

PENNSYLVANIA
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TREASURY
PA ABLE PROGRAM

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ABLE

The Achieving a Better Life Experience (ABLE) Act



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AGENDA

- ✓ **Background on ABLE**
- ✓ **Federal and Pennsylvania state benefits**
- ✓ **Eligibility**
- ✓ **Opening an account**
- ✓ **Investment options**
- ✓ **Costs**
- ✓ **Making contributions**
- ✓ **Qualified vs. non-qualified expenses**
- ✓ **Making withdrawals**
- ✓ **Interaction with SSI**



Background on ABLE

- ❖ Authorized by federal law and is implemented under PA law
- ❖ Federal IRS regulations are proposed but not final
- ❖ Some federal agencies have not yet provided guidance on how ABLE accounts will impact their services – leaving a number of questions unanswered.



PA ABLE Overview

PA ABLE has all of the features and benefits of the federal law:

- ❖ ABLE assets are not counted in **ANY** federal means-tested benefits (limitation for SSI).
- ❖ Tax Benefits:
 - Earnings are not taxed while growing in the account (tax deferral)
 - Earnings are not taxed when withdrawn and used for “qualified disability expenses” (tax exemption)



PA ABLE Overview (cont.)

Treasury's implementation goals

- ❖ Make it affordable
- ❖ Offer investment choices that meet diverse savings needs
- ❖ Make it easy to use.



Benefits Specific to a PA ABLE Account

- ❖ PA ABLE assets are not counted for Pennsylvania needs-based disability, health, and student financial aid
- ❖ Earnings are not taxed while in the account or when used for Qualified Expenses,
- ❖ Assets are excluded from PA's inheritance tax (both the principal and earnings).
- ❖ Accounts opened by fiduciaries for minors remain under the control of the fiduciary until he or she voluntarily relinquishes control -- even after the minor turns 18. However, once the eligible individual is 21 he or she may request and be granted account control unless a court order specifies otherwise.
- ❖ Parents may open accounts for adult children who lack the capacity to contract without obtaining guardianship.
- ❖ Assets are protected from creditors of the Account Owner or contributor in PA state proceedings

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Benefits Specific to a PA ABLE Account

Medical Assistance Repayment.

ABLE account assets are not subject to Medicaid (Medical Assistance) repayment to the PA Department of Human Service.

Once in the estate, ABLE account proceeds are subject to repayment under the normal rules:

- ❖ When deceased
 - Is 55 or older
 - Is not survived by a spouse, child under 21, or blind or disabled child of any age

- ❖ For
 - ❖ Nursing facility services
 - ❖ Home and community-based services
 - ❖ Related hospital and prescription drug services



Who May Own a PA ABLE Account?

Two requirements:

1. Have a qualifying disability

a. Be eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI)

OR

b. Be able to self-certify that they meet certain disability standards

AND

2. Qualified disability started before 26th birthday



Who May Own a PA ABLE Account? (Cont.)

What is a qualifying disability.

- ❖ Any individual already entitled to receive SSI or SSDI has a qualifying disability
- ❖ Some individuals with ABLE-qualifying disabilities will not be eligible for SSDI because they may not have an adequate work history or for SSI because their income or assets are too high. These individual can “self-certify” that they are eligible for ABLE.



Who May Own a PA ABLE Account? (cont.)

Self-certification requirement

Certify under penalty of perjury that he or she:

1A. Has a physical or mental impairment that

i. results in “marked and severe functional limitation” and

ii. has lasted or is expected to last 12 continuous months or result in death; **OR**

1B. Is blind; **AND**

2. Possess a written diagnosis signed by a physician who meets Social Security Administration (SSA) criteria. The written diagnosis does not need to be submitted with enrollment.

Note: A diagnosis alone is not enough. Must have severe functional limitations.

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Who Can Open an Account?

- ❖ If the eligible individual is:
 - An adult (18 or older) with legal capacity to contract, he or she must open the account
 - A child or an adult who lacks the legal capacity to contract, a person acting in a fiduciary capacity can open the account – the Authorized Individual.
 - Proposed IRS regulations permit the Authorized Individual to be a parent, guardian, or power of attorney
- ❖ PA law specifies that the Authorized Individual who opens the account for a minor retains control until he or she voluntarily relinquishes –even after the minor turns 18. However, once the child reaches the age of 21 he or she may request and be granted account control unless a court order specifies otherwise.

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How to Open a PA ABLE Account?

You may open an account online or by completing and mailing a paper enrollment form.

- ❖ To enroll online, visit PAABLE.gov and click on “Enroll.”
- ❖ To enroll via paper, download the form from PAABLE.gov or call our customer service department at 1-855-529-ABLE (2253).



What are the Investment Options?

- ❖ You may choose among seven (7) Investment Options
 - Six (6) are Asset-allocation Options with varying mixes of stocks, bonds, and cash investments ranging from aggressive to conservative
 - One (1) is an interest-bearing checking account option with the availability of a debit card.
- ❖ You may choose as many of these options as you wish
- ❖ You may move already invested funds among options twice in a calendar year
- ❖ At any time, you may designate which option new contributions are to be invested in



Asset-Allocation Options and Costs

	Investment Breakdown		Asset-Based Fee	
Aggressive Portfolio	Stocks:	90%	Per Year:	0.37%
	Bonds:	10%		
	Cash:	0%		
Moderately Aggressive Portfolio	Stocks:	75%	Per Year:	0.37%
	Bonds:	25%		
	Cash:	0%		
Growth Portfolio	Stocks:	60%	Per Year:	0.38%
	Bonds:	40%		
	Cash:	0%		
Moderate Portfolio	Stocks:	45%	Per Year:	0.38%
	Bonds:	55%		
	Cash:	0%		
Moderately Conservative Portfolio	Stocks:	30%	Per Year:	0.36%
	Bonds:	45%		
	Cash:	25%		
Conservative Portfolio	Stocks:	10%	Per Year:	0.34%
	Bonds:	30%		
	Cash:	60%		

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Checking Account Option and Costs

- ❖ 100% of assets are invested in an FDIC-insured interest bearing checking account with Fifth Third Bank
- ❖ Includes checks and debit card
- ❖ \$0 charge for ATM card if used at one of the 44,000 Fifth Third Bank and partner (Allpoint and Presto) ATMs. \$2.75 ATM fee if used at an out-of-network ATM
- ❖ \$2 monthly service charge waived with electronic statements or an average monthly balance of at least \$250.00.
- ❖ \$0 overdraft or returned payment fees



Other Costs

- ❖ Annual account maintenance fee of \$60. The plan will charge the fee quarterly in the amount of \$15 per quarter.
- ❖ If you select e-delivery of statements and confirmations, the fee is reduced to \$45 annually (\$11.25 quarterly).



Making Contributions

Any person (including friends and family), corporation, trust, or other legal entity may make a contribution to an account.

- ❖ Contributions are considered a completed gift to the Account Owner.
- ❖ Contributions can be made electronically as one-time Electronic Fund Transfers, by check, money order, payroll deduction, or automatic contributions from a checking or savings account.
 - Initial and subsequent contributions must be at least \$25.
 - Annual Account contribution maximum of \$14,000



What Can I Use My PA ABLE Account For?

QUALIFIED DISABILITY EXPENSES

- ❖ Education
- ❖ Housing (some limitations)
- ❖ 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
- ❖ Funeral and burial expenses

Proposed IRS regulations includes “basic living expenses”

What is included is very broad. Need not be “medically necessary” or for the SOLE benefit of the Eligible Individual

Significance of Being Qualified or Non-Qualified

❖ Tax consequences

- ❖ Withdrawals used for “**qualified disability expenses**” are not subject to taxes.
- ❖ The earnings portion of withdrawals used for “**non-qualified expenses**” are subject to income tax at the taxpayer’s rate plus an additional 10% tax on the earnings.

❖ Consequences for SSI recipients

- ❖ Withdrawals intended to be used for “qualified disability expenses” do not impact SSI benefits
- ❖ Withdrawals for non-qualified expenses can impact SSI benefits unless used in the same month the withdrawal is taken.

❖ Who decides if an expense is qualified or non-qualified?

- ❖ The account owner – subject to an IRS audit or review by the Social Security Administration.

❖ KEEP DOCUMENTATION OF EXPENSES

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Easily Withdraw Funds

❖ Request a withdrawal

- ❖ Online
- ❖ By phone
- ❖ In writing

❖ Also withdrawal from the checking account option

- ❖ By writing checks
- ❖ Making an ATM cash withdrawal
- ❖ By using your debit card at the point of sale



Interaction with SSI


- ❖ Account value over \$100,000 counted as an asset
 - SSI benefits suspended. Not terminated.
 - Doesn't impact Medical Assistance (Medicaid) eligibility
- ❖ Withdrawals for housing and non-qualified expenses
 - Timing critical
 - If used in the same month the withdrawal is taken = no impact
- ❖ Importance for gifting – should be directly to ABLE account
- ❖ Reporting by recipient to Social Security Administration
- ❖ Reporting by states to SSA



Questions?

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This presentation provides only highlights of the PA ABLE Savings Program. For important details about the Program and before investing, please carefully read the disclosure statement (available at PAABLE.gov or by calling 855-529-2253) to learn more about the program, including its effect on federal and state benefits, investment objectives, risks, fees, and tax implications.



ABLE Program Information

PAABLE.gov

info@PAABLE.gov

1-855-529-ABLE (2253)

