



OREGON
COLLEGE
SAVINGS

PLANNER

SUMMER 2016

The ABLE Act: Financial Empowerment for Individuals with Disabilities

After years of work by the national disability community, there is a new financial resource to help individuals with disabilities and their families. The "Achieving a Better Life Experience" (ABLE) Act of 2014 approves the use of tax-free savings accounts for individuals with disabilities to pay for qualified expenses.

ABLE accounts allow individuals with qualifying disabilities to save money for future expenses without jeopardizing vital state and federal benefits. Many of these benefits require an individual to have less than \$2,000 in assets to be eligible for services. ABLE accounts allow individuals to save up to \$100,000 without counting against their \$2,000 asset limit. As with 529 education savings plans, any earnings in an ABLE account are tax-free when used for qualified expenses. Some states will offer income tax deductions as an added incentive for individuals to save for their future.

Eligibility

Individuals with significant disabilities with an age of onset prior to 26 years are typically eligible for an ABLE account. Individuals eligible for Supplemental Security Income (SSI) or Social Security Disability Income (SSDI) are automatically eligible for an ABLE account as long as they meet the age of onset requirement. Individuals are also eligible for ABLE if they can provide a certification with a physician's diagnosis that confirms significant functional limitations.

Funding

Anyone can contribute to an ABLE account up to the annual gift tax exclusion, which is \$14,000 per beneficiary in 2016, and contributions must be made in cash. Accounts can accumulate up to \$100,000, including growth, without disqualifying beneficiaries from federal and state means-tested assistance. Once an ABLE account exceeds \$100K, it starts to count against the \$2,000 asset limit described above, until the account value drops back below \$100,000. However, the beneficiary would continue to be eligible for Medicaid.

Withdrawals

All withdrawals from an ABLE account are tax-free as long as they are used for qualified expenses. Qualified expenses include those for education, housing, assistive technology, personal support services and other disability-related expenses. Distributions for a nonqualified purchase will be treated as ordinary income and subject to an additional 10% tax.

The Oregon 529 Savings Network is planning to offer an ABLE Savings Plan in 2017 and more news will be forthcoming as it becomes available. In the meantime, you can visit the ABLE National Resource Center's website at ablenrc.org for general information about ABLE accounts.



Oregon College Savings Planner Tips

Keep your college savings on track by setting up an automatic contribution plan. And don't forget to ask friends and family to contribute as gifts.

Are your investments allocated appropriately for your beneficiary's age? You can rebalance up to twice per calendar year.

Time to start paying for school? You can send money directly to the institution.

You can manage all these activities by logging into your account at OregonCollegeSavings.com.

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Individuals should consult with a qualified independent tax advisor or CPA for specific advice based on the individual's personal circumstances.

This letter must be preceded or accompanied by a Disclosure Booklet for the Oregon College Savings Plan. Investments in the Plan are neither insured nor guaranteed and there is the risk of investment loss. Before investing in a 529 plan, consider whether the state in which you or your Beneficiary reside has a 529 plan that offers favorable state tax benefits that are available if you invest in that state's 529 plan.

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