

The ASPIRE Act of 2007 (H.R. 3740)

WEALTH BUILDING SAVINGS ACCOUNTS FOR EVERY CHILD

PURPOSE

The America Saving for Personal Investment, Retirement and Education (ASPIRE) Act of 2007 (H.R. 3740) expands economic and educational opportunities for America's children by encouraging long-term planning, building family wealth, and promoting financial literacy by establishing a KIDS Account for every child born in the United States.

WEALTH BUILDING FOR ALL CHILDREN

More than one third of the four million American children born each year – and more than half of minority children – are born into families that lack sufficient savings to weather emergencies or effectively invest in their children's futures. To ensure that all children are equipped with the infrastructure and incentives to acquire, increase and retain assets, ASPIRE endows an account with a one-time, \$500 government contribution. Households with an income at or below 50% of the national median income are eligible for a supplemental initial contribution of \$500; households with an income between 50-100% of the national median income receive a pro-rated federal contribution to the KIDS Account. As household income approaches 100% of the national median income, the KIDS Account receives a lesser, pro-rated contribution.

Investments of up to \$2,000 per year can be added to the account. Income earned on the account is tax free. Children living in families whose household income is at or below 100% of the national median income will receive a dollar-for-dollar match on private contributions up to \$500 until the child reaches age 18. Once the child reaches age 18, withdrawals can be made for post-secondary education. Once the child reaches age 25, withdrawals can be made for homeownership and retirement. The bill also calls for financial education programs for families.

ACCOUNT MANAGEMENT

Under ASPIRE, parents or legal guardians serve as custodians of the KIDS Account until the child reaches age 18. The Accounts are held at the Department of Treasury; when an account exceeds \$10,000, it may be transferred to a private account. Custodians are responsible for investing KIDS Account funds into fixed income funds, common stock funds, or government security funds.

WEALTH-BUILDING OPPORTUNITY FOR EVERY CHILD

All children, regardless of their parents' financial circumstances, should be equipped with the tools to shape their own futures. KIDS Accounts will ensure that every child has the opportunity to acquire assets by coupling an initial endowment with private contributions, thus broadening their economic horizons and building wealth.

For more information, contact CFED at www.cfed.org/go/advocacy or New America Foundation at www.newamerica.net/assetbuilding.