CalABLE Quarterly

April 2021

From the Director

One size does not fit all.

Each individual and every family situation differs—and their reasons for opening a CalABLE account and how they use it differs as well. And yet, we hold some things in common: all of us are concerned about our financial future, especially during the Coronavirus pandemic. This global emergency affects all our lives and will continue to impact our finances for a long time to come. And depending on circumstances, everyone's response will vary.

No matter your situation or circumstances, there are a few basic principles to keep in mind as you face the financial challenges COVID-19 forced on us.

1. Have a plan for maintaining financial safety. This could include modifying your current plan or creating one for the first time.
2. Save regularly if you are able to do so, and consider other sources of money or service support contributions.
3. Prioritize your spending by evaluating needs and using income and savings carefully.

Keeping these principles in mind while addressing the changes you are experiencing with regard to COVID-19 is key to supporting your financial stability. This is true during COVID-19 and will be true during any other period of financial uncertainty.

Prepare, plan, and carefully weigh the financial decisions you make right now. If you don't have a CalABLE account, now may be the right time to open one. If you already have a CalABLE account, review your account allocations and, if possible, remain consistent while building your funds—these could serve as an emergency fund now or in the future.

Keep in mind that planning is not a "once and done" process—it's something that requires review and updates on a regular basis. We're here to help guide you through these challenging times—it's my joy to serve our community.

Kindly,
Dante Q. Allen
Executive Director
CalABLE

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Dante Allen
Executive Director
CalABLE

Past Issues:
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In This Issue

Pay Down or Pay Off Debt

Life is unpredictable. At the beginning of 2020, the stock market was at record highs, housing prices were rising, and unemployment was at record lows. The general assumption at the beginning of the year was smooth sailing ahead.

The experience of 2020, however, should serve as a cautionary tale. Millions of workers lost their jobs, tens of thousands of people lost their businesses, then the stock market staged an impressive recovery after its late winter mini-crash.

If 2021 plays out to be as unpredictable as 2020 was, paying down or paying off debt will be one of the very best investments you can make. You can't afford to carry credit cards with 20% interest rates or even a low-interest home equity line of credit if your job or business reaches jeopardy status in 2021. And, paying off a credit card with a 20% interest rate is like locking in a 20% investment return for several years.

Paying off or paying down debt isn't all about preparing for the worst either. It's equally a matter of preparing for the best.

No matter what other investment strategies you engage, the less money you owe the easier those ventures will be. Just like building up cash reserves, getting out of debt is a way of increasing your preparedness. That will work to your advantage whether you're preparing for an oncoming storm or jumping into a new venture.

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Your SSI and Stimulus Check

If you receive Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), you may be wondering when you will receive your $1400 stimulus payment recently approved by Congress.

According to the IRS, a payment date for SSI and SSDI recipients will be announced as soon as the information is available. In general, many Americans have already received payments or will be receiving them soon, but for those receiving benefits, it might take a little longer. **The IRS** will use information already on file to send out checks, even if an individual has yet to file a return. They have also already indicated that SSI and SSDI benefits automatically qualify to receive a payment, with no additional action required.

How will I be paid for my third stimulus check?

Most SSI and SSDI recipients will receive this new **stimulus payment**, the same way they received the payments for stimulus 1 and 2.

Will this stimulus payment be counted as income or affect my benefits?

Like the first two stimulus payments, this third payment is not counted as income and won't affect your benefits at all. The money can be used for any reason, even for items above and beyond basic living expenses. The money is also protected from being counted as a resource for twelve months. After 12 months, any unspent stimulus money can be counted as a resource by Social Security. If you receive SSI and have more than $2,000 ($3,000 for a couple) in assets, you may be required to spend that money down or risk having your benefits being suspended. SSDI recipients do not have this $2,000 limit.

Is there anything we can do to avoid having benefits suspended?

For the first 12 months, your stimulus money will not be counted as a resource. After 12 months, any remaining funds will be counted and could result in a suspension of your SSI benefits. Depositing your money in a CalABLE account will prevent your money (up to $100,000) from being counted against benefits. For more information regarding opening a CalABLE account, please visit our **website**.

If you have any questions about the CalABLE program, please email us at **CalABLE@treasurer.ca.gov**.

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Accelerate Your Retirement Savings

A retirement plan isn't technically an investment—at least not in-and-of-itself. But it is a platform in which to do your investing.

Not only are **contributions into a retirement plan generally tax-deductible, but the investment income you earn in your account is tax-deferred**. That can mean the difference between getting a 7% return on your investments—after tax—and 10% tax-deferred.

The compounding difference between the two over 20 to 30 years is considerable. Let's say, for example, that you invest in stocks and earn an average annual return of 10%. If your combined federal and state income tax rate is 30%, the net return on your investments in a taxable account will be 7%. If you invest $10,000 in a taxable account for 20 years, with an average annual after-tax rate of return of 7%, the account can grow to about $38,700.

But if the same $10,000 is invested in a tax-sheltered retirement plan, you'll get the benefit of the full 10% average annual rate of return on your investments. After 20 years, your initial investment can grow to about $67,300. That means you could be nearly $30,000 richer just for saving your investments in the right account.

That's what investing through a tax-sheltered retirement plan can do for your investments. And we haven't even calculated the benefit of employer matching contributions on 401(k) and 403(b) plans. Given that advantage, you should have all the motivation you need to either start a retirement plan or increase your contributions to the one you have in the coming year. And just to remind you, a CalABLE account offers similar tax advantages to retirement accounts, minus the employer matching.

Make a commitment to get as close to the maximum contribution as you can in 2021. And if you haven't started a retirement plan yet, make it happen in the coming year.

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Invest in Yourself

This is one of my favorite "investments," even though most people probably don't think of it that way.

Investing in yourself is often the best long-term move you can make.

In simple terms, investing in yourself indicates growing, upgrading yourself to the next level, pushing your limits to discover your unknown potential by actually experiencing it. And, investing in yourself offers an opportunity to increase your earning power, which will have a positive impact on any other investment activity in which you participate, potentially helping you overcome challenging or uncertain times in the future.

2020 proved to be a difficult year for people in at least a dozen different industries, highlighting the importance of maintaining your marketability. Investing in yourself may mean adding a skill that will enable you to keep the job you have or transition into another field. But investing in yourself doesn't necessarily have to be limited to improving your career prospects. You can also invest in other areas of your life, like improving your health, or learning how to be a better investor. Either has the potential to improve your long-term financial situation, as well as the quality of your life.

"Most people go from month to month, year to year, only seeing 'what happens' or 'how things go' or 'how the market performs' – but never invest the time, effort and financial resources to improve themselves," suggests Frank Lopes, author of The 7-Minute Setup: How to Achieve Your Business and Personal Goals Faster and Easier. "*Some examples of this could be investing in a personal trainer to get into shape. Or the investment of a nutritionist to set up meal plans, shopping lists, and menus to follow so someone can invest in their nutrition and better health. You can also hire a personal coach to set up a process for achieving other financial, spiritual, time management, relationship, and other short- and long-term goals.*"

Investing in yourself may be more important in 2021 than it has been in decades. So make it a priority in these uncertain times.

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Monitoring Your CalABLE Account

Your CalABLE account provides an opportunity to save for your future without losing benefits. However, there are certain types of responsibilities that come along with managing your account.

Monitoring your CalABLE account will help you stay on top of these responsibilities, maximize the benefits, and assist you in growing your financial independence. Here are a few things to keep in mind:

1. **When I purchase a qualified disability-related expense with my CalABLE funds, should I keep any records?**

   Yes. Upon purchasing a qualified disability expense (QDE), we recommend that you keep a receipt of that purchase, along with a brief explanation of how that expense relates to your disability and helps you maintain or increase your health, independence, and quality of life. This information will come in handy in the event you're ever audited. The IRS is responsible for making sure these accounts are being used appropriately.

2. **Is it important to monitor the balance in my CalABLE account even if I am not making any purchases or contributions?**

   Yes. Remember that these accounts can be associated with investments, and depending on your investment choice, your account may fluctuate depending on how those investments are performing regardless of whether or not you are making purchases and/or contributing to the account. It is also important to remember that you can change your investment direction up to two times per tax year.

3. **Are there other reasons why it might be important to keep an eye on the amount of money in my ABLE account?**

   Yes. For those receiving Supplemental Security Income (SSI), only the first $100,000 in your CalABLE account is protected from the SSI asset limit. Once that is exceeded, your SSI cash benefit will be suspended until your CalABLE account falls back below $100,000. Monitoring your account as it starts to approach this limit is important.

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Your Ambassadors

CalABLE Ambassadors know firsthand how important it is to promote financial health and resources that enrich their own life, as well as the community around them.

Ambassadors live with a disability, care for a family member with a disability, or are passionate about spreading the word about CalABLE across California. They are our way of equipping and empowering people to spread the word. Meet your ambassadors...

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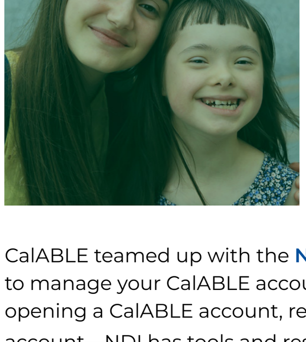

Investment Resources

"Disability is a matter of perception. If you can do just one thing well, you're needed by someone."

Martina Navratilova

CalABLE teamed up with the **National Disability Institute (NDI)** to provide the information you need to manage your CalABLE account. No matter where you are in the process—if you are considering opening a CalABLE account, ready to open a CalABLE account, or already using your CalABLE account—NDI has tools and resources in its **AchievABLE™ Corner** to help you maximize the potential of your account.

Also, in an effort to provide information relevant to ABLE account owners, the ABLE National Resource Center compiled **ABLE Accounts: Opportunity to Build Financial Resilience**. This document contains a variety of resources and practical steps you can take to plan ahead in an effort to mitigate the impact of COVID-19 on your finances.

We are here to help. Don't hesitate to contact us.

CalABLE Service Center
Account and CalABLE Program Questions
Phone: 833-225-2253 between 9:00 a.m. and 5:00 p.m. PST
Email: **CalABLESupport@CalABLE.ca.gov**

CalABLE Act Board and Administrative Staff
Administered by the California State Treasurer's Office
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