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## A GOP Tax Bill May Have A Fantastic New Savings Vehicle That Would Be Better Than Your IRA

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**HOUSE REPUBLICANS** will now be focusing on tax cuts, and there's a great idea for a fantastic consumer-savings vehicle that the GOP should be sure to incorporate in any legislation they pass. It would be immensely popular and a major creator of capital. Called Universal Savings Accounts (USAs) by their sponsors, Senator Jeff Flake (R-AZ) and Representative Dave Brat (R-VA), these plans possess the virtues of Roth IRAs with none of the drawbacks.

Everyone over the age of 18, regardless of income, could open a USA and contribute up to \$5,500 a year with after-tax cash. The money would grow tax-free. You could invest it in stocks or bonds or let it sit in money-market funds.

Now for its greatest feature: You could make withdrawals any time you wanted, tax-free, for whatever reason, with no penalties. There would be no Washington/IRS/congressional nannies micromanaging your choices.

USAs would be so popular that Congress would soon be under great pressure to raise deposit limits, perhaps by folding in other savings vehicles, such as Roth IRAs, rollover 401(k)s (when you leave a company) and Coverdell Education Savings Accounts. (Congress, take note: Britain's ceiling on contributions is \$25,000 a year.)

A paper written by Ryan Bourne and Chris Edwards for the [Cato Institute](#) examines how such accounts have fared in Canada and Britain. Bottom line: They have been supersuccessful. The flexibility on withdrawals has made them especially attractive to lower-income earners. In Britain, for instance, 55% of the holders of such accounts have annual incomes of less than \$25,000. As Bourne and Edwards note, "Relative to their incomes, lower earners hold more in [these accounts] than higher earners." In addition, these vehicles clearly encourage people to save more. They are perfect for all ages because they can be used for any purpose, from a rainy-day fund to a nest egg for a down payment on a house to setting aside money for retirement.

USAs would be good for economic growth. And they would be particularly nice for the very working families who gave the GOP last November's victories.