

WORKING

Newsletter of the New York Makes Work Pay Initiative · Issue 6 · December 2010

STRATEGIES FOR FINANCIAL STABILITY FOR INDIVIDUALS WITH DISABILITIES

How to Improve Your Financial Life in 2011

Public benefit programs for people with disabilities, especially Supplemental Security Income (SSI), are not aimed at increasing assets and independence. Unfortunately, disability services and policies generally do not include the expectation of economic self-sufficiency. This is a shame but all hope is not lost!

Throughout the State of New York, the New York Makes Work Pay team along with our partners at United Way of New York State, local United Ways and local disability organizations have been working together to empower individuals with disabilities to take charge of their financial life by participating in locally available programs and services.

As the year comes to a close, we encourage recipients to ask themselves this question: "How will I improve my financial life in 2011?"

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In this newsletter, we have put together the following four strategies to get recipients started and moving along a path to financial stability:

- **Improve recipients' financial literacy;**
- **Get banked by opening a traditional savings or checking account;**
- **File tax returns and Claim your Earned Income Tax Credit; and**
- **Participate in an Individual Development Account (IDA).**

Remember that the presence of a disability and the need to maintain a public benefit should not require recipients to forfeit their economic stability and live in poverty. Instead, each of the four strategies covered below should allow recipients to take steps towards improving their financial stability without jeopardizing their disability benefits.

Improve Recipients' Financial Literacy

The more a recipient knows about budgeting, banking services, credit, and managing his or her money, the more likely he or she is to achieve his or her financial goals.

New Yorkers have access to a wealth of resources and organizations providing materials and training on financial education at no cost. Let's discuss two: Money Smart and My Money.

Money Smart www.fdic.gov/consumers/consumer/moneysmart/index.html

The Federal Deposit Insurance Corporation (FDIC) recognizes the importance of financial education, particularly for people with little or no banking experience. That's why they created Money Smart, a training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships.

The Money Smart curriculum will help recipients build financial knowledge, develop financial confidence, and use banking services effectively.



Money Smart is made up of 10 modules:

1. *Bank on It* - an introduction to bank services
2. *Borrowing Basics* - an introduction to credit
3. *Check It Out* - how to choose and keep a checking account
4. *Money Matters* - how to keep track of your money
5. *Pay Yourself First* - why you should save, save, save
6. *Keep It Safe* - your rights as a consumer
7. *To Your Credit* - how your credit history will affect your credit future
8. *Charge It Right* - how to make a credit card work for you
9. *Loan To Own* - know what you're borrowing before you buy
10. *Your Own Home* - what home ownership is all about

Many organizations in local communities may use Money Smart. FDIC provides the curriculum and train-the-trainer workshops free of charge to interested organizations.

FDIC also offers a computer based instruction (CBI) version that is available online or can be ordered on CD-ROM (at no cost). The CBI allows individuals to complete Money Smart at their own pace on a computer in English or Spanish.

For more information or to begin financial education with Money Smart go to:

www.fdic.gov/consumers/consumer/moneysmart/index.html



My Money

www.mymoney.gov/index.html

MyMoney.gov is designed and maintained by the United States government to teach all Americans the basics about financial education. The resources on MyMoney.gov can help an individual maximize his or her financial decisions by providing reliable

information related to buying a home, balancing a checkbook, investing in a 401(k), and addressing a variety of issues specific to the following life events:

- Birth/Adoption of a child;
- Going to college;
- Starting/Losing a job;
- Marriage/Divorce/ Partners;
- Starting/Buying a Business;
- Home Ownership;
- Planning for retirement/retiring; and
- Death of a Family Member.

In addition, the site contains other tools like calculators for home buying, retirement and savings bonds as well as links to additional resources.

The Financial Literacy and Education Commission (FLEC) was created by Congress in 2003 through passage of the Financial Literacy and Education Improvement Act. With support from the Treasury Department's Office of Financial Education, the FLEC works with 19 other Federal agencies to improve financial literacy and education and provide free, reliable financial information to the American public.

Get Banked By Opening a Traditional Savings or Checking Account

Many individuals with disabilities report that they do not use mainstream financial services. Relying on check cashing and



For more information or for free advice, visit:

www.mymoney.gov/index.html

or call the toll-free **1-888-MyMoney** (1-888-696-6639) hotline.

other less formal money venues have high fees and escalated interest rates, making them very expensive options.

Typically there are several reasons why an individual may choose not to get banked. Let's focus on two: (1) a negative or tarnished banking history and (2) fear of the account being restrained to pay past debts.

For individuals who have a negative or tarnished banking history:

Many financial institutions report incidents of mishandled bank accounts to an entity called ChexSystems. When an individual applies to open an account, the financial institution will look to ChexSystems to alert them to incidents of routinely writing bad checks, having the account closed when the individual still owes money, has committed fraud, or other negative banking behaviors. Reports to Chex Systems remain on file for five years and can cause another financial institution to choose not to have the individual as his or her heir customer.

Being reported to ChexSystems does not mean that there is no hope for re-establishing a relationship with the financial mainstream. An individual generally has two options.

Option #1 – Open a “second chance” checking account.

A “second chance” account gives an individual a chance to re-establish a banking relationship through a structured product. Generally, the bank or credit union will place limitations on the account and may require participation in a financial literacy program. Both of these requirements are established to limit the chances of mismanagement of the account.

Options #2 - Open a savings account.

Credit Unions and other financial institutions often offer savings accounts that can be opened with a small balance. By opening an account, making monthly deposits and remaining within the rules of the account, an individual can establish a good relationship and work towards opening a checking account.

If an individual still owes a bank or credit union money, neither of these options will remove that debt. But getting banked will decrease the cost of accessing cash and increase the individual’s ability to manage his or her their finances.

How To Get Started....

Get a free copy of your ChexSystems report. Under the Fair and Accurate Credit Transaction Act (FACTA) amendments to the federal Fair Credit Reporting Act (FCRA), individuals are entitled to a free copy of their consumer report, upon request, once every 12 months. (This is different than a credit report.) For a free copy and tips on requesting this information, go to

<https://www.consumerdebit.com/consumerinfo/us/en/freereport.htm>.

Call local credit unions to ask if they offer second chance accounts and/or if they will allow you to open a savings account after having been reported to ChexSystems. Credit Unions are not for profit financial institutions that often focus on serving marginalized and unbanked communities. They typically require smaller deposits to join and charge fewer fees than larger banks. To locate a credit union in your neighborhood, go to http://www.creditunion.coop/cu_locator/quickfind.php.

For individuals who fear their account will be restrained to pay past debts:

New York’s Exempt Income Protection Act (EIPA) provides protection to individuals with limited income by ensuring that a minimum amount of “safety net” funds will remain in their account after a judgment. Exempt income in the amount of \$2,500 is excluded from collection. Some types of exempt income include Supplemental Security Income, Social Security (Retirement, Survivors and Disability benefits), Veterans benefits, Public Assistance, and Unemployment Insurance. Exempt income should be direct-deposited or electronically deposited within the last 45 days and be reasonably identifiable. Non-exempt income up to \$1,740 is excluded from collection also.

The Empire Justice Center provides a more complete explanation of the law at

<http://www.empirejustice.org/issue-areas/consumer-community-development/fair-debt-collection/exempt-income-protection-act.html#5>.



The law applies to all bank accounts. However there are a limited number of incidents in which the account will not receive the new EIPA protections. These types of cases include debts to be collected for the state of New York (including its agencies and municipal corporations) or to enforce child support, spousal support, maintenance or alimony.



File your Tax Return and Claim your Earned Income Tax Credit

In the State of New York, low-income workers have three different Earned Income Tax Credits to claim; Federal, State and New York City (for residents of NYC). Many people with disabilities in New York are eligible to receive the EITC refund, but don't know it. If an individual worked in 2010 and qualified for the EITC, they can get back some or all of the income tax that was withheld during the year and they may also get extra cash back from the IRS, New York State and New York City. **An individual can only claim the EITC, however, if they filed Federal and State tax returns.**

For Tax Year 2008, over 22 million taxpayers claimed more than \$41 billion from the IRS as a result of being eligible for the EITC. Wow, so what do individuals need to do?

*File it. Claim it. Keep it. It's **their** money!*

Federal and New York State EITC

Earned Income and adjusted gross income (AGI) must each be less than:

- \$43,352 (\$48,362 married filing jointly) with three or more qualifying children

- \$40,363 (\$45,373 married filing jointly) with two qualifying children
- \$35,535 (\$40,545 married filing jointly) with one qualifying child
- \$13,460 (\$18,470 married filing jointly) with no qualifying children

Combined Federal and State EITC Refund Levels:

Number of Qualifying Children	May Be Eligible for up to:
3	\$7,365
2	\$6,546
1	\$3,965
0	\$594

**These figures are based on 2010 preview levels and may change.*

To be eligible for the Federal and New York State EITC:

- The individual must have earned income;
- The individual must be at least 25 and under 65 years of age;
- The individual's investment income must be \$3,100 or less for the year; and
- The individual must file his or her tax return.

To be eligible for the New York City EITC, the individual must meet the above requirements and:

- The individual must be a full-year or part-year resident of New York City;
- The individual must claim the federal earned income tax credit; and
- The individual must file a New York State income tax return.

In general, the New York State EITC is an additional 30% of the federal EITC and the New York City EITC is an additional 5% of the federal EITC.

Example: If an individual lives in New York City, applies for the federal EITC and is eligible for \$2,000, that individual will typically be eligible for an additional \$600 (30% of \$2,000) from the state EITC and \$100 (5% of \$2,000) from the New York City EITC.



Workers with Disabilities and EITC

It is important to know that Federal and State EITC payments are not considered as income for several public benefits, including Medicaid, SSI, Food Stamps, federally assisted housing or New York cash assistance programs. That means that you will not see a change in your monthly benefit that month because you received EITC money. This also means that an individual can leverage the EITC money along with monies in a Plan for Achieving Self Support (PASS) to become self-supporting. For more information on the PASS, please see our newsletter or policy-to-practice brief at

<http://www.ilr.cornell.edu/edi/nymakesworkpay/docs/PASS-1.3.pdf>

We know that most individuals are also concerned about assets and resource limits. Here are the basic ground rules for treatment of EITC payments by the most oft-used governmental programs.

- SSI & Medicaid based on SSI status - EITC payments are excluded from the resource test for nine months follow-

ing the month the refund is received. After nine months, if the individual has a feasible occupational goal, the individual can place the funds in a PASS and thus have them not considered available resources.

- SSDI - there is no asset limit.
- NY State Medicaid - EITC payments are only excluded in the month received and the following month.
- Food Stamps – EITC payments are excluded from the resource test.
- Federally assisted housing – interest accrued on EITC payments may count as income. Check with the local public housing authority to learn how interest accrued on EITC payments is treated.
- New York cash assistance programs - EITC payments are excluded from the resource test.

It is important that EITC funds be identifiable so they can be excluded as a resource so be sure to have individuals hold on to their tax returns to be able to show case workers in the different government programs the amount of their EITC refund.



For an understanding of how the New York City EITC payment impacts public benefits, see

www.nyc.gov/html/ofe/downloads/pdf/eitc_and_public_benefits.pdf

What Recipients Can Do....

File their taxes! Remember, even if individuals do not owe the federal government and are not required to file a tax return, think again. The EITC is a refundable credit. Even if an individ-

ual does not owe the IRS money, the IRS may owe that individual money. The individual, however, must file a return with the IRS to claim his or her Earned income Tax Credit.

There are several other tax credits available that an individual may qualify for:

- Federal Child Tax Credit and Additional Child Tax Credit;
- New York's Empire State Child Credit;
- Federal Child and Dependent Care Tax Credit;
- New York's Child and Dependent Care Credit;
- Noncustodial Parent New York State Earned Income Tax Credit; and
- Education Credits:
 - The Federal Hope Credit or Lifetime Learning Credit;
 - New York's College Tuition Credit or Itemized Deduction

Volunteer Information Tax Sites (VITA) are available all across the state to help individuals file their taxes for free. Check to see if individuals to whom you provide benefits planning are eligible for the EITC and other tax credits and help them to capture the money owed them.

To locate the nearest VITA site:

**Call 211 (311 in NYC)
or 1-800-829-1040**



NEWSLETTERS, BRIEFS ON NYMWP WEBSITE

The New York Makes Work Pay Project provides an array of services to individuals with disabilities and the agencies and advocates that serve them, helping to remove obstacles to work and pave the way to self-supporting employment. More information on our project, our special initiatives, and our growing list of publications can be found on our website, www.nymakesworkpay.org

Two publications: our **Working** newsletter and our **Policy-to-Practice** brief series, involve a series of articles covering the many Social Security, SSI, Medicaid, Medicare and related regulations and policies that individuals must navigate as they pursue their work goals. The newsletter, generally 10 to 12 pages per issue and published three times per year, provides a practical discussion of a chosen topic or topics and is written for a very wide targeted audience that includes individuals with disabilities, their families, and the various service providers who work with them. The policy-to-practice briefs, generally 25 to 30 pages per brief with six briefs published per year, target the same topics but cover them in much greater detail and provide extensive references (citations) to the law, regulation and policy where the various rules are found. The briefs are targeted more to readers who spend a substantial amount of time with individuals with disabilities, helping the consumer understand how the various programs and systems operate.

Both the newsletters and the policy-to-practice briefs can be found on the Resources/Publications section of our website, at:

<http://www.ilr.cornell.edu/edi/nymakesworkpay/m-resources.cfm>.

Participate in an IDA

Individual Development Accounts (IDAs) provide a unique opportunity to save money and build assets while maintaining benefit eligibility. IDAs are matched savings accounts that allow individuals with limited income and limited wealth to save money to purchase a long-term asset such as a home, higher education and training, or business capital. Financial institutions, foundations, churches, private donors, and state and local governments fund the matches to the personal savings of IDA holders (usually at a rate ranging from \$1 to \$4 for each dollar saved).



Example: An IDA program with a 2:1 match would provide \$2 for every \$1 dollar saved in the IDA; \$1,000 saved in the IDA would receive a \$2000 match.

Many IDAs are part of an asset building strategy. The IDA provider may also provide financial literacy, budgeting, credit counseling and/or volunteer income tax assistance (VITA) services. These services provide an individual the opportunity to increase his or her ability to earn, budget, and save towards his or her goal.

Individual Development Accounts began to receive federal funding in the late 1990s as an asset building strategy for low income, low wealth families. Federal funding for the accounts were provided by two sources: Temporary Aid to Needy Families (TANF) and the Assets for Independence Act (AFIA).

Assets accrued in an IDA established using TANF or AFIA money cannot, under Federal

regulations, negatively impact an individual's eligibility for federal programs. The individual's contributions, matching contributions, and interest cannot be considered as an asset when determining eligibility or benefit levels for federal benefit programs like SSI, Medicaid and Food Stamps.

Each IDA program has eligibility guidelines that determine the income and asset limits of those who would like to open an IDA. Each program will also have rules that the individual will need to follow, such as participating in a financial literacy program or saving a minimum amount each month in his or her IDA account. Each IDA program has counselors to walk interested applicants through the process. They want individuals in the program to be successful and achieve their savings goal.

One rule that all IDA programs have in common is the requirement that an individual must be working and have earned money to deposit into the IDA account. If an individual is not currently working, but is considering work, now would be a great time to speak with his or her Vocational Rehabilitation Counselor or other return to work supports about wanting to participate in a matched savings program.

Worried about how saving money and building assets will impact SSI benefits?

The best thing about an IDA is that IDAs that receive federal funding from Temporary Aid to Needy Families (TANF) or Assets for Independence Act (AFIA) cannot be considered as assets for other federal programs. Thus, the money saved does not count as a resource for SSI purposes.

Once an individual achieves his or her savings goal:

- The home, purchased with the IDA funds, will not count as a financial asset or resource as long as the individual lives in it;
- Education and training do not count as a financial asset or resource. They are considered the individual's intellectual property; and
- Business capital may not count as an asset or resource. The SSI Work Incentive Property Essential to Self Sup-

port (PESS) allows an individual to exclude property used in a trade or business. Learn more at www.ssa.gov/ssi/spotlights/spot-property-self-support.htm.

Still concerned?

Schedule an appointment to speak with one of the following resources:

- NY WIPA Project (Work Incentive Planning and Assistance); www.socialsecurity.gov/work/ServiceProviders/WIPADirectory.html

Social Security and SSI Benefits Levels, Other Numbers will not Change in 2011

Monthly Social Security and Supplemental Security Income (SSI) benefits for more than 58 million Americans will not automatically increase in 2011.

The Social Security Act provides for an automatic increase in Social Security and SSI benefits if there is an increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a cost-of-living adjustment (COLA) was determined to exist in the third quarter of the current year. As determined by the Bureau of Labor Statistics, there is no increase in the CPI-W from the third quarter of 2008, the last year a COLA was determined, to the third quarter of 2010, therefore, under existing law, there is no COLA in 2011.

Other changes that would normally take effect based on changes in the national average wage index also will not take effect in January 2011. Since there is no COLA, the statute also prohibits a change in the maximum amount of earnings subject to the Social

Security tax as well as the retirement earnings test exempt amounts. These amounts will remain unchanged in 2011. The table in the box on the next page provides the information on 2011 Social Security and SSI changes.

Information about Medicare changes for 2011, when available, will be found at www.Medicare.gov. The Department of Health and Human Services has not yet announced if there will be any Medicare premium changes for 2011. Should there be an increase in the Medicare Part B premium, the law contains a "hold harmless" provision that protects more than 70 percent of Social Security beneficiaries from paying a higher Part B premium, in order to avoid reducing their net Social Security benefit. Those not protected include higher income beneficiaries subject to an income-adjusted Part B premium and beneficiaries newly entitled to Part B in 2011. In addition, almost 20 percent of beneficiaries have their Medicare Part B premiums paid by state Medicaid programs (i.e., through Medicare Savings Programs) and thus will see no change in their Social Security benefit. The state will be required to pay any Medicare Part B premium increase.



Cost-of-Living Adjustment (COLA):

Monthly Social Security and Supplemental Security Income (SSI) benefits will not automatically increase in 2011 as there is no increase in the Consumer Price Index (CPI-W) from the third quarter of 2008, the last year a COLA was determined, to the third quarter of 2010. Other important 2011 Social Security information is as follows:

Maximum Taxable Earnings:			2010	2011
<i>Social Security (OASDI only)</i>			\$106,800	\$106,800
<i>Medicare (HI only)</i>			No Limit	
Quarter of Coverage:			2010	2011
<i>Earnings needed to earn one Social Security credit</i>			\$1,120	\$1,120**
Retirement Earnings Test Exempt Amounts:			2010	2011
Under full retirement age NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit.			\$14,160/yr. (\$1,180/mo.)	\$14,160/yr.* (\$1,180/mo.)
The year an individual reaches full retirement age NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.			\$37,680/yr. (\$3,140/mo.)	\$37,680/yr.* (\$3,140/mo.)
There is no limit on earnings beginning the month an individual attains full retirement age.				
Social Security Disability Thresholds:			2010	2011
<i>Substantial Gainful Activity (SGA)</i>	Non-Blind		\$1,000/mo.	\$1,000/mo.**
	Blind		\$1,640/mo.	\$1,640/mo.*
<i>Trial Work Period (TWP)</i>			\$ 720/mo.	\$ 720/mo.**
SSI Federal Payment Standard:			2010	2011
<i>Individual</i>			\$ 674/mo.	\$ 674/mo.*
<i>Couple</i>			\$1,011/mo.	\$1,011/mo.*
SSI Student Exclusion:			2010	2011
<i>Monthly Limit</i>			\$1,640	\$1,640*
<i>Annual Limit</i>			\$6,600	\$6,600*
* By law, these amounts will be unchanged in 2011 because there is no COLA.				
** By law, these amounts will be unchanged in 2011 because there was a decrease in the national average wage index for 2009.				

- NY WIIN Member (Work Incentive and Information Network); www.ilr.cornell.edu/edi/nymakesworkpay/rny-benefits.cfm
- Social Security Administration – **1-800-722-1213** - Make an appointment with your Claims Representative or with the Work Incentive Liaison in your local office so that you have a full understanding of your rights and responsibilities.
- AFI (Assets for Independence); www.idaresources.org

Please note that only IDAs that receive federal funding from Temporary Aid to Needy Families (TANF) Block Grants or Assets for Independence Act (AFIA) will not be considered as assets. Please check with the local IDA provider to see if funding is received from a TANF Block Grant or from AFI.



To locate an IDA program near your office, visit the Assets for Independence Resource Center, www.idaresources.org/Map.



TOLL-FREE Work Incentives Hotline
available statewide!

1-888-224-3272 Voice
1-877-671-6844 TDD

Conclusion

Benefits practitioners should speak to each individual for whom they provide benefits planning and encourage him or her to improve his or her financial literacy by taking classes, encouraging him or her to open a traditional savings or checking account if he or she doesn't already have one, encourage him or her to file his or her tax return and claim his or her EITC and participate in an IDA in his or her region. Remember, each of the four strategies discussed above should allow recipients to take steps towards improving their financial stability without jeopardizing their disability benefits. If more than one of the four strategies is followed, watch out: another individual could be well on his or her way to financial independence!

New York Makes Work Pay Partnering Organizations

New York Makes Work Pay is a Comprehensive Employment System Medicaid Infrastructure Grant (Contract No. #1QACMS030318) from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services to the Office of Mental Health on behalf of New York State. It is a joint effort of the Burton Blatt Institute at Syracuse University and the Employment and Disability Institute at Cornell University with the collaborative support of the Employment Committee of the New York State Most Integrated Setting Coordinating Council to develop pathways and remove obstacles to employment for New Yorkers with disabilities.



Cornell University
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Employment and Disability Institute



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Editors:

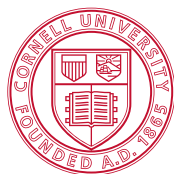
Elizabeth Jennings
Research Project Coordinator
Burton Blatt Institute

James R. Sheldon, Jr. J.D.
Neighborhood Legal Services, Inc.

Edwin J. Lopez-Soto, J.D.
Employment and Disability Institute
Cornell University

Contact Us

.....
Employment and Disability Institute
201 Dolgen Hall, Ithaca, NY 14853-3901
Voice: 607.255.7727
Fax: 607.255.2763
TDD: 607.255.2891
Web: www.NYMakesWorkPay.org
Email: NYMakesWorkPay@cornell.edu



Cornell University
ILR School
Employment and Disability Institute

New York Makes Work Pay
201 Dolgen Hall
Ithaca, NY 14853-3901