



**LEAD CENTER**

# Financial Literacy

APSE Regional Institute  
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**The National Center on Leadership for the Employment and Economic Advancement of People with Disabilities (LEAD)** is a collaborative of disability, workforce and economic empowerment organizations led by **National Disability Institute** with funding from the **U.S. Department of Labor's Office of Disability Employment Policy**, Grant No. #OD-23863-12-75-4-11.

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# LEAD CENTER MISSION

- ▶ To advance sustainable individual and systems level change that results in improved, competitive integrated employment and economic self-sufficiency outcomes for individuals across the spectrum of disability.

[www.leadcenter.org](http://www.leadcenter.org)



# AGENDA

- I. Context
- II. Banking Status and Financial Behavior of Adults with Disabilities
- III. ABLE and WIOA: New Opportunities to Advance Financial Security
- IV. State Financial Literacy Legislation
- V. Next Steps



# I. CONTEXT

## National Disability Institute

- ▶ Championing financial capability and well-being
- ▶ Changing thinking and behavior at systems and individual level



# I. CONTEXT

## National Disability Institute

- ▶ RealEconomicImpact.org
- ▶ Disability Employment Initiative
- ▶ LEAD Center
- ▶ Real Economic Impact Network
- ▶ ROADS to Financial Independence
- ▶ American Dream Employment Network
- ▶ MyFreeTaxes



# I. CONTEXT

- ▶ Disability in America cuts across the dividing lines of gender, race, ethnicity, and age. The most common characteristic across these dividing lines is living at or below poverty and trying to make ends meet.



# I. CONTEXT

- ▶ The median income for an individual with a disability was \$20,515 while the median income for a non-disabled adult was \$31,105 (2013 Census data)
- ▶ Only 19.8 percent of people with disabilities are actively in the labor force as compared to 69 percent of people without disabilities (July 2015)



- ▶ The poverty rate for people with disabilities is 28.4 percent, nearly double the US national average.
- ▶ One in three people with disabilities live in poverty.



- ▶ Poverty is a growth industry that needs our attention to identify new paths to economic security for people with disabilities.



## II. BANKING STATUS AND FINANCIAL BEHAVIOR

- ▶ Findings from the 2013 FDIC National Survey of Unbanked and Underbanked Households
- ▶ Sponsored by JPMorgan Chase



## II. BANKING STATUS AND FINANCIAL BEHAVIOR

Context:

- ▶ Since 2009, FDIC has conducted a biennial national survey of households with the US Census Bureau
- ▶ In 2013, for the first time survey respondents were asked to self identify as a person with a disability

# NDI RESEARCH AND REPORT PUBLISHED APRIL 2015

- ▶ Analyzed the data and compared results for households headed by working-age adults with and without disabilities.
- ▶ Provides recommendations to move people with disabilities from unbanked and underbanked status to fully banked status and participation in the economic mainstream.



# WHAT DID WE LEARN

- ▶ Over 5 million households headed by a working age adult with a disability is unbanked or underbanked.
- ▶ Almost one in two working age adults with disabilities are unbanked or underbanked.



# COMPARISON

- ▶ 7.7 percent of US households were unbanked in 2013
- ▶ 18.4 percent of US households headed by a person with a disability were unbanked
- ▶ 20 percent of US households were underbanked in 2013
- ▶ 28.1 percent of US households headed by a person with a disability were underbanked



# MAJOR FINDINGS

## 1. Banking Status

- ▶ More likely to be unbanked or underbanked
- ▶ More likely to be longer term unbanked
- ▶ More likely to open an account to receive direct deposit paychecks or other income, such as Social Security benefits
- ▶ Less likely to report future plans to join or rejoin the banking system when unbanked



# MAJOR FINDINGS

## 2. Checking and Savings Account Ownership and Automatic Transfers

- ▶ Less likely to have both checking and savings accounts
- ▶ Less likely to have a savings account
- ▶ More likely to use direct deposit/automatic transfer



# MAJOR FINDINGS

## 3. Prepaid Debit Cards

- ▶ More likely to have ever used a prepaid card
- ▶ More likely to use prepaid cards for receiving direct deposit of paycheck or other income, such as Social Security benefits
- ▶ Less likely to acquire and reload prepaid cards at banks



# MAJOR FINDINGS

## 4. Alternative Financial Services

- ▶ More likely to have ever used alternative financial services
- ▶ More likely to use transaction and credit alternative financial services
- ▶ More likely to use more than one alternative financial service



# MAJOR FINDINGS

## 5. Access to Mobile Phones and the Internet

- ▶ Less likely to have access to mobile phones, including smartphones
- ▶ Less likely to use mobile banking
- ▶ Less likely to have Internet access



# MAJOR FINDINGS

## 6. Banking Methods

- ▶ Less likely to use online banking
- ▶ More likely to use bank tellers, ATM/kiosk, or telephone as primary method for account access



# FINAL FINDINGS

▶ Households headed by a working age adults are more likely to be:

- ▶ Single/Not Married
- ▶ Non-white
- ▶ Have a college degree
- ▶ Be unemployed or not in labor force
- ▶ Earn less than \$30,000 annually
- ▶ Unbanked or underbanked

- ▶ Rely on alternative financial services
- ▶ Not have checking and savings accounts
- ▶ Not using mobile banking



# HOW DO WE CHANGE THIS PICTURE?



# VEHICLES FOR CHANGE

- ▶ Workforce Innovation and Opportunity Act (WIOA)
- ▶ Stephen Beck Jr., Achieving a Better Life Experience Act (ABLE)
- ▶ State Financial Literacy Legislation (Florida Example)



# INTRODUCTION: WIOA

- ▶ WIOA signed into law on July 22, 2014 (PL)113-128
- ▶ Proposed rules to implement WIOA will be released in January 2015
- ▶ Job seekers with and without disabilities may receive and benefit from job search and placement assistance, career counseling, skills training, and other supportive services.
- ▶ The new law will take effect July 1, 2015 except for amendments to the Rehabilitation Act which took effect on the date of enactment



# FROM A DISABILITY PERSPECTIVE: WHAT ARE THE BIG CHANGES?

- ▶ Emphasis on career pathways and sector partnerships to promote employment in in-demand industries and occupations
- ▶ Eliminates sequence of services before enrollment in training
- ▶ Establishes a single State Unified Strategic Plan



# FROM A DISABILITY PERSPECTIVE: WHAT ARE THE BIG CHANGES? (CONT.)

- ▶ Individuals with disabilities must be a part of State and Local Strategic Plans with performance outcomes identified and reported
- ▶ Criteria for certifying American Job Centers must include assessing physical and programmatic accessibility of facilities, programs, services, technology and materials, and appropriate staff training and support



# WHAT ARE THE BIG CHANGES FOR YOUTH?

- ▶ 75% of the youth formula program funds must be spent on out of school youth as compared to 30% under WIA
- ▶ At least 20% of local youth formula funds must be used for work experiences such as summer jobs, on the job training and internships
- ▶ At least 15% of state VR funds must provide pre-employment transition services to move to post-secondary school and employment



# DEFINITION OF FINANCIAL LITERACY IN WIOA

- ▶ Support the ability of participants to:
  - ▶ Create budgets
  - ▶ Initiate savings plans at banks
  - ▶ Make informed financial decisions
  - ▶ Manage spending, credit, and debt effectively
  - ▶ Understand, evaluate, and compare financial products and services
  - ▶ Understand credit scores and how to correct inaccuracies



# ACTIONS TO CONSIDER

1. Become informed and involved in state and local WIOA plan development
2. Request your local Workforce Development Board (WDB) to establish an Advisory Committee on Financial Literacy
3. Identify options for the WDB and local American Job Center (AJC) to provide financial literacy knowledge and skills training for youth and adults with and without disabilities



# ABLE: INTRODUCTION



- ▶ The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act
  - ▶ became law on December 19, 2014
  - ▶ creates a new option for some people with disabilities and their families to save for the future, while protecting eligibility for public benefits.



# WHAT IS AN ABLE ACCOUNT?

- ▶ ABLÉ accounts:
  - ▶ Are established in the new Section 529A Qualified ABLE Programs
  - ▶ Are qualified savings accounts that receive preferred federal tax treatment
  - ▶ Enable eligible individuals to save for disability related expenses
  - ▶ Are NOT yet available, and there are still some unknowns
- ▶ Assets in and distributions for qualified disability expenses will be disregarded or given special treatment in determining eligibility for most federal means-tested benefits



# WHO IS ELIGIBLE TO BE AN ABLE ACCOUNT BENEFICIARY?

- ▶ To be eligible, individuals must meet two requirements:
  1. Age requirement: must be disabled before age 26
  2. Severity of disability:
    - ▶ Have been determined to meet the disability requirements for Supplemental Security Income (SSI) or Social Security disability benefits (Title XVI or Title II of the Social Security Act),
      - OR
    - ▶ Submit a “disability certification”, including a physician’s diagnosis, that the individual meets criteria to be further established in regulations (essentially equal to Social Security level of disability).



# WHAT ARE SOME IMPORTANT REQUIREMENTS OF ABLE ACCOUNTS?

- ▶ Each eligible individual may have only one ABLE account.
- ▶ “Designated beneficiary” is the account owner.
- ▶ Account must be established in the designated beneficiary’s state of residence, or in a contracting state.
- ▶ Total annual contributions may not exceed the federal gift tax limit, which is currently \$14,000.
- ▶ Multiple individuals may make contributions to the one ABLE account.
- ▶ Aggregate contributions may not exceed the state limit for 529 savings accounts.



# WHAT MAY FUNDS FROM AN ABLE ACCOUNT BE USED FOR?

- ▶ Distributions from an ABLE account may be made for qualified disability expenses, related to the individual's disability or blindness and made for his/her benefit, including:
  - ▶ 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
  - ▶ Any other expenses approved by the Secretary of the Treasury under regulations consistent with the purpose of the program
- ▶ Expenditures for non-qualified expenditures will be penalized (tax and potential SSI penalties).



# HOW DO ABLE ACCOUNT ASSETS IMPACT ELIGIBILITY FOR FEDERAL BENEFITS?

ABLE assets will be disregarded or receive favorable treatment when determining eligibility for most federal means-tested benefits:

- ▶ SSI: For SSI, only the first \$100,000 in ABLE account assets will be disregarded.
  - ▶ SSI payments will be suspended if the beneficiary's account balance exceeds \$100,000 but SSI benefits (eligibility) will not be terminated. Funds above \$100,000 will be treated as resources.
  - ▶ Housing expenses are intended to receive the same treatment as all housing costs paid by outside sources (SSI benefits subject to reduction of 1/3 federal SSI payment, as applicable).



# IMPACT ON FEDERAL BENEFITS (CONT.)

- ▶ Medicaid: ABLE assets are disregarded in determining Medicaid eligibility
  - ▶ Medicaid benefits are NOT suspended if the ABLE account balance exceeds \$100,000
  - ▶ Medicaid Payback: Any assets remaining in the ABLE account when a beneficiary dies, subject to outstanding qualified disability expenses, will be used to reimburse a state for Medicaid payments made on behalf of the beneficiary after the creation of the ABLE account
  - ▶ For purposes of this section, the state is considered a creditor of the ABLE account, not a beneficiary



# TAX IMPLICATIONS

- ▶ Contributions to an ABLE account are made with post-tax dollars.
- ▶ Federal taxation: In general, ABLE programs are exempt from taxation. Distributions from ABLE accounts for qualified disability expenses are exempt from taxation. With certain exceptions, distributions not used for qualified disability expenses are taxable and subject to an additional 10% tax.
- ▶ State taxation: State tax consequences will vary. Some states provide significant tax incentives for contributions to 529 accounts and may provide similar incentives for contributions to ABLE accounts.



# STATE LEGISLATION

- ▶ 34 states have moved quickly to pass authorizing legislation
- ▶ Minimum state requirements should be:
  - ▶ Authorization of 529A ABLE program
  - ▶ Consistent with federal law, including definitions
  - ▶ Designation of state agency
  - ▶ Exemption of state means-tested programs
  - ▶ Exemption of ABLE accounts from state taxes
  - ▶ Authority to contract with other state programs



# STATE POLICY

- ▶ “Achieving A Better Life Experience (ABLE) furthers the long established policy of the state to provide [...] tools that strengthen opportunities for personal economic development and long term financial planning.”



# FEDERAL LAW AND RULES

- ▶ Eligibility and certification
- ▶ Amount of contributions annually and who can contribute
- ▶ Beneficiary as account owner
- ▶ Qualified disability expenses
- ▶ Guardian or agent under power of attorney role may act on behalf of account owner



# ACTIONS TO CONSIDER

- ▶ Become informed and involved in implementation in your state ABLE program
- ▶ Create a communications and outreach strategy to inform individuals with disabilities and their families about
  - ▶ Benefits of an ABLE account
  - ▶ How to open an account
- ▶ Build the financial literacy knowledge and skills of account beneficiaries who are also the account owners.
- ▶ Build strategies for informed supported financial decision-making



# ABLE NATIONAL RESOURCE CENTER

- ▶ Collaboration of 30 National Disability Organizations
- ▶ Founded by National Disability Institute
- ▶ Provide a consistent disability voice to accelerate ABLE Act implementation at a federal and state level



# FIVE AREAS OF COLLECTIVE IMPACT

- ▶ First, to serve as a facilitator between the disability sector, government, and financial service companies, in an effort to accelerate the design and availability of ABLE accounts to meet the needs of individuals with disabilities and their families.
- ▶ Second, to educate the disability community about the opportunities available through the establishment of ABLE accounts to allow an individual with a disability to save and plan for a better economic future and to support individuals with disabilities in making better informed decisions.
- ▶ Third, to educate and inform financial service companies about the needs and interests of the disability community concerning ABLE account product choices, advise on product development, marketing and outreach strategies, and to assist in providing consumer feedback on relevant products and services.
- ▶ Fourth, to educate all levels of government about consumer needs for achieving a better life experience, the management of accounts, and the relationship of ABLE accounts to other public benefits and services.
- ▶ Fifth, to educate the public and other relevant stakeholders about the positive impact of ABLE accounts on an individual and systems level through the development and dissemination of relevant materials.



# CENTER BUSINESS GOALS

- ▶ Be the #1 go to source for information and assistance about establishment of ABLE accounts, program design and development, trend analysis, and end user goal setting, contribution and disbursement strategies that improve quality of life experience.
- ▶ Be self-sustaining with revenue from products and services covering 85 percent of cost of operations within five years.
- ▶ Create awareness, knowledge, and understanding of the critical impact of ABLE across all relevant stakeholders through research and knowledge translation.
- ▶ Provide a consistent voice for disability community on unmet needs in ABLE implementation and more efficient approach to education and training activities.



# STATE FINANCIAL LITERACY LEGISLATION

Florida HB 7085:

Financial Literacy Program for Individuals  
with Developmental Disabilities

(<https://www.flsenate.gov/Session/Bill/2015/7085>)



# FLORIDA HB 7085: FINANCIAL LITERACY PROGRAM FOR INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES

- ▶ Declares that “the state has a compelling interest in promoting the economic independence of individuals with developmental disabilities.”



# WHAT DOES IT DO?

- ▶ Through the Florida Department of Financial Services, and in collaboration with public and private stakeholders, the legislation establishes a Financial Literacy Program for Individuals with I/DD designed to promote economic independence.



# WHAT DOES IT DO? (CON'T)

- ▶ The program must provide financial literacy strategies to promote income preservation and asset development.
  - ▶ Financial literacy includes the knowledge, understanding, skills, behaviors, attitudes, and values that enable an individual with developmental disabilities to make responsible and effective financial decisions on a daily basis.
- ▶ The program must also provide identification of available financial programs and service, referrals to existing state and local workforce development programs and resources, and include education related to understanding the impact of earnings and assets on federal and state benefit programs and options to manage that impact.



# WHAT DOES IT DO? (CON'T)

- ▶ Establishes, on the department website, a clearinghouse for information regarding the program and other financial literacy resource available for individuals with I/DD and their employers.
- ▶ Mandates the department to publish a brochure describing the program and make that brochure available to participating financial institutions.



# ACTIONS TO CONSIDER

- ▶ Educate your state legislators on the importance of financial literacy for individuals with disabilities in your state.
- ▶ Use the Florida Financial Literacy legislation as a template to mold your own state's financial literacy legislation,
- ▶ Encourage your state and local disability related advocacy organizations to help organize legislative forums concerning the need for financial literacy for individuals with disabilities.
- ▶ Contact Chris Rodriguez, Senior Public Policy Advisor, for further assistance ([crodriguez@ndi-inc.org](mailto:crodriguez@ndi-inc.org)).



# NEXT STEPS



# ADOPT AND IMPLEMENT THREE CORE PRINCIPLES

1. Value all individuals across the spectrum of disabilities as productive contributors to the vitality of a workforce and communities.
2. Support informed decision-making so that people with disabilities have choices with respect to their individual preferences and needs to advance economic self-sufficiency.
3. Encourage collaboration among all stakeholders (public and private sector) to design, implement, and improve opportunities for people with disabilities to participate in the economic mainstream and advance financial capability and well-being.



# FULL ECONOMIC INCLUSION

- ▶ Access to earned income
- ▶ Safe and affordable financial services
- ▶ Opportunities to save and build assets
- ▶ Personal control over finances
- ▶ Knowledge and development of skills to make informed financial decisions



# ADA@25 ECONOMIC ADVANCEMENT AND FINANCIAL INCLUSION SUMMIT

## ▶ Recommendation #1

- ▶ By 2025, reduce by 50 percent the number of working age adults with disabilities living in poverty, and increase by 50 percent the consistent use of mainstream banking services by individuals with disabilities.



# RESOURCES

[www.realeconomicimpact.org](http://www.realeconomicimpact.org)

[www.leadcenter.org](http://www.leadcenter.org)

ABLE National Resource Center

Contact: Chris Rodriguez

Crodriguez@ndi-inc.org



# CONNECT WITH THE LEAD CENTER

- ▶ Website: [www.leadcenter.org](http://www.leadcenter.org)
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