PERSONAL FINANCE

Back-to-School Planning for Special Needs Families: What ABLE Accounts Can Do to Help

Managing expenses effectively involves coordinating ABLE accounts, 529 plans and special needs trusts to support academic goals while also protecting essential government benefits.



Just as quickly as summer arrived, it seems to be nearing an end.

Soon, the piecemealing of childcare and the cost of summer camps will ease. The normal routine will resume (whatever normal looks like, that is).

Now is the time to refocus on the expenses that come with back-to-school planning. Tuition, school supplies, assistive technology, housing and transportation are at the forefront.

- How do you best plan and save for these expenses?
- Which accounts should you use to cover them?
- What can you do to protect any government or community-based benefits along the way?

Three of the main savings vehicles to consider are ABLE accounts, 529 plans and special needs trusts. Coordinating across these accounts could provide flexibility and efficiency in your plan.

It's worth spending time with a financial planner who focuses on special needs planning to understand how to best utilize each of these tools in coordination with one another.

NYSUT NOTE: When you're dealing with your child's future, you can't afford to be nonchalant. Getting a custom-made plan from the NYSUT Members Benefits Corporation–endorsed Financial Counseling Program will provide you with peace of mind and a better sense of where your money goes on a day-to-day basis.

For example, if your child has a 529 plan, you might consider rolling funds directly into an ABLE account, creating more flexible, broader use of funds for your child.

ABLE accounts may offer certain tax advantages and savings while maintaining benefits for your child. We'll focus on how to take advantage of this tool, which tends to be underutilized.

The priority for many families is to support their child's academic and developmental opportunities without jeopardizing benefits such as SSI, Medicaid and potentially housing and transportation resources. ABLE accounts can be a great tool to accomplish this goal when used properly.

Withdrawals used for qualified disability expenses (QDEs) aren't counted as resources when determining eligibility for government benefits. The key is that the expenses are tied to maintaining or improving health, independence or quality of life, a standard that's applied broadly.

Payments can be made directly from the ABLE account to the institution for ease of tracking and annual reporting. Keep a file or folder with invoices, payment records, expense receipts and proof of enrollment.

Contributions and gifting

The annual contribution limit for an ABLE account is $20,000 in 2026. Existing 529 plans can be rolled into the ABLE account, providing greater flexibility in how money is used. Loved ones can also contribute annually as part of their gifting strategy.

Keep in mind that the annual contribution limit includes new money or gifts, inheritance and rollovers. There are additional ways to add funds beyond this limit, including through the beneficiary's earned income.

Investment allocation

Generally, ABLE accounts may offer tax-deferred growth and tax-free withdrawals for QDEs, potentially enhancing the compounding benefits of investing. Balances that will be used for near-term educational expenses could be invested conservatively.

Longer-term goals such as graduate school or career development can have a growth-oriented strategy. The overall allocation within these accounts should be revisited annually to help stay aligned with the timing of upcoming expenses.

Qualified disability expenses

The definition of a QDE is broad, allowing these funds to cover many everyday expenses, including back-to-school costs. These costs include:

- Tuition such as at community colleges, universities or technical schools
- Adaptive technology, including speech-to-text software or specialized equipment
- Housing costs, on or off campus
- Coaches, tutors and academic specialists
- Transportation expenses, including ride services or modified vehicles

An ABLE account is a tool that can foster independence, growth and protection. It allows beneficiaries to pursue education and career development without impacting their government benefits.

As you think about back-to-school planning, consider incorporating a strategy that integrates the ABLE account, 529 plans and special needs trusts.

Work closely with your special needs attorney and financial advisor to incorporate these tools into your overall financial plan and ensure you are protecting benefits.

NYSUT NOTE: Expertise is everything when dealing with your future. The NYSUT Members Benefits Trust–endorsed Legal Service Plan can prepare you with the tools you need to feel prepared for your next steps.

This type of coordinated approach can offer greater flexibility in education funding, smarter gifting strategies, an enhanced quality of life and improved tax efficiency.

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