

ICI VIEWPOINTS

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All Pain and No Gain for Fund Investors

By Paul Schott Stevens

The following is a letter submitted to the editor of the New York Times.

A financial transaction tax (FTT) ("[The Need for a Tax on Financial Trading](#)," Jan. 28) is a terrible idea that would harm all investors, especially American workers saving for retirement. We have yet to see an FTT proposal that would not hurt Main Street nor weaken our capital markets.

More than 90 million Americans invest in mutual funds to meet financial goals. Fund investors would pay an FTT at multiple levels: when they purchase shares; as the fund puts the investors' money to work (purchasing stocks, reinvesting dividends); if the fund sells securities to meet shareholder redemptions; and again when investors redeem their fund shares.

Even if an FTT had an ostensibly low rate, its impact on investors would be substantial. ICI estimates a 10 basis point FTT would have reduced returns of long-term mutual funds by nearly \$25 billion—or 19 basis points—in 2015.

International experience also shows that FTTs yield less revenue than projected, while hampering capital markets. For America's savers and markets an FTT is all pain, no gain.

Paul Schott Stevens was President and CEO of ICI.