CalABLE Webinar:
Maximize Your CalABLE Account Contributions for 2020

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SANDRA KENT: All right. Thank you for bearing with us while we get this set up. This is our first time using Zoom. It's new to me, so I appreciate your help. My name is Sandra Kent and I'm with CalABLE. A few things that I wanted to discuss before we start the actual webinar, and the…just a moment. Hold on, sorry. I'm seeing something else is happening here. Can everybody hear me? The participants, if you could let me know that you can hear me. I'm sorry about that. Trying to figure this out. Okay, great. You can hear me, right? Thank you so much for your patience in getting this taken care of.

So, what I would like to do is go over a little bit of the webinar set up. We do actually have two ASL interpreters for us, Cameo and Kayla. You should be able to see them on screen. The other option we have is for live captioning. If you could go to your control panel, there is the closed caption option. You can also adjust the settings if you need to. And there is a transcript view available for you.

The other things I wanted to talk about today are for Q&A. If you do have questions, if you could submit them in the Q&A box, we will get to them at the end of the presentation. And if you are listening by phone only and not logged into a computer, if you could email us your questions at calable@treasurer.ca.gov, then we will try to get to those.

We did look at the questions that you submitted on the registration form, and we will try to answer those during the presentation as well. So, if you would like to hear a few words from our California State Treasurer, Fiona Ma, she prepared a recording.

DANTE ALLEN: We are not hearing audio, Sandra.

SANDRA KENT: Just a moment. It worked earlier. I am sorry. I don't know what's going on. I tested it out and I don't know why it's not working. Let me try one more way to do this. Just a moment.

CALIFORNIA STATE TREASURER FIONA MA: Good afternoon, everyone. I am California State Treasurer Fiona Ma, and I would like to welcome you to the CalABLE webinar series. Today's topic will focus on maximizing your CalABLE account before the end of the year so you can achieve your financial goals.

We have invited two CalABLE Ambassadors to share their stories with others who might benefit or be inspired by their experiences. A CalABLE account can be used to help you maintain or improve your health, independence or quality of life. The staff at CalABLE will continue to use this webinar series as an opportunity to address your most pressing questions and your biggest concerns.

Supporting our communities of people with disabilities is something that is very important to me, which is why I am so proud of the work we are doing on behalf of CalABLE. This program 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. As State Treasurer, I focus on improving and expanding CalABLE as one of my top priorities.

Thank you for taking the time to join us. I hope you find today's information useful. We will continue to bring you content that is designed to improve the lives of the many people we serve. Now, I would like to turn things over to CalABLE Executive Director Dante Allen.

DANTE ALLEN: Thank you, Treasurer Ma. As the Treasurer explained, my name is Dante Allen. For those of you who might not be able to see me, I am an African American man. I am wearing a white polo shirt with a bald head and way too much gray in my beard.

We are very excited to present today's CalABLE webinar. This is another webinar in our continuing series. When the pandemic started we really had to change our way of getting information out about the program. Virtual presentations became a very useful way to do that. What we have learned along the process is that in addition to giving just basic information about CalABLE, many of you wanted to know some of the specifics. And so we have been looking at what are the opportunities for us to share, if we haven't been providing enough information in the past, or as you get to know the program better, are there ways to take additional benefit. That is why we are happy to talk today about maximizing your CalABLE account.

With the end of the year, we receive many questions on is it better to put money into my account now or wait? And so we want to address those things. How can we take full advantage of the eGifting feature? What about all of these roll over opportunities? Can we address them? We have assembled as CalABLE staff. We have also invited some of the CalABLE official ambassadors along to tell you how they are using their accounts, and really engaging in dialogue.

So, just to go over what we plan to talk about, I will talk about maximizing your contributions to your CalABLE account. Anne Osborne of the CalABLE staff will explain the steps in eGifting, and we will also have you talk to one of our CalABLE ambassadors who is actually using eGifts in lieu of gifts that he would receive from family and friends. And then I will talk about rollovers, especially from college savings accounts into ABLE accounts. And we will hear from another ambassador who has done just that. And then finally as always, we want to share with you some additional resources, ways to contact us if you have questions about CalABLE or specific account questions, and then we will answer as many questions as possible.

Today's webinar is being recorded. Once we make sure that all of the captioning is done, and we meet our web compliance, we will be posting that on our YouTube channel. So, in order to get us started.

How to maximize your account. Year-end contributions is a great way to make sure you can maximize your contributions to your account. We hear very often from folks who say, you know, I am receiving a large sum that's over the $15,000 annual contribution limit. Are there ways that I can get this money into my account where it won't interfere with my benefits? That can be challenging, but may get a little easier as we get closer to the end of the year. And so, we thought that talking about yearly contributions would be a great way to keep you on your toes and make sure that you are doing what you can to protect your benefits.

As I mentioned, there is an annual contribution for folks to make into their CalABLE account. That goes by calendar year, so January 1 to December 31. So, on December 31st, it will be the last day you can make contributions that will actually count as a 2020 contribution. Anything made after, on or after January 1st would be 2021 contribution.

Contributions to ABLE accounts can be made by any person. That includes an individual, it can be a trust or an estate, it can be a partnership, it can be an association, a company or corporation. And one of the great things about that, is that when a third party, meaning anyone other than the Beneficiary themselves puts money into their ABLE account, those contributions are not counted as income by benefits like SSI or Medicaid.

There are some who can expand their annual contribution limit participating in the ABLE to Work program. That means that you are, an individual….Sorry, there we go. ABLE to Work means that beneficiaries who are working…. Yes, it is $15,000 per year if I did not say that previously, I'm sorry, but ABLE to Work allows you to contribute in addition to the $15,000 annual contribution limit. If you are working and you are not participating in employer-sponsored retirement program, you can contribute your own income, whichever is the less of an amount equal to your annual gross salary or up to the federal poverty level in your state of residence. In the 48 contiguous states, that number for 2020 is $12,490. It's a little more if you live in Alaska or Hawaii. And so you could put in an additional $12,490 for potential total of up to $27,490 a year. The things to remember, though, is you must be working. Those additional contributions must come from salary, and it is the lesser of either your annual gross salary or the federal poverty level for the state that you reside in from the previous year.

Sorry. Anne, I'll turn things over to you on eGifting.

Anne, if you are speaking, you are muted.

ANNE OSBORNE: There I am. Good afternoon, everybody. I am Anne Osborne and I am the program manager for CalABLE. I am a Caucasian female, and I wear glasses. I also have brown hair. Today, I am wearing a floral shirt with a purple vest.

So let's talk about eGifting. Just a moment here.

DANTE ALLEN: I can control your slides if you need me to.

ANNE OSBORNE: Sandra is doing it. Thank you. So CalABLE offers an eGift tool, which allows you to ask your friends and families for gifts on holidays, special occasions or to help you reach financial goal. What I am going to talk about is actually how to set up the eGift feature. So, Sandra, if we can have the next slide please.

So, this slide is what you would look at when you have your CalABLE account. So, as you can see with the arrow, it shows the eGift, and that is what you select to set up your event. It says Create an Event and you would select that option. Next slide.

So, the next thing would be what type of event you are going to create. Is it a birthday, congratulations, graduation, holiday? There are several options here for you to select. Next slide, please.

So, this is what you would use once you make that selection. You create an invitation, and in this example they have in the subject line, eGift for a Better Life Experience. And you can type whatever your event is going to be about. If it's going to be, this is my Christmas wish list, you can do that. And then, what you would want to do is, you want to write what you are actually going to use this for. As the example says here, it says, "Please take this opportunity to give the gift of a better life by clicking the link at the bottom of this e-mail." And so the next slide will actually show you your message and then gives you the link that you can share with your family and friends.

So, the next slide talks about the benefits to eGifting. And really, this is a benefit similar to a GoFundMe account, but this is designed specifically for you to create whatever event you would like. It doesn't need to be a holiday. It could be you are saving for school, or if you are saving for an upcoming medical expense. It's for you to let your family and friends know they can add to your CalABLE account. As we said, anyone can contribute to this account. Your CalABLE [account] is designed for that. And by doing this, some of those expensive items are easier to save for and purchase. So our next slide is an example here, and I will read this to you. It's about Amy. She takes a distribution of $300 from her ABLE account to pay for a new iPad for school. Amy set up an eGift event and shared the link with family and friends. She also needed some additional school supplies for her college experience, an iPad, transportation, and food costs. And once you receive the $300 necessary to purchase the iPad, she continues to use this account for other eGifting opportunities. So, let's say she needs to purchase some additional books for school, she could continue this event.

So, what I would like to do on our next slide is actually introduce Antonio. Antonio is currently attending Georgia Tech and he uses his eGift for college. So Antonio, we would like to hear from you.

ANTONIO CONTRERAS: My name is Antonio Contreras. I am a sophomore at Georgia Tech in Atlanta. When I am not away at college, I live with my parents in Fremont, California. I am in the Excel Program for people who like me who have an intellectual disability. I use the CalABLE account to save money so that I can pay for my college expenses. I use the eGift to ask my family for money as gifts for my birthday and for Christmas so that I can pay for college. My mom helps me add the money I make from my job at LA Fitness to my CalABLE account. Also, the CalABLE account is helping me go to college and live independently. Thank you.

ANNE OSBORNE: Thank you, Antonio. Thank you for sharing that. It's always nice to hear from our account holders how they are using their accounts, and we really appreciate your time today for sharing your story. Dante?

DANTE ALLEN: Thanks, Anne. I will talk next about rollovers from a 529 College Savings Plan into a CalABLE account. This is a great opportunity for folks who have opened up college savings accounts and then may want to consider moving money from a college savings account to an ABLE account for a person with a disability. One of the important reasons of why you might consider that is because of the overall flexibility of ABLE accounts. College savings accounts are flexible in their own right, but they are meant to be used for qualified educational expenses, and so because of the flexibility of ABLE accounts, you could use your ABLE account for everything that you could use your college savings account for, plus some additional items. Remember that instead, we are looking at Qualified Disability Expenses and those are anything that helps to contribute to your health, your independence or your quality of life. And an educational expense is one of those things, but there are also many others. There are healthcare expenses. There are housing expenses. You can use your CalABLE account to pay for food, so it has a considerable more flexibility than your standard college savings opportunity.

So, if you want to consider rolling over from a college savings account to an ABLE account, here are some of the things you should consider. You may roll over a portion of or the entire amount in a section 529

College Savings Plan account to a CalABLE account, but you are limited still by the annual contribution limit. So because of the annual contribution limit for ABLE accounts, you can in one calendar year only roll over from a college savings account to an ABLE account that $15,000 a year. Even that $15,000 would also need to include any other contribution to that you make. So, that is important to keep in mind.

These rollovers can be for the same Beneficiary, meaning that the Beneficiary of the college savings account is same as the Beneficiary from an ABLE account. Or the money from a college savings account can belong to any member of the CalABLE account Beneficiary's family. Here is where things get just a little bit confusing because the definitions that ABLE accounts use as a family member and the definitions that college savings programs use as a family member are a little bit different.

But for rollovers in particular, we are using the college savings definition of a family member. Sorry, there is a little bit of delay. Here we go. So, for college savings accounts they use the IRS definition of a family member. So, it's a child or descendent of a child, and that could be a legally adopted child, stepson or stepdaughter or foster child. It can be siblings, a brother, sister, stepbrother etc. It could be a father, mother or ancestor. It could be a stepmother, a stepfather, or daughter of a brother or sister. A brother or sister of the father or mother, son-in-law, daughter-in-law, father-in-law. Really the broadest definition you can think of a family member.

So if the money in the college savings account is held by anyone that fits within that broad definition of family member for ABLE account holder, you can actually roll that money over from the college savings program into that individual's ABLE account, keeping in mind that you are limited to that $15,000 annual contribution limit.

Now, I want to introduce you to Alan. Alan is the father of one of our CalABLE account owners, Mason. Alan has participated in this type of rollover in the past. He can share with us his and Mason's story. Alan?

ALAN REID: Sorry, I was muted. Thank you, Dante. I am just a huge fan of CalABLE. We have 3 kids -- Austin, Mason our middle guy there, and our youngest daughter Sarah. My wife and I had saved for about ten years for their college, putting money every month into their 529. A 529, if you don't know is basically like an IRA but you are saving for college. And Mason had a brain tumor that limited his function, but he was actually able to go back to attend almost a year of school at UCLA. We are actually in San Rafael, California, I forgot to mention that, when his tumor started growing again. So, we had looked for years and trying to do planning for Mason and Mason's needs. Back then, there wasn't an ABLE account, so we ended up saving a bunch of money in the college savings account. And then, we weren't able to use it, which as you might imagine was a little frustrating, so when we found out about ABLE – it took me about a year. I guess it was around for about a year before we found it. So, we have set up every year to move money. So, last year in November, we transferred money, the max, to the CalABLE, and then again in January.

So, we're coming up on year end, but it's a way that at year end, you can actually get quite a bit of money into your ABLE account. And then we'll do it again this year, or I should say *next* year in 2021. But you know, I always tell my friends, it's like the ABLE account, I mean the challenge is as a parent having a disabled child, or obviously it's just not easy, right? It seems like nothing is easy. Well, CalABLE is easy. You know, we've got a debit card, and we were basically able to immediately pay the bills we have for

Mason with CalABLE. It's been a dream come true for us. You know I want to make sure I got out and had a chance to talk to people about how great we have found CalABLE.

You know, Mason keeps in touch with some other kids with brain tumors and I know their families also struggled with friends wanting to give them money or contribute in any way they can, or family members. And there's always a question, and it like, what kind of account? So, I guess it's now been 3 years, Dante, that you can actually use an ABLE account and put the money in, and it is protected. It doesn't qualify for a lot of the tax issues that Dante talked about or limit people's availability and it is tax free, not tax deferred. So, huge benefits, and it's just nice to see that government has actually put something in place that really helps families that are dealing with disabilities.

So, you know, I would encourage you if you know folks looking to try to put money away, this is like the great little unknown. I come from a finance world. I talk to accountants and attorneys, and you know, it took a while before anybody was able to tell us about CalABLE. In some ways it was that little secret. But once you find it, it's sort of like superman. It's way more powerful than an IRA or a 529. So if you qualify, it's a great thing to try to utilize as much as you possibly can. So thank you for including me, and thank you for making these plans available to us.

DANTE ALLEN: Thank you so much, Alan. We really appreciate that. As I said in the very beginning, we really do value our CalABLE Ambassadors, and these guys are here on a volunteer basis. They have used CalABLE and want to make sure that everyone knows about that. So, Alan and Antonio, thank you so much for sharing your stories. I personally am inspired because we like to think of CalABLE being of great benefit to the many people who open their accounts. But it's because of voices of people like you, that we can have tangible evidence that that happens. So, thank you so much for that.

With that said, I wanted to make sure, and this presentation, we anticipated it to be a little bit different than our standard webinars. First and foremost, we did not go through all of the basics of CalABLE accounts, and part of that reason is because there are other resources out there where you can get that information. You can visit us on our YouTube channel. If you go on to YouTube and do a search for CalABLE, you can see all of the previous webinars that we have published. And so, we go from the very general, which is talking about all of the ins and outs with CalABLE 101, to getting a lot more specific to things like today, maximizing your benefits and maybe straddling contributions over two calendar years to make sure that you can protect your benefits, to eGifting and to rollovers. We want to make sure you know that information.

But as always, if you would like to, if you have a question about CalABLE, you can reach us at any time. Our CalABLE Customer Call Center is available Monday through Friday, 9 a.m. to 5 p.m. You can reach us at 833-CAL-ABLE. That's 833-225-2253, or you can send us an email at CalABLESupport@calable.ca.gov. And the folks in the customer engagement center really have a strong desire to help you with your needs. If we don't have the answers, we make sure we find them in short order for you. So please, feel free to reach out to us at any time with your questions or concerns.

You can also connect with us across social media. I mentioned our YouTube channel, and that's where we post our videos like today's or other previous webinars, but we are also available on Facebook, Twitter and LinkedIn. Those are ways that you can connect with us to get the latest information on CalABLE. We send out not a ton of information. It certainly would not qualify as spam. We only provide you with things that are notable to our community and ways to benefit from or get the most out of using your CalABLE account. We also have an email distribution list. We don't communicate very often with that list, but it is a great place to go to receive in your email inbox updates to the CalABLE program. You may have heard there have been some changes to the rules and regulations about CalABLE accounts that was issued by the IRS. We are planning a webinar that will focus on that topic. When we do, we would love to send you information to receive that. If you haven't already, join the email distribution list. It is available on the State Treasurer's website, which is www.treasurer.ca.gov/able. There is a section called Quick Links, where you can sign up to receive CalABLE information. In addition to updates on the program, we also send out a quarterly newsletter that talks about what are the latest happenings in the world of ABLE. So, please feel free to join us. Each of our social media platforms are managed by folks in the CalABLE office, which are part of the State of California.

I would love to turn things over to questions. I know we received a number of questions prior to today's presentation, so why don't we start with those. Anne?

ANNE OSBORNE: Okay, first question we had was: does the CalABLE account balance affect college financial aid eligibility?

DANTE ALLEN: That is a great question, and FAFSA, the Federal Application for Student Aid, issued new guides this year that said that CalABLE accounts are not considered in financial aid applications. So, it is not counted, it is not a countable resource when making your applications for student financial aid.

ANNE OSBORNE: Our next question is: can I do a one-time rollover of a 529 plan into a new CalABLE account as long as it doesn't exceed $100,000? If so, where do I find the paperwork to do it?

DANTE ALLEN: So there are a couple of questions there. First thing is on paperwork. CalABLE is extremely limited on the paperwork. We are online program, so you can access all of the materials that you need for CalABLE online, including our application, in which you can indicate that you would like to do a rollover.

The second part of that question was: can you make a single contribution into a CalABLE account up to that $100,000 limit that won't be counted as a resource for programs like SSI or Medicaid? And the answer to that is, unfortunately, no. You can make a one-time contribution from a college savings 529 to an ABLE account, but you are limited to $15,000 annual contribution limit. You cannot do a rollover for more than that annual contribution limit at this time. So, you do have the ability to complete a rollover. Unfortunately, at this moment, it can only be at that $15,000 annual contribution limit. You can access that when you are completing the application to open your CalABLE account, you can access what we would call a rollover. Thanks for the question.

ANNE OSBORNE: So, just a follow up to that question, Dante. If they have $100,000, they could roll over $15,000 this year, and then the following year, and up until January 2026. Is that correct?

DANTE ALLEN: That's a great point, Anne, and specifically now, you could, any time between now and December 31st, you could put in up to that $15,000 contribution limit, and then on January 1st, you could turn right around and put in another $15,000. So, really it is spreading it over two years, but right now, we are talking about a month and a half, and you could actually end up putting up to $30,000 in your ABLE account.

ANNE OSBORNE: Great. Another question was: can you explain how the rollover is done? Dante, do you want me to talk a little bit about that, or you want to take this answer?

DANTE ALLEN: You can take it, Anne.

ANNE OSBORNE: Okay. So, we did not go into a lot of the mechanics. I will add a bit to the rollover. So, you log into your ABLE account and then when you're in your ABLE account, there will be a tab that says Documents. That is where you want to complete your rollover form and attach it to your documents.

There are actually two different types of rollovers. There is a direct rollover. It is the prior plan making the check payable to CalABLE or mailing it directly. So, if you are rolling it from an existing ABLE account or your 529 account, they can directly send that over to your CalABLE account.

The indirect would be that you get the money first, and then you send that into CalABLE. Just be aware that if you select that option, it needs to be deposited within 60 days of asking for the withdrawal.

And then the last thing is, it will be reported on your IRS Form 5498, so we wanted to give further clarification on that.

DANTE ALLEN: Great info, Anne. Thanks.

ANNE OSBORNE: We had another question and we get it a lot. We have just a few minutes. Can we briefly tell people about setting up a bank account for deposits and withdrawals with their ABLE debit card?

DANTE ALLEN: That is a great question. So, one of the many features of CalABLE includes ability to link a commercial bank account to your ABLE account. You can move money back and forth without any kind of additional fees or penalties related to them. You can actually make deposits or distributions from your ABLE account and have that money transferred to a bank account. And if way you can do that either at the time you sign up for your CalABLE account or any time thereafter when logging into your account. And essentially, you go in and you link the account. We need a couple of pieces of information from you. We need a routing number from your bank and your bank account number. After you provide that information, we actually go through verification process to make sure we are linking from the correct account. So, we actually do a process of making micro-deposits into your commercial bank account. It can be anywhere from a few cents to, I think, a quarter might be a maximum.

So, you actually have to verify those micro-deposits before you are able to do any of that transferring of money in between. Once you make that verification of those micro-deposits, then you have the ability to move money back and forth between your ABLE account, and we see this as a really easy way to move money back and forth, as well as an inexpensive way.

As you may be aware, if you want to use money from your CalABLE account to pay a third party payee or have a check sent to you as the Beneficiary and Authorized Legal Representative, there is a $5.00 per check fee for that, but if you are using your linked bank account to move money back and forth between your ABLE account, there are no charges for that. So, it's also a money saving opportunity to be able to link your account. The way you do it is log into your account and set up a linked bank account.

ANNE OSBORNE: Thank you. We have a question here. It's for working account owners who earn less than the $12,490. Can they still contribute $12,490?

DANTE ALLEN: That's a great question. Unfortunately, it's the lesser of either the federal poverty level, which will be for the previous year of the federal poverty level. So, if you made money, if you earned money in 2020, you can either use your up to entire 2020 salary, or the federal poverty level from 2019, which is the $12,490, and its' whichever is less. So if you earn less than the $12,490, you can only put up to the amount that you earned rather than that full $12,490. The same, if you earn more than $12,490, you can only contribute up to that $12,490.

ANNE OSBORNE: Question: can I contribute the max to both a 529 and a CalABLE account?

DANTE ALLEN: Great question. They are actually unrelated, so you can contribute the maximum into a CalABLE account, and then folks can contribute the maximum to a 529 college savings account for the same Beneficiary. The major difference between these accounts are, that the CalABLE account and the money in the CalABLE account belong to the Beneficiary. The college savings account is not actually owned by the person who is the Beneficiary. Whoever set up the account, whether it's a parent or a grandparent, they actually are the owners, controllers of that college savings account. So they are unrelated. A college savings account won't affect the benefits because unless and until that money is used, it actually doesn't belong to that actual account Beneficiary.

ANNE OSBORNE: Next question: if we are running a fundraiser and exceed the contribution limit, what happens?

DANTE ALLEN: That is a great question. So, CalABLE has some built-in safety features. The first is, it will not allow you to over-contribute to your account. If you set up eGift event and you exceeded your greatest expectations for folks contributing to it, and they wanted to put in more than $15,000, once you got up to that threshold, any additional contributions would be rejected. So you're never allowed to actually contribute more than that $15,000 annual contribution limit. The only way you can contribute to above the $15,000 is to participate in the ABLE to Work program. And you have to notify us ahead of time you qualify for ABLE to Work. And even when you are making contributions, there is a selection you can make that these are just a standard contribution or an ABLE to Work contribution. So, you cannot exceed through eGifting contribution money.

ANNE OSBORNE: Okay, another question about doing that multiple year deposit. The question is: if a deposit of $15,000 is made to a new ABLE account before the end of this year, can another deposit of $15,000 be made in January 2021? It's grandparents and they have five children and a grandchild, so they would like to be making contributions to each one of those accounts. And, then we want to make sure their benefits are protected from losing Medi-Cal, because they have [*inaudible*].

DANTE ALLEN: So, another great question, and yes, that really is the great benefit of ABLE accounts is that you can contribute up to that contribution limit per calendar year. So, even if you just opened the account this year and say you opened it last month, you still have the benefit of being able to contribute up to that total of $15,000 in your ABLE account for this year, and then you get another $15,000 that you could contribute in 2021.

The other great thing is that those contributions by grandparents or family or friends or loved ones are not counted as income for a benefits recipient, and the money is not counted as an additional resource as long as the money you have in your ABLE account is less than $100,000. It won't interfere in any way.

Contributions to an ABLE account are considered to be a completed gift that doesn't count against the beneficiary's benefits.

ANNE OSBORNE: Then, we have another question. Will CalABLE allow for a rollover from a 401(k) retirement account in the future for disabled workers?

DANTE ALLEN: Great question. It's something that federal law doesn't allow us to do at this time. The federal law says that the only contributions that can go into a CalABLE account are cash. They made a couple of exceptions for an ABLE to ABLE rollover and a college savings to ABLE rollover, but you cannot roll over money from an IRA or 401(k) without first liquidating the money. In those circumstances, you may be causing what we call a taxable event. So, you have to remove that money, and removal of that money from those respective accounts may incur taxes or penalties associated with them. You can then move it into an ABLE account, the remaining cash, but it cannot happen without creating that taxable event first.

ANNE OSBORNE: Dante, if you would like to open it up, all of the other questions we received are answered in our webinars that we have done and also in the FAQs, so….

DANTE ALLEN: So, it looks like we may have couple of folks with raised hands? Are those from current or are those previous hand raises? If you would like to ask a question just let us know. I am happy to open it up and allow you to ask your question.

SANDRA KENT: We do have a couple of raised hands. Let's see. Let me see if we can allow them to talk. I believe, let's start with Mike.

MIKE (CALLER): Hi. Yeah, thanks. Probably about a year, maybe a bit longer, ago I went to set up my CalABLE account. And, due to probably losing too many brain cells in a previous life, I set up an ABLEnow account and they are located in Virginia. So I called them and said I really wanted to set up CalABLE – we are in California – can I transfer this to California? And they said no, you have to deposit money and then you can switch it. And that made me feel a little squeamish. So I have an ABLEnow account, they are sending me statements, and I want a CalABLE account. I have money to deposit it, and I kind of got stuck there as I was uncomfortable. Can you give me guidance on whether I can I just open a CalABLE account and ignore the ABLEnow account? I am not quite sure where to go. I want to get this going for my son though.

DANTE ALLEN: Yeah, this is something we actually pay a lot of attention to. We want to make sure that folks know where their account, or which state is operating with the ABLE program that they have joined. There are some benefits that are available if you're a California resident and you have a CalABLE account that would not be available to you if you lived here in California and joined another ABLE program. So, that is a great question. So let me just for clarification, say you have not put money into the ABLEnow account?

MIKE (CALLER): Correct, I have put no money in.

DANTE ALLEN: Yeah, so it is a lot easier. Essentially, most ABLE programs, if you do not fund your ABLE account and you leave the account dormant for a significant amount of time – here in California, I think it's 6 months. It may be 3 months if you have never funded it – the account is automatically closed. And so, there won't be any problem with opening another account and another savings. Essentially, there is a rule that says you can only have one ABLE account open at a time. Even if they are different state programs, the Beneficiary is only allowed to have one ABLE account at a time.

And so, there are ways that if there was money in the ABLEnow account, that you could roll it over to CalABLE, and you can actually initiate it on either side of things. You could initiate on the ABLEnow side or you could initiate it on the CalABLE side, but since you have not funded that account, since it doesn't have any money in it, you can feel free to go ahead and open a CalABLE account, and it won't make a problem for you.

MIKE (CALLER): Thank you very much.

SANDRA KENT: Okay, let's move on to Andre.

ANDRE (CALLER): Hello. Yes, I am a small business manager at a nonprofit agency for people with disabilities. On behalf of several participants who have like small businesses but because of the pandemic and the businesses being closed, they want to close their businesses, but are concerned the assets in the business checking and business savings accounts, if it was rolled over into their personal account, it would impact their Section 8, SSI or Medi-Cal once those assets are merged to their personal accounts and they go over the $2,000 asset limit. Could CalABLE accounts help prevent this from happening?

DANTE ALLEN: It can, but let me qualify things first. I am not an accountant. I'm not able to give you any kind of tax advice, but CalABLE accounts are set up so that when you put money into that CalABLE account, it will not count against those resource limits for programs like SSI or Medicaid. But the reason why I gave you that qualification before I started speaking is, because these are small businesses, any remaining funds from those businesses could be considered income. Even though the money won't be counted as a resource or an asset once it is in the ABLE account, it still has the potential to impact your benefits for the month that the money was received because it could be counted as income. You probably want to explore that before you made any decisions on how to move that.

ANDRE (CALLER): Thank you.

SANDRA KENT: Okay, and now, we'll go to Denise.

DENISE (CALLER): Hi, I was curious, Dante, when you were talking about linking the account to your own commercial bank account and so I wondered if when you transferred funds over, if those then counted as a resource to the individual who is on SSI, and they would have to spend it within that same month.

DANTE ALLEN: Yeah, so that is a great question. And so, the thing that you should know whenever you take a distribution from a CalABLE account, that distribution is not counted as a resource. First and foremost, there are no taxes and penalties associated with it as long as you use it for a Qualified Disability Expense. If you take the money to pay for housing expenses like rent, the purchase for a down payment on a house, or utilities associated with maintaining a household, you need to make that the withdrawal and the payment on that housing expense within the same calendar month. So, if you were taking money out to pay for rent, for example, if you took it out any time between November 1st and 30th, and you made the payment for that rent anytime between November 1 and 30, there is no problem. That money would not be counted as income or as a resource against you at all.

The other element though, if you are using the money for a Non-Qualified Disability Expense, non-housing…. Or let’s say it's a non-housing expense, it is a Qualified Disability Expense, still as long as you are using that money for Qualified Disability Expense, it's not counted as a resource. You do have the time. Or you don't have to worry about the same calendar month distinction that’s made for housing expenses. So you can actually spread it over a long period of time. If you took the money out in August and you did not use it until November, it still would not be counted as a resource against you as long as you use it for a Qualified Disability Expense.

It is a little bit different if you, let's say you withdrew the money for a Qualified Disability Expense. Let me give you the example of, let's say you were taking money out of your ABLE account to pay for your school registration fees, but then you decided after you took the money out that you were not going to go back to school. Unless you use that money for a different Qualified Disability Expense, the longer you hold that money into your linked account, the more likely it could be that you would exceed that $2,000 contribution limit.

So you also have to consider that the money that is in your ABLE account, as long as it is in the ABLE account, up to $100,000, it's not being counted at all towards your resource limit, but any money that you have outside of that, that either you never put into your ABLE account or you held for extended period after you removed it from your ABLE account, that does count against your resource limit.

Typically, what would happen is you would get a letter from Social Security or your other benefits provider, and they would say that they indicate that you have an excess of resources and need to do a spend down or risk your benefits being suspended. So if you don't complete that spend down within the time frame that they set for you – I think it's usually about 6 months – then your benefits will be suspended until you do get below that $2,000 threshold. You do run into some jeopardy if you hold money from your ABLE account in your checking or savings account for too long. But, again, you will still have an opportunity not to have your benefits interrupted if you complete that spend down.

SANDRA KENT: Okay, let's go to Jason.

JASON (CALLER): Hello? Hi, I was curious about what the status is on the ABLE Age Adjustment Act, where I think Congress is hopefully or possibly moving the age from 26 to 46. Could you comment a little bit on the status of possibly when that may happen, or if it has already happened? Thank you.

DANTE ALLEN: I feel like I am saying this too often. You are coming up with great questions. That is a fantastic question. It lets me know you are really paying attention, and so as the executive director of the program, I greatly appreciate the ways that you are educating yourselves.

The ABLE Age Adjustment Act is making its way through both houses of Congress on the federal level. And what it does is, it would change the eligibility requirement for ABLE accounts that says if your disability onset is before your 46th birthday rather than as it stands right now before your 26th birthday, you would have ability to open an ABLE account. If that passes, it is estimated that about 6 million more people nationally would qualify to have these ABLE accounts. I know there are lots of people who are actively paying attention to see if this passes. It is something that we watch and have been advocating for on a regular basis.

I had conversations within the last month with both of our California Senators, asking them to sign on as supporters of the ABLE Age Adjustment Act. Not to get political, but this is something President-elect Biden had as part of his campaign platform was the passage of the ABLE Age Adjustment Act, so something he had indicated when the administration begins, that is something that he is interested in pursuing as well. So I think that both of those things are good signs for the passage of the ABLE Age Adjustment Act. There is still some hope that it could pass before the end of this year. There are, at the end of the year, there are budget compromises that are met, and so there has been conversation that the ABLE Age Adjustment Act could be included as a budget compromise, which means that it's not voted on individually as a bill, but it would be included in a package of things that all relate to the federal budget.

If that happens that's a good sign and could pass before the end of the year. If it does not, there are still opportunities that it could pass either early next year or later into the year. There is an additional package on retirement reform that is being pursued, and it has a good opportunity of being included in there. And let me say this, since I made the statement about being nonpartisan, the ABLE Age Adjustment Act has been supported by both Republicans and Democrats. There are a number of Senators and Congress members that have supported it.

What you can do, if you are interested in advocacy on behalf of these bills, is that you can contact your representative, whether they are in Congress or in the Senate, and let them know that you would like for them to issue their support for the ABLE Age Adjustment Act. The more elected officials that support the bill, it gives it a higher likelihood that the bill will receive a Congressional Budget Office score, and then there is a higher probability that will come up to a vote once it has that CBO score. So, if you are interested, we do have on the Treasurer’s website, we have letters that you can put your name to and tell your own story about why you would like to see these bills passed and that you would like to support them. Please take a look if you’re interested.

JASON (CALLER): Thank you for the excellent answer

SANDRA KENT: Okay, now we are going to go to Sri. Let's see here. Hang on just a moment. Sri, we can't open you up to talk for some reason, so if you want to add your question, please do so in the Q&A box, and we’ll look for it there. So, let's move on then to Margery.

MARGERY (CALLER): Hi, my son gets SSDI, and he is 28 years old. And his father passed away, and he is receiving $4,500 from his deceased father's estate, and the check, at this point, will be made payable to my son. Can my son forward the check to a CalABLE account that we are going to open, or does the check have to be made payable to CalABLE? And no matter what, will this jeopardize his SSDI?

DANTE ALLEN: Great question. You have stumped me a little bit, and it's because I don't fully understand whether or not that essentially a survivor's benefit will count against his SSDI benefit as income. So, I can't fully answer that question. You do have the ability to put the money into the ABLE account. And either he can receive that money through whatever means he does and transfers it into his ABLE account. Or you can have the survivor's benefit check cut to CalABLE for the benefit of your son and have it directly deposited into the account

MARGERY (CALLER): Thank you so much.

DANTE ALLEN: I would go check with your SSDI folks to see if that benefit would count against him as income. It's not horrible, if it does. It just means that in the particular month that he receives that benefit, that it may lessen any monthly benefits that he receives. Not sure of that

MARGERY (CALLER): Thank you so much.

SANDRA KENT: Okay, one of the questions that Sri had was: was what happens after the account holder passes away? Is there a Beneficiary designation like a sibling?

DANTE ALLEN: Yes, great question again. This is one of those elements that is a little in flux, Sri, and that is because the IRS issued us new guidelines on how you can set things up for a survivor or when a Beneficiary passes away. Here in California, we have passed a couple of laws that give some additional protections to CalABLE account holders. When the ABLE Act was passed, it was done so with the intent that if a Beneficiary received Medicaid benefits over the course of their lifetime, any remaining money in the ABLE account could be used to reimburse Medicaid if the state that performed the services asked for it.

Here in California, we passed the law that said that Medi-Cal will not seek to reimburse itself using a CalABLE account of a California resident, so that's some additional protection that you have. So, when a Beneficiary passes away and they have money in their ABLE account, the first thing that can happen is, any remaining money in that ABLE account can be used to pay for any outstanding Qualified Disability Expenses. And that can include things like death and burial expenses are considered Qualified Disability Expenses. So, what happens after the money is used to pay for outstanding Qualified Disability Expenses is, it is transferred to the deceased Beneficiary's estate. Now, if that Beneficiary's estate is required to go through probate, meaning that the value of the entire estate is $150,000 or more, that would give Medicaid or Medi-Cal a second opportunity to recover money to pay for any healthcare services that the state made. It would not be recovering the money from the ABLE account but from the individual's estate, but Medi-Cal has gone very far to say that there are only a limited number of circumstances that they would seek that recovery.

The main element is, if the estate was required to go through probate, and if the individual was a user of the higher end of Medi-Cal services like in-home support, they lived in a skilled nursing facility and received prescription drugs, and that individual is not survived by a spouse, a child under the age of 18, or a [disabled] child of any age, then Medi-Cal would not seek recovery from that individual’s estate unless all those things apply. So, what would then happen is that you could essentially heir any remaining funds in the estate to family, loved ones just like anyone else could.

Now, if the ABLE account Beneficiary has a family member that is ABLE eligible – and this can get confusing, too. This is where those two different definitions of family members – because ABLE accounts consider a family member to be a sibling, a brother or sister, stepbrother, stepsister, half-brother or half-sister, if they have a sibling that is ABLE eligible, you can transfer the money directly from the ABLE account to an ABLE account of that sibling family member without issue. Otherwise, you would go through the estate process that I described previously.

Now, there are rules that will come online with the new IRS regulations that actually allow you to do some predetermining of successor Beneficiaries, but we have not fully gone through those yet and have not worked out all the kinks of what that would require, but that is something that we will be bringing on. And like I said previously, one of our future webinars will be focused on the many changes from the final IRS regulations.

ANNE OSBORNE: We did have one question: how late in the year can the contribution be made for 2020 into that ABLE account?

DANTE ALLEN: I would say, get it in by December 31st. I wouldn't wait until the last minute, just in case there are any technical problems, but contributions made up through December 31st would count as 2020 contributions, rather than 2021.

SANDRA KENT: Okay, and Sri had another question: what interest or dividend does the money earn in a CalABLE account?

DANTE ALLEN: So that one I will advise you to take a look at our Disclosure Statement. You can view the Disclosure Statement at www.CalABLE.ca.gov. I can tell you that CalABLE is an investment program, and like many investment programs, it is subject to risk or the potential loss of money, so I can't tell you that you are guaranteed a level of return on your investment. No one can. If they do, they are violating the law if they are telling you that, but you can see the historical performance of the CalABLE investment portfolios. That is to say that historical performance is not meant to serve as a guarantee for future performance, but you can take a look.

We do have 3 target risk investment portfolios and they each yielded a different level of returns. We also have an FDIC-insured portfolio that is not attached to the markets, but yields a simple interest, and I can say that interest right now is at a historical low. And so, its interest yield is 0.01%, which is very close to zero. So it is not bringing in much money right now, but for those who don't want to tolerate the risk of having their money associated with the markets and fluctuating, that FDIC portfolio may be the way to go.

SANDRA KENT: We have another person who has a raised hand. May, if you would like to ask your question. You need to unmute yourself, May, if you're still there.

Okay, it doesn't look like she is able to unmute herself, so let's move on to another person who has raised their hand. Sankar, if you would like to ask your question.

SANKAR (CALLER): Can you hear me?

SANDRA KENT: Yes, we can hear you.

SANKAR (CALLER): So my question is related to the attorney expenses. In other presentations in the past, not today but in the past, I saw something like the attorney expenses can be paid using the CalABLE account. Are there any expenses like, for example, trust formation or educational attorney expenses for IEP, can those be paid from the CalABLE account?

DANTE ALLEN: They can, and the rule of thumb for Qualified Disability Expenses is, that if it helps to improve or maintain your health, your independence, or your quality of life. So, for instance, attorney expenses to set up an IEP program could certainly fits across that spectrum – quality of life and health and independence and would certainly be considered a Qualified Disability Expense.

SANKAR (CALLER): My second question is…. Can I ask one more question?

DANTE ALLEN: Sure.

SANKAR (CALLER): So, if mom and dad are working in two different states, will the max limit of $15,000 apply to one single person, or can we open two different accounts in two different states?

DANTE ALLEN: So, good question. The way CalABLE works is you are only allowed to have one ABLE account per Beneficiary, and that is one account in total, including across different states. You cannot open an additional ABLE account. The Beneficiary is always the owner of the account, and each owner is only allowed one account. You are limited. The $15,000 contribution limit is per account limit, so it's not a per contributor limit, so even if you are parents living in different states, if you're contributing to the ABLE account, you are only limited to $15,000 in total for both parents.

SANKAR (CALLER): Thank you.

SANDRA KENT: Okay, we are running up against the time limit that we have, so we have one more question from Aiden & Ian.

AIDEN & IAN (CALLER): Can a CalABLE account be used for transportation like purchasing a vehicle by the owner of the account?

DANTE ALLEN: Yeah, that is a great question. And yes, transportation expenses are definitely considered Qualified Disability Expenses, and so you could use that to pay for bus passes or public transportation expenses, you can use it to pay your gasoline or for car maintenance, the purchase of the vehicle, all of those things will qualify as Qualified Disability Expenses as long as they help you improve the Beneficiary's health, independence or quality of life.

AIDEN & IAN (CALLER): Is there a maximum that can be taken out for any one thing? Like if you are paying for college and tuition costs, or if the check is very large like the car?

DANTE ALLEN: There are no limits on what you can pay for an individual expense, and there have been no limits identified on particular expenses. I have heard folks ask the question, well, what if I spend $100 for a haircut? Will somebody come and say, "No, you can't use that much"? The IRS has been specific to say they don't want to be part of that level of scrutiny.

AIDEN & IAN (CALLER): Thank you.

SANDRA KENT: Okay, that was the last raised hand that we had, so I believe, Anne, unless there is anybody else you can see that has a question that we can handle now.

DANTE ALLEN: I did see May pop back up on the list of the folks who are still here. I wonder if she might have typed something into the Q&A chat.

SANDRA KENT: I don't see anything. Let me see here. Let me quickly scroll and see if I can find something.

ANNE OSBORNE: I don't see anything.

SANDRA KENT: I don't see anything either. If you do have a question, May, then you can email us at our CalABLE inbox at calable@treasurer.ca.gov and we'd be happy to answer it for you. Okay

DANTE ALLEN: I really want to thank you for taking the time today to participate, especially our CalABLE Ambassadors, Alan and Antonio. Thank you so much for your time. I really am grateful for the very thoughtful questions that you have provided. To Cameo and Kayla, our sign language interpreters, thank you for being here today and making sure we are as accessible as possible to meet the needs of our community, folks who are interested in CalABLE. Thank you so much. Please do share information with us. If there are particular topics that you want to hear about, email us, let us know, visit us on social media. We definitely want to keep things going for you. Thank you so much, everyone, and have a blessed day and a great rest of your year. Bye, everyone.

For more information, please contact CalABLE at (916) 653-1728 or calable@treasurer.ca.gov.