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Families Can Use a Tax-Advantaged ABLE Account to Save for Disability Expenses

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Governor Charlie Baker recently announced the launch of a state sponsored Achieving a Better Life Experience (ABLE) account program that has been long awaited by disabled individuals and their families. This program serves as a vehicle to set aside savings for disability expenses, similar to a 529 college savings plan. Massachusetts joins 26 states that have state ABLE account programs. These programs were first established by the Achieving a Better Life Experience Act, signed by former President Obama.

ABLE accounts will encourage disabled persons to be more independent. Many disabled individuals who want to work will be able to save more for their living expenses. Parents and grandparents will be able to save for the disabled person without throwing them off public benefits.

An ABLE account allows after- tax contributions , up to a total of \$14,000 a year, to an account owned by the disabled person that will grow tax-free. Distributions from the ABLE account are not subject to federal income tax as long as the money is used for qualified disability expenses such as education, housing, transportation, employment training and support, assistive technology and related services, personal support services, health, and basic living expenses of the disabled person. A total of \$400,000 may be accumulated in a Massachusetts ABLE account. Up to \$100,000 is disregarded for Supplemental Security Income (SSI) benefits (any excess would be disqualifying for SSI benefits), but such a limit does not impact eligibility for Medicaid/MassHealth benefits. Without ABLE accounts, most public benefit recipients can only have \$2,000 assets in their own name.

To qualify, participants must be disabled before age 26 and meet the federal definition of a significant physical or mental disability under the Social Security Act. A participant is limited to one ABLE account.

The Massachusetts Educational Financing Authority, the same body that manages 529 accounts, will operate the program. Fidelity Investments will manage the money and offer investment options for participants.

The ABLE account is a cost effective and simple way to save for a disabled individual. However, more affluent families will still need a special needs trust to hold and manage a disabled child's inheritance without jeopardizing public benefits. Also, unlike with third party special needs trusts established by a parent or grandparent for the benefit of a disabled child, there is a payback provision with ABLE accounts for Medicaid/Masshealth benefits to reimburse the Commonwealth for the disabled person's medical expenses.

For more information on Massachusetts ABLE accounts, please see the [Massachusetts Educational Financing Authority](#) website.