# ABLE accounts may help disabled or blind family members

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There may be a tax-advantaged way for people to save for the needs of family members with disabilities — without having them lose eligibility for government benefits to which they're entitled. It can be done though an Achieving a Better Life Experience ("ABLE") account, which is a tax-free account that can be used for disability-related expenses.

**Who is eligible?**

ABLE accounts can be created by eligible individuals to support themselves, by family members to support their dependents, or by guardians for the benefit of the individuals for whom they're responsible. Anyone can contribute to an ABLE account. While contributions aren't tax-deductible, the funds in the account are invested and grow free of tax.

Eligible individuals must be blind or disabled — and must have become so before turning age 26. They also must be entitled to benefits under the Supplemental Security Income ("SSI") or Social Security Disability Insurance ("SSDI") programs. Alternatively, an individual can become eligible if a disability certificate is filed with the IRS for him or her.

Distributions from an ABLE account are tax-free if used to pay for expenses that maintain or improve the beneficiary's health, independence or quality of life. These expenses include education, housing, transportation, employment support, health and wellness costs, assistive technology, personal support services, and other IRS-approved expenses.

If distributions are used for nonqualified expenses, the portion of the distribution that represents earnings on the account is subject to income tax — plus a 10% penalty.

**More details**

Here are some other key factors:

- An eligible individual can have only one ABLE account. Contributions up to the annual gift-tax exclusion amount, currently $15,000, may be made to an ABLE account each year for the benefit of an eligible person. If the beneficiary works, the beneficiary can also contribute part, or all, of their income to their account. (This additional contribution is limited to the poverty-line amount for a one-person household.)
- There's also a limit on the total account balance. This limit, which varies from state to state, is equal to the limit imposed by that state on qualified tuition (Section 529) plans.
- ABLE accounts have no impact on an individual's Medicaid eligibility. However, ABLE account balances in excess of $100,000 are counted toward the SSI program's $2,000 individual resource limit. Accordingly, an individual's SSI benefits are suspended, but not terminated, when his or her ABLE account balance exceeds $102,000 (assuming the individual has no other assets). In addition, distributions from an ABLE account to pay housing expenses count toward the SSI income limit.

- For contributions made before 2026, the designated beneficiary can claim the saver's credit for contributions made to his or her ABLE account.

**States establish programs**

There are many choices. ABLE accounts are established under state programs. An account may be opened under any state's program (if the state allows out-of-state participants). The funds in an account can be invested in a variety of options and the account's investment directions can be changed up to twice a year.



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