

# FEDERAL RESERVE BANK OF ST. LOUIS



CENTRAL TO AMERICA'S ECONOMY

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## National Institute for Retirement Security Fifth Annual Retirement Policy Conference

### Remarks of Ray Boshara

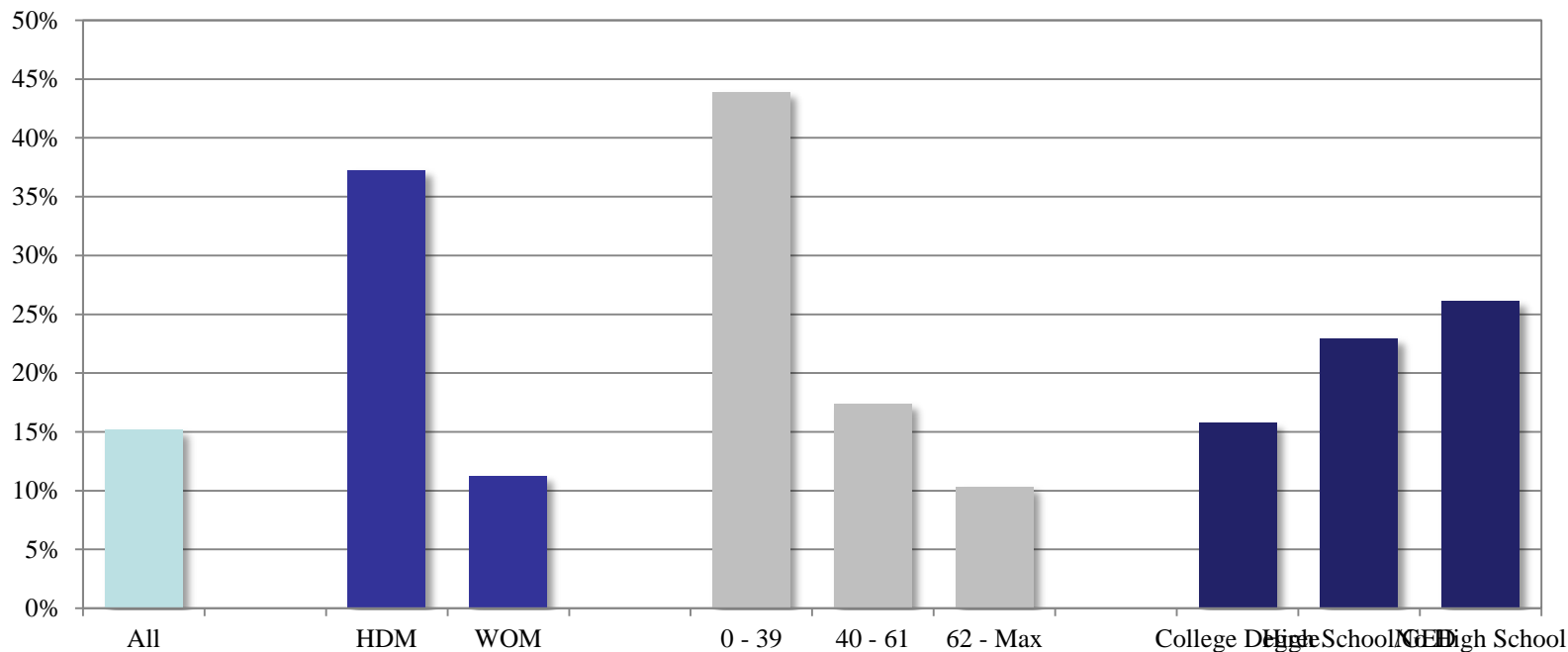
Director, Center for Household Financial Stability  
Federal Reserve Bank of St. Louis

[www.stlouisfed.org/hfs](http://www.stlouisfed.org/hfs)

March 4, 2014

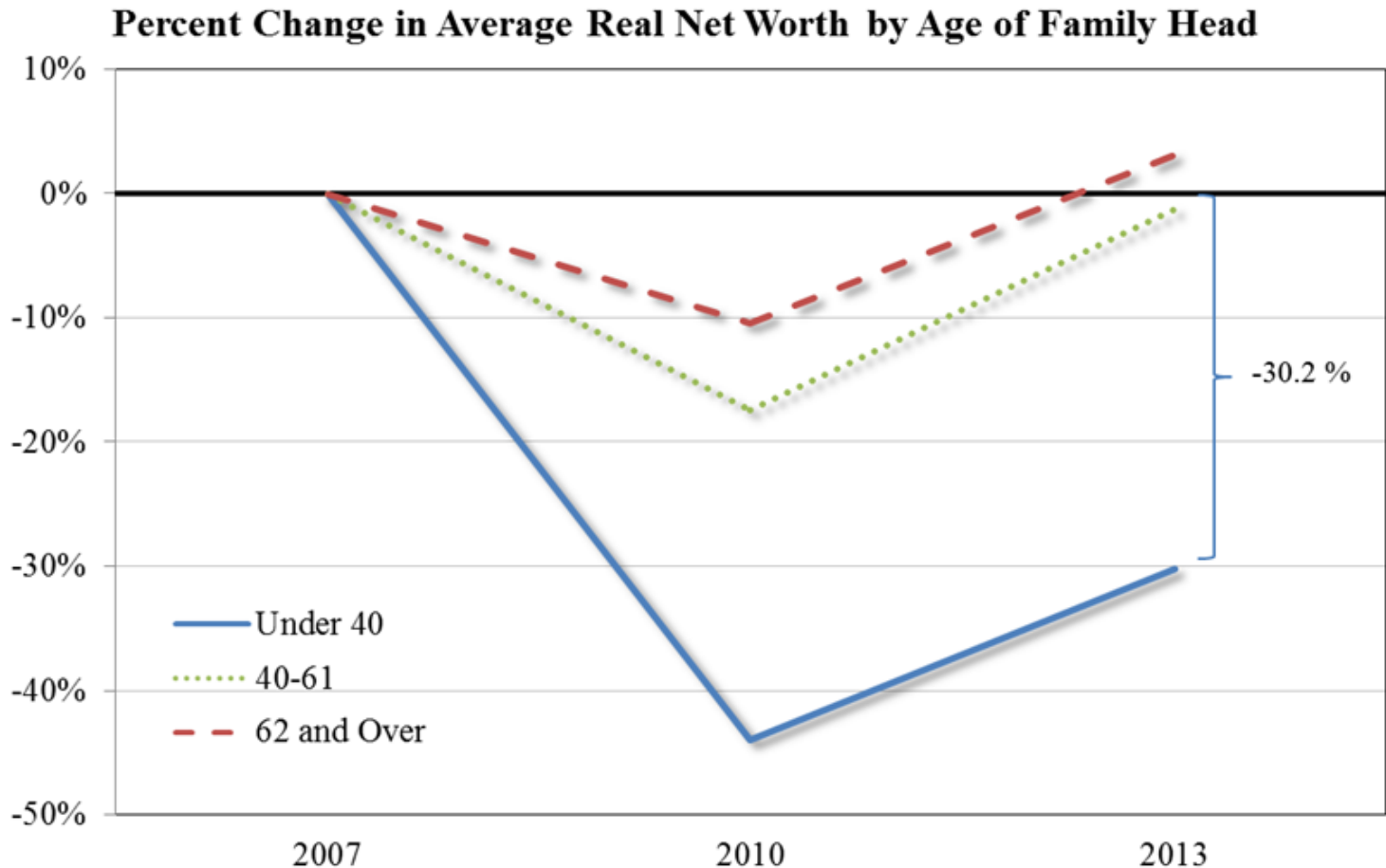
# Younger Families Lost the Most Wealth From the Recession

Percentage Losses In Mean Net Worth 2007-2010



Source: Survey of Consumer Finances  
 HDM: Historically Disadvantaged Minorities  
 WOM: White or Other Minority

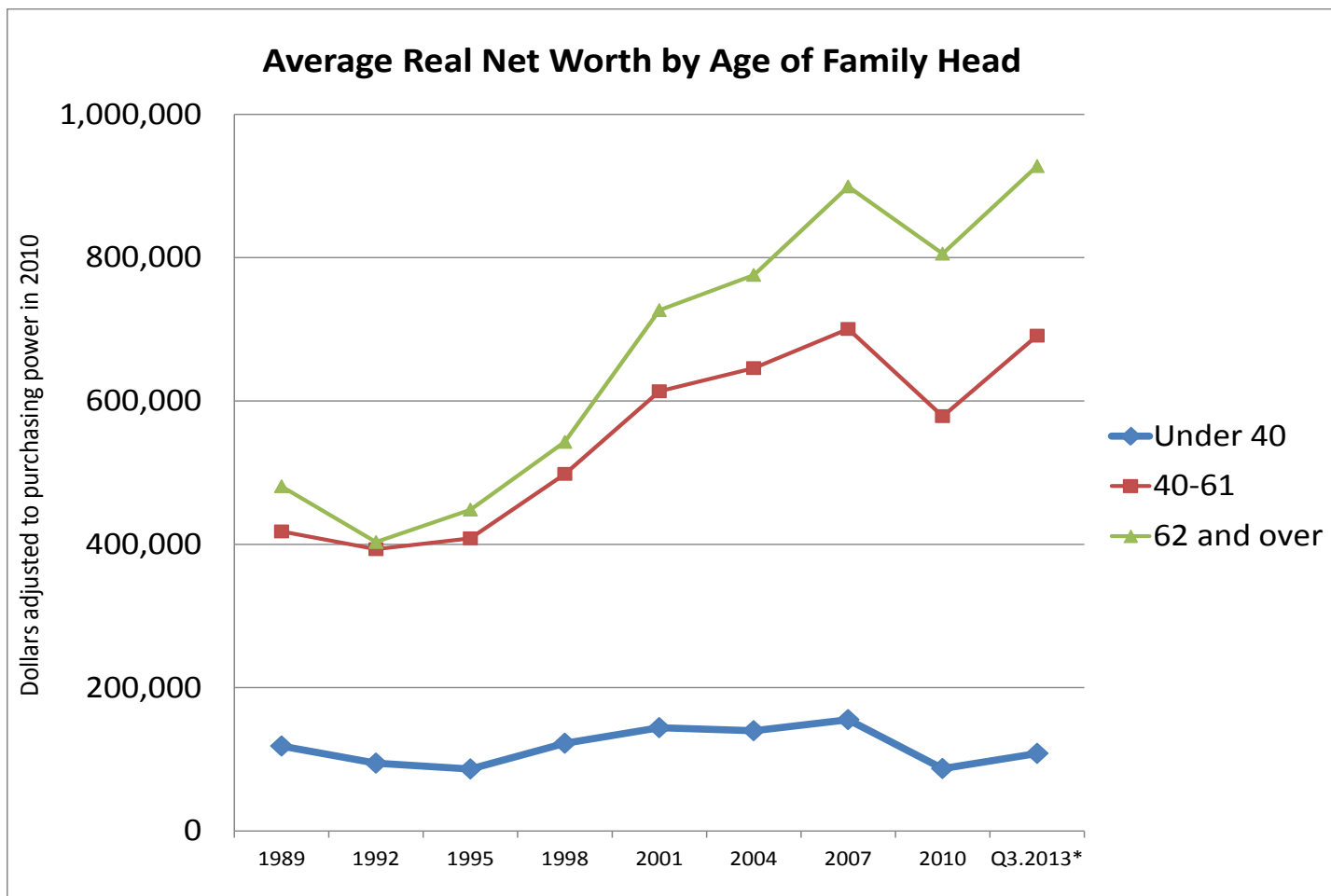
# Younger Families Have Been the Slowest to Recover Their Wealth



SOURCES: Federal Reserve Board, Survey of Consumer Finances. Our estimates for 2013:Q3.

# Unlike Middle-Age and Older Families, Younger Families Have *Lost* Wealth Since 1989

SOURCES: Federal Reserve Board's Survey of Consumer Finances, for all years between 1989 and 2010; our estimates for 2013:Q3.



# Policy Options for Saving Early In Life

- “Roth Accounts for Youth Savings Act of 2014” or the “RAYS Act”: Allows kids to voluntarily own and save in Roths by extending earned income exemption to kids (now only applies to non-working spouses).
- ASPIRE Act: automatically creates and progressively funds a savings account at birth for every child in America to be used for post-secondary education, first-home purchase, and retirement.
- PLUS Accounts: \$1,000 at birth for every child in America, along with mandatory employer contributions; funds locked up until retirement.
- 529 college savings plan innovations: a few states and local governments now create 529 accounts automatically at birth or when kids enter elementary school.
- “Early Pell’s”: Pell-eligible families would receive \$100 to open a 529 college savings account when entering kindergarten, and then have their Pell Grant reduced by that amount when starting college.

# Why Starting to Save at Birth Pays Off

Age Begin Saving	Initial Deposit	Annual Deposit	Rate of Return	Balance at Age 65
25	\$500	\$250	5%	\$35,229
Birth	\$500	\$250	5%	\$131,829
			Difference	\$96,600
25	\$500	\$250	7%	\$60,889
Birth	\$500	\$250	7%	\$347,393
			Difference	\$286,504