

CalABLE Webinar

Wednesday February 26, 2020

(Scheduled 10:00 am. -12:00 p.m.)

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(Event starts at: 10:02 a.m.)

>> TREASURER FIONA MA: Good morning, and welcome to CalABLE 101, the first in a series of webinars based on the California Achieving Better Live Experiences Act. I am California State Treasurer, Fiona Ma. Supporting our communities of people with disabilities is something that is very important to me, which is why I'm so proud of the work we're doing on behalf of CalABLE. This program is a critical step toward ensuring that people with disabilities have access to important resources that can help put them on the path toward financial independence.

As your state banker, I will make sure that improving and expanding CalABLE remains one of my top priorities. We will continue to seek and find innovative opportunities to promote the program as well as new and creative ways to enhance the laws that make CalABLE possible.

I just recently returned from a trip to Washington DC where I met with many of California's congressional members to adjust the able age act. We were met with those on both sides of the aisle who know the importance of ABLE and were looking to make it as impactful as it can be. I hope you find today's information useful. We will continue to bring you content like this that is designed to improve the lives of the many people we serve. Now, I would like to turn it over to Executive Director of CalABLE, Dante Allen.

>> DANTE Q ALLEN: Thank you, Treasurer Ma. I would like to thank you for taking the time to learn more about CalABLE. We are very excited about some of the upcoming changes and want to be sure that you're aware of them. This is the first in our ongoing webinar series designed to provide insight on ABLE and the intricacies of the CalABLE program. Today's presentation is to give a broad overview of the many aspects of this powerful new program.

Future webinars will give a little deeper down in the specifics of some of the most important features and benefits of the programs. My colleague Anne will be sharing a few of the events we have already scheduled later on in this program, but we've also provided our contact information in this presentation if you want to reach out to us directly.

Most of you received an invite to this education through our CalABLE mailing list or from our Facebook posts. For those of you who haven't signed up or don't receive our social media posts, please make sure that you do so you don't miss our advertising for future events. We promise to only send important program updates and

information relevant to the CalABLE community. We never spam or share your private information. In addition to providing our information to you, we also want to hear from you. Please be sure to send us your questions through the webinar control panel. We will try to address the substance of your questions throughout -- the substance of your questions throughout the presentation. We've also planned for time at the end to answer those questions we didn't get to. If we run out of time before we've answered all the questions, we will be sure to post additional answers on CalABLE.CA.gov. Having giving these presentations many times, we know the answers to some of your questions may be very dependent on your individual circumstances. For those we may have you to contact us directly because the answer may require some additional detail.

Today's webinar will be available for replay and we will let you know when it is available. Please feel free to share with others who you feel might find this information useful. We're also happy to do in-person educations if you have a larger group that you feel could benefit from one of us coming out to visit. Our contact information is included in the presentation. Again, thank you for joining us today. Before I get started with the content, let me share a little bit of information about today's presenters.

As I said, I'm Dante Allen, the Executive Director for CalABLE. I'm responsible for the strategic direction and operations of the program, and my background is in communications where I've served in organizations both large and small. Anne Osborne is the Program Manager for CalABLE. She's responsible for the outreach and education efforts of the program, and prior to joining CalABLE Anne was with the California School

Finance Authority here in the state treasurer's office where she developed regulations and managed charter school grant funding.

And finally, Glenn Friedman, the manager of Asset Allocation for TIAA-CREF, they are our partner and they provide the program administration for CalABLE. Glenn has been with TIAA-CREF since 2013 as a manager of asset allocation and investments. He creates the investment design for programs like ours in other states and in, across his career, Glenn has managed the funds of over \$10 billion in active equity products and implemented daily trading decisions for stock futures and currency overlays. So we have a great group of folks. Just to walk you through what we plan to talk about, we're gonna give you some of the basics of ABLE and that is looking at the federal ABLE Act and what it's intended to do. We also want to talk a little bit about why we feel like ABLE is such an important program for you and give you the most important things that you need to know before opening an ABLE account. We'll also take a little bit of a deeper dive with CalABLE and talk about how we may be slightly different from other ABLE programs. Glenn will walk us through the investment portfolios and what choices you're able to make in investing. We'll give you a few more details about CalABLE including walking through our fee schedule, we'll highlight some of the available resources outside of CalABLE where you can look and do comparisons for ABLE programs. We'll also talk about some of the future improvements that are being made at the federal and state level to make sure that this is as good a program as it can be.

And as I've said in the very beginning, we'll save some time at the end for question and answer.

So the question comes up of what is ABLE? And ABLE literally stands for the Achieving Better Life Experience Act. It was passed in to law at the federal level in 2014 and what it did was it added a new section, 529A, to the Internal Revenue Service code and basically what the program does is it allows states to create these tax advantage savings and investment programs for people with disabilities. And then one of the greatest benefits of the ABLE program is that it provides the assets in your ABLE account will not affect your eligibility for means-tested benefit like SSI or Medi-Cal.

So one of the questions that we often receive is well, how does ABLE define disability? And so we thought that we'd start off the program with that information and the short answer is that we follow, or the ABLE Act follows the same definition for disability that is included in the Social Security Administration in their list of compassionate allowances or the blue book. But essentially, an individual is, becomes an eligible individual if they have, because of a functional limitation, they qualify for supplemental security income, SSI, or social security disability benefits or they can show that they have a physical or mental disability or blindness equal to the social security level of disability.

Now, the onset of that disability must have occurred before age 26, and that doesn't mean you needed to receive a diagnosis before 26, but that you would have the confirmation from a licensed physician that the likely onset of the condition began

before age 26. In addition, that disability must be severe in nature and be expected to last a year or longer. And as I've said just a moment ago, the, you meet the definition for disability if it's included in social security's definition in the list of compassionate allowances or the blue book.

So what's the importance of ABLE? The ABLE Act is meant to empower people with disabilities. It's a tool that takes out of, that puts in to their hands the ability to make their own financial decisions and capitalize on all of the benefits. Its main function is to help people with disabilities cover the additional cost of living lives with a disability. ABLE supports financial well-being of people with disabilities to provide for themselves and for their families and it allows individuals with disabilities to maintain public benefits status even while saving above the established resource limits. CalABLE is California's version of the federal ABLE Act. And it generally mirrors the federal program. And the differences between the states, I'll talk about this just a little bit right now, but go in to a little bit more detail later, the main differences are really in the features and benefits of the program, what you'll see from state to state, we all follow the federal ABLE Act, we're all qualified ABLE programs. So the eligibility will remain the same, the tax advantages will remain the same. The major differences will probably be in the fees, maybe in a few benefits, and also there have been state laws that can enhance these programs, but it usually applies only to individuals who reside in that state and who participate in a program in that state.

Now, ABLE, CalABLE is an online program and you can either save and/or invest money in the program. And it's administered through the California State Treasurer's Office, all CalABLE staff are state employees and we serve at the pleasure of the State Treasurer.

So I mentioned that one of the greatest benefits of CalABLE is that it allows you to save above and beyond the established resource limits by SSI, Medicaid, and many other means-tested benefits programs. So I wanted to give you a little bit of an insight on what means-tested benefits programs are. Means-tested benefits programs are those programs that are available for people with disabilities and they typically have requirement and limitations based on the available resources of the beneficiary. These requirements take in to account the type and severity of disability, and most of these programs have separate limitations for assets and income. Income is the amount of money that you have, whether it's earned or unearned that the beneficiary receives in a month, and assets or resources are the additional finances that include things like property, cash savings, things that you may own. ABLE was specifically developed to help individuals exceed the asset limits of these programs. It is not intended as a shelter for income. And what I mean by that is that if you are earning money, even if and when you put it in to an ABLE account, it does not automatically turn that money in to not income that would then qualify you for a cash benefit.

So I want to make that clear that typically when we're talking about the benefit of ABLE on means-tested programs, we're talking about the resource or asset limitations of those programs.

Now, before ABLE, SSI beneficiaries were limited to having less than \$2,000 in savings. And so when that number has been in place for quite a long time and for individuals who received SSI, you would, you probably recognized that if you ever exceeded that \$2,000 in the bank, you might get a letter from the Social Security Administration and what it would explain to you is that they've detected that you have too much in the way of resources and that you would be required to do a spend-down to get that number below \$2,000.

Now, they are very helpful, so they would say that if you don't do this within the timeframe that we ask, which is usually about six months, they volunteered to help you out by suspending your benefits. So you won't be receiving any cash until you actually completed that spend-down. And the result, whether planned or inadvertent meant that people with disabilities were constantly living either on the verge of poverty or had already fallen all the way off that cliff. But programs like ABLE actually make it very useful for people to not only be secure in their day to day operations because of their finances, but also have an opportunity to plan for the future.

So here are a few things to know about ABLE. I'll turn it over to Anne that will walk you through some of these things.

>> ANNE OSBORNE: Thank you, Dante. Welcome, everybody, to our first webinar. We're really excited that you're on; on the webinar today. And I will talk about some important things about ABLE. The first thing, a person with an ABLE account is a beneficiary and can only have one account. They must be a U.S. citizen, be 18 years or older with the legal capacity to contract and they must also have a social security number and a permanent address. We always get this question, who is a legal, authorized legal representative? This person can be a parent, a guardian, conservator or be granted power of attorney to act on behalf of the beneficiary. ABLE contributions, they are, the accounts are asset-protected. They cannot shelter income as Dante mentioned earlier, they do funds to both like a savings and checking account. The annual contribution limit is \$15,000, and plus \$12,490 if you are working. And I will talk about that a little bit later in this slide.

So anybody can contribute to an ABLE account, and as you can see on our graph below, we show the account holder of contributing \$5,000 and then you have other people contribute in to your account, you contribute money, the example is \$8,000, your friends could contribute \$2,000. Just remember that the cap for a single year is \$15,000.

So how much can you put in to an ABLE account? The current amount is \$100,000. The amount over \$100,000 are subject to benefits being suspended by SSI. If the account is over \$100,000, the beneficiary will need to spend down the accounts to

below the \$100,000 to remain eligible for their benefits. And just remember, it's \$15,000 a year; so it's gonna take a while before you do get up to the \$100,000 limit.

The total contribution limit is \$529,000 and the beneficiary will not be eligible for benefits. So you can continue to save past that \$100,000 limit, but the max that you can have in the account is capped at \$529,000. Your assets will continue to grow tax-free in your CalABLE account, and the beneficiary can withdraw money from their ABLE account for a qualified disability expense. This withdrawal is tax and penalty-free. So the next slide talks about what is a qualified disability expense. It's any expense related to the designated beneficiary as the result of living a life with a disability that helps to maintain or improve health, independence, or quality of life. So what are some examples of a qualified disability expense? It would be education, housing, and I will talk about that in a few moments. Transportation, employment and training important, adaptive equipment, health and prevention and wellness, vacations, yes you can use your ABLE account for vacations -- or financial management and oversight. We do suggest that when using your ABLE account that you maintain all your receipts as CalABLE does not ask for your records. And I would just add another thing that if you are using your ABLE account for qualified disability expenses, do create a filing system comfortable for you, scanning or put them in an envelope or folder, whatever works best for you. It's best to hang on to those receipts in case the IRS or even social security may ask you about your ABLE account and we just want you to have accurate records.

So what are nonqualified disability expenses? A nonqualified disability expense could be something like gambling, alcohol, or expenses questionable by the IRS. These withdrawals are subject to a 10% penalty and potentially could put your benefits at risk. So just, we just want to call your attention to that, ABLE is very broad and you can spend it on many things that are qualified, but we do want to let you know that if you do spend it on a nonqualified disability expense, there are some penalty and potential [Indiscernible].

>> DANTE Q. ALLEN: If I can step in, one of the questions that we received is there still seems to be some confusion about what, how much money you can put in to an ABLE account. So there are a few numbers that you should keep in mind if you're saving money in your ABLE account.

The first is the \$15,000 per year annual contribution limit. That is the amount that most people are able to put in to it, the maximum amount that most people are able to put in to an ABLE account. The \$100,000 number is the number for those who are receiving public benefits like SSI and essentially the Social Security Administration will disregard any money in an ABLE account up to \$100,000. So instead of just being able to save \$2,000 previously before you got that spend-down notice, you can actually, if you put the money in to an ABLE account, you can save up to \$100,000. And then the final number that you would need to keep in mind is the \$529,000. Now, that is the total contribution limit for a CalABLE account. You should be aware that if you are receiving benefits after you get past that \$100,000 threshold, you'll get that request to

do the spend-down if you don't complete a spend-down, you keep saving up and above that, your benefits will be suspended but you can continue contributing in to your ABLE account up to \$529,000. And then after that, your account can still grow in principal, you're just not able to contribute any more to that.

>> ANNE OSBORNE: Thank you, Dante. So let's talk about able to work. This is part of the 2017 tax reform, this provision allows some to save above the \$15,000 annual contribution limit which Dante just talked about. And then if you are working and your employer does not have a retirement plan, the beneficiary can contribute an additional \$12,490 per year. So this is, in addition to the \$15,000 that the ABLE beneficiary is railroad contributing, but if their employer does not have a retirement plan, they can contribute an additional 12 --

>> DANTE Q ALLEN: If I can just add a little bit of clarity, Anne. If the beneficiary is not participating in an employer-based retirement plan. So the company can offer a plan if you're not actively contributing to that plan, you can take advantage of this ABLE to work provision.

>> ANNE OSBORNE: In addition to that, there also is a roll-over from the 529 college savings account that you can also put in the ABLE plan. And then the last thing is access to savers' credits, and this is for contributions limited to \$2,000 per beneficiary depending on your income. All three of these provisions will sunset after 2025. And this is all from the tax reform act of 2017.

ABLE versus special needs. Very often we are asked this question, a special needs trust does not have a \$15,000 limit, both the special needs trust and the CalABLE account provides benefits protections. Some of the advantages of an ABLE account is it's very inexpensive to set up, it can be used to pay housing expenses without a second SSI tax advantage status and the beneficiary has control over the status. So this is the beneficiary's account and they are the decision-makers of when they want to spend their funds on qualified disability expenses.

ABLE impacts on housing. You are allowed to use your ABLE account to pay for housing. The easiest example I can give is if your rent is due on March 5th you would want to withdraw your money on March 1st to pay for that rent, because, to pay for your rent. If you withdraw your money today on February 26th, that would be counted as income which could affect your benefits. So the important factor to remember, you always want to withdraw your ABLE money in the month that you are going to spend it or use it for housing expenses.

>> DANTE Q ALLEN: I'm gonna step in too a little bit on this one and the important thing to know is that funds in an ABLE account can be used to pay for housing. Even if and when you are receiving subsidized housing through one of the many housing in urban development programs. And so essentially what HUD says, when you're using funds from an ABLE account to pay for rent, HUD will exclude ABLE funds in determining family income additionally they will conclude any third-party contributions, the total value of an ABLE account when determining household assets

and they will exclude any distributions from an ABLE account from being considered as income. And the important thing that Anne pointed out is that when you withdraw the money from your ABLE account and you make that payment within the same calendar month, then the money from that ABLE account will not be counted as income against either your housing benefit or your SSI benefit.

But if you withdraw money and this only applies to housing expenses. If you withdraw the money, say for instance you want to pay March rent and if you withdraw the money before the end of February and you make the payment in March you could be cited by HUD or your SSI benefit as having excess income within the month of February because you took that money out and then didn't use the money until the next month.

That typically doesn't apply to other programs only to housing, but it's an important distinction to make.

So I'm gonna take over and talk a little bit about CalABLE. I want to give you some of our, the basics first and then we'll walk through with a little bit more detail. But here are the things that we think make CalABLE a very interesting proposition and compares very favorable to the other ABLE programs that exist across the country.

The first is that CalABLE has very low fees. And I'm gonna do a walk-through a little bit later to say exactly what those fees are and we're actually gonna have an example of if you have a particular balance in your ABLE account, here's what it would cost you for an entire year to manage that account. Enrollment in to CalABLE is free, it's

easy, it can be done online, it takes only about 20 minutes. And all you really need is that first deposit of \$25 or more. Contributions or deposits as well as distributions or withdrawals can be made via electronic fund transfers and banking lingo, that's called an ACH transfer, or you can do a paper check and have it mailed through the U.S. postal service.

CalABLE is a national program which means that you don't have to live in the State of California to open a CalABLE account, as long as you live anywhere within the United States you can open the CalABLE account. There are many other programs that, there are many other programs that are national programs, other ABLE programs across the where you don't normally have to live in those states. We also offer a prepaid card that allows you to add funds for use everywhere Visa debit cards are accepted.

As I mentioned before, the Cal Act ABLE Board is through the State Treasurer's Office, Treasurer Ma, we meet on a quarterly basis and as a matter of fact, our first meeting of 2020, our first official meeting of 2020 will occur on March 3rd and those meetings are open to the public whether you want to attend in person in Sacramento or if you'd like to join us over the phone, you are welcome to do so. And in those board meetings where we make all the decisions about the program, whether it's what services to offer, how much the fees are, all those things are discussed during those meetings.

So let's say you've heard enough and you're ready to join CalABLE. The first thing you need to do is visit our website. CalABLE.CA.GOV. You'll see that opening an

account is featured very broadly. But before you open the account, I would advise you to look at our disclosure statement, the disclosure statement talks about all of the rules associated with having a CalABLE account. That information is there to protect you as a consumer and to make sure that if you are receiving benefits that you don't do anything to jeopardize it. So what do you need to enroll? The most important things that you'll need are social security card with number, and a government-issued I.D. of the beneficiary. And if you're registering as an authorized legal representative, you'll need to supply that same information about yourself. Now, those, all of those can be either uploaded online and submitted to CalABLE or they can be sent, copies can be sent through the U.S. postal service. As I mentioned, before you'll need at least a \$25 initial deposit and if you plan to link your CalABLE account to a personal checking or savings account so you can transfer money back and forth, you'll need to provide us with the bank's routing number and your account number in order to do that. Now, because this is an online program, I couldn't show you the actual, I can't walk you through the actual application, but I can tell you what the steps are in the application process.

Step one is to provide personal information. That's where you'll create a unique user I.D. and password that will be essentially your gateway in to CalABLE. You'll provide the beneficiary and authorized legal representative information including things like your full name, contact information and permanent resident address. You'll be able to select the delivery options of how you'd like to receive your statements and other information. You can either elect to receive those through the U.S. postal service or you

can elect to receive statements and other information via e-mail. And there are different advantages to either of those. And I'll talk about those later.

You can choose your investment options, and we have a number of options. Including one that is very much like a checking or savings account, and then there are options that are designed to grow over time and actually increase your principal amount. You'll be asked whether you like to link to a bank account, and that's where you would provide that bank account's routing number and the account number.

You can request a prepaid card and then you can make the necessary certifications. And when I talk about certifications I mean, I've been saying throughout the presentation that if you receive benefits especially if you have ever qualified for SSI, you are, and your disability began before age 26, you're automatically eligible to open a CalABLE account. But it's not required that you receive benefits. As a matter of fact I am a person with a disability, my disability began at birth, I am a state employee and don't qualify for many means-tested benefit programs but I have a CalABLE account.

And so what I had to do when I opened my CalABLE account, I had to certify under penalty of perjury that I do have a disability and that disability has resulted in a severe functional limitation and that the onset of that disability was before age 26.

So you're able to do that on the CalABLE application portal. Getting money in to your account or making deposits in your CalABLE account, all you need to do is log in to CalABLE.CA.gov, deposits or contributions can be made at any time by check or by mailing a check through the U.S. Postal Service or by one of those ACH transfers from an

account linked to your CalABLE account. But we also have an E-gift portal where you're able to send out notification to your peer networks, whether it's family or friends and they all receive a link where they can contribute money directly to that ABLE account. But you should keep in mind that the accounts are still limited to \$15,000, and it's \$15,000 annual contribution limit per account, not per contributor.

So it means that from all contributors, you can only put in about \$15,000 a year in an account, unless you're one of those few people who can contribute more as Anne talked about.

And you should always allow up to 10 business days for contributions made by check or ACH transfer to actually appear in your account. Getting money from your account or taking a withdrawal works just about the same way. You would still log in to CalABLE.CA.gov, withdrawals or distributions can be selected through the mail, or you can request a draw through ACH transfer for which there is no charge and you can make as many requests for withdrawals as you would like. Funds can also be loaded directly from your CalABLE account on the optional CalABLE Prepaid Visa® Card prepaid card which can then be used anywhere Visa debit cards are accepted. CalABLE does not track or verify whether a distribution is a qualified disability expense, and we highly recommend that you keep records in case you're ever asked whether the withdrawals you took from your ABLE account were qualified disability expenses, and while CalABLE will never ask you what the purpose of those withdrawals are, you may be asked if

you're ever audited by the IRS or the Franchise Tax Board, or if you're receiving benefits and you go through social securities annual benefits eligibility program.

And again, you should allow 10 business days for distributions made by check or by ACH transfer. I'd mentioned that we have a prepaid card, actually just came online in the month of February. So folks are for the first time now having the ability to load and reload on to the CalABLE Visa prepaid card money directly from their CalABLE account. The card can be used everywhere that Visa® debit cards are accepted online or in store. The one limitation for these cards is they cannot be used at an ATM machine for cash, but they can be used at stores to make purchases.

You'll receive statements that provide some record of your purchase at the very least it will say what the total of the purchase was and where you purchased it from. So we still recommend that you keep additional records, but this may be a good record-keeping tool for you. And the fees for it are very low and I have to mention that CalABLE, the CalABLE Visa® prepaid card is issued by MetaBank®, Member FDIC and pursuant to a license from Visa® USA, Incorporated.

One of the great features of CalABLE is that we've introduced a web portal called AchieveABLE Corner that provides financial literacy information for people. So no matter where you are, if you are still trying to decide whether a CalABLE account is for you or you've already opened your ABL account and have particular questions or you just want to figure out how to get the most from your CalABLE account, the AchieveABLE Corner provides just in time educational information to help you make

financial decisions using your ABLE account. And this is available to us through a partnership with the National Disability Institute and there are links to the AchieveABLE Corner, and allowing people to make the best advantage that works for them.

The other thing that I would like to mention, and I've said this already, but that CalABLE can function like a savings account, checking or savings account where your account only grows in small increments when you deposit money or you earn just a small amount of interest, or you can choose from one of our investment portfolios and have the opportunity to grow your money over time.

Our investments are managed by TIAA-CREF, Glenn Friedman is here to walk us through with those investment options are, but before I turn it over to Glenn, I'll talk about the fact that your money can be deposited in to the FDIC ensured portfolio or invested in to any of our three target-risk investment options. Now, the fees for these investment options vary based on the option you choose and the daily balance of your ABLE account, and the funds can be transferred between the portfolios either two times a year or you can select where you want or which portfolio you want your money to go in to each time that you make a contribution to your CalABLE account. With that I'll turn things over to Glenn and he can give you a deeper walk-through in to what the investment options are.

>> GLENN FRIEDMAN: Okay. Thank you, Dante. So I'm gonna take just a few minutes of everyone's time and first go over just some of the thinking that went behind the scenes in to some of the core beliefs that guided the investment menu that we

created, specifically for CalABLE. So there were four leading principles in terms of what we stand for as a firm but also what we wanted to be represented for CalABLE.

Diversification, simplicity, choice, and cost. And first diversification, investment options that contain multiple components and they should be highly diversified and capture all relevant asset classes. And this follows general trends in other 529 college-savings plans, but also a defined contribution plan. Years ago, there used to be somewhat of a standard where you would use basically one risky investment and one safer investment to create asset allocation. That is no longer the model. So you'll see it's much more diversified nowadays. Simplicity. Investment options should not be overwhelming to plan investors, they should be easily identifiable and distinct from one another. And that's pretty straight forward. The option name should reflect the objective of that particular option, and investment options should not be confusing when participants are choosing between them. And that really speaks to our standardized naming conventions as you'll see in just a moment.

Choice, investment options should span the risk spectrum and offer planned participants the ability to achieve different investing goals. We completely realize that everyone may have a very different investment goal. For some like Dante said, it might be just to have a bank account for transactional purposes. For others, you might have a long-term growth -- might, they might be seeking long-term growth potential and be comfortable with a little bit more volatility in their portfolio. So we want to be able to cater to all types of individuals, no matter what your goal is.

Finally, cost. Investment options should be inexpensive or else equal a generally attractive investment option, talking about fees in just a moment, but the old saying that you can be sure of is, over time fees will definitely ease in to option returns. And so we basically try to minimize that effect by keeping costs very low. So if you want to advance the slide, I can now talk about the four investment choices that are part of CalABLE's investment menu. The first one is the FDIC insured portfolio. And that seeks a stable conservative return by investing in a low-risk interest-bearing deposit account. This is essentially your standard bank account. It looks and feels and smells like a relevant bank account, but it's within the ABLE program, so you get the ABLE benefit. Although it's not invested in the capital market. You should expect a steady stream of interest from this type of portfolio.

The three others are what we call the target risk investment options. And they range from the conservative portfolio, the moderate portfolio, and the aggressive portfolio. With the conservative portfolio, there are smaller allocations to stock funds, and it also invests in a funding agreement. For the moderate portfolio, it has about a 50% allocation to equity funds and it's essentially a diversified mix of both stocks, bonds, and a funding agreement. For the aggressive growth portfolio, that is the most aggressive investment option we have on the menu, and the way you can remember is that it has about approximately 80% of its asset allocation in global equity funds.

One thing I did want to mention, and I think this is mentioned before is that there is a limit on transfers between investment options. You may transfer funds in your

account between investment options, only twice per calendar year. However, you may change the investment options to which future contributions will be allocated at any time. The twice-per calendar year limit for a transfer is between investment options, might kind of raise a couple questions. So I thought I'd just kind of go in to very briefly some of the history of that. It actually used to be a limit of only once per year.

However, when ABLE was actually first introduced back in 2014, that's when the ABLE Act was actually signed in to law, that augmented existing 529 plans which at the time were specifically for college savings that made the ability to perform two to investment changes per year permanent. So it was expanded at that time. And what this is, is it has to do with how some of the legislation was written in to the internal revenue code section 529. They noticed that basically there are two limits on this investment change and they are not making rules that stray too far from the original statutory language of the internal revenue service code, in the future that may change, but that's the limits right now for the 529 accounts.

If we want to move to the next slide, this essentially has more of a pictorial representation of the four options in the CalABLE menu. The first is the FDIC-insured option, and we're counting this as its own asset class, you can see this in blue in the first part of the page. This is a 100% allocation to an interest-bearing savings account with TIAA bank, with an interest option. And the three are target risk options, the conservative portfolio, the moderate, and the aggressive growth portfolio. The conservative portfolio has the least amount in global equity. The aggressive growth

portfolio has the most allocated to global equity and then the moderate portfolio, you can see falls somewhere in between there. So the way that this is designed was that the conservative portfolio has a 20% risk allocation, the moderate portfolio has a 50% risk allocation, and the aggressive growth portfolio has about an 80% risk allocation.

So moving to the next slide, you can see each of the four underlying asset classes in greater detail. The interest-bearing account, the interest-bearing asset class is part of the FDIC insured option only. Again, that is a bank account that's issued by TIAA Bank. It's a savings account that includes interest payments and it is FDIC insured up to the general national limit of \$250,000. The stock allocation comes from a diversified mix of funds from TIAA that target the U.S., international developed and emerging markets regions respectfully. There are three separate funds that target each of those regions. The TIAA-CREF equity fund, the TIAA-CREF International Equity Index Fund and the TIAA-CREF Emerging Markets Fund. As index funds, they track as closely as possible to their respective market segments and they contain allocations to both value and growth segments of the market. They are balanced in regards to the different types of exposures they have to sectors; in other words they are both cyclical components to them, defensive components, growth components. So they are balanced in terms of how they are represented in each market and we keep costs low because index funds have a low price tag associated with them.

For the bond fund, it's a diversified, they are diversified fixed income funds from TIAA that target investment-grade funds as well as inflation. And we use two separate

funds from the bond portion. The TIAA-CREF Bond Index Fund as well as the TIAA-CREF inflation-linked bond fund. Treasury inflated protected securities are what's contained in that inflation component. We hold that inflation is one of the biggest risks to a long-term investor in terms of how creating long-term growth and that's why we do include that inflation protection for the bond component. Again, fund, costs are kept quite low using the mix of two funds.

And then finally, the funding agreement is used as a cash-like investment in a few of the target risk investment options. This is actually an insurance agreement with TIAA-CREF license insurance that guarantees a minimum crediting rate between 1-3%. The rate is reset annually and it provides stability and it is protected for market risk. Tuition Financing, Inc., the parent company of TIAA and TIAA-CREF license insurance company are only one of the three insurance groups in the U.S. to currently hold the highest possible rating from three of the four leading insurance rating agencies. And that's coming from A Invest, Stitch Rating, Moody's and S&P, Standard and Poor's. It violates the financial strength as well as the claims paying of TIAA as a sponsor of this funding agreement which is an important thing to note for a product like this.

If we move to the next slide, this is just a brief snapshot of what your screen will look like if you decide to enroll in a CalABLE account. You will be asked how would you like the money in your CalABLE account to be invested, and it walks you through the online enrollment of how to insert different percentage amounts in to each of those four investment options. One thing to note is that your choices must total 100% so that

you are incorporating all of the assets that you have in the account that you're looking to allocate. And then you can move on there. And then finally, you know, our friends, if you want to advance to the last slide, and I'll end here. Our friends in law and compliance would probably give me a pat on the back for going through just some of the disclaimers here is that investing comes with risk; right? Your account value can go down for a variety of different reasons. And I'll name just a few of the risks that come with investing, just so that you're aware of them. This is not a comprehensive list; however, just a few things to be aware of. For example, market risk is the risk that market prices of portfolio investments held by a mutual fund may fall rapidly or unpredictably due to a variety of factors, including changing, economic, political, or market conditions. There's also foreign investment risk. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issue or political, regulatory, currency, market, economic developments and it can result in greater price volatility and perform differently from other financial instruments of U.S. issuers. Even on the bond side of investing, there are risks. There are generally-speaking less volatile than equity- investments. However, there are some risks you should be aware of, interest rate risks. Interest rate is the risk that increases in interest rates, can cause the prices of fixed income and investments to decline. I know we've said it a few times before, all of these risks are actually located in the program disclosure statement. The program disclosure statement has all of these risks listed out that you should read about before investing, it also contains historical performance for all the investments, but

that's no guarantee of future results. It contains information on fees, cost examples that you may want to be aware of. One other note, is that the investment option that you select should be aligned with your personal preference, risk tolerance or your style. And you also may want to consider other investment accounts outside of CalABLE or consult someone else, another expert before choosing and enrolling in an account.

So with that, I will turn it back over to the team.

>> DANTE Q ALLEN: Thank you, Glenn. I actually, I think this is a good place to take questions directly related to investments, Glenn. One of the questions that we got is talking about the volatility of the stock market over the last couple of days. Can you talk about what that kind of fluctuation means to people who have chosen to invest in CalABLE, in any of the investment portfolios?

>> GLENN FRIEDMAN: Yeah. I think that's a really topical question because you're right, we have seen some pretty big swings, particularly in the equity and credit markets over the last two days. I think one positive that -- well, one positive in the face of that is that your investment in the bank account, in the FDIC insured option is essentially immune from that type of volatility. It's in a bank account, it's in a very safe investment and it is not affected by swings in the stock market which are much more volatile.

>> DANTE Q ALLEN: That's the FDIC insured portfolio, correct?

>> GLENN FRIEDMAN: That's correct, yup. For those of you who are invested in one of the three target risk options, just note that only a portion of your account is

actually allocated to the stock market. So in the aggressive growth portfolio that would be approximately 80% in the moderate option that would be 50%, and in the conservative option, it would be 20%. So your entire portfolio is not subject to all of the volatility that you'll see kind of in the headlines over the last couple days.

And then the third thing I'd mentioned is that sometimes markets are unpredictable. There are a number of risks I've mentioned from the disclosure statement that you can read about, but in this case, over the last couple days, the market swings have been a result, really a direct result of the Coronavirus which is something that obviously many people did not see coming. But it's something that you just kind of need to be aware of as an investor to just understand that can be part of the ebb and flow of what affects the stock market and then the repercussions of the Coronavirus, how that affects supply chains and when you're choosing your risk investment and how risky you want to allocate your investments.

>> DANTE Q ALLEN: Thank you, Glenn and another question, I feel like you may have spoken to this already, but let's say an individual wants to put their money in CalABLE. Are they able to choose which stocks they invest in or talk to a broker to be able to move things around?

>> GLENN FRIEDMAN: No, you would not have the ability to choose individual stocks. It's essentially a diversified mix of mutual funds. So kind of relating back to the first pillar of diversification that we believe in. So when you invest in a CalABLE account, you will be, when you buy trust units, you will have exposure to a diversified mix of

individual mutual funds that collectively hold a number of different individual stocks. So when you buy in to, when you enroll in a CalABLE account, assuming it's not the FDIC insured option, you will automatically gain exposure to thousands of different individual stocks. So again, part of that diversification concept where idiosyncratic risk may be extremely high for specific securities, like, specific companies however, collectively when you're looking at the market, over time if you're a long-term investor, it's providing a better risk return profile to have exposure to the market as a whole as opposed to individual stocks which can be extremely volatile.

>> DANTE Q ALLEN: Thank you. And this last question may be more appropriate for me, but I'll let you take a stab at it and --

>> GLENN FRIEDMAN: Oh boy.

>> DANTE Q ALLEN: Is CalABLE currently exploring making any changes, additions to the investment options?

>> GLENN FRIEDMAN: You know, we do go through a process to kind of reevaluate the investment menu periodically. So we do go through a process to look at it with fresh eyes, make sure it's still in line with our best thinking. We want our best ideas for asset allocation incorporated on the menu, obviously. So with that said, I'd say we're in a good spot right now, I don't think we foresee any dramatic changes to the menu at this time. I think it offers enough choice while still remaining simple to the end user. So finding that nice balance between the two. But I'll let you kind of give your

thoughts as well. I think for now we're staying put. But I'll let you kind of answer that as well, Dante.

>> DANTE Q ALLEN: Thank you, Glenn. The one thing I would add, I think you did an excellent job with that is that these are the types of discussions that the Board will address and so we review on a quarterly basis the performance of all of the investment options and if and when there are warranted changes, we are well-positioned to be able to make those to ensure that each of the offered portfolios are performing in the way that they were intended to. And I think that's it for investment-related questions. For those that, on the line, you still have the opportunity to ask those questions and we'll be around after the presentation to continue to answer those. But thank you so much, Glenn.

I will go in to a few more details about the CalABLE program, I mentioned previously that I would talk about the fees associated with the program. So this first slide is meant to look at the associated fees with the CalABLE program. Some of these fees, and I'll tell you that there are essentially three categories of fees: The first is they are fees based on time. So there is a, an annual fee that's taken out in monthly installments. There are also fees that are based on a percentage of the balance of your account, and then in addition to that, there are occasional fees, fees that you may be subject to, depending on the circumstance. And I'm gonna walk you through each of those and then the very next slide I'm gonna give you an example of, if you had a \$3,000

balance, what's the total amount that it would cost to manage your account over a year?

So first I'll step you through the first category of what are those time-based fees?

And the first is the account maintenance fee which is \$37 per year. It's taken out in monthly installments that are just over \$3 per month. In addition depending on the investment option you choose, there are differing fees for the underlying investments. And those fees can run from 0% of your average daily balance to less than 0.1% of your average daily balance. There's a state administrative fee that pays for the things like the marketing and outreach for the program, the salaries of the staff who actually manage the program, and that is a little less than one half of 1% of your average daily balance. And then there are occasional fees. So there's a paper statement mail delivery fee of \$10 annually. But if you elect to receive your statements via e-mail rather than through the U.S. postal service, that fee can be waived completely. There's an insufficient funds fee if you ever overdraw your CalABLE account, you'll be charged a \$20 fee per occurrence.

And then there's a check issuance fee if you elect to, when you take withdrawals, you want checks that are cut and then delivered in the mail to either the authorized legal representative, the beneficiary, or even to a third party payee, there's a \$5 per check fee for that. But if you elect to do electronic transfers as withdrawals to your account, there's no charge for those. So as I mentioned earlier, enrollment in the program is free, all that is required is a minimum deposit of \$25.

So this next slide here is meant to be a walk-through if someone had a \$3,000 in assets in their ABLE account. And the different columns are the options or the variables that could change the costs of that. So what you'll see is that if you choose to put all \$3,000 in the FDIC option, you would be charged only the \$37 annual account maintenance fee, and that would come out in those monthly installments to total \$37 at the end of the year.

If you chose from one of our investment portfolios, whether it's the conservative, moderate, or aggressive growth portfolio, you would be charged an underlying investment fee anywhere from \$2.40 to \$3. You would also be charged the state administrative fee which is waived for the FDIC option of \$13.20. And then so for a total of anywhere between \$37 if you put all your money in the FDIC insured option up to \$53.20 if you put all \$3,000 in the moderate growth portfolio. So that's the maximum that operating a CalABLE account for an entire year would cost and in many cases, that \$53.20 which is less than \$6 per month is less than most commercial banking products that don't allow you to invest and grow your money over time.

One of the main benefits of the CalABLE program that is available exclusively to California residents is protection from Medi-Cal recovery. Many people when the ABLE Act was first passed became aware that when the beneficiary passes away, Medicaid could potentially dip in to the ABLE accounts of those deceased individuals and recover money that was spent on that individual's healthcare during the course of their lifetime. Well, in 2017, California passed a law that said that for California residents with CalABLE

accounts, Medi-Cal would not seek to recover money from the ABLE account of a deceased or CalABLE account of a deceased beneficiary. That money instead would roll over in to that deceased individual's estate. We also passed in 2017 a law that exempts ABLE accounts from enforcements of money judgments. So, if an individual were ever sued or had a large debt to a creditor that your ABLE account couldn't involuntarily be tapped in to in order to satisfy those debts. And of course, these protections apply to California residents with the CalABLE account. That means if you opened a CalABLE account in another state and passed away, Medicaid and even Medi-Cal could go to those other states and seek to recover that money, but it wouldn't happen for you if you had a CalABLE account and you were a California resident.

So what happens when an account owner passes away? The first thing you should know is that any outstanding qualified disability expenses may still be paid using the funds from an ABLE account by an authorized legal representative. And one of the things that could be included as a qualified disability expense are death and burial expenses. So even posthumously, those can be paid. They then go in to the deceased's estate, giving an opportunity to attempt recovery. But that is a fairly remote possibility because if Medi-Cal were to try to recover from your estate all four of these next items would have to apply: The deceased individual would have to be 55 years or older. If they passed away and were younger than 55, Medi-Cal would not attempt to recover on that ABLE account.

The individual would have to be a user of comprehensive Medicaid services such as in-home support, any kind of skilled nursing support, or even the prescription drug benefits of Medi-Cal.

The individual's estate would have to be required to go through probate, meaning that the total value of the estate is \$150,000 or more.

And then finally, the individual could not be survived by a spouse or children under the age of 18 or a disabled child of any age. So unless all four of those bullet points apply, then Medi-Cal will not attempt to recover on a deceased able beneficiary's estate.

So that's an additional bonus that is available that people with disabilities want to be able to have the ability to leave a legacy to leave an inheritance to their family and loved ones and that is very much possible even with an ABLE account, especially a CalABLE account. The other thing that I wanted to talk about is making sure you keep your benefits. Now in most cases, if you exceed the resource limits we're only talking about a suspension of benefits, and that once you achieved a spend-down your benefits would be reinstated automatically, but there are expenses that could result in the cancellation of your benefits. The one example that comes readily to mind if you were earning money and you thought that by opening an ABLE account you could put that money in the ABLE account and that it wouldn't be counted as income, that could result in a cancellation of your benefits. And cancellations are much more difficult to deal with

than a suspension. And it could be very difficult to have your benefits reinstated and it most certainly will take a lengthy amount of time to do that.

So we want to do whatever we can to make sure that we don't make any mistakes that could jeopardize your benefits. But there are some things that you can do to protect yourself. The first thing is to keep track of all documents and files. That includes any time that you're making withdrawals from your ABLE account, any correspondence that you receive from the benefits agencies, keep those things keep those handy. Report money in your ABLE account to the Social Security Administration or Medi-Cal. Now, this is where I have to say that it's fairly remote that an individual with an ABLE account would be, would receive an IRS tax audit based on having an ABLE account alone. The reality is most people with ABLE accounts are not high net worth income earners that would be highly subject to tax audits. So I won't say it's impossible, but it's not very likely they would experience an audit. But your benefits could potentially, whether accurately or inaccurately cause some interruption in your benefits. So we recommend, we highly recommend that you report any money that you put in to your ABLE account to the Social Security Administration or to Medi-Cal.

Now, it's important to know that CalABLE, as are most other banks, require to submit data from account holders to reporting government agencies. And so they may already be aware that you have an ABLE account and so it won't do you any good by telling your social security representative that you don't have an ABLE account when you do, because they can see it from the other end when you do.

So please report that information when you're asked. The other thing that you may want to do is have the letter handy that explains that simply having money in an ABLE account should not be an eliminator for your benefits. Now there are a couple of resources where we can provide you that already have that kind of letter written up and Anne will talk about those in just a minute but there are two websites you should be aware of, one is the, from the ABLE National Resource Center, that's ABLENRC.org and they have a letter like this and the other is from the Social Security Administration themselves and they have information that you may be able to provide.

So what should you do if your benefits do get cancelled? Well, the first thing that I would suggest that you do is gather all the records that you've been keeping and get to the Social Security Administration office or Medi-Cal office right away. Like I said, there can be a delay in reinstating things if you're relying on these benefits which most people are to cover the everyday life expenses that they have, any delay can be very frustrating and make you feel like you are in immediate danger of not being able to meet your needs. So acting quickly is key.

The second thing is consider printing out the what are ABLE accounts or any other relevant pages from that resource that I just gave you, ABLENRC.org. The other thing I would suggest is that you express your urgency, especially if you're relying on Medi-Cal as your only health insurance or you're using the money from your SSI or other benefits programs to cover your daily living expenses which most people are expected to be doing that are receiving those benefits.

The last thing you want to do is check in with your bank, your doctors, or any attendant that you rely on, or income, healthcare or paying your bills to let them know that you received this interruption in your benefits.

And then the last thing I'll say is that if there's any way that members of the CalABLE team can help you, we are very, very happy to do that. Our contact information is included here in case you wanted to reach our customer engagement line for specific questions about your ABLÉ account, you can call or e-mail us and then Anne will walk you through a few additional resources.

>> ANNE OSBORNE: Thank you, Dante. As Dante mentioned earlier, the ABLÉ National Resource Center is available and this is really helpful if you want to compare other ABLÉ accounts and you can go on this website and you can do a comparison too, so you really know that you're making an informed decision when selecting your ABLÉ account. Disability benefits 101 which is www.DB101.org, that's really the place to go if you just, not sure what is the qualified disability. It's like a dictionary, just has everything that you need to know about disability and it's available on this website.

The last website here is the social security program operations manual system which is called the POMS. And this one, as what Dante referred to as far as what are your benefits from social security, if you're getting some questions from your representative, this is the place to go to help you, to give you more information of what is allowable under the ABLÉ act.

The future of ABLE, this is an exciting time as you know we first came on board in 2014 and we're continually looking to make progress for ABLE. The big announcement or the exciting thing we have is what we call the ABLE Age Adjustment Act. This is currently in Congress and we are hopeful that it will pass this year. The benefit of this act is that it will increase the enrollment age to 46 years of age. And that is really exciting because it would allow more people to participate and receive the benefits of ABLE. So we're really hopeful this act will pass.

The second item is the state of California right now is exploring third-party contributions to an ABLE account to be eligible for tax deductions. As we discussed earlier, you can have people make contributions to your ABLE account and if they were able to receive a tax deduction on that contribution, that would even be more exciting. So we are hopeful that this state will take that in to consideration.

We do have some upcoming webinars, March 17 the ABLE National Resource Center will be hosting a CalABLE spotlight webinar, and again we will send out an e-mail to our e-mail list; so if you've signed up to be on our e-mail, you will receive this information when the registration opens. June 17th, CalABLE will host another webinar in our series and we also encourage you to contact us if you would like us to come out and do some presentations, Dante and I are happy to come out to your organization.

Again, ways to connect with CalABLE, we are all on social media. You can follow us on Facebook, Twitter, YouTube, LinkedIn. Again, I mentioned that you want to sign up for our e-mail list and that's www.treasurer.CA.gov/ABLE, if you look on the

homepage, you will see on the left side of the bar quick links and you can sign up.

Anybody who is signed up on that will receive notification, if you've signed up to be in this webinar, you will also receive notification of when the webinar will be available for you to view. So with that, Dante?

>> DANTE Q ALLEN: So this last slide is our disclaimer. It speaks to some of the things that Glenn said that CalABLE is an investment program and when considering investment programs, you must be aware that there is risk involved, but we have about 30 minutes of time left over. We have lots of questions.

I'm gonna take a very brief pause to see if we can get organized with some of the questions that we received to make sure that we get to some of those frequently asked questions first and then we'll go through as many as we can to make sure we get the answers you were seeking. I'll be back in just one minute.

All righty. So looking at the questions that we have, one of the first ones is an easy one to answer and lots of folks ask, how could they get the PowerPoint slides that we presented to you today. And the very easy answer is that it is in the handout section, if you go to the webinar control panel, you'll see handouts. And you will be able to access that presentation, and so it is available there for you to use and all the resources include links. So please feel free to grab that presentation and use it as you will. Let's see.

Another question that I have is if an individual with a CalABLE account wants to take a vacation and has been saving to do so, may they use ABLE funds for a trip, for

example \$3,000 for a trip to Hawaii? That is a great question. It's also one of the most frequent questions that we receive. And the key element to understand what that question is in the definition of qualified disability expense, the Social Security Administration was very clear to outline that the, any expense that relates to a person living in a life with a disability that improves or enhances their health, their independence, or quality of life is a qualified disability expense. I often say this jokingly, but I really am very serious at the same time when I say this, I personally have never been on a vacation in my life that wasn't an enhancement to the quality of my life.

And so, therefore it is assumed that a vacation, even a \$3,000 vacation to Hawaii, would be a qualified disability expense based on the definition that is provided in the Social Security Administration's program operating manual.

Can a parent open an account for a minor? Yes. As Anne mentioned ABLE accounts can either be opened by the beneficiary themselves, or if they choose to, they can elect to -- if they choose to or if they don't have the capacity to operate an account on their own they can select an authorized legal representative. The law is very specific about who can become an authorized legal representative. It says that that person must be a parent, a legal guardian, or they must have power of attorney over the financial matters for the beneficiary. And so if you meet any one of those three categories, you can sign up to have signature authority over the account as the authorized legal representative.

Is appreciation from the account to be counted in the limits the account holds?

That's a great question. And so for the first -- and I'll talk about all three of the contribution limits that I talked about. So there's the \$15,000 annual account contribution limit. And no, appreciation would not be counted in that. So you can put up to that \$15,000 in to your account and if your account grows in principle over that, over the course of that year, you're still allowed to keep that money in your account.

The second number that I gave you was the \$100,000 that social security would disregard if it were in your account. And yes, appreciation is counted in that case. So if you contributed up to \$100,000 and remember that it would take you multiple years to do that based on the annual contribution limit, if the interest in your account caused your account to go up above that \$100,000, that would be counted by the Social Security Administration would you get one of those same notifications, you would get it above \$100,000 that you would either need to do a spend down or risk having your benefits suspended. And then the final number that I gave you was the \$529,000 total contribution limit and the answer to that is yes, that appreciation would count for that limit, you can put in up to the \$529,000 and then you would not be able to continue to contribute but your account could still continue to grow based on your investments and any interest that you were gaining.

The next question if we put \$90,000 in over multiple years and the account earns over \$15,000 interest in those years, we have exceeded the \$100,000 cap and would not

be eligible for SSI. And that is correct. You would receive notification from SSI that you had excess resources that could result in the ending of your eligibility for SSI.

Cal, can ABLE accounts be used to pay for appropriate expenses for children under 18 years old? Absolutely. If the child is the beneficiary of the account and they have and they meet the eligibility requirements for ABLE, there is no requirement that they must be 18 in order for those to be considered qualified disability expenses. If benefits are suspended after \$100,000, why would someone want to contribute up to \$529,000? And so the thing to keep in mind there is that ABLE is not just for people who are receiving government benefits. There are many people who are not receiving benefits and want to use their ABLE accounts as a very flexible way to save money. Unlike traditional Roth IRAs or many 401ks, if you're a person with a disability and you're saving your money in an ABLE account, you also have access to withdraw that money and not be taxed or penalized, and so that would be the main reason why if you're saving above that \$100,000 limit and not receiving any kind of benefits that you may want to keep contributing to your ABLE account as high as you can get it up to \$529,000. I might even suggest that if you are receiving SSI but still have the opportunity to save up to half a million dollars, you may be doing better with the resources that you get from other places than you would on SSI by itself and so that may be another thing to consider when saving.

What type of income can go in to an ABLE account? For example is a child survivor benefit income that can be deposited on a monthly basis aside from their SSI?

So there are -- so the main thing to know is that any money going in to an ABLE account has to be cash. You can't transfer a property in to your ABLE account, you can't transfer stocks in to your ABLE account. So it has to be money. Excess SSI benefits can be transferred in to, or deposited in to an ABLE account as can any other benefits that can go in to your ABLE account as well.

Income can go in to your ABLE account if you work a job and are receiving income. Or if you receive alimony, those are considered unearned income but still considered income. That money can be put in to an ABLE account. The important thing to note there though is that if you are receiving benefits, those sources of income will still be counted as income even after you put them in to your ABLE account. And so you wouldn't get any kind of additional protection for your benefits because those would, if those pushed you over the income limitations of those programs.

Is a representative payee for social security, SSI considered an authorized individual? With that question, I think that you may be confusing a couple of things. You may be confusing authorized individual with authorized legal representative. Now an authorized individual is a person that has, that is eligible, a person with a disability that is eligible to open an ABLE account, that is an authorized individual. So in that circumstance a rep payee would not be considered an authorized individual unless that person through other means met the eligibility requirements for ABLE. If you meant it as are they capable of becoming an authorized legal representative, their status as a representative payee alone is not enough to make them qualified to be an authorized

legal representative. As I mentioned previously an authorized legal representative is limited to being a parent, a legal guardian or someone with power of attorney over the financial matters for the individual. So the only way that a rep payee could become an authorized legal representative is if they met either, they were a parent or legal guardian of the person that they were serving as a payee for or either their organization or they as an individual gained power of attorney over the financial matters for the beneficiary.

So is the \$529,000 contribution limit a lifetime limit? And I will say that no, it is not a lifetime limit. It is simply a contribution limit. So if you, let's say you saved up to \$529,000 and reached that limit, you could actually withdraw money from your ABLE account and then continue to contribute back up to that \$529,000 limit. The other thing I'll also mention to that, that limit is subject to change. It's based on California's 529 college savings program scholar share and their limit. And so that's, that limit recently changed from \$400,000 to \$529,000 and may be subject to change again in the future. So no, it is not a lifetime limit.

Does ABLE still work, does -- does ABLE to work still have the \$100,000 limit? And yes, you still are subject to the, social security will disregard the funds in an ABLE account from being counted as a resource up to \$100,000. And there are some programs that still allow you to receive SSI benefits even if you're working and contributing to your ABLE account, via able to work. But once you exceed that \$100,000 you would be subject to potentially having your benefits suspended or even cancelled.

What age can you open an ABLE account? Earlier said you had to be 18, and the last slide says any age. And both are actually correct. You do have to be 18 years old to manage your own ABLE account. But a parent or other authorized legal representative can open and manage an account for a minor. So you can have an ABLE account at any age, you're only able to operate and manage your account if you're 18 or older.

If the individual lives with their parent, can they pay their portion to their parent? That's a great question and this is one of the great benefits of ABLE accounts, yes. You are able to use your ABLE account to pay for rent even if that means that you are living with your parents and paying rent to that parent. Now, many of you may be familiar that under current SSI guidelines, if a parent is allowing a child to live rent-free that that is considered a family contribution and that individual may be having their SSI benefit reduced because the parent is providing that family contribution.

Well, if you're using an ABLE account to pay your parent for those same rent services that you are receiving that reduction in benefits for previously, not only you get that money back that was considered a family contribution because third-party contributions to an ABLE account are not considered as income by SSI, you can put that in your child's account and then pay yourself back to pay rent, and not only would you receive that money back, your child would also receive any reduction in benefits because they were receiving that family contribution, they would receive the full level of benefit for that program. So it's kind of a way of receiving your full benefit and still

being able to help a child with rent. So that's actually a very good question, so thank you for asking.

Can you have both an ABLE account and a special needs trust? That's another great question. And the answer is yes, you may have both. And often times we find that they can be very complementary of one another because ABLE accounts can be used in more flexible ways in special needs trust, it may be really important to have an ABLE account. The other thing to consider is that because special needs trusts allow you to contribute more than \$15,000 per year, it may be really important to have a special needs trust. So for example, if an ABLE account holder received 15 -- more than a \$15,000 lump sum payment or inheritance, they couldn't put all of that money in to their ABLE account. And if they still want to protect their benefits, opening a special needs trust that could then be used to fund your ABLE account may come in very, very handy for you. So yes, they can, a person can have both and they can complement each other.

Are the fees tax deductible? The first thing that I'll say before I answer this question is the disclaimer that I am not a certified tax advisor. I'm also not an attorney. So the information that I provided, I would highly recommend that you seek those experts out for a concrete information, but I do not believe that ABLE account fees are tax deductible in and of themselves.

Is paper check writing available? The method is better than a prepaid card for a disabled individual. And the answer to that is there are paper checks available but those

checks have to be written and cut and mailed by CalABLE. We don't have a checkbook that is sent out to you for your own access. And so, if having checks cut is not an option and the prepaid card won't work well for you, you can also do those electronic fund transfers directly from an ABLE account to a personal checking or savings account.

Regarding personal I.D., is that the authorized legal representatives use their I.D. and password or the disabled person's? And it depends. If you have an authorized legal representative, the user I.D. and password would be accessible to the authorized legal representative. If you don't, the user I.D. and password is accessible to the beneficiary. So it really just matters on if you're setting it up. At the time of enrollment though, if you're setting up an authorized legal representative to be over the account, we need the I.D. and social security number for both the authorized legal representative and the beneficiary.

Generally speaking, are CalABLE accounts most beneficial for adults with disabilities or are families of young children with permanent disabilities also encouraged to open accounts for future planning purposes? That's another great question and I would say that an ABLE account can be appropriate for both. Whether you're an adult with a disability and you're working and saving your own money, CalABLE accounts can be very beneficial for being able to save while also having that added flexibility of using the money when you need it and for parents of children with disabilities. I talked to parents all the time who like to save for their future, for their children's future when the parent is no longer around to be able to make, to have income that will support the

child or make decisions for the child and a CalABLE account especially is great for that purpose.

What fees are associated with transferring money from a CalABLE account to a prepaid card like True Link? I'm not familiar with True Link so I can't tell you if there are any fees that may be associated with that account. I can say that from our own prepaid card, number one, the card is optional and the full list of fees are available at CalABLEcard.com but there's a \$1.25 per month charge for the prepaid card itself and then there's some additional fees that could be associated with that account based on the options that you choose. But there is no charge to transfer money from your CalABLE account to our prepaid card.

What is the benefit of having a CalABLE account if you're not the recipient? I think I just went over that.

Expecting SSDI back pay for a couple of years probably more than \$15,000. Will we only be able to deposit up to \$15,000? And the answer is yes, but if you're only receiving SSDI, you should know that you won't be putting yourself in jeopardy by having any additional resources in excess if you got to that \$100,000 limit, that limit really applies mostly to SSI. So you don't necessarily need to worry about that limit or the \$2,000 SSI limit if you're only receiving SSDI as the limits for that program are much different and they allow you to have more in resources in your own control.

Does this mean that withdrawals via transfer are loading on to the card have no fees? And that is true that there are no fees associated with loading money on to your card nor are there fees if you do an electronic transfer to a linked bank account.

How long should we keep a documentation of our usage when we withdraw from the account? And so this is for tax purposes and again, I'll qualify that I am not a certified tax advisor, but most certified tax advisors do advise you to save those kinds of records for at least five years.

Are food purchases at restaurants considered qualified expenses? Another great question, this is one of those questions that is, has been the subject of some debate. There are some people that are aware that SSI money cannot be used to pay for food but there is no limitation at least in the program operating manual that says that you cannot use money from an ABLE account to pay for food, including food at a restaurant. And so I would say that the more common, commonly accepted answer would be yes, you can use that money from a CalABLE account, use that at a restaurant. You may want to consult an SSI expert to see if your SSI funds can be used to pay for that type of expense.

If we needed to do a wheelchair van modification or maintenance, can the account be accessed? And the answer is yes. As a matter of fact, the purchase of any assistive technology would be considered a qualified disability expense as well as it was of benefit to the ABLE account owner that beneficiary. The other important thing to know is that for many programs, it says that the benefit must be, or that the expense

must be of the sole benefit of the ABLE account or of the beneficiary and that is not the case with the, with ABLE accounts. So if you're an individual, if you wanted to purchase a car for the benefit of an ABLE beneficiary, even if that car, even if the beneficiary wouldn't be using the car every time that it was driven, even if the car wasn't in that beneficiary's name, it still could be considered a qualified disability expense.

Can an annuity be deposited directly in to an ABLE account or does the income have to be received outside of the account, cashed and then placed by the beneficiary in to the account? Any potential differences between these two options, if the annuity can be sent directly by the annuity company? That's one of those things where it varies and it will be very specific, it depends on what the source of the annuity is. But there are, there are opportunities to directly deposit money in to an ABLE account but, as I said earlier, any funds deposited in to an ABLE account have to be cash first so an annuity, if it's a source of income, it would have to be cashed and subjective to tax before it could be placed in to the ABLE account and then that also means that if it's counted as income, that could also put you in jeopardy for your benefits.

So I would definitely recommend you talking to a tax advisor before attempting to take that annuity and deposit it directly in to your ABLE account.

Is the beneficiary allowed to access actual cash to the ABLE account or only allowed to use the card itself for purchases? You can access cash, you cannot use the card itself, the prepaid card itself at an ATM to be cashed but you can move money from

your ABLE account in to a checking or savings account and then use that money to get cash.

And who will be signing any investment policy statements required by trustees, agents, or power of attorney? I don't fully understand that question, Glenn, if you're still on the line, do you have an understanding of that question?

>> GLENN FRIEDMAN: I'm a little confused as well, actually.

>> DANTE Q ALLEN: Okay. So if you asked that question and -- oh, actually Paula has left. We'll be happy to put together an FAQ document that we'll send out to everyone who participated in today's webinar. But I don't have enough information to answer that question on my own.

Let's see. I have one last question: How many debit cards can an account holder have? And so that also depends, a debit card can be requested for either or both the authorized legal representative or the account owner and the cards will be the same, it will have the same number and the limits that apply to the cards will apply to both individuals even when two cards are issued.

And we are right at time. So I'm gonna use that as an opportunity to thank everyone again for participating, please keep in contact with us, you have our information to be able to contact us, stay tuned because we plan to offer additional webinars like this in the future and we'll also be sending out an evaluation to see if we hit the mark in providing the information that you needed; so please be on the lookout for that and provide us with any feedback that you wish.

Again, thank you for joining us and we are signing off. Glenn, thank you, Anne, thank you. And thank you for everyone behind the scenes that helped us put on today's event. Talk to you soon.

(Event ends at: 12:00 p.m.)

Disclosure text on final slide appears on screen for webinar participants.

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