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New Savings Options Authorized for Retail Customers

Towards the end of 2014, two new national savings laws were signed by President Barack Obama. The first is American Savings Act, H.R. 3374. To encourage consumer savings, this Act permits financial institutions to offer prize-linked savings products. Citing the need to improve the country's saving rate by American households, and following the success the State of Michigan saw with its own similar program, the Act permits a saving promotion raffle to be offered by insured financial institutions, including federal savings and loan institutions. A permitted savings promotion raffle is a contest in which the consideration for entry is obtained by the deposit of a specified amount of money into a savings account or other savings program offered by a financial institution.

The second savings law signed immediately before the Christmas Holiday was the Achieving a Better Life Experience Act, also known as the "ABLE Act", H.R. 647. This Act permits people with disabilities to create tax-free savings accounts without losing their continuing Medicaid-based and Social Security benefits. A qualified person is one who has a recognized disability acquired before reaching the age of 26. Then they may establish only one ABLE Act account and no more than \$100,000 may accumulate in the ABLE Act account before there will be a consequential effect upon other government benefit payments. The ABLE Act is expected to lay the ground work for qualifying individuals to begin saving for future disability, and regrettably anticipated, expenditures.

However, both Acts require implementation at the states' level, before they become operational locally. Thus the sundry states' laws and regulations must be analyzed. For example, Kentucky banking regulations and the Commonwealth's Constitution may treat the savings promotion raffle device permitted under the American Savings Act as an illegal gambling activity. And no comment is made in this Blog as to whether the states' lotteries will view the Act's incentives as unwanted competition. With respect to the ABLE Act, each state must adopt implementing regulations

before financial institutions may offer the new authorized accounts.

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