

ESTATE PLANNING

Powerful Ideas: ABLE Accounts



Powerful Ideas: ABLÉ Accounts

An ABLÉ account is a special type of tax advantaged savings account designed to assist and accommodate people with disabilities. The Stephen Beck, Jr., Achieving a Better Life Experience Act (ABLE Act) became law in December of 2014 and permits eligible individuals to save up to \$100,000 and pay disability related expenses from an ABLÉ account without losing their eligibility for government benefits. ABLÉ accounts function much like a cross between a First Party Special Needs Trust, a Section 529 education savings account, and a checking account.

ABLE accounts function like a First Party Special Needs Trust in that the assets do not disqualify its owner for public benefits, since the funds in the account do not count toward the asset or resource limits established by government benefit programs, such as Medicaid and Supplemental Security Income. Also, just like a First Party Special Needs Trust, the assets are subject to governmental reimbursement of expenses upon the death of the ABLÉ account's owner. However, the two differ in that the expense to open an ABLÉ account is only a fraction of the cost it would take to have a Special Needs Trust drafted.

ABLE accounts function like a Section 529 education savings account in that the assets grow tax-free, may only be used for qualifying expenses, and are subject to contribution limits, which are not tax deductible. Only \$15,000 (in 2018) may be contributed annually to the ABLÉ account. The funds may be invested to provide additional flexibility and higher rates of return. Also, a Section 529 account may be rolled-over or transferred to an ABLÉ account for use by the special needs individual; however, an owner may only have one ABLÉ account at a time.

ABLE accounts function like a checking account in that the custodians of such plans provide statements showing and detailing expenses paid from the account, which greatly assist the owner for ease of administration and record keeping. Some states even permit a debit card that may be utilized in conjunction with the ABLÉ account, and eligible special needs individuals may open an ABLÉ account in another state, if they choose. This is particularly helpful since they are not available in all states.

The disability related expenses eligible to be paid from an ABLÉ account include education, housing, transportation, employment training, assistive technology, personal support services, health, prevention, and wellness, financial management, administrative services, legal fees, oversight and monitoring expenses, funeral and burial expenses, and other expenses approved under each state's regulations.

Unfortunately, not all persons with disabilities may establish an ABLÉ account; to be eligible to open an ABLÉ account, the individual must have had a disability that had an onset prior to age 26.

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