

VIDEO

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Focus on Funds: ICI's Advocacy Made a Difference in Recent Tax Legislation

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Despite sweeping changes to US tax law, key retirement savings incentives were maintained—thanks to ICI advocacy on this and other issues that are important to fund investors. In the February 23, 2018, edition of *Focus on Funds*, ICI President and CEO Paul Schott Stevens discusses how ICI used its authoritative body of research to defend the retirement system.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: How did the new US tax bill play out for mutual funds, ETFs, and their investors? ICI president and CEO Paul Schott Stevens offered some insight when I spoke with him recently.

Paul Schott Stevens, ICI president and CEO: It was an historic piece of tax reform legislation, there's no question about that, and we're very pleased with the way that it turned out. We were able to help shape the legislation in a way that preserves the tax incentives for retirement savings, which was so important as a means of helping people to achieve their longest-term investment objectives. We also were able to preserve, for the most part, the tax deductibility of interest paid on municipal securities. And finally, we were able to turn back proposals that would have limited the flexibility of investors to manage their portfolios—a provision called “first-in, first-out,” which would have essentially limited the way that they can manage capital gains tax liabilities.

Stephanie Ortvals-Tibbs: So we're fortunate that, out of a big bill, there is very little impact on funds and their investors. And what's particularly remarkable is that, thankfully, Congress thought carefully and did not move forward on any changes to how Americans save for retirement.

Stevens: Do you know, Stephanie, that's something that we've been working on for a long time. We concern ourselves with retirement issues here, day in and day out. It's a staple concern on the policy agenda of the Institute. And one of the keys that makes the retirement system in the United States work is the tax treatment of retirement savings.

We've been surveying out investors since 2008 and one of the things they tell us is how important those tax incentives are to help them succeed in achieving their retirement savings objectives. So it was vitally important, we believe, that Congress preserve them—which indeed they did—against proposals, for example, that would have turned some of those incentives into Roth 401(k) treatment, for example, rather than the traditionally upfront deductibility of the retirement plan contributions. All in all, a win for our 100 million investors, for sure.

Stephanie Ortvals-Tibbs: It is interesting, Paul, because we also don't sit in an ivory tower with our research. We go out to the Hill, we go out to the press, the public is aware of some of the work that we've done on the importance of those tax incentives for retirement savings. And so it felt like, when this debate kicked up, that, very quickly, our information was getting into that debate and informing it.

Stevens: You know, the fact of the matter is, we're one of the most important centers for research on the defined contribution retirement system in the country, and organizations of all kinds rely on ICI research in terms of the strengths and successes of that system. So yes, our research was really critically important in the congressional deliberations.

And one of the things that I think Stephanie, is that the way the tax reform effort turned out, is a signal of confidence frankly, in the system as it exists today. And so one of, I think, the collateral benefits is, in a sense, it's been validated once again. We need to preserve this system and continue to make it work for Americans. And that's not to say that it couldn't be improved, but it sure says that the Congress thinks it's important to preserve.

Additional Resources

- [Release: Americans Trust Their 401\(k\)s](#)
- [Release: Americans Support Retaining DC Participants' Investment Control](#)
- [Frequently Asked Questions About 401\(k\) Plans: The Basics](#)
- [Release: Mutual Fund Fees in 401\(k\) Plans Continue Downward Trend in 2016](#)
- [Release: Most Employers Make Contributions to Their 401\(k\) Plans, In-Depth BrightScope/ICI Study Finds](#)