

## CalABLE Quarterly

July 2021

### From the Director

The old saying "knowledge is power" has never been truer. And when it comes to saving for your future, financial literacy is a powerful key to your success and economic freedom.

CalABLE recently conducted a survey of CalABLE account owners and authorized legal representatives. While survey results showed we have a strong positive reputation on a majority of metrics, we learned that there's a solid interest in developing financial literacy.

With that in mind, we are pivoting to provide the information and resources you need to grow your understanding of personal finance. Starting with this newsletter, we will focus on sharing the information and resources that can help you grow and maximize your CalABLE account and personal finances. Also, we launched the Financially-ABLE webpage, which you may read more about in this quarterly newsletter.

Financial education is important because it empowers you to potentially earn more money, manage that money smarter, and protect your money from unforeseen risk. Consider the CalABLE team your partners in that worthy endeavor.

Sincerely,

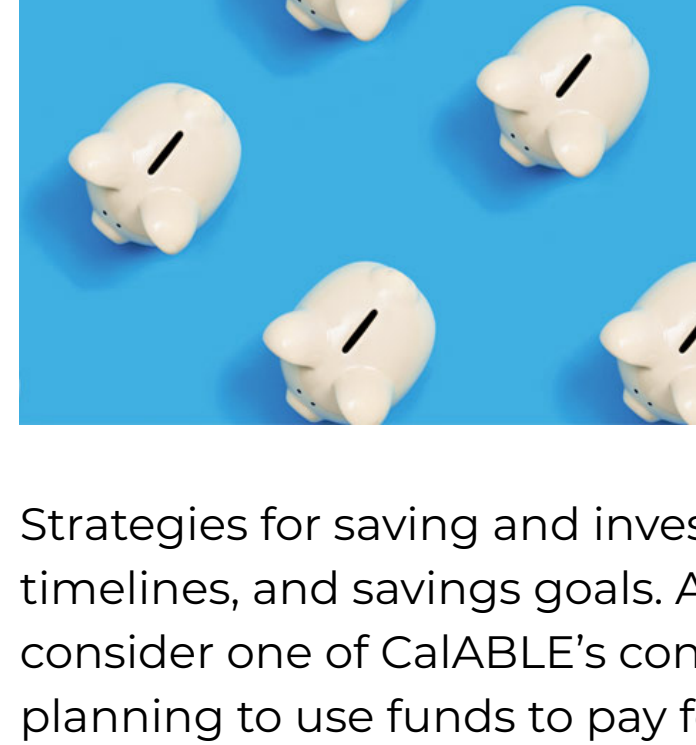
**Dante Q. Allen**  
Executive Director  
CalABLE



**Dante Allen**  
Executive Director  
CalABLE

[Past Issues](#)

### In This Issue



#### Investment Options

While CalABLE is designed to serve all eligible people in the disability community, we know everyone's investment strategy may not be the same. Choose an approach that makes sense for your financial goals.

Strategies for saving and investing differ greatly based on your circumstances, financial constraints, timelines, and savings goals. Account owners looking to save money for the long-term might consider one of CalABLE's conservative, moderate or aggressive portfolios. Account owners planning to use funds to pay for expenses throughout the year might choose the FDIC-Insured Portfolio.

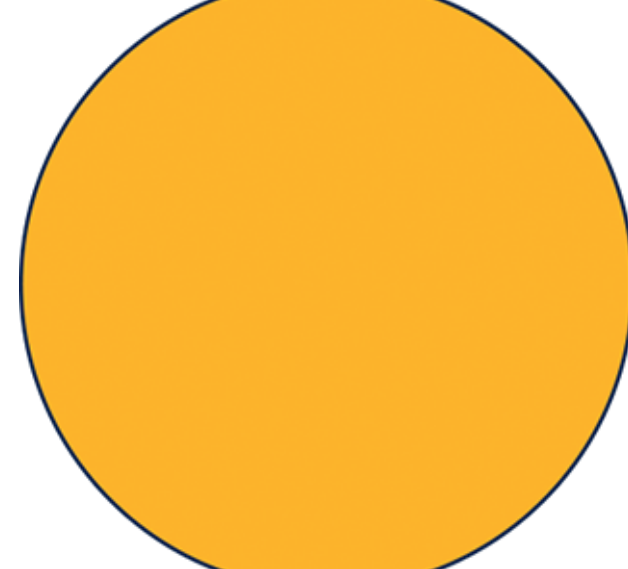
Or, if saving for both long-term and short-term expenses, you may choose to spread your savings among a couple portfolios. You may also change the way in which future contributions are invested at any time. And, you can change your investment choices twice per calendar year once the money is in your account.

CalABLE offers four savings and investment options:

#### FDIC-Insured Portfolio<sup>1</sup>

Use this if you want a stable, conservative return by investing in a low risk, interest-bearing deposit account.

» [FDIC-Insured Portfolio Description](#)



100% Interest-Bearing Account

#### Conservative Portfolio

Use this if you want a conservative to moderate long-term total return by investing primarily in bond funds, with smaller allocations to stock funds and a funding agreement.

» [View Underlying Funds](#)

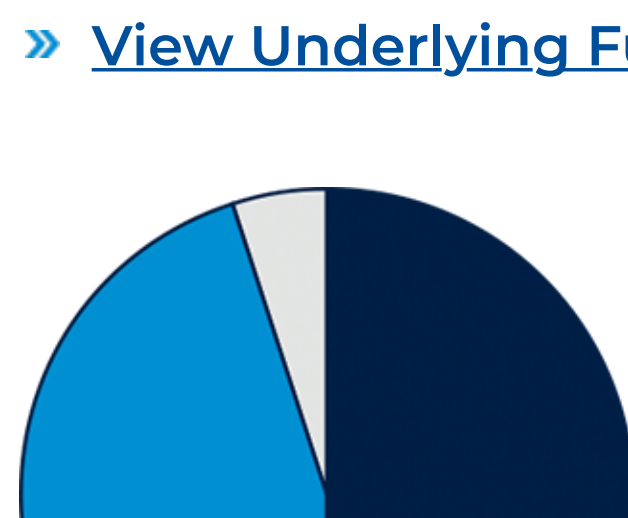


20% Stocks  
55% Bonds  
25% Funding Agreement<sup>2</sup>

#### Moderate Portfolio

Use this if you want a moderate long-term total return by investing in stock funds, bond funds, and a funding agreement.

» [View Underlying Funds](#)

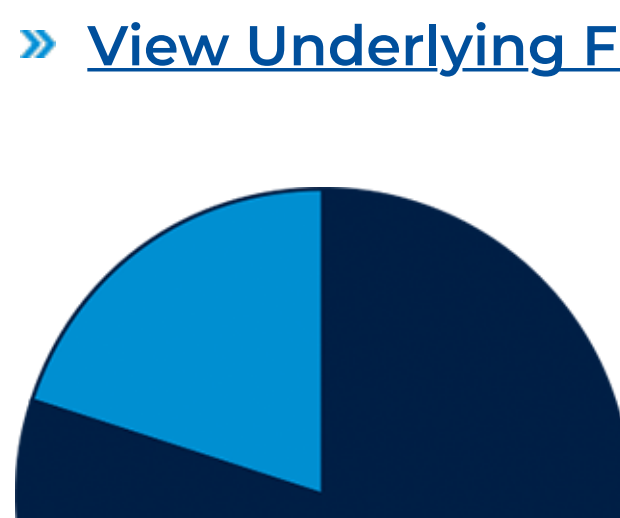


50% Stocks  
45% Bonds  
5% Funding Agreement<sup>3</sup>

#### Aggressive Growth Portfolio

Use this if you want aggressive growth and long-term total returns by investing primarily in stock funds.

» [View Underlying Funds](#)

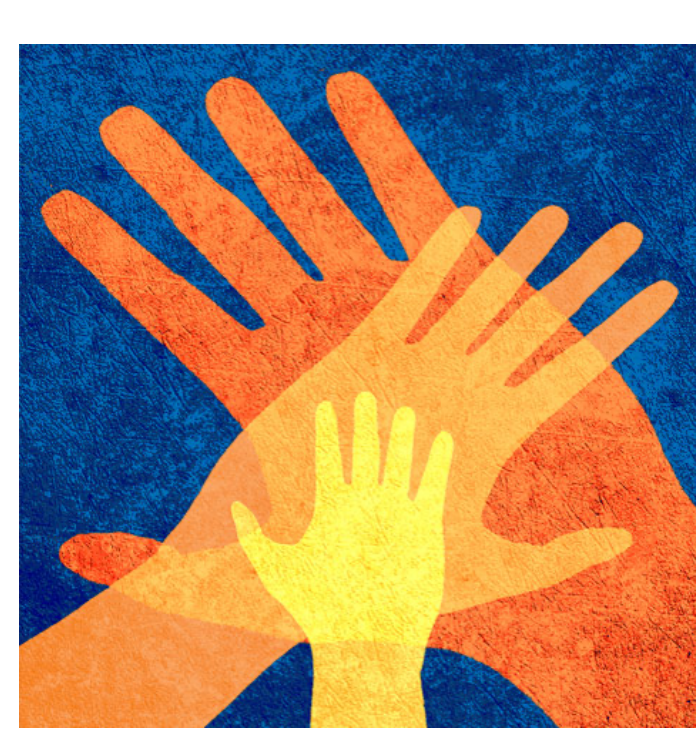


80% Stocks  
20% Bonds

[See daily prices and historical performance for each portfolio.](#)

<sup>1</sup>Investments in the FDIC-Insured Portfolio are insured by the FDIC up to \$250,000, subject to certain restrictions. For additional information on the FDIC-Insured Portfolio, including information on FDIC insurance, please see the [Program Disclosure Statement and Participation Agreement \(PDF\)](#).

<sup>2,3</sup>The funding agreement is an insurance product that guarantees a minimum interest rate.



### Special Needs Trusts Overview

Both CalABLE accounts and special needs trusts are a form of protected asset accounts. Which is right for you?

As you evaluate your options, this overview will set the stage for further research.<sup>1</sup>

#### What is a special needs trust?

A special needs trust is a legal vehicle enabling assets to be held on behalf of someone with disabilities without affecting their eligibility for [means-tested public benefits](#) such as Medicaid or Supplemental Security Income (SSI).

#### What responsibilities does a trustee have?

Administering a special needs trust is considerably more complicated than managing a CalABLE account. The trustee is responsible for investing funds, making disbursements, paying taxes and maintaining detailed accounts. This requires an understanding of government programs, including strict regulations concerning the use of special needs trust assets, since improper use of funds can disqualify the beneficiary from important means-tested public benefits.

#### What is a first-party special needs trust?

A first-party special needs trust is created with assets belonging to an individual with disabilities. Such funds typically consist of a personal injury settlement or inheritance. The person must be under 65 at the time that the trust is established. Funds remaining in the trust at the beneficiary's death must be used to reimburse Medicaid for services to that individual before they can be distributed to anyone else.

#### What is a third-party special needs trust?

A third-party special needs trust is created with assets provided by anyone other than the beneficiary, such as parents, relatives, or friends of the beneficiary. Such a trust can be created and funded during the life of the originator or as part of a last will and testament. Upon the beneficiary's death, there is no requirement to use residual funds to reimburse Medicaid for services provided to the individual, and remainder beneficiaries may be named to receive those assets.

#### What is a pooled special needs trust?

A pooled special needs trust is often an alternative for small estates or when it's difficult to identify a trustee. Sub-accounts belonging to many beneficiaries are managed as a single entity, usually by nonprofit corporations that call upon the experience of social workers, money managers, and special needs attorneys. Funds remaining at the beneficiary's death are typically divided between Medicaid and the nonprofit.

#### What are the limitations of a special needs trust?

Special needs trusts are complicated. Federal and state laws related to the treatment of trusts by Medicaid have been subject to periodic amendments making it even more challenging to keep up with. An individual with a disability or family member who is considering a special needs trust should employ a professional to determine if a trust is appropriate, what kind of trust is best, and the impact on things like tax liability and eligibility for government benefits.

Attorney fees vary greatly for first- and third-party special needs trusts. Because of that, these trusts are generally not great options for smaller amounts of money—fees can be steep and administration costs are ongoing. Special needs trusts can be limiting as well because distributions must be approved by the trustee.

<sup>1</sup>This material is for informational or educational purposes only and does not constitute legal or estate planning advice. This material does not take into account any specific objectives or circumstances of any particular investor, or suggest any specific course of action. Be sure to consult with your legal professional for details and advice.



### Be Money Smart

Having a CalABLE account is a great start. But knowing more about managing your finances can help you achieve a better life experience.

CalABLE launched a new initiative to provide financial literacy education for account owners. Use proven tools and strategies published on our new [Financially-ABLE webpage](#) to educate yourself, study the basics, build financial resilience and improve your fiscal well-being.

We also partnered with the [National Disability Institute \(NDI\)](#) to provide resources that can help you grow your financial literacy in the [AchievABLE™ Corner](#). If you're considering opening a CalABLE account, ready to open a CalABLE account, or already using your CalABLE account, we have the strategies and tools to help you maximize the potential of your account.

And don't forget, you also have an invaluable resource in your CalABLE Ambassadors. They know firsthand how important financial health is to enrich their own life as well as the community around them. [Meet your CalABLE Ambassadors](#).



### ABLE Age Adjustment Act

Stay up to date on proposed legislation to raise the age of onset of disability from 26 to 46.

The United States Congress introduced the [ABLE Age Adjustment Act \(S. 331 and H.R. 1219\)](#) in February 2021. Once passed, this legislation will amend the Internal Revenue Code with respect to qualified Achieving a Better Life Experience (ABLE) programs by increasing the eligibility age of ABLE account beneficiaries from the onset of disability before age 26 to onset before age 46.

The goal of the ABLE Age Adjustment Act is to build on the progress made over the last decade to empower people with disabilities to live fuller and more independent lives. This legislation will expand access to tax-free ABLE accounts for people who develop a disability later in life. Here are the [proposed adjustments outlined by the National Association of State Treasurers \(NAST\)](#) (PDF):

1. Eliminate the Medicaid payback provision.
2. Allow multiple accounts for the benefit of the same beneficiary and eliminate the requirement that the account owner and beneficiary be the same person.
3. Increase or eliminate the annual contribution limit and allow a five-year advance payment option.
4. Allow lump sum contributions in certain circumstances—including insurance settlements, court-ordered judgments, inheritances and early retirement payouts related to a disability.
5. Clarify that use of a checking account option in an ABLE account is not considered investment direction.
6. Allow greater flexibility in ABLE accounts for beneficiaries with a spouse, either by allowing the account to be rolled over to a spouse with a disability and/or by allowing joint ABLE account ownership or married couples with disabilities to twice the annual contribution limit of a single account owner.

The Able Age Adjustment Act will expand the pool of people who qualify for the accounts. In fact, approving this legislation [increases the pool of eligible people to 14 million](#), making this legislation crucial for our community to track and to support.

[Read the ABLE One Page Congressional Handout about the ABLE AGE Adjustment Act from NAST \(PDF\)](#).



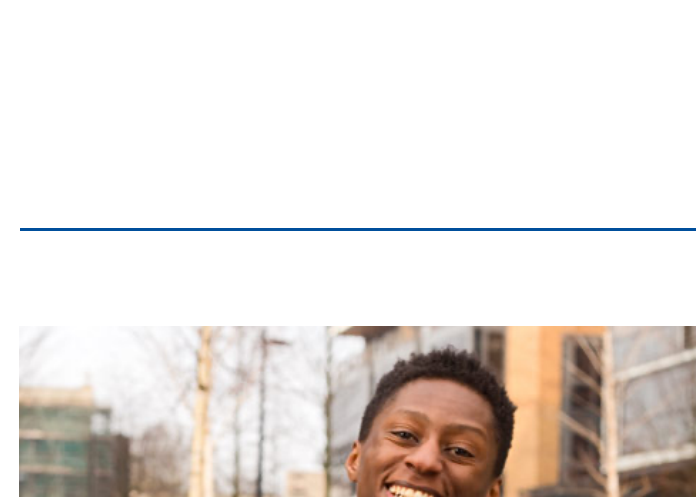
### Americans with Disabilities Act

While it's unimaginable for us today, there was a time when people with disabilities were confined to their homes or institutions because communities did not evolve with them in mind. Can you imagine not being able to get into your office building, your school, your bank, your pharmacy?

On July 26, 2021, millions of people with disabilities and their family and friends will celebrate the 31st anniversary of the signing of the Americans Disabilities Act (ADA). Signed into law on July 26, 1990 by President George H.W. Bush, ADA is landmark civil rights legislation that increased the inclusion of people with disabilities in all aspects of community life. Of course, I am aware of the challenges yet to be overcome, but I am joyful about ADA's achievements during the past 31 years.

When it was enacted, the ADA promised people with disabilities equal opportunity, nondiscrimination, and a "level playing field." President Bush likened enactment of the law to the fall of the Berlin Wall. [He said](#), "And now I sign legislation which takes a sledgehammer to another wall, one which has for too many generations separated Americans with disabilities from the freedom they could glimpse, but not grasp. Once again, we rejoice as this barrier falls proclaiming together, we will not accept, we will not excuse, we will not tolerate discrimination in America."

CalABLE is delighted to celebrate ADA's anniversary and I invite you to as well. To prepare, you can find ideas and resources in the [ADA31 Media Kit](#).



### A Common Question

Will a CalABLE account affect my government benefits?

Your CalABLE account will not count against your eligibility for federal or California state benefits, unless your account exceeds a balance of \$100,000. Once your account exceeds \$100,000, your SSI would be suspended and your eligibility for California state and local means-tested programs could be at risk. Your account balance will never affect your eligibility for Medicaid/Medi-Cal.

For example, if you have \$2,500 in your CalABLE account, that \$2,500 does not count as an asset for purposes of determining your eligibility for federal or California public benefits programs, like SSI or Medicaid.

If you receive SSI benefits and your CalABLE account balance exceeds \$100,000, your SSI benefits will be suspended—but not terminated. Once your balance drops below the maximum account balance, you can notify the Social Security Administration to have your SSI benefits resume, and you may resume making contributions to your account.

In addition, money you withdraw for housing expenses may affect your SSI benefits if you do not spend it right away. To avoid any impact to your SSI benefits, be sure to spend housing money within the same calendar month that you withdraw it. For example, if you withdraw \$500 from your CalABLE account on July 3 for rent, you must pay that rent money by July 31. As long as you do not hold housing funds over from one calendar month to the next, they will not affect your SSI benefits.

For answers to frequently asked questions, check out our [FAQs](#). Or, reach out to the CalABLE team.

#### CalABLE Service Center

Account and CalABLE Program Questions  
Phone: 833-225-2253 between 9:00 a.m. and 5:00 p.m. PST  
Email: [CalABLESupport@CalABLE.ca.gov](mailto:CalABLESupport@CalABLE.ca.gov)

#### CalABLE Act Board and Administrative Staff

Administered by the California State Treasurer's Office  
Phone: 916-653-1728  
Email: [CalABLE@treasurer.ca.gov](mailto:CalABLE@treasurer.ca.gov)

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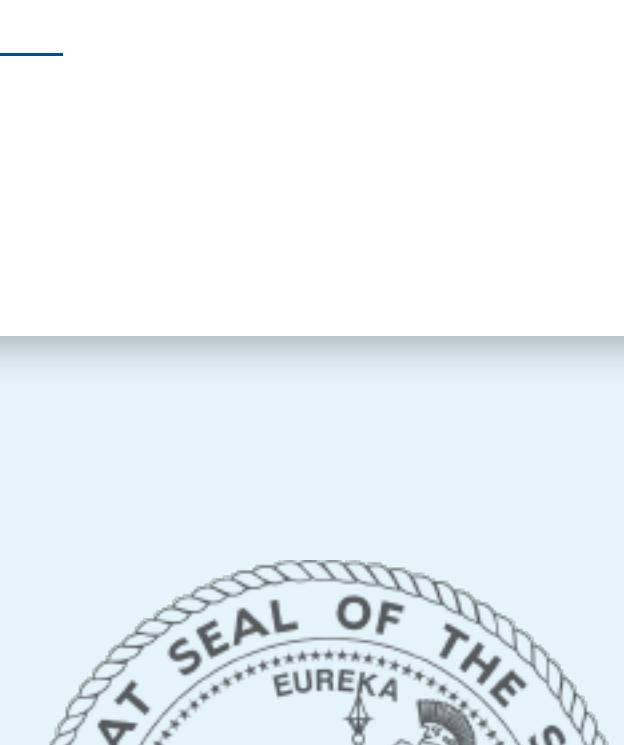
#### SUPPORT

#### FAQS



833-Cal-ABLE (833-225-2253)

[calABLESupport@CalABLE.ca.gov](mailto:calABLESupport@CalABLE.ca.gov)



► [Legal Disclosure](#)



### **FDIC Plan Description**



Account assets in the FDIC-Insured Portfolio are 100% invested in an interest-bearing custodial account at TIAA Bank, a division of TIAA, FSB and an affiliate of the Program Manager. As of July 1, 2021, investments in the FDIC-Insured Portfolio will earn an Annual Percentage Yield (APY) of 0.01%, and because those investments are in a variable-rate, interest-bearing deposit account at TIAA Bank, the APY may change without notice in TIAA Bank's sole discretion. The APY with respect to the FDIC-Insured Portfolio may be higher or lower than the APY available to individuals or entities making deposits directly with TIAA Bank or other depository institutions in comparable accounts. There is no minimum investment to invest in the FDIC-Insured Portfolio. Fees may reduce earnings. For additional information on the FDIC-Insured Portfolio, including information on compounding and crediting of interest, please see the [Program Disclosure Statement and Participation Agreement \(PDF\)](#).



### Underlying Portfolio Funds for Investment Options

The Underlying Fund table below, from the [Plan Description](#), list investments in which this Portfolio invests and the percentage of the investment portfolio's assets allocated to each of its investments. Please keep in mind if you invest in this portfolio, you will own interests in the Portfolio; you will not own shares in any of the mutual funds.

#### Conservative Investment Portfolio

TIAA-CREF Equity Index Fund (TIEIX) - 14.00%
TIAA-CREF International Equity Index Fund (TCIEX) - 4.50%
TIAA-CREF Emerging Markets Equity Index Fund (TEQLX) - .50%
TIAA-CREF Bond Index Fund (TBIX) - 44.00%
TIAA-CREF Inflation-Linked Bond Fund (TIILX) - 11.00%
TIAA-CREF Life Funding Agreement - 25.00%



### Underlying Portfolio Funds for Investment Options

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#### Moderate Investment Portfolio

- TIAA-CREF Equity Index Fund (TIEIX) - 35.00%
- TIAA-CREF International Equity Index Fund (TCIEX) - 11.25%
- TIAA-CREF Emerging Markets Equity Index Fund (TEQLX) - 3.75%
- TIAA-CREF Bond Index Fund (TBIX) - 36.00%
- TIAA-CREF Inflation-Linked Bond Fund (TIILX) - 9.00%
- TIAA-CREF Life Funding Agreement - 5.00%



### Underlying Portfolio Funds for Investment Options

The Underlying Fund table below, from the [Plan Description](#), list investments in which this Portfolio invests and the percentage of the investment portfolio's assets allocated to each of its investments. Please keep in mind if you invest in this portfolio, you will own interests in the Portfolio; you will not own shares in any of the mutual funds.

#### Aggressive Growth Investment Portfolio

TIAA-CREF Equity Index Fund (TIEIX) - 56.00%
TIAA-CREF International Equity Index Fund (TCIEX) - 18.00%
TIAA-CREF Emerging Markets Equity Index Fund (TEQLX) - 6.00%
TIAA-CREF Bond Index Fund (TBIX) - 16.00%<
TIAA-CREF Inflation-Linked Bond Fund (TIILX) - 4.00%
TIAA-CREF Life Funding Agreement - 0.00%