

1) What is a CalABLE Account?

A CalABLE account is an investment and savings account available to Eligible Individuals with disabilities. ABLE Accounts are made possible by the federal Achieving a Better Life Experience ("ABLE") Act of 2014. ABLE Accounts allow individuals with disabilities to save and invest money without losing eligibility for certain means-tested public benefits programs, like Medicaid and Social Security Income ("SSI"). Earnings in your ABLE Account are not subject to federal or California state income tax, so long as you spend them on "Qualified Disability Expenses" ("QDE") (see below).

2) Are CalABLE Accounts like bank checking or savings accounts?

A CalABLE account can function like a checking or savings account; for instance, individuals who plan to use their money short-term, such as for basic living expenses, may elect to enroll in CalABLE's FDIC-Insured Portfolio for this purpose. A CalABLE account can also be set up as a long-term investment account, where you will have the ability to invest your money in a range of options that suits your particular risk appetite while helping you achieve your financial goals.

3) Who is eligible to open an ABLE Account?

An "Eligible Individual" is someone who *developed* their disability before the age of 26. The individual must have been living with their disability for at least one year, or they must expect their disability to last for at least a year.

In addition, the individual must meet at least one of the following criteria:

- Be entitled to, or receiving, SSI because of their disability;
- Be entitled to, or receiving, Social Security Disability Income ("SSDI") because of their disability;
- Have a condition listed on the Social Security Administration's ("SSA") List of Compassionate Allowances Conditions; or
- Be able to provide "self-certification" of his or her disability and diagnosis (see details below) when opening the account.

"Self-certification" simply requires an individual to agree to the following statements during enrollment:

- The individual has a written, signed diagnosis from a licensed physician (*Note: individuals do not have to provide us with a copy of the diagnosis during enrollment, but a copy of the diagnosis must be available upon request*); **and**
- The individual is either:
 - (1) blind, within the meaning of section 1614(a)(2) of the Social Security Act, or
 - (2) has a medically determinable physical or mental impairment that results in "marked and severe functional limitations, and which can be expected to result in death or has lasted or expected to last for a continuous period of not less than 12 months"

Examples of conditions that result in "marked and severe functional limitations" can be found in the SSA's disability Blue Book. See Part A for adults and Part B for children. A condition will also qualify if it is equal in severity to one of the conditions found in the Blue Book.

4) How do I prove my eligibility?

Through CalABLE's enrollment website, you will be asked to indicate how you meet the eligibility criteria. If you are self-certifying your disability, you may need to provide your doctor's name and address and the date of your diagnosis or onset of disability. Although you will not need to produce a copy of your diagnosis in order to open an account, you must have a record of the diagnosis readily available in case of an audit by the SSA and/or Internal Revenue Service ("IRS").

5) Is enrollment in CalABLE limited to Californians?

No. Most states, including California, offer plans that are open to residents outside of their state – although there are exceptions. If you reside outside of California, you may wish to review your state's ABLE plan to see if it offers certain benefits for its residents, such as tax incentives. For a current list of ABLE plans nationwide and to compare plans and features, you may visit the ABLE National Resource Center at <http://ablenrc.org/state-review>.

6) How can I use the money in my CalABLE Account?

Money in your CalABLE account can be used to pay for a QDE. An expense is "qualified" if:

- (1) You incurred the expense at a time when you were considered an Eligible Individual (see "Eligibility" above);
- (2) The expense relates to your disability; and
- (3) The expense helps you to maintain or improve your health, independence, or quality of life.

7) What are some examples of Qualified Disability Expenses?

QDEs do not have to be merely medical expenses. They can include basic living expenditures. While the following list is not exhaustive, some examples of QDEs are:

Education

- Tuition for preschool through post-secondary education
- Books
- Supplies and educational materials

Housing

- Expenses for a primary residence
- Rent
- Purchase of a primary residence
- Mortgage payments
- Real property taxes
- Utility charges

NOTE: SSI benefits can be affected if you use CalABLE funds for any housing expenses and don't spend the money right away. To avoid any impact to your SSI benefits, be sure to spend housing money within the same calendar month that you withdraw the money. For example, if you withdraw \$800 from your account on June

3rd for rent, you must pay that money to your landlord by June 30th. As long as you do not hold housing funds over from one calendar month to the next, the funds will not affect your SSI benefits.

Transportation

- Use of mass transit
- Purchase or modification of vehicles
- Moving expenses

Employment Support

- Expenses related to obtaining and maintaining employment
- Job-related training

Health, Prevention and Wellness

- Premiums for health insurance
- Mental health, medical, vision, and dental expenses
- Habilitation and rehabilitation services
- Durable medical equipment
- Therapy
- Respite care
- Long term services and supports
- Nutritional management
- Communication services and devices
- Adaptive equipment
- Personal assistance

Assistive Technology and Personal Support

- Expenses for assistive technology and personal support (e.g., a smart phone for a child with autism)

Miscellaneous Expenses

- Financial management and administrative services
- Legal fees
- Oversight and monitoring
- Home improvement, modifications, maintenance and repairs
- Funeral and burial expenses

8) How do I prove that I am spending my money on Qualified Disability Expenses?

It is up to you to track how you spend the money in your CalABLE Account. We will not ask you how you plan to spend your money or request receipts. However, the IRS may ask you to verify your expenditures. You should keep good records on how you are spending your CalABLE funds.

9) What if I use my CalABLE funds for something that isn't a Qualified Disability Expense?

You may have to pay income taxes, plus a 10% additional federal tax and a 2.5% California state tax on the earnings portion of those expenses. Additionally, the non-Qualified funds you withdraw may then become a resource and be counted against you for purposes of determining your eligibility for means-tested public benefits programs like SSI.

10) Can I use CalABLE account funds for housing and rent?

Yes! But if you receive SSI benefits, be sure to immediately spend any money you withdraw for housing expenses, to avoid any negative impact to your SSI. As long as you spend the housing funds within the same calendar month that you withdraw the money, the housing payments will not affect your SSI benefits.

11) Who can set up a CalABLE Account?

An Eligible Individual, the parent or legal guardian/conservator of an Eligible Individual, or the holder of a power of attorney for an Eligible Individual can set up a beneficiary's CalABLE account.

12) How much does it cost to open a CalABLE Account? Is there a minimum amount I have to contribute in order to open a CalABLE Account?

Online enrollment is free. CalABLE's fees are comparable to other state ABLÉ plans. CalABLE has a low \$37 yearly account maintenance fee which will be collected monthly (\$3.08/month), in addition to an investment fee which will range from 0.00% (if selecting the FDIC-Insured Portfolio) to 0.10% of the assets in the account. There is also a state administrative fee of 0.44% of assets in the account. When opening the account, there is a minimum deposit of \$25.00 required.

13) What are some of CalABLE's features and benefits?

CalABLE offers:

- Free, easy online enrollment process
- Ability to make contributions/deposits via electronic fund transfers from a bank account, or by check
- Ability to invite friends and family members to contribute directly to your account by creating an E-Gifting Event
- Diverse yet simple investment options
- Prepaid debit card (coming soon)
- Account protection from creditors and from recovery by Medicaid upon the beneficiary's passing (note: this protection does not extend to California residents with an out-of-state ABLÉ plan)

13) Can I have more than one ABLÉ Account?

No. Individuals can have only one ABLÉ Account.

14) Do I have to pay taxes on the money in my CalABLE Account?

You do not have to pay taxes on any money while it is in your CalABLE account. You also do not have to pay taxes on any money you withdraw from your CalABLE account,

as long as you use the money to pay for a QDE.

15) Are there limits on how much I can contribute to my CalABLE Account?

Yes. The maximum yearly contribution limit is currently \$15,000. The maximum lifetime limit is currently \$100,000 before SSI or state-means tested benefits are suspended (however, in California, beneficiaries are able to save up to \$529,000 and still participate in Medi-Cal and other federal means-tested public benefits programs). Once your balance drops below the lifetime limit, you may resume making contributions. CalABLE's system will automatically reject excess contributions, so there is no risk to your benefits.

Account owners who are employed have the ability to contribute above the \$15,000 annual contribution limit, provided they do not participate in an employer-sponsored retirement plan. Working beneficiaries can contribute whichever is less:

- Amount equal to annual gross salary OR
- Federal Poverty Level (\$12,140 in 2019)
- For a potential \$27,140 per year

16) Who can contribute money into my CalABLE Account?

Anyone.

17) How can I take money out of my CalABLE Account?

You can transfer funds electronically to a personal checking or savings account through the enrollment website, or request third-party checks be written directly from your account. CalABLE will also offer a prepaid (loadable) debit card in the coming months. There are no charges on withdrawals and no limit on the number of withdrawals you can make.

18) Will the money I save in a CalABLE account affect my Medicaid/Medi-Cal eligibility?

No. The money in a CalABLE account will not affect your eligibility for Medicaid benefits.

19) Will I lose my SSI eligibility if I open a CalABLE Account?

No, but your SSI benefits may be suspended if your CalABLE account balance is over \$100,000. Any money in your CalABLE account *over* \$100,000 will be treated as a countable resource when determining your SSI benefits or eligibility for state-means tested programs. You will begin receiving your benefits again once your CalABLE account balance drops to or below \$100,000.

20) Can an individual with a disability work and maintain a CalABLE Account?

Yes, as long as the individual meets the eligibility requirements for a CalABLE account.

21) Can I have a CalABLE account and a Special Needs Trust or other type of Trust?

Yes, you can maintain your CalABLE account in addition to trusts. There are pros and cons to each depending on your individual circumstances, but in general, these two tools complement one another. We recommend you consult a licensed financial planner

or trust attorney for more information on how to concurrently utilize both of these resources.

22) Can I make a tax-exempt transfer of funds from an existing 529 college savings account to a CalABLE Account?

An existing 529 account can be rolled into the CalABLE account of the 529 beneficiary or a member of the beneficiary's family. These rollovers are free from federal tax; however, they are currently subject to state income tax and an additional 2.5% California tax (CalABLE hopes to pursue tax conformity legislation to eliminate these state tax consequences). In addition, rollovers are subject to the current \$15,000 annual contribution limit

23) How Do I Open My CalABLE Account?

Visit our enrollment website at: CalABLE.ca.gov. Full program details and instructions on how to apply through the online enrollment portal are available on the website, and customer support assistance is available via phone and email. Before getting started, you will want to collect the following pieces of information, including:

- Social Security Number, Date of Birth, and Contact Information for the Beneficiary
- Social Security Number for the Authorized Legal Representative, if applicable
- Bank Account Information (Account Number and Bank Routing Number)

Contact: CalABLE staff

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Email: calable@treasurer.ca.gov

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