
ABLE Accounts for Loved Ones with Disabilities

Weekly Educational Update – March 18, 2020

Families with special needs children have a new tax-deferred savings option. The ABLE account, also called a 529A savings account, is patterned after the popular 529 savings plan, created to help parents save for a child's higher education. Like 529 plans, ABLE accounts are run by states rather than the federal government. These plans emerged after the passage of the Achieving a Better Life Experience (ABLE) Act in 2014.¹

ABLE accounts address an underpublicized financial need. While some families open college savings accounts, comparatively few start discrete savings accounts or trusts for children with disabilities. That difference may be partly due to the presumption that “the money will be there” when the child becomes an adult.

The money may not be there; at least, not as much of it as many families hope. State agencies and nonprofit groups helping the disabled face ongoing funding challenges, including pressure to limit the “entitlements” they distribute. Social Security, which provides Supplemental Security Income (SSI) to millions of disabled adults, faces its own set of issues.

Financially and legally, what changes when a child with special needs turns 18?

As an adult, a disabled person becomes eligible for Medicaid and monthly SSI payments, provided they meet the financial requirements, typically only available to those with \$2,000 or less in assets. Some special needs adults have more than \$2,000 in assets in their name by age 18. Savings accumulate, family gifts and investments are made on behalf of the child, and suddenly, that young person is ineligible for fundamental health care and income benefits.²

ABLE accounts nicely address this dilemma. Money accumulated in a tax-advantaged ABLE account does not count toward that \$2,000 total. Even if funds in the account exceed \$100,000, the account beneficiary will still be eligible for Medicaid (albeit, ineligible for SSI).¹

How large can an ABLE account become? Current ABLE account maximums range from \$235,000 to \$529,000 (limits vary per state). Account contributions can be made by anyone.^{1,3}

What if the state you live in has no ABLE accounts? Consider opening an account in another state. Some states allow out-of-state residents to participate in their ABLE

programs. (It is also worth noting that some states have lower ABLE account fees than other states.)^{1,3}

ABLE account holders have some new options, thanks to federal tax reform. The Tax Cuts and Jobs Act of 2017 brought notable changes for these accounts. While the basic annual account contribution limit is currently \$15,000 for an individual, working ABLE account holders may now contribute employment income to their accounts in excess of that \$15,000 threshold, up to the individual federal poverty level set for the preceding calendar year. In addition, some ABLE account beneficiaries may be eligible for the Saver's Credit, a sizable federal tax break.¹

You may now roll over up to \$15,000 from a standard 529 plan into an ABLE account. One key condition must be met: the beneficiary of the standard 529 plan must either be the same person who is the beneficiary of the ABLE account or a member of the same family as the ABLE account holder.¹

ABLE accounts are becoming an important component of special needs planning. The word worth emphasizing here is "component." The money in an ABLE account alone may not be enough to cover lifetime care expenses for a disabled adult, even if the account is replenished. An ABLE account is usually not a financial "answer" for families with mentally or physically challenged children, but a part of a greater financial strategy that might include a supplemental needs trust or other savings vehicles.

These accounts do have their shortcomings. The biggest drawback of ABLE accounts is that they do nothing for people who become disabled after age 26. You cannot open one for someone older than 26, unless the individual became disabled prior to reaching that age. Another little-known demerit: states sponsoring ABLE accounts can seek repayment from those accounts for the cost of care covered by Medicaid if the beneficiary dies.^{1,3}

ABLE account contributions are not tax-deductible at the federal level (some states do permit deductions). This tradeoff is made in exchange for tax-deferred earnings and tax-free withdrawals. Withdrawals go untaxed, so long as the money is spent on "qualified disability expenses," which can range from education, housing, and transportation costs to job training and health care. Nonqualified withdrawals, naturally, are taxable.¹

The bottom line? ABLE accounts give families with children who have special needs a new way to save and invest for future needs and expenses.



"Success is not final, failure is not fatal: it is the courage to continue that counts."

– Winston Churchill



Cinnamon Rolls



Makes 12-15 servings

Ingredients:

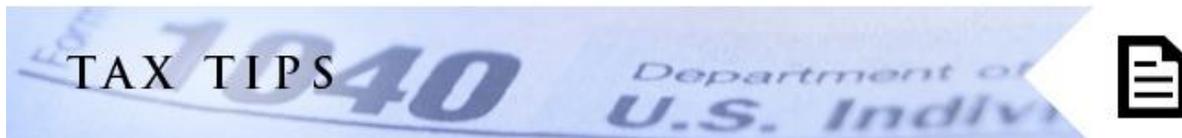
- ¼ oz. package yeast
- 1 cup warm water
- ½ cup milk, scalded
- 1½ cup sugar
- 1 cup butter
- 1½ cup butter, melted
- 1 tsp. salt
- 1 egg
- 4 cups all-purpose flour
- 2 Tbsp. ground cinnamon
- 2 cups powdered sugar
- 1 tsp. vanilla extract

Directions:

1. Heat oven to 350° F.
2. Dissolve yeast in bowl of warm water and set aside.

3. Mix milk, sugar, $\frac{1}{3}$ cup melted butter, salt, and egg.
4. Add 2 cups of flour and mix until smooth.
5. Pour in yeast mixture.
6. Mix in rest of flour and stir into dough.
7. Knead dough over floured surface for 5 to 10 minutes, then cover in well-greased bowl.
8. Let rise for 60 to 90 minutes, or until the dough has doubled in size.
9. Punch down dough and roll it out on a floured surface into a rectangle.
10. Spread melted butter over dough.
11. Mix cinnamon with sugar and sprinkle over the dough.
12. Roll up rectangle cut into a dozen or more single rolls.
13. Coat pan with butter and sprinkle sugar.
14. Insert rolls close together in pan and let rise for 45 minutes.
15. Bake for 30 minutes, or until browned.
16. For frosting, mix butter, powdered sugar, and vanilla.
17. Add hot water 1 Tbsp. at a time until spreadable.
18. Once you take out the rolls, let cool, then add the frosting.

Recipe adapted from FoodNetwork.com⁴



Internal Revenue Service Postpones Tax Filing Season

In response to the Coronavirus (COVID-19), the Internal Revenue Service (IRS) has agreed to postpone the April 15 tax payment deadline by 90 days for many individuals and businesses.

Taxes still must be filed by April 15, but taxpayers will receive 90 additional days to submit their payment.

In addition, several states have also agreed to extend the tax filing deadline.

The COVID-19 tax filing changes are a fluid situation, so please consult your tax, legal, and accounting professionals before modifying your existing tax strategy. This article is for informational purposes only and is not a replacement for real-life advice.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from Bloomberg.com⁵



Why You Should Play for the Center of a Green

How many times do you hit a perfect approach shot? How often do your tee shots on par 3s do exactly what you want them to do? The answer to both these questions may be, “Less often than I would like.” For that reason, it really is wise to play for the center of most greens, especially on a hazard-heavy course.

Your first instinct may be to go for the flag on every approach shot. Sometimes, that doesn’t leave you much room for error. Playing for the center of the green (or the fat part of the green) may be conservative, but putting for a birdie from 25 to 30 feet out is better than facing a 15-footer for a bogey after losing a ball in a hazard.

Tip adapted from Pipestone Golf⁶



Make Your Own Luck – with Science!

It’s a commonly held belief that some people are simply luckier than others. Researchers have determined, however, that these fortunate few aren’t charmed by chance rather they continually sought and created opportunities for their “luck.” Here are five things these individuals have in common.

1. **They’re not passive.** They volunteer themselves for planning and leadership positions.

2. **They make plans to achieve their goals.** They search, organize, and take action to reach their aspirations.
3. **They're observant.** They are constantly aware of their surroundings.
4. **They have in-person social connections.** Networking is their forte.
5. **They have an impressive virtual presence.** Their social media connections and prominence are highly optimized.

The next time you're feeling down about missing a chance or not reaching a goal, turn it into an opportunity to create your own luck next time. You never know what could happen.

Tip adapted from PsychologyToday.com⁷



Build a Wardrobe That Lasts

Are you cleaning out your closet this spring? Look for creative and environmentally friendly ways to get rid of the clothing that doesn't work for you anymore, while building a wardrobe that will stand the test of time.

Buy the highest-quality clothing you can afford. Most garments made today are “fast fashion”; meaning that the clothing isn't made to last for more than a year before being discarded. Most textile waste ends up in landfills, so buying better-quality clothing that will last you beyond the year to come is an investment for your wardrobe, wallet, and the environment.

Donate clothing in good condition. Have clothing in good condition that you no longer wear? Donate it to thrift shops, or for higher-end items, sell it online. For those garments that are beyond repair or not suitable for donating, check to see if there are any textile recyclers in your local area.

Tip adapted from RealSimple⁸

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¹ <https://www.finra.org/investors/learn-to-invest/types-investments/saving-for-education/able-accounts-529-savings-plans>

² <https://mn.db101.org/mn/situations/youthanddisability/benefitsforyoungpeople/program2c.htm>

³ <http://www.ablenrc.org/what-is-able/what-are-able-accounts/>

⁴ <https://www.foodnetwork.com/recipes/paula-deen/cinnamon-rolls-recipe-1946030>

⁵ <https://www.bloomberg.com/news/articles/2020-03-17/treasury-delays-april-15-tax-deadline-by-90-days-for-millions>

⁶ <https://www.pipestonegolf.com/blog/41-improve-approach-shots>

⁷ <https://www.psychologytoday.com/us/blog/lifetime-connections/201603/5-ways-create-your-own-luck>

⁸ <https://www.realsimple.com/beauty-fashion/clothing/cleaning-out-my-closet>