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# Savings for Life: A Pathway to Financial Security for all Americans

*“Protecting the Nest Egg in a Turbulent Economy”*  
Center on American Progress, Washington, DC  
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# Savings Policy Issues

- **The US needs a sensible system for saving that allows all Americans to save, invest and own.**
  
- **Too many American households have been left out of the savings system.**
  
- **Policy makers have not effectively used the expertise of the financial sector in helping families save.**
  
- **The major policy challenge:**
  - Building the right nexus between policy and the industry
  - Building the right savings vehicles with the right incentives for both savers and the industry.



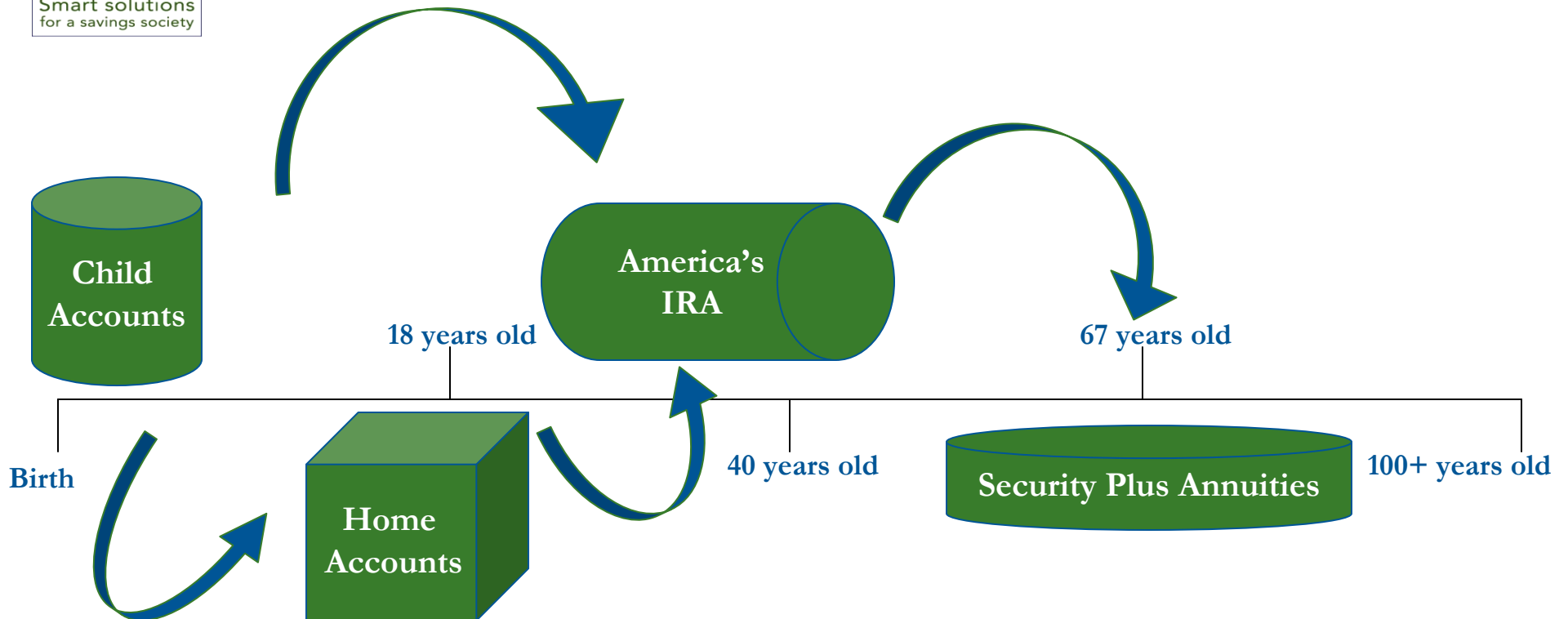
# Savings for Life: Common Elements

- **Lifelong opportunities to save for major life goals - education, home ownership and a secure retirement**
- **Universal availability – available to Americans at every income level**
- **Simple designs**
  - Limited, low cost investment choices
  - Reduced compliance/administrative burden/costs
- **Proper incentives for savers**
  - Matching contributions for low- and moderate-income consumers
  - Matches delivered through the tax system
  - Matches to make small accounts profitable more quickly
- **Private sector design and delivery**
  - Connecting the industry and consumers, especially low- and moderate-income consumers
  - No ERISA
  - No employer mandate



# THE SAVINGS FOR LIFE MODEL

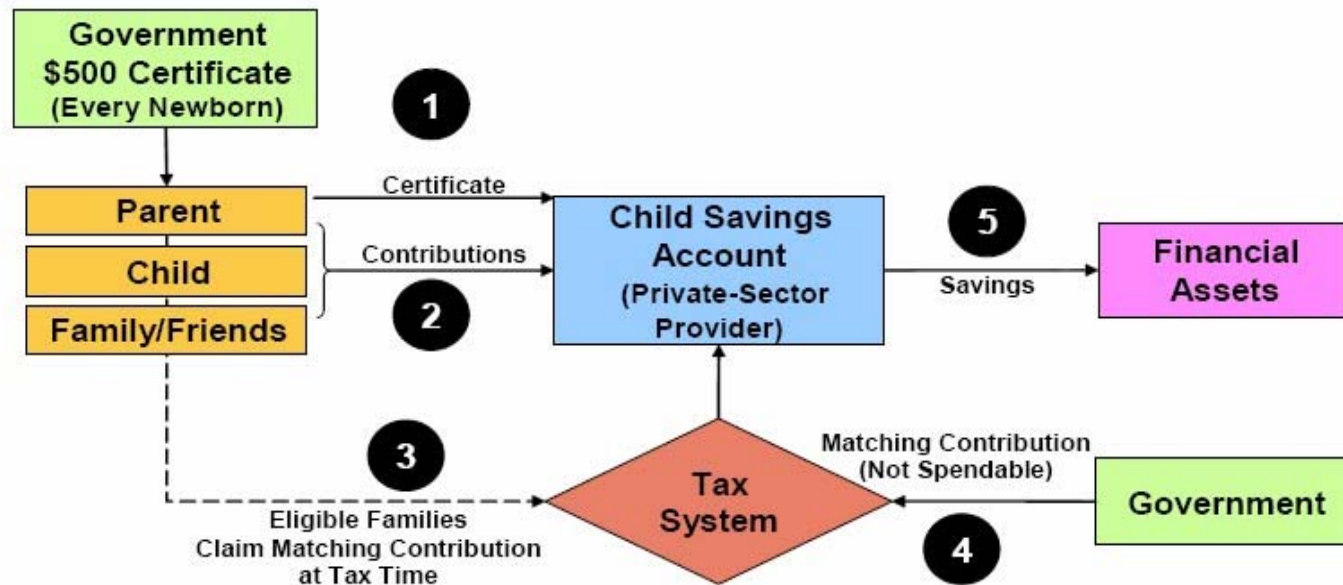
## An Integrated Life Cycle Approach to Saving





# Savings for Life: Child Accounts

## Child Accounts Structure

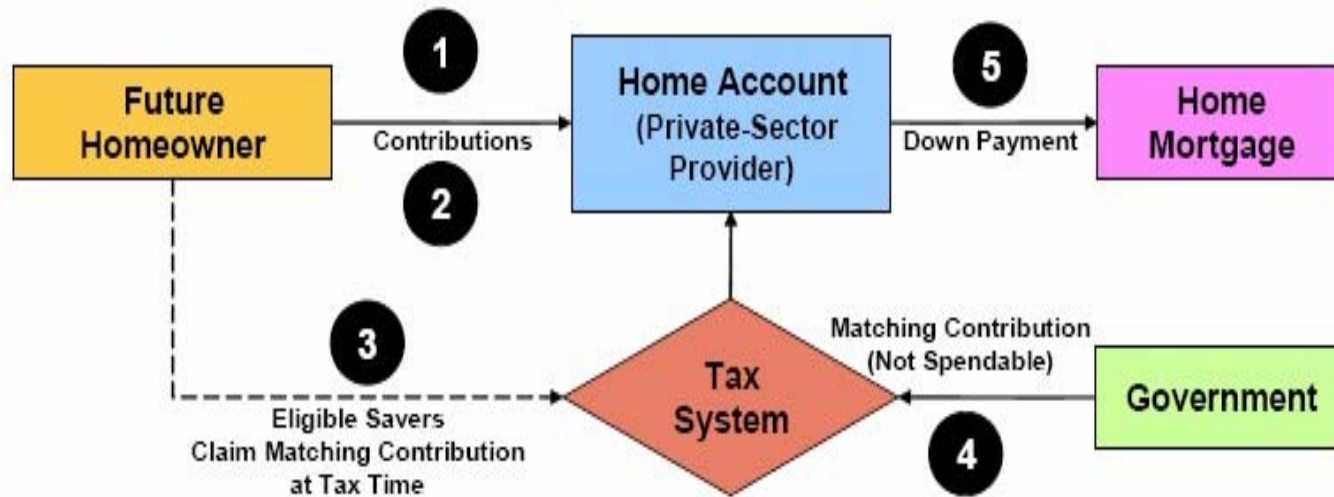


- 1** Open Account in Child's Name
- 2** Contribute
- 3** File Taxes
- 4** Receive Match Through Tax System
- 5** Child Able to Access Account at Age 18



# Savings for Life: Home Accounts

## Home Account Structure

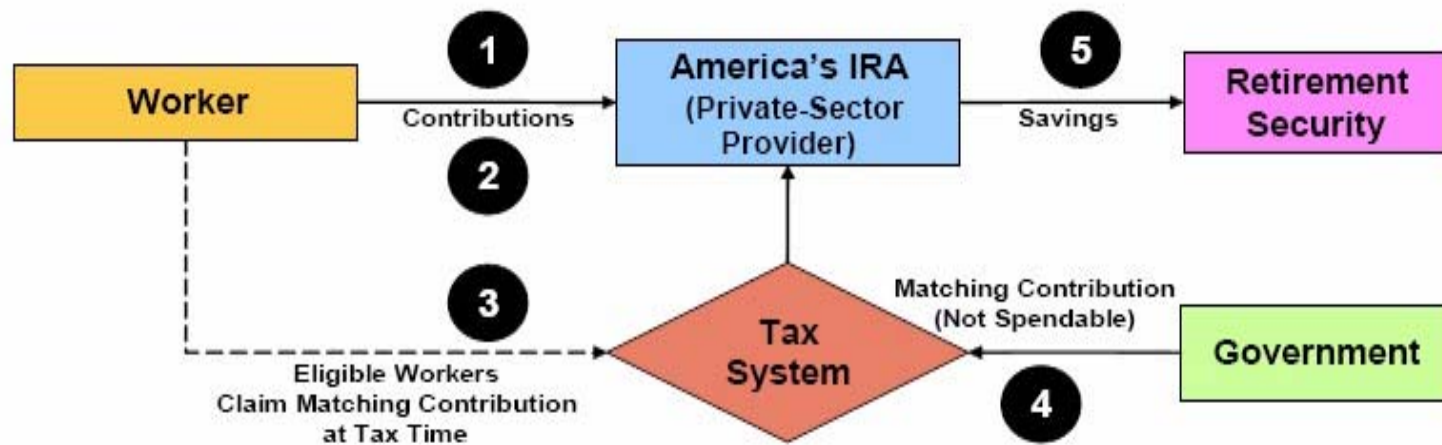


- 1 Open Account
- 2 Contribute
- 3 File Taxes
- 4 Receive Match Through Tax System
- 5 Use Down Payment Savings to Buy Home



# Savings for Life: America's IRA

## America's IRA Structure

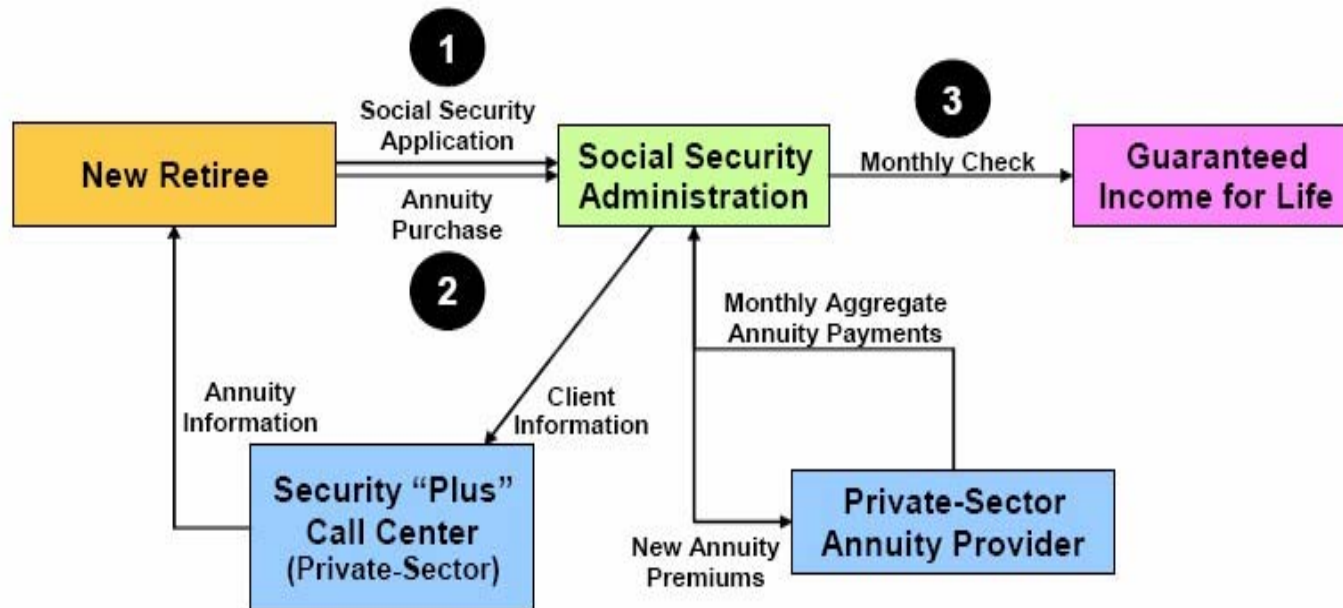


- 1 Open Account
- 2 Contribute
- 3 File Taxes
- 4 Receive Match Through Tax System
- 5 Use Retirement Savings After Age 59½



# Savings for Life: Security Plus Annuities

## Security "Plus" Annuities Structure



- ① Apply for Benefits and Receive Information
- ② Purchase a Security "Plus" Annuity
- ③ Receive Benefits and Annuity Payments in One Check



# Savings for Life: 10 Years Out

## **Child Accounts**

- \$100 billion in assets under management
- 40 million new accounts, average account balances >\$2,000
- \$27 billion in government outlays

## **Home Accounts**

- \$70 billion in Home Account deposits
- 4 million new homeowners, \$450 billion in new mortgages
- \$28 billion in government outlays

## **America's IRA**

- \$155 billion in assets under management (15% take-up)
- \$64 billion in government outlays

## **Security Plus Annuities**

- \$84 billion market (5% take-up, \$50,000 purchase amount)
- 1.7 million annuitants



# THE SAVINGS FOR LIFE MODEL

## An Integrated Life Cycle Approach to Saving

