

MEMO# 10778

March 8, 1999

INSTITUTE URGES SIMPLIFIED RULES AND UNIVERSAL AVAILABILITY FOR IRAS IN SENATE FINANCE TESTIMONY ON ROTH RETIREMENT BILL

[10778] March 8, 1999 TO: BOARD OF GOVERNORS No. 12-99 FEDERAL LEGISLATION MEMBERS No. 6-99 PENSION MEMBERS No. 14-99 PENSION OPERATIONS ADVISORY COMMITTEE No. 13-99 PRIMARY CONTACTS - MEMBER COMPLEX No. 22-99 PUBLIC INFORMATION COMMITTEE No. 7-99 RE: INSTITUTE URGES SIMPLIFIED RULES AND UNIVERSAL AVAILABILITY FOR IRAS IN SENATE FINANCE TESTIMONY ON ROTH RETIREMENT BILL _____ On

February 24, the Senate Finance Committee held a hearing to examine the "Retirement Savings Opportunity Act of 1999," legislation that would simplify rules governing retirement savings programs and expand availability of such programs to more Americans. The Institute testified in support of the measure, as did several other members of the retirement savings community (see attached hearing witness list). Institute Supports Simplification and Expansion The Institute's testimony stated that retirement savings programs could be made more effective by simplifying rules and assuring available vehicles meet the needs of all Americans, noting, "Our experience with savings vehicles teaches that simplicity and common sense are the keys to success." Therefore, the Institute expressed strong support for provisions of the Retirement Savings Opportunity Act that would: ! Restore the simple, universal IRA. Complex rules deter broader IRA participation. For instance, when Congress restricted the deductibility of IRA contributions in 1986, IRA participation rates declined dramatically—by 40 percent among those families who continued to be eligible to fully deduct their contributions; ! Raise the IRA contribution limit. The real value of IRAs has declined significantly over time. If adjusted for inflation, the \$1,500 IRA of 1974 would be about \$5,000 today, giving Americans a greater opportunity to accumulate a level of savings necessary to provide a financially secure retirement; and ! Create "catch-up" rules for IRAs and 401(k)s. This would allow individuals age 50 and older who may have been unable to save during their early working years to "catch up" during their remaining working years by making additional annual contributions to IRAs and employer-sponsored 401(k) plans. Fidelity and TIAA-CREF Testify on Employer Plans Other members of the mutual fund industry also testified at the hearing. Peter J. Smail, President of Fidelity Investments Institutional Retirement Services Company, testified on the issue of 401(k) plans and the provisions in the upcoming Roth bill that relate to expanding 401(k) opportunities. In addition, John J. McCormack, Jr., President of TIAA-CREF, testified on provisions in the upcoming bill that would affect 403(b) plans. * * * * * Chairman Roth intends to hold several other hearings on retirement matters in this session of Congress. He

is expected to introduce the “Retirement Savings Opportunity Act of 1999” in the near future. We will keep you informed of further developments. Matthew P. Fink President Attachments

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