

MEMO# 1801

March 28, 1990

INSTITUTE TESTIMONY ON SAVINGS AND INVESTMENT INCENTIVES BEFORE THE UNITED STATES SENATE COMMITTEE ON FINANCE

March 28, 1990 TO: BOARD OF GOVERNORS NO. 21-90 PENSION COMMITTEE NO. 7-90 TAX COMMITTEE NO. 6-90 RE: INSTITUTE TESTIMONY ON SAVINGS AND INVESTMENT INCENTIVES BEFORE THE UNITED STATES SENATE COMMITTEE ON FINANCE

On March 27, the Institute testified before the Senate Finance Committee concerning savings and investment incentives. A copy of the Institute's written statement is attached. The Institute expressed concern about the low rate of personal savings in the United States. Citing the industry's experience with the universal IRA, the Institute stated that the personal savings rate can be increased through a simple, universal tax-favored savings program that is consistently available. The Institute stated that the universal IRA had a positive effect on personal savings, noting that the IRA was easily understood, could be established with a minimum of paperwork and red tape, and was actively marketed by financial institutions. Recent economic studies confirm that universal IRA contributions represented new savings rather than a shifting of existing savings. The Institute urged the Committee in considering alternative savings incentives to adopt rules that are simple and permanent and do not require burdensome recordkeeping, in order to avoid taxpayer uncertainty and encourage long term marketing and administrative commitments. We will keep you informed of developments. Kathy D. Ireland Associate General Counsel Attachment

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