The United States Senate
COMMITTEE on FINANCE
CHAIRMAN RON WYDEN, D-OREGON
www.finance.senate.gov | @SenateFinance

FOR IMMEDIATE RELEASE
September 16, 2014

Contact: Lindsey Held (202) 224-4515

Wyden Hearing Statement on Retirement Savings and Tax Reform

Take a look at the state of retirement savings in the U.S., and it's clear that something is out of whack. The American taxpayer delivers $140 billion each year subsidizing retirement accounts, but millions of Americans are nearing retirement with little or nothing saved. The incentives for savings in the tax code are not getting to the people who need them.

A pair of new studies spell out the issue. The Federal Reserve last month found that an employee with middle-of-the-pack savings has $59,000 set aside for retirement. Yet according to the GAO, some 9,000 taxpayers have IRA accounts worth more than $5 million. It would take several lifetimes of work for the typical middle-class American to save that much money.

So how did those massive IRA accounts come to be? In many cases, they're sweetheart stock deals that most investors would never have access to. Executives buy stocks at a special, rock-bottom price – sometimes fractions of a penny per share – and use an IRA as a tax shelter. The stocks start out dirt cheap, but just like that they turn to gold, and the IRA shoots up in value.

Wise investors have every right to use all the tools available to them, and no one should begrudge them their success. But IRAs were never intended to become tax shelters for millionaires – they're designed to help typical Americans save for retirement.

As the Finance Committee continues to work on modernizing the tax code, it should take a good look at fixing this issue. With limited resources, it's crucial to use taxpayer dollars wisely.

That same study from the Federal Reserve included another alarming piece of information. Nearly a third of workers, according to the Fed, have no pension and nothing set aside for retirement.

It is a fact of today's economy that millions of Americans are unable to save. Report after report has shown that America's middle-class is -- at best -- struggling to stay afloat. Five years after the Great Recession, it remains tough for many people to find and hold a steady job. The cost of a college education is rising. Millions of Americans had their wealth tied up in their homes before the housing collapse, and they haven't come close to a full recovery. And a lot of working families' are seeing their take-home pay drop.

At the same time, workers -- especially younger ones -- are changing jobs more frequently than ever before, and they find it difficult to save without portable savings accounts. Women face special challenges to saving that need to be addressed. That's also true for part-time workers.

The Leave-it-to-Beaver ideal of a worker spending 40 years with one firm and retiring with a generous pension and a gold watch is sorely outdated. Retirement policies need to keep up with the times. The Finance Committee should examine these issues arising in today's economy.

One proposal worth looking at is being pursued by my home state of Oregon. Less than half of Oregon businesses offer retirement plans to their employees, and many Oregonians have trouble saving anything at all. So the state created the Retirement Savings Task Force to find solutions.

Just yesterday, the task force recommended the state set up an auto-IRA program for any Oregonian worker who is not covered by an employer retirement plan. A percentage of employees' paychecks would go into savings accounts, and contributions would grow with time.

It wouldn't be mandatory -- employees could opt out at any time -- but it has the potential to be a first step toward retirement security for many Oregonians.

In my view, the tax code should give all Americans the chance to get ahead, and making it easier to save is one of the best ways to accomplish that. That's why it's important for the committee to consider how to improve these incentives and ensure they're helping middle-class Americans prepare for retirement – not helping millionaires shelter money.

###