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ICI Comment on President Obama’s Budget Proposals That Would Harm Savings

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Washington, DC, February 2, 2015—*Investment Company Institute (ICI) President and CEO Paul Schott Stevens made the following statement today about the White House budget for fiscal year 2016 that includes proposals impacting retirement savings and investment tax rates:*

ICI Strongly Opposes Further Limits on Retirement-Savings Incentives

“ICI opposes further limits on the amount Americans can save for retirement and reductions in retirement tax incentives. Policy changes of this kind are simply wrongheaded. Instead, we should encourage more employers to offer retirement plans and more workers to participate. To its credit, the Administration recognized the importance of saving for the future when it stripped out of its 2015 budget a proposal to impose new taxes on college savings accounts (529 accounts). Maintaining current tax incentives that help Americans prepare for retirement is just as critical.

“The Administration’s proposals would penalize workers trying to set aside a nest egg for retirement, discourage employers from offering retirement plans, and add unnecessary complexity to retirement savings. Retirement tax incentives are key to the successes and strengths of the U.S. retirement system, a system that is working for millions of Americans.

ICI Supports Voluntary Retirement Savings Options, Not Mandates

“The voluntary retirement system has allowed Americans to accumulate more than $24 trillion in retirement savings. ICI supports building on the successes of the voluntary private retirement system with additional voluntary measures, such as those making it easier for small employers to offer retirement plans. We oppose mandates on employers, including any in the Administration’s ‘auto-IRA’ proposal.”

ICI Opposes Increasing Capital Gains and Dividends Taxes

“In addition, the tax rates on capital gains and dividends are critical to the investment and saving that fuel our economy. The effective tax rate on investment income already has increased substantially under President Obama. ICI long has advocated for lower taxes on capital gains and dividends earned by investors—Americans who are saving for college education costs, a home purchase, or other financial goals. The Administration’s piecemeal approach of increasing tax rates on capital gains and dividends once again simply underscores the need for a comprehensive tax plan designed to stimulate economic growth and not simply punish the nation’s savers and investors.”

ICI recently released its updated annual household survey that finds Americans overwhelmingly oppose changing tax incentives for retirement savings.