

## **Clinton, Smith introduce 'New Savers Act':**

### **Legislation outlines steps to increase household savings for working families**

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The following information was released by New York Senator Hillary Clinton:

Senators Hillary Rodham Clinton (D-NY) and Gordon H. Smith (R-OR) today announced the introduction of the New Savers Act. The bill outlines a series of innovative proposals to help increase the personal savings rate, which has been negative for the past two years and at the lowest level since the Great Depression.

"With the savings rate at near historic lows, Congress needs to look at new ways to help working families and low income households to increase their personal savings. Too many families are living paycheck to paycheck without saving for their futures and too many Americans have not been brought into the financial mainstream. The New Savers Act lays out a series of practical and relatively low cost steps we can implement to help Americans start saving more and create wealth for their kid's education, for the purchase of a home and for their retirement," said Senator Clinton.

"The national savings rate is below zero, painting a grim picture for the future financial security of many Americans," said Senator Smith. "Enacting the simple measures identified in this bill would make the difference in encouraging millions of young Americas to start investing in their future."

The bill, developed in coordination with the Asset Building Program at the New America Foundation, will among other things, create unique savings accounts for children, enable and encourage greater access to financial services such as checking and savings accounts, incentivize the purchase of U.S. savings bonds, enable more families to utilize existing savings incentives such as the Saver's Credit, makes sure college savings plans are effective, and ensure that wealth building tools and education are readily available to working families that want to save for their future.

A summary of the New Savers Act Follows:

#### **Encouraging Savings at Tax Time**

To facilitate savings and provide reasonably-priced transaction accounts, individual taxpayers will be able to open accounts with their tax returns. Taxpayers will be able to conduct their routine financial activities in a convenient and low-cost way through electronic transfers and transaction cards that are connected to the accounts. Taxpayers will also be able to purchase U.S. savings bonds directly with their tax return. In addition, the Treasury Department will make available up to \$25 million in grants each year to support tax return preparation clinics for low-income taxpayers. Finally, the Treasury Secretary will establish

national savings performance measures to evaluate the extent to which Americans are saving and using the Federal tax process to facilitate their savings activities.

#### Enabling Access to Financial Services

The Secretaries of the Treasury Department and the Department of Health and Human Services are instructed to undertake a number of programs and strategies to promote access to wealth building financial services. Efforts will focus on encouraging the use of electronic payments, linking benefits cards to savings products, and providing the resources, incentives, training and assistance to connect individuals to a variety of wealth building financial products and services.

#### Roth IRAs for Kids

The earlier children start saving and accumulating assets, the more financially secure they will be throughout life and in retirement. This title creates a tax-advantaged children's savings account similar to a Roth IRA. The current rules for Roth IRAs require owners to have earned income, which most children do not have, so families have no tax-benefited, restricted way of saving for their kid's first-home, college, or retirement. This provision lifts that requirement so that parents, grandparents, and others can contribute to a savings account that will have tax free distributions.

#### Making More Families Eligible for the Savers Credit

The Savers Credit is a nonrefundable tax credit, which matches lower-income taxpayers' contributions to 401(k) plans, IRAs, and other savings vehicles. To help more eligible families take advantage of the credit and create an incentive to save for higher education, this proposal expands the list of eligible savings vehicles to include Coverdell education savings accounts, and it increases the amount of the savings that is eligible for the credit.

#### Promoting U.S. Savings Bonds

U.S. Savings Bonds are a valuable tool to promote savings, especially among small savers. This title expands efforts to market and promote access to U.S. savings bonds, and creates a tax credit available to employers that facilitate the purchase of savings bonds through their participation in the payroll savings plan.

#### Strengthening Qualified Tuition Savings Plans

Section 529 College Savings Plans, or qualified tuition plans, provide a viable means to save for post-secondary education. This title ensures that detailed information on the operation and performance of each state's program is made available each year, and an annual report is prepared to assess the use and effectiveness of qualified tuition program in assisting taxpayers. Further, it also creates a grant program to support innovation by states in increasing participation in their programs.