

# Help Middle-Income Americans Prepare for Retirement

## Co-Sponsor H.R. 2121, the Generating Retirement Ownership Through Long-Term Holding Act of 2005

June 20, 2005

Dear Democratic Colleague:

All of us in Congress are concerned about the ability of our constituents to prepare for their retirement years. Last month, I, along with Rep. Paul Ryan of Wisconsin, introduced a bipartisan measure that would give tens of millions of Americans an immediate and sensible helping hand as they save for retirement.

H.R. 2121, the *Generating Retirement Ownership Through Long-Term Holding (GROWTH) Act of 2005*, allows long-term mutual fund investors who automatically reinvest any capital gains distributions back into their taxable accounts to defer taxes until they actually sell their shares.

The GROWTH Act is a good idea for two major reasons. First, it remedies an unfairness in the tax code that can make saving difficult for middle-income Americans. Mutual fund investors who are struggling to save for retirement should not have to pay taxes on "profits" they have not realized. If they don't have money in hand, it makes no sense for them to have to pay taxes. H.R. 2121 would defer taxes until the mutual fund shares are sold and the investor has actual funds to pay the taxes. Second, the GROWTH Act would immediately and directly help the roughly 30 million Americans saving for retirement in mutual funds outside of employer plans and/or IRAs.

Almost half of American workers have no employer retirement savings plan offered. Even those who do have access to an employer plan right now need to save in order to supplement that benefit, and mutual fund investing is the low-cost, diversified, easy-access way in which American households are saving for retirement. In fact, among households owning mutual funds, 92 percent are investing for retirement, while 72 percent of fund investors say saving for retirement is their primary goal. Moreover, we are not talking about the wealthy. Among mutual fund owners:

- 16 percent make less than \$35,000 a year in household income;
- 29 percent make less than \$50,000 a year per household;
- 54 percent make less than \$75,000 a year per household; and
- 73 percent make less than \$100,000 a year per household.

Americans need to do more to prepare for retirement, and the tax code needs to help, not hinder, the process. I urge you to co-sponsor H.R. 2121, the Generating Retirement Ownership Through Long-term Holding (GROWTH) Act of 2005. If you would like to co-sponsor the GROWTH Act, or have questions, please contact Todd Metcalf 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