

February 23, 2011

The Honorable _____
US Senate
Washington, DC 20510

Dear Senator____:

As the House of Representatives/Senate considers the President's 2012 budget submission, members of the Savings Coalition of America would like to highlight two proposals that would enhance retirement savings. The first would permit 60-day rollovers of inherited assets from defined contribution plans or IRAs for surviving non-spouse beneficiaries. Currently, non-spouse beneficiaries may move inherited assets to an IRA only through direct rollover or trustee-to-trustee transfer. The different rollover rules applicable to spousal beneficiaries and non-spouse beneficiaries are confusing and serve little purpose. This change would provide for consistent treatment and would be relatively easy to implement.

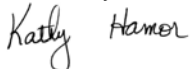
The second proposal would exempt an individual from taking a required minimum distribution if the aggregate value of the person's IRA does not exceed \$50,000 on the date it is measured for distribution purposes. Under present law, Americans who reach age 70½ must begin taking distributions from their IRAs and other tax-deferred retirement accounts. This is one of the most complex areas of tax law for retirees. For this reason, the staff of the Congressional Joint Committee on Taxation in its 2001 recommendations on tax simplification recommended that the age limit for minimum required distributions be eliminated. Members of the Savings Coalition of America feel that it is important to eventually repeal the minimum required distribution age for IRAs and defined contribution plans. The exemption for small balances included in the President's budget is a step in the right direction. (Another step Congress might consider would be to increase – for all retirement accounts – the age at which distributions must begin from age 70½ to, for example, age 75. According to the Social Security Administration, the average life expectancy at age 65 is about four years longer for men, and three years longer for women, today than it was in 1962, when the 70½ rule was first added to the retirement plan rules as part of the creation of Keogh plans.

Members of the Savings Coalition of America believe that, implemented properly, the two budget proposals will have a beneficial and positive impact on Americans saving for retirement. At the same time, the Savings Coalition raises caution regarding certain deficit reduction proposals that would impede the ability of individuals to prepare for retirement by lowering the limits on qualified retirement savings contributions. The current retirement savings system, which includes individual savings and employer plans and Social Security, provides significant retirement benefits for America's working families. In May 2010, 48.6 million, or 41 percent of, U.S. households reported owning IRAs.¹ With approximately 670,000 defined contribution plans covering 82 million participants and over 29,000 defined benefit plans covering 44 million participants (including active and retired workers) it is vital that savings incentives are supported and strengthened. When reviewing the nation's retirement system in the context of tax reform, it is important to recognize that taxes on retirement savings are deferred, not excluded. Deferral treatment is not equivalent to the exclusion associated with other tax expenditures. As individuals begin to retire, distributions from retirement savings are taxed and revenue will flow to the U.S. Treasury.

While the current U.S. retirement savings system provides retirement benefits for many Americans, improvements can be made. The Savings Coalition supports making savings incentives easier for everyone to understand, thereby leading to more savings in the future through vehicles such as IRAs and Roth IRAs for all income levels. The Savings Coalition also supports enhancing SIMPLE IRAs to make it easier for employers and employees to use these plans.

We look forward to working with you on these important retirement savings enhancements.

Sincerely,



Kathy Hamor
Executive Director

¹ "The Role of IRAs in U.S. Households' Saving for Retirement, 2010," *Investment Company Institute Fundamentals* 19, no. 8, December 2010. Available at www.ici.org/pdf/fm-v19n8.pdf.