

110TH CONGRESS  
2D SESSION

# S. 3557

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

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 24 (legislative day, SEPTEMBER 17), 2008

Mr. SCHUMER introduced the following bill; which was read twice and referred  
to the Committee on Finance

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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; TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “America Saving for Personal Investment, Retirement,  
6       and Education Act of 2008” or the “ASPIRE Act of  
7       2008”.

8       (b) TABLE OF CONTENTS.—The table of contents for  
9       this Act is as follows:

Sec. 1. Short title; table of contents.

- Sec. 2. KIDS Account Fund.
- Sec. 3. KIDS Accounts.
- Sec. 4. Certifications related to Government contributions.
- Sec. 5. Rules governing KIDS Accounts relating to investment, accounting, and reporting.
- Sec. 6. Tax treatment of KIDS Accounts.
- Sec. 7. Private management of KIDS Accounts.
- Sec. 8. KIDS Account Fund Board.
- Sec. 9. Fiduciary responsibilities.
- Sec. 10. Assignment, alienation, and treatment of deceased individuals.
- Sec. 11. Accounts disregarded in determining eligibility for Federal benefits.
- Sec. 12. Reports.
- Sec. 13. Programs for promoting financial literacy.

**1 SEC. 2. KIDS ACCOUNT FUND.**

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

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

12 (c) USE OF FUND.—

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

16 (A) to invest under section 5,

17 (B) to make distributions as provided pur-  
18 suant to section 6,

1 (C) to pay the administrative expenses of  
 2 carrying out this Act, and

3 (D) to purchase insurance as provided in  
 4 section 9(c)(2).

5 (2) EXCLUSIVE PURPOSES.—The sums in the  
 6 KIDS Account Fund shall not be appropriated for  
 7 any purpose other than the purposes specified in this  
 8 section and may not be used for any other purpose.

9 (d) GOVERNMENT CONTRIBUTIONS.—

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

13 (A) AUTOMATIC CONTRIBUTIONS.—Upon  
 14 receipt of each certification under section 3(b),  
 15 the Secretary of the Treasury shall transfer  
 16 \$500.

17 (B) SUPPLEMENTAL CONTRIBUTIONS.—  
 18 Upon receipt of each certification under section  
 19 4(a), the Secretary of the Treasury shall trans-  
 20 fer the supplemental amount.

21 (C) MATCHING CONTRIBUTIONS.—Upon  
 22 receipt of each certification under section 4(b),  
 23 the Secretary of the Treasury shall transfer the  
 24 matching amount.

25 (2) ADJUSTMENT FOR INFLATION.—

1 (A) IN GENERAL.—For each fifth calendar  
 2 year beginning after 2009, the \$500 amount in  
 3 paragraph (1)(A) shall be increased by such  
 4 dollar amount multiplied by the cost-of-living  
 5 adjustment determined under section 1(f)(3) of  
 6 the Internal Revenue Code of 1986 determined  
 7 by substituting “calendar year 2008” for “cal-  
 8 endar year 1992” in subparagraph (B) thereof.

9 (B) ROUNDING.—If any amount adjusted  
 10 under subparagraph (A) is not a multiple of  
 11 \$50, such amount shall be rounded to the next  
 12 lowest multiple of \$50.

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

16 **SEC. 3. KIDS ACCOUNTS.**

17 (a) ESTABLISHMENT.—The Executive Director shall  
 18 establish in the KIDS Account Fund a Kids Investment  
 19 and Development Savings Account (hereafter in this Act  
 20 referred to as a “KIDS Account”) for each eligible indi-  
 21 vidual certified under subsection (b). Each such account  
 22 shall be identified to its account holder by means of the  
 23 account holder’s social security account number.

24 (b) CERTIFICATION OF ACCOUNT HOLDERS.—On the  
 25 date on which an eligible individual is issued a social secu-

1 rity account number under section 203(c)(2) of the Social  
 2 Security Act, the Commissioner of Social Security shall  
 3 certify to the Executive Director and the Secretary of the  
 4 Treasury the name of, and social security number issued  
 5 to, such eligible individual.

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

8 (1) the sum of—

9 (A) all deposits made into the KIDS Ac-  
 10 count Fund and credited to the account under  
 11 subsection (d), and

12 (B) the total amount of allocations made  
 13 to and reductions made in the account pursuant  
 14 to subsection (e), over

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

17 (d) CREDITING OF CONTRIBUTIONS.—Pursuant to  
 18 regulations which shall be prescribed by the Executive Di-  
 19 rector, the Executive Director shall credit to each KIDS  
 20 Account the amounts paid into the KIDS Account Fund  
 21 under subsections (d) and (e) of section 2 which are attrib-  
 22 utable to the account holder of such account.

23 (e) ALLOCATION OF EARNINGS AND LOSSES.—The  
 24 Executive Director shall allocate to each KIDS Account  
 25 an amount equal to the net earnings and net losses from

1 each investment of sums in the KIDS Account Fund  
2 which are attributable, on a pro rata basis, to sums cred-  
3 ited to such account, reduced by an appropriate share of  
4 the administrative expenses paid out of the net earnings,  
5 as determined by the Executive Director.

6 (f) PRIVATE CONTRIBUTIONS.—

7 (1) IN GENERAL.—The Executive Director shall  
8 accept cash contributions for payment into the  
9 KIDS Account Fund if such contribution is identi-  
10 fied (in such manner as the Executive Director may  
11 require) with the account holder of a KIDS Account  
12 to whom it is to be credited at the time the contribu-  
13 tion is made.

14 (2) ALTERNATIVE METHODS OF CONTRIBU-  
15 TION.—

16 (A) PAYROLL DEDUCTION.—Under regula-  
17 tions prescribed by the Executive Director and  
18 at the election of the employer, contributions  
19 under paragraph (1) may be made through pay-  
20 roll deductions.

21 (B) TAX REFUNDS.—Under regulations  
22 prescribed by the Secretary of the Treasury,  
23 contributions under paragraph (1) may be made  
24 by an election to contribute all or a portion of  
25 the tax refund of the contributor.

1 (3) ANNUAL LIMITATION.—

2 (A) ACCOUNT HOLDERS UNDER AGE 18.—

3 In the case of an account holder who has not  
4 attained age 18 at the end of a calendar year—

5 (i) the limitation under section  
6 219(b)(1) of the Internal Revenue Code of  
7 1986 shall not apply, and

8 (ii) the Executive Director shall not  
9 accept any contribution identified with  
10 such account holder if such contribution,  
11 when added to all other contributions made  
12 under this subsection during such calendar  
13 year with respect to such account holder,  
14 exceeds \$2,000.

15 (B) ACCOUNT HOLDERS AGE 18 OR  
16 OLDER.—In the case of an account holder who  
17 is age 18 or older at the end of a calendar year,  
18 any contribution identified with such account  
19 holder shall be taken into account under section  
20 219(b)(1) of the Internal Revenue Code of  
21 1986 for such year.

22 (C) ADJUSTMENT FOR INFLATION.—

23 (i) IN GENERAL.—For each fifth cal-  
24 endar year beginning after 2009, the  
25 \$2,000 amount under subparagraph (A)(ii)

1 shall be increased by such dollar amount  
 2 multiplied by the cost-of-living adjustment  
 3 determined under section 1(f)(3) of the In-  
 4 ternal Revenue Code of 1986 determined  
 5 by substituting “calendar year 2008” for  
 6 “calendar year 1992” in subparagraph (B)  
 7 thereof.

8 (ii) ROUNDING.—If any amount ad-  
 9 justed under clause (i) is not a multiple of  
 10 \$50, such amount shall be rounded to the  
 11 next lowest multiple of \$50.

12 (g) ELIGIBLE INDIVIDUAL.—For purposes of this  
 13 Act, the term “eligible individual” means any individual  
 14 who is—

15 (1) a United States citizen or a person de-  
 16 scribed in paragraph (1) of section 431(b) of the  
 17 Personal Responsibility and Work Opportunity Rec-  
 18 onciliation Act of 1996,

19 (2) born after December 31, 2008, and

20 (3) less than 18 years of age.

21 (h) RIGHTS OF LEGAL GUARDIAN.—Until the ac-  
 22 count holder of a KIDS Account attains age 18, any rights  
 23 or 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 2009, 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 2008” 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 \$500 of private  
13       contributions to an account during any calendar  
14       year, an amount equal to 100 percent of such  
15       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 \$500  
22       amount in subparagraph (A) shall be reduced  
23       (but not below zero) by an amount which bears  
24       the same ratio to \$500 as—

25           (i) such excess, bears to

1                   (ii) 20 percent of the applicable na-  
 2                   tional median adjusted gross income  
 3                   amount.

4                   (C) ADJUSTMENT FOR INFLATION.—

5                   (i) IN GENERAL.—For each fifth cal-  
 6                   endar year beginning after 2009, each of  
 7                   the \$500 amounts under subparagraphs  
 8                   (A) and (B) shall be increased by such dol-  
 9                   lar amount multiplied by the cost-of-living  
 10                  adjustment determined under section  
 11                  1(f)(3) of the Internal Revenue Code of  
 12                  1986 determined by substituting “calendar  
 13                  year 2008” for “calendar year 1992” in  
 14                  subparagraph (B) thereof.

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

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

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

1           (1) SPECIAL RULE FOR ACCOUNT HOLDERS  
2 WHO CAN BE CLAIMED AS DEPENDENTS.—In the  
3 case of an account holder of a KIDS Account for  
4 whom a deduction is allowable under section 151 of  
5 the Internal Revenue Code of 1986 to another tax-  
6 payer, any reference in this section to the modified  
7 adjusted gross income of the account holder for any  
8 taxable year shall be treated as a reference to the  
9 modified adjusted gross income of such other tax-  
10 payer.

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

15           (3) APPLICABLE NATIONAL MEDIAN ADJUSTED  
16 GROSS INCOME.—

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

1 (B) JOINT RETURNS.—The applicable na-  
 2 tional median adjusted gross income shall be  
 3 calculated and applied separately with respect  
 4 to joint returns and all other returns.

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

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

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

- 21 (1) section 8438 of title 5, United States Code  
 22 (relating to investment of the Thrift Savings Fund),  
 23 (2) section 8439(b) of such title (relating to en-  
 24 gagement of independent qualified public account-  
 25 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. TAX TREATMENT OF KIDS ACCOUNTS.**

16      (a) IN GENERAL.—Except as otherwise provided in  
17      this Act, for purposes of the Internal Revenue Code of  
18      1986—

19           (1) each KIDS Account shall be treated in the  
20      same manner as a Roth IRA (within the meaning of  
21      section 408A of such Code), except that section  
22      408A of such Code shall be applied separately to  
23      KIDS Accounts and

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

4       (b) SEPARATE APPLICATION OF TAXATION RULES.—  
 5       For purposes of this Act, section 408A, other than sub-  
 6       section (c) thereof (relating to treatment of contributions),  
 7       of the Internal Revenue Code of 1986 shall be applied sep-  
 8       arately to KIDS accounts.

9       (c) MINIMUM BALANCE.—No amount shall be dis-  
 10      tributed pursuant to subsection (a)(2) to the extent such  
 11      distribution would cause the balance of such account to  
 12      be less than the amount transferred to such account under  
 13      section 2(d)(1)(A) before the account holder—

14           (1) attains age 59½,

15           (2) dies, or

16           (3) becomes disabled (within the meaning of  
 17      section 72(m)(7)).

18      (d) DISTRIBUTIONS FOR HIGHER EDUCATION.—In  
 19      the case of higher education expenses of an account holder  
 20      incurred during the period beginning on the date the ac-  
 21      count holder attains 18 and ending before the account  
 22      holder attains 25, no amount shall be treated as a quali-  
 23      fied distribution pursuant to subsection (a)(2) unless such  
 24      amount is paid directly to the institution of higher edu-  
 25      cation (as defined in section 101 of the Higher Education



1 Act of 1065 (20 U.S.C. 1001) through which the higher  
2 education is provided.

3 (e) AGE LIMITATION.—Except as otherwise provided  
4 by this Act, no distribution shall be made under subsection  
5 (a) with respect to any account holder of a KIDS Account  
6 before such account holder attains age 18.

7 (f) QUALIFIED ROLLOVERS CONTRIBUTIONS.—

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

13 (2) QUALIFIED ROLLOVERS.—

14 (A) IN GENERAL.—Under regulations pre-  
15 scribed by the Secretary of the Treasury in con-  
16 sultation with the Executive Director, after the  
17 account holder of a KIDS Account attains the  
18 age of 18 (or, if earlier, on the date of the roll-  
19 over contribution if the balance in such KIDS  
20 Account exceeds \$10,000), such account holder  
21 may elect to make a rollover contribution from  
22 such account holder's account to a privately  
23 managed KIDS Account (as defined in section  
24 408B of the Internal Revenue Code of 1986).

1 (B) LIMITATION.—No rollover contribution  
 2 may be made under this paragraph to the ex-  
 3 tent that such rollover contribution would cause  
 4 the balance of such account holder's account to  
 5 be less than the minimum balance specified in  
 6 subsection (c).

7 (g) 100 PERCENT TAX ON GOVERNMENT CONTRIBU-  
 8 TIONS.—

9 (1) KIDS ACCOUNTS.—

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

15 (i) such amount shall not be includible  
 16 in gross income, and

17 (ii) the tax imposed under chapter 1  
 18 of the Internal Revenue Code of 1986 on  
 19 the distributee for the taxable year in  
 20 which such amount is distributed shall be  
 21 increased by 100 percent of such amount.

22 (B) ORDERING RULES.—For purposes of  
 23 this paragraph, distributions from KIDS Ac-  
 24 counts shall be treated as made from amounts  
 25 attributable to contributions made under sec-

1           tion 3(f) and from earnings before made from  
 2           amounts attributable to contributions made  
 3           under section 2(d).

4 **SEC. 7. PRIVATE MANAGEMENT OF KIDS ACCOUNTS.**

5           (a) IN GENERAL.—Part I of subchapter D of chapter  
 6 1 of the Internal Revenue Code of 1986 is amended by  
 7 inserting after section 408A the following new section:

8 **“SEC. 408B. PRIVATELY MANAGED KIDS ACCOUNTS.**

9           “(a) IN GENERAL.—Except as provided in this sec-  
 10 tion, a privately managed KIDS Account shall be treated  
 11 in the same manner as a Roth IRA, except that:

12                   “(1) QUALIFIED SPECIAL PURPOSE DISTRIBUTIONS.—Qualified special distributions (as defined in  
 13           TIONS.—Qualified special distributions (as defined in  
 14           section 408A(d)(5)) shall include—

15                           “(A) distributions to the extent that such  
 16           distributions do not exceed qualified higher edu-  
 17           cation expenses (as defined in section  
 18           529(e)(3)) of the beneficiary of a privately man-  
 19           aged KIDS Account, reduced by the sum of—

20                                   “(i) the amount excluded from gross  
 21           income under section 127, 135, 529, or  
 22           530 by reason of such expenses,

23                                   “(ii) the amount excluded from gross  
 24           income under section 221 by reason of  
 25           such expenses (determined without regard

1 to the last sentence of subsection (d)(2)  
 2 thereof),

3 “(iii) the amount of any scholarship,  
 4 allowance, or payment described in section  
 5 25A(g)(2), and

6 “(iv) the amount of such expenses  
 7 which were taken into account in deter-  
 8 mining the credit allowed to the taxpayer  
 9 or any other person under section 25A,  
 10 and

11 “(B) amounts which within 60 days of dis-  
 12 tribution are transferred to a qualified tuition  
 13 program under section 529 for the benefit of  
 14 the account holder of a privately managed  
 15 KIDS Account or a member of the family  
 16 (within the meaning of section 529(e)(2)) of  
 17 such account holder.

18 “(2) NONEXCLUSION PERIOD DOES NOT  
 19 APPLY.—Section 408A(d)(2)(B) shall not apply.

20 “(3) QUALIFIED ROLLOVER.—In lieu of the def-  
 21 inition given the term ‘qualified rollover contribu-  
 22 tion’ under section 408A(e), such term shall mean a  
 23 rollover contribution to a privately managed KIDS  
 24 Account from another such account or from a KIDS  
 25 Account under section 7(b)(2)(A) of the America

1        Saving for Personal Investment, Retirement, and  
 2        Education Act of 2008, but only if such rollover con-  
 3        tribution meets the requirements of section  
 4        408(d)(3).

5            “(4) AGE LIMITATION ON DISTRIBUTIONS.—Ex-  
 6        cept as otherwise provided in this section, no dis-  
 7        tribution may be made with respect to any account  
 8        holder of a privately managed KIDS Account before  
 9        such account holder attains age 18.

10           “(5) TAXATION OF GOVERNMENT CONTRIBU-  
 11        TIONS.—In the case of any distribution which is at-  
 12        tributable to contributions made under section 2(d)  
 13        of the America Saving for Personal Investment, Re-  
 14        tirement, and Education Act of 2008 and which  
 15        would be includible in gross income (but for this  
 16        paragraph)—

17            “(A) such amount shall not be includible in  
 18        gross income, and

19            “(B) the tax imposed under chapter 1 on  
 20        the distributee for the taxable year in which  
 21        such amount is distributed shall be increased by  
 22        100 percent of such amount.

23        For purposes of this paragraph, distributions shall  
 24        be treated as made from amounts attributable to  
 25        other contributions and from earnings before made

1 from amounts attributable to contributions made  
 2 under section 2(d) of the America Saving for Per-  
 3 sonal Investment, Retirement, and Education Act of  
 4 2008.

5 “(6) ASSIGNMENT, ALIENATION, AND TREAT-  
 6 MENT OF DECEASED INDIVIDUALS.—Section 10 of  
 7 the America Saving for Personal Investment, Retire-  
 8 ment, and Education Act of 2008 shall apply in lieu  
 9 of treatment under this subsection as a Roth IRA.  
 10 “(b) PRIVATELY MANAGED KIDS ACCOUNT.—For  
 11 purposes of this title, the term ‘privately managed KIDS  
 12 Account’ means an individual retirement plan (as defined  
 13 in section 7701(a)(37)) which is designated (in such man-  
 14 ner as the Secretary may prescribe) as a privately man-  
 15 aged KIDS Account and which meets the requirements of  
 16 the America Saving for Personal Investment, Retirement,  
 17 and Education Act of 2008.”.

18 (b) CONFORMING AMENDMENT.—The table of sec-  
 19 tions for part I of subchapter D of chapter 1 of the Inter-  
 20 nal Revenue Code of 1986 is amended by inserting after  
 21 the item related to section 408A the following new item:

“Sec. 408B. Privately managed KIDS Accounts.”.

## 22 **SEC. 8. KIDS ACCOUNT FUND BOARD.**

23 (a) IN GENERAL.—There is established in the execu-  
 24 tive branch of the Government a KIDS Account Fund  
 25 Board.

1 (b) COMPOSITION, DUTIES, AND RESPONSIBIL-  
2 ITIES.—Subject to the provisions of this Act, the provi-  
3 sions of—

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

7 (2) section 8474 of such title (relating to Exec-  
8 utive Director),

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

11 (4) section 8476 of such title (relating to ad-  
12 ministrative provisions), shall apply with respect to  
13 the KIDS Account Fund Board in the same manner  
14 and to the same extent as such provisions relate to  
15 the Federal Retirement Thrift Investment Board.

16 **SEC. 9. FIDUCIARY RESPONSIBILITIES.**

17 (a) IN GENERAL.—Under regulations of the Sec-  
18 retary of Labor, the provisions of sections 8477 and 8478  
19 of title 5, United States Code, shall apply in connection  
20 with the KIDS Account Fund and the accounts main-  
21 tained in such Fund in the same manner and to the same  
22 extent as such provisions apply in connection with the  
23 Thrift Savings Fund and the accounts maintained in the  
24 Thrift Savings Fund.

1       (b) INVESTIGATIVE AUTHORITY.—Any authority  
2 available to the Secretary of Labor under section 504 of  
3 the Employee Retirement Income Security Act of 1974  
4 (29 U.S.C. 1134) is hereby made available to the Sec-  
5 retary of Labor, and any officer designated by the Sec-  
6 retary of Labor, to determine whether any person has vio-  
7 lated, or is about to violate, any provision applicable under  
8 subsection (a).

9       (c) EXCULPATORY PROVISIONS; INSURANCE.—

10           (1) IN GENERAL.—Any provision in an agree-  
11 ment or instrument which purports to relieve a fidu-  
12 ciary from responsibility or liability for any responsi-  
13 bility, obligation, or duty under this Act shall be  
14 void.

15           (2) INSURANCE.—Amounts in the KIDS Ac-  
16 count Fund available for administrative expenses  
17 shall be available and may be used at the discretion  
18 of the Executive Director to purchase insurance to  
19 cover potential liability of persons who serve in a fi-  
20 duciary capacity with respect to the Fund and ac-  
21 counts maintained therein, without regard to wheth-  
22 er a policy of insurance permits recourse by the in-  
23 surer against the fiduciary in the case of a breach  
24 of a fiduciary obligation.



1 **SEC. 10. ASSIGNMENT, ALIENATION, AND TREATMENT OF**  
2 **DECEASED INDIVIDUALS.**

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

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

23 **SEC. 11. ACCOUNTS DISREGARDED IN DETERMINING ELIGI-**  
24 **BILITY FOR FEDERAL BENEFITS.**

25 Amounts in any KIDS Account shall not be taken  
26 into account in determining any individual's or house-

1 hold's financial eligibility for, or amount of, any benefit  
 2 or service, paid for in whole or in part with Federal funds,  
 3 including student financial aid.

4 **SEC. 12. REPORTS.**

5 The Executive Director, in consultation with the Sec-  
 6 retary of the Treasury, shall annually transmit a written  
 7 report to the Congress. Such report shall include—

8 (1) a detailed description of the status and op-  
 9 eration of the KIDS Account Fund and the manage-  
 10 ment of the KIDS Accounts, and

11 (2) a detailed accounting of the administrative  
 12 expenses in carrying out this Act, including the ratio  
 13 of such administrative expenses to the balance of the  
 14 KIDS Account Fund and the methodology adopted  
 15 by the Executive Director for allocating such ex-  
 16 penses among the KIDS Accounts.

17 **SEC. 13. PROGRAMS FOR PROMOTING FINANCIAL LIT-**  
 18 **ERACY.**

19 The Secretary of the Treasury, in coordination with  
 20 the Financial Literacy and Education Commission, shall  
 21 develop programs to promote the financial literacy of ac-  
 22 count holders of KIDS Accounts and the legal guardians  
 23 of such account holders who have the rights with respect  
 24 to such accounts under section 3(h).

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