



American Shareholders Association
 1920 L Street, NW, Suite 200
 Washington, DC 20036
 202.785.0266 • Fax 202.785.0261

Tax Policy Research By Daniel Clifton & Eric Wong

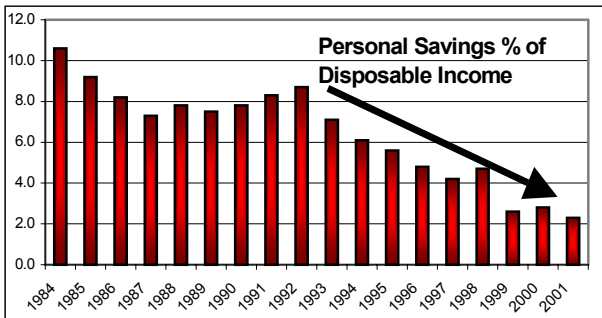
Lifetime & Retirement Savings Accounts

Ending the Double Tax on Savings

Daniel Clifton, Executive Director
 Eric Wong, Associate
 202-785-0266

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

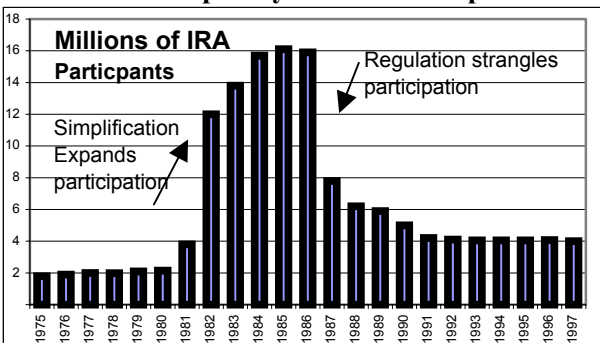
Personal Savings Continues To Decline



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, thus slowing the growth of standard of living.

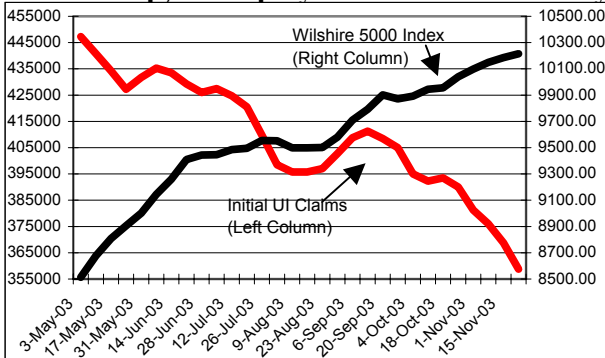
IRA Complexity Stifled Participation



Simplification Will Boost Savings For All Americans

Simplified, tax-free savings accounts will encourage more participation & new savings. From 1980 to 1986, contributions to IRAs rose nearly ten-fold, to \$38 billion. When Congress restricted the deductibility of IRA contributions, 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 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. Greater simplification will boost savings of all Americans.

Markets Up, Unemployment Down Since May



Double Taxation of Savings Restricts Economic Growth

Shareholder wealth increased \$11 trillion during the previous expansion, yet personal savings continued to decline. Eliminating the double tax on savings and reducing tax complexity will allow working Americans to take advantage of the next ten-year expansion and save a portion of their increased wealth. New savings leads to more investment, which leads to a higher standard of living for all Americans. The latest tax cut demonstrated the damaging impact of double taxation on economic growth, now it is time to come full circle and increase savings resulting from the enhanced economic growth. With the expansion just beginning, this is a historic opportunity to get this initiative completed.

The American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting stockholders. To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 785-0266 or by email at dclifton@atr.org

Lifetime & Retirement Savings Accounts

Bush Administration Proposal Is Step In The Right Direction

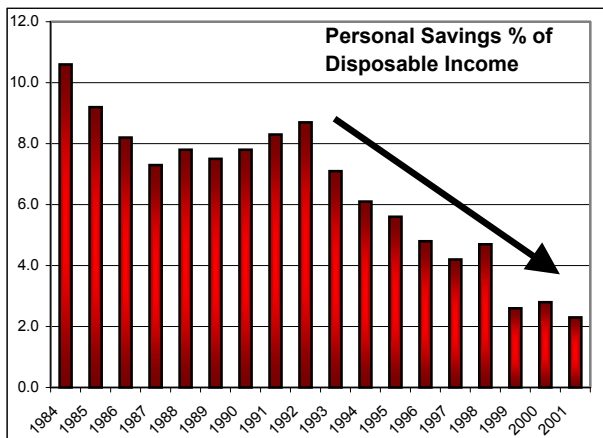
The personal savings rate in the United States is dangerously low. In 2002, the annual rate of personal saving was 3.7 percent of disposable personal income, a staggering decline from 10.9 percent in 1982.

The potential impact of this downward trend is alarming. Baby boomers are fast approaching retirement with limited savings and with Social Security facing imminent insolvency the country is headed on financial collision course between generations. By 2040, the number of Americans 65 years or older will increase by 116 percent while the number of working-age Americans will rise by only 22 percent.¹

Given this situation, Americans need to save more to provide for their own economic security to avoid an oncoming economic crisis. Policies that encourage individuals to save more will provide a twofold benefit. First, individuals will experience greater personal financial security by expanding wealth. Second, additional savings increases the capital stock, which expands the productive capacity of the nation. This in turn boosts the standard of living for all Americans through higher wages and increasing employment.

The public and the government must either confront this problem now or face problems later, which will be much more costly not only in budgetary terms but also in slower economic growth.

Personal Savings Continues To Decline



The Bush Administration recognizes that protecting and promoting saving will help individuals gain economic independence and provide the opportunity to finance investments that determine the growth of national income and living standards. Therefore, the Treasury Department released a plan seeking to expand personal savings as it abolishes the double tax on savings and simplifies the complexity of current rules.

The Bush proposal creates consolidated savings accounts: Lifetime Savings Accounts (LSAs) and Retirement Savings Accounts (RSAs). Both will allow everyone to contribute -- with no limitations based on age or income status.

LSAs can be used for any type of saving and will allow an individual, to contribute up to \$7,500 a year and make penalty-free withdrawals at any time - with no holding period. Hence, participants will be able to save in one tax-favored account for any purpose, including their children's education, home purchasing, healthcare needs, or to start their own business. ASA, however, believes the contribution limit is arbitrary and should not exist, but the proposal is a step in the right direction.

Similar to Roth IRAs, contributions will not be deductible but earnings will accrue tax-free, and withdrawals will be tax-free as well. Contrary to current education accounts and Medical Savings Accounts (MSAs), LSA participants will not need to anticipate future qualified expenses and allocate savings among tax-preferred accounts. In other words, the complexity of the current tax code will be significantly reduced.

Like LSAs, Retirement Savings Accounts (RSAs) will allow individuals to contribute up to \$7,500 a year (in addition to the amounts contributed to an LSA) and works like a Roth IRA. The proposal greatly simplifies existing IRA rules, which will encourage more savings and hence be used to supplement social security and labor earnings in retirements. Yet again, the administration included arbitrary contribution limits, which should be removed.

Lifetime & Retirement Savings Accounts

The Current Personal Savings Situation Is Bleak

How bad is the personal savings situation? Currently, senior citizen income is heavily dependent on Social Security, with roughly 38 percent of total senior income derived from that source. At the same time, just 38 percent of all senior income is derived from personal savings via employer pensions and assets.ⁱⁱ

However, with Social Security facing a looming insolvency, younger workers will need to improve their *personal savings* to a greater degree than Social Security, for sufficient retirement income.

One bright spot concerning personal savings is the rise of savings through employer-sponsored plans, particularly defined contribution plans such as 401(k) plans. Savings in employer plans has increased 325 percent in inflation-adjusted dollars from 1978 to 1997, when total employer sponsored savings reached \$3.6 trillion.ⁱⁱⁱ However, *individual personal savings* continues to lag due to unequal tax treatment and complexity of current savings incentives.

To place the savings rate in context, recent data finds the median household aged 55 through 64 have just one-fifth of the financial assets needed to supplement Social Security for a comfortable retirement.

The Federal Reserve Board triennially publishes the “Survey of Consumer Finances” to measure trends in family income and net worth. From the latest Survey, in 2001, it can be clearly seen that most individuals lack sufficient accumulated personal savings to provide significant income for their retirement years.

For example, families whose head of household was between 55-and 64 had financial assets with a median value of \$56,600 in 2001.^{iv}

To supplement Social Security’s modest benefits, a retired individual or couple in good health will need, in today’s dollars, at least \$20,000 per year, an income that could be reasonably expected from a retirement annuity of \$250,000. If we use those

assumptions for a retirement annuity of less than \$50,000, that household can expect an annuity income of around \$4,000 per year, one-fifth needed for a comfortable retirement. This difference becomes more exacerbated if either spouse requires extended nursing home care or assisted living.

Since these are median figures, half the families with assets had less than these values. It should be noted that while the 93.1 percent of families have some assets, nearly seven percent of the families surveyed had no financial assets at all.^v

In addition to providing for retirement, personal savings is a way to pay for significant expenses such as cars, houses, education, and personal vacations. All these expenses are increasing in costs, some at multiple times the rate of inflation.

Many low- and middle-income families are not able to afford these goods and services without saving for a considerable amount of time. Without significant increases in financial assets, not only will these families be unable to afford these goods and services, but also the producers of these goods will not receive financing for the investment necessary to improve physical capital, or to focus on research and development. Furthermore, worker productivity, wages, employment, and standard of living would stagnate or even decline compared to if individuals were able to save for these goods and services.

Median Value of Financial Assets of U.S. Families That Have Financial Assets		
Age of Head of Family (Years)	Median Value (\$1000s)	% Families Having Some Assets
Less than 35	6.3	84.8
35-44	26.9	90.2
45-54	45.7	90.6
55-64	56.6	87.5
65-74	51.4	92.4
75 or older	40.0	91.4

Note: Assets include check-writing accounts, CDs, savings bonds, bonds, stocks, mutual funds, retirement accounts, life insurance, other managed accounts, and other financial assets.
Source: Federal Reserve Board, “Survey of Consumer Finances”

Lifetime & Retirement Savings Accounts

Low Savings Is The Result of Double Taxation & Complexity

If savings can be so beneficial for individuals and the economy, why is the savings rate so low? While many demographic factors contribute to the low savings rate, double taxation of savings and the complexity of many current saving incentives have significantly hindered savings in America.

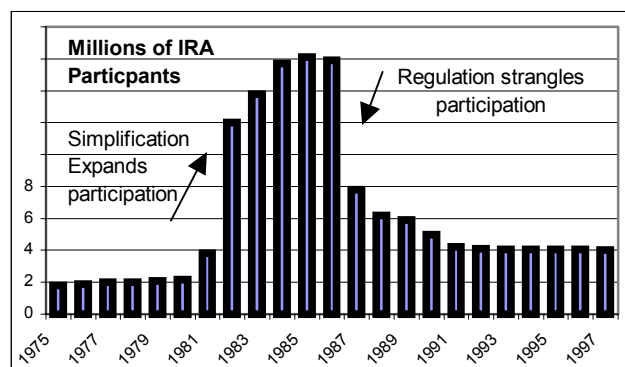
Under the current income tax system, income is taxed when earned. If income is used for consumption, generally no additional federal tax (except for a few selective sales taxes) is paid for goods and services. If that income is saved, there is another layer of tax on the earnings of the savings. Examples of this would be a tax on dividends in the case of a stock and on capital gains on assets that increased over time when the assets are sold. These tax biases reduce the ability and the incentive to save.

LSAs and RSA's seek to remove this bias between consumption and savings through what is called the returns-exempt approach. This approach gives no deduction for income that is saved but exempts the return on investment from taxation, which is similar to a Roth IRA.

Personal savings is also low due to complexity resulting from restrictive rules on eligibility, contributions amounts, and withdrawals. As Assistant Secretary of Treasury Pam Olsen mentioned in a recent speech, from 1980 to 1986, contributions to IRAs rose nearly ten-fold, from \$4 billion to \$38 billion.^{vi} 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.^{vii}

A portion of this decline is the result of previous contributors being excluded from participating, but savings also dropped among families retaining full eligibility. In fact, participation declined by 40 percent between 1986 and 1987 for families still eligible, 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 percent in that one year.^{viii}

IRA Complexity Stifled Participation



Complexities not only sidelined eligible and former participants from saving, they also created disincentives for financial institutions (whose marketing increased the participation in IRAs) to service these accounts. Additionally, the limitations and numerous provisions made it difficult to standardize transactions.^{ix}

Much of the efficiency and productivity from simplicity was lost and has not returned. Instead of returning to simplicity, thus fixing declining participation, new rules and provisions, as well as numerous and differentiated saving incentives added more complexity to savings. As complexity increases, the inability to standardize transactions grows, and thus, the cost of administration grows, which leads to lost efficiency, lost productivity, and lost savings.

Many low- and middle- income families, in particular, who are inexperienced at saving, do not want to hassle with a steep and burdensome learning curve. Savings should be made as simple and convenient as possible to encourage as many people as possible to participate.

LSAs and RSAs remove the hassle factor associated with saving, providing universal eligibility and repealing or liberalizing limitations and rules on income, contributions and withdrawals. Simplification will result in many more low- and moderate-income taxpayers participating, especially inexperienced savers. It will allow individuals to boost their economic security and raise the standard of living.

Lifetime & Retirement Savings Accounts

LSA's/RSA's Proposal Will Boost Personal Savings

The Administration's proposal will reduce the barriers to savings, specifically ending the double taxation of savings and significantly reducing the complexity of the programs. However, opponents of this proposal are claiming new savings will be generated from the proposal. Nothing can be further from the truth.

As a starting point, this argument misses the fact that a new type of savings vehicle will be created, Lifetime Savings Accounts. The purpose of saving for current and near future expenses is much different than saving for retirement, especially for younger workers and lower income individuals.

Younger and lower-income workers are less focused on saving for retirement than they are for saving for a house, their children's education, or catastrophic expenses. As such, the ability to save without a double tax or withdrawal penalty for near term expenses will allow individuals to save for expenses not current being saved for. This adds to new savings.

Further, opponents claim that just 4 out of 10 Americans make the full contribution to *traditional* IRAs and lifting the contribution amount will not lead to more savings for most Americans. Traditional IRAs, however, add no value to most Americans, especially lower-income Americans. Contributions to traditional IRAs make no sense for lower income Americans since they are deferring their taxes to years later in their lifetime when their rates will be even greater. At the same time, massive complexity of the existing program has discouraged participation.

Simplification will result in more savings for all Americans. As explained above, the complexity of existing programs and contribution limits led to a decline in the number of people and the amount being saved. This decline even occurred among people who remained completely eligible for the program with no changes. As such, a more simplified approach, as proposed by LSAs and RSAs, will add more contributors and savings amounts.

The argument that LSAs and RSAs do not lead to new savings applies the economic theory that savings incentives raises a contributor's total lifetime saving only if the higher rate of return affects the contributor for each additional dollar of saving. Roughly three-fourths of all IRA contributors in any given year deposit the full contribution limit in their account.^x As such, some critics have argued similar saving incentives do not generate new saving, because they offer no incentive after the limit is reached.

But such a conclusion is imprudent, as an analysis of consumption and saving decisions over a lifetime requires a focus on lifetime limits, not *annual* limits.^{xi} From a lifetime perspective, the relevant limit on contributions is not the annual limit of \$3,000 dollars, but the lifetime limit.

If only 40 percent of LSA or RSA contributors contribute at the limit for each of five years, it implies that the remaining 60 percent of LSA or RSA contributors faced an incremental incentive in at least one of the five years. Furthermore, this suggests that the contribution limits are binding for few households. Even if participants did not contribute during the current year, the LSA or RSA provides an incremental, if unused, incentive.

Empirically, this question of the immediate impact of IRAs on savings has been examined using various assumptions, hypotheses and models, resulting in various conclusions. **After assessing a multitude of these studies, Hubbard and Skinner state that a conservative estimate of IRAs on personal saving would be 26 cents of new saving per each additional dollar of IRA contribution.**^{xii}

If the simplified LSAs and RSAs were adopted, encouraging more individuals to save, the true savings effect would probably be somewhat, if not significantly, larger. In short, the empirical evidence suggests that LSAs and RSAs will lead to a significant increase in new savings and savings will increase for all Americans.

Lifetime & Retirement Savings Accounts

Lower-Income Americans Benefit From The Proposal

The argument that higher income earners will tend to benefit from LSAs and RSAs has some empirical backing. While it is indeed true that the likelihood of individuals saving rises with income, it should be noted why that is the case.

First, the current tax bias against savings increases the cost of saving more than it increases the cost of consumption for low- and middle-income earners. Since income is taxed when earned, low- and middle-income taxpayers have a reduced ability to save relative to higher-income taxpayers due to less disposable income with which to save. With less disposable income, the first thing individuals cut back on is saving, not food, clothing, shelter, or other necessities.^{xiii}

At the same time, lower-income families have less money to tie up for retirement, but would save for regular expenses, which is addressed by the LSA proposal. As such, reducing the bias between consumption and savings will increase the total amount of savings for lower- and middle-income Americans **and** increase their immediate savings for vital current personal expenses.

In addition to the diminished ability to save, there is the decreased incentive to save resulting from complexity. As mentioned earlier, after limiting IRA availability, IRA participation dropped among families retaining full eligibility by 40 percent between 1986 and 1987, despite the fact that the change in law did not affect them. The number of IRA contributors with incomes of less than \$25,000 dropped by 30 percent in that one year.

Since then, the federal government has added complexity. With more savings options comprising various limitations and qualifiers, the disincentive to saving grew with the complexity of these options. Past evidence demonstrates, if given a simple, straightforward option to save, lower- and middle-income Americans will do so because it is the best option for them. Currently, the complexity of learning how to save is a significant disincentive to save, creating a missed opportunity for individual financial independence.

Furthermore, opponents of LSA's are using static analysis of income and tax burdens in a single year to make a point this proposal does very little for lower-income Americans. However, this analysis ignores the fact that income group membership is strongly dynamic and individuals often move into higher income brackets later in life as they enter their peak earnings years. Thus, individuals are more likely to save as their income grows.^{xiv}

In fact, a National Center for Policy Analysis study found that **after a single year**, 32 percent of individuals in the lowest quintile moved up. The Federal Reserve Bank of Boston found 47 percent of families in the lowest income quintile in 1988 moved to a higher quintile by 1998.^{xv}

The Council of Economic Advisors (CEA) further confirms most taxpayers experience substantial income mobility throughout their lifetime. About 66 percent of taxpayers in the bottom tax bracket in 1987 moved to a higher tax bracket in 1996 and 47 percent of taxpayers in the bottom two brackets combined had moved to a higher bracket after 10 years.^{xvi}

The number of people who will gain from this proposal in their lifetimes is far higher than the number who benefit in any year because of this income mobility. Incomes grow over time, and many families face short-term income fluctuations due to changing jobs, medical emergencies, and having children. LSA's and RSA's help all Americans save, especially over time, and at the same time, help families deal with the short-term fluctuations that reduce incomes.

Taxpayer Rate Bracket Mobility 1987-1996

Year 1 % Tax Bracket	Year 10 % tax bracket							Returns Year 1 (000)
	0	10	15	25	28	33	35	
	Taxpayers by rate bracket (% distribution)							
0	33.8	24.7	32.1	7.7	0.8	0.5	0.3	10,360
10	20.1	29.3	40.8	8.8	0.6	0.3	0.1	15,370
15	8.6	13.3	53.4	22.9	1.2	0.4	0.2	50,059
25	3.9	5.1	29.9	51.4	6.7	2.2	0.8	31,427
28	3.3	2.8	11.6	35.9	24.0	14.7	7.5	2,682
33	4.7	2.6	9.1	21.0	18.9	23.9	19.8	1,096
35	5.1	1.9	5.7	10.4	8.8	19.0	49.1	633

Source: Council of Economic Advisors

Lifetime & Retirement Savings Accounts

Increased Savings Leads To Growth and Government Revenues

The Treasury Department's initial "static" score of the proposal concluded the "cost" to the federal budget would be \$3 billion over 10 years. To place this number in context, the federal government will spend \$2.4 trillion in just fiscal year 2004. **As such, the combined cost of the package represents just 0.01% of spending on an annual basis.**

For a minimal "cost" the savings of all Americans can be significantly increased and economic growth substantially accelerated. Furthermore, this proposal ignores the dynamic effects of increased capital formation, higher economic growth, and productivity increases stemming from simplification.

This has not stopped critics from screaming about the loss government revenues from capital gains, dividends, and interest income. According to one study, these revenue losses would grow larger each year, far exceeding any increase in new savings created by the proposal.^{xvii} According to these special interests, in the next ten-year period (i.e. years 11-20) the federal government will be reeling enormous losses of revenues.

Again, critics in the never-ending quest to maximize government revenue over families have missed the mark with an incomplete analysis. Savings provides economy with pool of loanable funds to make new capital investment. With increased savings taking place, greater financing will be available to make the investments in new plants and equipment. And by eliminating the current bias between consumption and savings, the economy will experience a more efficient allocation of resources, thus increasing the economy's growth potential. These two developments will expand the tax base.

Based on this fact, economist Martin Feldstein, Chief Executive Officer and President of the National Bureau of Economic Research, examined the interaction between saving incentives and government revenue. Feldstein found that previous

studies overstate significant revenue losses of saving incentives by ignoring the impact of them on corporate tax receipts.^{xviii} According to Feldstein, saving incentives (traditional IRAs) increase the supply of loanable funds that are likely to be used by corporations for increased investment, which generate income and corporate tax payments.

Feldstein found that when the positive effect of increased saving on corporate tax revenue is taken into account, the revenue consequences are more favorable than critics suggest. In addition, Feldstein suggests that any tax-based saving incentive can generate revenue increases and a greater increase in national saving.^{xix}

Hubbard and Skinner applied Feldstein's theory in their own cost-benefit analysis of the effect of saving incentives in relation to government revenues. Hubbard and Skinner found that saving incentives do not need to stimulate very substantial amounts of new saving per lost dollar of revenue to generate positive marginal increases in capital stock per dollar of initial revenue loss. In fact, when corporate taxes are taken into account, the savings incentive becomes self-financing for sufficiently high contributions to new savings.^{xx}

Clearly, the argument of losses in federal revenues is probably quite exaggerated. Moreover, given the new savings vehicle of LSAs are added to the mix, the possibility that this proposal could be self-financing is a real possibility.

Finally, opponents of this plan believe increasing national savings stems from higher taxes and instituting double taxation on savers. Yet, raising taxes on working families and stifling economic growth has never led to greater prosperity and it never will. As Alan Reynolds explains, "[F]rom 1984 to 2000, as the US budget moved from a huge deficit to an equally huge surplus, private savings fell from 21 percent of gross domestic product to 13.5 percent, leaving the overall national savings rate smaller rather than larger." Its time for the paradigm to change, and LSAs are the way to go.

Lifetime & Retirement Savings Accounts

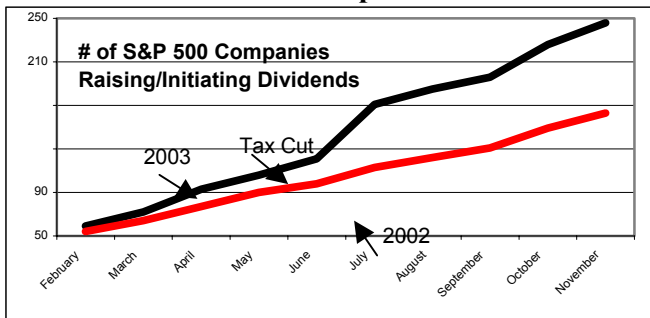
Proposal Complements and Builds On Previous Reforms

Since being elected to office, President Bush has proposed and Congress has enacted a tax cut every year with the intention of strengthening the American economy and incrementally reforming the tax code. In consistency with sound tax reform policy, the Bush Administration tax cut strategy has been to gradually reduce, then eliminate the highest forms of double taxation in the tax code.

Double taxation places enormous constraints on the productive capacity of the nation's economy. For example, a typical American earns a paycheck that is taxed by the federal government and is also subject to payroll taxes, leaving roughly 65 percent of the paycheck for the individual. If the worker spends the money, no significant federal tax is placed on the individual. Yet, if the tax individual saves the money, that person is subject to dividend tax, interest tax, and/or capital gains tax, which alter the person's investment behavior. As such, discriminatory tax policy that favors consumption over spending leads to an inefficient allocation of resources and has reduced economic growth.

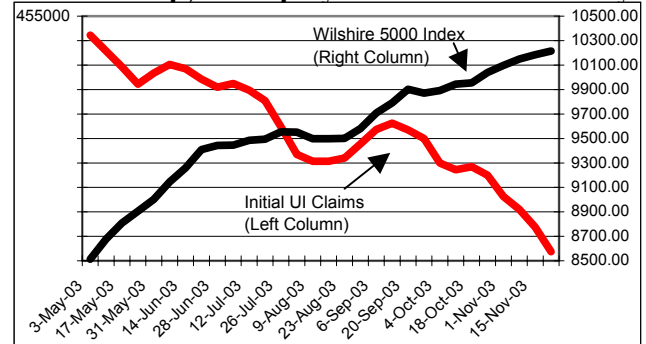
For example, the latest Bush tax cut reduced the double tax on dividends by 62 percent. Since companies were taxed on the income first than the individual was taxed, it was not economically efficient to return money back to shareholders. Companies immediately changed their behavior and significantly increased their dividends while other companies initiated first time dividends. In the first six months of the tax cut, favorable dividend activity is up more than 50 percent and \$55 billion of additional cash has been returned to shareholders (see chart below).

Dividend Cut Tax Cut Spurs New Investment



Reducing the double taxation on dividends, capital gains, and business investment has led to the strongest third quarter economic growth in twenty years. Stock markets are up, factory orders are backed up, and job growth is set to take off. The historic tax cut signed into law last May has set the stage for a sustained, explosive economic boom.

Markets Up, Unemployment Down Since May



The challenge for policymakers in 2004 is to build upon the previous tax cut's success and increase the capacity to grow. With workers getting new jobs, salaries being increased, investors reaping gains, and corporate profits being invested, removing the double tax on savings via LSA's and RSA's is a natural complement to further enhance the economic expansion, increase the savings of working Americans, and accelerate the productive capacity of America's economy.

Shareholder wealth increased \$11 trillion during the previous economic expansion, yet, the personal savings of Americans continued to decline. Eliminating the double tax on savings and reducing tax complexity will allow working Americans to take advantage of the next ten-year expansion and save a portion of their increased wealth as markets move upward. And more savings leads to more investment and more investment leads to a higher standard of living for all Americans. The latest tax cut demonstrated the detrimental impact of double taxation on economic growth, now it is time to come full circle and increase savings resulting from the enhanced economic growth. With the economic expansion just beginning, this is a historic opportunity to get this initiative done with the maximum benefit for working Americans.

Endnotes

ⁱ Edwards, Chris and Tad DeHaven. “War between the Generations: Federal Spending on Elderly Set to Explode.” *Policy Analysis*, Cato Institute, No. 480 (September 16, 2003).

ⁱⁱ Council of Economic Advisors, Economic Report of the President 2002

ⁱⁱⁱ *Ibid.*

^{iv} Airzcorbe, Ana M., Arthur B. Kinnickell and Kevin B. Moore. “Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances.” *Federal Reserve Bulletin*, vol. 89 (January 2003).

^v *Ibid.*

^{vi} Pam Olson, Pam “Remarks to the 2003 ICI/SIA Retirement Savings Conference. “ June 2, 2003. <<http://www.ustreas.gov/press/releases/js445.htm>>

^{vii} Investment Company Institute. “In Search for Retirement Security,” June 4, 1998. <http://www.ici.org/statements/remarks/arc-ret/98_fink_retire_security_oped.html>

^{viii} *Ibid.*

^{ix} Pam Olson, Pam “Remarks to the 2003 ICI/SIA Retirement Savings Conference. “ June 2, 2003.

^x Hubbard, R. Glenn and Jonathan S. Skinner. “Assessing the Effectiveness of Savings Incentives.” *Journal of Economic Perspectives*. Vol. 10, No. 4 (Autumn, 1996), pp. 73-90.

^{xi} *Ibid.*

^{xii} *Ibid.*

^{xiii} Entin, Stephen J. “Fixing the Savings Problem: How the Tax System Depresses Saving, and What to Do About It.” Institute For Policy Innovation. *Policy Report 156*, May 2001

^{xiv} Council of Economic Advisors 2003 Economic Report of the President.

^{xv} For more information: see Americans for Tax Reform Income Mobility Fact Sheet www.atr.org/pressreleases/2003/092903pr-mobilty.htm

^{xvi} Council of Economic Advisors 2003 Economic Report of the President

^{xvii} “Administration’s Savings Plan Would Lead to Very Large Revenue Losses” Center on Budget and Policy Priorities. February 11, 2003. <<http://www.cbpp.org/2-5-03tax.htm>>.

^{xviii} Feldstein, Martin. “ The Effects of Tax-Based Savings Incentives on Government Revenue and National Saving.” *The Quarterly Journal of Economics*, Vol. 110, No. 2 (May 1995). pp. 475-494.

^{xix} *Ibid.*

^{xx} Hubbard, R. Glenn and Jonathan S. Skinner. “Assessing the Effectiveness of Savings Incentives” *Journal of Economic Perspectives*. Vol. 10, No. 4 (Autumn, 1996), pp. 73-90.