national down syndrome society
ndss®

ABLE 101

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What is the ABLE Act?

The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act (Division B of PL 113-295) added Section 529A to the Internal Revenue Code. This law allows people with disabilities to save money in a tax-advantaged account. The money in an ABLE account can be used for qualified disability expenses (QDEs – see below) while keeping federal public benefits. The ABLE Act was the result of a decade-long cross-disability grassroots effort. A group of parents of children with Down syndrome recognized the unfairness of not being able to save money in their child's name for fear of losing critical benefits.

What is an ABLE account?

An ABLE account is an investment account similar to a 401(k) or a 529 college savings account. Contributions to ABLE accounts are made on an after-tax basis, and earnings from ABLE funds grow tax-deferred and are tax-free if used for QDEs. Anyone can contribute to an ABLE account, including the account owner, an employer, family members, and friends. Contributions to an ABLE account are not tax-deductible, but some states may allow state income tax reductions for contributions to an ABLE account. The individual with a disability is the owner of the account, but legal guardianship and powers of attorney do permit others to control ABLE funds if the owner is unwilling or unable to manage the account.

What expenses can the money in an ABLE account be used for?

Funds in ABLE accounts must be used for qualified disability expenses. These are expenses related to the disability of the account owner, including expenses for education, housing, transportation, employment training and support, assistive technology and personal support services, health prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, and funeral and burial expenses. Because the scope of the QDEs is so broad, ABLE accounts can make a real difference in a person's day-to-day quality of life.

Who is eligible to open an ABLE account?

To be eligible for an ABLE account, the owner's disability must have manifested before age 26, but they can open an account afterward. Any account owner who receives Supplemental Security Income (SSI) or Supplemental Security Disability Income (SSDI) will automatically qualify for an ABLE Account. Those who are not recipients of SSI and/or SSDI but still meet the age of disability onset requirement will be eligible to open an ABLE account upon obtaining a disability certification from their physician.

Why are ABLE accounts needed?

An individual with a disability can have only $2,000 in assets in their name to remain eligible for many federal means-tested benefits programs, such as SSI or SSDI, that many members of Down syndrome community rely on every day. The asset limits reduce opportunities for employment and financial independence, so saving up to $100,000 in an ABLE account without risking eligibility is an important opportunity for individuals with disabilities and their families to save money and improve their quality of life.

For more information visit http://www.ndss.org/ABLE

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