



Investor's Guide for ABLE Programs



Produced by the
Municipal Securities Rulemaking Board



About the MSRB

The Municipal Securities Rulemaking Board (MSRB) is a self-regulatory organization charged with protecting investors, municipal entities, obligated persons and the public interest by promoting a fair and efficient municipal securities market. In support of its mission, the MSRB:

- Prevents fraud and manipulation and promotes fair dealing by establishing rules for brokers, dealers and municipal securities dealers (collectively, “dealers”) and municipal advisors;
- Supports equal access to information and market transparency through its Electronic Municipal Market Access (EMMA®) website, the official source for municipal securities data and disclosure documents, including disclosure documents for certain ABLÉ programs (defined in “Frequently Used Terms” section); and
- Improves market understanding by providing educational resources and objective market analysis.

Interests in ABLÉ programs are considered municipal securities under the federal securities laws and are regulated as municipal fund securities under MSRB rules. MSRB rules apply to dealers that act in the capacity of underwriters of ABLÉ programs and/or that sell interests in ABLÉ programs as well as to municipal advisors that engage in municipal advisory activities with the state sponsors of ABLÉ programs.

This Investor’s Guide is for educational purposes only; the MSRB does not provide legal, financial, investment, tax or benefits advice. This Investor’s Guide is considered accurate as of September 2019 and does not address any proposed changes in applicable laws or regulations, nor will this guide be updated to reflect any such changes. This Investor’s Guide is not intended to recommend or describe any particular ABLÉ program. Please consult a legal, financial, investment, tax and/or benefits advisor for such assistance.

Any reference to MSRB rules and interpretations may not describe all applicable provisions. Please see the complete text of all MSRB rules and interpretations at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

For your convenience, the MSRB provides links in Section Two to a number of other organizations that may provide additional educational reference materials.



Contents

Introduction.....	4
Frequently Used Terms	5
Section One.....	8
Background Information	8
Benefits and Risks	11
Fees and Charges	13
Investment Options.....	15
Account Value	16
Other ABLE Basics.....	17
Using an ABLE Account.....	18
Federal Means-Tested Benefits and Other Government Benefits Considerations	20
Section Two.....	22
Sources of Information.....	22
Complaints.....	23
Appendix A.....	24



Introduction

The purpose of this Investor's Guide is to help with the understanding of how ABLE programs work. The Investor's Guide is designed in two sections: Section One provides general information about ABLE programs, and Section Two highlights where to find more information regarding ABLE programs.

Each ABLE program offered has its own program disclosure booklet. The program disclosure booklet provides important information about that ABLE program, which may have characteristics that are not described in this Investor's Guide, such as any benefits that may be offered by the state sponsor of the ABLE program for its residents and taxpayers who invest in the ABLE program. It is important to carefully review the program disclosure booklet to understand the costs, benefits and risks before opening an account and making an investment. This Investor's Guide is for educational purposes; it is not a substitute for reviewing the program disclosure booklet that an ABLE program offers.



Frequently Used Terms

This section provides definitions of terms frequently used in this Investor's Guide. More detailed information about these terms is included throughout the Investor's Guide.

In addition, please review the program disclosure booklet for the meaning of the terms as used by that ABLE program.

Term	Definition
ABLE account	An ABLE account is an account in an ABLE program that is opened by an eligible individual to receive contributions and to provide for qualified withdrawals.
ABLE program	An ABLE program is a tax-advantaged savings program established and maintained by a state sponsor in accordance with Section 529A of the Internal Revenue Code. An ABLE program is designed to help support eligible individuals with maintaining health, independence and quality of life.
Account owner	The account owner is the eligible individual who opened the ABLE account or on whose behalf the ABLE account was opened by an authorized legal representative. As used in this Investor's Guide, the term "account owner" generally includes the authorized legal representative of the account owner.
Authorized legal representative	An authorized legal representative is the parent, guardian or power of attorney authorized to open an ABLE account on behalf of an eligible individual. Each ABLE program describes its requirements for an authorized legal representative.
Designated beneficiary	The designated beneficiary is the account owner and the eligible individual who benefits from amounts contributed to the ABLE account.
Eligible individual	An eligible individual is an individual with a qualifying disability who may open an ABLE account.
Maximum annual contribution amount	The total maximum amount, from all sources, in a calendar year that can be contributed to an ABLE account. This maximum amount corresponds to the annual federal gift tax exclusion for a single taxpayer (\$15,000 for 2019), except in certain limited circumstances where an employed account owner can contribute additional funds up to specified limits.

Term	Definition
Maximum contribution or account balance limit	Each state sponsor of an ABLE program establishes a maximum aggregate contribution or account balance limit as required by proposed Internal Revenue Service regulations. Contributions cannot be made in excess of the maximum account contribution or account balance.
Medicaid	Medicaid is a program that provides health coverage to certain individuals, including individuals with disabilities. Medicaid is administered by states and funded jointly by states and the federal government.
Non-qualified withdrawal	A non-qualified withdrawal from an ABLE account is a withdrawal that is not a qualified withdrawal or a qualified rollover.
Program disclosure booklet	The program disclosure booklet is the legal document or offering statement that describes an ABLE program. It is available from the program manager and through an ABLE program’s website. Many program disclosure booklets are available on the MSRB’s EMMA® website.
Program manager	The program manager of an ABLE program is the entity that manages and provides certain services to the program. The program manager is selected by the state sponsor that established and maintains the ABLE program.
Qualified disability expenses	Under proposed Internal Revenue Service regulations, qualified disability expenses include, but are not limited to, expenses for the designated beneficiary’s education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses, and other expenses that the Internal Revenue Service may identify in the future.
Qualified rollover	A qualified rollover is a transfer of funds in an ABLE account to another ABLE account for the same beneficiary or an eligible individual and family member of the designated beneficiary that meet certain requirements.
Qualified withdrawal	A qualified withdrawal is a withdrawal from an ABLE account that is used to pay for the qualified disability expenses of the designated beneficiary.
SSA	SSA is the U. S. Social Security Administration. The SSA pays disability benefits to individuals who cannot work because they have a medical condition that is expected to last at least one year or that is expected to result in death.



Term	Definition
SSDI	SSDI is Social Security Disability Insurance, a federal program that pays disability benefits to an individual or certain members of that individual's family if the individual is "insured," meaning the individual worked long enough and paid Social Security taxes.
SSI	SSI is Supplemental Security Income, a federal program that provides cash benefits to individuals who are blind or who have qualifying disabilities and who have limited financial resources.
State sponsor	The state sponsor of an ABLE program is the state, state agency or instrumentality of the state (such as a board) that establishes and maintains the program.
Units	Units represent the account owner's ownership interest in the ABLE program.



Section One

BACKGROUND INFORMATION

What is an ABLE program?

An ABLE program is a tax-advantaged savings program that is established by a state sponsor in accordance with Section 529A of the Internal Revenue Code. An ABLE program is designed to help eligible individuals with maintaining and improving health, independence and quality of life. Earnings in an ABLE account are not subject to federal income tax and generally are not subject to state income tax when used to pay for the qualified disability expenses of the designated beneficiary.

A state may offer certain tax or other benefits to its residents and taxpayers who contribute to an ABLE program. Consult a tax advisor to learn more about those state-specific tax or other benefits.

How are ABLE programs sold?

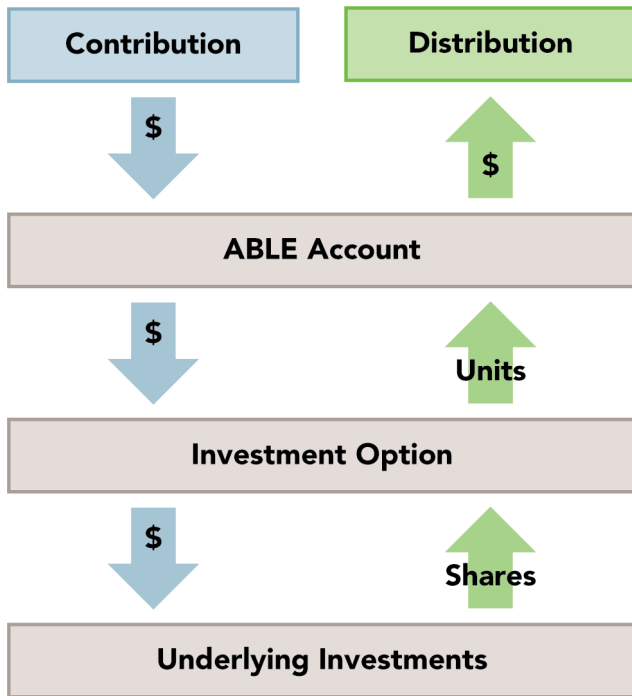
An ABLE program may be sold one of two ways. It may be sold directly through the ABLE program's website or distributed to individuals ("direct-sold"), or the ABLE program may be sold through a dealer that has entered into a selling agreement with that ABLE program's primary distributor ("advisor-sold"). A dealer, subject to the MSRB's rules, may provide advice about the ABLE program and its investment options.

What is the structure of an ABLE program?

After an account owner opens an ABLE account, the account owner makes an initial contribution. In exchange for that contribution, the account owner receives units. Those units represent the funds invested in (*i.e.*, the contributions made to) the ABLE program. The ABLE program invests the funds in the investment option(s) selected by the account owner from the investment options offered by the ABLE program. The account owner does not own the specific underlying investments, such as mutual fund shares, made by those investment options nor does the account owner exercise any investment discretion over the specific underlying investments made within the investment options. When an account owner makes a withdrawal from an ABLE account, the account owner receives funds equivalent to the then-current value of the number of units redeemed as of the date of the withdrawal. See "Account Value—How will account value be determined?"



Figure 1. Typical Contribution and Distribution Flow of Funds



Who may own an ABLÉ account?

Only eligible individuals may own an ABLÉ account and be the designated beneficiary for the ABLÉ account. To be an eligible individual, an individual must meet two requirements—an **age requirement** and a **severity of disability determination**.

The **age requirement** is that the onset of the individual's disability or blindness must have occurred before age 26.

The **severity of disability determination** requirement (a qualifying disability) may be met automatically or may require a certification. An individual whose disability or blindness occurred before age 26 and who is currently receiving SSI and/or SSDI benefits is automatically eligible to open an ABLÉ account. An individual whose disability or blindness occurred before age 26, but who is not currently receiving SSI and/or SSDI benefits,

generally must provide a disability certification that meets the specified requirements under penalties of perjury, to the ABLÉ program to open an ABLÉ account. Those requirements may include a certification that the account owner has received a written diagnosis relating to the disability from a licensed physician. In addition to that certification, depending on the ABLÉ program, an individual may be required to provide the written diagnosis to the ABLÉ program upon request.

ABLE programs will require that eligible individuals satisfy U.S. citizenship or U.S. residency requirements; some ABLÉ programs may also include requirements regarding state residency and age.

Who may open an ABLÉ account?

In addition to the eligible individual, his or her agent under a power of attorney or, if none, a parent or legal guardian, may open an ABLÉ account. In general, to be an authorized legal representative, an individual must:

- Be a citizen or resident of the United States;
- Be 18 years or older;
- Have a permanent address in the United States that is not a post office box; and
- Be the parent of the eligible individual and/or a person who has been granted authority over the financial affairs of the eligible individual through a:
 - Court order, such as a guardian or conservator; or
 - Legally enforceable power of attorney.

See the program disclosure booklet for a particular ABLÉ program for more information about the account opening requirements.



Who may contribute to an ABLE account?

Any person, including friends and family of the account owner, may contribute to an ABLE account. In addition, a trust, corporation or other legal entity can contribute to an ABLE account. However, a contribution to an ABLE account may have gift or other tax consequences to the person making the contribution to the account owner and, in certain instances, a contributor who is not an account owner may forego state benefits otherwise available only to account owners.

If a contributor is **not** the account owner or authorized legal representative, please note the following:

- The contributor will forfeit any rights to the contribution once he or she makes it—this means that the contributor will not be able to direct how the contribution is invested, make or receive the proceeds from a withdrawal from the ABLE account, or have any other rights regarding the ABLE account.
- The contributor will not receive a confirmation or account statements from the ABLE program.

Can there be multiple ABLE accounts for the same designated beneficiary?

No, there can only be one ABLE account for the same designated beneficiary.

How much may be contributed to an ABLE account?

There are two restrictions that limit how much may be contributed to an ABLE account. There is an annual contribution limit that restricts how much may be contributed to an ABLE account

each calendar year, and there is an overall maximum contribution or account balance limit that restricts the maximum amount that can be invested in an ABLE account at any point in time. More information about these restrictions is provided below.

- **Annual contribution limit**—Total contributions from all sources may not exceed the maximum annual contribution amount, currently \$15,000 (the 2019 federal gift tax exclusion for a single taxpayer). However, an ABLE to Work contribution (defined below), as applicable, expands the amount that can be contributed to an ABLE account.
 - **ABLE to Work Contribution limit**— Before January 1, 2026, a designated beneficiary who is employed or who is self-employed can contribute the lesser of: (i) his or her compensation for the taxable year, or (ii) an amount equal to the poverty line (the federal poverty guideline) for a one-person household, as determined by the calendar year preceding the calendar year in which the taxable year begins. The federal poverty guideline (sometimes called the Federal Poverty Level) depends on where the designated beneficiary resides. In 2019, (i) for the contiguous 48 states and the District of Columbia, the federal poverty guideline is \$12,490; (ii) for Hawaii, the federal poverty guideline is \$14,380; and (iii) for Alaska, the federal poverty guideline is \$15,600. Traditionally, the federal poverty guidelines increase from year to year. The ability to contribute additional funds is based upon an account owner's employment and is generally referred to as "ABLE to Work" contributions.



- *Please note:* ABLE to Work contributions may not be made during taxable years in which contributions are made for the designated beneficiary to a defined contribution plan, an annuity contract or an eligible deferred compensation plan (as those terms are defined in the Internal Revenue Code).
- **Maximum Contribution or Account Balance Limit**—Each ABLE program limits the maximum contribution or account balance. The dollar limit and a description as to how the ABLE program applies the maximum contribution or account balance limit typically is disclosed in the program disclosure booklet.

An ABLE account that has reached the maximum applicable limit may continue to accrue earnings. However, an ABLE program may reject or return a contribution if the contribution would cause the applicable maximum limit to be exceeded.

BENEFITS AND RISKS

Before investing, it is important to understand the potential benefits and risks that are associated with an investment in an ABLE program. Some of those potential benefits and risks are described below.

What are the potential benefits of investing in an ABLE program?

- **Investing without impacting means-tested benefits, subject to limits**—Up to and including \$100,000 of ABLE account value will be excludable as a countable resource for the designated beneficiary for purposes of SSI. ABLE account value over \$100,000

will suspend the designated beneficiary's SSI benefits, but the designated beneficiary will remain eligible for medical assistance such as Medicaid. Funds in ABLE accounts are excluded as both income and resources in determining eligibility for Supplemental Nutrition Assistance Program (SNAP)—SNAP provides nutrition benefits to supplement the food budget of needy families—and for 10 U.S. Department of Housing and Urban Development assistance programs, including, without limitation, the Housing Choice Voucher Program (a program that assists individuals who are disabled, among others, with housing costs in the private market), Public Housing (entire developments of public housing), and Project-based Section 8 programs.

- **Tax-deferred growth**—Earnings, if any, in an ABLE account will grow free of federal income tax. In addition, the earnings portion of any withdrawal used for qualified disability expenses will be free of federal income tax.
- **Diversity of investment options**—ABLE programs generally offer several types of investment options. Those options vary, in part, by risk tolerance and by the types of securities and instruments in which they invest. The diversity of the investment options allows the account owner the opportunity to choose an option that aligns with his or her goals and objectives.
- **Potential state benefits**—Depending on the designated beneficiary's state of residency or where he or she pays taxes, it is possible there may be additional benefits offered to the designated beneficiary by investing in the ABLE program offered by that state. Those benefits may include potential state income tax benefits as well



as potential protection from creditors of certain amounts held in the ABLE account.

What are the potential risks associated with investing in an ABLE program?

- **No guarantee**—In general, there is no guarantee of the rate of return on an ABLE account investment or that there will be any earnings on an ABLE account investment.
- **Loss of principal**—The value of an ABLE account may increase or decrease over time based, in part, on the performance of the investment options that the account owner selects. Account value could be less than the total amount contributed to the account. There is a risk that an account owner may lose all or part of his or her ABLE account value, including the principal invested.
- **Potential impact on SSI**—For an ABLE account value over \$100,000, non-qualified withdrawals and withdrawals for housing-related expenses retained by the account owner beyond the month of receipt each could adversely affect an account owner's eligibility for SSI.
- **Potential impact on Medicaid eligibility**—Contributions from the account owner's income and non-qualified withdrawals each could adversely affect the account owner's eligibility for Medicaid.
- **Potential Medicaid recapture**—Upon the death of the designated beneficiary, states may be required to file a claim for the amount of the total medical assistance paid for the designated beneficiary under the state's Medicaid plan once the ABLE account was established. The amount subject to such a claim is limited to the total medical assistance paid over the amount of premiums paid from the ABLE account or paid by or on behalf of the designated beneficiary to a Medicaid "Buy-In program" under the state's Medicaid plan. A "Buy-in program" is an optional Medicaid program that a state may choose to offer. It provides health care coverage to individuals with disabilities, among others, who are working and whose earnings and resources might otherwise make them ineligible for Medicaid. Consult a benefits and/or tax advisor to learn more about potential Medicaid recapture.
- **Potential impact on other state benefits**—While some states may disregard ABLE account values and qualified withdrawals for purposes of determining eligibility to receive certain benefits, other states may treat ABLE account values and qualified withdrawals differently. ABLE account values and qualified withdrawals could affect an account owner's eligibility for other state benefit programs. Consult a benefits advisor to learn more about how ABLE account values and qualified withdrawals could affect an account owner's eligibility for other state benefit programs.
- **Qualified disability expenses could exceed account value**—Even if an account owner's ABLE account were to reach the maximum allowable amount of contributions, the balance of an ABLE account may not be sufficient to cover all of the account owner's qualified disability expenses.
- **ABLE program changes**—The state sponsor that oversees the ABLE program may make changes to the ABLE program, which may include terminating the program manager, changing or closing investment options, and terminating the ABLE program.



- **Fee changes**—The fees and expenses assessed under the ABLE program may change, and new fees and expenses may be assessed in the future.
- **Limited ability to move account value to different investment options**—An account owner may move all or part of the account value in his or her ABLE account to different investment options twice per calendar year. This restriction may limit an account owner’s ability to respond to changes in market conditions or in his or her personal circumstances.
- **Change in law**—It is possible that Congress, federal and state agencies, the state sponsor that established and maintains the ABLE program, another taxing authority, or a court may take action that could adversely affect the ABLE program in the future.

FEES AND CHARGES

It is important for an account owner to understand the fees and charges associated with ABLE programs. Fees and charges within and among ABLE programs vary, and fees and charges lower the investment return on the amounts contributed to the ABLE account. Each ABLE program discloses its fees and charges in its program disclosure booklet.

What fees and charges does an account owner pay directly or indirectly?

An ABLE program has fees and charges that an account owner may pay directly or indirectly. The fees and charges that an account owner may pay directly include:

- Fees, if any, collected by the state sponsor of the ABLE program, such as the state administration fee;
- Fees collected by the third-party program manager for services provided to the ABLE program, such as the program management fee or annual administrative account fee;
- Fees collected by distributors or dealers for sales and distribution charges associated with advisor-sold ABLE programs; and
- Fees and charges associated with certain transactions an account owner may make, such as an outgoing check processing fee if the account owner writes a check to make a withdrawal or a debit card transaction fee.

An ABLE program also has fees and charges that an account owner may pay indirectly, including:

- Operating expenses associated with the underlying investments that comprise the investment option that the account owner selects.



Illustration of the Effect of Fees and Charges on Account Value

Dan and Mary Smith are saving for their 16-year-old son Steve, who is an individual with a disability. They have a limited ability to save but want to save as much as possible for their son. Mary is interested in ABLE programs but is concerned about how expensive an ABLE program might be. Mary knows that fees and charges affect investment performance, and she wants to have as much of their funds as possible invested in the ABLE program for Steve’s qualified disability expenses. What should Mary consider?

With an ABLE program, Mary may, as Steve’s authorized legal representative, select investment options for Steve’s ABLE account. Funds contributed to Steve’s account in one or more investment options will, in turn, be invested in underlying securities, such as mutual funds. If cost is a major concern for Mary, then she may want to consider an ABLE program with low-cost investment options and low account management, administrative and annual account fees.

The following examples illustrate how fees and charges can affect account value. See Appendix A for more information about how the calculations were made in the following examples.

Example 1: Assume Mary, on Steve’s behalf, invested \$10,000 in an ABLE program with an annual return of 5% before expenses. With an ABLE program that had annual expenses of 2% and an annual account fee of \$35, after 5 years, the account value in Steve’s ABLE account would be \$11,379.

Example 2: Using the same principal investment of \$10,000 and 5% annual return before expenses in Example 1, but assuming the ABLE program instead had lower annual expenses of 1% and an annual account fee of \$35, after 5 years, the account value in Steve’s ABLE account would be \$11,962—a \$583 benefit from lower fees and charges.

Will the amount of those fees and charges vary?

Yes, the fees and charges assessed under an ABLE program may vary from year to year, and will vary based, in part, on the investment option the account owner selects.

Advisor-sold ABLE programs may offer investment options that have different unit classes. In this case, each unit class will have its own fees and charges, and an account owner may have only a limited ability to change a unit class. An account owner should carefully review the fees and charges assessed under each unit class.



INVESTMENT OPTIONS

What are the types of investment options that are offered in an ABLÉ program?

ABLE programs may offer several types of investment options. The types of securities or other instruments in which an investment option may invest include:

- Mutual funds;
- Exchange-traded funds;
- Money-market funds;
- Funding agreements offered by an insurance company under which the insurance company, subject to certain conditions, may provide a guaranteed minimum rate of return; and
- Savings or interest-bearing checking accounts that may offer FDIC insurance protection for the amounts invested, up to FDIC-permitted limits, generally \$250,000. To learn more about FDIC-insurance protection, see www.fdic.gov.

All investments have risks, and there are risks associated with each investment option offered by an ABLÉ program. However, risks vary by the investment option and the securities and/or instruments in which the investment option invests. For example, there may be no minimum guaranteed interest rate for a savings or interest-bearing checking account investment option. An account owner should review the program disclosure booklet to learn about the risks associated with each investment option.



Illustration of How Investment Options Affect Account Value

Mary has been following the securities markets and knows that an investment may go up or down in value. She wants the money she and Dan invest on Steve's behalf to be as safe as possible, but she also wants the tax-deferred growth potential that may be possible in certain ABLÉ investment options. What are some factors that Mary may want to consider?

Mary's contributions to Steve's ABLÉ account are not guaranteed. Steve could lose some or all of the funds that Mary and Dan contribute to the ABLÉ account depending upon the risk levels and corresponding investment performance of the selected investment options.

However, as Steve's authorized legal representative, Mary could manage that investment risk by investing in a lower risk investment option offered in the ABLÉ program. The program disclosure booklet for the ABLÉ program discusses the investment risks associated with the investment options offered in that ABLÉ program.

See "Other ABLÉ Basics" for a discussion about moving account value from one investment option to another investment option.



ACCOUNT VALUE

How will account value be determined?

The ABLE program typically will credit contributions to, or deduct withdrawals from, an ABLE account at the unit value of the applicable investment option next determined on the business day a request for the ABLE account transaction is received. In general, that request must be in “good order” and received before the close of regular trading on the New York Stock Exchange (generally, 4:00 p.m. Eastern Time). Contributions or withdrawal requests received after the close of regular trading or on a day when the New York Stock Exchange is not open typically will be credited to an ABLE account at the unit value next determined after the close of the next business day when the New York Stock Exchange is open for regular trading. The program disclosure booklet for the ABLE program should describe what “good order” means.

Each investment option is divided into units. The value of a unit in an investment option generally is determined by dividing (i) the investment option’s assets minus its liabilities by (ii) the number of units outstanding for that investment option.

What are the factors that may cause account value to change?

Account value may increase or decrease based on a variety of factors. Among the factors that may cause an ABLE account value to change are:

- Investment performance;
- Fees and charges;
- Any withdrawal from an ABLE account;

- A change in the interest rate credited to an FDIC-insured or other fixed interest rate investment option; and
- Any moves or transfers of account value from one investment option to another investment option because the new investment option may have different fees and charges as well as different performance over time than the prior investment option.



Illustration of Decline in Account Value

Mary, as Steve’s authorized legal representative, invests Steve’s ABLE account in Investment Option A (this investment option invests in an FDIC-insured option and has a conservative risk profile) and Investment Option B (this investment option invests in a mutual fund that has the investment objective of aggressive growth and a high risk profile). Steve’s account value in January is \$18,400, but in February, his account value is \$18,200. Mary did not make any withdrawals from the account. What may have caused the decline?

The account value may have declined because of the fees and charges that were assessed and/or because of a decline in value of Steve’s investment options due to investment performance.



OTHER ABLE BASICS

Who may be the designated beneficiary to an ABLE account?

Only the eligible individual who opens the ABLE account (or on whose behalf the ABLE account was opened) can be the designated beneficiary of the ABLE account.

May an account owner change investment options?

An account owner may change the investment options for future contributions to an ABLE account at any time. However, an account owner only may move all or a portion of ABLE account value to one or more different investment options offered by the ABLE program twice each calendar year.

The program disclosure booklet for the ABLE program provides more information about investment options and the process for moving account value from one investment option to another.



Illustration of Potential ABLE Account Growth

Mary has been making contributions to her son Steve's ABLE account for a number of years. Steve is now 22, and Mary would like for the account to grow as much as possible to ensure that the account value will be large enough to cover many of Steve's qualified disability expenses. As Steve's authorized legal representative, Mary currently has elected the more conservative investment options offered by the ABLE program. What might she consider doing?

An ABLE account owner is allowed to move all or a portion of his ABLE account value twice each calendar year to one or more different investment options offered by the ABLE program. On Steve's behalf and as his authorized legal representative, Mary could move some or all of Steve's account value to an investment option that offers the potential for a greater rate of return. However, that investment option also may have greater investment risk. In addition, on Steve's behalf, Mary could change, at any time, the investment options in which she would like future contributions to Steve's ABLE account to be invested.



USING AN ABLE ACCOUNT

How do withdrawals work?

A withdrawal generally may be made at any time. However, only an account owner may make a withdrawal from an ABLE account. A withdrawal that is not for qualified disability expenses or a qualified rollover will be subject to federal tax and may adversely affect eligibility for federal means-tested benefits. The ABLE program disclosure booklet describes the process for making a withdrawal. Consult a tax and benefits advisor to learn more about withdrawals.

Can a withdrawal be made with a debit card?

Some ABLE programs will allow an account owner to make a withdrawal using a debit card. The debit card is subject to certain terms and conditions described in the cardholder agreement that the account owner will receive. There could be adverse federal tax and government benefit consequences associated with the withdrawal. Consult the program disclosure booklet, cardholder agreement and/or a tax and benefits advisor to learn more about withdrawals made with a debit card.

What taxes may be applicable to withdrawals?

A withdrawal may be subject to federal and state taxes. This Investor's Guide does not discuss state tax consequences associated with withdrawals. Consult a tax advisor to learn more about the state tax consequences associated with withdrawals. A summary of federal tax consequences follows to aid in understanding applicable federal consequences.

There are two components to a withdrawal—a withdrawal of principal (the amount contributed to the ABLE account) and a withdrawal of earnings (the amount, if any, of market return or interest earned on the contributions made to the ABLE account). Whether the earnings portion of the withdrawal is subject to federal tax depends on the purpose for which the withdrawal will be used. Each withdrawal an account owner makes will fall into one of the following categories:

- **Qualified withdrawal**—a withdrawal that is used to pay for the qualified disability expenses of the designated beneficiary. Qualified withdrawals are excludable from the designated beneficiary's federal taxable income.
- **Qualified rollover**—an account owner may:
 - Roll over all of his or her funds from an ABLE program to a new account in another state's ABLE program in which he or she also is the account owner without adverse federal tax consequences, provided there has been at least 12 months from the date of a previous transfer to an ABLE program; and
 - Roll over all or a portion of his or her funds from an ABLE account to another ABLE account for a new designated beneficiary without adverse federal tax consequences, provided that the new designated beneficiary is both an eligible individual and the account owner's sibling, step-sibling or half-sibling (whether by blood or adoption).

To avoid adverse federal tax consequences, the funds for a qualified rollover must be contributed into the receiving account within 60 days of being withdrawn (the "60-day rule").



The ABLE program of another state may impose restrictions on or prohibit certain types of rollovers. An account owner should check with each ABLE program before making a rollover from one ABLE program to another.

In addition, before January 1, 2026, rollovers from a Section 529 qualified tuition program to an ABLE program can be made on a tax-free basis provided the designated beneficiary of the ABLE account is also the designated beneficiary of the Section 529 qualified tuition program or is an eligible individual and a family member of the designated beneficiary. In this context, “family member” not only includes siblings but certain other relatives as well. The 60-day rule also applies to rollovers from qualified tuition programs to ABLE programs. See the program disclosure booklet for the applicable ABLE program for more information on these types of rollovers.

- **Non-qualified withdrawal**—A non-qualified withdrawal is any withdrawal that is not a qualified withdrawal or a qualified rollover. The earnings portion of a non-qualified withdrawal is subject to federal income tax and may be subject to an additional 10% federal penalty tax.

Consult a tax advisor to learn more about how withdrawals, and about how both state and federal tax laws, may apply to the account owner’s particular circumstances.

What charges may be applicable to withdrawals?

For advisor-sold ABLE programs, depending on the unit or share class of the investment option, it is possible that a contingent deferred sales

charge (i.e., a sales or surrender charge) may be assessed on the withdrawal. See the program disclosure booklet for more information about applicable charges.



Illustration of Completed Gift Consequences and Potential Non-qualified Withdrawal

Steve’s grandparents, Albert and Isabella, made contributions to Steve’s ABLE account. Albert, however, now has significant health care costs. Albert and Isabella want to withdraw some of the funds they contributed to Steve’s ABLE account to pay for those costs. What can Albert and Isabella do?

Albert and Isabella cannot withdraw any funds from Steve’s ABLE account. Neither Albert nor Isabella is the account owner of Steve’s ABLE account. Only Mary, as Steve’s authorized legal representative, can make withdrawals from Steve’s ABLE account.

If Mary, on behalf of Steve, were to make a withdrawal from Steve’s ABLE account to help pay for Albert’s health care costs, that withdrawal would be a non-qualified withdrawal. The earnings portion of that non-qualified withdrawal would subject Steve to federal income tax and to an additional 10% federal penalty tax.



FEDERAL MEANS-TESTED BENEFITS AND OTHER GOVERNMENT BENEFITS CONSIDERATIONS

This section provides an overview of how account value in an ABLE account is treated for purposes of determining eligibility for Medicaid, SSI and other federal means-tested benefit programs (*i.e.*, programs for which eligibility for an individual seeking the benefit and/or the amount of the benefit depend on the income, resources or financial need of the individual). However, consult a benefits advisor to learn about the impact on the account owner's particular situation.

In general, how is account value in, and qualified withdrawals from, an ABLE account treated for federal means-tested benefits?

In general, account value in, and qualified withdrawals from, an ABLE account are disregarded for purposes of determining eligibility for any federal means-tested benefits, such as Medicaid. However, there is a limited exception for SSI.

In general, what will the Social Security Administration exclude from income related to an ABLE account for SSI purposes?

In general, the SSA will exclude from an account owner's income for SSI purposes:

- Contributions to the ABLE account from anyone other than from the account owner, including rollovers;
- Earnings in the ABLE account; and
- Qualified withdrawals from the ABLE account.

What will the SSA exclude as a countable resource of the account owner for SSI purposes?

To receive SSI, an account owner may only have a certain amount of countable resources (things owned by the account owner that count toward the \$2,000 resource limit—see <https://www.ssa.gov/ssi/spotlights/spot-resources.htm>) for that account owner to receive SSI. However, ABLE account value may be excluded from those countable resources.

Specifically, the SSA will exclude the following related to an ABLE account from an account owner's countable resources for SSI purposes:

- **Up to and including \$100,000 of ABLE account value.** However, the SSA will consider any amount over \$100,000 in the ABLE account, including earnings, as a countable resource. If the excess over \$100,000 puts the account owner above the SSI non-ABLE resource limit, the account owner's SSI benefits will be suspended, not terminated, and the account owner will remain eligible for medical assistance (*e.g.*, Medicaid). For purposes of this Investor's Guide, the treatment of account value over \$100,000 is referred to as the "special suspension of SSI benefits."
- **Certain qualified withdrawals from the ABLE account.** Two types of qualified withdrawals from an ABLE account for qualified disability expenses receive special treatment for purposes of determining countable resources.

The qualified withdrawal for a non-housing related expense will be excluded as a countable resource for SSI purposes as long as the:

- Account owner continues to maintain, make contributions to or receive withdrawals from the ABLE account;



- Qualified withdrawal is unspent;
- Qualified withdrawal is identifiable; and
- Account owner still intends to use the qualified withdrawal for a non-housing related qualified disability expense.

A qualified withdrawal for a housing expense will be excluded from the account owner's countable resources if the account owner spends the withdrawal within the month of receipt. Please note, however, that a qualified withdrawal for a housing expense will be counted as a resource of the account owner if the account owner retains the qualified withdrawal into the month following receipt of proceeds from the withdrawal.

Consult the ABLÉ program disclosure booklet and a benefits advisor to learn the answers about continuing SSI eligibility before making a withdrawal.

Does the special suspension of SSI benefits for an ABLÉ account value over \$100,000 apply to situations where resources, other than the ABLÉ account value alone, would cause the SSI recipient to exceed the resource limit?

No, it does not. The special suspension of SSI benefits does not apply to situations where resources other than ABLÉ account value would cause the account owner to exceed the resource limit to receive SSI benefits. Therefore, in those other situations, Medicaid benefits would be suspended where resources other than ABLÉ account value would cause the account owner to exceed the resource limit to receive SSI benefits.

Does the ABLÉ program have reporting obligations to the SSA?

Yes, an ABLÉ program must report certain information to the SSA, including the designated beneficiary's name, account number, Social Security or taxpayer identification number, and date of birth, as well as the name of any authorized legal representative, the date on which the account was opened or closed, account balances, dates of withdrawals and withdrawal amounts.

What happens to the ABLÉ account when the account owner dies?

When the account owner dies, states may be required to file a claim against the account owner's estate or ABLÉ account for the amount of the total medical assistance paid to the account owner under the state's Medicaid plan after the ABLÉ account was established. However, the Internal Revenue Code limits the amount of any claim.

The amount of any claim by a state for remaining ABLÉ account value would be determined only after all outstanding qualified disability expenses of the designated beneficiary, including funeral and burial expenses, had been paid from the account owner's ABLÉ account. Further, the Internal Revenue Code limits the amount of any claim by a state to the total medical assistance paid over the amount of premiums paid from the ABLÉ account or paid by or on behalf of the designated beneficiary to a Medicaid "Buy-In program" under the state's Medicaid plan.

Consult a benefits and/or tax advisor for additional information.



Section Two

SOURCES OF INFORMATION

What information will the account owner receive about the ABLE program when he or she invests in it?

The account owner will receive a participation agreement and a program disclosure booklet before the ABLE account is opened. The participation agreement is the account owner's "contract" with the ABLE program and often requires the account owner to state that he or she has received and reviewed the ABLE program disclosure booklet. The program disclosure booklet describes the ABLE program. It is important that the account owner reviews and understands those materials. An account owner should be certain to obtain the answers to any questions that he or she may have about the ABLE program before opening, making a contribution to or making a withdrawal from an ABLE account.

In addition, an account owner may request a copy of the prospectus for any of the mutual funds in which an investment option invests. An account owner may obtain the copy of the mutual fund prospectus by downloading it from the ABLE program website, downloading it from the U.S. Securities and Exchange Commission's (SEC) [EDGAR website](#), contacting the program manager and/or asking his or her dealer.

An account owner also will receive a confirmation of any transaction relating to the ABLE account as well as quarterly account statements of the ABLE account's activity. It is important that an account owner carefully review confirmations and account statements, and immediately report any errors he or she may see to the program manager and/or dealer.

What are other sources of information to learn more about ABLE programs?

Other sources of information about ABLE programs and the dealers that sell interests in ABLE programs are available online and include:

- [ABLE National Resource Center](#)
- [Autism Speaks](#)
- [Internal Revenue Service](#)
- [National Downs Syndrome Society](#)
- [National Association of State Treasurers](#)
- [Office of Municipal Securities at the U.S. Securities and Exchange Commission](#)
- [Social Security Administration](#)
- [The ARC](#)



COMPLAINTS

What should an account owner do if he or she has a complaint?

If an account owner has a complaint, he or she may contact the state sponsor of the ABLE program.

Further, if an account owner purchased interests in the ABLE program through a dealer, the account owner may contact the Financial Industry Regulatory Authority's (FINRA) Investor Complaint Center at [FINRA.org](https://www.finra.org) or 240-386-4357, or the account owner may contact the MSRB directly at complaints@msrb.org or 202-838-1330.

In addition, if an account owner has a complaint about a potential violation of MSRB rules or other federal securities laws or about the municipal securities market, securities firms or individuals associated with them, the account owner may file a complaint with the SEC by visiting its website at [SEC.gov](https://www.sec.gov), or an account owner may contact the MSRB at complaints@msrb.org or 202-838-1330, and the MSRB will forward the complaint to the appropriate federal regulator.

Appendix A

The “Illustration of the Effect of Fees and Charges on Account Value” has two examples that illustrate how higher and lower fees and charges could affect account value. This appendix provides additional information to illustrate how the account value and savings were calculated in those examples.

EXAMPLE 1

Mary, on Steve’s behalf, invested \$10,000 in an ABL program with an annual return of 5% before expenses. Annual expenses include a 2% asset-based fee and a \$35 fixed account fee. This example assumes that the asset-based fee is assessed at mid-year while the fixed account fee is assessed at the end of the calendar year.

Year	Beginning Balance	Investment Return	Account Balance Before Expenses	Asset-Based Fee	Dollar-Based Fee	Ending Balance
1	\$10,000.00	\$500.00	\$10,500.00	\$205.00	\$35.00	\$10,260.00
2	\$10,260.00	\$513.00	\$10,773.00	\$210.33	\$35.00	\$10,527.67
3	\$10,527.67	\$526.38	\$11,054.05	\$215.82	\$35.00	\$10,803.24
4	\$10,803.24	\$540.16	\$11,343.40	\$221.47	\$35.00	\$11,086.93
5	\$11,086.93	\$554.35	\$11,641.28	\$227.28	\$35.00	\$11,379.00



EXAMPLE 2

Mary, on Steve's behalf, invested \$10,000 in an ABL program with an annual return of 5% before expenses. In this example, annual expenses include a 1% asset-based fee and a \$35 fixed account fee. This example also assumes that the asset-based fee is assessed at mid-year while the fixed account fee is assessed at the end of the calendar year.

Year	Beginning Balance	Investment Return	Account Balance Before Expenses	Asset-Based Fee	Dollar-Based Fee	Ending Balance
1	\$10,000.00	\$500.00	\$10,500.00	\$102.50	\$35.00	\$10,362.50
2	\$10,362.50	\$518.13	\$10,880.63	\$106.22	\$35.00	\$10,739.41
3	\$10,739.41	\$536.97	\$11,276.38	\$110.08	\$35.00	\$11,131.30
4	\$11,131.30	\$556.57	\$11,687.87	\$114.10	\$35.00	\$11,538.77
5	\$11,538.77	\$576.94	\$12,115.71	\$118.27	\$35.00	\$11,962.44

Benefit of investing in an ABL program with lower expenses over 5 years = \$583.44.



Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000 | Washington, DC 20005
msrb.org | emma.msrb.org