



# CalABLE – It's not too late to contribute to your CalABLE Account (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 will be CalABLE's final webinar for 2022. And while this year is almost over, it's not too late to contribute to your CalABLE account. I recognize that this has been a challenging economic time. Many of you may have concerns about contributing to your account. Saving and investing money can be intimidating, but the CalABLE team is here to help. This webinar will discuss how to maximize your year-end contributions through electronic transfers, checks, eGifting, and rollovers. By maximizing your contributions in CalABLE, I hope that you will be empowered to reach your financial goals.

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 8,000 account owners and almost \$80 million deposited in their CalABLE accounts. And unlike a 401(k) 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 for joining today's Webinar. As Treasurer Ma mentioned, this is the final in our '22 Series but look for us next year as well.

Before we get started, I'd love to ask a question, and we have set a tradition of asking this question, that if you could save for whatever you wanted, what would it be for? If you can click on the survey, I'll give you a few minutes to answer that question. But just give us an idea of, if you have an ABL account, or if you're considering opening an ABL account, what do you want to save for?

Right. Let's take a look. Can we take a look at the responses?

**Madeline Handy:**

Sure, we have about 75% of people participated. So, I can end the poll and share the results.

**Dante Allen:**

Sounds great. All right. So, looks like just about a third of you said you wanted to save for a first home. About half for Health and Wellness. Recreation and vacation is typically a very popular thing that folks want to save for. Comparing this usually the most frequent answer that we receive is that individuals want to save for housing. Whether it's to get into their first apartment or put a down payment on their first home. Those things are traditionally very popular. Vacation and recreation is always a big deal. Technology -- assistive technology or equipment is traditionally very popular as well. It's good to know so as we talk about these accounts and keep in mind how you can save and what you can save for. It's good for us to have that as part of the discussion.

If you can go to the next slide, Madeline.

So what are the benefits of opening an ABL account? And for the purposes of today's conversation for the most part I'll use the words CalABLE and ABL account interchangeably.

So why should you save in an ABL account? First and foremost, the money that you put in your ABL account is tax-deferred. Meaning that you won't, if the money grows overtime, you don't pay any income taxes on it as long as the money is in the account. And you have the ability to access the money at any time. You can pull the money out and when you do pull that money out, the money, the earnings are still tax free as long as when you use them, you use them, for what we call qualified expenses.

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We have professionally managed investment portfolios that best suit your needs and your tolerance for risk.

And if you're receiving benefits, like SSI or Medicaid, you can save up to a \$100,000 in a CalABLE account, without the risk of losing those benefits.

Next slide.

So who's eligible to open a CalABLE account? Well first and foremost, you have to be a person with a disability, and that disability had to begin before you reach age 26. So, before your 26th birthday. If you have that disability, and it began before your 26th birthday and you've already met the Eligibility Requirements for a program like SSI or SSDI then you're automatically eligible to open an ABE account.

But that's not to say that you must be an SSI, or Medicaid, or SSDI recipient. You can actually still open a CalABLE account, even if you have never qualified for any of those benefits programs. Your disability must be listed on the Social Security List of Compassionate allowances, or that Blue Book, and then we ask you to go through a few extra steps called self certification. Now with self certification – you can go to slide 10.

With self certification. You have to attest under penalty of perjury that you have a disability, and that it began before your 26th Birthday.

So what are the items that you need to open a CalABLE account?

Well, first you need web access and that can be through your mobile device, it could be through a desktop. But CalABLE is an Internet based program. The way that you sign up, the way that you conduct transactions, all happen online, so it is essential that you have some Internet access.

The other elements that you'll need to provide to us is -- you need to provide your social security number, your date of birth, and provide contact information.

A minimum deposit of \$25 is required at the time that you open your CalABLE account. Now that's not an enrollment fee that money goes directly into your account and gets you started on the savings and investment path. Now CalABLE also recommends that you link a commercial checking or savings account to your CalABLE account so we can ease the path to being able to put money in and take money out of that ABE account.

You can go to slide 11, please.

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So withdrawing funds for qualified disability expenses. Now, as I mentioned you can take money out of your CalABLE account at any time for qualified expenses, and we have several methods for you to be able to do that.

You can do an electronic transfer, it's called an ACH or an automatic clearinghouse. It's the same way if you do any kind of online banking, it's the same thing of moving money around. It requires you to link your checking or savings account, but it's a fairly easy process.

You can receive -- have a check cut to the beneficiary, or to the authorized legal representative of a CalABLE account. There is a fee associated with that so it may not be the most convenient way of getting money out of your account, but it is a method that is available. You can also have a check that's cut to a third party. Meaning someone that you want to be able to pay directly you can have a check sent from CalABLE to that individual.

And then another very popular way is we offer a prepaid debit card where you can load money directly from your CalABLE account onto that prepaid Debit card, and then use that debit card anywhere that visa is accepted.

You can go to slide 12, please.

So let's talk about maximizing your CalABLE account contributions. Every year around this time, we hear from our account holders about "I want to make sure that I can put as much money as I can into my CalABLE account, when's the last day that I can put money in for 2022?" So let's talk about what your maximum contributions are.

Slide 13.

So, for 2022, anyone with an ABLE account can put in up to \$16,000 as their annual contribution. And that needs to be received by the end of the day on December 31. Now contributions can be made by any person which includes the individual account holder. It can be a trust, it can be an estate, a friend, a family member. Anyone who wants to contribute to that ABLE account can contribute to reach up to that \$16,000 annual account contribution limit.

Now there are individuals that can expand their annual contribution limit with a component known as ABLE to Work.

Slide 14, please.

With ABLE to Work, if you are a CalABLE account holder and you're working, you can contribute above and beyond that \$16,000 limit as long as you're contributing your income and you're not

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participating in an employer-based retirement plan in the calendar year that you want to make the contribution.

Slide 15.

So, with ABLE to Work an individual working can contribute an amount up to their annual gross salary, or the Federal Poverty level for the current year. Here in 2022, that's an additional \$12,880. And so, you can contribute whichever is the lesser of your annual salary or the Federal poverty limit. So, the maximum that you could potentially contribute is an additional \$12,880. That's on top of the \$16,000 that can come from all sources. So, in a single calendar year, if you are including ABLE to Work, an individual could contribute up to \$28,880 into their CalABLE account.

Now these numbers are scheduled to change for next year. In 2023, the contribution limit will go up to \$17,000, and the ABLE to Work contribution will go up to \$13,560. So next year you'll be able to contribute over \$30,000 in a single year into your CalABLE account.

Next slide, please.

So, how do you put money into your CalABLE account? We've already talked about how you get money out, let's talk about how to put money in.

Next slide.

So, here's another poll. We can ask the question, how have you added money to your CalABLE account? Tell me, if you have a CalABLE account, what method do you regularly use to put money in? And we'll give you a few minutes to answer that question.

And whenever you see a critical mass, Madeline, you can show us the answers.

**Madeline Handy:**

Okay. We're currently at about 40% participation. So, I'll give it a few more seconds. And also, if you're not a CalABLE account holder, but if you are from a regional center, help people with disabilities, you can say how you've seen people contribute most often as well.

Okay. We're at 50% so I will end the poll and share these results.

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**Dante Allen:**

Electronic contributions is by far the most popular way that folks are putting money into their account. This is not a surprise to see your responses. Many people when they're setting up their CalABLE account they go through a process where they link their checking or savings account. That way it's very, very easy to move money back and forth. You can even, from your online banking, you can set up an automatic deposit that goes into the account. It makes it very easy. I have a CalABLE account and that's what I do every month. Right around the first of the month, I automatically have money that goes directly into my CalABLE account. It really does help.

It seems like not many of you are using Egifting. So we're going to talk about that and see if we can encourage you because there are some great things that can you do with Egifting.

Okay, if we can go forward, Madeline, that would be great.

So electronic contributions happens when you use a linked bank account to contribute, either a one time or recurring electronic transfer. The great news about the recurring is you can make it where if you want a certain amount of the money, of your money, in your bank account, to go to CalABLE on a monthly basis, you can do that. It makes it really easy. As I mentioned previously, I do that myself. Or if you don't want to set up recurring contributions, you can do it each time you want to make a contribution, you can make an electronic transfer.

Like I said, it's easy as logging into your online banking and making that transition, or logging into CalABLE, and making that transition once the accounts have been linked.

Slide 19, please.

If you want to contribute by a personal check, you can mail a check to CalABLE. The things that you should be aware of is that you should make the check payable to CalABLE. And in the memo section of your check, you should write out the name of the beneficiary including their CalABLE account number. So again, the check should be made paid to the order of CalABLE and then under the memo section you should have the beneficiary's name as well as their CalABLE account number.

Now, when you send the check in through the mail, and we've gotten lots of questions about this, you're actually sending it to our Customer Engagement Center which is at PO box 44309, Jacksonville, Florida, zip code 32231.

Now we have this question all the time. If this is a California program, why am I sending information or money to Jacksonville, Florida? And it's really Calable is brought to you by the

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State of California and it's administered through a public-private partnership. So our Partner in this is the firm TIAA-CREF and they use a record keeper that is based in Florida.

So, your money is still with CalABLE, it still is a California program, even though you're sending your actual physical check to Jacksonville, Florida. So, there's nothing to be worried about there in case you were concerned.

You can go slide 20, please.

Egifting is another great benefit of CalABLE accounts. And it really is a tool to help you get -- seek contributions from friends and family members. It works very similarly to those crowdfunding programs, like Go Fund Me or any other type of deal where you can ask folks to contribute to -- directly to your CalABLE account. You can give them a unique link that allows them to make the transfer without needing your account information, or anything. And it's a really a great way of helping you reach your savings, or your financial goals. Think about it for a special occasion.

If you go to slide 21.

So in the circumstance, let's say that for those of you who said that they wanted to save for a vacation. And many people with disabilities have lots of family members or friends that want to help but sometimes they don't know the best way how to do that. Well, with the Egifting platform, you have a way of saying here's the best way to help me and especially if you're receiving benefits like SSI, those these contributions that go directly to your ABLE account, won't be counted as income against those programs and won't interfere with your ability to continue to receive benefits.

So how do you set up that Egift?

The first thing you need to do is, you need to log into your CalABLE account. There is a tab at the top that says Egift. And once you click on that you can begin setting up a new event. And so once you finish setting up that event, CalABLE sends out an email that includes a unique link, and a personalized message. So in the case of asking for folks to help you reach your vacation goal, you can say hey, I'd like to go on a, let's say, a Disneyland vacation this year, and I want to make it as accessible as possible, and that requires me to have lots of money in savings, and you can help me reach my goal by contributing directly to my ABLE account. And then that email can be sent out to as many friends, or family members, as you like and that helps you to get help for the things that you need. And remember that those things -- those contributions don't count against your benefits. But you are limited again to that \$16,000 per year contribution limit. So, keep that in mind. So, and that would include anything that you've

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already contributed. So, you can't exceed \$16,000, unless you're using that ABLE to Work that I talked about earlier.

Slide number 22, please.

Rollovers are another way that you can contribute money to an ABLE account.

There may be many people who have set up a 529 college savings account that may want to roll that money over to an ABLE account. And either you could be rolling it over because ABLE accounts are more flexible in how you can use the money. Or maybe there's a situation where you thought you may go to college but then decided that you want to use the money for something else, or that you're not able to go to college, so you want to be able to use the money for other things. Even once you move the money into the ABLE account, you can still use it for educational expenses. Educational expenses are still a qualified disability expense. But you have much more flexibility on what you can use the money for.

So let's say you want to rollover from a college 529 savings program to an ABLE account, it's very simple to do. As long as the rollover is for the same beneficiary, or -- and that person is an eligible member of CalABLE or a family member, you can roll that money over into the account.

You need to get an incoming rollover form from our CalABLE website. A link is provided here and it's [www.CalABLE.ca.gov/documents/calable-rollover.pdf](http://www.CalABLE.ca.gov/documents/calable-rollover.pdf).

We can go to slide 23.

Why it's important to contribute to your CalABLE account.

Next slide.

The main reason why you want to continue to contribute to your CalABLE account is because you have the power to grow your money through investing. And investing, if you're not -- if you've never invested before, you have the capacity to (potentially) grow your money much faster.

So think about it. There is an image here of two different strategies. One is savings, a normal savings through regular interest, and then the other example is savings through compound earnings.

And so what we imagine here is that we both -- we start both savings opportunities at the same time. The first is started with \$1,000 -- at first you start with \$1,080. And if you put that money

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into a simple savings account where you got simple interest over time, with the normal way you'd save -- in about 10 years that \$1,080 would become \$1,800. In about 30 years, under just normal savings and regular interest, you can change that \$1,000 up to \$2,400.

But let's look at the idea of compound earnings with regular contributions to a CalABLE account and this is managing just a very simple return on your investment. You can easily go from \$1,080 to in -- in just 10 years you could turn that into \$2,100. But then the difference really begins to (potentially) grow. In 30 years, that simple \$1,000 could grow to over \$10,000. That's an \$8,000 difference than just the simple interest that you would gain a few percent per year but imagine compounding that over many years.

So that's the very number one thing that you should consider. And remember with the CalABLE account, all of your growth is tax free. So if you compounded (those earnings) over time to -- from \$1,000 to \$10,000, you would have \$9,000 in tax free income (if used for qualified disability expenses).

Let's go to slide 25.

If you want to build your knowledge, and I know that concepts like compounded earnings may be new to you, and I don't want it to be intimidating, but we have set up a resource on the CalABLE website. It's called the Financial Fitness Center and it has lots of tools where you can learn more about managing your finances and achieving financial goals.

We have sections on building financial capability, investing in your future, financial caregiving, growing your small business, even preparing for retirement. All of those things are available at our website at [www.calable.ca.gov](http://www.calable.ca.gov).

Slide 26 please.

Here are some examples of the Financial Fitness playlists. And financial fitness is sort of like Netflix for financial education materials. You can go in, and you can see recommended videos for you and those can include things like healthy financial habits, budgeting during a crisis, debt management, managing loans during difficult times, and how inflation can impact your finances. They talk about how long each of those different modules are and so you can watch those. They're very interactive where you can answer questions, and play little games just to be able to build your knowledge.

This is a really great resource, especially if you are new to savings or investing, or just want to get on track with saving and planning for your future. And it's -- there's no shame if you haven't saved before. As a matter of fact, for many people, especially if you are receiving benefits,

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those benefits programs actually prevented you from being able to save. And so there's no shame or embarrassment if you don't know the basics, what is interest, what does it mean to compound your interest? All those things are available at the Financial Fitness Center. So please take a look if you're interested.

Slide number 27.

If you're ready to open a CalABLE account, there is an image here of a screenshot of the CalABLE website. You can visit us at [calable.ca.gov](http://calable.ca.gov).

Again, this is offered through the State of California. It takes just about 20 min to open your account, and you can really get started. In addition, there's all of our other resources that are available on this on the site.

You can skip to slide 28.

And I have here on the screen, pictures of the entire CalABLE staff, including myself, Dante Allen, Executive Director. I'm an African American man, with a bald head and a great beard.

And a part of the CalABLE team is Anne Osborne. She'll be joining us in just a moment. She's our program manager and she'll be helping us go through the questions. She is a Caucasian woman with medium-length brown hair. In the photo, she's wearing a brown jacket and a tan turtleneck.

And then Madeline Handy, she's the newest to the CalABLE team. She's been running today's slideshow. She is an Asian woman with longer, dark hair and a great smile, and a striped t-shirt.

And we're all available to help you. You can email us at [calable@treasurer.ca.gov](mailto:calable@treasurer.ca.gov). Or can you phone us at (916) 653-1728. Again, those numbers and email address are available on the PowerPoint slides and reach out to us anytime you need us. We're happy to help you.

Slide number 29.

If you'd like to get in touch and let's say you have -- you're ready to open a CalABLE account but you have additional questions, or maybe you've already opened your CalABLE account and you have a problem, where you need some help. We also have a Customer Engagement Center. And it's open Monday through Friday 9 AM to 5 PM Pacific time. You can give -- you can give them a call at 833-CalABLE, that's (833) 225-2253. Or you can send them an email at [CalABLESupport@CalABLE.ca.gov](mailto:CalABLESupport@CalABLE.ca.gov).

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And the difference between giving them a call and emailing them versus calling Madeline, Anne, or I is that these folks have the ability to look at your account, and see exactly where you're having a problem, and help you. We don't have that capability we can only give you information about how the program works and answer any technical or policy questions that you might have.

Slide 30, please.

If you'd like to continue to receive information about CalABLE, please feel free to follow us on social media. We're available on Facebook, on Twitter, on LinkedIn, on Instagram, and you can sign up for our email newsletter. Just if you go to any of those social media platforms and do a search for CalABLE, you'll find us. And you can like and follow us and receive information. We promise we don't send out lots of spam. We really only provide updates to get folks more aware of the program, or if there are program changes.

Slide 31, please.

Please join us for our January Webinar. We've already got the next one scheduled in January. We'll be talking about CalABLE basics on January 25, 2023. That's from 2 PM to 3:30 PM. And you can register to join us for that.

We'll talk about the new changes for 2023, including the new contribution limits. Hopefully, we'll be able to say that the Federal government has signed a new law that makes it eligible for people whose disability began before age 46 to open CalABLE accounts. Our fingers are crossed, we're hoping that that'll happen by the end of the year. We'll definitely be able to talk about it in more detail in January, so please do register to join us for that Webinar.

Slide 32, please.

I do want to talk a little bit about the fine print. The disclaimer is that CalABLE is an investment program and like with any investment program there is some risk involved. There is a potential that you could lose money and you should be aware of your risk before you open a CalABLE account. And our disclosure statement is available on the CalABLE website. It's available in both English and Spanish, and you can get all the details as well as the rules on how CalABLE accounts work on our website. So please do take a look at that and familiarize yourself with the program before you consider opening an account.

Let's go to slide 33, please.

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Thank you for joining us today. I've tried to, in the course of the presentation, address all of the questions that we received upfront. But if I wasn't able to answer all your questions, we're gonna turn things over now to Anne Osborne, our program manager, who will help us with Q&A. So Anne, I'll go to you. And if you want -- if you haven't already submitted a question, in the Zoom platform, there is a Q&A section, you can submit your question.

Just want to let you know that there are also frequently asked questions, if you visit the Treasurer's website, it's [treasurer.ca.gov/able](https://treasurer.ca.gov/able), you can see our frequently asked questions. You can also visit YouTube and if you search for CalABLE you'll find our YouTube channel where we've answered many questions on our previous webinars and have more -- a more in detail look at CalABLE, and some of our previous videos.

But with that let's open things up for questions and I'll turn it over to you, Anne.

**Anne Osborne:**

Thank you, Dante. We don't have a lot of questions this time in the Chat, but we do so I want to get to those questions.

The first one was, can the representative payee have their child's SSI benefits directly deposited into their ABLE account? And we also did receive similar questions prior to the Webinar.

**Dante Allen:**

Yeah, and that's a question that we frequently receive, Renee. Unfortunately, social security doesn't do direct deposits to CalABLE or any other ABLE program just yet. That's something that we'd been in conversations about and we'll certainly update you once that's available. Most folks who receive SSI use a standard checking or savings account as a pass through where they can move money to that checking or savings account, and then transfer that to ABLE accounts. But we certainly would like to see the ability to direct deposit those Social Security benefits in an ABLE account. It would help a lot of folks out.

**Anne Osborne:**

The next question is, what is the last day you can initiate an online contribution from an already linked account and be sure it will count for 2022?

**Dante Allen:**

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Another great question. As long as you have that contribution scheduled by 11:59 PM on December 31st it will appear as a 2022 contribution.

**Anne Osborne:**

All right. And then when money is taken out of the ABLE account to pay for rent, is there a location to indicate what the withdrawal is for?

**Dante Allen:**

There isn't in CalABLE, but we do offer in our resources some tips on keeping records for your CalABLE withdrawals. And so, it really is your responsibility to keep good records of when you take money out and what you use that money for in order to prove that they were for qualified disability expenses if you're ever asked.

Now, CalABLE does not ask you, hey, when you're taking money out is this for a qualified disability expense? But you may be asked, if you receive benefits like SSI, social security may ask you, hey, we know you have a CalABLE account, we saw you take money out, what did you use that money for? And so keeping good records is a good idea. The same thing could happen if you're ever audited by the IRS. They could ask, hey you have this CalABLE account, what are you using the money for when you withdraw?

So, there are resources on our CalABLE website that can help you with keeping records, but there is no automatic way to do that within the CalABLE portal.

**Anne Osborne:**

The next question is, can Egifting be from overseas relatives?

**Dante Allen:**

Egifting by overseas? You've managed to stump me. Thanks a lot.

I actually have to look into that. Unless, Anne, you know directly an answer to that?

**Anne Osborne:**

I think we should research that and get right back. Because I don't want to give the wrong information.

**Dante Allen:**

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Yeah, I don't know the answer. But let us check into that, Renee. Let me know if you have given us your contact information and we can get back to you directly. I know a lot of folks do have relatives that are out of the country, and they'd love to be able to make those contributions, but that's just that not a question I've been asked before.

**Anne Osborne:**

Is there a limit to how much money I can put on my CalABLE visa card?

**Dante Allen:**

There are limits to how much you can have on the account at once. And the best way to take a look at that is if you go to the CalABLE website, there's information about the prepaid card. I think it's -- I think the most you can have on it is \$15,000, but I'm not certain of that. It's a new card, we're just learning the differences of the ins and outs. But you can put a fairly substantial amount into your CalABLE account.

**Anne Osborne:**

And again, can the person link two bank accounts to their CalABLE account, is there a limit?

**Dante Allen:**

You are able to link more than one account to your CalABLE account to be able to make transfers back and forth. And you're able to choose each time you make a transaction. You're able to choose which account, it goes to.

**Anne Osborne:**

Can money or investments in a special needs trust be moved into the ABLE account?

**Dante Allen:**

So, the only thing that can go into a CalABLE account is cash.

And so yes, money from a special needs account can be placed into a CalABLE account. So, and then you can save and invest in all the ways that you can with the CalABLE account. You're not able to transfer any stocks or bonds into the CalABLE account unless you liquidate them into cash.

**Anne Osborne:**

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Can a grandparent be involved now with CalABLE without a court order or guardianship? I just want to contribute and track what is happening.

**Dante Allen:**

So that is a great question, and it's related to -- there have been some changes in the Federal regulations for CalABLE. And one of those changes was it broadened the definition of who could become an authorized legal representative. Originally, when CalABLE first opened only a parent or legal Guardian, or someone with power of Attorney over the financial matters for the beneficiary could become an Authorized legal Representative. That has expanded significantly, and the requirement for power of Attorney has been lessened somewhat. And so parents, grandparents, siblings, even Social Security representative payees now have the ability to become authorized legal representatives without having power of Attorney.

But the thing to know is that when you're an authorized legal representative, you have at -- you'll actually have the sole transaction authority with the account, you'll have the user ID and password, you'll be able to make those transactions. There's really not a mechanism set up with CalABLE now that would just allow someone to monitor without and still have someone else have that decision making authority over the account.

So, yes, you do have the ability to, without power of Attorney, as a grandparent to become an authorized legal representative, but that comes with decision authority over the account as well.

**Anne Osborne:**

Does the checking account have to be a shared account with the person receiving the benefits from SSA?

**Dante Allen:**

It does not. There is no requirement that says that the beneficiary's name has to be on the checking account outside in the commercial banking. It could be a joint checking account, it could be -- it could belong to the Authorized Legal Representative, it could belong to a family member. As long as you do that linking that allows -- that allows you once you're in CalABLE to make those transfers, you're fine. But there is no requirement that it has to be in the name of the beneficiary.

**Anne Osborne:**

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Our downs daughter owns a US savings bond, if we move 16K from those into ABLE -- I just lost the question.

**Dante Allen:**

It's, what is her income tax impact? She now is our dependent on our 1040.

So you're getting at a couple of things, Michael. The first is that if she has a savings bond, the only way that she can move that savings bond into her CalABLE account would be to liquidate it. And so if she does liquidate it, then there are tax implications for that. I am not a tax expert so I can't give you tax advice to say, what the tax burden would be for that. So, you may want to explore that with the Tax Consultant.

But if she is a dependent of yours and she's not required under any other circumstances to file taxes, just having a CalABLE Account will not require her to file taxes. It doesn't change your responsibility around filing taxes just by having a CalABLE account.

**Anne Osborne:**

Somebody recently opened an account for their disabled son. Their question is about taxes.

When opening a CalABLE account, now -- will I now have to file taxes on my son's behalf for use of the account?

**Dante Allen:**

Yeah, that's getting at just what I was saying. Just having a CalABLE account does not require an individual to file taxes. Remember though, earnings on a CalABLE account are Tax Deferred as long as the money remains in the account. And then when you pull the money out of the account, as long as you're using it for Qualified Disability Expense, there are no income tax implications for those funds.

**Anne Osborne:**

The next question is just a clarification. If one person wants to contribute to son's account, and he is the payee, is payment by check the only way? Is there no way for electronic transfer?

**Dante Allen:**

Absolutely, you can do an electronic transfer. Again, it requires linking your bank account to the -- to the CalABLE account. The other way -- the other way where you don't have to do the link is It's not too late to contribute to your CalABLE account -- 12.14.22





through an Egift. You can set up an Egift situation, where you can get a link to make those direct contributions.

**Anne Osborne:**

Somebody's asking, is there a program receipt that we can use to track withdrawals?

**Dante Allen:**

Again, we don't offer any Withdrawal Tracking Tools in our Resources. We do have some tips on how you should consider tracking Qualified Expenses, but there is no program, that we are aware of.

**Anne Osborne:**

We did get a response from Malcolm, Dante, that we can only accept funds from a US bank.

**Dante Allen:**

Okay, so that Renee goes to your question. Can you receive out of the United States contributions?

They have to come from a United States bank in order to make a contribution to an ABLE account. If a grandparent wanted to, from out of the country, wanted to send the money to mom or dad, and then mom or dad could make the contribution directly into the ABLE account. That would sort of be the workaround to that issue.

**Anne Osborne:**

We do have a question about what's the advantage of having a CalABLE account if you already have a special needs trust?

**Dante Allen:**

So we've done a webinar on comparing ABLE accounts and special needs trusts. And it's available on our YouTube channel if you'd like to talk about it in detail. But I can give you some very quick advantages of having a CalABLE account.

First and foremost, the way you can use the CalABLE account is much more flexible than how you can use the special needs trust. There are some elements of a special needs trust that if

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you use them to pay for basic living expenses, like food and shelter, that can affect your SSI benefits if you're receiving SSI.

The other thing is, with a CalABLE account, if you want to conduct transactions, make withdrawals, you don't have to go to a trustee to be able to manage those transactions.

So those are two of the main things that I can think of if you already have a special needs trust and you want to take advantage of some of the flexibility of an ABL account. Those are some reasons why you may want to have both.

**Anne Osborne:**

Again, this is talking about MediCal. Will California State enforce MediCal payback from the balance of a CalABLE account of a deceased beneficiary?

**Dante Allen:**

MediCal will not seek to recover funds from a CalABLE account of a deceased beneficiary of a CalABLE account -- of a Californian with a CalABLE account. There was a law passed in 2018 where we said that that MediCal will not seek to do that.

**Anne Osborne:**

If stocks are sold and kept at the financial institution, such as Vanguard, in cash, can the Financial Institution holding the account deposit cash directly into a CalABLE account?

**Dante Allen:**

So yes, that can happen. If the -- if an account, an investment account, is liquidated, can the -- can the Firm that's doing the liquidation send money directly to CalABLE. And yes, they can. They can send a check in the way that I explain early earlier. So yes, that can be a way that they can go directly to CalABLE without going to the beneficiary first.

**Anne Osborne:**

If we move to another state, does the CalABLE money remain equally accessible?

**Dante Allen:**

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It does. There's no change whether you live in California or not. The way that you're accessing CalABLE doesn't change. It's still online. You'll still have the same user ID and password. There is no real change there.

There may be some implications that you should consider like that Medicaid -- the Medicaid recovery. When -- if a beneficiary passes away, the Protections that exist if you're a California Resident may not apply to you if you're living outside the State. So that's something you may want to consider.

**Anne Osborne:**

This person has her son listed as a beneficiary on various accounts. And if something happens to her, how does CalABLE protect any money he might receive as a benefactor if he's earning SSI?

**Dante Allen:**

So, in that circumstance you're asking really about sort of an estate planning or at least inheritance. Except it's -- a CalABLE account can do that, but it's up to the limit of \$16,000 per year. It would apply the same way that SSI looks at all other contributions to the ABL Account. Up to \$100,000 is not considered when it comes to SSI Eligibility.

You may want to have a conversation with your estate planning attorney to make sure that there are instructions that the money goes to the CalABLE account. But once the money is in the account, it's protected.

**Anne Osborne:**

And then just a clarification between the \$16,000 number and the \$100,000, Dante.

**Dante Allen:**

Yeah, the \$16,000 relates to the (2022) annual contribution limit to a CalABLE account. That's the most that can you put in into the CalABLE account in a single year, and that is, if you're not participating in ABL to Work.

The \$100,000 limit is Social Security, if you're receiving SSI, will disregard any amount that you have in your CalABLE account up to \$100,000. Once you get above that \$100,000, they would count that money against you, the amount above the \$100,000 against you the same way that

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they currently look at the \$2,000 limit to the \$2,000 resource limit for SSI. So you'd be asked to do a spend down once you got above like say \$102,000 in assets.

**Anne Osborne:**

We don't have any more open questions, Dante. And I think you did cover this earlier, but I just want to make sure we answer this last question that we had received earlier. And that is, why should -- what are ways to convince my disabled adult son that having such an account is a smart move?

**Dante Allen:**

That's a great question, and the reality is that you need money to be able to navigate the world, and so especially for adults -- adults with disabilities, know that being able to have access to their own money through a CalABLE account will be a very valuable tool. Especially we -- all who are parents know that we won't be around for the entire lifespan of our children. So being able to access those funds, and even potentially grow those funds and use those funds in a CalABLE account are very valuable.

But one of the ways to maybe help with someone who doesn't realize the value of it, is talk about things like that prepaid card. You know, it's really tangible if you can have a card that is in your own name, and be able to use those for expenses. And so the authorized legal representative would still have some control over the account, but -- and they can control how much goes on to that prepaid card for usage, but just having that card is very empowering for an individual. And that's exactly what CalABLE was designed to do.

**Anne Osborne:**

We had a few last-minute questions. First one was what happens to a CalABLE account when the beneficiary dies?

**Dante Allen:**

Yeah, and we do have a webinar that talks about that in a little more detail.

The short answer is that when a beneficiary dies, any money remaining in the CalABLE account can be used to pay for Qualified Disability Expenses, including expenses that occur posthumously. Things like death and funeral expenses are qualified disability expenses that can be paid using the CalABLE account.

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In certain circumstances, if the CalABLE account holder, the beneficiary, has a qualified family member, that money can be rolled over to an Eligible family member. If they don't have an eligible family member, then that money would go into that individual's estate, and then whatever arrangements you've made for the beneficiary's estate would then come into play.

**Anne Osborne:**

Another question is, if you're on SSDI, are you held to that same \$100,000 limit as somebody who's on SSI?

**Dante Allen:**

You are not. SSDI does not have the same asset limitations that SSI has. So, you're not beholden to that limit.

**Anne Osborne:**

And then the last question, again, it's related to that \$100,000 limit. They want – they just wanted clarification on spend down, when you would have to do that spend down.

**Dante Allen:**

So, yeah, so you can either build through contributions over many years. Let's say if you're putting in \$16,000 a year, it'll take (some time) to get up to \$100,000. Or you could be investing your money, and your money grows up above \$100,000. Either way, any money above \$100,000 could be counted against your SSI resource limit.

**Anne Osborne:**

That is all the questions, Dante.

**Dante Allen:**

So, thank you, Anne. Thank you to all of you who have attended. Thank you to our interpreters and to our captioner for making CalABLE Webinar series as accessible as possible.

It's been 5 years since I joined the CalABLE Team and this has been one of the greatest professional experiences of my life. There may be a time in the very near future where I'll be going on to take a role with the Federal government. And so I just wanted to offer my thanks. I'm not sure yet if I'll be here for the January webinar. So if I'm not still in the role in January, I did want to give my thanks to all of you for continuing to support CalABLE.

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And I really wanted to thank my CalABLE Team of Anne and Madeline, and the many other consultants and colleagues that help to bring this program to us. We really do appreciate you all and are looking very forward to continuing the legacy of CalABLE. And even in my new role, I'll let you know that it is something that will remain a priority for me.

So, thank you, everyone, and we look forward to talking to you in the New Year. If you have questions don't hesitate to reach out to us.

Thank you.

#### **Anne Osborne:**

Thanks, Dante. We're getting a few comments here of people wishing you well, so you will definitely be missed. When you go on to your next role, but we will be holding the fort here in your honor. So, thank you so much, Dante.

And that is I think all we have for this webinar.

#### **Dante Allen:**

Thanks, 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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