Graduate Student Savings Act of 2016

Sponsored by Senators Elizabeth Warren and Mike Lee

Each year, around one million students receive graduate degrees. While enrolled in graduate training programs, students pay for their living expenses in various ways. Many students have part-time jobs or are employed by universities as teaching or research assistants. Income from these jobs is typically treated as "compensation" for tax purposes – meaning that a student can save some of these funds in a tax-preferred Individual Retirement Account (IRA). However, many graduate students also receive stipend or fellowship support that helps them pay for food, rent, transportation, or other living expenses while they work on their degree. While fellowship or stipend income is taxed by federal and state governments, it doesn't qualify as "compensation," meaning none of a student's fellowship funds can be saved in an IRA.

Many postdoctoral fellows – recent graduates with PhDs working in temporary teaching or research positions – also receive taxable fellowship income, yet these fellows are also barred from using their fellowship income to contribute to tax-preferred retirement accounts. There are about 100,000 postdoctoral fellows working in the U.S. today.[1]

Saving for retirement earlier can make a big difference. A doctoral student who puts away $1,500 a year for 5 years of graduate school would have an additional $57,654 at retirement, and a postdoctoral fellow who puts away $3,000 for 3 years on top of that would have an additional $113,253 at retirement.[2]

The median doctoral student takes about 7 years to finish a degree – meaning that, for the better part of a decade, a student can be prohibited from saving major portions of her income in a tax-advantaged account.[3] A majority of all doctoral students report receiving some of their financial support during graduate school from fellowships or grants, and about a third of all students report that fellowships or grants were their *primary* source of funding.[4]

The Graduate Students Savings Act of 2016 ensures that any graduate student or postdoctoral fellow who is paid for their work or their studies can save a portion of their stipend in an IRA. Saving for retirement is hard enough: the least we can do in Washington is make sure those who want to save for their retirement can go ahead get started.

Graduate Student Savings Act of 2016

Allows graduate students and postdocs to start saving for their retirement. The bill amends section 219(f) of the Internal Revenue Code to allow "any amount paid to an individual to aid the individual in the pursuit of graduate or postdoctoral study or research" to be considered compensation for purposes of determining qualified retirement contributions to individual retirement plans.

This bill is supported by Fidelity Investments, the International Union, United Automobile, Aerospace, & Agricultural Implement Workers of America (UAW), Service Employees International Union (SEIU), National Association of Graduate-Professional Students (NAGPS), TIAA, and Betterment.

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[1] National Postdoctoral Association, "What is a Postdoc?" (online at http://www.nationalpostdoc.org/?page=What_is_a_postdoc).
[2] Assuming 7.5% interest and retirement at age 65, adjusted for 2% inflation. The graduate student starts saving 25 the postdoc at 30.
[3] National Science Foundation, "Table 31: Median Years to Doctorate, by Broad Field of Study: Selected Years, 1989-2014," *Survey of Earned Doctorates* (2015) (online at http://www.nsf.gov/statistics/2016/nsf16300/data/tab31.pdf).
[4] National Science Foundation, "Table 36: Doctorate Recipients' Sources of Financial Support, by Sex and Broad Field of Study: 2014" (*Survey of Earned Doctorates* (2015) (online at http://www.nsf.gov/statistics/2016/nsf16300/data/tab36.pdf); National Science Foundation, "Table 35: Doctorate Recipients' Primary Source of Financial Support, by Broad Field of Study, Sex, Citizenship Status, Ethnicity, and Race: 2014," *Survey of Earned Doctorates* (2015) (online at http://www.nsf.gov/statistics/2016/nsf16300/data/tab35.pdf).