



OFFICE OF ILLINOIS STATE TREASURER

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FOR IMMEDIATE RELEASE

January 29, 2018

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\$1.3 Million in ABLE Savings Captured in First Year

Frerichs, Illinois Lead 16-Member Alliance to Help People with Disabilities

SPRINGFIELD – Three hundred people with disabilities in Illinois invested more than \$1.3 million in the first year of a groundbreaking partnership that fosters independence for people who have disabilities, Illinois State Treasurer Michael Frerichs said today.

The Illinois Achieving a Better Life Experience (ABLE) program allows investors to set aside up to \$15,000 in private funds each year without jeopardizing their federal benefits. Prior to ABLE, a person with a disability could not have a net worth exceeding \$2,000, leaving many individuals in a chronic state of poverty with limited employment options.

“There is a dignity that comes with working and using your own money to care for yourself,” Frerichs said. “ABLE helps make that dignity possible.”

Frerichs first began building the bi-partisan National ABLE Alliance within weeks of taking office in 2015. The first accounts opened in Illinois in January 2017. ABLE can benefit an individual with blindness, Down Syndrome, autism, cerebral palsy, spina bifida, physical disability and other disabilities as long as the disability was apparent before the individual was 26 years old, according to federal rules.

Prior to ABLE, individuals and families were discouraged from saving and investing because individuals would lose their benefits if their assets exceeded \$2,000. In 2014, Congress carved out a provision in the federal tax code to avoid the penalty and allow for tax-free investment growth when the money is spent on disability-related expenses. Individual states have the choice to start ABLE programs, and Illinois signed-on in January, 2015.

Not every state participates in ABLE. However, residency typically is not a requirement. Wisconsin, for example, does not participate in ABLE but its residents can invest in other states’ programs, such as Illinois.

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Illinois sought to build the alliance after investment firms initially feared that the demand for ABLÉ investments solely in Illinois would be so small that it would be cost-prohibitive. Cooperating through the alliance allows states to share costs and risk, making it less expensive for individual investors. In building the alliance, Illinois negotiated contract language to guarantee savers and investors will pay among the lowest fees in the country, while member states maintain independence to run their own programs. The National ABLÉ Alliance includes Alaska, Arizona, Colorado, Delaware, Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Nevada, New Jersey, North Carolina, Pennsylvania, Rhode Island and the District of Columbia.

Ascensus College Savings of Newton, Mass., administers the program. The initial five-year contract signed in 2016 can be extended up to an additional five years. The states jointly negotiated a master contract with Ascensus and then each state negotiated additional details to reflect their unique needs.

Costs vary by participant depending upon the investment strategy and products. The typical fee is 34 basis points, which is 34 cents for every \$100 invested. Ascensus works with BNY Mellon and Fifth Third Bank.

In Illinois, 36,000 accounts are expected to be opened by in-state residents in the first five years. Across the alliance, 500,000 accounts are expected. The 16-member alliance has a combined population of more than 81 million people.

For more information, or to open an ABLÉ account, visit www.IllinoisABLE.com or call (888) 609-8683. The minimum amount to open an account is \$25.

Who Would Qualify and Other Rules

To qualify for an ABLÉ account, the account owner must have developed the disability before the age of 26. With the age established, a person who qualifies for Social Security Administration benefits, or has received a waiver from the IRS, will qualify for an ABLÉ account.

Annual contribution limits are tied to the federal gift tax amount, which today is \$15,000. The ABLÉ investment can grow up to \$100,000 and still not be counted toward eligibility for Social Security Income or other means-tested programs at the federal level. When an ABLÉ account balance exceeds the \$100,000 cap, Social Security Income benefits are suspended. The benefits automatically resume if the account value falls below \$100,000. ABLÉ balances have no implications on Medicaid eligibility.

Investment growth is tax-free at the federal level when used for qualifying purchases, such as medical services, transportation and job training.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately \$25 billion. The portfolio includes \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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