



CalABLE – Program Enhancements 2022

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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, CalABLE program enhancements will provide a brief overview of CalABLE's new prepaid card. I know many of you have been waiting for the new card because of how important it is for accessing the money in your account. The process for releasing the card took longer than expected, and I recognize this caused an inconvenience for many of you. I believe the features of the new prepaid card will add additional value to your CalABLE account that will have made it worth the wait. Today you will learn how to request the new card and how to use the card through CalABLE's online accounting system. This webinar will also provide details on the expansion of who may serve as an ABLÉ account authorized legal representative. You will learn about the options available and what they mean for you and your loved ones.

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 opportunities needed to thrive economically. CalABLE account owners are already taking advantage of tax-free savings and investments with more than 8000 account owners and over 77 million deposited in their CalABLE accounts. And unlike a 401K or Roth IRA, account owners may access those funds at any time without taxes or penalties. For the first time, individuals on means tested benefit programs can save up to \$100,000 without having their benefits impacted. This is a game changer that is designed to empower this community to begin saving for their financial futures. I am committed to promoting this program and for doing all that I can to continue to help people with disabilities strengthen their financial position to achieve a better life experience. Thank you for joining us today, and for your continued support of the CalABLE program. Now, I would like to turn things over to CalABLE Executive Director, Dante Allen.

Dante Allen:

Thank you Treasurer Ma. Good afternoon, everyone. Thank you again for joining us. My name is Dante Allen, I am Executive Director of CalABLE. And very proud to share with you today our presentation on program enhancements for CalABLE. I know that a couple of these things have



been long time coming and hopefully you are as excited as we are to be able to unveil them. So, with that if you can skip over to the next slide.

We can get started with today's presentation. And typically, I like to ask a question to get us started, there is always for the folks who are attending these presentations for the first time, I want to ask you, that if you were able to plan for your future rather than living day by day and save for the things that you really needed or what you really wanted. If you had the opportunity to do so, what would you save for? Would it be a vacation? Or maybe planning to purchase your first home? Or maybe it's just to be a little bit comfortable and not worry because you're living on the day to day. All those things are now possible with a CalABLE account. You can go to the next slide.

Why should you save with CalABLE? Well, first and foremost any money that you save in a CalABLE account is tax deferred. And so, that means that any growth that you have in your CalABLE account, you don't pay any income taxes on it and you can access that money at any time and you don't have to pay taxes or penalties just for accessing the funds. You have the ability to take advantage of our professionally managed investment portfolios where you can actually grow your money over time. And if you're receiving benefits, the money that you have in your CalABLE account won't count against those programs. You can actually save up to \$100,000 in a CalABLE account and still maintain benefits like SSI without worrying about those resource limits that would usually trip you up after just \$2000. Next slide.

So, who's eligible to open one of these CalABLE accounts? Well, first and foremost you have to have a disability. And moreover, that disability had to begin before your 26th birthday. Now, you can open a CalABLE account at any age as long as your disability occurred before age 26. And so if you meet that first criteria and you've already met the eligibility criteria for programs like SSI or SSDI, then you're automatically eligible to go and open a CalABLE account. But if you've never been qualified for one of those programs, you can still open an account. You just have to go through some additional steps. We use the same definitions for disability that the Social Security administration uses in its blue book, or a list of compassionate allowances. And so, if you've never qualified for SSI or SSDI, you can still open an account. You just have to go through a process called "self-certification." And that's where you would test under penalty of perjury that you do have a disability, and that disability is expected to last year or longer and it began before your 26th birthday. Next slide please.

Just want to make sure, I see in the Q&A that someone's having a problem seeing the spotlight of the ASL interpreters. I just want to make sure that that is okay.

So, what do you need to open and operate a CalABLE account? Well, it's an online program, so you need web access. There are no bank branches to go to, so the only way that you access



CalABLE is through a website. We also, at the time of enrollment, we need your Social Security number, your date of birth, and contact information. And you will need a minimum deposit of at least \$25. If you don't, that is not an enrollment fee, that money actually goes directly into your account. And we also recommend that you link your commercial savings or checking account to your CalABLE account to ease moving money back and forth between the two accounts. Next slide please.

Depositing and withdrawing money from a CalABLE account is very easy and there are a number of ways to get money out once your money is in the account. The first is, you can do an electronic transfer. It is called an ACH automated clearing house transfer. It takes only about a day or two for that money to transfer to a linked account. You can request a check be issued either to the beneficiary, to the authorized legal representative, or even to a third party. There is an additional fee when you request those checks be issued. So, there is no fee when you are doing electronic transfers. And we're proud to offer a prepaid Visa debit card for individuals who want to be able to load money onto the card and then use that card everywhere that Visa is accepted. Next slide please.

So, this is something that we know has been a long time in the works. Many of you have been writing to us saying "Hey, are you going to get your prepaid card back up and running?" And I am very, very happy to announce that the new US Bank Solutions Premier Visa® Card is now available for your request. If you can go to the next slide.

For many of you, this has been the primary way that you've accessed money from your CalABLE account. We offered a previous card last year, and then we cut that off earlier this year and said that we were going to announce the new card. Well, it is now here.

So, the US bank solutions card is a reloadable prepaid debit card. Where you can take money directly from your CalABLE account and load it onto the card for use. You can use it to pay for qualified disability expenses everywhere that visa debit cards are accepted. Now, there are some limitations to where you can't use the card. You're not able to do cash withdrawals. So, you can't go to an ATM machine and get cash. You can't use it at a grocery store or any other retailer that allows for cashback, they won't allow you to get cashback on this card. But those are really the main limitations. But it's designed to ease access to your CalABLE account. Next slide.

Now, you can use the prepaid card to make purchases of items online. You can use them to do in-store retail purchases. And the great thing about this is, if you are an authorized legal representative and you want to get a card for the beneficiary or you want to get a card for you and the beneficiary, you have the ability to do that. And there are two separate cards with two separate numbers. And so, you can load one balance onto one card, another balance onto the



other card. Where you can use this as really an opportunity to give someone access to some of the money in their CalABLE account without worrying about if they lose the card or if they spend the money in a way that may not be in their best interest, that they have direct access to all of the money. Because it will only allow you to spend the money that's already been preloaded to the card.

Now the other thing that you should know about prepaid cards is that once you make the transfer from the ABL account to the card, that's considered a distribution. And so, as long as you, within up to a year, spend that money from the card, then it will remain a qualified distribution. And we recommend that you keep records to let folks know if you're ever asked, was this for a qualified expense? That you will have a record of what you purchased when you used that prepaid card. Next slide please.

There have been several enhancements with this prepaid card and one of the main reasons why we wanted to make the switch was to ease the ability to be able to log into your card, see your balance, go through the identity verification process, all on the CalABLE website. So, now there is no separate site that you have to go to request and make transfers to the card. It's all done on the CalABLE.ca.gov website. If and when you're verified for CalABLE, it also meets the verification process for the card. So, if you request a card, you're not going to be asked to send in identification information that you already sent in for CalABLE.

And then, just as an added bonus is, there is no monthly fee for this prepaid card. For those of you who participated in the previous version of our prepaid card, you know that there was a fee of \$1.25 every month just for having a card. With the US bank solutions card there is no monthly fee as long as you're using the card. If you go full year without using the card, and that means that you didn't load any money onto it, you haven't made any transactions. Then there would be a \$2 per month fee that would go away as soon as you begin using the card again. There are some fees that may apply. If you make an international transaction, there's a 3% fee. If you lose a card and need it replaced, there's a replacement fee. But, that \$1.25 fee that you were being charged previously, we've eliminated that. So there is no monthly charge for the CalABLE card. Next slide please.

If you like to order a prepaid card, log into your CalABLE account today. Next slide.

Up in that top menu bar, you'll see that there is a new listing on the menu that says "prepaid cards" all you have to do is click on that and you can order a card. And again it allows you to order a card for the beneficiary and for the ALR or either one if you would like. Next slide.

And so, here is the enrollment page. You've requested a card. It gives you your account number once you have the card in place. So, you'll be able to know which card is for whom. So, in this



example there are two cards that are being requested. One will be for the beneficiary, the other will be for the administrator. And so, you'll be able to load those cards separately and be able to use them separately without tapping into the other cards balance. Next slide.

And so, if you would, after you made those choices, if you click submit order, your order then goes in. It takes anywhere from about, let's say, 5 to 7 business days for you to receive that card. It's going to go through our process, and be sent in the mail. And then once you receive it in the mail, you'll have to authorize the card and then it will be ready to use. But you can begin loading the money onto the card as soon as you have that card number. Next slide.

So, let's talk about loading your prepaid card. Next slide.

So, if you log into your CalABLE account, there are a couple of ways that you can begin a transaction. One is in the financials tab if you go to make a withdrawal or if you go into the prepaid card tab and you can click on to make a transaction. And either instance you'll get to this page where it will say "request a withdrawal" and you'll have the opportunity to select where you want that withdrawal to go. Now, you can either request that it be transferred to a bank account, through an ACH transfer. You can request to be sent as a check. Or you can request that it goes to the prepaid card.

If you select the prepaid card, you'll get another option that says which card that you want it to go on if there is more than one card there. You'll have to select which card you want it to go to using a four-digit number that is located on your card and you'll also have the ability to name which card it is going to. And so, then you click submit and there you have it. Your card will be loaded. It takes usually a couple of days before the money appears on your card, maybe two days. But then you can use that anywhere that visa debit cards are accepted. Next slide please.

So, let's talk about prepaid card transaction summaries. Because your account summaries will be located on the CalABLE website. Again, you go under the prepaid cards tab on the menu at the top. You click on that, and it opens up into, you can either request a new card or you can look at your statements and you have the ability to see what transactions you've made, and you can select the timeframe for how long that goes. You have the options to download a PDF report, or you can do it as an Excel spreadsheet. Or you can load it into even some of the budgeting software as a CSV export. So again this is meant to be a highly usable, very friendly way of accessing the money in your CalABLE account. Next slide.

And so, that is one of the changes that we introduced at the end of the month. The other is something that we know that folks have been asking us about for a long time. And that is related to authorized legal representatives. Now, this is a result of a change in the federal



regulations that allowed us to expand the definition of who is able to become an authorized legal representative. Next slide.

So, you may remember when CalABLE first opened, there was really only three categories of people who could become an authorized legal representative. And that is either if you were a legal guardian or conservator, or you are were the parent of the beneficiary, or you were someone who had power of attorney over the financial matters of the beneficiary you could be the authorized legal representative.

Well thanks to updates to the final regulations for ABLE accounts, that definition has been expanded significantly. So, in addition to power of attorney, legal guardian or conservator or parent; a spouse can now become an authorized legal representative, a sibling, a grandparent, even a social security representative payee can now manage the account of a beneficiary.

Now, there is an established hierarchy and it's listed in order that they appear on the screen of who has the priority to become an authorized legal representative. At the very top is if you are someone with power of attorney over financial matters for the beneficiary. You're at the top of the hierarchy. And it goes down from there. So, to legal guardians, or spouse, parent, sibling, etc. Now, if you're signing up as a legal representative, we do ask for a few different attestations and certifications. If you go to the next slide.

So, if you are signing up on the CalABLE website as the authorized legal representative, you will have to select how you're joining as the ALR. And it'll say I have power of attorney to open and administer this account, I am a legal guardian, I am a spouse of the beneficiary, etc.

We also ask you to attest under penalty of perjury, if you go to the next slide, that there is no one that would be higher on the hierarchy that is either willing or able to serve as the authorized legal representative. And so, that is to protect the beneficiary's rights to either make a decision of someone else that will be their authorized legal representative or that you have the authority to be able to do that. And you're certifying that under the penalty of perjury that you are the highest on the hierarchy list that is willing and able to manage that account.

Now, with the authorized legal representative, that means that that individual will be the only one that has a user ID and a password to access the account. It is an either-or proposition. Either the beneficiary has password and user ID and can manage their own account. Or they give that ability over to the authorized legal representative. Next slide.

So, the last thing that we wanted to update you on, and this has actually been part of our website for a few months now. But we've added the financial fitness center. We're partnering with a group called Everfi to provide some financial education to people who open a CalABLE



account, and we recognize that many of you are saving for the first time. This may even be some of your first time ever having a bank account. And so we want to make sure that there's knowledge and information out there about managing your finances, so that you can learn how to make the most of your CalABLE account, how you can plan a budget, etc.

And this is, the financial fitness center is available if you go to the State Treasurer's website at treasurer.ca.gov/able/financial-fitness.asp, or it is also available on the CalABLE website. If you look down, that Red Square there, you can click and go directly to the financial fitness center. It will tell you that you are leaving the CalABLE website because this is not information that we've created. But we found a resource that provides great information to learn these things. If you go to the next slide, we can talk about these things that you can find in the financial fitness center.

And I want you to think of the financial fitness center sort of the Netflix of financial education. They have these modules that you can click through and find these free digital classes or coursework that will teach you things like building your financial capability, growing a small business, owning a home, preparing for retirement, investing in your future. There are all of these different modules that you can go in and they have these really short videos to teach you about each of these subjects. Next slide.

So, for instance, if you looked at healthy financial habits. It tells you that it's a five-minute course. You can start that course and it will tell you about what are the things you need to do for healthy financial habits. One of them will be setting a budget. And it will walk you through the steps of what you need to do through that.

One of the modules that's been really important for us, especially lately is, if you look down towards the bottom, how does inflation impact my finances? The rising cost of goods and services mean that you are getting less for your money. And so, understanding what inflation is doing and how you might plan around that could actually be very helpful to saying, well, how resilient can you be in difficult times? So, all of this information is available to you free of charge. Most of them you can do without even creating a login. So, please take advantage of these resources. We're very happy to provide them.

Again, you can access them on the CalABLE homepage, or you can go to the State Treasurer's website and look at the ABLÉ pages to be able to access that. Next slide.

So, if you don't have a CalABLE account yet and you are ready to open an account, please visit us at CalABLE.ca.gov. You can see right here it tells you what you'll need to open the account. It takes about 15– 20 minutes to get your account up and running. And you can start saving and even potentially invest in growing your money today. Next slide please.



This is the CalABLE team. You've heard from Anne Osborne who started this, she's our program manager. Again I'm Dante Allen, the Executive Director. And behind the scenes today is Madeline Handy, she's controlling all of today's zoom presentation.

And if you call us at the number or send us an email, it will be one of the three of us that respond to you, because we are the whole team and we are covering the entire state, trying to make sure as many people as possible know about CalABLE. Next slide.

If you have a CalABLE account, and you're having problems accessing or you want to know, you try to put in money and you haven't seen it show up yet, we recommend that you contact our customer engagement center. That is available at 833-CalABLE. That's 833-225-2253. They're open Monday through Friday 9:00 AM– 5:00 PM and are ready and willing to help you out as much as they can. And then the next slide.

If you'd like to get connected with us, if you want to hear when we get updates to the program, if you want to tell your friends about us, please like and follow us on social media. We're all over the place on Facebook, Twitter, LinkedIn, Instagram. And we have a pretty healthy YouTube channel that includes webinars like today's. But our past webinars that focus on different things like what is the difference between a CalABLE account and a special needs trust? What are the basics of qualified disability expenses? Etcetera. So please like and follow us on social media if you'd like to stay in touch with us. Next slide.

We do have another webinar coming up. It will be December 14th. And it will talk about what you should do before the year ends if you have a CalABLE account. How to maximize your contribution, what should make sure that you use your money on if you have not done it yet. We will talk about all of those things in our December 14th webinar. That's 2:00 PM to 3:30 PM on Wednesday, December 14th.

And we look forward to sharing some of our tips because we get lots of these questions, usually it's around the end of the year. You know, if I want to maximize my contribution, what time do I need to make sure that that contribution or by what date do I need to make sure that contribution is in my account? We also have some news that starting next year, the contribution limits for ABLE accounts will go up. And we'll talk about those things as well.

So, register today and join us next month for our next presentation. We also expect to have today's presentation available on our YouTube channel, it usually takes us about a week or so to get that up and running. So, if you missed anything, we are recording, it is available. You can also access our slides to today's presentation as well. Next slide.



Okay, so let's open things up for questions. I know I can see that the Q&A has been very busy as I have been talking.

So, I am going to remind folks that when you're opening a CalABLE account, you should be aware that there is a risk involved, there is a potential that you could lose money. And you should be aware of that before you invest in CalABLE or any other investment product for that matter.

Otherwise, if you have questions to ask, please login to that Q&A section down at the bottom. Send us a question and we'll answer as many as we can, and we'll stick around as long as we can to be able to answer that. So, with that in mind, I will turn things over to Anne to get us started.

Anne Osborne:

Some easy questions, Dante. The first one is, we have somebody asking for a presentation. So if they, can you please give them that website, Dante?

Dante Allen:

I am sorry, the website for our presentation?

Anne Osborne:

To request a presentation for us to come out to assist them. You know, to give a presentation.

Dante Allen:

I would say the best thing to do would be to email us at CalABLE@treasurer.ca.gov.

Anne Osborne:

Yes, I am not a quick typer today. So, if people would like to send that request to the CalABLE@treasurer.ca.gov. We will reach out to you and figure out a time for somebody to come.

Another question is, quite a few on authorized legal representatives. What if an ALR dies or becomes incapacitated? Is there a way to switch without an ALR sign off?

Dante Allen:



So, there are some things that you can do. The first is if an ALR passes away, you do have the ability to make a transfer of ALR even if it does not include the ALR sign off. If you are having a problem or have questions about that, we recommend that you give us a call or call the customer engagement center and we will be able to help you to do that.

Anne Osborne:

Okay. First thing is, how can money be accessed? The last card could not be used for purchasing. Will the new card allow you to make purchases?

Dante Allen:

So, the new card absolutely will allow you to make purchases anywhere that Visa debit cards are accepted. It's not exactly true that the last card didn't let you make purchases. There were some places that, where purchases were limited. For instance, the card was limited from being able to purchase anything that would be considered a nonqualified expense. So, like the purchase of alcohol. Or purchases of any item that might be deemed illegal by the federal government. You couldn't use your card to make those purchases. Again, because this is for CalABLE cards, and the expectation is that it's only used for the purchase of qualified disability expenses. So, you can use the card for purchases. Whether it's in person instore or online. You cannot use the card in order to get cash at an ATM or to get cash back if you are making a purchase. So, those are the things that you need to keep in mind.

Anne Osborne:

This person has, her daughter is in CalABLE, she wasn't able to get a card previously. If she wants to get a new card now, is there a different procedure since she is already in the system?

Dante Allen:

No. It's the same procedure for everyone, whether you are newly signing up for CalABLE or you already have a CalABLE account. You have to log into your CalABLE account. And again, there is that top menu. And if you select prepaid cards, you can request a card or order a card and it will walk you through all of the steps that we went through in our presentation.

Anne Osborne:

How can someone deposit money into their CalABLE account? Somebody wants to put money into their account and they have a friend who wants to do it.

Dante Allen:

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Yeah, there are a few ways to put money into your CalABLE account. Probably one of the easiest ways is if you have a linked bank account connected to your CalABLE account you can do what we call an "ACH transfer." And so that is an electronic transfer where the money goes directly from a bank account to the CalABLE account. You have to have that account linked and verified through CalABLE to be able to do that.

But you can also, you can mail a check to CalABLE and it should be paid to the order of CalABLE for the benefit of the beneficiary. And as long as you have that, then that money will go into the beneficiary's CalABLE account.

The other thing that you can do, we have an E-gift portal. And that is where the beneficiary or the authorized legal representative can set up a special E-gift event and they can give out a unique link that allows individuals to contribute directly to the CalABLE account without having to go through those steps of sending something through the mail or having their account already pre-linked to the individual's account.

Anne Osborne:

Are there any restrictions for what kind of items can be purchased with the prepaid card?

Dante Allen:

So, the main restriction and this is something that is important to know. Is that when you transfer money from your CalABLE account to the prepaid card, that is considered a full distribution. The assumption is that it is a qualified disability expense. The money is now out of your CalABLE account when it is on the card. And so, you should be using that card only to make purchases of qualified disability expenses.

And so, the limits for qualified disability expenses, it has to be for the person with the disability and has to help them maintain or improve their health, their independence, or their quality of life. As long as it fits in that category, you can use the card for that. I mentioned that there are limits that you can only use the card for purchases, either online or in store. You can't use it for cash. But those are really the main limitations for the card.

Anne Osborne:

We do have a question about deposits being able to do the \$16,000 annual deposit. And then if you were working, you can put up to \$28,000 into your account. Can you just go over that a little bit? We've had some people asking about making contributions annually and through work.



Dante Allen:

Sure. That is a great question. So, there is an annual contribution limit for ABLE accounts, and it's based on the IRS gift tax exemption. And so, an individual can put in up to \$16,000 in their CalABLE account. And that's from all sources. So, if an individual wants to put their SSI payment into a CalABLE account, they can do that. If family and friends want to give the beneficiary money, they can put that into a CalABLE account. And the total for that money for this year can't go above \$16,000.

Now, there is another provision called able to work. So, if the beneficiary is working, they have the ability to take money from their own earned income, the money that they get paid for their job and put in additional money. Money in addition to that \$16,000. And that's up to the federal poverty level for the state that they live in.

Here in California for 2022, the federal poverty level is an additional \$12,880. So, in addition to that \$16,000 that can come from all the sources, an individual can take from their own earned income and put in another \$12,880 for a total of \$28,880 per year.

Now there is a limitation on who can do that. You have to be employed. And you cannot be participating in an employer-based retirement plan for the year that you are making that ABLE to work contribution.

Anne Osborne:

Can there be two ALRs, a husband and wife for their child?

Dante Allen:

So, at this time we only allow one official authorized legal representative. Now, we have heard of cases where husband and wives will share the username and the password, but only one of them will be designated as the official authorized legal representative.

Anne Osborne:

Do the prepaid cards have a pin number that needs to be entered?

Dante Allen:

You have the ability to create your pin number when you authorize the card.

Anne Osborne:



Okay, we have somebody asking about automatic withdrawals. Can they do that with their CalABLE account?

Dante Allen:

So, you can do automatic payments, if the place that you are paying accepts these automatic payments. The easiest thing to do would be to set up an automatic withdrawal that is linked to your own bank account and then you can pay from there. Because like I said, there are additional fees when you request checks from CalABLE.

Anne Osborne:

It's nice that investments are tax deferred. When are distributions taxed and at what rate?

Dante Allen:

So, if you use money from your CalABLE account, when you withdraw money, take a distribution. If you use it for qualified disability expenses, you don't pay any taxes. So, it's just not tax deferred, it's tax free as long as you are using that money for qualified disability expenses. If you withdraw money for a nonqualified expense, then you would be required to pay taxes on any growth that has occurred in your account and you may be penalized and so, you would pay income tax based on your income tax rate. And you will be penalized by the federal government and the state government. So, it would be 10% from the federal government. Another 2.5% from the state in California. But that's only if you use money for nonqualified expenses.

Anne Osborne:

Here's another good question. Do I have to create an account as an ALR separate from my child's CalABLE account?

Dante Allen:

No, there is only one account, and as you are setting up the account, you let us know if you are signing up as the beneficiary or the authorized legal representative. If you sign up as the authorized legal representative, you will have the opportunity to put in your own information as well as the beneficiary's information.

Anne Osborne:



I have a question that just came in, are groceries a qualified disability expense? I was told that CalABLE money cannot be used to purchase groceries?

Dante Allen:

That's not true. Groceries are a qualified disability expense. And if you're receiving SSI, SSI has confirmed that basic living expenses including food, not only are they qualified disability expenses, they will also not affect or impact your SSI benefits at all.

Anne Osborne:

Okay, let's see here, once my son uses the \$1000 after I die over time, can our family then add money to CalABLE?

Dante Allen:

I don't understand the question.

Anne Osborne:

I think if the son has \$100,000 in their account and they use all the money, can they add money back into the account?

Dante Allen:

Oh, sure. So, the limits of what you can put into a CalABLE account. So, if an individual is on SSI, any money in a CalABLE account up to \$100,000 will not affect their SSI benefits. If they spend that money down, if they get up to \$100,000 and spend it down, they can save back up to \$100,000 and still have that same protection. It's not a lifetime of what you can put in there. It's that it can't exceed \$100,000 or your benefits will be in danger being suspended.

Anne Osborne:

And that \$100,000 is only if you want to maintain your benefits. Is that correct, Dante?

Dante Allen:

Correct.

Anne Osborne:

So, if you were not worried about keeping your benefits, how much could somebody save?



Dante Allen:

You could actually put in a lot more into a CalABLE account. You can actually save up to \$529,000 and even at \$529,000 you can no longer make contributions but again, remember this is an investment account. So, your account could still continue to grow. So, you can contribute up to \$529,000 and then your account can still continue to grow after that. Just keep in mind that once you get above \$100,000, if you are receiving benefits, it is very likely your benefits are going to be suspended as long as you're above \$100,000.

Anne Osborne:

So, if someone is not an ALR and puts money into an account as a gift, do they get to claim taxes on the gift? And also, is that taxable income for the recipient? Is that considered taxable income?

Dante Allen:

Both great questions. First and foremost, any contributions to a CalABLE account are not taxable income for the beneficiary. That money is also not counted as income for programs like SSI.

The second part of that question, can the person who contributes that money can claim it as a tax deduction. Currently we don't have here in California a tax deduction for ABLE contributions. So, unfortunately it's not a tax deductible gift.

Anne Osborne:

Can the trustee of the beneficiary's special needs trust become the ALR?

Dante Allen:

So again, a trustee could become the ALR. That's not required, but yes that is a possibility. Anyone of the beneficiary's choosing can become an ALR. They just have to be willing to assert that there is no one higher on that hierarchy that's willing or able to serve in that role.

Anne Osborne:

So, this goes back to the mechanics of setting up an account as an ALR. Does the ALR use the beneficiary's personal information when they are setting it up as ALR?

Dante Allen:



You'll be prompted to give both. Your own information as the ALR and the beneficiary's personal information. We have to do identity verification for both. So, you will have to submit the information for both individuals.

Anne Osborne:

And the quarterly statements, can you see all the charges that you're using, when you're using your prepaid card are those recorded on those quarterly statements or monthly statements?

Dante Allen:

Yeah. So you can log into CalABLE at any time and see all of your transactions, whether it is for the account or for the prepaid card. You will be able to see those at any time and you will be able to produce those whenever you want for whatever look back that you want.

Anne Osborne:

Do I need a broker to open my CalABLE account?

Dante Allen:

No, you don't.

Anne Osborne:

Someone asked it looks pretty simple to open online.

Dante Allen:

Yeah, that's the great thing. You don't need anyone else to open an account or to access the funds. The beneficiary if they want, if they have the desire and the capability to manage their own account, they can. This money belongs to them, it is in their name. And they can do that. You don't need a trustee or a broker. Even making the decisions about investing are relatively simple and we have webinars that can walk you through those too.

Anne Osborne:

Is there a maximum amount that you can spend on your prepaid card?

Dante Allen:



There are maximum limits, and I don't have those in front of me. But there is a maximum amount that you can have on the card. And then there is a daily maximum that you can spend. And those limits are included on our website for you to take a look at.

Anne Osborne:

And just to clarify, once the funds are put into the prepaid card, they cannot go back into the CalABLE account, correct?

Dante Allen:

That is correct. So again, it is a completed withdrawal once you have taken the money from the account, loaded it onto the card, that is a completed withdrawal. We can't reverse it, because they're not connected in that way.

Anne Osborne:

Are there any restrictions when people are using their CalABLE account to pay for rent?

Dante Allen:

There is a restriction in the timeframe. So, from the time that you withdraw the money and the time that you make the payment. If you do those within the same calendar month, then it is a qualified withdrawal. There is no problem with your benefits as long as you do it within the timeframe. But let's say if you wanted to pay November's rent and you withdrew the money on October 30th, but you didn't pay your rent until November 3rd, then if you are receiving SSI that could be considered as excess income for the month that you withdrew the money. And it's just because you made the withdrawal and the payment in two separate months. If you're going to do that, you should withdraw the money on November 1st and make the payment anywhere between November 1st and November 30th.

Anne Osborne:

Do you really get penalized by fees from not spending enough at the time? I have a special needs trust and it doesn't do this.

Dante Allen:

So, there are no fees associated with not spending enough. The one place that I would say where you could potentially be charged a fee is, if you request a prepaid card, and you don't



use it for more than a year. Then you would incur a \$2 per month fee. But, if you added money to the card, or if you made a purchase with the card, then that fee wouldn't happen.

Anne Osborne:

Okay, just a clarification Dante, it's a \$16,000 annual contribution and that's January through December calendar year. And the \$100,000 is if you want to have a CalABLE account and maintain your benefits, you can have up to \$100,000. Somebody was confused about this. I just wanted to re-clarify that. Is there anything you would like to add to that, Dante?

Dante Allen:

Yeah, and keep in mind that that \$16,000 limit is subject to change. So, it is based on the calendar. So, from January 1, 2022, to December 31, 2022, you can put up to \$16,000. Beginning January 1, 2023, you'll be able to put in up to \$17,000 into your ABL account.

Anne Osborne:

This was, is CalABLE federally insured money protection? That was a question.

Dante Allen:

So, with CalABLE, there are two ways that you can, you can either save money or you can invest money. The investment portfolios are not insured, they are subject to risk. There is a potential that you could lose money. If you're saving, we do have a federally insured portfolio that is not attached to the markets. And so, in that circumstance you're guaranteed not to lose money and that is backed by the FDIC.

Anne Osborne:

And if somebody wanted to change their allocation, how many times can they do that and how can they do that?

Dante Allen:

So, if the money is already in your CalABLE account and let's say you chose to put it in the savings portion and you wanted to invest it or you wanted to move some of your investments around, you can do that two times per year. You also have the ability anytime you want to add money to your CalABLE account, you can change where you want that money to go. So, even if you had all of your money in the FDIC insured portfolio. And you wanted to add some



additional money, but you wanted to put it into the aggressive investment portfolio. You can do that each time you make a deposit. And it's very simple to do that inside the website.

Anne Osborne:

We have a question here, it's about loading money onto your account. And I think it's just a point of clarification. The question is: You have one year to spend the money on the prepaid card, but if you're using it on a rolling use, do you need to have that card at 0 by the end of the year?

Dante Allen:

No, that's not a requirement. You should just keep in mind that you keep records for anytime that you may be audited or asked to verify, whether it's by Social Security or the IRS, how you're using the money in your CalABLE account.

Anne Osborne:

I think this is our last question. Is there still a restriction on using a prepaid card to pay for medical marijuana?

Dante Allen:

That's a great question. I don't know the answer to that. But I will say that even though medical marijuana is legal here in California, remember that ABLE is a federal program. So, it's not legal according to the federal government. So, it may be problematic to use it to purchase medical marijuana. In that case, you would be better off either using non-ABLE funds or transferring the money to a bank account and then using cash to make those payments.

Anne Osborne:

Okay. There's a good question. If a beneficiary were to decide that they cannot adequately manage their account, what could they do to have a parent or sibling become the ALR for their account?

Dante Allen:

It's as simple as logging into the account and setting up an authorized legal representative. You can add or change an authorized legal representative at any time.

Anne Osborne:



This is a good question, Dante. When you have the balance that you have on your prepaid card, does that count against your Social Security resource limit?

Dante Allen:

It does not. Again, it's considered as a qualified disability expense. And so, qualified disability expenses don't count toward your resource limits.

Anne Osborne:

Is there a way to limit or restrict how much money a beneficiary can spend with the prepaid card each month?

Dante Allen:

The best way to do that is limit how much you load onto the card. So, that's one of the great things about a prepaid card. Is that it can sort of be a training wheels for, if they only have access to \$100, they can't spend more than \$100 using the card. And that's up to the authorized legal representative to set that.

Anne Osborne:

So, Dante, if you have money on your prepaid card, you would need to spend that within a year's time, the money you originally load on the card. But if you have money in your CalABLE account, is there a time limit on when you need to spend the money in your CalABLE account?

Dante Allen:

There's no limit as long as the money is in your account. When you make a withdrawal, again it should be within that reasonable timeframe that you can keep good records. The main thing that you want to try to avoid is taking money from the account and just keeping it as cash indefinitely because that can be seen as nonqualified withdrawal.

Anne Osborne:

All right, so and I would just say if you were to take a large sums, maybe it's for helping with the down payment on the house, or some other item that really requires large sums of money to be dispersed. Is an additional comment I would add to that.

Dante Allen:



Yeah. I see a question here, Anne, that it is interesting. And it said Social Security is asking for statements now on ABLE accounts, do you know why?

And we do know that Social Security is now more aware of ABLE accounts. Because they are encountering more individuals who have these ABLE accounts. And so, they have the ability to ask for statements to make sure that you are using the ABLE account appropriately. So, they want to know if you're taking money from your ABLE account, are you using it for qualified disability expenses?

And that's why we recommend that you keep good records. They're going to know about your ABLE account whether you let them know or not, because we under federal law we have to inform Social Security every month of the individuals who have ABLE accounts. So, they know about the ABLE accounts, they know a general balance. If you take money from that ABLE account, you're going to want to be able to say, "yes, I took this much out, this is what I used it for." And it won't create any problems for you, so I wouldn't be shy about telling them the truth as long as you are keeping your records.

Anne Osborne:

And if you do have a problem, feel free to reach out to us. We have provided confirmation letters to Social Security on our account holders' behalf. Because they are electronic documents that you can print online off your personal computer. Sometimes they like to see something, maybe a little bit more official, so we have been able to provide that for our account holders. And just give us a call on that.

I really don't see any additional comments. Here let me just look through these real quick.

Dante Allen:

Here's one. Can you keep SSDI after SSI goes away once the account goes above \$100,000?

And you can. SSDI doesn't have the resource limits that SSI has.

How can I change the settings on CalABLE account to prevent large money loss? My son lost \$4000 this year in his investment.

There are a couple of ways that you can minimize your risk for loss. The first is, you do have the ability to change the portfolios. So, if you're investing money and you had all of the money in the most aggressive portfolio, that's the portfolio that is going to go down by the largest amount over short periods of time. So, you could either go to the moderate portfolio, you could go to the conservative portfolio, or you could move money into the FDIC insurance portfolio.



The one thing that I would caution about that is that in history, in the history of our markets, when they go down, there is typically a recovery. And so, if you change your allocation, you may be participating in the down part of the market swing and not benefiting if and when it goes back up. Now I'm not saying that it's guaranteed to go back up. I am saying that in history, there has been a downturn that is followed by an upswing. And so, the only way that you really guarantee that that loss is permanent is if you pull your money out and you solidify those losses.

Anne Osborne:

How much money can I earn with SSDI yearly?

Dante Allen:

You would have to talk to Social Security about that, I am not an expert on SSDI.

Anne Osborne:

But SSDI does not have that \$2000 resource cap, correct Dante?

Dante Allen:

They do not.

Anne Osborne:

Somebody mentioned that they did not see any interest payments to the account. Is interest added at the end of the year?

Dante Allen:

I am sorry, can you give me the question again?

Anne Osborne:

I have not seen any interest payments to the account, is interest added at the end of the year?

Dante Allen:

No. Interest is added on a monthly basis as a result of your average daily balance. And again, a lot of, so our FDIC insured portfolio only pays a very small interest return. I think today's



interest rate is 0.5%. So, that means that if you have \$100 in your ABLE account your interest yield on that is going to be \$0.05? It's not a lot of money.

Anne Osborne:

I've noticed that there is a substantial amount of money lost in the CalABLE account due to stocks going down this year. Is there a way you can put a hold on the account to prevent it from losing even more money?

Dante Allen:

So again, you can choose to reallocate, so if you're investing and you want to go to the FDIC insured portfolio, you can do that to prevent that. And our investments are losing money. But, that's the case for the markets across the board. This is a downtime in our economy, rising interest rates, low returns on investments are fairly standard for now. These things typically are cyclical in nature. So again, whenever markets go down, historically they have come back up and even improved on where they were before the downturn. But again, if you reach a point where you are saying, I can't tolerate these losses. You may want to consider moving your money out of the investments and into the FDIC insured portfolio.

Anne Osborne:

And I know we've talked about this, but we have not really talked about this. But, what happens to money in the CalABLE account in the event the participant passes away?

Dante Allen:

When an individual passes away, any money remaining in the ABLE account can be used to pay for outstanding qualified disability expenses. And then that money would be transferred into the individual's estate.

I see a great question here. As of November 1st, investments in our FDIC insured portfolio went up to a .6% interest yield. This is, currently several major banks offer FDIC insured savings accounts, with rates of 3% annual percentage yield or more. Why is CalABLE's annual percentage yield so low? Are there plans to increase APY as interest rates continue to rise?

And the answer is yes. And so the number that you give, the .6%, just changed as of yesterday. I think before yesterday it was at .5%. As you know, the federal interest rate went up again today. And so, potentially on December 1st our rate could increase even more.



But the reason why our interest rates are different than federal checking and savings accounts are directly related to our ability to try and keep CalABLE cost as low as possible. So, to be able to manage these accounts with just a \$37 annual maintenance fee meant that we had to make some limits on the annual percentage yield. And so, yes we offer a lower yield. If you chose one of our investment portfolios, like our conservative portfolio, a good portion of that portfolio includes a guaranteed issue that would greatly exceed that .6% interest yield. So there are investment options if you, safer investment options, if you would like to get a higher yield than the FDIC insurance.

Anne Osborne:

There is a question here, so if you have two cards, you have to use them both to not pay the cost, how often do you need to use them? What is the minimum amount you can transfer to the card. And then somebody wanted to know where CalABLE, how you can spend your money with SSI? And the POMS, we have that. Dante, did we talk about the POMS, the participation operation manual?

Dante Allen:

We have it, but I feel like you're answering a lot of questions at once. So, just to get to the first question, which is how often do you have to use that card to make sure that you're not charged a monthly fee? And if you use the card once every 12 months, then you won't incur a monthly fee. And using the card means that you either load money onto the card or you make a purchase using the card. Either one of those is considered using the card. The other piece of that was, I'm sorry, I am forgetting the questions. That's why I stopped you so we were answering more.

Anne Osborne:

Where can we find where CalABLE money can be spent on in combination with SSI?

Dante Allen:

If you go to our website CalABLE.ca.gov it will have a list of qualified disability expenses. The main thing that you need to know though, is if it helps to improve or maintain the beneficiary's health, independence, or quality of life, it is a qualified disability expense.

Here is one, do you have to list CalABLE funds as assets when applying for programs like affordable housing that have income and asset limits? And you should include the fact that you have a CalABLE account when you are applying for those programs. But the assets in your CalABLE account will not count towards those limits of those programs. It doesn't count if you



were applying for federal student financial aid, it doesn't count. It doesn't count against assisted housing. It doesn't count against programs like SSI. So, yes, you should report it. No, it won't count against you.

Anne Osborne:

Who monitors CalABLE account performance on investing?

Dante Allen:

The CalABLE board is responsible for the CalABLE investment portfolio. Each year the CalABLE board refreshes its statement on investment policy. That policy is included on our website. And the CalABLE board meetings are open to the public. We meet quarterly. Our next CalABLE board meeting is December 13th. And so, that meeting is open to the public if you would like to attend.

Anne Osborne:

Can money from a special needs account be transferred to a CalABLE account without restrictions?

Dante Allen:

Yes.

Anne Osborne:

They want to use this for rent.

Dante Allen:

Yes. But remember that it has to if you're using it for rent and the individual is receiving SSI, that money needs to be taken out and spent in the same calendar month.

Anne Osborne:

Will CalABLE funds ever be user directed where you can choose the mutual funds?

Dante Allen:

So, I can't say that they never will. Right now, we have the mutual funds that the board has selected. And I don't anticipate that changing in the near future. But I cannot say that it will



never change. So, you will have to participate in the mutual funds that the board selects at this time.

Anne Osborne:

This is just a comment as far as keeping physical receipts. The purchases are not reported digitally on the account similar to the bank app. Is there an app?

Dante Allen:

So, withdrawals are recorded whenever you make a withdrawal from that ABL account. They are recorded in the CalABLE account. The unfortunate piece of that is, that we don't know once you take the money from the account, what you use the money for. So, you have to keep a record of that. There are many sort of budgeting apps that you can use to do that. But CalABLE doesn't offer an app that does it.

Anne Osborne:

How can I find out what mutual funds are included in each portfolio?

Dante Allen:

If you visit CalABLE.ca.gov and look at our investments, it tells you the underlying funds that are included in each portfolio.

Anne Osborne:

Well, Dante we are at 3:30 PM. I think we've answered pretty much all the questions. There were a few that were individual questions that we didn't answer, but I would encourage people to look at our YouTube channel. Again, there were questions about SSI and SSDI. There is a webinar that we had a panel on and SSI and SSDI was one of the topics that was discussed. So, I would encourage people with those questions to look at our YouTube channel for additional information. And then, special needs trust of course. And there is a webinar that we did on qualified disability expenses. I know we had a lot of those questions today. So, again I would just encourage people to go to our YouTube channel and look for those items, topics that they have been asking a lot about today. Any other comments, Dante?

Dante Allen:

Yes, let me just add a couple of things. If you have a specific question that you think may relate directly to your unique circumstances, please don't hesitate to reach out to either our customer



engagement center or to Anne, Madeline, or myself. We're happy to help you sort of sort through those questions.

The other thing that I would recommend. If you belong to a group, and would like to have CalABLE come to one of your group events, we're happy to come and help spread the word about that. So please don't hesitate to reach out to use to make that request.

Today we went over just the very basics about CalABLE, but really wanted to update you on some of the newer changes to the program. And so, there are more basic presentations, if you visit that YouTube channel that give lots of more information about things like qualified disability expenses and how much you can contribute. So, please take advantage of those resources as they exist out there.

Know too, that in the beginning of the year we will be doing our webinar series and starting from the beginning with the basics of CalABLE all over again. So, stay tuned for that information.

But I want to thank you all for participating today. I want to thank the CalABLE team, Anne and Madeline, and the folks who have supported us, our captioners and ASL interpreters. Thank you for participating and we look forward to seeing you again in the near future. Thanks a lot everyone.

[End of Session]

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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.



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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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