



CalABLE Qualified Disability Expenses

Original Broadcast Date: February 16, 2022

Slide #1

Anne Osborne: Good afternoon, everyone. We are waiting for everyone to attend. We are still letting people in. We will begin in just a few moments.

Okay, we are going to go ahead and begin. Good afternoon and welcome to CalABLE's webinar series. Today we will be discussing qualified disability expenses.

My name is Anne Osborne, and I am the program manager with CalABLE.

Before we begin the presentation today, I want to go over a couple of housekeeping items to help with the broadcast. First, we recommend that you close any apps or browser windows that you will not need during the webinar. Having too many apps open can take up the Internet bandwidth you need to participate in the webinar and can result in problems with the audio or video feed. So please consider closing those that you do not need to have open at the moment.

Slide two please.

Slide #2

We also have two ASL interpreters available. You should be able to see their video feeds in your gallery of presenters. If you are joining us on your computer, you can adjust the format of your screen to increase or decrease the size of the presenter videos by hovering your mouse over the edge of the slides until a bar appears. Click and hold your mouse button to slide the bar to adjust the size. If doing this causes some of the slides to be cut off, go to view options in the webinar controls and change the zoom ratio to fit window. You should also use the view options to increase the size of the slides if you need to.

We also have live captioning provided. To turn that option on, look for the CC icon in the webinar controls. 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.

Slide three.



Slide #3

Next, the presentation slides are available to you. The reminder email that you received about an hour ago has a link to the slides at the bottom. You may have to scroll to find it. If you do not have the reminder email, the slides are also available on the treasurer's website at treasurer.ca.gov/ABLE.

As you can see here on the screen at the top of the webinar page, you will see a tab called webinars. Under the tab you will find links to all the webinars in this series as well as the presentation slides and transcripts for past broadcasts.

We received a lot of questions before the webinar and I just want to remind you that we do have an ABLÉ 101 which you can find in the 2020 tab, February 2020. We have a special needs trust webinar and that is on November 17, 2021. And a tips and tricks which was on July 21, 2021, and this is information is about how to open an ABLÉ account. And we did look at those questions prior to the webinar, and we did see a lot of questions related to this topic, so I just want to let you know that there are resources for those topics. We will not be discussing those today, so there are resources available.

Slide four please.

Slide #4

There are two audio options for the webinar today. You can listen through your computer speakers by telephone. Don't forget to adjust the volume on your computer if you need to.

Slide five please.

Slide #5

To use the telephone option dial 1-669-900-6833, and when prompted enter the webinar ID which is 83761302695.

Slide six please.

Slide #6

We will be taking questions at the end of the presentation, so please submit your questions using the Q&A box. You can submit those questions at any time during the presentation and we will answer them at the end of the presentation.



If we have time, we may open up the lines to those who would like to ask their questions verbally.

A replay of this webinar will be available on our YouTube channel in about two weeks, and we will send a notification to you when it becomes available. So be looking in your emails and you will receive a notification that it's available and a link to the webinar.

Slide seven please.

Slide #7

Now we would like to introduce state treasurer Fiona Ma, and she is here to prepare some opening remarks that we would like to share with you.

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 be on qualified disability expenses. This webinar will discuss what QDEs are and best record-keeping practices to keep track of your QDEs.

You will also learn about the CalABLE program as a whole and the benefits to owning an account.

As state treasurer, I believe that CalABLE is an excellent financial tool for Californians with disabilities. This program is a critical step toward ensuring that people with disabilities have access to resources that can help put them on the path toward financial stability.

CalABLE account owners can take advantage of making tax-free purchases when the funds are used for qualified disability expenses. In just three years over 7,000 CalABLE accounts have been opened and those account holders have entrusted us with more than \$70 million in assets.

This makes the CalABLE program the fourth largest in the US by account and assets owned out of 44 programs nationwide.

I am committed to promoting this program as one of my top priorities to help Californians achieve a better life experience.

Thank you for joining us today and thank you for your continued support of the CalABLE program. Now, I would like to do things over to CalABLE Executive Director Dante Allen.

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Dante Allen: Thank you Treasurer Ma for your opening remarks. I want to welcome everybody here. As the treasurer mentioned, my name is Dante Allen. I am Executive Director for CalABLE, and we are here today to talk about qualified disability expenses.

As Anne stated, there are more general presentations that we have conducted in the not so distant past including last month, we had a presentation on the CalABLE basics, and that can give you a very clear walk-through of the entire program.

Today we are going to spend some additional time on one of the most frequently asked questions, what makes up a qualified disability expense.

If you can go to slide eight, please.

Slide #8

We are going to start the presentation with a short video that talks about some of the basics of the program. That way we can go right into our topic of today. So please start the video.

[VIDEO]

Tatiana Lee: Money can't buy you happiness. We've all heard that before, right? While that may be true, achieving your dreams often requires learning to manage your finances. Whether your dream is to own your own home get an education or just become more independent, saving money is often the first step.

I know talking about managing money can be very intimidating, especially for people with disabilities who also have to consider the added expenses of living a life with a disability and the limits placed on what we can save if we receive government benefits.

Your dreams can come true. It's happening for me. I have a disability and saving for my goals is now a reality. Since I opened my CalABLE account with CalABLE, I am investing some of my money so that it has a chance to grow.

I'm saving for an accessible home and to grow my business. Maybe you want or need to save for expenses like moving or getting a smartphone or a computer. Maybe you want to save for something big like a vehicle or to purchase a home. Maybe you don't have a lot of money and that's okay.



The first step is to set goals and to create a plan to achieve them. CalABLE is a great tool that can help you get there.

Opening accountable account is quick and easy. Once your account is open you can begin to save regularly, maybe for the first time in your life.

A CalABLE account is for those of us who have a disability that began before turning 26 but they can be opened at any age. The sooner it is open, the more time your money has a chance to grow.

Earnings in an able account are not counted as income. It's tax free and you can use the money whenever you like as long as you use the money to pay for expenses of living life with a disability.

So many times, those of us with disabilities have been held back from reaching our dreams. We are told to limit our earnings and savings to keep any benefits we may need just to cover our basic living expenses. With a CalABLE account, we don't have to hold back. In fact, you can save up \$100,000 and still be eligible for public benefits such as housing, food assistance, or health coverage. Best of all when friends and family contribute to your ABLE account, those contributions won't count against your benefits like crowdfunding apps can. So, if you're like me or have a family member with a disability and you wish you could save money to help towards expenses today or in the future, join me and thousands of others like me from across the country and open your very own CalABLE account.

With accountable savings, I can plan for the future and so can you.

Narrator: Call the number on your screen or visit calable.ca.gov to become a CalABLE saver. if you would like to learn more about financial planning like setting a budget, saving to buy a house, or even understanding your credit score, visit the California state treasurer's website.

The National Disability Institute and ABLE National Resource Center provide information specifically for people with disabilities on the path to saving and investing with CalABLE.

Dream, plan, succeed, CalABLE will help you plan for your best possible life. Dreams can come true, and you can make it happen.

Follow these three simple steps. Ask yourself what it would take to change your life for the better. Make a list of what you are saving for and estimate the costs for each item on your list.

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to set your savings goals. Share your goals with family and friends and see how you can all contribute to your account to meet those goals. Keep your loved ones up to date.

Stick with your plan learn more as you go and celebrate when you achieve your Goals. Let's dream, plan, and succeed together.

Dante Allen: All right, that video we produced last year as a very quick way to introduce CalABLE to the folks who are very interested but may have some trouble on where to start.

So, if you go to slide nine please.

Slide #9

We will start off today's presentation with a question. In the video you learned that you can save for those things that are most important to you. So, we want to ask the question, if you could save for anything that you wanted through an ABLE account, what would you save for? Would it be a home or an accessible vehicle, or maybe to go back to school or would you buy technology that could help you? Maybe you have a dream of having a service dog or to simply have a dream about going on vacation. Tell us what you are saving for by clicking on the poll here just to give us an idea of what your goals may be.

All right Matt let's take a look.

Okay. These are very consistent. I have asked this question many times and what we usually get is that lots of folks want to use their CalABLE account for recreation and vacation, which about one fourth of you said you wanted to do. Many said they wanted to use it to purchase their first home. About one in five said that that is what you are interested in.

So let me start off by saying that all of these things may be possible with a CalABLE account. And we are going to walk through just a few steps of what it would take to get there. So, if you can go to slide 10.

Slide #10

So, as I mentioned I'm going to spend just a little bit of time going over the basics. There are other presentations that we have that are much better, they do a much more thorough job of talking about everything that is entailed with ABLE and more specifically with CalABLE.

We are going to spent most of our time talking about qualified disability expenses. This by far is one of the most common questions that we received. What constitutes a qualified disability

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expense, what might not be considered a qualified disability expense, and we are going to take some time answering those questions for you today.

As always, we will talk about the fees associated with a CalABLE account. I don't want any of you to feel like you are going in blindly if you make a decision to open an account. I really want you to know how much it will actually cost to own and operate your CalABLE account.

I want to talk a little bit about what it takes to open that account, what you will need as far as documentation and the amount of time that it will take to do so.

And I will also give you some resources and additional contacts just in case that you have more questions than we have time for today.

I will point you to where to connect with us so you can make sure you get all of the information when we release new info.

And then we will do the Q&A. As Anne stated at the beginning of today's presentation, you can ask your questions anytime by clicking the Q&A box down in the screen below. We have disabled the chat for this presentation. The main reason why we do that is because many folks ask us questions and that chat and it's a lot easier for us to keep track in the Q&A. So please feel free to type your question in any time in the Q&A.

Just be aware that many of your questions that you ask early, I might answer them in the presentation. And if you feel like we go through them during the presentation, we may not choose those to answer live at the end.

If you can go to slide 11, please.

Slide #11

So, let's talk about the basis, and this is going to be a very quick run through. Our actual CalABLE account holder in the previous video, Tatiana did a great job of talking about many of the basics. I just want to walk you through a few more items.

So, slide 12.

Slide #12

So ABLE stands for achieving a better life experience. And it was passed into federal law in 2014. And what the ABLE Act was is a tax-advantaged -- it allows states to create tax-

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advantaged savings and investment programs for people with disabilities that allowed them to save above and beyond those on government benefits, you can save and not worry about paying any taxes on any earnings that you made, and also allowed you to use that money at any time when you needed to for expenses related to living a life with a disability.

Since the ABLE Act passed in 2014 and CalABLE opened its doors to the public in 2018, we have seen more than 7,000 Californians open up CalABLE accounts, and they have entrusted us with more than \$70 million in assets.

This makes us the fourth largest ABLE program in the nation both by accounts and by assets. And that's a significant feat over a short amount of time because many of the programs are more than three years older than us, and we have still managed through our growth to become one of the largest and most influential ABLE programs nationwide. And we are very proud of that.

Let's go to the next slide, slide 13.

Slide #13

So, let's talk a little bit about what is new for 2022. And this is one of those questions that we receive all the time, and so we want to make sure that we address it head-on.

The first thing is you may be familiar that with an ABLE account, there is an annual contribution limit. That is the top amount that you can put into an ABLE account in a single calendar year. And that has gone up for 2022. The amount is based on the IRS gift tax exemption. In 2021 that amount was \$15,000. For 2022 it has gone up an additional \$1,000, and so now you can put in up to \$16,000 in your CalABLE account each and every year.

The other thing that has changed is the federal poverty level has increased from \$12,760 to \$12,880. What is the significance of that? Well, if you are an ABLE account owner and you are working and not contributing to an employer-based retirement program, you have the ability to put in whichever is the lesser of your current salary or the federal poverty level in addition to the \$16,000 that you could already contribute. And I will talk about that a little bit more a little later.

There have been three new ABLE programs that have launched since -- I want to say since December, and that includes Hawaii, Maine, and Utah. So today there are 47 able programs or able states plus the District of Columbia that offer some form of an ABLE program, and I will talk a little bit about what the differences are between those programs as well.



Medi-Cal updated its program fact sheet that is available on our website. And I will talk about how Medi-Cal and CalABLE intersect in just a few moments as well.

If you can go to slide 14, please.

Slide #14

So, what can you do with a CalABLE account? Why would you save in an ABL account? First and foremost, you can save up to \$100,000 in an ABL account without the risk of losing your benefits. As a matter of fact, if you receive SSI, the Social Security Administration has been told to disregard any money that you have in your ABL account that is below that \$100,000 threshold.

That means that they won't look at that money; they won't count that money against your benefits.

ABL accounts offer a variety of professionally managed investment portfolios, so you have the opportunity to potentially grow your money as well as save. And you can choose the risk tolerance that meets your needs.

And then like I said, one of the most important things is that you can use the money in an ABL account at any time. And when you do, you don't pay any taxes on the growth that your account has had since you opened it as long as when you are withdrawing that money, you were using it for qualified disability expenses.

You can go to slide 15 please.

Slide #15

So, who is eligible to open in ABL account? Well first and foremost you have to have a disability. And we use the same disability criteria that programs like SSI or SSDI use. But the caveat is that your disability had to begin before age 26.

Now there is a bill that will look to increase that age to age 46, but as of today, you must have a disability and that disability must have begun before your 26th birthday in order to be eligible for an ABL account.

And like I said, the definition of disabilities that we use is the same as the Social Security administration, and that includes a vast array of physical, mental, intellectual disabilities



including mental health conditions, blindness, any type of mobility disability, and even some chronic conditions like diabetes or cancer can also qualify you for being eligible.

You can go to slide 16 please.

Slide #16

So, what if you aren't on benefits? You still qualify to open an ABL account. You just have to go through a few more steps and we call it self-certification. And that is when you must confirm under penalty of perjury that you were diagnosed with a disability before your 26th birthday. All that we ask for at CalABLE is that you get a letter from a qualified physician that states your diagnosis and that you have a physical or developmental disability that results in a marked and severe functional limitation expected to last a year or longer.

Now, CalABLE doesn't ask for you to turn that letter into us. We ask for you to hold onto it just in case someone asks for it. And who might ask for it? Well, if you later begin to receive benefits, your benefits provider, when they do that recertification; they may ask you to share your letter to show that you are truly eligible to have an ABL account.

The other example is the IRS. If they wanted to determine whether or not an individual is eligible to have an ABL account, they may ask for that letter saying to show us how it is that you are eligible to open an account.

If you could go to the next slide, 17.

Slide #17

So how do these ABL account work? They are meant to protect your assets, but they are not a shelter for income. What I mean by that is that if you work a job and you earn money simply putting that money into an ABL account will not turn it into non-earned income. So, if you receive benefits, programs like SSI do two measures of the amount of money that you have in order to determine your eligibility.

The first test that they do is an income test. They see how much money you earn, and if you earn too much, you may not be eligible to receive SSI benefits.

The second test that they give you is how many assets do you have, what resources can you rely upon, and if you have over a certain threshold, you may not be eligible for benefits.



Well, with an ABLE account, you now have the ability to save above those resource limits, those asset limits, and still maintain your benefits.

ABLE accounts function like a savings account, or you can grow your money through investing. And I will talk a little bit about that in the very near future.

The earnings in your ABLE account are tax-free as long as when you withdraw the money, you use it for qualified disability expenses.

And account holders can make a choice on how they allocate their money. You can choose to put it all in savings, or you can choose one or more of our investment options.

And then finally, anyone can contribute to an ABLE account. That means that you can receive money from friends and family, and as long as it goes directly into your ABLE account, it won't count against benefits programs like SSI.

If you could go to slide 18, please.

Slide #18

So, contributing to an ABLE account. Before the ABLE Act, if you were receiving SSI, you couldn't save more than \$2,000 without impacting your benefits. If you got above that \$2,000 threshold, you would get a letter from SSI saying you had to spend that money down, meaning that you had to get it below \$2,000, or you ran the risk of having your benefits suspended.

Now the good news is once you are down below that \$2,000, your benefits would be reinstated, and you did not have to go and reapply. You still maintain your benefit, you just had to get below that \$2,000.

Well now with an ABLE account, you can save up to \$16,000 a year or even more in certain cases, and up to \$100,000 in total before your SSI is impacted at all. So, this is a significant game changer.

Go to slide 19 please.

Slide #19

And as I mentioned, you can save your money, but you also have the opportunity to use it at any time as long as you are using it to pay for qualified disability expenses. You don't have to wait until you reach a certain age like a 401(k) or a Roth IRA. Anytime that you take money from



your CalABLE account, as long as you are using it for those qualified disability expenses, there is no charge, it won't affect your benefits. You are covered.

Slide 20 please.

Slide #20

So, let's talk about qualified disability expenses. But before I go into it, I want to tell you a little bit about the expertise that we have accumulated that CalABLE. And I will tell you how I will and won't talk about qualified disability expenses.

As I mentioned, CalABLE opened its doors in December 2018. And over that time, we have received numerous, hundreds if not thousands of questions related to a disability -- a qualified disability expense. And all the time they want to know what the concrete answer is. Is this a qualified disability expense, or would it not be?

So, some of the times we knew that many of the questions were yes, that is likely a qualified disability expense. Occasionally we would have to do some research. So, we have researched through the federal statute, we have researched through the government -- or the IRS federal regulations to tell us how to look at these qualified disability expenses. And also, when we have had the biggest questions, we have reached out directly to Social Security representatives to tell us how they would look at certain qualified disability expenses.

And so over that time, we feel like we have developed a high level of expertise related to ABLE and especially to qualify disability expenses.

But the one thing that you will not hear me say in today's conversation is that something is definitely a qualified disability expense or definitely not a qualified disability expense. And the reason why I won't say that is because it is actually subjective. What may be a qualified disability expense for one person may not fit that same definition for other people. And it's important that you know that.

And the one thing that we recommend no matter what the expense is is that you keep good records. And we will go over what the best practices are for record-keeping as we talk about this.

If we can go to slide 21, we can open the door to what are qualified disability expenses.

Slide #21



And I want to start it off with a little bit of a quiz. So, this is a pop quiz for you. This is the first time we are doing this. And we are going to start with could a monthly bus pass be considered a qualified disability expense? And I want you to answer, it's multiple-choice, is it likely yes, it's a qualified disability expense, likely no it is not a qualified disability expense, or you are not sure. So, tell me what you think.

Okay Matt. Okay, 91 percent of you are fairly confident that yes and monthly bus pass could be a qualified disability expense. And I would be inclined to agree with you. We will go over just a minute what the Social Security Administration's definition of what a qualified disability expense is, but one criteria is does the expense enhance or help maintain an individual's independence. And so, a bus pass, transportation, the ability to get where you need to go is definitely an enhancement to independence. So, I would say yes, likely this is a qualified disability expense.

How about the next question on slide 22?

Slide #22

What about could a vacation to Disney World be considered a qualified disability expense? Likely yes, likely no, no not sure. Let's see what your answers are.

Okay Matt I think that's enough time.

Okay, a little less sure this time. But most of you said likely yes a vacation to Disney World could be considered a qualified disability expense.

And again, this is one of those -- this is one of those subjective questions, right? And so again I am going to go over the definition of qualified disability expense, but in addition to helping with your independence, if something will help to enhance or improve your health or your quality of life, it is likely a qualified disability expense.

And so, this is a vacation, it's going to Disney World. I have been to Disney World a couple of times in my life. It definitely enhanced my quality of life when I made those trips. And so again this is likely yes, a qualified disability expense.

Slide 23 please.

Slide #23



How about would having lunch with friends be considered a qualified disability expense? And again, what we mean by this is eating out with friends, could this be a qualified disability expense. Likely yes, likely no, not sure.

We will give you just a few seconds to answer that question.

All right, so again back with the confidence. Likely yes, 75 percent of you said that lunch with friends is likely a qualified disability expense. And I agree with you that it is likely qualified. Food is one of those categories that, including eating out at a restaurant, that the Social Security administration has specifically cited as a qualified disability expense in their guidance to the Social Security representatives.

One thing to be careful of with the purchase of food. And again, this is subjective, but the idea behind qualified disability expenses is that it directly benefits the person with a disability. And so, whereas buying lunch for yourself is very likely a qualified disability expense, there may be some question if you are buying lunch for all of your friends and saying oh, this is a gift. There is some questionability of whether or not that would be a qualified disability expense. I am not saying that it would not be, but I am saying that you are definitely much safer if you are buying lunch for yourself as the individual with a disability using money from your ABLE account as a qualified disability expense.

Slide 24 please.

Slide #24

How about this one? And I'm trying to get a little tricky here. Could the down payment for a car that would be in the name of the account owner parents be considered a qualified disability expense. Again likely yes, likely no, or you are not sure.

A down payment for a car that would be in someone else's name.

Okay, let's see. Okay, this time folks are saying likely no, that it would not be a qualified disability expense. Almost 60 percent of you said that you didn't think that that would be considered a qualified disability expense. And whereas based on everything that I have reviewed, I would say that likely yes a down payment for a vehicle, even if it is in the name of someone other than the ABLE beneficiary would be considered a qualified disability expense provided that that vehicle was for the benefit of the person with a disability, the ABLE account owner.



Now ABLE accounts are very different as you may be aware. Many insurance program say oh, if the insurance company buys something it needs to be for the sole benefit of the person with a disability. That's not the case with an ABLE account. o even if the ABLE account was used to purchase a car that would transport other people around in addition to the person with a disability, it still would be considered a qualified disability expense.

It is the same thing even if it was in the name of someone else. There is no requirement that every purchaser any property that you purchase has to be in the name of the person with a disability as long as they are able to benefit from the purchase of that item.

So again, that is likely yes, a qualified disability expense.

Slide 25 please.

Slide #25

Now I kind of tricked you all by giving you these questions before we really truly defined what is a qualified disability expense. But I wanted to get you thinking about these things even before I give you the definition because once I give you the definition, I think that would change your answers quite a bit.

So, this definition comes directly from the Social Security administration's program operations manual system. This is the document that the Social Security Administration uses to train all of the representatives including the agents that do your certification processes if you are receiving SSI benefits. So, we are using the same definitions that they are, and they say that any expense related to the ABLE account owner as a result of living a life with a disability that helps to maintain or improve their health, their independence, or their quality of life is a qualified disability expense.

Now that is broad, right? Of those three categories. If it helps to maintain or improve your health, independence, or quality of life. But the reality is that this definition is intentionally broad because these ABLE accounts are intended to be very usable. It's not intended to have lots of scrutiny on the individual things that you spend the money on as long as you can provide justification of how it helps you maintain or improve the beneficiary's health, independence, or the quality of life.

We can go a little bit further to say that it can include things like education or employment, housing, transportation, health care expenses, and much, much, more.

If you can go to slide 26.



Slide #26

So again, here are some of the many examples of qualified disability expenses. But in their definition, they go on to say that these are examples, but is not limited to these examples. So, it actually goes well beyond these things.

So, in addition, you can do employment training and support, assistive technology and related services, personal support. If you have a personal care attendant, you can pay them using money from your ABLE account, and that could be a qualified disability expense.

Basic living expenses, illness prevention and wellness. If you joined a gym that could be considered a qualified disability expense.

Financial management and administrative services. If you paid someone to do your taxes, that would likely be a qualified disability expense.

Any legal fees that you have.

Even the expenses for the management of your ABLE account, meaning the fees that are charged for having your ABLE account, those are actually qualified disability expenses.

And you can even make qualified disability expenses after you pass away because things like funeral and burial expenses are qualified disability expenses.

Now, it's super important that I note to you that it's not illegal to take a non-qualified disability expense. The money that is in the ABLE account belongs to the beneficiary. And so even if they want to take the money and not use it for a qualified disability expense, that's okay, but there are some things that may happen.

You may be subjected to any regular income taxes on the growth of any money in your account. Plus, you may be subjected to an additional 10 percent penalty from the federal government, another 2.5 percent penalty from the state of California tax penalty.

And then any money that you use for those nonqualified disability expenses may now be considered a resource that could count against your SSI benefits and put you in that position of the risk of having your benefits suspended for the time that you have more than their resource limits.

Slide 27 please.



Slide #27

So, I am going to walk you through some examples -- actually let me take a step back. Now that I have given you the definition of qualified disability expense, the things that we hear and the questions that we hear most often is can you give me an example of a nonqualified disability expense.

And that's a little difficult to do because in the five years that the ABLE programs have been up and running, I am not aware of any expense that has ever been turned down as a nonqualified expense. So, the only examples I can give you are the same kind of examples that exist in the program operations manual that Social Security uses.

So, one example that they give of a nonqualified disability expense is if someone takes money from their ABLE account and then they change their mind on how they were going to use it. So, in this example Jennifer takes a \$7,000 distribution from her ABLE account to pay for an educational expense as a qualified disability expense. Her educational expense is due in September, but in August, Jennifer gets a job and she decides that she is not going to go back to school. So, she has taken that money out of her ABLE account, she was going to use it for education, but then she decides she is not going to go back to school.

So, unless Jennifer decides to use at \$7,000 for some other qualified disability expense, or she decides to put that money back into her ABLE account, that money becomes a nonqualified expense.

So, she can either put the money back in her account and it won't affect her benefits at all, or she can redesignate it for another qualified disability expense and it won't interfere with her benefits either. But if she just keeps the money out of her account, it will become a countable resource for her because she took money out for a nonqualified expense.

In addition to having it count against her benefits, she could be taxed for any growth that her account has had, and she will be penalized for taking a nonqualified disability expense.

So we recommend that whenever you are pulling money out of your ABLE account that you always do it for a qualified disability expense because if not it can cost you in many ways.

Let's go to slide number 28.

Slide #28



So, I mentioned that housing expenses could be qualified disability expenses. And HUD, the Department of Housing and Urban Development issued some language that talked about how they would look at ABLE accounts as they are referred to subsidized housing. And so generally they follow the spirit and intent of the ABLE Act.

HUD excludes ABLE funds from household assets, they exclude the distribution from an ABLE account that are not considered income and in addition, when you take this distribution from your ABLE account, it is not considered income, but there is a caveat or a nuance. When you take money out to pay for housing expenses, you need to take the withdrawal and make the payment within the same calendar month.

If you don't do that, it can count against you. And so, I will walk you through how that will look in just a minute, but again the other thing that HUD said is that any earned income, like if you work a job and you get paid, putting that money into your ABLE account doesn't then automatically turn it into non-income that won't count against your benefits. But that is very much what I was saying about how an ABLE account is not a shelter for income.

Let's go to slide 29.

Slide #29

So, from the program operations manual system, they list some examples of what constitutes housing expenses. So, housing expenses are for the purposes of an ABLE account are similar to household costs for in kind support and maintenance. It can include things like mortgage, including property insurance required for the mortgage holder. It can include property tax. It can include rent, heating fuel or other utilities like gas, electricity, water, sewage, and garbage removal.

But the thing you have to know is that when you are using your ABLE account, and it only applies for these housing expenses, you have to make the withdrawal and make the payment within the same calendar month. If you don't it can be trouble for you. And so we would tell you definitely if you are using it, you may need to plan ahead to say I have enough money in my ABLE account to pay for my rent, so I have to make that payment anywhere between February 1 -- I have to make the withdrawal anywhere between February 1 and February 28, and then I have to make the payment before we get to the end of the month for it to be considered a qualified disability expense.

For ABLE, I mentioned that food is a qualified disability expense. It is not a housing expense. So, groceries wouldn't be considered a housing expense, and the important thing about that is it doesn't mean that you have to take the money out of your account and then make the



payment within the same calendar month. You can actually straddle a month, you can take the money out on January 30 and then not go grocery shopping until February 2 and that won't be a problem for you.

But if you do the same thing for paying your rent, it could be very problematic.

Let's go to slide 30.

Slide #30

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

And again, it is because she took the money out in one month, but she didn't make the payment until another month. And I know that this is confusing and it's weird, but it is for these housing expenses. It's the only time you have that very quick timeline of when you take the money out and when you actually make the payment.

So, what does that mean for Amy? It means that because she is receiving SSI benefits that if she does this where it straddles two months, that \$500 would be considered a countable resource, and if she had more than \$2,000 in total resources, that could result in her being required to do a spend down and potentially having her benefits suspended.

If she would have waited until June 1 to take the money and then made the payment anytime within the month of June, she wouldn't have that same problem.

Let's go to slide 31.

Slide #31

So again, what is a nonqualified disability expense? That may be the most common question that we have received over the last three years of operating CalABLE.

And so, since a qualified disability expense is any expense related to the able account owner as a result of living a life with a disability that helps to maintain or improve their health, independence, or quality of life, we can say that if it does not help to maintain or improve the health, independence, or quality of life, then it is likely a nonqualified disability expense.



But because the categories are so broad there may be very few things that would be considered a nonqualified disability expense.

If you go to slide 32.

Slide #32

We can talk about some things that may not be considered qualified disability expenses. Things like alcohol or drugs or the purchase of any illegal item.

If you use your ABLE account to pay for gambling expenses or gifts for other people, those are all things that are likely nonqualified disability expenses.

And you may argue that oh, if I pay for gambling and I win money, that enhances my quality of life. And the thing that you need to consider here is that essentially, you are asking the IRS to give you a tax break to go gamble. And they don't really do that for any other population, and so it wouldn't make sense to do it for ABLE.

The other thing that I want you to know is that CalABLE never makes the distinction of whether when you take a withdrawal from your ABLE account, we don't ask a question and we don't make a decision on whether your purchase is a qualified disability expense or not.

The folks who would do that, and the reason why we ask you to consider keeping records is because the IRS, if they ever do an audit of the beneficiary and they say we see you have an ABLE account and we see you took money out, what did you use that money for? And then you have to provide them with your documentation. And then they can decide whether or not an item was a qualified disability expense or not.

The same thing is if you receive benefits and you have to go through that recertification process. They will say we see you have an ABLE account and you have taken money out of it. What did you use that money for? And if you have a good record and you can say these are my qualified disability expenses, this is why I believe it was a qualified disability expense, you should be perfectly fine.

Again, remember it's not illegal to take a nonqualified expense. You just may be subject to income tax and penalties, and you also could be putting your benefits in jeopardy if you are spending your money for nonqualified disability expenses.

Slide 33 please.



Slide #33

So, what if I am unsure whether a specific expense is a qualified disability expense?

So, there are a few things to keep in mind here. The first is that you need to keep records. And we are going to advise you on how to keep good records that will help you in the long run.

The other thing that you can do is you can seek some help and guidance. You can reach out to the CalABLE offices and say hey, I want to take some money out of my ABLE account, and I want to do it for these reasons. And we can offer you some things to consider when you are taking a qualified disability expense. And really, it is asking yourself the question does this help to maintain or improve my health, my independence, or quality of life? And that can help you decide whether it is or is not a qualified disability expense.

One of the other things that we have seen, and it is happened just a few times over the last three years, is that we received a call from someone who has a CalABLE account, and they are saying that my Social Security representative is questioning how I am using the money from my CalABLE account.

And we refer those folks to the POMS, the program operations manual system, which is the same thing that the Social Security representatives use for their training on the definition of qualified disability expenses. We ask them the question of how does this expense justify maintaining or improving your health, independence, or quality of life, and share that -- ask you to share that with your Social Security representative.

So, there are a number of things that you can do to make sure that you are protecting your benefits. And we are well aware that if you are receiving benefits that any misstep can be a costly decision that can take years to correct. In this case, if you make a mistake with something you believe was a qualified disability expense and it turns out that it was not, it shouldn't have long-term implications. It really will be within that month that you took the nonqualified expense. But if you hold onto that money for a long time then it could carry over into other months.

Slide 34 please.

Slide #34

So, let's talk about what are some best practices for keeping records regarding your qualified disability expenses.



Remember, CalABLE won't ask the question when you are taking the money out of your account. So, it's your responsibility as the authorized legal representative or as the beneficiary to keep good records. So, we recommend that you keep receipts whenever you purchase -- make a purchase that is a qualified disability expense, that you get a receipt and you keep it in a secure and safe area.

You record notes. So, you may have a receipt, but you should itemize. What are the items that you bought, and maybe even a couple of notes on how does this help to maintain or improve my health, independence, or quality of life.

Now the IRS recommends that you keep records for three years from the date that you filed your original return, or two years from the date that you actually paid taxes. So, we say keep those records. Having them in a notebook or a ledger is a great way to do that. Keep your receipts organized by month and have them directly linked to when you took a withdrawal from your ABLE account so you can show that you took the same amount of the money from your ABLE account, and then you went and spent that same amount of money a few days later on this qualified disability expense.

For those of you who may be more computer savvy, you can do things like scanning your receipts, or even taking pictures of them and storing those notes on your computer or your phone. Just make sure that you have some type of backup, whether it is to the cloud or you save them on a backup disk because computer systems do fail and we want to make sure that you keep these records in case you were ever asked to share them.

And so, the likelihood that you may be significantly questioned on your qualified disability expenses is relatively low. Like I said, the IRS may ask if they ever audit you based on your ABLE account to show some records. But the likelihood that a person receiving SSI or any other government benefits are ever audited by the IRS are extremely low because the dollar figures are frankly not that high for them to dedicate the resources to do the audit.

I am not saying that it's impossible and I am not saying that it will never happen. It just isn't very likely.

What is more likely is that if you are receiving benefits like SSI, you go through your annual recertification process. And SSI will know when you have an ABLE account because we are required under federal law to report to Social Security basic information about you. The fact that you have an ABLE account, what your average balance is of your ABLE account, and when you take withdrawals; we are required to report that information to Social Security.



So, during the recertification process, they may ask for you to share with them how you are using that ABLE account. So, keeping good records is essential in order to make sure that you are not putting your benefits in jeopardy.

We want to do everything that we can to help you. That's why we spent so much time talking about this today. And we will go to slide number 35 please.

Slide #35

I mentioned at the beginning of today's presentation that I wanted to go over fees even though we are not talking about the basics of a CalABLE account today. I don't want you to walk away from this not knowing what it costs to operate an account.

So, let's go to slide number 36.

Slide #36

So, there are some basic principles around ABLE accounts. CalABLE accounts are designed to be affordable. There are no enrollment fees related to your account. And the fees may vary based on what your investment choices are.

If you would go to slide 37.

Slide #37

Now there are a few types of fees, and on the very next slide, I will walk you through what those actual expenses are. But there are time-based fees. So, there is an annual account maintenance fee associated with a CalABLE account.

Then there are asset-based fees that are charged based on a percentage of your average balance.

And then there are occasional fees depending on some of the choices that you make with your ABLE account.

If you go to slide 38.

Slide #38



So, this is an example of a CalABLE account and it has \$3,000 of assumed assets in the account. Now, depending on the choices you make, operating your ABLE account with a \$3,000 balance will cost you anywhere between \$37 and \$52.90 per year.

If you choose our FDIC insured portfolio, which is almost identical to having a checking or savings account, it will only cost you that annual account maintenance fee of \$37. Now, that money is taken out in monthly installments of just over three dollars.

If you choose one or more of our investment portfolios, in addition to that \$37 annual account maintenance fee, you would also be charged an underlying investment fee depending on your investment choices, anywhere between \$2.40 and \$2.70. And that is per year, not per month. And you would also be charged a state administrative fee and that is \$13.20 per year.

So, the difference is anywhere between \$52.60 and \$52.90 with a \$3,000 balance in your ABLE account. That money is taken out on a monthly basis and for \$52, that is less than six dollars a month to operate your ABLE account.

Now there are some additional fees. Our optional prepaid CalABLE Visa card, if you choose one of those cards, there is a monthly fee associated with that. It's a small fee, \$1.25, and we are actually looking forward to making some changes so hopefully that will become even a little bit more affordable to have a CalABLE prepaid Visa card.

But that is essentially the fees in a nutshell. So less than six dollars a month to save and invest your money, and in many cases, that's more affordable than a commercial checking or savings account. And with those accounts you don't have the opportunity to potentially grow your money like you do with CalABLE.

Slide 39 please.

Slide #39

If I have told you enough that you want to get started and open up your ABLE account, you can go to CalABLE.ca.gov and you can get started. It only takes about 20 minutes to open an ABLE account. So, if you would have started to open your ABLE account at the time I started this presentation, you would be a CalABLE account owner already.

Let's go to slide 40.

Slide #40



I mentioned there were some additional resources that I wanted to give you. The first is our CalABLE website. Again, that is CalABLE.ca.gov. Anne talked about how we have a number of resources including all of our previous webinars that are available on the California State Treasurer's office webpage, and that is treasurer.ca.gov/ABLE.

We contribute data to the ABLE national resource center and that is a resource that allows you to compare and contrast the different ABLE programs. And yes there are other states that offer ABLE programs and many of those states allow you to open an ABLE account even if you don't live in that state.

But it may be to your advantage to open an ABLE account in the state that you live in, and I should say that fees alone shouldn't be the only reason why you decide to choose an ABLE account. The fees may vary from state to state. The protections are generally the same. But there are some things that could make even going to a program whose fees may be a few dollars more per year, it may be to your advantage to use that especially if it is in your home state.

I also mentioned the POMS, the program operations manual system from Social Security, and there is a resource here for you to be able to read and review the same guidelines that the Social Security Administration uses when they make decisions regarding your ABLE account.

Let's go to slide 41 please.

Side #41

I want to introduce into the CalABLE team. You heard from Anne at the beginning of this presentation. Matt is behind the scenes; I have been asking him to move the slides forward the entire time. And we are a resource to you. Our phone number as well as our email address is available for you to reach out directly to us. Please let us know if you have questions regarding qualified disability expenses or any others. You can reach out directly and we can help you with the very specific questions that you may have.

Slide 42 please.

Slide #42

If you need some additional help, if you have a CalABLE account and you want a representative to walk you through something, we do have a customer engagement center that you can call or email. They are available Monday through Friday, 9 AM to 5 PM, and that phone number is 833 CalABLE, and that is 833-225-2253.

CalABLE Qualified Disability Expenses



Or you can write them at CalABLEsupport@CalABLE.ca.gov.

Slide 43.

Slide #43

We are all over social media. If you want to get the latest information, please like, and follow us on your social media platform of your choice. And we have been ramping up and sharing additional communication things to help make your CalABLE experience easier and a better program to navigate. So please do and you can sign up to follow us and like us on social media.

We also have a YouTube channel where we post all of our old webinars.

Slide 44.

Slide #44

And we encourage you to share your story with us. In the coming months, we will first and foremost introduce our new class of ambassadors. We have selected 11 people from all of our CalABLE account holders to help share their stories. And when I tell you that the stories that they have shared with us are phenomenal and we think that they will help you in understanding what's possible with your CalABLE account, I am sure you will be excited to get to know our new ambassadors. And hopefully in March, we can give you a little bit more information about those.

But we also want to hear your stories too. We feel like the best way to help others understand what they can do with their CalABLE account is to hear from people who are already using it. So please, if you feel so inclined share your information with us, reach out to us or send us an email. Tell us what you are doing with your CalABLE account, what have you been able to save for. Have you been able to meet your dreams because you have a CalABLE account? We want to hear those stories, and if possible, we want to share those with others.

Slide 45 please.

Slide #45

So let me ask, this is the final question that we will ask today. Are you still undecided? If so, what would help you open up a CalABLE account? Do you want to hear from other CalABLE account holders? Do you want to receive a call from a CalABLE staff member? Or you feel like



you have everything you need to make your decision on whether or not to open a CalABLE account.

So please answer the question and we will see how good of a job we did today in our presentation.

And what were our responses, Matt?

Wow, we did a pretty good job. More than half of you said you have all the information that you need.

For those of you who said you want to receive a call from a staff member, I highly encourage you -- when you opened up the zoom meeting and the evaluation sheet should have popped up. If you go through that evaluation and at the end you put hey, I would like to receive a call and you give us your number, you hit submit and we will receive that and be able to reach out to you directly and answer any individual questions that you have.

We highly encourage all of you fill out that evaluation form because it really helps us to give useful presentations for you. Like today's was a result of hearing the question repeatedly, what makes up a qualified disability expense? So please, do fill out those forms. We really do use them to try to improve our webinar series and the way that we interact with all of you.

And let's go to slide number 46.

Slide #46

I want to let you know about our next webinar. This is a monthly series, so on Wednesday, March 23, we will have our next presentation. And it will be CalABLE and working with a disability. And on that webinar, we will talk about where to get started with first-time employment, some resources to help maintain your benefits while you are working, and what CalABLE can do to help you save and potentially invest for a brighter future.

We will include real-life employers of people with disabilities as well as the Department of Rehabilitation to talk about some of their programs that are designed to help you reach self-sustainability while working and still maintaining benefits.

So please, if you are available, you can join us. Registration for that is now open. And we can go to slide 47.



Slide #47

We are going to open things up for questions, and Anne has been going over your questions about the presentation. We will open up those questions in just a moment. But I have just one more slide, slide 48.

Slide #48

There is some additional resources available on our YouTube channel. And then the fine print on slide 49.

Slide #49

And the fine print says that CalABLE is an investment program and like with any other investment opportunity, there is an amount of risk that comes with investing in CalABLE. There is a potential that you could lose money and you should be aware of those risks before making a decision whether or not to invest.

And so with that out of the way, we can stop sharing the presentation and open things up for questions.

Anne Osborne: Okay Dante, I am here. We have gotten several questions. What I want to address first is we will take all of the questions related to qualified disability expenses since that is what this webinar is designed for, and then any other questions beyond that, we will attempt to answer them. But we did receive a lot of questions about Medi-Cal. I know that was something we didn't actually cover, Dante, in this presentation.

Should we just take a few moments and just do the four things that Medi-Cal will exempt? It's the slide with what happens when a CalABLE account owner passes away and actually have that slide up right now.

We have several questions about this, so I think I will just go over these points very quickly before we address those questions.

The first thing is that you want to make sure that if you have any qualified disability expenses, that you pay for those out of your CalABLE account. The account has been transferred to a deceased individual's estate and we had several questions about this so I just wanted to answer this now.



And then Medi-Cal will only attempt to recover if all of these items apply, and the first thing is the deceased was aged 55 or older, the individual was a user of comprehensive Medicaid services such as in home support or skilled nursing, the individual's estate is required to go into probate of \$150,000 or more, the individual is not survived by a spouse or a child under 21 or a disabled child of any age.

Just briefly mentioning this because we had several questions, Dante, and I just wanted to answer that quickly before we got into the other questions.

Is there anything you would like to add?

Dante Allen: Thanks Anne. I think the important thing to know is that we have done an entire presentation that looks a little bit more at the prospect of Medicaid recovery.

Here in California, we passed a law that says that Medi-Cal will not attempt to reimburse itself for care that it provided from your CalABLE account when the beneficiary passes away.

So, there is the opportunity to save and not necessarily worry about whether or not Medi-Cal will attempt to take money from your CalABLE account when the beneficiary passes away. I think you gave great advice on using money for any qualified disability expenses and how the authorized legal representative can do things like pay for death and burial expenses even after a beneficiary passes away using money from that CalABLE account.

Anne Osborne: We did have a clarifying question here. Can you repeat the rules around employment earnings and contributions and the \$16,000 maximum limit? We had a lot of people asking about this.

Dante Allen: Sure. So let me start with every ABLE account can have up to \$16,000 per year deposited into that account. And that money can come from all sources put it can come from a beneficiary, it can be part of their benefits earnings. It can come from third parties, parents, family, friends can contribute up to \$16,000 per year.

And there is an additional component where if an individual is working and they are not participating in an employer-based retirement program, they actually have the ability that in addition to that \$16,000, they can put in up to another \$12,880, and that money has to be from their own earnings; it has to be from the money that they earned through their job.

Now the difference between earned income that would count against your benefits versus other contributions to your ABLE account. So, it really is the same whether you have an ABLE



account or not. If you earn money either through work or any other sources, that is considered countable income by SSI.

So, if you earn above what your benefits are, then just that earned income can disqualify you from receiving any kind of SSI benefit. And it doesn't matter whether you have an ABLE account or not. Just putting that money into your ABLE account doesn't turn that into non-income.

So ABLE is not meant to allow you to shelter income. It is meant to protect your assets. And so, if you have contributions that are not counted as earned income but are counted as assets or resources, putting that money into your ABLE account protects it from being counted against you as a resource. You won't have to do is spend down.

Programs like SSI have a \$2,000 resource limit. So, if you have more than \$2,000 in savings at any time, you have exceeded that limit and you will be asked to do a spend down. If you don't do that spend down within the timeframe that they set for you, your benefits can be suspended until you do get that money below \$2,000.

But with an ABLE account, you can actually go well above the \$2,000, up to \$100,000, and it will not count against your benefits at all.

So hopefully that clarifies things a little bit.

Anne Osborne: Think you, Dante. Now I will be asking you questions that we got related to qualified disability expenses.

The first question is can you withdraw and pay for your entire family to go to Disney World or pay for your friends' lunch?

Dante Allen: I did talk about that a little bit and rather than give you a hard and fast now you can't do that, in individual circumstances -- individual circumstances would apply. So, if you are using money from your ABLE account, whether it is to pay for the vacation or the food of other people, I would consider that questionable, maybe even a little risky, especially if you are talking about something as expensive as a vacation.

I don't want to say that you can't do that because there may be opportunities. So, say if you are a person with a disability and you need the help and support of a care attendant or a family member and you use your ABLE account to pay for the transportation of both of those people, I will so that that very likely will be considered a qualified disability expense even if it wasn't just for the person with disability.



But I would caution that the IRS would question if you just wanted to gift other people vacations with your earned income. If you are receiving benefits, I would highly encourage you if you are considering using an ABL account on both of those things, I would highly recommend that you talk to your SSI agent or representative to make sure they are aware and they can give you some additional guidance.

Also, when in doubt, make sure you are keeping good records to be able to justify if and when you need to.

Anne Osborne: We have a question here and I am not exactly sure -- the comment is that if the vacation is monthly, does this change the definition of a qualified disability expense?

Dante Allen: I don't think how frequently you travel would make any change to that. Again, as long as you have the ability to justify how it helps to improve or maintain your health, your independence, or the quality of life, it should be a qualified disability expense.

Again, if you are receiving benefits, you may want to check in advance with your Social Security representative.

Anne Osborne: We have a question about technology that is not assistive. Computers, iPads, cell phones, etc. Is that considered a qualified disability expense?

Dante Allen: I will go right back to the definition. If it helps to improve or maintain your health, your independence, or your quality of life, it is likely considered a qualified disability expense. And I would say that a computer, even if it wasn't used exclusively as an assistive technology device, would still help to improve your independence, your quality of life, potentially even your health depending on how you are using the computer.

Anne Osborne: Are purchases for your own business considered a qualified disability expense?

Dante Allen: I am going to sound like a broken record, but if it helps to maintain or improve your health, your independence, or your quality of life, it is likely a qualified disability expense. Expenses for a business I could see improving your independence and your quality of life. And so yes, that is likely a qualified disability expenses.

Anne Osborne: I know Dante, not to sound like a broken record, but we do have a question about homeowner's insurance.



Dante Allen: Right, and that was something that we would specifically list. Insurance, especially that which is required by your mortgage holder, would definitely be considered a housing expense and a qualified disability expense.

Anne Osborne: Let's say an individual has a pet and that pet has a vet bill, would that be considered a qualified disability expense?

Dante Allen: Broken record again. Health, independence, quality of life. Pets, whether or not it is an assisted animal, are considered or can be considered an enhancement to our health, even our independence, and our quality of life. So yes, a vet bill would be considered a qualified disability expense.

Anne Osborne: Is it a qualified disability expense if you are paying credit card debt with an ABLE account? Does the account come with a debit card option? What are the options to take out funds from the account?

Dante Allen: All great questions. So let me start with yes, CalABLE does offer a prepaid Visa debit card.

Now that card can be used by distributing money from your ABLE account to the prepaid card and that card can be used anywhere that Visa debit cards are accepted. So, you can make payments directly with the card. It's optional so only if you choose to receive the card will you receive one.

The second part of that was can you use – is it a qualified disability expense if you are paying credit card debt with your ABLE account. And that is one where I would say that it's actually a little bit more questionable. I would say it's a better practice if you are using a credit card to pay for a qualified disability expense, you can take money from your ABLE account to pay for that expense as part of your credit card debt. That's something that you can easily track and monitor that when you posted this expense using the credit card, immediate payment of that expense from your ABLE account.

What I would say is a little bit more risky, a little bit more of a challenge is let's say you are maintaining a balance on your credit card. Let's say you have \$5,000 on your credit card, and then you take money out of your ABLE account every month, you take \$50 to pay the minimum balance on that credit card. That is a little bit more challenging because you don't have the mechanism to track it to say that the things I bought with the credit card are qualified expenses and they may not be considered qualified expenses with that. You could have used it to make alcohol purchases, and we talked about that was one of the things that was listed as a nonqualified expense.



So, I would avoid that if you could. And if you have questions about it, especially if you are receiving benefits, I would check with your Social Security representative.

There was also another piece of that though.

Anne Osborne: The third one was -- sorry.

Well, I lost it. I apologize.

Dante Allen: You can go to the next.

Anne Osborne: Yeah, let me go to the next. Oh, what are the options to let you get funds from your CalABLE account?

Dante Allen: Okay. So, there are a few ways to get money from your CalABLE account. The one I mentioned is you can transfer money directly from your CalABLE account to the CalABLE prepaid Visa debit card.

You can also request a check be issued from CalABLE to you as the beneficiary or the authorized representative, or to a payee of your choosing. There is a charge for that, so you should be aware of that.

The other thing you can do is you can link a commercial checking or savings account to your CalABLE account, and you can do an electronic fund transfer from your ALE account to your commercial checking or savings account and then withdraw the money there to be able to spend forward of your needs are.

Those are the three main ways to get money from your CalABLE account.

Anne Osborne: Is it true that \$16,000 is the maximum allowable deposit per year, and if after you reach that amount you use up any of that amount for qualified expenses, you are no longer allowed to deposit additional amounts to bring the total backup because the \$16,000 has already been reached?

Dante Allen: So that is correct. \$16,000 is the annual contribution limit. Even if you spend some of that money down, you can't go back up to the \$16,000. That's the maximum that you can put in.



Now there are a group of people who can put in more money in addition to that \$16,000, and those are individuals who are working into are contributing a portion of their own salary and they are not participating in an employer-based retirement program.

But if you are not working, the maximum you can put into your CalABLE account in a single year is \$16,000.

Anne Osborne: This is a good question Dante. How do most people withdraw from their account?

Dante Allen: So, the most common way is folks link a checking or savings account to the CalABLE account and it's called an ACH transfer. It is something that you can set up online to have money moved from your ABL to your checking or savings account.

You can also do it the other way and deposit money into your checking or savings account by electronic transfer.

Anne Osborne: I think this is related to one of the examples you gave Dante. The question is if Jennifer returns the \$7,000 does it count towards the \$16,000 annual contribution limit for that year?

Dante Allen: Unfortunately, it will because anytime you take a distribution from your ABL account, that doesn't change how the money went into your ABL account. So, if you put that \$7,000 in, that counts as part of your contribution. And then you take it back out and you decide not to use it so you put it back in, your contribution at that point is \$14,000 in that year and you can only put in another \$2,000.

Anne Osborne: And I have a question, who checks on the withdrawals to see if they are qualified disability expenses?

Dante Allen: I think I talked about this too. That is not a distinction that the SSI will ever make. But if you are audited by the IRS, they will check to see if your withdrawals were for qualified disability expenses and list them with your benefits. The Social Security Administration, when they do the recertification process, they will want to know when you used your ABL account were those for qualified disability expenses.

Anne Osborne: Okay, if we reached \$100,000 and we spend \$10,000 in a qualified disability expense, can we add the \$10,000 we took out?



Dante Allen: Absolutely you can, but keep in mind the \$100,000 really only applies if you are receiving SSI or other benefits.

And so, the \$100,000, SSI will disregard any money in your ABLE account up to \$100,000. It will not count against your eligibility. And so, if you spend money down it will not be counted against your eligibility.

If you are not receiving benefits, you can put a lot more into your CalABLE account. In fact, the total contribution for a CalABLE account is \$529,000 but just keep in mind that after that first \$100,000, you are likely off benefits because you have exceeded the resource limits.

Anne Osborne: This is a question regarding section 8. The comment is on section 8, around reoccurring expenses -- monthly bills for cable etc. -- are they counted as income?

Dante Allen: Reoccurring bills are counted as income? I'm not an expert on section 8. That doesn't sound correct to me.

But again, there are probably other folks that are much more qualified to give you an education on section 8 benefits.

Anne Osborne: I have a question here about the housing expense withdrawal. It is difficult because the withdrawals are not automatic. When you request a withdrawal and when it is deposited into your savings account it takes a few days. So, if your rent is due by the third, when should you request the funds?

Dante Allen: Yes, so you bring up a very good point. There can be a delay and even when you do the electronic transfer, it is not instantaneous.

In some cases, the money can be in your account in as little as a day or two, but sometimes it can take up to five days for the money to register in your account. And so that can be problematic, say if you needed to take money out on February 1 to pay February rent and that rent was due on the third or the fifth, you may not be able to take the money out and make the payment on time.

In those circumstances, you may need to either get a hold if possible, meaning that when you take the money out in February, and you make the payment, that it is actually paying March's rent and not February.

The other thing you could do is you could pay money from another source and then reimburse that source with money from your ABLE account and not worry about that due date.



The other thing you could do is talk to your landlord and say I don't have the money available until such and such a date, can I make my payment on that date without it being a late payment?

Anne Osborne: I know you talked about this but what about gifts. If you want to purchase gifts for your family or friends is that considered a qualified disability expense?

Dante Allen: I would say that likely is not a qualified disability expense. I would be very hesitant to think that gifts for others will meet the definition. I know that there is an argument that could be made that buying gifts for others helps to improve my quality of life. But I would be weary of that.

Anne Osborne: What about using a CalABLE account for home improvements, would that be considered a qualified disability expense?

Dante Allen: Home improvements would likely be a qualified disability expense.

Anne Osborne: That's all I have from before we started answering questions.

Dante Allen: I see a couple here. The first is why is the age limit 26? And that limit was what was required to get the federal law passed when it passed in 2014. Congress had estimated that it was going to cost a significant amount in lost tax revenue in order to have this program, so they thought to limit it and they picked a fairly arbitrary age, 26, to say if you have a disability that began before that, you are eligible. If it began after that you are not eligible.

There is a bill currently in Congress that is looking to raise that age to 46. If that passes, additional people would be eligible to open an ABLÉ account.

The other question that I saw is that their daughter was left US savings bonds, and can she roll these into an ABLÉ account, so her SSI is not lost at the time? The problem with that is the only thing that can be put into an ABLÉ account is cash. So that bond would have to be liquidated in order to go into the ABLÉ account and liquidating that bond would then likely trigger other benefits issues. But she could liquidate the bond, take the hit for the month that you liquidated it to reduce the benefit for that month only, put the money in the ABLÉ account and then that money is protected.

But you can't roll a bond into an ABLÉ account, it doesn't work like that. You can't do that with stocks or any other real property either.



Anne Osborne: This one came in at the very beginning and I know you talked about it, but the question is did you say you can make purchases tax-free from the account if they are qualified disability expenses?

Dante Allen: You still have to pay sales tax when you make a purchase. The tax-free portion is for any earnings in your ABLE account. So let's say you put money into an ABLE account, you chose one of our investment options and your money grew, you wouldn't have any income tax on those earnings as long as you used the money for a qualified disability expense.

The purchase itself though you are still required to pay regular sales tax just like with any other purchase.

Anne Osborne: If you move to another state, can you take your CalABLE account with you?

Dante Allen: You can. In California, CalABLE is considered a national program, so if you opened your account when you lived here and you move to another state, you don't have to do anything. You can keep your money in CalABLE. But if you wanted to do what we call a rollover into the other state's program, you can do that. And with the rollover you just close out the account in the state you started your ABLE account, and then put that money directly into the state -- the new state that you live in.

But if you have your ABLE account in California, if you don't want to, you don't have to change it at all.

Anne Osborne: I know you talked about this Dante, but the question came in. Can you spend down the transfer of money to an ABLE account?

Dante Allen: Yes. In the circumstance where let's say you have a savings account, and you have \$2,500 in that savings account and you are told by your benefits provider you have to spend that money down.

You can take the entire \$2,500 or you can take just \$500 below that \$2000 dollar threshold and put it in your ABLE account and you will satisfy the requirements of the spend down.

Anne Osborne: If an individual needs an escort to travel can ABLE funds be used to pay for that person's services?

Dante Allen: As we talked about, that likely is a qualified disability expense.

Anne Osborne: Can my son put money from his Social Security benefits into his ABLE account?



Dante Allen: POMS says that you can put money from his Social Security benefits into your ABLE account.

Anne Osborne: Are COVID expenses, tests, and masks QDE as medical expenses?

Dante Allen: A qualified disability expense is improving your health. So yes, COVID expenses are likely qualified disability expenses.

Anne Osborne: Does the CalABLE account count towards the \$16,000 limit?

Dante Allen: No, \$16,000 is the contribution limit. So, any growth in your account after the money has been contributed does not count against that limit.

But the interest or account growth would count up to that \$100,000 other limit and if you exceed that limit, it could affect your benefits.

Anne Osborne: If you receive an electric bill that is for the prior month, can I use money from the ABLE account to pay for it?

Dante Allen: That's a great question. And electric bills even though they are covering the previous month, as long as you make the withdrawal and the payment within the same calendar month, there is no problem with using your ABLE account and that would be a qualified disability expense.

Anne Osborne: Do you have to list CalABLE funds on tax returns?

Dante Allen: So, you will receive -- every year you will receive -- I think it is a 1099 form saying that you have earned interest based on your CalABLE account.

Oftentimes -- not often, but as long as the money is in your account, there is no tax bill that would be associated with it.

But you should definitely, if you receive a 1099 tax form, include that in your return.

Anne Osborne: And this is the last question as we are getting close to time. Are you able to reimburse yourself for prior qualified disability expenses or only pay for new current expenses?

Dante Allen: So, you may reimburse yourself but you definitely would need to show receipts and notes on what you are reimbursing yourself for. So, you can't say well two years ago I



bought a computer and it was \$,1200 so I'm going to take \$1,200 from my ABLE account without being able to demonstrate the user receipt and notes that I took when I made the purchases.

Anne Osborne: So I just want to remind everyone, Dante, of the slides currently on our website. That is treasurer.ca.gov/ABLE.

The transcript will be available in about two weeks once it goes through our processes.

Again, everybody who attended today's webinar will get a copy of the presentation and the transcript once it's available so we will send out an email for that.

There is the evaluation that we would really encourage everyone to fill out. As Dante mentioned, if there are things you would like the staff to contact you about, please include that in the evaluation so we can reach out to you.

We pretty much answered all of the questions related to disability expenses. We did answer some that were not topic related such as the Medi-Cal, and then there are some individual questions that we will answer off-line.

And just to encourage everyone to visit the website as I mentioned. Look at those webinars because we did have questions about ABLE 101, special needs trusts, and how do open an account, that was on the tips and tricks webinar.

So, Dante, I thank everyone for all of their questions and I will turn it back to you.

Dante Allen: Thank you Anne, really appreciate it. I want to offer my thanks to the team of people who helped put on today's event including our American Sign Language interpreters, including our captioner, including the CalABLE staff Anne and Matt, and everyone who helped make today possible.

I want to thank everyone who attended today and for asking your questions. Hopefully we were able to answer to your satisfaction and if not, please reach out to us. We have given a number of resources where you can talk to us directly or send an email and we will get back to you as quickly as we can.

And we highly encourage you, I see that some of you have questions on the basics of ABLE and we do have -- just last month we did a great presentation on CalABLE basics that will be very helpful for you.



And please consider attending our future webinars or recommending them to your friends. And we will see you again in the near future. Thanks for attending everyone. And I will talk to you soon.

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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.

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