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Corzine-backed bill would give every baby \$500 nest egg

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By KATHY MATHESON
 STAFF WRITER

The federal government would start an investment account for every newborn child in America -- and kick in \$500 as an initial contribution -- under a proposal backed by Sen. Jon S. Corzine, D-N.J.

Corzine, who made a fortune on Wall Street before entering politics, is cosponsoring legislation known as the America Saving for Personal Investment, Retirement and Education (ASPIRE) Act with Sen. Rick Santorum, R-Pa.

"(Corzine) is extremely concerned about the anemic rate of savings by young people in America," spokesman Steve Adamske said yesterday.

The act would establish investment accounts, known as KIDS accounts, that children could access on their 18th birthdays to pay for college, buy their first homes or put toward retirement. Withdrawals for other purposes would be penalized.

All kids would start out with \$500 from the government; low-income children could receive an additional \$500. Families could contribute up to \$1,000 a year to the accounts, which would be managed by the government in a manner similar to the Thrift Savings Plan, a retirement program for federal employees.

Low-income families who contribute to KIDS accounts could be eligible for up to \$500 per year in matching funds from the government.

ASPIRE is based on research by the New America Foundation, a Washington-based think-tank that has already helped implement a similar program in Great Britain, according to Ray Boshara, director of the foundation's asset-building program.

And it is badly needed in the United States too, he said. One-quarter of all white children and half of all non-white kids live in households with zero or negative assets for investment, said Boshara.

"It's just hard to imagine how they become players in this economy with no assets," he said. "It seems like a lot of kids don't have a fair shot at the American Dream, because their parents didn't make it."

Boshara estimated the KIDS accounts could earn an annual return of about 7 percent and be worth up to \$20,000 when a child turns 18.

ASPIRE would cost approximately \$37.5 billion over 10 years, he said.

Boshara acknowledged that there are critics of the proposal: Some people think financial security is best targeted at retirees; think the government shouldn't be involved in social programs like this; and wonder how ASPIRE supporters are going to fund the program.

"Those are honest debates that we look forward to having," said Boshara.

Barbara O'Neill, an author and specialist in financial resource management at the Rutgers Cooperative



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Extension, called ASPIRE "a wonderful idea."

It will be especially constructive if families make automated contributions through mechanisms such as payroll deductions, she said.

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"That's where you're really going to see a great benefit," said O'Neill.

Even if there are debates over how to pay for the program, she said, it's important to note the value "in having an educated populace and workforce."

Neptune resident Lori Mann, 46, said the ASPIRE accounts would be "a baby step" toward making the country better.

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"I think it's a start," she said.

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Mann, who started savings accounts for her children when they were young, said she hopes the legislation will help all of the "smart kids" who can't afford higher education.

"They know they're facing a brick wall, and it's a shame," said Mann. "They don't have enough money, even if they're working their butts off."

Corzine and Santorum introduced their legislation last month, and it was referred to the Senate Finance Committee.

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