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Understanding Asset Development for Individuals with Disabilities

Introduction

There is growing emphasis on helping families exit poverty by focusing on asset building rather than providing monthly income supports such as cash payments. This approach is about encouraging people to save money and to make investments that increase in value over time. The assumption is that as individuals develop assets, they and their families will be able to move out of poverty and remain out of poverty.

AFI Individual Development Accounts (IDAs) are an important tool in asset building for low-income people. AFI projects assist client families to save earned income in IDAs—special matched savings accounts. Clients can use their IDA savings and matched funds to acquire one of the following assets: a first home, capitalization of a small business, or post-secondary education or training.

Asset building has received little attention in the disability community. This is due in large part to the perception that work and asset accumulation jeopardize eligibility for and continued access to Social Security Disability benefits. For many individuals with disabilities, these benefits are a primary source of income essential to meeting basic living needs. They also provide access to health insurance through Medicaid and Medicare.

This represents a missed opportunity because many individuals with disabilities live in poverty, or very close to it. People with disabilities are more likely to be unemployed and to live in poverty than any other single demographic group in the United States today.

- ▶ As many as 70 percent of people with disabilities are unemployed.
- ▶ One-third of adults with disabilities live in households with total income of \$15,000 or less, as compared to only 12 percent of those without disabilities.¹
- ▶ More than 65 percent of individuals in poverty for 36 months or more during a 48-month period have a disability.²
- ▶ The poverty rate among people with disabilities is increasing relative to that of working-age people without work limitations.³

Americans with disabilities severe enough to qualify for the Social Security disability programs are often living especially impoverished lives in terms of income, savings or resources.

In April 2008, the Social Security Administration (SSA) reported that more than 4.2 million adults aged 18-64 received Supplemental Security Income (SSI) payments based upon disability. SSI is a means-tested program—that is, it is restricted to families or individuals who meet specified financial requirements and certain other eligibility criteria. In the case of an adult, this means an inability to work because of a medical condition.

- ▶ SSI payments provide only limited income support: The maximum federal benefit rate (FBR) is \$637 per month, or 73 percent of the 2008 federal poverty standard for a household of one.⁴
- ▶ To qualify for SSI, an individual must have limited earned income, countable unearned income of less than the 2008 FBR of \$637, and very limited countable resources in order to retain eligibility.

An additional 7.1 million adults receive disability benefits from SSA under Social Security's disability insurance program (SSDI). While this is not a means-tested program with the income and asset restrictions inherent in the SSI program, the income support it provides is also quite small.⁵ The average monthly SSA disability payment in January 2008 was \$1004, representing only 116 percent of the federal poverty level for a family of one.⁶

Asset Development Strategies for Individuals with Disabilities

One of the key problems related to asset development for beneficiaries of SSA disability benefits is the confusion about how disability programs treat income and resources for purposes of program eligibility. For example, building wealth has never been a problem for SSDI beneficiaries because these benefits are not based on economic need and there has never been any restriction on savings, investment or asset accumulation. However, because there is a common misconception in the disability community that this program is means-tested, it is not uncommon to find SSDI beneficiaries disposing of resources out of fear that retaining them will cause loss or reduction of benefits.

SSI beneficiaries, however, do have barriers to asset accumulation. The SSI program has stringent resource limits that have not increased since the program's inception in 1974. In order to retain SSI eligibility, beneficiaries must not have countable resources in excess of \$2,000 for an individual or \$3,000 for an SSI eligible couple. There are, however, numerous resources that are excluded from this limit that can be used to accumulate assets and build wealth. Many important SSA provisions allow accumulation of the same assets as the AFI IDA program:

- ▶ **Home Ownership:** SSA regulations permit an SSI beneficiary to own one home of any value as long as the individual lives in it. Parents may even give or transfer ownership of a home to a child on SSI and it will only count as income in the month it is received. In addition, neither home equity loans nor mortgages count as income for SSI eligibility purpose.
- ▶ **Business Ownership:** Business ownership is sometimes incorrectly viewed as an unrealistic employment goal for people with disabilities. In fact, SSI allows unlimited accumulation of assets (including cash in a business account) for the operation of a small business

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or micro-enterprise under the exclusion of “property essential for self-support”. The same is true for Medicaid eligibility because states cannot adopt Medicaid income and resource rules that are more stringent than those for SSI.

- ▶ **Post-Secondary Education:** SSA offers several resource exclusions to allow SSI beneficiaries to save or pay for post-secondary education. The Social Security Protection Act of 2004⁷ provides a nine-month resource exclusion for grants, scholarships, fellowships, and gifts used to pay for tuition, fees, and other necessary educational expenses at any educational institution. SSI beneficiaries also have access to the standard federal educational assistance programs available to any qualified individual who needs help paying for higher education and SSA provides numerous exclusions for the various forms of educational assistance. Student financial assistance received under Title IV of the Higher Education Act (HEA), such as PELL grants and federal work-study programs, are not counted as either income or resources for SSI eligibility purposes.
- ▶ **Plans for Achieving Self-Support (PASS):** The PASS provisions under the Social Security Act are an opportunity for individuals with disabilities to accumulate income and/or resources without causing either ineligibility for SSI or a reduction in benefit payments. Under an approved PASS, an individual may set aside earned income, unearned income and/or resources in a special account to pay for items or services needed to achieve a specified occupational goal. These income and/or resources are completely disregarded when determining an individual’s eligibility for SSI or in calculating the SSI payment amount. Furthermore, federal regulations require that PASS funds be excluded by Medicaid, TANF, food stamps, and HUD rental assistance programs.

Individual Development Accounts for People with Disabilities

IDA accounts are most widely available through the AFI program and state welfare (Temporary Assistance for Needy Families or TANF) programs. SSA regulations specifically exclude these two types of accounts from countable resources for SSI beneficiaries. Any earnings an individual contributes to an AFI or TANF IDA are deducted from wages when determining countable income for SSI purposes. Matching funds that are deposited in an AFI or TANF IDA are also excluded from income, as well as any interest earned on the individual’s own contributions. Other federal programs, including Medicaid, food stamps and HUD housing subsidies are required to disregard TANF and AFI IDA funds from the means-testing process.

Although IDAs can offer a valuable path to greater economic security for people with disabilities, anecdotal evidence suggests that they are significantly under-represented within the IDA participant population nationwide.⁸ A key factor in low IDA participation is the requirement that only earned income can be contributed; the majority of people with disabilities are unemployed. However, participation rates are low even among employed beneficiaries. Reasons include:

- ▶ **Lack of awareness of IDAs within the disability population and disability services provider community.** Many people with disabilities, as well as their families and the disabil-

ity services providers, are not aware that IDAs exist. Improved information sharing and outreach activities could do much to enhance participation in IDA programs by individuals with disabilities. Specifically, effort should be focused on the vocational rehabilitation and workforce preparation systems because so many participants in these programs are planning to enter the workforce and would be expected have earned income to contribute to an IDA account.

- ▶ Lack of knowledge about how IDA funds are treated by federal means-tested programs. The designation of IDA funds as an excludable resource for SSI benefit determination purposes is relatively new (January 2001). In addition, many people with disabilities do not know that IDAs are excluded from consideration in the eligibility determinations of all other means-tested federal programs, such as Medicaid, food stamps and HUD housing subsidies. In many cases, the professionals working in these programs are themselves unaware of this exclusion and provide misinformation about how IDA funds will affect eligibility.
- ▶ Lack of physical and programmatic accommodations needed by people with disabilities. Lack of accommodations and information about how to provide accommodations are major barriers to participation in IDA programs by people with disabilities.⁹ This includes the inability to physically access program sites, problems dealing with the initial application process and participation in required financial literacy classes, and ongoing communication barriers imposed by disability.

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Meeting the Needs of Individuals with Disabilities in AFI IDA Programs

There are four areas in which AFI grantees can improve access to IDAs for people with disabilities.

- ▶ Perform effective outreach to individuals with disabilities and disability service providers. First and foremost, attention needs to be paid to increasing awareness within the disability community about what IDAs are and how an AFI IDA can benefit people with disabilities. It is unlikely that AFI grantees will come into contact with large numbers of individuals with significant disabilities if outreach efforts are not expanded to specifically target them. Many people with disabilities interact with agencies specifically designed to serve the disability community. To improve outreach activities, AFI grantees could target their public education efforts on the array of local disability service providers. Although this may seem overwhelming at first, a good way to start is with agencies that provide vocational or employment services and supports, such as the designated State vocational rehabilitation agency (<http://www.ed.gov/about/offices/list/osers/rsa/index.html>), Ticket to Work Employment Networks (<http://www.yourtickettowork.com/endir>), or other local community rehabilitation providers. In some states, a separate agency is designated to serve individuals who are blind, and Native American Tribes also have a designated vocational rehabilitation service agency. These entities serve numerous individuals who would be candidates for the AFI IDA program and can provide information on other agencies in

the local area that should also be contacted.

- ▶ Ensure access to AFI IDA services. The word “accessibility” has many meanings when it is applied to individuals with disabilities. It may encompass having a building that is physically accessible for individuals who use wheelchairs or who have other mobility challenges. Accessibility also refers to having application processes that do not pose barriers to people who may be blind, or otherwise are unable to read or complete forms. Providing full access may also mean that an interpreter is provided when interviewing an applicant who is deaf or hard of hearing. The key to full accessibility is to follow the rules of “universal design,” which simply means that the physical layout is usable by anyone. A valuable tool to improve program accessibility is to conduct an accessibility review that identifies the aspects of buildings, processes, and services that might pose barriers. Centers for Independent Living or the State Independent Living Council (<http://www.ilru.org/html/publications/directory/index.html>) have additional information about universal design and how to make changes to better accommodate customers with disabilities. Another resource is the State vocational rehabilitation agency (<http://www.ed.gov/about/offices/list/osers/rsa/index.html>).
- ▶ Support IDA participants with disabilities to successfully complete IDA programs. IDA participants who experience disability may need more support from AFI grantees, or perhaps different kinds of support than other participants, in order to successfully complete the IDA program. For example, individuals with mental retardation or other significant developmental disabilities may have appointed representative payees who help them manage their SSA benefits and other finances. Additionally, individuals with disabilities such as serious mental illness or Multiple Sclerosis may have periods of time when the symptoms of the disability increase, which may cause absences from work, difficulty with keeping appointments and other problems that require accommodation. The best strategy for dealing with individual differences caused by disabilities is to directly ask participants to identify the accommodations they feel will be necessary or are preferred. In many cases, participants with disabilities will be involved with agencies that provide disability services and supports. AFI grantees could work in partnership with these agencies.
- ▶ Accommodate the needs of persons with disabilities in required financial literacy programs. Individuals with disabilities may also require accommodations to successfully participate in the required financial education components of AFI IDA projects. For example, many current financial education classes may not be taught at a level or using methods that individuals with learning disabilities or intellectual impairments can understand. Or, the methods used for teaching the course, or the materials that accompany the lessons, may not be in accessible formats. Physical accessibility of the facility where the class is being conducted can also be a barrier. Finally, most generic financial education curricula do not include a key component for people with disabilities—benefits literacy—a basic understanding of the public income maintenance programs such as SSI, Medicaid or Medicare, food stamps, rental assistance or any other income support the person receives. Often, beneficiaries and their families are unaware of the rules governing eligibility and benefit amounts for these programs and may make decisions that inadvertently

cause financial harm. Since many persons with disabilities will remain on some form of public benefit even after they become employed, it is important that some training on managing these benefits be included in financial education courses for IDA participants. If it is not possible to include benefits literacy as part of the regular financial education course, AFI grantees could fill this need by getting help from the local agency funded by SSA to provide Work Incentives Planning and Assistance (WIPA) services (<http://www.ssa.gov/work/ServiceProviders/wipafactsheet.html>).

Conclusion

AFI IDAs represent a wonderful, yet under-utilized opportunity for persons with disabilities to build wealth, independence and productivity. This underutilization is due to a number of complex causes, not the least of which involves a fear that IDAs will cause loss of critical SSA disability cash payments and essential health insurance such as Medicaid or Medicare. In fact, SSA provisions allow asset building in the three IDA-eligible areas (home ownership, business ownership, and educational savings). However, misconceptions persist among AFI grantees, individuals with disabilities, their family members, and the agencies that provide disability services and supports. Increased public education and awareness activities can help gradually overcome these perceptions.

¹ Stephen H. Kaye and Paul Longmore, *Disability Watch*, Disability Rights Advocates, 1997.

² Peiyun She and G. Livermore, "Long-Term Poverty and Disability Among Working-Age Adults," Rehabilitation Research and Training Center on Employment Policy for Persons with Disabilities, Cornell University, Ithaca, NY, August 2006.

³ Richard V. Burkhauser, Andrew J. Houtenville, and Ludmila Rovba, "Rising Poverty in the Midst of Plenty: The Case of Working-Age People with Disabilities Over the Business Cycles of the 1980s and 1990s," RRTC on Employment Policy Working Paper. Ithaca, NY: Cornell University, April 2005.

⁴ Social Security Administration, "SSI Monthly Statistics, April 2008," June 2008. Available at http://www.ssa.gov/policy/docs/statcomps/ssi_monthly/2006-07/index.html (accessed 6/16/2008)/

⁵ Rather than means testing, eligibility for title II disability benefits depends on being covered by the Social Security system based on contributions through payroll taxes on past earnings. See *Disability Evaluation Under Social Security*, Social Security Administration, June 2006. The relevant section is available at <http://www.ssa.gov/disability/professionals/bluebook/general-info.htm> (accessed 8/24/2006).

⁶ Social Security Administration, "Annual Statistical Supplement" June 2008. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/> (accessed 6/16/2008).

⁷ Public Law 108-203

⁸ There has been some limited statistical evidence that participation in IDAs by people with disabilities is fairly low. For example, in one survey only 6 percent of respondents with disabilities reported having an IDA compared to 13 percent of people without disabilities. See 2004 National Organization on Disability/Harris Survey of Americans with Disabilities, cited in Testimony of Professor Peter Blanck Before the U.S. House of Representatives, Committee on Governmental Reform, Subcommittee on Human Rights and Wellness, Thursday, June 24, 2004.

⁹ Dede Leydorf and Deborah Kaplan. "Use of Individual Development Accounts by People with Disabilities: Barriers and Solutions," World Institute on Disability Policy Brief prepared for the Presidential Task Force on People with Disabilities, May 2001.

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