE ALLEN: At this time, representative payees are not considered Authorized Legal Representatives. So if a rep payee wanted to become an Authorized Legal Representative, they would either need to be listed as the guardian or conservator or someone who has legal power of attorney. And that could be on the individual level for the payee or at the organizational level for the payee. So they have the ability but being a rep payee in and of itself is not enough to make you an Authorized Legal Representative.

ANNE OSBORNE: What is the wait time for people transferring funds, money between their accounts?

DANTE ALLEN: I think in our Disclosure Statement, there's a five-day waiting period. It usually doesn't take that long. It's usually done fairly rapidly, within a couple of days when you make the transfer to when you actually have access to it.

ANNE OSBORNE: I think we're okay, Dante.

DANTE ALLEN: Okay. I'll ask just a couple of questions that were sent to us ahead of time. This one is a good one. Can a disabled person have an ABLE account and a pooled trust? And what is the difference between the two programs? So the short answer, again, first. Yes, a person can have a special needs trust and have an ABLE account. The thing that you should be aware of from any special needs trust, whether it a pooled trust or it's an individualized special needs trust is that the trust in and of itself does not belong to the beneficiary, meaning that the money in the trust is not the belonging of the person with the disability. The trust actually owns the money. It's for the benefit of the person with the disability, which means that individual doesn't have control of that money. They can't access that money without going through a trustee.

And so it's a little bit more stringent on how – trusts are a little bit more stringent on how the money is used and accessed. They require an attorney to set up and a trustee to manage, so they're a little bit more expensive – actually, a lot more expensive when you set them up – versus an ABLE account is always owned by the beneficiary, can be managed by the beneficiary themselves if they have the capacity to do so and they are legally able to contract, and then, it's a lot more flexible in the things that you can use the money for. So those Qualified Disability Expenses are, you know, fairly wide-ranging in how you can use the money and have less restrictions than do the trusts. I'll say the one thing that the trusts – they don't have the contribution limits that, say, an ABLE account has. There's no $15,000 annual limit of what you can put into a special needs trust. So there are pluses and potential tradeoffs for both of them. And sometimes I've heard of folks that use both in tandem and that they work very well together. So that's another option to consider. Again, I would talk to a trust attorney if you really want to get really detailed about the differences between the two.

ANNE OSBORNE: Dante, I apologize. We did overlook the question about the employer's ability to make a deposit into the CalABLE account.

DANTE ALLEN: So I did talk about the direct deposits and the way that they work best is to use a commercial bank account linked to your CalABLE account. That way you would have access to money placed into your commercial bank account much quicker than you would into your CalABLE account. But you do have the ability to set up through a commercial bank account, you can do a regular contribution that goes into your ABLE account. I would recommend that that's the best alternative, and you're not as hamstrung by that $15,000 annual contribution limit.

ANNE OSBORNE: I think we've answered the majority of the questions. Again, I would invite people to view the ABLE 101 video. Yeah.

DANTE ALLEN: So since we're right at 3:00, I want to make sure that we extend our thanks once again for taking time out of your day to participate in this. This webinar series is relatively new for CalABLE. We really only have one previous event before this whole shelter in place reality began, but we've noticed that we continue to get a good amount of people that want to hear from us, and so we're going to continue these. And we've actually ramped up our schedule to be able to do it monthly to make sure that we are available for your questions or concerns. We also do direct presentations. If you have a group that you would like us to present to, please do reach out to Anne or myself, and we're happy to put you on the schedule. Our next presentation in August will focus on CalABLE accounts and special needs trusts. So please do, if you're interested in seeing how those things work, and I will have a special needs trust attorney that will present alongside the CalABLE team, so if you really want to take a deeper dive on that particular issue, please do join us next month, and we'll be sending out information.

If you registered for this month, you'll automatically get an invite to the next event. And if you don't see it as soon as you'd like, please always feel free to visit CalABLE.ca.gov. But on behalf of California State Treasurer Fiona Ma, the entire CalABLE team, Deputy Treasurer Noda, thank you for participating with us. If there are any questions you have that we didn't get to or didn't answer to your satisfaction, please, please reach out to us. I guarantee you – we respond to e-mail. We answer phones. So do not hesitate. We very much take this as a part of our job to be able to be a great resource to you. So again, thank you for joining us. And I look forward to talking to you again in the very near future. Thank you

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