

ICI President Commends Administration's Common Sense Approach to Saving

Plan Meets People's Needs

by Matthew P. Fink

The Bush administration's [landmark proposals](#) bring common sense to the complications facing Americans trying to save for their futures. Over the past 25 years, the federal government has taken several important steps to encourage long-term savings. Considered separately, these steps represented significant innovations: [IRAs](#), [401\(k\) plans](#) and [529 plans](#). Each has a broad impact, but a narrow focus.

The Bush administration saw a complex quilt of conflicting rules, detailed forms and schedules, and enough red tape to circle the globe. Equally important, the administration developed a common sense solution that offers hope to every working American family. The president recognizes that savings incentives need to be simple and easily understood. His plan combines bold innovations with much needed simplification.

The most successful personal retirement savings incentive the country has ever had—the IRA—has become confusing. Today we have nondeductible IRAs, deductible IRAs, and Roth IRAs. In 1982, it took the IRS 12 pages to explain IRAs; by 1998 the IRS publication had grown to 82 pages. The administration's plan would create a single universal Retirement Savings Account.

Millions of employees save for retirement in defined contribution plans: 401(k) plans for businesses; 403(b) plans for schools and charities; 457 plans for state and local governments. Each plan's purpose is identical—to encourage working Americans to save for retirement—but the rules that govern them are a kaleidoscope of confusing and sometimes conflicting requirements. The administration's proposal creates a single, simpler Employer Retirement Savings Account. This will cut the red tape that discourages many small employers from offering their workers a chance to save for retirement.

Many Americans, including lower- and moderate-income families are not saving enough because of concerns about penalties for withdrawing money when they need it. The administration's Lifetime Savings Accounts, which can be used for any purpose, will make saving simple and keep investments accessible.

The administration's plan is a milestone. If Congress enacts it, long-term savings and investment opportunities will truly be within the reach of every working American.

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