



# Children's Savings Accounts Enact the ASPIRE Act (H.R. 4682/S. 3577)

The America Saving for Personal Investment, Retirement and Education (ASPIRE) Act (H.R. 4682/S. 3577) would establish savings accounts for every newborn child in the United States.

Introduced by Representatives Patrick Kennedy (D-RI), Tom Petri (R-WI) and Jim Cooper (D-TN) in the House, and Senators Schumer (D-NY) and Dodd (D-CT) in the Senate, ASPIRE would expand economic and educational opportunities for America's children by encouraging long-term saving, planning and financial literacy with the establishment of Lifetime Savings Accounts (LSAs). ASPIRE could represent one of the most significant, but common-sense, investments in America's children, and in our nation's future.

## **The Case for Children's Savings Accounts:**

More than one-third of the four million American children born each year enter into families that lack sufficient savings to weather emergencies or invest in their futures. Yet studies have shown that family ownership of even a few thousand dollars in assets can give children not only a measure of economic security, but also a transformative sense of possibility and hope for the future.

- **Asset building provides opportunity for economic mobility.** In research with national data sets, parental wealth is positively associated with children's math and reading scores, positive social behavior, college enrollment and college graduation. In fact, children in families with as little as \$3,000 in savings have greater odds of graduating from high school than children in families without savings.
- **Savings increase expectations for the future.** Interviews with elementary school students show that children begin to formulate ideas about their futures as early as elementary school. Children with modest savings are nearly twice as likely to plan to attend college as those without savings.
- **Low-income families can and do save.** Research from the five-year Savings for Education, Entrepreneurship and Downpayment (SEED) Policy and Practice Initiative found that despite significant economic and social barriers, even very low-income families found ways to save for their children's futures.
- **Americans support children's savings accounts.** Regardless of political affiliation, geographic location and socioeconomic status, Americans like the idea of children's savings accounts. In a 2007 national poll, 69 percent of voter respondents and 78 percent of parents supported the idea of savings accounts for newborns.
- **Children's savings accounts already exist in three countries.** Mexico, South Korea and Singapore have enacted policies similar to what is outlined in the ASPIRE Act. In Maine, each child receives a 529 at birth. Fourteen states provide matching funds for low- and moderate-income family contributions to 529s.

### **Policy Details:**

The ASPIRE Act (H.R. 4682/S.3577) has the following provisions:

- Every child would be endowed with a one-time, \$500 government contribution at birth.
- Children born into families that earn less than the national median income would be eligible for a supplemental contribution, which may be as much as \$500. They could also be eligible for matching funds of up to \$500/year until the child reaches 18.
- Private contributions may not exceed \$2,000 annually. Until the child reaches age 18, contributions can also be made through payroll deductions or tax refunds.
- Withdrawals from accounts could only be made once the child reaches age 18 and could only be used for post-secondary education. After the child reaches age 25, the savings could be used to purchase a home or save for retirement.
- Financial literacy programs would also be made available to help families decide how to select the appropriate investments and to teach children the importance of saving.
- Savings in LSAs will not be considered in determining eligibility for federal benefits, including student financial aid.

### **Recommended Action:**

- Cosponsor the ASPIRE Act in both the House and Senate.
- Enact CSAs as part of the upcoming tax bill or other legislative opportunities.
- Support other asset building legislation including
  - The Savings for American Families' Future Act of 2009 (HR 1961) which matches contributions to retirement accounts for low-income families and individuals
  - The Savings Enhancement for Education in College Act (H.R. 1351) which provides a federal match for 529 college savings plan contributions within the existing – and limited – Saver's Credit. Pass HR 1961 along with HR 1351;
  - The Savings for Working Families Act (HR 2277) which provides a tax credit for financial institutions that match savings in individual development accounts – which are open to children and funds can be invested in a Coverdell or 529;
  - Make contributions to Coverdell Education Savings Accounts eligible for Saver's Credit matches (no legislation as yet);
  - reform asset limits in SSI (SSI Savers Act of 2010 (H.R. 4937)) and TANF; and
  - expand automatic enrollment in retirement accounts (legislation pending).

### **Legislative Language:**

See the [Americans Saving for Personal Investment, Retirement and Education Act](#) (H.R. 4682).

### **Resource Information:**

[http://cfed.org/policy/federal\\_policy\\_advocacy/](http://cfed.org/policy/federal_policy_advocacy/)

[http://cfed.org/programs/abc/childrens\\_savings\\_initiatives/](http://cfed.org/programs/abc/childrens_savings_initiatives/)

[http://assets.newamerica.net/the\\_aspire\\_act](http://assets.newamerica.net/the_aspire_act)

**For more information:** Contact Carol Wayman at CFED, 1200 G Street NW, Suite 400, Washington, DC 20005, (202) 207-0127 or cwayman@cfed.org.