

## ABLE Accounts: FAQs

updated March 5, 2018

### What is an ABLE account?

- An ABLE account is a **tax advantaged savings account**; earnings grow **tax-free** and are **tax-exempt**. Some states (not Minnesota) have **deductions for contributions** to ABLE accounts by in-state residents.

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### How do I qualify for an ABLE account?

- A person who became **blind or disabled BEFORE age 26 (as certified by the Social Security Administration, the State Medical Review Team, or a doctor's statement)** is eligible to establish an ABLE account. If you are receiving benefits from [Supplemental Security Income](#) (SSI), [Social Security Disability Insurance](#) (SSDI), [Medical Assistance](#) (MA), and other programs use the SSA standards, you definitely qualify for an ABLE account. If you don't get those benefits, you can still qualify for an ABLE account by having a doctor verify that your disability meets the SSA standard, and causes "marked and functional limitations."

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### Why should I open an ABLE account?

- ABLE accounts offer **tax advantages that help your wealth grow faster**.
- ABLE accounts let people who get benefits from programs with an **asset limit**, like [Supplemental Security Income](#) (SSI), [Medical Assistance](#) (MA), and [MFIP](#), **build up a savings safety net** and plan for the future **without having to worry that their savings will cause them to lose their benefits**. The goal of the ABLE accounts program is to give people with disabilities more **financial independence**.

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### How do I open an ABLE account?

- **You can open an ABLE account in any state you choose — you do not have to open an account in the state where you live.**
- You can only have one ABLE account, but you can transfer your account from one state to another.
- States with ABLE programs list their program details and explain their application process online. The [ABLE National Resource Center](#) lists details about each state's ABLE legislation progress and programs, with links to the websites for states that have their ABLE programs up and running.

When comparing programs, check:

- The minimum amount you need to open an ABLE account, and the cost of any fees

- How you can deposit and withdraw money from the account — electronic transfer, paper check, debit card, etc. — and how long it takes to get your money when you need it
- The investment choices you have (each state offers multiple options, but some offer more than others)
- The level at which the program stops letting you make more deposits (usually somewhere between \$200,000 and \$400,000)

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## How much money can I have in an ABLE account?

- **Anyone — you, your family, your friends — can put money into your ABLE account**, but there are two limits on how much can be put into your ABLE account in a single calendar year:
  - Up to \$15,000 from any source (including your family and friends, your benefits, and other [unearned income](#))
  - Another \$12,060 from your own [earned income](#) (if you have a job)
- If you get [Supplemental Security Income](#) (SSI) benefits and the total amount in your ABLE account goes **over \$100,000**, your SSI benefits stop until the balance drops below **\$100,000**.
- Plus, each state sets the **maximum amount** that can be in its ABLE accounts; that maximum can be \$200,000 – \$500,000 or more (**\$350,000 Minnesota**).
- **Rules vary by state**, but you can typically use a **paper check, electronic fund transfer, payroll deduction, or an automatic investment plan** to **deposit money** in your ABLE account.

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## How can I take money out of an ABLE account?

- **Rules vary by state**. Some accounts ask for a signed withdrawal request stating how you'll use the money on a qualified disability expense, and it can take 5 – 10 business days to get the money.
- Some accounts include a **prepaid debit card**

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## What can I spend ABLE account money on?

- You can spend money you take out of your ABLE account on any **"qualified disability expense," which means anything that helps you increase or maintain your health, independence, or quality of life**.
- This includes **housing, transportation, medical expenses, prevention, wellness, education, employment training and support, assistive technology, personal assistance services, financial management, administrative services, legal fees, and basic living expenses**.
- You will need to keep all **receipts** to prove you spent the money on qualified expenses.

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## What are the tax benefits of an ABLE account?

ABLE accounts can have two tax benefits:

1. **The growth of your investments isn't taxed, and**

[https://mn.db101.org/mn/programs/job\\_planning/able/faqs.htm](https://mn.db101.org/mn/programs/job_planning/able/faqs.htm)

2. If you work and save [earned income](#) in your ABLE account, you may qualify for the federal [Saver's Credit](#).

However, [to get these tax benefits](#) any money taken out of your ABLE account must be spent on [qualified disability-related expenses](#). If you take money out of your ABLE account and don't spend it on disability-related expenses, you may have to pay income tax plus a 10% penalty.

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## Medicaid reimbursement upon recipient's death

- [Medicaid will receive the balance remaining](#) in the ABLE account upon the recipient's death. All qualified disability expenses, including funeral and burial expenses, are paid first. Then the state has the option to file a claim for any outstanding Medicaid services paid on the beneficiary's behalf from the time the account opened until the beneficiary passed away.