



How ABLE Accounts can help People with Disabilities Save for the Future

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LEGISLATIVE COMMITTEE ON SENIOR
CITIZENS, VETERANS, AND ADULTS WITH
SPECIAL NEEDS

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Disability Statistics

- Roughly 13% of people in the U.S. have a disability (over 40 million people)
- People with a disability are twice as likely to be unemployed.
- People with disabilities are twice as likely to be living in poverty.
- People with disabilities can only save up to \$2,000 per year, or earn \$1,220 per month before losing access to means tested benefits.



What is an ABLE Account?

- **A Way to Save**

- Put money away for future expenses or larger qualified purchases without losing benefits
- Large expenditures people take for granted include saving for college

- **A Way to Spend**

- Use the debit card like a debit card for any checking account with ease

- **A Way to Plan**

- In the past, families had to set up complicated and expensive trusts to plan for the future of a loved one with a disability – ABLE is significantly cheaper

- **A Way to Empower**

- Saving and spending are lessons that are learned through experience and old models of asset protection cut the individual off from choices about their money



Achieving a Better Life Experience Act

- Federal Legislation

- First introduced in 2008 as the Disability Savings Act
- Full Nevada Delegation Co-Sponsored in 2013-2014 (Bipartisan Support)
- Signed into law by President Obama in December 2014

- Nevada Legislation

- Introduced in 2015 through Senate Bill 419
- Partnership between the Treasurer's Office and the Aging and Disability Services Division
- Assembly Bill 130 from 2019 moved the program entirely in the Treasurer's Office



Nevada Law

- NRS 427A.889 (NRS 427A = Aging and Disability Services Division Chapter)
- Money in ABLE Not Subject to Creditors, Cannot Be Used as Security for Loans
- Money in ABLE **Must Not** Be Used to Calculate Personal Assets of Beneficiary or Account Owner for Any:
 - Disability
 - Medical, or
 - Other Health Benefits Administered by the State
- Money in ABLE **Must Not** Be Used to Calculate Personal Assets of Beneficiary or Account Owner to Determine Eligibility or Need For:
 - Any Student Loan or Grant Program, or
 - Any Other Student Aid Program Administered by the State (Unless Otherwise Provided for in Federal Law)



ABLE Savings Program in Nevada

- ABLE helps individuals with disabilities and their families to:
 - Save for many daily, disability-related expenses on a *tax-free* basis
 - Preserve their ability to benefit from supplemental security income (SSI), Medicaid, and other federal programs
- Eligible individuals can open the account for themselves, or an authorized individual can open an account on their behalf.
- Eligible individuals must be entitled to SSI or SSDI because of their disability, and their disability must have been present before age 26.
- Only one account per person (can roll over from another state, however)



Nevada ABLE Stats

- In Nevada, roughly 42,000 individuals are currently receiving Social Security disability benefits.
- However, the population who could potentially benefit from an ABLE account is even higher.
- As of June 31, 2021, the Nevada ABLE Savings Program had 2,022 accounts, with assets under management of \$10,476,858.
- As of May 9, 2022, the program had 3,059 accounts.



Qualified Disability Expenses

A Qualified Disability Expense is ANY expense that is incurred as a result of living with a disability and is intended to improve quality of life. Qualified expenses include, but are not limited to:

- Education
- Health and wellness
- Housing
- Transportation
- Legal fees
- Financial management
- Employment training and support
- Assistive technology
- Personal support services
- Oversight and monitoring
- Funeral and burial expenses

(When savings are used for non-qualified expenses, the earnings portion of the withdrawal will be treated as income, so it will be taxed at the account owner's tax rate, and will be subject to a 10% federal tax penalty and applicable state taxes.)



Tax Advantages & Benefits

- ABLE savings may grow and be withdrawn tax-free, provided savings are used for qualified, disability related expenses*
- Earnings may compound federally tax-deferred, maximizing ROI
- Balances under \$100,000 are excluded from SSI resource limit (only amounts over count against the limit)
- If SSI resource limit is exceeded, benefits will be suspended until the balance goes back down
 - Medicaid eligibility continues, regardless of account balance (though Medicaid is a creditor upon the death of the account owner)

**Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as applicable state and local income taxes.*



Contributions

- Up to \$15,000 per year may be contributed
 - Account owners who work may be eligible for more than the annual maximum
 - Friends and family can contribute (though not “income” for means tested programs)
- Some state plans offer tax deductions for ABLE contributions
 - Like 529 plans, people can opt for other state’s plans
- “ABLE to Work Act”
 - Possible for up to an additional \$12,060 per year may be contributed
- Transfers between college savings and ABLE
- Possible “Saver’s Tax Credit” for account owner contribution

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ABLE Alliance

- The National ABLE Alliance is a partnership of States dedicated to providing those living with disabilities with an ABLE investment product that offers multiple financial options at low cost.
- Nevada is a member is a member of the ABLE Alliance, which manages accounts for residents in 18 states.
- The ABLE Alliance accounts for almost half of all accounts nationally.
- Participating in a multi-state plan allows fees to be significantly lower than they would be than if Nevada decided to establish an independent plan.



Navigating Investment Options

- Highly-rated index-based underlying investment funds
- A range of six investment options to more closely match goals and comfort with risk
- From aggressive options that seek higher returns to conservative options that place capital preservation over growth, Alliance Member plans offer choices for every investor
- Cash allocations are invested in a high-yield savings option from Sallie Mae Bank



Maintenance & Fees

- In Nevada, there is a \$25 minimum contribution required to open an ABLE account.
- Maintenance fees vary from \$45-\$60 per year
 - \$15 quarterly maintenance fee for paper statement delivery.
 - \$11.25 quarterly maintenance fee for electronic delivery
- The total asset fees on ABLE accounts range from 0.34%-0.38% depending on which investment option a person chooses:
 - Fifth Third Bank Check Option (debit card)
 - Risk Based Options (Aggressive, Moderately Aggressive, Growth, Moderate, Moderately Conservative, and Conservative)



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TOTS Grant Program

- On October 25th the Treasurer's Office launched a first-in-the-nation grant program to help children with disabilities recover stronger from the COVID-19 pandemic.
- The Transforming Opportunities for Toddlers and Students (TOTS) Grant Program, is utilizing \$12 million in funds from the American Rescue Plan to provide \$5,000 grants to children through ABLE accounts.
- \$2 million of this funding is reserved for children with disabilities in the foster care system.
- To date, we've disbursed over \$9 million into ABLE accounts for eligible children.
- This remains the largest aid program designed to help children with disabilities through ABLE accounts in the entire country.



Challenges

- One of the biggest barriers to people with disabilities opening ABLE accounts is that they do not have enough income to begin saving (Assembly Bill 92 from 2021 session).
- Additionally, many in-state residents cite the enrollment fees as a barrier to setting up an ABLE account.
- This program also receives \$0 from the State's General Fund and has no dedicated FTEs for the program.
- The Treasurer's Office will be presenting a budget enhancement to the 2023 Legislature to establish dedicated position to help individuals with disabilities learn about and establish ABLE accounts.



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