



WHAT IS THE ABLE ACT?

Skylight Financial Group
Special Needs Planning Team



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THE ABLE ACT- WHAT IS IT?

The Achieving a Better Life Experience Act of 2014 (the ABLE Act) that was signed into law as part of the December 2014 Tax Extender package, allows states to create qualified Achieving a Better Life Experience (ABLE) programs beginning in 2015.

What are the benefits?

ABLE accounts offer three main benefits.

- tax-deferred growth
- not included in income
- generally disregarded in determining eligibility for Medicaid and Supplemental Security Income (SSI) benefits.



WHO IS AN ELIGIBLE INDIVIDUAL/ DESIGNATED BENEFICIARY?

You are eligible if you are

- Eligible for Social Security Disability Insurance (SSDI) or SSI benefits based on blindness or disability; or
- If you have a disability certification filed with the IRS for the tax year.

Who can contribute?

- Anyone may make contributions to an ABLÉ account, including the eligible individual. Total contributions from all contributors in any year are limited to the gift tax annual exclusion (\$14,000 for 2015).

TAXATION AND EXPENSES

Taxation

- If ABLE account distributions do not exceed the designated beneficiary's qualified disability expenses, none of the distribution is includible in income.
- 10% penalty for taxable

Qualified Disability Expenses

- Expenses related to the eligible individual's blindness or disability made for the benefit of a designated beneficiary, including:
 - Education; Housing; Transportation; Employment training and support; Assistive technology and personal support services; Health
 - Prevention and wellness; Financial management and administrative expenses; Legal fees
 - Expenses for oversight and monitoring
 - Funeral and burial expenses



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TREATMENT FOR MEDICAID AND SSI

Treatments are not considered in determining eligibility for means-tested federal benefit programs or the amount of the benefits under the programs. There are two exceptions:

- Distributions from the ABLE account for housing expenses are considered as income in determining eligibility for SSI.
- If the ABLE account balance exceeds \$100,000, the excess is considered a resource of the designated beneficiary. If this happens, the designated beneficiary's SSI benefits are suspended until the individual's resources are less than \$100,000.



ESTABLISHMENT OF ABLE PROGRAMS

Must be established and maintained by a state, a state agency, or a state instrumentality (a program state). To qualify as an ABLE program, the program must meet the following requirements:

- Allow contributions to an account to meet the qualified disability expenses of the account's designated beneficiary;
- Limit a designated beneficiary to one ABLE account;
- Limit ABLE accounts under the program to designated beneficiaries who are either a resident of the state or a resident of a contracting state



ABLE ACT CONCLUSION

The ABLE Act allows accounts to be established for qualifying individuals that can supplement their Medicaid and SSI benefits without disqualifying them from receiving benefits.

ABLE accounts are created under state plans and are subject to limitations on the amounts contributed and how distributions can be used.

They will not replace special needs trusts in all situations but can provide significant benefits without the complexities of a special need trust.

KNOWING WHERE TO TURN FOR ANSWERS



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