

109TH CONGRESS  
1ST SESSION

# H. R. 1767

To encourage savings, promote financial literacy, and expand opportunities  
for young adults by establishing KIDS Accounts.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2005

Mr. FORD (for himself, Mr. KENNEDY of Rhode Island, and Mr. ENGLISH of  
Pennsylvania) introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To encourage savings, promote financial literacy, and expand  
opportunities for young adults by establishing KIDS Ac-  
counts.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “America Saving for  
5 Personal Investment, Retirement, and Education Act of  
6 2005” or the “ASPIRE Act of 2005”.

7 **SEC. 2. KIDS ACCOUNT FUND.**

8 (a) ESTABLISHMENT.—There is established in the  
9 Treasury of the United States a KIDS Account Fund.

1           (b) AMOUNTS HELD BY FUND.—The KIDS Account  
2 Fund consists of the sum of all amounts paid into the  
3 Fund under subsections (d) and (e), increased by the total  
4 net earnings from investments of sums held in the Fund  
5 or reduced by the total net losses from investments of  
6 sums held in the Fund, and reduced by the total amount  
7 of payments made from the Fund (including payments for  
8 administrative expenses).

9           (c) USE OF FUND.—

10           (1) IN GENERAL.—The sums in the KIDS Ac-  
11 count Fund are appropriated and shall remain avail-  
12 able without fiscal year limitation—

13                   (A) to invest under section 5,

14                   (B) to make distributions under section 6,

15                   (C) to pay the administrative expenses of  
16 carrying out this Act, and

17                   (D) to purchase insurance as provided in  
18 section 9(c)(2).

19           (2) EXCLUSIVE PURPOSES.—The sums in the  
20 KIDS Account Fund shall not be appropriated for  
21 any purpose other than the purposes specified in this  
22 section and may not be used for any other purpose.

23           (d) GOVERNMENT CONTRIBUTIONS.—

1           (1) IN GENERAL.—The Secretary of the Treas-  
2           ury shall make transfers from the general fund of  
3           the Treasury to the KIDS Account Fund as follows:

4                   (A) AUTOMATIC CONTRIBUTIONS.—Upon  
5                   receipt of each certification under section 3(b),  
6                   the Secretary of the Treasury shall transfer  
7                   \$500.

8                   (B) SUPPLEMENTAL CONTRIBUTIONS.—  
9                   Upon receipt of each certification under section  
10                  4(a), the Secretary of the Treasury shall trans-  
11                  fer the supplemental amount.

12                  (C) MATCHING CONTRIBUTIONS.—Upon  
13                  receipt of each certification under section 4(b),  
14                  the Secretary of the Treasury shall transfer the  
15                  matching amount.

16           (2) ADJUSTMENT FOR INFLATION.—

17                   (A) IN GENERAL.—For each fifth calendar  
18                   year beginning after 2006, the \$500 amount in  
19                   paragraph (1)(A) shall be increased by such  
20                   dollar amount multiplied by the cost-of-living  
21                   adjustment determined under section 1(f)(3) of  
22                   the Internal Revenue Code of 1986 determined  
23                   by substituting “calendar year 2005” for “cal-  
24                   endar year 1992” in subparagraph (B) thereof.

1                   (B) ROUNDING.—If any amount adjusted  
2                   under subparagraph (A) is not a multiple of  
3                   \$50, such amount shall be rounded to the next  
4                   lowest multiple of \$50.

5                   (e) PRIVATE CONTRIBUTIONS.—The Executive Di-  
6                   rector shall pay into the KIDS Account Fund such  
7                   amounts as are contributed under section 3(f).

8   **SEC. 3. KIDS ACCOUNTS.**

9                   (a) ESTABLISHMENT.—The Executive Director shall  
10                  establish in the KIDS Account Fund a Kids Investment  
11                  and Development Savings Account (hereafter in this Act  
12                  referred to as a “KIDS Account”) for each eligible indi-  
13                  vidual certified under subsection (b). Each such account  
14                  shall be identified to its account holder by means of the  
15                  account holder’s social security account number.

16                  (b) CERTIFICATION OF ACCOUNT HOLDERS.—On the  
17                  date on which an eligible individual is issued a social secu-  
18                  rity account number under section 203(c)(2) of the Social  
19                  Security Act, the Commissioner of Social Security shall  
20                  certify to the Executive Director and the Secretary of the  
21                  Treasury the name of, and social security number issued  
22                  to, such eligible individual.

23                  (c) ACCOUNT BALANCE.—The balance in an account  
24                  holder’s KIDS Account at any time is the excess of—

25                         (1) the sum of—

1 (A) all deposits made into the KIDS Ac-  
2 count Fund and credited to the account under  
3 subsection (d), and

4 (B) the total amount of allocations made  
5 to and reductions made in the account pursuant  
6 to subsection (e), over

7 (2) the amounts paid out of the account with  
8 respect to such individual under section 6.

9 (d) CREDITING OF CONTRIBUTIONS.—Pursuant to  
10 regulations which shall be prescribed by the Executive Di-  
11 rector, the Executive Director shall credit to each KIDS  
12 Account the amounts paid into the KIDS Account Fund  
13 under subsections (d) and (e) of section 2 which are attrib-  
14 utable to the account holder of such account.

15 (e) ALLOCATION OF EARNINGS AND LOSSES.—The  
16 Executive Director shall allocate to each KIDS Account  
17 an amount equal to the net earnings and net losses from  
18 each investment of sums in the KIDS Account Fund  
19 which are attributable, on a pro rata basis, to sums cred-  
20 ited to such account, reduced by an appropriate share of  
21 the administrative expenses paid out of the net earnings,  
22 as determined by the Executive Director.

23 (f) PRIVATE CONTRIBUTIONS.—

24 (1) IN GENERAL.—The Executive Director shall  
25 accept cash contributions for payment into the

1 KIDS Account Fund if such contribution is identi-  
2 fied (in such manner as the Executive Director may  
3 require) with the account holder of a KIDS Account  
4 to whom it is to be credited at the time the contribu-  
5 tion is made.

6 (2) ALTERNATIVE METHODS OF CONTRIBU-  
7 TION.—

8 (A) PAYROLL DEDUCTION.—Under regula-  
9 tions prescribed by the Executive Director and  
10 at the election of the employer, contributions  
11 under paragraph (1) may be made through pay-  
12 roll deductions.

13 (B) TAX REFUNDS.—Under regulations  
14 prescribed by the Secretary of the Treasury,  
15 contributions under paragraph (1) may be made  
16 by an election to contribute all or a portion of  
17 the tax refund of the contributor.

18 (3) ANNUAL LIMITATION.—

19 (A) ACCOUNT HOLDERS UNDER AGE 18.—  
20 In the case of an account holder who has not  
21 attained age 18 at the end of a calendar year—

22 (i) the limitation under section  
23 219(b)(1) of the Internal Revenue Code of  
24 1986 shall not apply, and

1           (ii) the Executive Director shall not  
2           accept any contribution identified with  
3           such account holder if such contribution,  
4           when added to all other contributions made  
5           under this subsection during such calendar  
6           year with respect to such account holder,  
7           exceeds \$2,000.

8           (B) ACCOUNT HOLDERS AGE 18 OR  
9           OLDER.—In the case of an account holder who  
10          is age 18 or older at the end of a calendar year,  
11          any contribution identified with such account  
12          holder shall be taken into account under section  
13          219(b)(1) of the Internal Revenue Code of  
14          1986 for such year.

15          (C) ADJUSTMENT FOR INFLATION.—

16           (i) IN GENERAL.—For each fifth cal-  
17          endar year beginning after 2006, the  
18          \$2,000 amount under subparagraph (A)(ii)  
19          shall be increased by such dollar amount  
20          multiplied by the cost-of-living adjustment  
21          determined under section 1(f)(3) of the In-  
22          ternal Revenue Code of 1986 determined  
23          by substituting “calendar year 2005” for  
24          “calendar year 1992” in subparagraph (B)  
25          thereof.

1                   (ii) ROUNDING.—If any amount ad-  
2                   justed under clause (i) is not a multiple of  
3                   \$50, such amount shall be rounded to the  
4                   next lowest multiple of \$50.

5           (g) ELIGIBLE INDIVIDUAL.—For purposes of this  
6 Act, the term “eligible individual” means any individual  
7 who is—

8                   (1) a United States citizen or a person de-  
9                   scribed in paragraph (1) of section 431(b) of the  
10                  Personal Responsibility and Work Opportunity Rec-  
11                  onciliation Act of 1996,

12                   (2) born after December 31, 2006, and

13                   (3) less than 18 years of age.

14           (h) REPAYMENT OF AUTOMATIC CONTRIBUTION.—  
15 Beginning with the year in which an account holder of  
16 a KIDS Account attains the age of 30, such account hold-  
17 er shall repay, in such form and manner as the Executive  
18 Director shall prescribe by regulation, the amount trans-  
19 ferred under section 2(d)(1)(A) and credited to the ac-  
20 count of the account holder under subsection (d).

21           (i) RIGHTS OF LEGAL GUARDIAN.—Until the account  
22 holder of a KIDS Account attains age 18, any rights or  
23 duties of the account holder under this Act with respect  
24 to such account shall be exercised or performed by the  
25 legal guardian of such account holder.



1 **SEC. 4. CERTIFICATIONS RELATED TO GOVERNMENT CON-**  
2 **TRIBUTIONS.**

3 (a) SUPPLEMENTAL GOVERNMENT CONTRIBU-  
4 TIONS.—

5 (1) IN GENERAL.—Upon such showing as the  
6 Executive Director may require to establish the basis  
7 for certification, the Executive Director shall, with  
8 respect to each eligible account holder, certify to the  
9 Secretary of the Treasury the supplemental amount  
10 with respect to such account holder.

11 (2) ELIGIBLE ACCOUNT HOLDER.—For pur-  
12 poses of this subsection, the term “eligible account  
13 holder” means an account holder of a KIDS Ac-  
14 count who, for the last taxable year ending before  
15 such account holder’s certification under section  
16 3(b), has a modified adjusted gross income which is  
17 below the applicable national median adjusted gross  
18 income amount.

19 (3) SUPPLEMENTAL AMOUNT.—

20 (A) IN GENERAL.—For purposes of this  
21 Act, the term “supplemental amount” means  
22 \$500.

23 (B) INCOME PHASE-OUT.—With respect to  
24 any account holder who has a modified adjusted  
25 gross income for the last taxable year ending  
26 before such account holder’s certification under

1 section 3(b) which is in excess of 50 percent of  
2 the applicable national median adjusted gross  
3 income amount, the \$500 amount in subpara-  
4 graph (A) shall be reduced (but not below zero)  
5 by an amount which bears the same ratio to  
6 \$500 as such excess bears to 50 percent of the  
7 applicable national median adjusted gross in-  
8 come amount.

9 (C) ADJUSTMENT FOR INFLATION.—

10 (i) IN GENERAL.—For each fifth cal-  
11 endar year beginning after 2006, each of  
12 the \$500 amounts under subparagraphs  
13 (A) and (B) shall be increased by such dol-  
14 lar amount multiplied by the cost-of-living  
15 adjustment determined under section  
16 1(f)(3) of the Internal Revenue Code of  
17 1986 determined by substituting “calendar  
18 year 2005” for “calendar year 1992” in  
19 subparagraph (B) thereof.

20 (ii) ROUNDING.—If any amount ad-  
21 justed under clause (i) is not a multiple of  
22 \$50, such amount shall be rounded to the  
23 next lowest multiple of \$50.

24 (b) GOVERNMENT MATCHING CONTRIBUTION.—

1           (1) IN GENERAL.—Upon such showing as the  
2       Executive Director may require to establish the basis  
3       for certification, the Executive Director shall, with  
4       respect to each private contribution to the account  
5       of an account holder which is made before such ac-  
6       count holder attains age 18, certify to the Secretary  
7       of the Treasury the matching amount with respect  
8       to such contribution.

9           (2) MATCHING AMOUNT.—

10           (A) IN GENERAL.—For purposes of this  
11       subsection, the term “matching amount”  
12       means, with respect to the first \$1,000 of pri-  
13       vate contributions to an account during any cal-  
14       endar year, an amount equal to 100 percent of  
15       such contribution.

16           (B) INCOME PHASE-OUT.—With respect to  
17       any account holder who has a modified adjusted  
18       gross income for the last taxable year ending  
19       before such contribution which is in excess of  
20       100 percent of the applicable national median  
21       adjusted gross income amount, the \$1,000  
22       amount in subparagraph (A) shall be reduced  
23       (but not below zero) by an amount which bears  
24       the same ratio to \$1,000 as such excess bears

1 to 100 percent of the applicable national me-  
2 dian adjusted gross income amount.

3 (C) ADJUSTMENT FOR INFLATION.—

4 (i) IN GENERAL.—For each fifth cal-  
5 endar year beginning after 2006, each of  
6 the \$1,000 amounts under subparagraphs  
7 (A) and (B) shall be increased by such dol-  
8 lar amount multiplied by the cost-of-living  
9 adjustment determined under section  
10 1(f)(3) of the Internal Revenue Code of  
11 1986 determined by substituting “calendar  
12 year 2005” for “calendar year 1992” in  
13 subparagraph (B) thereof.

14 (ii) ROUNDING.—If any amount ad-  
15 justed under clause (i) is not a multiple of  
16 \$50, such amount shall be rounded to the  
17 next lowest multiple of \$50.

18 (3) PRIVATE CONTRIBUTION.—For purposes of  
19 this subsection, the term “private contribution”  
20 means a contribution accepted under section 3(f).

21 (c) DEFINITIONS AND RULES RELATING TO MODI-  
22 FIED ADJUSTED GROSS INCOME.—For purposes of this  
23 section—

24 (1) SPECIAL RULE FOR ACCOUNT HOLDERS  
25 WHO CAN BE CLAIMED AS DEPENDENTS.—In the

1 case of an account holder of a KIDS Account for  
2 whom a deduction is allowable under section 151 of  
3 the Internal Revenue Code of 1986 to another tax-  
4 payer, any reference in this section to the modified  
5 adjusted gross income of the account holder for any  
6 taxable year shall be treated as a reference to the  
7 modified adjusted gross income of such other tax-  
8 payer.

9 (2) MODIFIED ADJUSTED GROSS INCOME.—The  
10 term “modified adjusted gross income” has the  
11 meaning given such term in section 221(b) of the In-  
12 ternal Revenue Code of 1986.

13 (3) APPLICABLE NATIONAL MEDIAN ADJUSTED  
14 GROSS INCOME.—

15 (A) IN GENERAL.—The term “applicable  
16 national median adjusted gross income” means,  
17 with respect to any calendar year, the median  
18 amount of adjusted gross income (as defined in  
19 section 62 of the Internal Revenue Code of  
20 1986) for individual taxpayers for taxable years  
21 ending in the prior calendar year as determined  
22 by the Secretary of the Treasury.

23 (B) JOINT RETURNS.—The applicable na-  
24 tional median adjusted gross income shall be

1           calculated and applied separately with respect  
2           to joint returns and all other returns.

3 **SEC. 5. RULES GOVERNING KIDS ACCOUNTS RELATING TO**  
4                   **INVESTMENT, ACCOUNTING, AND REPORT-**  
5                   **ING.**

6           (a) **DEFAULT INVESTMENT PROGRAM.**—The KIDS  
7 Account Fund Board shall establish a default investment  
8 program under which, in a manner similar to a lifecycle  
9 investment program, sums in each KIDS Account are allo-  
10 cated to investment funds in the KIDS Account Fund  
11 based on the amount of time before the account holder  
12 attains the age of 18. Each account holder of a KIDS  
13 Account shall be enrolled in such program unless such ac-  
14 count holder, in such form and manner as prescribed by  
15 the Executive Director, elects otherwise.

16           (b) **OTHER RULES.**—Under regulations which shall  
17 be prescribed by the Executive Director, and subject to  
18 the provisions of this Act, the provisions of—

19                   (1) section 8438 of title 5, United States Code  
20                   (relating to investment of the Thrift Savings Fund),

21                   (2) section 8439(b) of such title (relating to en-  
22                   engagement of independent qualified public account-  
23                   ant),

1           (3) section 8439(c) of such title (relating to  
2           periodic statements and summary descriptions of in-  
3           vestment options), and

4           (4) section 8439(d) of such title (relating to as-  
5           sumption of risk), shall apply with respect to the  
6           KIDS Account Fund and accounts maintained in  
7           such Fund in the same manner and to the same ex-  
8           tent as such provisions relate to the Thrift Savings  
9           Fund and the accounts maintained in the Thrift  
10          Savings Fund. For purposes of this subsection, ref-  
11          erences in such sections 8438 and 8439 to an em-  
12          ployee, Member, former employee, or former Member  
13          shall be deemed references to an account holder of  
14          a KIDS Account in the KIDS Account Fund.

15 **SEC. 6. DISTRIBUTIONS FROM KIDS ACCOUNTS.**

16          (a) IN GENERAL.—Under regulations prescribed by  
17          the Executive Director, amounts in a KIDS Account shall,  
18          at the request of the account holder, be distributed to the  
19          account holder if such distribution is a qualified distribu-  
20          tion (within the meaning of section 408A(d)(2) of the In-  
21          ternal Revenue Code of 1986).

22          (b) AGE LIMITATION.—No distribution shall be made  
23          under subsection (a) with respect to any account holder  
24          of a KIDS Account before such account holder attains age  
25          18.

1 (c) MINIMUM BALANCE.—No amount shall be dis-  
2 tributed under subsection (a) to the extent such distribu-  
3 tion would cause the balance of such account to be less  
4 than the amount transferred to such account under sec-  
5 tion 2(d)(1)(A) before the account holder—

6 (1) attains age 59½,

7 (2) dies, or

8 (3) becomes disabled (within the meaning of  
9 section 72(m)(7)).

10 **SEC. 7. TAX TREATMENT OF KIDS ACCOUNTS.**

11 (a) IN GENERAL.—Except as otherwise provided in  
12 this Act, for purposes of the Internal Revenue Code of  
13 1986—

14 (1) each KIDS Account shall be treated in the  
15 same manner as a Roth IRA (within the meaning of  
16 section 408A of such Code), and

17 (2) any distribution from such account shall be  
18 treated in the same manner as a distribution from  
19 a Roth IRA.

20 (b) QUALIFIED ROLLOVERS CONTRIBUTIONS.—

21 (1) IN GENERAL.—Except as provided in para-  
22 graph (2), no qualified rollover contribution (as de-  
23 fined in section 408A(e) of the Internal Revenue  
24 Code of 1986) shall be allowed with respect to a  
25 KIDS Account.



1 (2) QUALIFIED ROLLOVERS.—

2 (A) IN GENERAL.—Under regulations pre-  
3 scribed by the Secretary of the Treasury in con-  
4 sultation with the Executive Director, after an  
5 account holder of a KIDS Account attains the  
6 age of 18, such account holder may elect to  
7 make a rollover contribution from such account  
8 holder's account to—

9 (i) a Roth IRA, or

10 (ii) a qualified tuition program (within  
11 the meaning of section 529 of the Internal  
12 Revenue Code of 1986).

13 (B) LIMITATION.—No rollover contribution  
14 may be made under this paragraph to the ex-  
15 tent that such rollover contribution would cause  
16 the balance of such account holder's account to  
17 be less than the amount of the contribution  
18 transferred to such account under section  
19 2(d)(1)(A) before such account holder—

20 (i) attains age 59 ½,

21 (ii) dies, or

22 (iii) becomes disabled (within the  
23 meaning of section 72(m)(7)).

24 (c) 100 PERCENT TAX ON GOVERNMENT CONTRIBU-  
25 TIONS.—

## 1 (1) KIDS ACCOUNTS.—

2 (A) IN GENERAL.—In the case of any  
3 amount distributed from a KIDS Account  
4 which is attributable to contributions made  
5 under section 2(d) and which would be includ-  
6 ible in gross income (but for this paragraph)—

7 (i) such amount shall not be includible  
8 in gross income, and

9 (ii) the tax imposed under chapter 1  
10 of the Internal Revenue Code of 1986 on  
11 the distributee for the taxable year in  
12 which such amount is distributed shall be  
13 increased by 100 percent of such amount.

14 (B) ORDERING RULES.—For purposes of  
15 this paragraph, distributions from KIDS Ac-  
16 counts shall be treated as made from amounts  
17 attributable to contributions made under sec-  
18 tion 3(f) and from earnings before made from  
19 amounts attributable to contributions made  
20 under section 2(d).

21 (2) ROTH IRAS.—Section 408A(d) of the Inter-  
22 nal Revenue Code of 1986 (relating to distribution  
23 rules) is amended by adding at the end the following  
24 new paragraph:

1           “(8) 100 PERCENT TAX ON DISTRIBUTIONS RE-  
2           LATED TO CERTAIN GOVERNMENT CONTRIBU-  
3           TIONS.—

4           “(A) IN GENERAL.—In the case of any dis-  
5           tribution which is attributable to contributions  
6           made under section 2(d) of the America Saving  
7           for Personal Investment, Retirement, and Edu-  
8           cation Act of 2005 and which would be includ-  
9           ible in gross income (but for this paragraph)—

10           “(i) such amount shall not be includ-  
11           ible in gross income, and

12           “(ii) the tax imposed under chapter 1  
13           on the distributee for the taxable year in  
14           which such amount is distributed shall be  
15           increased by 100 percent of such amount.

16           “(B) ORDERING RULES.—For purposes of  
17           this paragraph, distributions shall be treated as  
18           made from amounts attributable to other con-  
19           tributions and from earnings before made from  
20           amounts attributable to contributions made  
21           under section 2(d) of the America Saving for  
22           Personal Investment, Retirement, and Edu-  
23           cation Act of 2005.”.

24           (3) QUALIFIED TUITION PROGRAMS.—Section  
25           529(c)(3) of the Internal Revenue Code of 1986 (re-

1       lating to distributions) is amended by adding at the  
2       end the following new subparagraph:

3               “(E) 100 PERCENT TAX ON DISTRIBUTIONS RELATED TO CERTAIN GOVERNMENT  
4               CONTRIBUTIONS.—

6               “(i) IN GENERAL.—In the case of any  
7               distribution which is attributable to contributions made under section 2(d) of the  
8               America Saving for Personal Investment, Retirement, and Education Act of 2005  
9               and which would be includible in gross income (but for this subparagraph)—

13              “(I) such amount shall not be includible in gross income, and

15              “(II) the tax imposed under chapter 1 on the distributee for the  
16              taxable year in which such amount is distributed shall be increased by 100  
17              percent of such amount.

20              “(ii) ORDERING RULES.—For purposes of this paragraph, distributions shall  
21              be treated as made from amounts attributable to other contributions and from  
22              earnings before made from amounts attributable to contributions made under section  
23              24              25

1                   2(d) of the America Saving for Personal  
2                   Investment, Retirement, and Education  
3                   Act of 2005.”.

4 **SEC. 8. KIDS ACCOUNT FUND BOARD.**

5           (a) IN GENERAL.—There is established in the execu-  
6 tive branch of the Government a KIDS Account Fund  
7 Board.

8           (b) COMPOSITION, DUTIES, AND RESPONSIBIL-  
9 ITIES.—Subject to the provisions of this Act, the provi-  
10 sions of —

11           (1) section 8472 of title 5, United States Code  
12           (relating to composition of Federal Retirement  
13           Thrift Investment Board),

14           (2) section 8474 of such title (relating to Exec-  
15           utive Director),

16           (3) section 8475 of such title (relating to in-  
17           vestment policies), and

18           (4) section 8476 of such title (relating to ad-  
19           ministrative provisions), shall apply with respect to  
20           the KIDS Account Fund Board in the same manner  
21           and to the same extent as such provisions relate to  
22           the Federal Retirement Thrift Investment Board.

23 **SEC. 9. FIDUCIARY RESPONSIBILITIES.**

24           (a) IN GENERAL.—Under regulations of the Sec-  
25 retary of Labor, the provisions of sections 8477 and 8478

1 of title 5, United States Code, shall apply in connection  
2 with the KIDS Account Fund and the accounts main-  
3 tained in such Fund in the same manner and to the same  
4 extent as such provisions apply in connection with the  
5 Thrift Savings Fund and the accounts maintained in the  
6 Thrift Savings Fund.

7 (b) INVESTIGATIVE AUTHORITY.—Any authority  
8 available to the Secretary of Labor under section 504 of  
9 the Employee Retirement Income Security Act of 1974  
10 (29 U.S.C. 1134) is hereby made available to the Sec-  
11 retary of Labor, and any officer designated by the Sec-  
12 retary of Labor, to determine whether any person has vio-  
13 lated, or is about to violate, any provision applicable under  
14 subsection (a).

15 (c) EXCULPATORY PROVISIONS; INSURANCE.—

16 (1) IN GENERAL.—Any provision in an agree-  
17 ment or instrument which purports to relieve a fidu-  
18 ciary from responsibility or liability for any responsi-  
19 bility, obligation, or duty under this Act shall be  
20 void.

21 (2) INSURANCE.—Amounts in the KIDS Ac-  
22 count Fund available for administrative expenses  
23 shall be available and may be used at the discretion  
24 of the Executive Director to purchase insurance to  
25 cover potential liability of persons who serve in a fi-

1       duciary capacity with respect to the Fund and ac-  
 2       counts maintained therein, without regard to wheth-  
 3       er a policy of insurance permits recourse by the in-  
 4       surer against the fiduciary in the case of a breach  
 5       of a fiduciary obligation.

6       **SEC. 10. ASSIGNMENT, ALIENATION, AND TREATMENT OF**  
 7                               **DECEASED INDIVIDUALS.**

8       (a) ASSIGNMENT AND ALIENATION.—Under regula-  
 9       tions which shall be prescribed by the Executive Director,  
 10      rules relating to assignment and alienation applicable  
 11      under chapter 84 of title 5, United States Code, with re-  
 12      spect to amounts held in accounts in the Thrift Savings  
 13      Fund shall apply with respect to amounts held in KIDS  
 14      Accounts in the KIDS Account Fund.

15      (b) TREATMENT OF ACCOUNTS OF DECEASED INDI-  
 16      VIDUALS.—In the case of a deceased account holder of a  
 17      KIDS Account which has an account balance greater than  
 18      zero, upon receipt of notification of such individual's  
 19      death, the Executive Director shall close the account and  
 20      shall transfer the balance in such account to the KIDS  
 21      Account of such account holder's surviving spouse or, if  
 22      there is no such account of a surviving spouse, to the duly  
 23      appointed legal representative of the estate of the deceased  
 24      account holder, or if there is no such representative, to  
 25      the person or persons determined to be entitled thereto

1 under the laws of the domicile of the deceased account  
2 holder.

3 **SEC. 11. ACCOUNTS DISREGARDED IN DETERMINING ELIGI-**  
4 **BILITY FOR FEDERAL BENEFITS.**

5 Amounts in any KIDS Account shall not be taken  
6 into account in determining any individual's eligibility for  
7 any federally funded benefit, including student financial  
8 aid.

9 **SEC. 12. REPORTS.**

10 (a) ANNUAL REPORT.—The Executive Director, in  
11 consultation with the Secretary of the Treasury, shall an-  
12 nually transmit a written report to the Congress. Such re-  
13 port shall include—

14 (1) a detailed description of the status and op-  
15 eration of the KIDS Account Fund and the manage-  
16 ment of the KIDS Accounts, and

17 (2) a detailed accounting of the administrative  
18 expenses in carrying out this Act, including the ratio  
19 of such administrative expenses to the balance of the  
20 KIDS Account Fund and the methodology adopted  
21 by the Executive Director for allocating such ex-  
22 penses among the KIDS Accounts.

23 (b) REPAYMENT OF AUTOMATIC CONTRIBUTIONS.—  
24 Not later than 2 years before the issuance of any final  
25 regulation under section 3(h), the Executive Director shall



1 transmit a written report to the Congress. Such report  
2 shall include a draft of the proposed regulation to be  
3 issued under such section and a description of the conclu-  
4 sions and recommendations of the Executive Director re-  
5 garding the implementation of the following repayment op-  
6 tions:

7           (1) Repayment through service or employment  
8           in high-need professions or areas.

9           (2) Increasing the Federal income tax liability  
10          of each account holder of a KIDS Account by \$100  
11          per year for 5 years after the account holder attains  
12          age 30.

13          (3) Repayment from the account or other  
14          sources before the account holder of a KIDS Ac-  
15          count attains age 30.

16          (4) Alternatives for individuals facing financial  
17          hardship, including deferred repayment and forgive-  
18          ness.

19 **SEC. 13. PROGRAMS FOR PROMOTING FINANCIAL LIT-**  
20 **ERACY.**

21          The Secretary of the Treasury, in coordination with  
22 the Financial Literacy and Education Commission, shall  
23 develop programs to promote the financial literacy of ac-  
24 count holders of KIDS Accounts and the legal guardians

- 1 of such account holders who have the rights with respect
- 2 to such accounts under section 3(i).

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