Rethink Public Policies to Support Income Production, Savings and Asset Accumulation for People with Disabilities

BY MICHAEL MORRIS AND NANETTE GOODMAN

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

President Biden's executive order on Advancing Racial Equity and Support for Underserved Communities (E.O. 13985) makes it clear that the federal government should pursue a comprehensive approach to advancing equity for all, including people of color and others who "have been historically underserved, marginalized and adversely affected by persistent poverty and inequality."

People with disabilities fit clearly in this category. Congress cited historical marginalization in the findings of the Americans with Disabilities Act (ADA): "discrimination against individuals with disabilities persists in such critical areas as employment, housing, public accommodations, education, transportation, communication, recreation, institutionalization, health services, voting, and access to public services." The law called this "unfair and unnecessary discrimination."

Thirty years later, the legacy of marginalization remains evident. Compared to people without disabilities, people with disabilities are twice as likely to live in poverty (26% versus 11%), more likely to live in long-term poverty, twice as likely to be unable to come up with $2,000 if an unexpected need arose in the next month (37% versus 18%) and three times more likely to have extreme difficulty paying bills (23% versus 9%).

People with disabilities participate in over 70 government programs. Health care and income replacement made up 95% of total expenditures, whereas programs designed to increase equity such as education and workforce development that support the ADA's goals of assuring "equality of opportunity, full participation, independent living, and economic self-sufficiency" accounted for only 1% of spending.

Almost two-thirds of working-age adults with disabilities participate in least one type of safety net program compared with 17% of those without a disability. These programs provide critical support for a population that is disproportionately living on the financial edge. However, they also trap people

with disabilities in poverty by tying eligibility to asset limits and, as a result, making it impossible for them to save for large purchases, emergency security and long-term financial independence.

Social Security Disability and Supplemental Security Income

Almost two-thirds of working-age adults with disabilities participate in least one type of safety net program compared with 17% of those without a disability—yet these programs also trap them in poverty by making saving for large purchases, emergencies, and financial independence impossible.

Social Security Income (SSI) and Social Security Disability (SSDI), our largest disability programs serving 12.3 million people, are based on the outdated idea that disability means an inability to work. The systemic disincentives to work built into SSI and SSDI have been long acknowledged. To access needed benefits, people must make a total break from the labor market and document an inability to work. Once on the program, they are conversely encouraged to seek employment, but SSI recipients are severely limited in the assets they can build up to purchase the devices and supports needed for work.

To achieve equity and to reverse policy disincentives and promote wealth creation, we need a long-term radical approach to divorce SSI and SSDI eligibility from the ability to work and instead provide benefits that cover the extra costs associated with disability that can be combined with work. We call on the Social Security Administration (SSA) and the Domestic Policy Office to develop viable options to achieve this goal.

Four reforms could be implemented immediately:

Expand use of work incentives. The SSA has introduced a host of work incentives and other supports to promote employment among disability beneficiaries. However, fewer than 3% of SSI recipients use the work incentives in part because they are complicated and not well known or understood. At a minimum, we need to allocate additional funding to expand the SSA-funded Work Incentives Planning and Assistance (WIPA) counselors to dispel myths and educate beneficiaries and service providers about the social security incentives that do exist to encourage and help people enter the labor market.

Increase the benefit level and SSI asset limit. The maximum SSI benefit

of $794/month or 9,408/year is well below the poverty line of $12,880 for an individual. The poverty line was established as the income needed to buy a minimal basket of goods for an average person. But people with disabilities face additional out-of-pocket costs. We estimate that people with disabilities would need 28% more income to have the same standard of living as those without a disability. However, because of the asset limit, people cannot save for these costs without risking losing both their SSI cash benefits and their Medicaid health and long-term care support unless they use specialized savings vehicles. We need to raise the asset limit for SSI beneficiaries to $12,091 to account for inflation since 1973, when the asset limit of $2,000 was established, and continue to index for inflation moving forward.

Expand use of Achieving a Better Life Experience Act (ABLE) accounts. ABLE offers some people with disabilities the opportunity to save for disability-related expenses in a tax-advantaged savings account that is not considered an asset when determining eligibility for means-tested public programs like SSI and Medicaid. Even if the SSI asset limit were raised or eliminated, these accounts would continue to be important because they are a mechanism for the tax code to adjust for the extra costs of living with disability by allowing assets in the accounts to grow tax free.

We estimate that people with disabilities would need 28% more income to have the same standard of living as those without a disability—yet, due to asset limits, they cannot save for these costs without risking the loss of critical safety net benefits.

However, fewer than 2% of the roughly eight million eligible Americans have opened accounts. This is due in large part to a lack of awareness of the program. We need a coordinated outreach and education effort across the many government agencies at the federal, state and local levels that provide services to the eligible population. Federal agencies should be required to report annually to the National Council on Disability (NCD) on their ABLE education and outreach activities with evidence of outcomes and with particular attention to individuals at the intersection of race, ethnicity and disability.

We should also make the passage of the pending ABLE Age Adjustment Act a priority to allow eligibility for ABLE accounts for individuals with

disabilities with an age of onset of disability up to age 46, instead of the current 26 years (resulting from a political compromise), which has no justification and leaves out many wounded warriors who become disabled serving our country and others with disabilities occurring during prime working-age years. New efforts to seed child savings accounts should allow the option of seeding ABLE accounts for children with disabilities or to be converted to ABLE accounts once the child's eligibility is determined.

Reduce disparity between households with and without children in the Earned Income Tax Credit (EITC). The EITC is championed as the single most effective means-tested federal antipoverty program for working-age households—providing additional income and boosting employment for low-income workers. However, the size of EITC benefit is closely tied to the number of eligible children in the household. Because people with disabilities tend to be older and are less likely to have qualifying children in their households, they do not benefit from what has become our primary antipoverty program providing 25 million eligible families with $62 billion. Congress temporarily addressed the glaring disparity between the value of EITC for "childless adults" and families with children in the American Rescue Plan Act. It is critical for people with disabilities that this expansion be made permanent.

The dual lenses must be, first, to encourage savings and wealth creation and, second, be sensitive to the extra costs of living with a disability.

The dual lenses to review all public programs and benefits that impact people with disabilities must be to a) encourage savings and wealth creation and b) be sensitive to the extra costs of living with a disability. To advance equity for this large and growing population of people with disabilities, the push and pull of current and future public policy must be consistently encouraging income production, saving and asset accumulation.

Michael Morris is the founder of the National Disability Institute and a senior strategic advisor. He has more than 30 years of experience inside and outside of government pioneering new strategies to improve the financial health of people with disabilities.

Nanette Goodman is director of research at the Burton Blatt Institute at Syracuse University where she conducts policy research focused on the economic status of people with disabilities.