ABLE ACCOUNTS FOR DISABLED CLAIMANTS

The lifetime cost of caring for a disabled loved one is staggering. Even with the assistance of needs-based benefits, the sheer volume of additional funds required for housing and vehicle modifications, assistive technology, healthcare, and daily living adds up quickly. If the onset of your client's disability occurred before the age of 26, then they may want to explore the possibility of using settlement proceeds to fund an ABLE account.

What is an ABLE account?

An ABLE account is essentially a savings account that offers tax-free growth and the ability to maintain access to needs-based benefits provided the account funds remain below a certain threshold. ABLE accounts are relatively easy to set up and flexible to use.

Who is eligible for an ABLE account?

If the disabled individual is already receiving SSI and/or SSDI benefits and they meet the pre-age 26 disability onset requirement, they are automatically eligible to establish an ABLE account. If the disabled individual is not receiving benefits under SSI and/or SSDI but still meets the age criteria, they may still be eligible for an ABLE account with doctor-provided written certification confirming their disability.

How much money can be used to fund an ABLE account?

ABLE accounts have both annual and lifetime contribution limits. Under current tax law, total annual contributions cannot exceed $15,000, unless the disabled individual is working. If the disabled individual is working, then federal tax law now permits additional deposits up to the limit of the federal poverty level for a one-person household. Lifetime contribution limits vary by state, with some states allowing upwards of $300,000.

It is important to note that funds held within an ABLE account are exempt from the asset tests used to determine needs-based benefit eligibility ***if the account funds do not exceed $100,000***. If the funds in the account exceed the limit, the disabled beneficiary may temporarily lose access to certain needs-based benefits (e.g., SSI) until the account falls below the $100,000 threshold.

How can ABLE account distributions be used?

Distributions from an ABLE account can be used only for the benefit of the disabled beneficiary, but the actual uses are fairly extensive. Qualified expenses may include healthcare, transportation, education, legal fees, assistive technology, housing, and basic living expenses.

For more information regarding ABLE accounts and other financial options for disabled claimants, contact Sage Settlement Consulting today.

With local offices across the country, our team offers award-winning comprehensive settlement planning services.

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