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17 MILLION REASONS TO LIKE A+ ACCOUNTS

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This week, the Senate will debate the Parent and Student Savings Account Plus Act (S. 1133). Offered by Senators Paul Coverdell (R-GA) and Robert Torricelli (D-NJ), this unique legislation would offer parents and other concerned citizens a new way to invest in a child's education from kindergarten through 12th grade. Each year, families, single parents, or anyone else earning less than \$95,000 annually could deposit up to \$2,000 per child in after-tax income into interest-bearing savings accounts known as A+ Accounts. The tax-free funds that accumulated in a child's account could be used for any education-related expense, from books and transportation to private school tuition.

This sensible approach to funding education would benefit not only individual students, but public schools as well. Parent-teacher associations currently are the only reliable source of additional funding for public schools. With A+ Accounts, Congress could create an incentive for parents and citizens in local communities to help educate children at a time in which education costs are skyrocketing.

Who Would Benefit Most? According to the Bureau of Labor Statistics' 1995 Consumer Expenditure Survey (CES), over 9 million families with children and annual earnings of less than \$95,000 have demonstrated that they can save for an A+ Account (see Table 1). Even those who earn less than \$25,000 per year have a mean savings of \$2,689. Furthermore, the survey notes that approximately 17 million children could benefit from these accounts; 6.6 million of these children live in households earning between \$25,000 and \$50,000

a year. Nearly 60 percent of the children whose families qualify for these accounts are from households making less than \$50,000 a year.

In addition, according to the CES, the nearly 9.5 million families who stand to benefit from A+ Accounts live in almost every region of the country, with nearly equal numbers living in midwestern, southern, and western states (see Table 2). The CES survey shows that close to 89 percent of these families live in the urban and sub-urban areas in which children need educational opportunities the most. Only 11 percent live in rural neighborhoods.

How Would a Family Benefit? At 7 percent interest, an A+ Account opened with a one-time deposit of \$2,000 when a child was born would earn an average of \$805 in interest on that savings after only five years—the time at which the child was ready for kindergarten. By the time the child entered high school, the family would have saved \$4,522.

A+ Accounts offer families and other concerned citizens a strong incentive to invest in education. By enacting and signing legislation to establish A+ Accounts, Congress and President Clinton can create additional opportunities for children to excel in

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Table 1 EM 514

Profile of Families with Children Eligible for A+ Accounts

Income	Total Family Savings	Number of Children Under 18	Number of Families	% Non-White Families	% Blue Collar Families
\$0-25K	\$2,689	3,024,314	1,624,450	18.80%	14.91%
25-50K	3,499	6,584,626	3,605,892	14.59	18.33
50-75K	5,383	5,598,390	3,040,374	10.01	19.21
75-95K	8,770	1,953,802	1,089,298	9.17	18.39
Total		17,161,132	9,360,014		

Note: Blue Collar = Families that report having occupational expenses. These expenses can consist of union dues, tools, uniforms, business or professional association dues, licenses or permits.
Source: 1995 Consumer Expenditure Survey, Bureau of Labor Statistics, complete respondents only.

school, from kindergarten through 12th grade, and can encourage parents and others to participate in their education. A+ Accounts are one of the most innovative initiatives offered to date to improve the quality of education for America's children. They may not be a panacea for all the problems in today's education system, but they can

help at least 17 million children a year—and that is significant indeed.

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Table 2 EM 514

Families Eligible for A+ Accounts, by Region

	Number of Families
Northeast	1,559,938
Midwest	2,016,538
South	2,690,725
West	2,021,298
Region Not Given	1,071,514
Total	9,360,014

Source: 1995 Consumer Expenditure Survey, Bureau of Labor Statistics, complete respondents only.