



CalABLE Webinar CalABLE Basics

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SANDRA KENT: All right. Good afternoon and welcome to CalABLE's webinar series. We will be discussing the basics of CalABLE today. My name is Sandra Kent, and I am an analyst with CalABLE.

Before we begin the presentation today, I want to go over a couple of housekeeping items to help with the broadcast. First of all, the presentation slides are available on our website. The reminder email that you got about an hour ago has a link way down at the bottom, you have to scroll to find it, but a link to the slides is there. We also have two ASL interpreters available, so if you cannot see the video feed, look for them in the speaker gallery. They are there for your convenience. We also have live captioning provided, and that can be turned on by webinar control panel. You may adjust the settings for that if you need larger captions, and there should also be a transcript option available for you, which is a longer running text if you prefer that option. The audio options for the webinar today, you can do it either through your computer speakers or through a telephone. And don't forget to adjust the volume if you need to. The telephone number that you call, if you prefer audio through telephone, is 1-669-900-6833. And you will need to enter Webinar ID 976 1116 6498.

We will be taking questions at the end of the presentation, so please submit your questions using the Q&A box, and you can submit those questions at any time during the presentation. We will address them at the end of the presentation, so please feel free to put those in the Q&A box. If we have time, we may open up the lines to allow those who would like to ask their questions verbally to do that, but that's only if we have time. We usually get quite a few questions, and so it's just another means of getting the information to you, but we frequently have so many questions that it's hard to get to all of them.

A replay of this webinar will be available on our [YouTube channel](#) in about two weeks. Also available on our YouTube channel is a selection of other webinars that we have done in this webinar series. There is information on special needs trusts, rollovers, investments, and other topics, so please check out our YouTube channel for more detailed information about those.

We have some welcoming remarks from California State Treasurer Fiona Ma, and I would like to share those with you.

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

webinar returns to the basics of the CalABLE program. In my role as State Treasurer, I have the privilege of seeing firsthand, the many ways CalABLE is helping to improve the lives of many Californians with disabilities. With a CalABLE account, they are now saving and investing, without jeopardizing their benefits and still maintaining the flexibility to use their money to pay for the everyday expenses of living a life with a disability. We are happy to have guests today who will share how CalABLE is helping them plan and achieve a brighter future.

Whether you are thinking about opening a CalABLE account, are new to the Program, or just need a refresher on how it works, this webinar can help you understand the eligibility requirements, how to make contributions, what you can use the money for, and the options you have for saving and investing. We have also invited two of CalABLE's ambassadors to share their experiences and learn how they are making the most of their accounts. We encourage you to ask questions and become familiar with how an ABLÉ account can work for you.

CalABLE is a new and important tool designed to enable people with disabilities to attain financial wellness and reach their financial goals. As State Treasurer, I am deeply committed to promoting this program as a way to help Californians achieve better life experiences.

Thank you for joining us today and for your continued support of the CalABLE program. I hope you find the information useful. Now, I would like to turn things over to CalABLE Executive Director Dante Allen.

DANTE ALLEN: Thank you, Treasurer Ma. As the Treasurer said, my name is Dante Allen and I'm the Executive Director for CalABLE. I have been a part of the program now for three years and so actually before CalABLE was open to the public, I joined the team and was instrumental in getting us to launch. I know that folks have a number of questions, and I will repeat what Sandra said at the beginning. If you would like to submit your questions in the Q&A section, we will be happy to answer those questions. I will try as we can to answer some of the more common questions directly in the Q&A section. Some of them that may be more appropriate to answer live to the group, we will address that as well.

So, let me walk you through some of the things that we plan to go over this afternoon. This is the CalABLE Basics presentation, so we want to give you the background and the essential elements about how the program works, who is eligible, what can you use the money for, those are all things that we would like to talk about. CalABLE is an investment program, so we want to tell you about the choices that you have in selecting your investments and what it takes to actually open the account. We also want to give you some resources that may be valuable for you as you continue your research into CalABLE and other ABLÉ programs. And I'm especially happy that we have with us today one of our CalABLE ambassadors, and he is here to tell you how he is using his CalABLE account and what he is saving for. And then, as we said, with time permitting, we will get to as many questions that you have at the end. I know from experience that one of the most valuable times in these types of presentations is that Q&A section. So, we

are happy to get that to you. I am going to remind folks to submit your questions in the Q&A section if you have them. Next slide, please.

So, ABLE. CalABLE is based on the federal ABLE Act and ABLE literally means Achieving a Better Life Experience. This was passed into law in 2014. It was established as a new section to the IRS tax code, Section 529A. Many of you may be familiar with Section 529, which allows for savings for higher education related experiences. ABLE added a new subsection to that element of the tax code that allows for folks to save money for Qualified Disability Expenses. And what this law did is it said that the states could create tax-advantaged savings and investment programs for people with disabilities. And moreover, when they use that money to pay for specified expenses, that money could be tax- and penalty-free. Next slide.

One of the greatest elements about ABLE accounts is if you are receiving government benefits like SSI or Medi-Cal, just simply having money in your ABLE account won't affect your eligibility for these types of programs. So, if you are familiar with SSI, you know that if you exceed \$2,000 in savings at any given time, you would receive a letter that says hey, you need to spend that money down because it's an excess resource. You need to get below that \$2,000 threshold. If you don't, we will help you out by discontinuing your cash benefit until you actually complete that spend down. And the assets in your ABLE account are protected so that people with disabilities have financial support to provide for themselves and for their family, and to make those savings and long-term purchases that they desire. Next slide, please.

CalABLE is California's version of the federal ABLE Act. It is a national program that basically mirrors the federal law, and when I say "national," it means you do not have to be a resident of the state of California to open a CalABLE account. It's an online-based savings and investment program. There are no branches to go into to make deposits and withdrawals. Those are primarily done online, accessing your account over the Internet. The program is administered by the State Treasurer, Fiona Ma serves as the chair of the Board, and we have six other members that represent both the disability services and the financial apparatus of the state of California. We first launched CalABLE in December of 2018, and since then more than 7,000 people have enrolled in the program, and they have deposited approximately \$50 million in assets in the program. So, we have grown really quickly in just a short amount of time. Next slide, please.

This slide is to show you all of the other ABLE programs that exist across the country. It is a map of the United States, and it is colored in various ways. The majority of the map is green, and you can see that states like California, Nevada, Alaska, Pennsylvania, South Carolina, Arizona are in green, and for those states, the color green on this map reveals that those states are national programs, meaning that you can live anywhere in the United States and open an ABLE account there. The other large number of states are in an orange or brownish color, and those include places like Washington and Texas and New Mexico, Georgia and Florida, and those states require that you be a resident to open an ABLE account there. And then there are a few that are shaded in gray. They include Utah and the Dakotas and Maine, and these are all states that have not

opened an ABLE program yet, but some of them are actively working. I know that Hawaii has been actively working as well to open their ABLE account.

So, I want to talk a little bit about the basics of ABLE, but before I do that, let me tell you sort of the differences that may exist between ABLE programs. So, all ABLE programs are based on the federal ABLE Act. The major ways that these programs function are essentially the same. The eligibility requirement will be the same no matter which ABLE program that we talk about. The benefits protections will be the same approximately no matter which ABLE program that we talk about. But the rest some differences, and I will point those out as we go. But some of the major differences that I want to make sure you are aware of is that the fees associated with these accounts may vary depending on which state's program you participate in. The choices that you have for investments may vary depending on which program that you choose. And then the final thing is that states had the ability to pass additional laws that could enhance the benefits of ABLE, but are only available to you if you are a resident of the state in which your ABLE program belongs. And like I said, I will point those out as I go along, but I wanted to make sure that you are aware of the differences. Actually, can you go back Sandra?

So, some of the basics of ABLE. You are only allowed to have one ABLE account open at that time. And that doesn't mean that you can have one account in California and one account in another state. It means that each ABLE-eligible individual can only have one ABLE account. Those accounts can be rolled over, so you can actually move money from one state's program to another state's program if you choose to, but you are required to close out that old account if you are opening a new one. The Beneficiary, or the person with a disability, is always the owner of the account. That includes even if that Beneficiary is a minor. It includes if that Beneficiary is conserved. That Beneficiary is always the owner of the account, and that means that any money in the account belongs to the Beneficiary. So, that's an important distinction to be made.

We know that minors can't open up or can't contract here in California, and neither can folks who have conservatorships over them. So, ABLE accounts can be opened by either the Beneficiary or an Authorized Legal Representative. And the law is specific about who can become an Authorized Legal Representative. And it says that a parent, a legal guardian or conservator, or a person with power of attorney over the estate of the individual, over the financial matters of the individual can become an Authorized Legal Representatives. Now, there are changes coming to this portion of ABLE because the IRS released their final regulations, and they added additional folks who can be considered eligible to become an Authorized Legal Representative. And we will let you know about those as they come, but that could include folks like Social Security representative payees, it could include siblings, it could include just about anyone of the choosing of the Beneficiary. And like I said, we will keep you posted once CalABLE has incorporated those changes. Next slide, please.

So, who is eligible to open an ABLE account? Well, first and foremost, the individual must have a disability that onset before that individual reached the age of 26. And if that individual meets

the eligibility criteria for disability benefits like SSI or SSDI, and the disability began before age 26, then they are automatically eligible to open a CalABLE account. You can go to the website, you can start your enrollment process, and if you start it now, you would be done by the time I was done speaking.

But that's not to say that you have to have ever been deemed eligible for programs like SSI or SSDI, and you don't have to be a benefits recipient in order to qualify for ABLE, but you would be required to go through a few more steps in order to get your CalABLE account open, and we call that self-certification. And that is when you attest under penalty of perjury that you have been diagnosed by a qualified physician with a physical or mental disability resulting in a marked and severe functional limitation expected to last one year or longer. We also ask that you get a letter from a physician that states those same things – that you have a disability, it began before age 26 – but we don't ask you to send that letter in. We ask you to hold onto it. And the reason why we ask you to hold onto it is because CalABLE doesn't need that, but you may need it if the Social Security Administration or the IRS ever asked you to verify your eligibility to have an ABLE account, the way that you would do that is by sharing that letter with them.

Now, ABLE's definitions of disabilities are pretty inclusive of just about any physical, developmental, intellectual disability, and many mental health conditions. Essentially, if the condition is listed in the Social Security Administration's List of Compassionate Allowances or the Blue Book, then that is a condition that would make you eligible for an ABLE account. But remember, the onset of that condition had to begin before your 26th birthday. Next slide.

So, I mentioned early on with an ABLE account, you have the ability to save above and beyond the resource limits of programs like SSI. If you are an SSI recipient, you may be familiar with that \$2,000 resource limit. And it says you can't have at any time more than \$2,000 in money in the bank, and if you do you are in jeopardy of having your benefits suspended. Typically, what happens is you get that letter that says you have to do that spend down. If you don't do the spend down within the timeframe that they set, your benefits are suspended. And so, you will only have that excess money to live on. You won't be receiving your monthly SSI benefit.

Now, with an ABLE account, you have the ability to save up to \$15,000 a year and up to \$100,000 in total before your SSI is impacted at all. And just so you know, CalABLE will automatically reject excess contributions. If you try to put in more than \$15,000, we will let you know that you are putting in too much and that you are not able to do that. The same if you get close to that \$100,000 limit. We will let you know that you are getting close and that you could be in jeopardy of having the money in your ABLE account counted as a resource. Now, I mentioned that the \$100,000 is a cap. Anything below \$100,000 won't be counted by SSI as a resource for you. But if you exceed that \$100,000, any amount in excess will be counted as a resource. But that doesn't mean that that is the maximum of what you can put into a CalABLE account. You can actually continue contributing to your ABLE account until you reach a balance of \$529,000. And even at that point your account can still continue to grow. Like I said, this is an investment program and

hopefully your investments will grow over time. So, you can actually grow well above the \$529,000, but you are just limited to the contributions that you make. And let me repeat that if you go above that \$100,000, you are probably off of benefits because you are exceeding their resource limits. Next slide, please.

There are a few people that can contribute in excess of the \$15,000 per year, that annual contribution limit, and that is: if they are employed and contributing money from their own income, and they are not actively contributing to a retirement plan, you can actually go above that \$15,000. And just how much you can go above depends on what you are earning. You can contribute an amount up to your annual gross salary or the federal poverty level in the state in which you lived for the previous year. So, this year you could contribute an additional \$12,760 in addition to the \$15,000 that can be contributed from all sources, for a potential of \$27,760 a year. Remember, you have to be working, the excess contribution has to come from your income, and it cannot exceed the federal poverty level in the year that you give it. Next slide.

So, how do these ABLE accounts work? These accounts are designed to protect assets. They are not a shelter for income. What do I mean by that? So, when I talked about the protection of ABLE accounts, meaning that you can contribute up to \$100,000, it protects you from having that money counted as a resource. Now, depending on where you got that money from, it could be counted as income. So, if you earned it on a job, or if you receive some type of stipend or anything that could be regularly considered as income, just putting that money into an ABLE account doesn't change that. It does protect your assets, meaning that you could exceed those asset limitations. So, ABLE accounts function like a savings or checking account, or they can be used to grow your money like an investment account.

Anyone can contribute to an ABLE account. And when third-party individuals, meaning anyone other than the Beneficiary, if their family or friends or churches contribute money directly to the ABLE account, that money is not counted as income against the individual's benefits. And the funds in an ABLE account are tax-exempt as long as they are spent on Qualified Disability Expenses when you withdraw them. Next slide.

So, what do we mean by Qualified Disability Expense? This is a very broad definition, and I will explain why in just a moment, but any expense related to the Beneficiary as a result of living a life with a disability that helps to maintain or improve your health, independence, or quality of life is considered to be a Qualified Disability Expense. As I said, this is a very broad definition, and it is intentionally so, but just in case you are wondering, it could include things like education, transportation, health care expenses, legal expenses, death and burial expenses. Anytime that you withdraw money from your CalABLE account and use it for anything that helps to maintain or improve your health, independence, or quality of life, that is a Qualified Disability Expense.

Now, let me be clear that it's not illegal to take a non-Qualified Disability Expense. So, if you want to withdraw money and use it for something other than what qualifies as a Qualified Disability

Expense, you are able to do that. But the thing that you should be aware of is that you may be subject to any income taxes on the growth in your account since you put the money in, plus a 10 percent tax penalty from the federal government, and a 2.5 percent penalty from the state of California, and you could be putting your benefits at risk when you use it for Non-Qualified Disability Expenses. So, we highly recommend that when you are using money from your CalABLE account, you always keep track of it, you keep a record to show that it was for a Qualified Disability Expense, and that way you will be fine for not having it count against your benefits and not facing any tax or penalties. Next slide.

Here is a further example of things that could be considered Qualified Disability Expenses: education, housing, transportation, assistive technology, expenses for ABLE account oversight and monitoring, financial management, any health care expenses. The question that we receive most often is: could a vacation be considered a Qualified Disability Expense? And the answer is yes, absolutely it can. I know that vacations are helpful for a number of issues, and usually when I go on a vacation, I can certainly say that it improves my quality of life to be able to do so. So, yes, a vacation could be considered a Qualified Disability Expense. Next slide.

ABLE accounts can be used to pay for housing, and if you are receiving any kind of subsidized housing, the Department of Housing and Urban Development (HUD) has indicated that this is how they will look at ABLE accounts. It reinforces the language and the spirit of the federal ABLE Act. HUD will exclude ABLE funds in determining family income. They will exclude third party contributions from being counted. They will exclude the entire value of an ABLE account from household assets, and they will exclude any distributions from an ABLE account and not consider them income. The one thing that they were clear about is that if you are earning income, just putting it into an ABLE account won't turn it into non-income, but that's what I was describing earlier about this not being a shelter for income.

Now, there is one difference when you are using your ABLE account to pay for housing expenses – anything like rent and utilities are considered housing expenses – and that is that the withdrawal and the payment of housing expenses must occur within the same calendar month in order to avoid any problems with your benefits. That means if you are using your CalABLE account to pay for your rent, and let's say you are paying for April's rent, you can withdrawal that money anytime between April 1 and April 30 and make the payment anytime between April 1 and April 30, and you won't have any problems with it being counted as a resource. But let's say you took the money out at the end of March, let's say you took it out on March 31, and you didn't pay your rent until April 5, then that money could be seen as an additional resource for you for the month and could put your benefits in jeopardy. So, please, if you are using your ABLE account to pay for housing expenses, always make sure that you make the withdrawal and the payment within the same calendar month. This doesn't apply to using your ABLE account for other expenses, only for housing. Next slide.

So, I mentioned at the beginning that we wanted to introduce you to Miguel Lugo. Miguel is very passionate and has been a great spokesperson for CalABLE. And I will let Miguel and Anne tell you a little bit more about him, so I will turn it over to you, Anne.

ANNE OSBORNE: Thank you, Dante, and I would like to thank Miguel for taking his time to join us on this webinar. As Dante mentioned, Miguel is one of our Ambassadors, and we started this program last summer as a way of promoting our program. We have our Ambassadors out there sharing their experiences. Today, we asked Miguel to join us so he could share his experience with using his CalABLE account. Miguel, I would like to ask you a few questions. How are you using your CalABLE account?

MIGUEL LUGO: First of all, I would like to take the time to thank you for having me as part of this panel and as a part of the program, which I think is very beneficial for anybody that qualifies for it. That being said, currently I am using my ABL account as a savings account and also as a protection for my benefits as well.

ANNE OSBORNE: Awesome. So, do you have a goal that you set having your CalABLE account?

MIGUEL LUGO: I definitely have a goal. I am a very goal-oriented person, so at the time of opening my account, my goal has been to save up for a new, or at least new to me, accessible van.

ANNE OSBORNE: Great. And how are you doing this? Do you have a monthly savings that you are putting into your CalABLE account? How are you going to achieve this goal?

MIGUEL LUGO: I do have a plan, a monthly plan, of contributing at least \$250 from my income into my ABL account on a monthly basis. If possible, I do contribute more whenever possible.

ANNE OSBORNE: Great. And as you mentioned to me, you are saving this money so you could have a down payment on this van. That's your goal, right Miguel?

MIGUEL LUGO: That's absolutely correct. And without a program like CalABLE, it would be very difficult, if not impossible, for me to even save for that down payment. And even though I don't like to use the word impossible, the fact is without the ABL account I would not have been able to accomplish that goal. So, this is very beneficial.

ANNE OSBORNE: Thanks, Miguel, for sharing that. We are going to come back to Miguel later on in the presentation, so Dante, I will turn it back over to you.

MIGUEL LUGO: Thank you.

DANTE ALLEN: Thank you, Anne. I was going over some of the questions, and I see that we have some very good and active questions, so looking forward to being able to respond to more of those.

So, at the beginning of the presentation, I told you that there are many states that have passed additional laws to further enhance ABLE benefits, and California is one of them. In 2017, we passed two laws that give additional protection to CalABLE account holders. One of them, AB 688, exempted ABLE accounts from the enforcement of money judgments. So, if you were ever sued or you had a creditor, they couldn't go into your ABLE account without your permission to satisfy the debt that you owe.

We also passed a law that said that Medi-Cal will not file a claim directly on your ABLE account. The State may recover on assets that have transferred from an ABLE account to the estate of a deceased individual, but we have added this new layer of protection. And so, again, when you do your comparison of ABLE programs, there are a number of factors that could make one program more effective for you over another, and it's important to note that these two protections only apply to California residents with a CalABLE account. So, if you live in another state and you have a CalABLE account, these are not protections that are automatically available to you. The same if you live here in California and have opened an ABLE account in another state. So, those are important things to keep in mind. Next slide, please.

So, what happens to a CalABLE account when the owner passes away? And this is an important question because the federal ABLE Act gave a Medicaid permission to recover any funds remaining in an ABLE account so that the program could reimburse itself for health care expenses paid on behalf of the states during the individual's lifetime. Like I mentioned, California passed a law that says if you have a CalABLE account and you live in California, we won't do that. So, what happens when you pass away and you have money left in an ABLE account? First and foremost, any outstanding qualify disability expenses can be paid using ABLE funds, and that is even posthumously. So, for instance, death and burial expenses would be considered qualified expenses. So, you can use money in your CalABLE account to pay for expenses even when you have passed away. The account is then transferred into the deceased individual's estate, and that would give Medicaid the opportunity to attempt to recover from your estate, not directly from your ABLE account, but from the estate of the deceased individual.

Medi-Cal has issued some guidance based in the law which says they would only have a few circumstances in which they would attempt to recover on the estate of someone with a CalABLE account. And that is if the deceased individual is aged 55 or older at the time of death; and the individual was a user of comprehensive Medicaid services like in-home support, skilled nursing, prescription drugs, and a number of other higher-end Medicaid services; and the individual's estate was required to go through probate, meaning that the value of the estate was worth \$150,000 or more; and the individual is not survived by a spouse or children under the age of 21 or a disabled child of any age. Unless all four of those bullet items applied, then Medi-Cal will not attempt to recover on the funds from an ABLE account that go to your estate, and that individual has the ability to give the money to heirs and loved ones, just like the same thing that happens when any other folks pass away. Next slide.

I'm going to turn things over and talk about investments, and I know that many folks have questions about investments. As I mentioned, CalABLE is a savings and investment program. Our investments are managed by TIAA-CREF. They are one of the world's largest financial services organizations. They have more than \$1 trillion in assets under management, and they have designed four portfolios where you can put your money when it's in a CalABLE account. We have an FDIC-Insured Portfolio, which operates like a checking or savings account, and we have three target risk investments in which your money can grow over time. Now, there are fees based on which options that you choose, and the funds can be transferred between the portfolios up to two times a year. So, even after you have made a choice, you can move the money around if you find that the investments are performing differently than you anticipated. Next slide.

So, these four pie charts illustrate the distribution of the investments in each portfolio. So, you will see the gold circle is the FDIC-Insured Portfolio. It is 100 percent interest bearing. It is not attached to the stock market or any bonds. It is a simple interest that is provided based on the federal government interest rate. As you know, interest rates now are at historical lows, so we are getting a very small interest yield on our FDIC-Insured Portfolio. As of right now, it is just 0.01 percent, which is almost zero, which means that it is earning next to no interest to have that account. But it is safe. It has the protection of the FDIC, meaning that even if there were a collapse in our economy, that money in that FDIC-Insured Portfolio, up to \$250,000, will be protected by the federal government.

In our target risk portfolios – I am going to the one to the right of the FDIC-Insured Portfolio – and that is the Conservative Portfolio. The reason why it's the Conservative Portfolio is that these portfolios are divided amongst their potential for risk. So, with any investment program there is a chance that you could lose money. And the way that they manage the level of risk is that they diversify. So, there is a diversity of stocks and bonds and other products that could provide a return on your investment. So, the Conservative Portfolio only has about 20 percent of stocks. Stocks fluctuate on a day-to-day basis, and so that could make your account go up and down. So, the fewer stocks means that the portfolio has less of a variability over the day to day. Fifty-five percent is bonds. Bonds are longer-term investments. If you hold onto them, they give you what is intended to be a more stable return with less flexibility over the day-to-day. And then 25 percent is a Funding Agreement. This is based on a TIAA-CREF life insurance product, and it is essentially a guaranteed issue. If you put your money into this account, you are guaranteed a specific rate of return that is higher than the FDIC-Insured Portfolio, but it doesn't have the same federal protection.

The next portfolio is the Moderate Portfolio, and as you can see, it is based on stocks. So, 50 percent of this portfolio includes stocks, 45 percent bonds, and just 5 percent is that Funding Agreement.

And then that final one, the Aggressive Portfolio, is 80 percent stock and 20 percent bonds. And so, the expectation with this account is that because most of it is based on the stock market,

which has a tendency to fluctuate, you could see your account balance grow really quickly. There is also a potential if there were a significant drop in the portfolio that you can see your money reduced relatively quickly.

And so, which option you choose is dependent upon your ability to tolerate losses. And so, if you are concerned about losing any money, you are saying I don't have any money to lose, your best option may be to consider the FDIC-Insured Portfolio. If, on the other hand, you are putting money in there and you know is going to be there long term, and you are willing to weather the daily ups and downs for a potential long-term gain on your investments, you may be more inclined to choose the Aggressive Portfolio. And if you were somewhere in between you might look at the Moderate or the Conservative Portfolio. And you can always diversify between the portfolios by putting some of your money in each of the portfolios, depending on your choice. Next slide, please.

This slide is a visual example of the enrollment webpage. You will see here that there are the four different portfolios, the Conservative, Moderate, and Aggressive Growth. And you can make your choice. You can say that of the money I am putting into the account, I want 25 percent in the Conservative Portfolio, I want 25 percent in the Moderate, and then I want the rest in the Aggressive. And you can make the change in any way that you want, as long as the total allocations at the bottom is 100 percent. Next slide.

Did we want to turn things back over to you, Anne?

ANNE OSBORNE: Yes, thank you, Dante, and we were going to bring Miguel back and ask him a few questions about investing. So, Miguel, what is your experience with investing?

MIGUEL LUGO: I thought I was going to get skipped. But thank you, guys. Unfortunately, my experience with investing is a little to zero, and that is because of what I have heard, that people receiving benefits are not allowed to invest in stocks. That's what I heard, so that's mainly what has discouraged me to learn more about investing up until now.

ANNE OSBORNE: So, did you find having limited experience with investing made you hesitant to open a CalABLE account?

MIGUEL LUGO: Very. Very. At first, I had a misunderstanding about what a CalABLE account was, and as we know, it is an investment account, but it can also be utilized as a savings account. And that's what made me hesitate initially to open one up. But now that I have, I'm very glad that I did.

ANNE OSBORNE: And so, we had talked earlier and you said that you were interested in learning more about investing. So, now that you have your CalABLE account, that is something that you are going to continue to pursue, is that correct?

MIGUEL LUGO: Definitely. I am looking into learning more about investing, and I'm excited. I'm excited to be able to do it with my own money. I am very cautious because it is my own money, but nonetheless, it is a venture that I am definitely looking forward to.

ANNE OSBORNE: Well, that's great, Miguel. I am so glad that you were willing to share your investment knowledge with us. And Dante, I know we've got some more slides to review, so I will turn it back to you.

MIGUEL LUGO: Thank you.

DANTE ALLEN: Thank you, Anne. So, I want to talk about fees because this is often one of the questions that we receive. What does it cost to operate a CalABLE account? So, I am going to walk you through all of the fees, and then on the next slide I am going to give you a real-world example of if someone had a specified amount of money in their ABL account, what it would cost. So, essentially there are three types of fees that occur when you have an ABL account. There are time-based fees, meaning that each month you are charged a specific fee in order to maintain your account. There are percentage fees, meaning that if you have a certain percentage in one of the portfolios, you may be charged a specific amount. And then there are occasional fees, meaning that if you do something, you may be charged a fee for doing that thing.

So, on the time-based fees, we have an annual account maintenance fee, and for all CalABLE accounts, it is \$37 per year to operate your CalABLE account. Now, that money is taken out in monthly installments from your account balance, so just over \$3 per month. There is an underlying investment fee, which is a percent of your overall balance in each portfolio, so depending on which option you choose that can range from zero percent to just under 1/10 of one percent. There is a state administrative fee, which is less than one half of one percent.

And then there are occasional fees. If you choose to receive your CalABLE statements, your quarterly statements by mail, that's \$10 per year to receive it by mail. However, if you choose to receive your statements via email, that fee is waived entirely. There is an insufficient funds fee. Each time you overdraw your ABL account, you will be charged \$20. If you don't overdraw your ABL account, you won't ever be charged that fee. There is a check issuance fee, meaning that if CalABLE issues a check to the Beneficiary or to the Authorized Legal Representative or to a third-party payee, there is a \$5 per check charge. However, you can link your CalABLE account to any commercial checking or savings account, and you can transfer money electronically between the two, and there is no charge in order to do that. We also have a prepaid debit card, an optional prepaid debit card. If you choose the option of having that card, it costs \$1.25 per month to manage. Next slide.

So, here are the real-world examples of what the fees are associated with a CalABLE account with \$3,000 in assumed assets. So, if you put all of the money in your CalABLE account into the FDIC-Insured Portfolio, the only charge you will see is the \$37 annual account maintenance fee. The underlying investment fee is waived by the Board, the state administrative fee is also waived

by the Board, so all it will cost you to keep \$3,000 in the FDIC-Insured Portfolio for the entire year is \$37.

If you chose one of the investment portfolios, one or any combination of the investment portfolios, it will cost you the \$37 annual account maintenance fee, plus an additional \$2.40 to \$2.70 in underlying investment fees, plus \$13.20 in the state administrative fee, and those are per year, so the \$13.20 and the \$2.40 to \$2.70, that is a per year cost, so the most that it could ever cost you with \$3,000 of assets in your CalABLE account is between \$52.60 to \$52.90. So, one of our goals is to keep CalABLE affordable, and we see less than \$60 for \$3,000 in assets. That gives you the opportunity to grow your money over time as being incredibly affordable. Next slide, please.

So, what does it take to open your CalABLE account? The first thing is that it's free and easy, and it's a completely online process. Like I said, if you had started when I first mentioned that you could open your CalABLE account, you would have it open by now. It takes about 15 minutes to do so, and you can make contributions or deposits by electronic fund transfers or by sending a check to our Customer Engagement Center. We also have an eGifting portal, which works a lot like the crowdfunding similar to GoFundMe, where you can send out a message to friends and family and let them know that you are saving for a particular item, and they can contribute directly to your ABLE account through a unique link. Then, we have the prepaid debit card where you can move money directly from your CalABLE account and then use that card everywhere that Visa is accepted. Next slide.

This is the CalABLE Visa Prepaid Card. As I mentioned there is an additional fee. It's optional, you don't have to have it, but it can be very convenient to be able to load money and reload money onto your card, and then use that where Visa is accepted including online purchases or in-store purchases. The only place this card can't be used is at an ATM to get cash, and if you are intending to be able to get cash from your ABLE account, I highly recommend linking your commercial checking or savings account to your ABLE account and transferring money that way. The CalABLE prepaid Visa also offers a monthly statement, so you will be able to see how much money you have deposited onto the card and wherever you made purchases, so it can be helpful with recordkeeping. Next slide.

What do you need to enroll? There are really only a few items. You need a Social Security number and a government issued ID for the Beneficiary and the Authorized Legal Representative, if you are signing up as one. You need a \$25 initial deposit. That is not a fee. That's money that will go directly into your account. There are no fees to open a CalABLE account, but you should start with at least a \$25 initial deposit. If you plan to link your checking or savings account to your ABLE account, we will need the routing number and the account number of your bank account, and then that will allow you to be able to transfer money between the two. Next slide.

So, if you are ready to open your CalABLE account, you can visit us at www.CalABLE.ca.gov. If you look down to the bottom of the page, this is a screenshot from our homepage. If you click on the button Open an Account, it will walk you right through the steps. So, again, an easy process. Please visit us on www.CalABLE.ca.gov.

ANNE OSBORNE: Okay, Dante, we are going to have Miguel tell us a little bit about his experience about opening his CalABLE account.

DANTE ALLEN: Fantastic.

MIGUEL LUGO: I am back, ladies and gentlemen, one more time today. So, just to tell you a little bit about my experience in opening a CalABLE account. It was, as Dante said, very, very easy. Like you said, within 15 minutes. It's a very simple step-by-step, and the steps themselves are outlined in a way that is very easy to follow. My personal issue with opening an account was more on my personal end as a person that was raised and not used to having an investment option or anything like that. In my experience, it was strange for me to put money in another place other than the one account that I have had since I was 15 years old, which my parents opened up for me, and they taught me to save, save, save. Investing was never a subject that came up around our dinner table. It was always save, save, save. And with my cap being \$2,000, there wasn't really much I could save for. So, that was my personal issue.

The steps themselves are very self-explanatory, very easy. And as I have said, I highly recommend that anyone that qualifies for an ABLE account should log on and open one right now. I can see there are a little over 200 people on this call. So, there should be 200 new accounts at the end of this session. But that was my experience and I highly recommend it. And if you have any questions, feel free. Anne, I don't know if there is another question that you may have for me.

ANNE OSBORNE: I think the last thing was, and I think you covered it, but you did mention that it was a little scary to open your CalABLE account. And you had mentioned that you had always had just one account. So, I guess maybe just tell us a little bit how you overcame that, and how it's working for you now.

MIGUEL LUGO: The way that I overcame it is, as I mentioned earlier, I am a very goal-oriented man, so I have mentors that I follow, and I noticed that the mentors and the people that I look up to don't have their money in one place. They make money work for them, and the only way we can do that is by expanding the way we think. So, I convinced myself that this was the best option for me. And so far, it is absolutely proving to be so.

ANNE OSBORNE: Well, I want to say thank you, Miguel, for sharing your stories with us and your experiences. I know we have a few more slides that we need to get through, and I know we've got several questions, so Dante, I will turn this over to you and we will answer those questions that we have been receiving.

MIGUEL LUGO: Thank you, Anne, and thank you, Dante.

You are on mute, Dante.

SANDRA KENT: Sorry, Dante, you need to unmute yourself.

DANTE ALLEN: I'm sorry. I do just have a few slides left over. These are resources on whether you need more information before opening your ABLE account, or you have already opened one and you just want to learn how to get the most out of them. These are places that we refer folks to all the time. The first is [AchievABLE Corner](#), a portion of the CalABLE website that has been brought to us by the [National Disability Institute](#), and you can access this at the bottom of any CalABLE page. They have questions that will help you explore your readiness for a CalABLE account, and advice on how to make the most out of your CalABLE account.

At CalABLE, the State Treasurer has additional resources. If you visit www.treasurer.ca.gov/able, there are plenty of additional resources there. The ABLE National Resource Center, www.ABLERNC.org, is a great place to do that comparing and contrasting, and you can look at them side-by-side and see which one might be best for you. The same for investment options, the same for if the states that have passed an additional tax deduction for ABLE accounts. That's a great resource.

I would also recommend [Disability Benefits 101](#). That is a program of the [World Institute on Disability](#), and they have information about ABLE. They also have information about the various benefits programs and that can be very, very helpful for you.

And then the last one that I will give is the Social Security Administration. They use a [Program Operations Manual System](#), and this is the document that they provide to the representatives at Social Security that is used to train them on how to look at ABLE accounts. So, oftentimes if you run into a person in Social Security and they are giving you information that you think is inaccurate or is different than what you understand about ABLE, you can go to the Social Security website and look up their Operations Manual System and be able to share that with the representative that you were talking with in regards to ABLE accounts. So, these are all great resources for you, and these slides are available as well. Next slide.

This is the CalABLE team. As you see, myself and Anna, and Sandra who began at the beginning. Alyssa is also a part of our team. And you can reach us via email at CalABLE@treasurer.ca.gov, or you can call is at the phone number below. Next slide.

And then in addition to the CalABLE team, there is also our Customer Engagement Center. It is open Monday through Friday, 9 AM until 5 PM, and you can call us at 833-CalABLE. That is 833-255-2253. Or you can email the Customer Engagement Center at CalABLESupport@calable.ca.gov. And if you have specific questions related to your account, if you want to know whether a deposit went through or you think that you are charged too much in fees or you have any questions directly related to your account, I highly recommend starting with the Engagement Center. They have the ability to look at your account and go into things

with you while you are on the phone. The CalABLE team here in the State Treasurer's Office does not have the ability to do that. Next slide.

If you would like to connect with CalABLE, you can visit us on social media. Our handles are there. Please join us. You can also join our email distribution list at the Treasurer's website, and we will keep you up-to-date with information anytime that there are changes to the program. Anytime we have events like today's webinar, we send out an email to let folks know. So, please do look us up and if you are interested you can sign up to receive our emails. Next slide.

So, I will repeat again, it looks like we have a good number of questions in the Q&A already, but if you would like to submit a question, we have them available. You can open up the Q&A, we have been reviewing them and are answering them, and we will read out a bunch of them in just a minute or so. There are some additional resources. We have [Frequently Asked Questions](#) on the Treasurer's webpage. We also have our [YouTube channel](#) where you can go and see replays of previous webinars in case you have additional questions on those. So, with that in mind we will go to the next slide.

This is the fine print and it asks you to consider the objective risks, charges, and expenses before investing in a California 529 qualified ABL program. Like with any other investment, there is a potential that you could lose money, and you should be aware of that before making an investment. All of this fine print is included in the [Disclosure Statement](#) which is available on our website, and it gives you all of the rules to the program. We highly encourage you to review that document before opening a CalABLE account. And even anytime that you have questions, you can use it as a reference guide to be able to answer some of your basic questions, and if not, you can always reach out to our Customer Engagement Center.

So, with that in mind I'm going to take a look at the questions and we will start answering those in just a moment. Anne, have you identified some questions we can start with right away?

ANNE OSBORNE: I do. I have, Dante. This is a really good question. Can you explain if you can use your account to start a small business?

DANTE ALLEN: So, that is a great question, and yes, you can use a CalABLE account to save and build money to start a business. It definitely fits within the category of improving your quality of life and your independence. So, yes, a CalABLE account can be used for that.

ANNE OSBORNE: And the next question is: if I inherit money down the road, how will that impact my account and benefits?

DANTE ALLEN: That's another great question. So, the first thing, let me say that you may want to consult with a tax advisor regarding inheritances. In certain circumstances, an inheritance can be considered income, so you want to make sure you are aware of that. But any inheritance can be deposited into an ABL account, and as long as that inheritance doesn't exceed the \$15,000 annual contribution limit, it can be put in all at once. And once that money is in the account, it's

not counted as a resource for your benefits provider. But I do recommend that you talk to a financial advisor or your benefits advisor regarding whether or not that inheritance would be considered income for the month that you actually receive it.

ANNE OSBORNE: Is consideration underway to raise the qualifying age for an ABLE account?

DANTE ALLEN: That's a great question and it almost like it could have been a canned question, but yes, there is work in Congress right now. As I mentioned before, the age of onset for your disability needed to be before your 26th birthday. So, if your disability began sometime after your 26th birthday, as of today you are not eligible to open an ABLE account. But both houses of Congress are currently reviewing bills to increase that age of onset from 26 to 46. So, we hope, and it looks like it has a great chance of passing this year, and if you are interested you can write to your congresspeople and your senators and encourage them to support it. We call it the ABLE Age Adjustment Act, and if you are interested in helping out, we have a sample letter that you can write on the Treasurer's webpages. And you can let folks know that you really want to see this passed.

ANNE OSBORNE: The next question is: what happens if the CalABLE recipient is not able to manage their own account and does not have a family member that can assist them?

DANTE ALLEN: So, the rules regarding setting up an Authorized Legal Representative would go into play. So, if you have an ABLE account and you are not able to manage it, you can assign an Authorized Legal Representative. That person does not have to be a family member. It could be a friend. It could be a spouse. It could be a person of your choosing. The way the rules are set up now is that you would need to give them power of attorney to be able to operate your ABLE account. But in the future, it will be more flexible where they are not required to have that formal level of control over your finances.

ANNE OSBORNE: Is the money in your CalABLE Visa account counted toward the \$2,000 limit for SSI or Medi-Cal?

DANTE ALLEN: It is not. Distributions of money from an ABLE account onto a prepaid debit card are considered a qualified distribution. We still recommend though that you keep a record when you actually use the money from the prepaid card just in case you were ever asked by the IRS or the Social Security if you are receiving benefits.

ANNE OSBORNE: Can the Beneficiary of an ABLE account live even temporarily outside the US?

DANTE ALLEN: So, living outside the US, you have to be a resident of the United States in order to have an ABLE account. I would have to check the records but I think if you leave the country for more than 30 days, you lose your residency status, but I would have to check on that to be sure. But ultimately you can potentially lose your eligibility if you live outside the United States.

ANNE OSBORNE: Why is a bank based in Florida the financial institution for CalABLE?

DANTE ALLEN: Yes, so our recordkeeping services are located in Florida. They aren't the bank for CalABLE, but they do handle our Customer Engagement. So, if you had a check to send in, or if you were sending in any of the documentation required to open your ABLE account, we use a third-party service, Intuition ABLE Solutions. They manage a number of state ABLE programs, the recordkeeping for those programs, so we consider them to be a leader in this space, and that's why the mailing address is located in Florida.

ANNE OSBORNE: Is eligibility reassessed annually?

DANTE ALLEN: So, there is a requirement in the final IRS regulations that says that you should assess your eligibility on an annual basis. The requirement for CalABLE is that if your eligibility changes, you need to inform us. So, we don't have you attest under penalty of perjury each year that you are eligible for an ABLE account, but there is the expectation that if your eligibility changes, you would inform us.

ANNE OSBORNE: Can a minor or person under conservatorship open an ABLE account in their own name? Is this enforced in some way?

DANTE ALLEN: So, the ABLE account is always opened in the name of the Beneficiary, even when that person is a minor or conserved. If the person is a minor or conserved, there also needs to be an Authorized Legal Representative who has the ability to sign contracts and actually manage the account.

ANNE OSBORNE: Can stimulus money be deposited into CalABLE accounts?

DANTE ALLEN: That's a great question, and yes, stimulus money can be transferred into a CalABLE account. The good thing about stimulus payments is they aren't considered income, and they are protected from being counted as a resource for up to 12 months after receiving the money. The only challenge comes is if you have held onto that money for more than 12 months, and you haven't done anything with it to put it into an ABLE account, it can be counted against you as a resource. So, we highly recommend that if you were going to hold onto that money for an extended period, you should definitely consider depositing that money into a CalABLE account to protect your benefits from being interrupted.

ANNE OSBORNE: What about people who have IHSS workers? Can having a CalABLE account penalize us from having IHSS workers?

DANTE ALLEN: So, if someone is receiving In-Home Support Services and they have an ABLE account, having the ABLE account should not count against your IHSS benefits, and neither should withdrawing money for Qualified Disability Expenses.

ANNE OSBORNE: Can I roll over funds from a 529 account if that was originally set up for my Beneficiary, and roll it over to his CalABLE account?

DANTE ALLEN: Yes, you are able to do that without taxes or penalties. You can move money from a 529 College Savings Account to a 529A ABLE account without taxes or penalties. You are limited to the \$15,000 per year contribution for an ABLE account, but you are able to do that. If necessary, if it's more than \$15,000 that you want to transfer, you can split it up over multiple years.

ANNE OSBORNE: Is CalABLE easily accessible for withdrawals?

DANTE ALLEN: I would say yes, it is easily accessible. The way that you would typically access your CalABLE account is through our web portal at www.CalABLE.ca.gov. We meet or exceed accessibility requirements. If you have additional needs like screen readers or things like that, our site is compatible with those devices. And being able to transfer money, you can do it very easily. You can transfer money between a commercial checking or savings account to and from your ABLE account. You can transfer money to your optional CalABLE Prepaid Visa Card, or you can request a check be issued from CalABLE in order to conduct those types of transactions.

ANNE OSBORNE: What are third party contributions regarding housing guidance?

DANTE ALLEN: So, third party contributions are not counted in relation to housing. I did see a question in the Q&A. Let's say, for instance, an individual needed to pay rent that was \$3,000 per month, and if the parents just gave them the money, that would eliminate them from being able to receive benefits. And they were wondering if the money was put into the ABLE account, would that still be able to protect their benefits, and the answer is yes, it would. So, this is an opportunity to receive help from family members and still be able to maintain your benefits. The thing that you should know is yes, you would still be limited to that \$15,000 annual contribution limit, so it's important to know that if your rent was \$3000 and \$2,000 of it was coming from gifts to your ABLE account, you would exceed that \$15,000 limit before the end of the year.

ANNE OSBORNE: We also have a question here: can you name some very specific Non-Qualified Disability Expenses?

DANTE ALLEN: I can. I can give you some advice on what may not be considered a Qualified Disability Expense, and the reason why I say "may not" is to my knowledge in the five years that ABLE has been in operation, I'm not aware of any specific items that have been rejected as Qualified Disability Expenses. But the IRS has given some guidance and they have said that things like the purchase of any illegal item would not be considered a Qualified Disability Expense. They have also said that things like potentially the purchase of gifts for other people would not be considered a Qualified Disability Expense. In order to be a qualified expense, it must be for the benefit of the person with a disability. The last thing that I will say is, let's say you withdrew money from your CalABLE account to pay for a Qualified Disability Expense, and then you change your mind. For instance, if you were planning on using it to pay to go back to school and then you decided not to go back to school, so you used that money or you just held onto that money, that could be considered a non-qualified expense.

ANNE OSBORNE: Great. And this is a really good question. When opening a CalABLE account, you will more than likely have to give your Social Security number. Since this has to be online, how secure is the website?

DANTE ALLEN: It is very secure. We meet or exceed the banking standards for the level of security for a CalABLE account. So, you are actually able to send in that information. You can either upload it to our web portal, or you can send it in via the mail. But we have a number of steps that are designed to protect your identity, including some of the factors that you would recognize if you have a commercial banking account, things like two-factor authentication, where we make sure you have a secure user ID and password, and then we also verify with a number or an email address that you have on file to ensure that the information that you submit is held private and confidential for you.

ANNE OSBORNE: Can your SSI benefits be directly deposited into your CalABLE account?

DANTE ALLEN: So, direct deposit is a little tricky with a CalABLE account because it is not a commercial bank account, meaning that it does not have the same routing number system, account number system that commercial bank accounts have. But what you can do if you would like to directly deposit, you can link your commercial checking or savings account to your CalABLE account. The money can be directly deposited into your commercial bank account, and then you can schedule an automatic push from your bank account to your CalABLE account, so you can say the second day of every month I want to push X amount of dollars to my CalABLE account, and that is a workable way to have a form of direct deposit to your CalABLE account.

ANNE OSBORNE: I'm going to do one last question because we are getting a little over our time. Can you make deposits and withdrawals from a CalABLE account as often as you want, or is there a limited number of times per year, per month?

DANTE ALLEN: There are no limits to how often you can take a withdrawal. The one thing I will remind folks is that if you are having CalABLE issue checks for you, there is a \$5 per check charge, but that can be completely avoided if you do link your CalABLE account to a checking or savings account. You can make as many transfers as you need to in order to access that money.

ANNE OSBORNE: Dante, we are at time and I know there are several other questions.

DANTE ALLEN: I want to thank everybody for taking the time and submitting your questions. We do have available on our website a [Frequently Asked Questions](#) section that will answer the majority of your questions. However, if you still feel like you have specific questions that you would like to have answered, please feel free to email us at the email address that we provided. You can either email the Customer Support Center at CalABLESupport@calable.ca.gov or you can email the CalABLE team at CalABLE@treasurer.ca.gov. Thank you all for your time today, and I especially want to thank the CalABLE team, and you, Miguel, for helping us out today, as well

as our interpreters and our captioner. We really do appreciate you. Thank you all, and we will see you in about a month. Goodbye, everyone.

MIGUEL LUGO: Thank you, goodbye.

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

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

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

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

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

These stories describe(s) the circumstances and experiences of specific CalABLE account owners. It may not be representative of the experience of other CalABLE account owners and is not indicative of future performance or success. Individual results and experiences will vary.

If funds aren't used for qualified expenses, the earnings portion of a non-qualified withdrawal is subject to federal income tax, possibly including the additional federal tax. Non-qualified withdrawals may also be subject to state and/or local income tax. For those Beneficiaries subject to California income tax, the earnings portion of a non-qualified withdrawal is subject to California income tax and the additional California tax.

This CalABLE informational program was brought to you by the State of California's CalABLE Board. Any statements or opinions contained within are those of the State of California. Your experience may differ based on a variety of factors, including your own state-of-residence, your needs-based benefits, tax, and financial circumstances.
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