

NEWS RELEASE

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ICI President Stevens Urges Strengthening of Nation's Private Retirement Initiatives, May 2005

ICI President Paul Schott Stevens Urges Strengthening of Nation's Private Retirement Initiatives

Champions Bipartisan GROWTH Act Designed to Help Americans Build Retirement Security

Washington, DC, May 11, 2005 - In [his address](#) to the Investment Company Institute's annual General Membership Meeting, ICI President Paul Schott Stevens today called for strengthening individual retirement savings and employer-sponsored retirement plans as a way to ensure retirement security for American workers and their families. He specifically urged passage of the GROWTH Act, new bipartisan legislation that would allow mutual fund investors to build a more secure retirement by deferring taxes on reinvested capital gains.

Stevens noted that mutual funds have become a significant part of the nation's retirement system, accounting for 43 percent of the \$3.5 trillion in IRAs and about half of the \$2 trillion in 401(k) plans.

He said, "Our nation still has a long way to go to fulfilling the vision of a secure retirement in which individual retirement savings and workplace retirement provisions adequately buttress Social Security. Just as urgent as the issue of reforming Social Security is the need to strengthen retirement preparedness to supplement it."

In his remarks, Stevens cited the [GROWTH \(Generating Retirement Ownership Through Long-Term Holding\) Act](#) introduced last week by Republican Rep. Paul Ryan and Democratic Rep. William Jefferson, calling it, "...one of the best ideas to come forward.... It would help smooth the path to long-term financial security for millions of Americans.

"Right now, long-term capital gains distributed among mutual fund investors in taxable accounts are taxed every year - even if they are automatically reinvested. The GROWTH Act would defer taxation until fund shares are sold. That keeps more retirement savings invested longer and growing longer by taxing income when it's withdrawn, not savings while they are being built up," the ICI President concluded.

In addition to reminding policymakers that "long-term investors need a long-term tax

policy,” Stevens proposed that Congress encourage American workers to continue saving for retirement by making permanent the savings enhancements provisions enacted in 2001. He noted that the increases to the annual 401(k) contribution limits were beginning to show results, stating, “It makes sense to build on that momentum, rather than cut it short.”

Stevens also proposed helping retirees spread their income throughout their retirement years by easing required distribution rules on IRAs. He mentioned initiatives to encourage careful distribution of retirement assets, including annuities or periodic payment plans. Steven also called on Congress to modernize tax rules that require IRA distribution to begin when an investor reaches age 70 and a half.

In closing his address, Stevens remarked, “We have the opportunity to encourage more people to save and invest – and make use of their remaining working years to build up their retirement portfolio. We have the opportunity to ensure that public and private mechanisms are fully engaged to help Americans reach a secure retirement. It is crucial to America’s future. And it is crucial to putting shareholders first.”

The Investment Company Institute is the national association of the U.S. investment company industry. Its members include mutual funds, exchange-traded funds, closed-end funds and unit investment trusts. U.S mutual funds manage about \$8 trillion in assets on behalf of over 92 million individual shareholders.

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