Key Wealth

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ABLE Accounts: Empowering Financial Security for Individuals with Disabilities

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The Achieving a Better Life Experience (ABLE) Act of 2014 introduced a revolutionary tool for financial planning: ABLE accounts. These tax-advantaged savings accounts empower individuals with disabilities and their families to save without jeopardizing their eligibility for critical government benefits.

What are ABLE accounts?

The ABLE Act created Section 529A of the Internal Revenue Code, the federal legal framework that establishes the specific rules and requirements of an ABLE account. Think of ABLE accounts as 529 college savings plans designed specifically for individuals with disabilities. People who meet eligibility criteria can open ABLE accounts and contribute funds to save for a wide range of qualified expenses, including:

- **Education** – Allowing individuals with disabilities to pursue higher learning or vocational training programs.
- **Housing** – Facilitating independent living arrangements or modifications to a current residence to improve accessibility.
- **Transportation** – Helping to cover the costs of reliable transportation, including adapted vehicles or public transit passes.
- **Employment support** – Paying for job coaching, resume writing services, or assistive technologies needed in the workplace.
- **Assistive technology** – Providing resources for specialized equipment that can enhance daily living and independence outside the workplace.

- **Health care not covered by insurance** – Helping to manage out-of-pocket medical expenses or therapies.
- **Basic living expenses** – Offering a safety net for essential costs like food, clothing, and utilities.

Benefits of ABLE accounts

Tax advantages

Contributions to ABLE accounts are not tax-deductible at the federal level. However, earnings within the account grow tax-free, and withdrawals used for qualified disability expenses are not taxed. This tax-friendly environment allows funds to grow faster, maximizing their impact.

Preserving benefits
One of the most significant advantages of ABLE accounts is that generally they do not count toward eligibility for means-tested benefits like Supplemental Security Income (SSI) and Medicaid. This distinction allows individuals with disabilities to save without losing essential support systems. They can achieve greater financial security without jeopardizing their access to health care and other vital programs.

Financial independence
ABLE accounts promote self-sufficiency and empower individuals with disabilities to manage their finances and plan for their long-term well-being. The ability to save for improvements in their quality of life and future goals fosters a sense of control and dignity.

Eligibility for ABLE accounts

To be eligible for an ABLE account, the designated beneficiary (account owner) must have a disability or blindness that began before they turned 26. This requirement is set to change in 2026, expanding eligibility to a broader range of individuals with disabilities whose condition began before age 46. This expansion will be a significant step in reaching more people with disabilities.

Getting started with ABLE accounts

Every state administers its own ABLE program, so specific details and enrollment processes may vary. However, most programs offer user-friendly online resources to guide you through the setup process. You can find your state's ABLE program by visiting the ABLE National Resource Center website at https://www.ablenrc.org/.

ABLE accounts are a powerful tool for individuals with disabilities and their families. The accounts offer tax-advantaged savings, preserve eligibility for essential benefits, and foster financial independence.

Standard annual contribution limit

The annual contribution limit for ABLE accounts is adjusted periodically to keep pace with inflation. For 2025, the limit is $19,000. Anyone can contribute to an ABLE account on behalf of the eligible disabled beneficiary, including family, friends, special needs trusts, and even the account owners.

Additional contribution for working beneficiaries

There is an additional contribution opportunity for employed ABLE account owners who do not participate in an employer-sponsored retirement plan like a 401(k) or 403(b). In this case, account owners may be eligible to contribute a higher amount, up to the lesser of these two limits:

- **Earned income for the tax year**
  This considers total income from wages and self-employment.
- **Poverty line for one-person household**
  This varies by location. For instance, in 2025, the limit is $15,650 in the continental United States.

Important considerations

Total account value limit
There's also a limit on the total value an ABLE account can hold. This varies by state, typically ranging from $235,000 to $596,925. Contributions that push the account over this limit will not be accepted.

Impact on benefits
ABLE accounts offer a fantastic way to save for qualified disability expenses, usually without jeopardizing benefits like SSI. However, funds exceeding $100,000 within the account can affect SSI eligibility. Also, for individuals who received Medicaid benefits when they had an ABLE account open, that state's Medicaid program can file a claim for some repayment upon death. Before that happens, funds from the beneficiary's ABLE account may be used by their estate to repay any outstanding qualified disability expenses, including funeral and burial costs.

Additional benefits
ABLE account beneficiaries may qualify for the federal Saver's Credit for up to $2,000 in contributions to their ABLE accounts.

Choosing between an ABLE account and a special needs trust

You may need to decide whether the best fit for your situation is an ABLE account or a special needs trust (SNT), which also allows someone diagnosed with disabilities – or their relatives – to save without affecting their eligibility for other benefits. The best option for you will depend on your specific circumstances.

Here are some things to consider:

- **Amount of money you need to save** – If you have a large sum to save and need maximum flexibility in investment options, an SNT might be a better choice.
- **Government benefits** – If your beneficiary relies on SSI or Medicaid, an ABLE account might be preferable to avoid jeopardizing those benefits.
- **Complexity** – If you want a simpler option with easier management, an ABLE account might be better.

ABLE accounts vs. special needs trusts

An ABLE account and a special needs trust are both valuable tools for financial planning for individuals with disabilities, but they have distinctive features and purposes:

ABLE Accounts	
Focus	• Allow contributions for qualified disability expenses (QDEs), which include education, housing, transportation, employment support, health, prevention and wellness, and basic living expenses.
Benefits	• Contributions generally do not affect eligibility for government benefits (like SSI). • Funds grow tax-free, and withdrawals for QDEs are tax-free. • Easier to set up and manage than a special needs trust.
Limitations	• Annual contribution limits apply (currently $19,000 for 2025, with an additional allowance for working beneficiaries). • Total account value limits also exist (varying by state). • Funds exceeding $100,000 within the account can affect SSI eligibility.

Special Needs Trusts	
Focus	• Can hold a wider variety of assets than ABLE accounts, including stocks, bonds, and real estate. This allows for potentially greater wealth accumulation.
Benefits	• No annual contribution limits. • Can be structured to protect eligibility for government benefits.
Limitations	• May be complex and expensive to set up and manage, requiring the assistance of an attorney. • There is no federal oversight of SNTs, so rules and requirements can vary by state.

Here are some resources that you might find helpful:

- ABLE Account Contribution Limits (2024):
  ABLE National Resource Center: https://www.ablenrc.org/select-a-state-program/
- ABLE Account Rules to Know: ABLEnow: https://www.ablenow.com/resources/faqs/
- ABLE National Resource Center: https://www.ablenrc.org/

For more information, please contact your advisor.

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.

About the Author

As a Relationship Manager for Key Private Bank, Gretchen Miller focuses on ensuring her clients' wealth management plans are carried through to meet their unique financial objectives and grow and preserve wealth. Gretchen coordinates the implementation of wealth management strategies with the relationship team and ensures clients have the tools and information to keep track of their financial situations and make informed decisions. She also coordinates regular communications and updates with the team and proactively delivers the latest insights and advice to benefit clients' particular situations.

Gretchen has more than 30 years of experience in financial services and is well qualified to help clients implement strategies to achieve their goals. Most recently, prior to joining Key, Gretchen served as Director of Advanced Planning for Prudential Financial, where she was a subject matter expert on financial and estate planning and on retirement topics such as Social Security, Medicare, and tax-efficient distribution strategies. Gretchen earned a Bachelor of Science degree in Management from Springfield College and an MBA from the University of Phoenix. Gretchen obtained her certification as a Certified Financial Planner.™ Most recently, she obtained her Certified Private Wealth Advisor certification in 2024. She is a member of the Financial Planning Association, the Investments & Wealth Institute, and the Institute for Divorce Financial Analysts.®

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