

# Help Middle Income Americans Build Financial Security

## Cosponsor H.R. 2121, the Generating Retirement Ownership Through Long-Term Holding (GROWTH) Act of 2005

June 27, 2005

Dear Democratic Colleague:

Early last month, the bipartisan GROWTH Act was introduced to help tens of millions of Americans over the course of their working lives by putting them in a better position to save the amounts they will need for real financial security.

H.R. 2121, the *Generating Retirement Ownership Through Long-Term Holding ("GROWTH") Act of 2005*, would allow mutual fund shareholders to keep more of their own money working for them continuously by deferring capital gains taxes until they actually sell their investment and realize cash in hand. As hardworking Americans are allowed to keep their money at work and let their savings grow, they will be better prepared to make that first down payment, to send their children to college, and to live out their retirement years with security, and the taxable base will grow – enabling the federal government to recoup revenues in later years.

Traditional pensions have fallen dramatically in number as defined contribution plans, such as 401(k) plans, have grown in number. Nevertheless, only about half of Americans working today have access to an employer-sponsored retirement plan with which to supplement Social Security. Clearly, mutual funds have become a very important savings vehicle for middle America. About 39 million American households are saving through taxable mutual funds, either to realize a greater return on their savings, to supplement their employers' plans, or because they do not have access to such plans. More than 70 percent of fund investors say their primary purpose is to save for retirement. More than half of households owning mutual funds have a total household income of less than \$75,000.

In order to build savings, most mutual fund investors opt in advance to reinvest automatically capital gains that would otherwise be distributed to them by the fund. Yet, under current law, they find themselves taxed on these automatically reinvested amounts as they are "distributed," even though no fund shares were sold and no cash was received. Americans should be encouraged to save – not discouraged through a tax on automatic reinvestments.

The GROWTH Act will encourage retirement savers to reinvest automatically and to make additional investments to improve their current and future financial security. We urge you to cosponsor H.R. 2121. If you would like to co-sponsor the GROWTH Act, or have questions, please contact Todd Metcalf in Representative Jefferson's office by phone (202-225-6636) or email ([todd.metcalf@mail.house.gov](mailto:todd.metcalf@mail.house.gov)).

Sincerely,

WILLIAM J. JEFFERSON  
Member of Congress

JOSEPH CROWLEY  
Member of Congress

DEBBIE WASSERMAN SCHULTZ  
Member of Congress

**Current Co-Sponsors:** Mr. English, Mr. Cardin, Mr. Jindal, Mr. Owens, Mr. Crowley and Ms. Wasserman-Schultz.