

## **Access to Savings for People with Disabilities: The Financial Security Accounts for Individuals with Disabilities Act**

The federal government gives American families a helping hand in saving for the future. Accounts with special tax advantages help people save for college, retirement, and other normal life events. But people with disabilities don't have the same expectations for the future. They need a new savings instrument.

A typical tax-deferred savings plan, such as a "529" college tuition plan, can't help a family with a child who may not go to college or become financially independent. On the other hand, the need for savings is even greater for a child with a disability because he or she will likely be less able to earn an income, and may require additional spending on medical treatment or adaptive equipment. Without a clear vision of the future, parents of children with disabilities must choose between turning down the advantages of savings plans or risking a penalty if their child cannot use the funds according to the account restrictions.

The Financial Security Accounts for Individuals with Disabilities Act would give families of people with physical, cognitive, or developmental disabilities access to saving that everyone else enjoys. Disabled people or their families could create a disability savings account that would accrue interest tax-free. The account could fund a variety of essential expenses for the disabled person, including medical care, education and employment training, and assistive technology. Adults with disabilities could also spend the funds on housing and transportation.

Savings accounts opened under the FSAID Act would differ from other savings instruments with tax advantages because they provide flexibility:

- The disabled individual could hold the account, or parents or a guardian could hold it in trust.
- The allowed expenses are very broad to accommodate the greater needs of people with disabilities and their financial dependence as adults.
- Most of the expenses are not limited to adulthood or retirement age, so they can be used whenever they are needed.
- The flexibility in expenses also allows families to save with confidence even though they cannot always predict how independent their child will become.
- A family who saves money in a traditional account for a child who becomes disabled later in life can roll over the funds into a disability savings account without penalty.
- The account is about as easy and inexpensive to open as a simple savings account.
- Unlike some savings instruments, such as "529" college accounts, the DAFSA would be created and regulated only on the federal level, so they would operate under the same rules in every state.

The Financial Security Accounts for Individuals with Disabilities Act would give families of people with disabilities the ability to save for their child's future just like every other American family, and help people with disabilities live full, productive lives in their communities.