

December 17, 2012

The Honorable Jeanne Shaheen
520 Hart Senate Office Building
Washington, DC 20510

Dear Senator Shaheen:

Restoring America's fiscal health is central to our economic recovery and our future prosperity. To help achieve that goal, Congress has a variety of policy options available. When considering such options, it is vital that Congress carefully examine the ultimate cost of what might be presented as "apparent solutions," some of which would instead have devastating long-term consequences. Tax incentives that encourage individual savings fall into this category, and the New England Council supports the preservation of these significant instruments of economic growth and security. The Council was very encouraged by the recent introduction of S. Con. Res. 62 by Senators Richard Blumenthal (D-CT) and Johnny Isakson (R-GA), and strongly urges that you join as a cosponsor of this resolution which affirms that current tax incentives for retirement savings provide important benefits in planning for a financially secure retirement.

Incentives for saving – whether in 401(k) plans, IRAs or a variety of other private retirement plans – encourage behavior that promotes individual financial self-sufficiency. Indeed, according to the Center for Retirement Research at Boston College, the percentage of pre-retirement income replaced by Social Security stood at nearly 39 percent in 2004. By 2030, it is expected to drop to about 29 percent. In this context, we need to recognize the long-term value of encouraging greater savings for individuals through private retirement savings plans.

As the national savings rate has amply demonstrated over the last several decades, Americans do not save enough to provide for a financially secure retirement. Although there has been some improvement following the recent recession, there is no way the current pattern of saving six cents out of every dollar spent will ensure a comfortable nest egg in retirement. The math simply does not work.

The demographics are not forgiving. Every day, some 7,000 baby boomers hit retirement age. Over the next 20 years, the number of Americans over 65 will increase dramatically – from 40 million to more than 70 million. Also, people in retirement are living longer than preceding generations. According to the National Center for Health Statistics, the average life expectancy rose from 69.7 years in 1960 to 77.9 years in 2007. The increasing

longevity of Americans will require adequate financial resources to meet post-retirement needs.

Sparse savings, coupled with longer life spans, leave us with two choices. Either the government must meet the income requirements of our aging population primarily through an already-strained Social Security system, or we can continue to facilitate a demonstrably successful private retirement savings system that complements Social Security and adds to retirees' long-term financial security.

According to the Employee Benefits Research Institute, in the current system of tax incentives, over 71 percent of workers earning between \$30,000 and \$50,000 do save for retirement, but only if they have access to payroll deduction savings plans at work. Among moderate income workers who lack access to savings options at work, fewer than 5 percent set money aside to prepare for retirement. In another study, the 2011 Principal Financial Group Retirement Readiness Survey found that 92 percent of employers say retirement tax incentives are important in their decision to offer a 401(k) plan.

As Congress moves through this debate, it is urgent that the success of workplace retirement plans be leveraged to provide expanded opportunities for other private retirement savings vehicles. It is a long-term investment of deferred tax dollars that will pay enormous dividends in our future.

Please join your New England colleague, Senator Blumenthal, in co-sponsoring S. Con. Res. 62.

Sincerely,



Michele M. Jalbert
Executive Director – Policy & Strategy