

MEMO# 1874

May 7, 1990

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

May 7, 1990 TO: FEDERAL LEGISLATION MEMBERS NO. 5-90 FEDERAL LEGISLATION COMMITTEE NO. 3-90 RE: INSTITUTE TESTIMONY ON SAVINGS AND INVESTMENT INCENTIVES BEFORE THE SENATE FINANCE COMMITTEE

_____ At a hearing of the Senate Finance Committee, the Institute testified on savings and investment incentives. The Institute: 1. expressed concern that the rate of personal savings in the U.S. is too low; 2. stated that the personal savings rate can be increased through a simple, universal tax-favored savings program that is consistently available; 3. cited recent studies which confirm that, although some shifting of savings from non-tax-favored accounts to IRAs may well have occurred in the years immediately following adoption of the universal IRA, new savings increased with each passing year; 4. cited the experience of other countries with similar tax-favored programs; and 5. pointed out that savings incentives work best if the rules are simple and permanent and if they do not require burdensome recordkeeping. - 2 - Legislation that creates or improves on a savings vehicle (IRA, Family Savings Account, etc.) is not likely to be considered as a separate initiative. Rather, it will be part of the Budget/Tax process expected to begin in earnest during the summer. We will keep you informed as this matter develops. Julie Domenick Vice President-Legislative Affairs Attachment