

**MEMO# 10042**

June 22, 1998

## **SENATOR KERREY INTRODUCES KIDSAVE ACCOUNT LEGISLATION**

[10042] June 22, 1998 TO: PENSION COMMITTEE No. 37-98 AD HOC EDUCATION IRA COMMITTEE RE: SENATOR KERREY INTRODUCES KIDSAVE ACCOUNT LEGISLATION

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Senator Kerrey (D-NE), together with Senators Moynihan (D-NY), Breaux (D-LA) and Lieberman (D-CT), recently introduced the Social Security KidSave Accounts Act, S. 2184. This bill would require the Social Security Administration to establish a KidSave Account for every child born after January 1, 1997. The bill would require the Secretary of the Treasury to transfer from the Federal Old-Age and Survivors Insurance Trust Fund and credit to each KidSave Account \$1,000 for each child born on or after January 1, 1999, and \$500 on the 1st, 2nd, 3rd, 4th and 5th birthdays occurring on or after January 1, 2002 of each child born on or after January 1, 1997. Beginning in 2009, these contribution amounts would be increased by a cost-of-living adjustment, as described in the bill. The legal guardian of the child would designate the investment vehicle for the KidSave Account to which contributions would be made. The bill would require the Social Security Commissioner to issue regulations regarding the manner in which a legal guardian may change an investment vehicle in which a KidSave Account is invested and in which an individual who has attained age 18 may designate a KidSave Account to which all or a portion of an existing KidSave Account may be transferred. A KidSave Account would be deemed an individual retirement plan, as defined under Code section 7701(A)(37), other than a Roth IRA, which is designated as a KidSave Account. The contribution limits would be limited to those noted above. Rollovers to KidSave Accounts would be limited to amounts from another KidSave Account. Distributions would be permitted at the earlier of eligibility for Social Security benefits or death of the individual. The bill would establish a KidSave Investment Fund in the Treasury, similar to the Thrift Savings Fund. A KidSave Investment Fund Board would be established to manage the KidSave Investment Fund, similar to the management of the Thrift Savings Fund. A copy of S. 2184 is attached. Kathryn A. Ricard Assistant Counsel Attachment