



New Help for Special Needs

THE DEBUT OF 529-LIKE SAVINGS ACCOUNTS FOR THE DISABLED GIVES FAMILIES ANOTHER WAY TO PROTECT A CHILD'S FINANCIAL FUTURE. *by Megan Leonhardt*

PLANNING AHEAD for a special-needs child is a challenge. With as little as \$2,000 in savings, adults with disabilities lose out on Medicaid and Supplemental Security Income (SSI) benefits, making it tough for parents to set aside money for the future. One of the few work-arounds—a special-needs trust—is complicated and costly to set up. But a new type of tax-advantaged state savings plan now offers a simpler way for families to help.

Modeled after 529 college savings plans, ABLÉ accounts allow you to save up to \$14,000 a year for anyone who became blind or disabled before age 26 without having that money count against the \$2,000 asset limit. You can't deduct your contribution on your federal taxes, but earnings grow tax-free, and withdrawals to cover living expenses and other qualified costs are tax-free too. The person with the disability is the account holder. "ABLE is a game changer," says Sara Weir, president of the

National Down Syndrome Society.

Only four states have rolled out ABLÉ accounts so far, but the Ohio, Nebraska, and Tennessee plans, all of which let you invest in low-cost portfolios of Vanguard funds, are available nationally. (Only residents, though, qualify for state tax deductions.) Here's how an account works best.

SAVE FOR FUTURE COSTS

If you're setting money aside to cover a disabled child's expenses later in life, you could use an ABLÉ account in place of a special-needs trust, but keep a few important caveats in mind.

For one, there's no limit to how much you can put in a special-needs trust. With ABLÉ, though, if you sock away more than \$100,000 the account holder's SSI benefit will be suspended until the balance falls below that amount. Plus, when the account holder dies, money that's left may be claimed by the state to recoup Medicaid outlays.

While that's a serious drawback, experts expect this controversial rule to fade. "I think in the near future we'll see that Medicaid pay-back feature eliminated," says Weir.

PITCH IN FOR EXPENSES NOW

Even if you opt for a special-needs trust to fund your child's retirement or other long-term goals, you can use an ABLÉ account for living expenses now, especially for adult children. "ABLE accounts fill an immediate need, while a trust exists for the future," says Tennessee financial adviser Lois Carrier.

Once your adult child is collecting SSI—and maybe earning a paycheck—you could add money to an ABLÉ account to supplement that income. The child can tap it without going through a trustee (Ohio even has a debit card option), providing some measure of independence. Notes Weir, "it's the first time individuals with disabilities can actually save their own money in their own name." **M**

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