

November 3, 2011

Dear Member of Congress:

In June, the New England Council urged you to preserve and expand tax incentives that encourage retirement savings, which we and many others view as significant instruments of economic growth and security. 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. 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 by individuals through private retirement savings plans.

Every day, some 7000 baby boomers hit retirement age, and over the next 20 years, the number of Americans over the age of 65 will increase dramatically – from 40 million to more than 70 million. These retirees will tend to live longer in retirement 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 demographics are not forgiving – the significant growth in the number of retirees and the increasing longevity of Americans will require these individuals to have access to adequate financial resources to meet their post-retirement needs.

According to the Employee Benefits Research Institute, in the current system of tax incentives, over 71 percent of workers earning annual salaries 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 aside money to prepare for retirement. As Congress works on policy issues affecting our nation's tax code, it is urgent that the success of workplace retirement plans be maintained, so that individuals are given the maximum opportunity to provide for themselves via private retirement savings vehicles. It is the long-term investment of deferred tax dollars that will pay enormous dividends in the future of millions of Americans.

In Mass Insight's fall quarter public opinion survey conducted in late October, 92 percent of Massachusetts residents said that they believe it is important - with 73 percent saying it is "very important" - to protect tax benefits for workplace savings plans as deficit reduction measures are adopted.

As the discussion unfolds, we wanted to draw your attention to the attached draft concurrent resolution, which has been developed by Congressman Richard Neal and Congressman Jim Gerlach. On behalf of our 400 Council members, we urge you to co-sponsor this measure - which accurately reflects the vital importance of retirement savings incentives.

Sincerely,



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The New England Council



William Guenther
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