ABLE America 2024:
Innovation and Improvement
New Promotions, New Tech, New Fees and New Laws

August 2024

Overview

This AKF Market Report provides an update on trends across the Section 529A ("ABLE") industry. As of June 30, 2024, the ABLE market crossed $2 billion in assets under management, a major milestone. This well-deserved growth has also brought a litany of new ideas and improvements to the industry.

Looking back over 2023 and ahead from 2024, we note a few key observations and considerations:

Observations

- Financial promotions are spreading and growing in size. Several States have recently implemented large-scale, long-term ABLE match programs to incentivize account enrollment and savings.
- Deposit technology is expanding. Nearly half of all ABLE Plans now offer account holders the ability to directly deposit monthly benefits they receive from the Social Security Administration. This has the potential to significantly increase account contributions.
- ABLE account fees have decreased considerably since the first Plans launched in June 2016. And States have kept true to their promises to continue these fee decreases as their ABLE Plans grow. We have seen a number of significant fee drops over the past year, a huge boon for ABLE savers.

Considerations

- Critical ABLE legislation has finally been introduced in the United States Senate! Plans should support efforts for the recently introduced ENABLE Act, which will permanently extend certain benefits for ABLE accounts.
- Two types of State ABLE legislation are quickly becoming ubiquitous: (1) limitations on Medicaid claims against ABLE accounts, and (2) income tax benefits. If your State has not yet pursued either type, there's no time like the present.
- Plans continue to improve online technology for organizations that manage ABLE accounts. We have seen major strides in this area since early 2023, and these efforts should continue to be a primary focus in the coming years.

Methodology

Data for this AKF Market Report has been compiled from available Program disclosure documents and Program websites as of July 31, 2024. Asset and account data is sourced to ISS Market Intelligence as of June 30, 2024.

AKF Consulting Group gratefully acknowledges the ABLE market data provided by ISS Market Intelligence. Please see https://www.issgovernance.com/market-intelligence/529-able-solutions/ for extensive information related to the ABLE and 529 industries.

Findings and Observations

Plans and Partnerships. For several years now, the number of ABLE Programs has remained consistent: 46 States and the District of Columbia offer 529A Plans. Forty-four States and the District offer a single Plan; two States (Oregon and Virginia) each offer two Plans. Nearly all Plans are direct-sold; ABLEAmerica, a Virginia Plan offered through American Funds, remains the only advisor-sold option available today.

But the numbers may be changing soon. For the first time in many years, a new ABLE Plan is poised to enter the market. In April, Wisconsin (currently one of four States that does not offer an ABLE Plan) enacted a law directing the Wisconsin Department of Financial Institutions to implement a Wisconsin ABLE Program. Under the law, the State must review existing ABLE partnerships and determine whether to join a coalition or create an independent Plan. We are watching Wisconsin's progress enthusiastically.

As in the past, the majority of ABLE Programs function as part of a larger coalition, allowing States to share resources and achieve economies of scale sooner. Currently, 35 States and the District of Columbia participate in a partnership structure, while eleven States operate independent, stand-alone Plans. A few partnership changes occurred in 2023: New Hampshire transitioned to the National ABLE Alliance, and Colorado transitioned to become an Independent Plan.

The chart below provides a current snapshot of ABLE Plans and coalitions:

	Collaborative Structures			Independent Plans
	National ABLE Alliance	STABLE Account Partnership	Oregon Partnership	
States (+DC)	Alaska Arkansas Connecticut Delaware District of Columbia Illinois Indiana Iowa Kansas Michigan Minnesota Mississippi Montana Nevada New Hampshire New Jersey North Carolina Pennsylvania Rhode Island	Arizona Georgia Kentucky Missouri New Mexico Ohio Oklahoma South Carolina Utah Vermont West Virginia Wyoming	Alabama Hawaii Maryland Oregon (2) Washington	California Colorado Florida Louisiana Maine Massachusetts Nebraska New York Tennessee Texas Virginia (2)
47 States (including DC)	19 States (including DC)	12 States	5 States	11 States

*Note: **Blue** represents the lead State for each Collaborative Structure*

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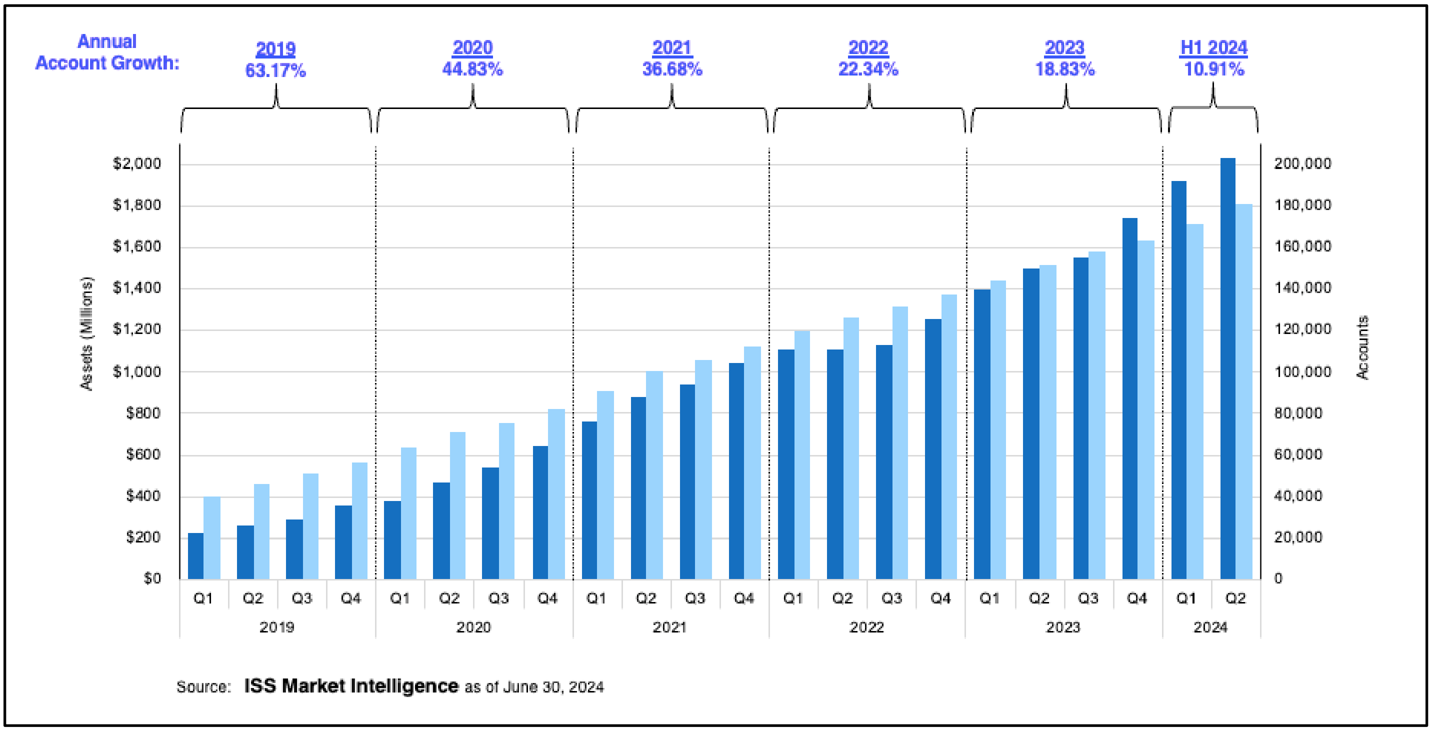
Industry Growth. The first ABLE Plan launched in June 2016. By the end of June 2024 – eight years later – the industry had amassed more than $2.03 billion across 180,000+ accounts. In calendar year 2023 alone, we saw a 39% increase in assets and an 18.9% increase in accounts.

Interestingly, account growth seems to have picked up significantly in the first half of 2024, compared to prior years. In the first half of 2022 and 2023, the total number of ABLE accounts increased by 14,086 and 14,019, respectively. In the first half of 2024, the ABLE market had already grown by an impressive 17,779 total accounts – a 26% improvement over the prior years.

The chart below captures the impressive industry growth since January 1, 2019, noting that industry assets include market performance.



As shown in the pie charts on the next page, approximately 59% of industry assets and accounts fall within a collaborative structure, while the remaining assets and accounts (approximately 41%) are attributed to independent Plans. This is a slight uptick for independent Plans since our last ABLE Market Report, which analyzed 2022 year-end industry data.

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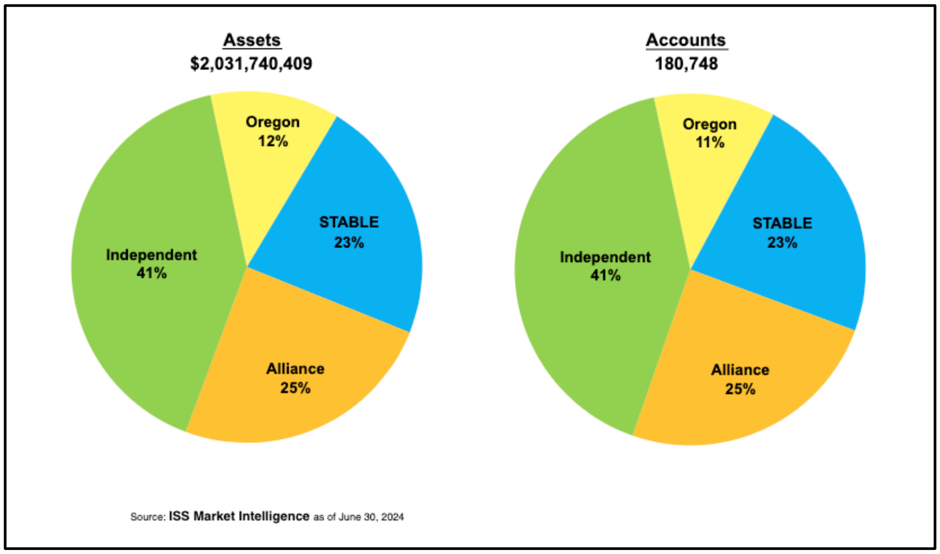
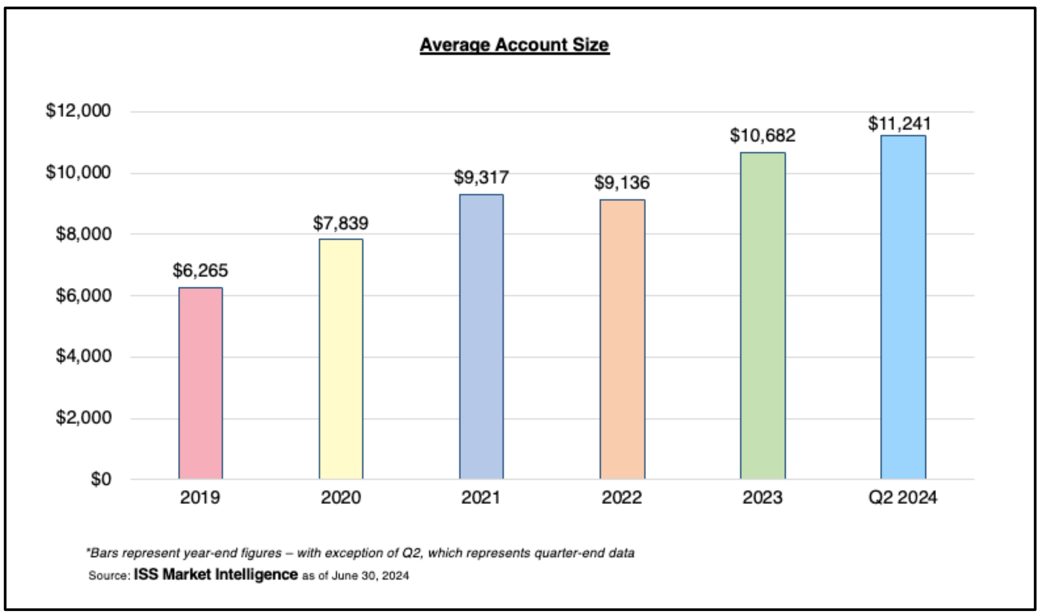


Average account size has also grown steadily over the past several years. Although many early predictions assumed ABLE accounts would be purely transactional, with small balances, that has not turned out to be the case. As of June 30, 2024, the $11,241 average balance represents an almost 80% increase over a five-and-a-half-year period. Recent growth in account size nationwide is shown below:



An interesting aside: the advisor-sold ABLEAmerica Plan has the industry's highest average account balance at $17,802 – over 58% larger than the national average. We first noted this trend in our [2020 Market Report]: the presence of a financial advisor assists in the establishment of accounts. We see a similar trend in Massachusetts' Fidelity-managed ABLE Plan, which has the highest average balance ($14,878) of direct-sold ABLE Plans. Although not advisor-sold, we believe the presence of customer service centers nationwide increases the establishment and funding of accounts.

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Observation 1: Financial Incentives Take Flight

Financial incentives are not new to the ABLE industry; we have seen a few Programs use this technique in short-term marketing campaigns. Generally, a Program will offer a small promotional deposit to individuals who open a new account during a particular time period. For example: "Receive $50 if you open an ABLE account in the month of August!" These campaigns are aimed at attracting new customers and encouraging savings.

Recently, however, a few States have significantly upped the promotional ante. Last year, Georgia announced a joint ABLE/529 scholarship program that awards up to $2,500 per year to ABLE beneficiaries. The amount of the award is based on the annual net contributions (i.e., total contributions minus total withdrawals) to the beneficiary's ABLE account. Award monies are deposited into a Georgia 529 account for the beneficiary, where they can be used or rolled over to the beneficiary's ABLE account. Beneficiaries can re-apply each year; maximum lifetime award is capped at $10,000.

Ohio also recently announced a match initiative. As of April 1, 2024, the Ohio STABLE Program will match the first $25 contribution made to every eligible Ohioan's account. Ohio's incentive is unique in that it is not (at present) time limited. Instead, the incentive is aimed at jumpstarting ABLE savings for all State residents over the long-term. Ohio also expanded this incentive to out-of-State residents and all STABLE Partner States for the month of August.

Kansas likewise announced a significant ABLE incentive program in April. Originally, the $100 "ABLE Empowerment Grant" was offered to individuals with intellectual and developmental disabilities who were on a State waitlist to receive certain community-based services. This month, however, Kansas expanded the grant to any ABLE-eligible Kansans who open a new ABLE account before the end of 2024. Before a grant is issued, the individual must attend an ABLE educational event (virtual or in-person) hosted by the Office of the Kansas State Treasurer. The incentive program has sufficient money to fund 850 Kansas ABLE Accounts.

Large incentives certainly aren't possible everywhere. They require significant funding sources and pose operational challenges. Still, we applaud the States that are taking big strides to encourage savings by directly contributing to the financial health of people with disabilities.

Observation 2: Technology Expands Contributions from Social Security

A significant number of ABLE beneficiaries participate in the Supplemental Security Income program ("SSI") offered by the Social Security Administration ("SSA"). SSI provides a monthly benefit payment to individuals with disabilities who have limited resources and income. For ABLE participants, the ability to directly deposit this monthly SSI benefit into an ABLE account can be enormously helpful. And for ABLE Programs, this deposit option can potentially generate over $11,000[1] in automated contributions per account each year.

The list of States offering this functionality has been growing. In Virginia's ABLEnow Plan, SSI direct deposit functionality has always been readily available. Likewise, Massachusetts' ABLE Plan makes SSI direct deposit available by offering a straightforward set-up process through Fidelity.

[1] $11,316 is the maximum amount of SSI benefits that an individual could receive for 2024.

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This technology spread even wider in 2023, when Vestwell announced that SSI direct deposits would be available to all 19 States on its ABLE platform. Vestwell soft-launched its functionality in the summer of 2023 without any formal announcement or marketing. By the end of 2023, Vestwell reported 268 deposits and approximately $260,000 in contributions. By mid-July of this year, again without any formal marketing or awareness efforts, Vestwell had already received over 1,000 direct deposits from SSA, totaling over $800,000. The firm predicts that by the end of 2024, it could see $2 million in SSI deposits alone.

We are encouraged to see how States and their private-sector partners are pushing forward technology enhancements that serve customers and grow Programs. We look forward to seeing an increase in SSI contributions in the coming years.

Observation 3: Fees Continue Their Downward Trend

Eight years ago, the first ABLE Program charged an annual account maintenance fee of $60 and asset-based fees of between 0.45% and 0.60%.[2] Within 10 months, that $60 maintenance fee was slashed to $42 – a decrease of 30%. Another early launcher, Oregon's ABLE for All Plan, initially charged a $55 annual account maintenance fee but quickly reduced that fee to $35. Since the industry's inception, we have observed dollar-based and asset-based fee decreases nationwide,[3] and are happy to report continuation of this downward trend over the past year and a half.

Notable recent fee decreases include:

- California's annual dollar-based fee decreased from $37 to $30 in Q3 of 2023, due to a change in Program Manager
- The National ABLE Alliance has lowered fees three times since the beginning of 2023 —
    - in April 2023, its annual dollar-based fee decreased by $1;
    - in March 2024, its Program Management fee decreased from 0.28% to 0.26%; and
    - in July 2024, its annual dollar-based fee decreased by another $2.
- On January 1, 2024, the STABLE Account partnership implemented the following changes to its annual dollar-based fee:
    - Lowered from $27 to $15 for Ohio residents;
    - Lowered from $39 to $27 for residents of other States

Collectively, these fee decreases will save ABLE participants hundreds of thousands of dollars this year alone. Savers, take note! And Plans: congratulations on all you have done to drive down costs for your account holders.

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[2] See STABLE Account 529A Savings Plan: Plan Disclosure Statement and Participation Agreement, May 2016. At the time, the annual account maintenance fee for Ohio residents was only $30.

[3] We note that some in-state only Programs have consistently charged lower or no dollar-based fees, often based upon a State subsidy or fee waiver program. For example, Florida and Tennessee are both available only to in-State residents and have no annual account maintenance fees. Massachusetts also has no dollar-based fee, although its asset-based fees are higher largely due to active management. The advisor-sold ABLEAmerica discloses a possible $10 account set-up fee and a $10 annual account maintenance fee, each of which is currently waived.

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Future Considerations

As the industry enters the second half of 2024, we note three considerations for ABLE Plans as they continue to grow.

Consideration 1: Federal Legislative Opportunities

In June 2024, Senators Eric Schmitt (R-MO) and Robert Casey (D-PA) introduced the bi-partisan Ensuring Nationwide Access to a Better Life Experience (or "ENABLE") Act. The ENABLE Act would permanently preserve three key ABLE tax provisions: tax-free rollovers from 529 Plans, increased contributions for employed ABLE account owners (also called "ABLE to Work"), and Saver's Credit eligibility for ABLE contributions. Currently, these tax provisions are scheduled to sunset at the end of 2025. The bill was introduced with an impressive 11 co-sponsors and is now (as of the date of this Report) up to 17 co-sponsors. House efforts are underway, but a House bill is yet to be introduced.

Now is a critical time for ABLE administrators, Boards, and other stakeholders to encourage their Senators to co-sponsor the ENABLE Act. A similar effort to engage members will be needed once the House introduces its version of the legislation. The ABLE Savings Plans Network (the "Network"), an affiliated network of the National Association of State Treasurers, is coordinating an outreach effort; States are encouraged to contact the Network for strategies and written materials. The proposed legislation also presents an opportunity for Programs to involve advocates and disability groups to help keep up the fight for continued tax benefits.

Consideration 2: State Legislative Opportunities

We continue to see two trends in State ABLE legislation: (1) limitation of Medicaid "claw back" / recovery from ABLE accounts, and (2) State tax incentives for ABLE contributions. Programs without these laws should contemplate their considerable benefits. To date, at least 21 States limit Medicaid's ability to recover funds from an ABLE account after the death of an account owner. In terms of tax benefits, the majority of States with an income tax offer a tax incentive for ABLE accounts.[4]

For States contemplating legislation, we note a few issues to consider when drafting:

- Should a benefit apply only to State taxpayers?
- Should the benefit apply only to accounts in your State's Program?
- If a tax incentive is part of the legislation:
    - Is the value of the deduction or credit significant enough to incentivize contributions?
    - Should the maximum benefit be *per account* (i.e., the taxpayer receives the benefit for every ABLE account they contribute to) or *per taxpayer*?
    - Should the incentive amount automatically increase each year? (Several State ABLE tax incentives work this way.)

Both types of legislation can remove barriers to entry for potential ABLE enrollees and can incentivize more contributions. We encourage all Programs to consider these options.

[4] Of the 42 States plus the District of Columbia that have an income tax, 21 provide an income tax deduction for ABLE contributions and three provide an income tax credit.

Consideration 3: Online Enhancements for Organizations

ABLE Plans are frequently working on new online features, but one particular item has stood out in recent years: offering organizations (agencies, businesses, and non-profits alike) the ability to open and manage ABLE accounts in a dedicated online portal. Originally, ABLE account portals were built for individuals managing a single ABLE account. But organizations often serve as guardians or financials managers for multiple people with disabilities – and these organizations could benefit from being able to open and manage multiple ABLE accounts online.

In our last ABLE Market Report, we noted that several private-sector ABLE Program Managers were launching or expanding their online capabilities for organizations. In the year since, we have seen significant progress in this regard, with a number of Plans now offering a fully online enrollment / management experience for organizations. In addition to making it easier for organizations to open accounts, for some Program Managers, this technology allows for rapid, bulk-opening of accounts by individual organizations.

We encourage ABLE Programs to continue this work with their Program Managers. Given the increasing awareness of ABLE accounts amongst organizations, and the potential growth channel this represents, online features for organizations should be a “must have” for ABLE Programs nationwide.

Find Out More

Throughout 2023 and thus far in 2024, ABLE Plans saw significant growth in both assets and accounts. We look forward to seeing how the remainder of 2024 transpires, given significant improvements to Plans. New incentives, new technology, lower fees, and new legislation will help to drive the market forward this year.

We would be delighted to discuss these findings in more detail with you. For more information, please contact:

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