

ABLE Account Changes

Take-Away: Achieving Better Life Experience Accounts (ABLE Accounts) were introduced in 2014 to enable disabled individuals who rely on public benefit programs for support to work, earn and save for their own future. The One Big Beautiful Bill, along with the recent ABLE Age Adjustment Act, both expand eligibility and increase contribution opportunities to ABLE accounts, which will hopefully provide more savings incentives for disabled individuals.

Background: About one in four American adults live with some form of disability, and about 14% of American adults have some form of cognitive disability. Yet these disabilities do not prevent those individuals from working. Sadly, however, disabled individuals are only about 35% as likely to be in the labor force as nondisabled individuals. The recent law changes are intended, at least in part, to enable more disabled individuals to work yet still save for their future without having their savings jeopardize their eligibility for governmental benefits like Supplemental Security Income (SSI- a \$2,000 resource limit), Supplemental Nutrition Assistance Program (SNAP- a \$3,250 resource limit) and Medicaid.

ABLE Accounts: ABLE accounts are modeled after 529 college savings accounts, which enable a disabled individual to save up to \$100,000 (or more in some states) without affecting their eligibility for SSI, Medicaid, or other means-tested government programs. ABLE accounts offer: (i) tax-free growth on investments; (ii) tax-free withdrawals for *qualified expenses*; and (iii) exemption from the asset limitations for SSI (up to \$100,000) and Medicaid (no dollar limit.) ABLE accounts will be improved by both the One Big Beautiful Bill Act (OB3) and the ABLE age Adjustment Act. These improvements are described below.

OB3: The OB3 provides some immediate, and also future benefits to ABLE accounts.

Enhanced Annual Contributions: The work provisions of the 2017 Tax Act were made permanent. This allows disabled individuals to contribute additional income to their ABLE account beyond the \$19,000 (annual exclusion amount) annual contribution limit, up to the federal poverty level or their earnings for the year, whichever is *less*, if the disabled individual is not then contributing to a defined contribution retirement plan.

529 Rollovers: Tax-free rollovers from an IRC 529 college savings plan to an ABLE account were also made permanent. This rollover option adds additional flexibility if education funds are no longer needed for that purpose.

Saver's Credit: A tax credit helps a low-income worker save for his/her future. This tax credit applies immediately, and it is scheduled to become even more generous starting in 2027. In 2027 the saver's credit improves as: (i) the maximum contribution eligible for the tax credit increases to \$2,100; and (ii) the maximum credit amount increases to \$1,050, which means the tax credit is available just for contributing to the ABLE account, which is intended as an incentive to reward long-term savings and financial independence.

ABLE Age Adjustment Act: Starting in 2026 this Act expands who is eligible to open an ABLE account. Previously, only if the individual had acquired their disability *before age 26* could they qualify to open an ABLE account. Under this Act, the cutoff age to open an ABLE account is increased to **age 46**. This expanded eligibility is a major change since it enables those individuals with mental health conditions, chronic illnesses, or injuries acquired in their adulthood years, who were previously excluded from ABLE account benefits, to now own and contribute to an ABLE account.

Conclusion: As these new rules apply, especially the expanded coverage for ABLE accounts starting in 2026, it is worthwhile to revisit a disabled individual's eligibility to open and contribute to an ABLE account as these rule changes make them even more attractive.

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