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Pennsylvania launched the PA ABLÉ savings program

Eight hundred thousand disabled Pennsylvanians received good news when Pennsylvania launched its PA ABLÉ Savings Program on April 3, 2017. PA will now accept accounts for enrollment in this new savings program for disabled persons. This is PA's version of the "Achieving a Better Life Experience" (ABLE) tax advantaged account program per the federal law enacted on December 19, 2014.

The PA ABLÉ Savings program has benefits previously unavailable to PA residents who are disabled and receiving needs-based public benefits. Those who receive Supplemental Security benefits (SSI) cannot have more than \$2,000 in his or her name and still maintain their benefits. Losing SSI means losing the Medicaid coverage for their medical insurance (as opposed to SSDI beneficiaries who qualify for Medicare). PA ABLÉ accounts, properly set up, can "shelter" up to \$100,000 and not affect the beneficiary's eligibility for any federal needs based programs, such as Medicaid and SSI. Furthermore, contributions by family and friends are not considered income.

In order to be eligible to open a PA ABLÉ account, the beneficiary must have a qualifying disability with onset of the disability occurring before age 26 years. There is no state residency requirement. Contributions are limited to a maximum of \$14,000 annually. An eligible adult with legal capacity that allows them to enter into contracts must open the account for themselves. If the beneficiary is a minor, or does not have legal capacity, a parent, guardian, or an Agent under a Power of Attorney can open the account and become the "authorized individual."

If an individual meets the above eligibility requirements, the benefits are numerous. The tax advantages include: 1) no federal or Pennsylvania income tax is assessed on the growth in the savings (tax deferral); 2) withdrawals for "qualified disability expenses" result in an exemption for federal or PA income tax; and 3) the entire account (savings and growth) is exempt for PA inheritance tax. Using an ABLÉ account protects eligibility for PA student financial aid. Additionally, the entire account is protected from creditors of the account owner, beneficiary or contributor. Furthermore, the entire account is not subject to Medicaid Estate Recovery. The account owner can control the account and choose investment options.

The money can be spent on basic living expenses which is not true of funds in a supplemental needs trust. There is no requirement of medical necessity in order to spend the funds. Furthermore, spending need not benefit the individual exclusively. This is a way for disabled individuals to have control over their money and spend on items that are not necessarily "supplemental" to basic living expenses. For instance, the account owner can spend money in the account for education, housing, transportation, employment training/support, assistive technology/personal support services, health, prevention/wellness, financial management, and legal fees. These are broader uses of the account holder's money than is permitted under a supplemental needs trust, although both may be needed in some cases.

The PA ABLÉ Savings Program is administered by the PA Treasury Department. Find out more by calling 855-529-ABLE, emailing info@paable.gov or on the website at www.paable.gov.