



AMERICANS FOR TAX REFORM

Americans for Tax Reform

1920 L Street, NW, Suite 200

Washington, DC 20036

202.785.0266 • Fax 202.785.0261

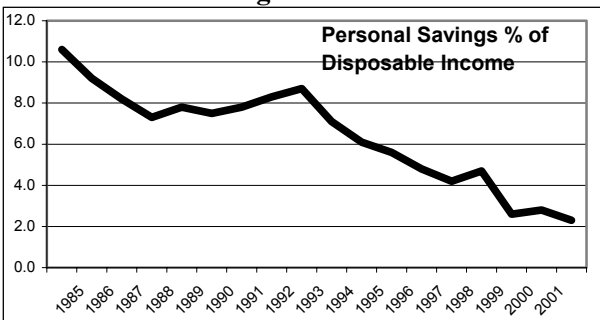
Lifetime and Retirement Savings Accounts

Removing the Double Tax on Savings & Investment

Daniel Clifton, Federal Affairs Manager
Eric Wong, Associate
202-785-0266

LSA's and RSA's: The Key to Economic Prosperity

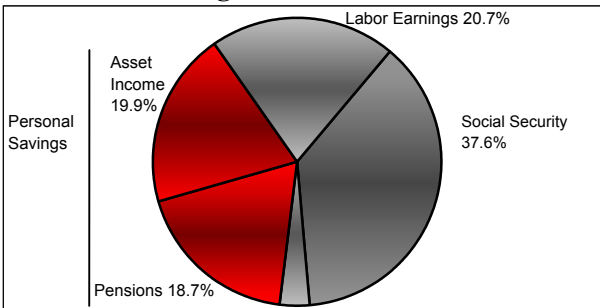
Personal Savings Continues To Decline



More Savings Needed For Working Families

The personal savings rate in the United States is dangerously low. In 2002 the annual rate of personal saving was 3.7 percent, a decline from 10.9 percent in 1982. Moreover, just 38 percent of senior income derives from personal savings. As such, baby boomers are fast approaching retirement with limited financial resources while Social Security faces insolvency. The paucity of savings has a negative effect on the national economy by restricting investment, hampering the growth of productivity, wages, and employment, and slowing thus slowing the standard of living.

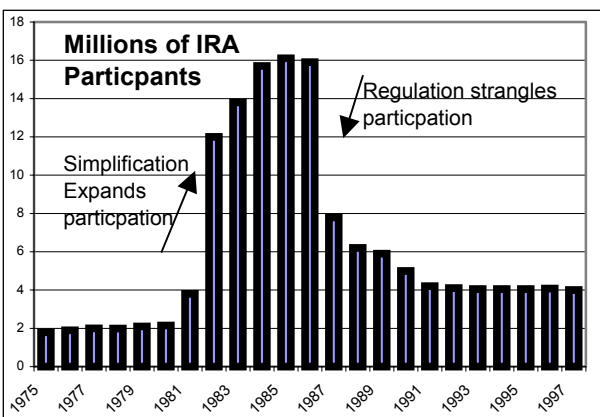
Personal Savings: Just 38% of Senior Income



Tax Code Biases Consumption Over Spending

The tax codes inherent bias favoring consumption over savings has impacted the dangerously low savings rate. Currently after your income is taxed, the federal government does not tax individuals again if they spend money, only if they save and invest. As such, personal savings of working Americans is so dangerously low if emergency happens many families do not have savings. The LSA/RSA proposal addresses this problem by not punishing families who save, and thus, creates a level playing field between savings and consumption.

IRA Complexity Stifled Participation



Simplification Will Boost Savings For All Americans

Simplified, tax-free savings accounts will encourage more participation & new savings. With a simple IRA, from 1980 to 1986, contributions to IRAs rose nearly ten-fold, from \$4 billion to \$38 billion. When Congress restricted the deductibility of IRA contributions in 1986, the level of IRA contributions fell sharply and never recovered to \$15 billion in '87 and \$8.4 billion in '95. Among families retaining eligibility to fully deduct IRA contributions, participation declined on average by 40% between 1986 and 1987, despite the fact that the change in law did not affect them. The number of IRA contributors with income of less than \$25,000 dropped by 30% in that one year. Clearly, this proposal will allow all Americans, even lower-income workers to boost their savings.

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266.