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Smart solutions  
for a savings society

The Initiative on Financial Security at the Aspen Institute is the nation's leading policy program that uses a business-driven approach to create smart solutions that help Americans save, invest and own.

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# 2007 ANNUAL REPORT

For the Aspen Institute Initiative on Financial Security (IFS), 2007 was a watershed year. The May publication of the seminal report, *Savings for Life*, marked the end of one phase of IFS's work and ushered in a new phase with new challenges and opportunities.

IFS began in 2003 as a policy program dedicated to finding ways to increase the savings rate in America and to help all Americans save, invest, and own. That remains the mission of IFS.

But, 2007 saw IFS move from theory and concept into practical reality: concrete proposals for federal policy makers to consider; design of state demonstrations to put the theory into practice; and respected research to bolster the need for a change of policy. In short, 2007 was the end of the talk and the start of the walk.

In the tradition of the Aspen Institute, IFS spent three years bringing diverse parties together to find solutions to the savings crisis in America. After the watershed year of 2007 – with those solutions now in hand – the mission is no longer just *what* should happen but *how* those goals can be turned into reality.

## Savings for Life

On May 3, a milestone was reached in the brief history of IFS – and a significant advancement was made in the assets policy field – with the publication of the ground breaking report, *Savings for Life: A Pathway to Financial Security for All Americans*. The report was released at a press conference in Washington, DC, where seven IFS Advisory Board Members – including Thomas McInerney, CEO of ING Americas, Mark Ernst, CEO of H&R Block, and John Tippets, CEO of American Airlines Federal Credit Union – joined a bipartisan group of six members of Congress as well as representatives from AARP and the National Urban League to mark this achievement.

*Savings for Life* features a series of policy recommendations to increase financial security for all Americans – across all income levels and at every stage of life. The four proposals are:

- **Child Accounts**, to build savings from the very beginning of life so that every child is launched into adulthood with a financial asset;
- **Home Accounts**, to enable more Americans to build sufficient funds for a down payment on the purchase of a home;
- **America's IRA**, to put savings within the reach of the majority of working Americans who do not have access to a pension plan at work; and
- **Security Plus Annuities**, to offer older Americans an additional layer of lifetime, guaranteed income as a complement to Social Security.

Representatives Earl Pomeroy (D-ND) and Tom Petri (R-WI) served as the honorary hosts of the May 3 press conference and also co-authored a Dear Colleague letter, distributing *Savings for Life* to every member of Congress. Pomeroy and Petri were joined at the press conference by Representatives Xavier Becerra (D-CA), Philip English (R-PA), Jesse Jackson, Jr. (D-IL), and Emanuel Cleaver (D-MO).

*Savings for Life* was the culmination of three years of work – board meetings to bring members of the financial services industry to the table to talk about and explore solutions to the savings crisis as well as numerous roundtable discussions

throughout the country to solicit the views of local business leaders, public officials, community leaders, and academics.

The year, in fact, began with just such meetings. In February, in Kansas City, Missouri, the IFS Advisory Board met to discuss the proposals that would eventually become a part of *Savings for Life*, and Representative Emanuel Cleaver and leaders from around the Kansas City metropolitan area participated in a roundtable discussion.

Already, IFS proposals are receiving a closer look in Washington. On November 8, in a first for IFS, Policy Director Pamela Perun testified before Congress at the House Health, Employment, Labor and Pensions Subcommittee, chaired by Representative Robert Andrews of New Jersey. Perun was one of several panelists discussing the topic, “Securing Retirement Coverage for Future Generations.” In her testimony, Perun described America’s IRA and showed how a new, targeted savings product with a government match could significantly help workers who do not have employer-sponsored pension plans to build retirement savings. The reaction to her testimony, particularly from Chairman Andrews, was extremely positive.

The year ended with another roundtable discussion, this one at Aspen headquarters in Washington, DC. *Savings for Life: Politics and Prospects* brought together IFS board members, several key congressional staff, *The Atlantic* Senior Editor Clive Crook, and David White, CEO of The Children’s Mutual in the U.K. The event focused on the outlook – both politically and legislatively – of advancing savings policy in Congress.

## Child Accounts

The premier proposal of *Savings for Life* is Child Accounts – a plan to provide every American at birth with a \$500 certificate to open an investment account and with matching funds throughout childhood to encourage individuals to increase their own savings.

To highlight this issue, IFS released a comprehensive report, *The Case for Child Accounts*, on July 31. The publication included an overview of the U.K. system of Child Accounts, the benefits such a system would bring to the United States, and a model statute that could be used by state legisla-

tors. Senator Christopher Dodd (D-CT), Chairman of the Senate Banking Committee, sponsored a briefing for congressional staff on the report, which included presentations by leaders from the financial services industry and the non-profit sector. Senator Dodd distributed the report to every member of the Senate, and Representatives Jesse Jackson, Jr. (D-IL) and Philip English (R-PA) distributed it to every member of the House.

While members of Congress continued to examine the IFS Child Account proposal, IFS moved forward on a state demonstration to illustrate how such an initiative would work in practice.

On November 13, IFS Executive Director Lisa Mensah led a forum in Jackson, Mississippi, to discuss a bold five-year demonstration that would give every child in Mississippi an investment account at birth. The event was co-hosted by Mississippi State Treasurer Tate Reeves and Enterprise Corporation of the Delta (ECD) CEO Bill Bynum. Senior executives from several of the state's key banks and leaders from the advocacy community also joined in the discussion. The forum was followed by a press conference with Treasurer Reeves and others. The issue is expected to be considered by the Mississippi legislature in 2008.

In conjunction with the Mississippi forum, IFS and the Institute for Public Policy Research (ippr), a think tank in the United Kingdom, jointly released an issue brief on the early results of the U.K. policy to provide every child born in the country with an investment account. The brief – *The U.K. Child Trust Fund: Early Results* – reviews government and private data on the program, which show rather promising results after just two and a half years, and outlines some lessons that can be learned by the United States in designing a similar program.

## Original Research

In addition to the IFS-ippr joint effort on the U.K. Child Trust Fund program, IFS partnered with the Center for Retirement Research at Boston College to publish two issue briefs in October: *An Update on Private Pensions* and *Households 'At Risk': A Closer Look at the Bottom Third*. These briefs highlight the precarious nature of the current retirement system and underscore

the need for a new, rational retirement savings policy.

In April, IFS released *Towards a Sensible System for Saving*. The publication charts the development of savings plans and describes current plans and their usage. The report concludes that a new agenda will be required to build the next generation of savings plans in the United States, and it lays out several principles to shape that agenda. Representatives George Miller (D-CA) and Tom Petri (R-WI) co-authored a Dear College letter, delivering the report to every member of Congress.

## Looking Ahead

With the milestones reached in 2007, IFS is excited about the opportunities that lie ahead and is anticipating a vigorous agenda in 2008 and beyond.

IFS will continue to serve as the nation's leading policy program that uses the existing private-sector system to create smart solutions to America's savings crisis. IFS remains dedicated to the innovation of new ideas for increasing the savings rate in America.

The work begun in 2007 on Child Account Demonstrations at the state and local level will be accelerated. IFS will continue working with its partners in Mississippi to forge ahead in a first-of-its-kind, five-year statewide demonstration program. IFS will also be moving forward in a second state. Both projects are aimed at showing the tremendous potential that Child Accounts have to create a new culture of savings in America.

In addition, IFS will step up its work to promote the core ideas of *Savings for Life* – Child Accounts, Home Accounts, America's IRA, and Security Plus Annuities – to national policymakers in Washington and to the American people. Building a broad-based coalition in support of a sensible system of savings will be a priority.

Furthermore, with the presidential election in 2008, Americans will be considering, discussing, and debating the future direction of the country. IFS will seek to ensure that savings policy is part of that discussion and that the American people are engaged in the debate over how to help all Americans save, invest, and own.

## 2007 At A Glance

February 8-9:

IFS Advisory Board Meeting and Roundtable  
Kansas City, Missouri

April 17:

Publication of *Towards a Sensible System of Savings*

May 3:

Publication of *Savings for Life: A Pathway to Financial Security for All Americans*

July 31:

Publication of *The Case for Child Accounts*

October 22:

Joint Publication with the Center for Retirement Research of *An Update on Private Pensions and Households 'At Risk': A Closer Look at the Bottom Third*

November 8:

Testimony before Congress on America's IRA  
Washington, DC

November 13:

Forum on Child Accounts  
Jackson, Mississippi

November 13:

Joint Publication with ippr of *The U.K. Child Trust Fund: Early Results*

November 14:

Roundtable: "*Savings for Life: Politics & Prospects*"  
Washington, DC

## IFS Staff

**Lisa Mensah**  
Executive Director

**Matthew Baumgart**  
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**Pamela Perun**  
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*IFS wishes to recognize the former staff members who also made significant contributions in 2007:*

Joseph J. Valenti, Associate  
Megan Carey, Executive Assistant  
Raymond O'Mara, Intern  
Nicolas Alvear, Intern

## IFS in the News in 2007

"Searching for family financial security," *The Kansas City Star*, February 10, 2007.

"Report offers strategies for low-, moderate-wage earners," *MarketWatch*, May 3, 2007.

"How to Get More Americans to Save More," *The Wall Street Journal*, May 11, 2007.

"Pension Replacement," Editorial Commentary, *Barron's*, May 26, 2007.

"Government-Sponsored Trust Funds," *Portfolio.com*, August 29, 2007.

"Miss. Treasurer touts proposed savings plan for newborns," *The Sun Herald*, November 13, 2007.

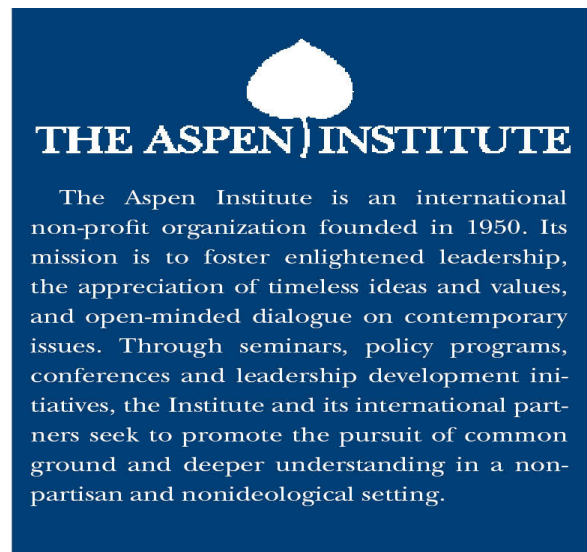
"Savings account proposal floated," *The Clarion Ledger*, November 14, 2007.

"Groups promote child accounts," *Mississippi Business Journal*, November 14, 2007.

"\$500 to every child: Plan would build wealth," *The Sun Herald*, November 14, 2007.

"Saving and security," Washington Blog: Clive Crook, *FinancialTimes.com*, November 14, 2007.

"State 'Child Accounts' Worth a Serious Look," Editorial, *Hattiesburg American*, November 17, 2007.



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