



## **“POR MI FUTURO” RETIREMENT SAVINGS ACCOUNTS A Project of The Latino Coalition Foundation**

### **BACKGROUND**

According to a survey commissioned by The Latino Coalition (TLC) in July 2001, only 35% of Hispanics have \$5,000 or more saved or invested for their retirement. This is a recipe for disaster for a community that has already become the largest minority group in this country according to the 2000 Census.

According to a 2000 report released by the Federal Reserve Board, Hispanics are the only group in the country that is not building wealth during the past economic boom. The Los Angeles Times reported that *“the record-setting economic boom has enriched most members of every major ethnic group except one--Latinos. The Federal Reserve's most recent survey of household finances shows that whites, African Americans and Asians have all gained ground during the expansion. By contrast, from 1995 to 1998 – the most recent period studied – the median Latino household net worth fell by a whopping 24%.”*

### **POR MI FUTURO ACCOUNTS**

As part of The Latino Coalition Foundation’s (TLCF) efforts to promote the importance of savings in the Latino community, TLCF will begin a public education campaign among U.S. Hispanics to highlight the importance of retirement security. The main focus of this campaign will be the creation of “Por Mi Futuro” (“For My Future”) accounts. Phase I will be completed when 1,000 accounts are opened. TLCF’s Board will analyze the project and make recommendations. Once the analysis is completed, the program will expand in accordance to the revenues raised from contributors. The more funds raised, the larger the number of accounts to be awarded.

These retirement savings accounts will be awarded to a Hispanic middle school student, in targeted school districts with a large population of low-income Hispanic families. A contest among students will be created to select the 1,000 students who will receive the accounts. The contest will consist of a 100-word essay on why they think it is important to save and invest for their future. *In order to qualify for these accounts, the students and their parents will have to participate in at least one financial literacy seminar sponsored and coordinated by reputable financial services corporation.*

Once selected, the students and their parents will commit to contributing at least \$10 per month to this account. If the student does comply with this commitment, TLCF would match the contribution dollar-for-dollar every six months until the student reaches the age of 18.

## PUBLIC EDUCATION CAMPAIGN

The selection and award of these accounts will be announced at a public media event in three targeted cities. The cities would be determined by TLCF's Board of Directors in coordination with the project sponsor. Other cities will be added to this list, depending on the level of local sponsorship raised for the awards of these accounts. For example, if the money is raised in New Mexico to fund accounts for students in the Albuquerque area, a press/public education event will be added to our list of cities.

Every year, a public meeting will be held to monitor the status and highlight the progress of these accounts. At this meeting, TLCF will take the opportunity to educate the public on the importance and the benefits from saving and investing, as well as the benefits that can be derived from accumulating equity and wealth.

## SELECTION AND OVERSIGHT GUIDELINES

**Selection Committee.** An essay contest will be coordinated with local schools to invite Hispanic students interested in opening a retirement account to write a 100-word essay on why they think saving for their retirement is important for their future. TLCF's Board of Directors will create a committee of 10 prominent Hispanics from across the country to select which of the participating students will receive the accounts. This committee will examine the essays and select from those students who enter the contest.

**Financial Advisory Committee.** A committee of five financial planning "experts" will be created and selected by the TLCF Board of Directors to determine how these accounts would be established and the guidelines to follow. This committee will be responsible for designing, establishing and monitoring the accounts. The committee will also be responsible for selecting the money managers for the accounts.

**Fundraising Committee.** A fundraising committee will be created to focus on raising the funds necessary to support the program. The committee will be responsible for designing a fundraising strategy that focuses on both corporate and individual sponsors.

**Oversight & Advisory Committee.** This oversight committee will be comprised of prominent community and corporate leaders. They will serve in an advisory capacity to oversee the implementation of the program and make recommendations on how to improve and expand its reach. This committee will work with the Finance Committee to conduct an annual audit of the program and to make sure it is financially stable, and with the Fundraising Committee to help identify additional potential funding sources.

## THE ACCOUNTS

**“Por Mi Futuro” Master Account.** All funds raised by TLCF for the “Por Mi Futuro” program will be held in a separate Trust Account owned by The Latino Coalition Foundation (TLCF). This account will hold all funds pertaining to the “Por Mi Futuro” program. The type of account shall be decided upon by the “Por Mi Futuro” program Finance Committee. This account will be audited every year by a Certified Public Accountant.

**Main Account.** As soon as a recipient is chosen and approved by the TLCF selection committee and the recipient’s parents/guardians accept the required agreement set forth by TLCF, TLCF will open the initial TLCF “Por Mi Futuro” account. The account will be a variable annuity, which offers both long-term, tax-deferred growth potential and flexible pay-out options in retirement. Each account will be opened with a \$1,000 contribution. TLCF will be the owner and beneficiary of the annuity with the recipient as the annuitant. Taxes on this account will be deferred until withdrawal.

**Savings Account.** A separate savings account will be opened in a regular bank under the annuitant’s name, where he/she will be able to deposit the required minimum funds to comply with the program. The required minimum that has been established by TLCF is \$10.00 per month with a total of \$120.00 dollars per year. There is no maximum limit as to how much the recipient chooses to deposit. TLCF in accordance with the “Por Mi Futuro” agreement has established the maximum matching amount of \$500.00 per year. The recipient has complete access to their own bank account. Throughout the matching period the recipient is discouraged from accessing their own account. This savings account will be owned and handled by the annuitant and his/her parents/guardians. TLCF will have no access or ownership of this account.

**Matching Program.** Every six months after the Annuity anniversary, TLCF will receive a copy of the financial statement from the annuitant’s savings account and use funds from the trust account to fund the matching portion to each recipient’s annuity up to the maximum of \$500 per year until the recipient age of 18 years old. When the matching funds are deposited into the Variable Annuity, the annuitant will receive a statement from TLCF showing the progress in the account.

**Transferring Accounts to Annuitant.** On the recipients 18<sup>th</sup> year of age and the anniversary of TLCF Annuity, the Annuity will be surrendered by TLCF and combined with the funds from the recipient. A new account will be established with the combined funds in the form of an Individual Retirement Account pertaining to IRS federal guidelines. Upon transfer of the Account from TLCF to the recipient, the recipient may incur a tax consequence and is encouraged to seek a professional tax advisor. An offset of taxes may be incurred should the recipient chose to open a qualified IRA Account. However, TLCF would not be responsible for any applicable taxes or penalties after such transfer has been made. At such time it would be advisable for the recipient to seek professional advice from a financial and tax advisor.

**Forfeiting Por Mi Futuro Accounts.** In accordance with the “Por Mi Futuro” agreement should the savings account be accessed for any reason, the recipient will forfeit the right to all TLCF “Por Mi Furturo” contributions established for the recipient. The recipient shall have no access to TLCF’s “Por Mi Futuro” contribution account until the recipient reaches 18 years of age and all requirements set forth by the “Por Mi Futuro” program are completely met. TLCF-appointed “Por Mi Futuro” financial managers reserve the right to conduct multiple annual audits of the personal savings accounts as to comply within the “Por Mi Futuro” agreement. These audits can be satisfied by copies of banking statements which will be provided by the recipient upon request.

**Parent’s Obligations.** The annuitant, together with his/her parents/guardians, must deposit the minimum amount of funds into the recipient’s bank account within the required time periods or risk loosing all funds from TLCF. Parents and recipients are required to attend the minimum of one financial workshop during the matching phase. Each recipient’s parent is encouraged to educate the recipient on how to deposit funds at the bank and review the banking statements with them so as to teach the child how the compounding of money grows.

## **PROJECT SPONSORS**

There will be two levels of sponsorship for this project: 1) Corporate and 2) Individual. Sponsors will be able to determine where the region where their accounts will be established. Sponsor will also be encouraged to participate in the entire public relations effort for this project, starting with the press conference to announce the local project and the essay contest, followed by the announcement of the children selected, and the six-month and anniversary review to see the status of the accounts.

TLCF would coordinate the promotional campaign for this project with representatives from corporation sponsoring this project. Press conferences would be held to announce: 1) the launching of the program in each selected city; 2) the financial literacy seminars and the essay contest, and 3) the winners of the essay contest and recipients of the accounts. Sponsors would be prominently recognized at each press event, as well as in all educational materials developed to promote the project. TLCF would work with major sponsors to develop an effective and comprehensive campaign to promote, not only the project, but also the importance of savings and building wealth in the Hispanic community.

## THE LATINO COALITION FOUNDATION

**The Latino Coalition Foundation** (TLCF) is a non-profit, non-partisan tax-exempt 501 (c)(3) organization based in Washington, D.C. TLCF was established in 1995 to research and address issues and programs that directly affect the well-being of Hispanics in the United States. Our agenda is to promote initiatives that will enhance overall business, economic and social development of Hispanics.

As a public policy think tank, TLCF will closely monitor public policy at the federal, state and local levels to determine its impact on the Latino communities throughout the U.S., and engage in public education campaigns when warranted