

SENATOR JON S. CORZINE

RECORD STATEMENT ON INTRODUCTION OF ASPIRE ACT

Mr. President, I am pleased to join with Senator Santorum in introducing the ASPIRE Act of 2004, which would expand opportunities for young adults, encourage savings, and promote financial literacy, by establishing investment accounts, known as KIDS Accounts, for every child in America.

Mr. President, ASPIRE is based largely on a similar initiative in the United Kingdom developed by Prime Minister Tony Blair. Yet despite its British roots, the proposal is based on the most basic of American values. By giving every young person resources with which to get a start in life, ASPIRE will help realize the American ideal of equal opportunity. And by making every young person an investor, the proposal would encourage self reliance, promote savings, and give every family a personal stake in America's economy.

Under ASPIRE, an investment account would be established for every American child upon receiving a Social Security number. Each account would be funded initially with \$500. Those with incomes less than the national median would receive an additional contribution of up to \$500, and would receive a one-for-one government match for their first \$500 of private contributions each year. Up to \$1000 of after-tax private contributions would be allowed annually from any source.

Funds would accumulate tax-free and could not be withdrawn for purposes other than higher education until the child reaches the age of 18. At that point, funds could be withdrawn either for higher education or for the purchase of a home. Funds left unspent would be saved for retirement under rules similar to those that apply to Roth IRAs. Once the account holder reaches the age of 30, the initial \$500 government contribution would have to be repaid, though exceptions could be made to avoid undue hardship.

Accounts initially would be held by a government entity that would be based on the successful Thrift Savings Plan, or TSP, which now manages retirement accounts for Federal employees with relatively low administrative costs. As with the TSP, investors would have a range of investment options, such as a government securities fund, a fixed income investment fund, and a common stock fund. However, once an account holder reaches the age of 18, funds could be rolled over to a KIDS Account held at a private institution.

Mr. President, it is difficult to understate the potential impact of giving every American child a funded investment account of their own. For the first time, every child will have a meaningful incentive to learn the basics of investing, because they will have real resources to invest. For the first time, even families with modest incomes will have a significant incentive to save, to earn the government match. And, perhaps most fundamentally, for the first time, every American child will grow up knowing that when

they reach adulthood, they will have the ability to invest in themselves and in their own education. In short, every child will have hope for a real future.

Mr. President, considering its potentially significant social and individual benefits, the ASPIRE Act requires an investment that is relatively modest. It has been estimated that, when it becomes effective, the bill's cost would represent only about one tenth of one percent of the Federal budget. Yet the proposal differs from other proposals for new spending or tax cuts because, for the first 18 years, it would not reduce overall national savings at all. In that period, virtually every dollar of outlays would be saved, and would be available to expand long-term economic growth. In fact, the proposal would lead to an increase in national savings because of its incentives for families to save more. This would help create the economic growth we need to handle the added burdens associated with the impending retirement of the baby boomers.

Mr. President, Senator Santorum and I have been working on this legislation for many months, along with sponsors of identical legislation in the House, Congressmen Harold Ford, Patrick Kennedy, Thomas Petri and Phil English. In that process, we have been assisted by a broad range of experts and other interested parties, for which I am very grateful. However, I want to especially thank Ray Boshara and Reid Cramer of the New America Foundation, who have been extraordinarily helpful in the development of the legislation, and who have taken the lead in efforts to promote this and other asset building initiatives.

Mr. President, I recognize that given the lateness of the session, it is unlikely that this legislation will see action in the 108th Congress. However, Senator Santorum and I are hopeful that those with an interest in the proposal will review the language of the bill and give us feedback in the coming months. We are open to suggestions for improvements and expect to introduce a revised version of the legislation in the next Congress.

Mr. President, the ASPIRE Act is a big new idea based on simple, old time American values. It already enjoys strong bipartisan support from conservatives and progressives, alike, in both houses of Congress. I look forward to working with colleagues on both sides of the aisle to secure its prompt enactment.