

47 NATIONAL ORGANIZATIONS OPPOSE RETIREMENT SAVINGS CHANGES DISPROPORTIONATELY BENEFITING THE WEALTHY IN OMNIBUS BILL

December 16, 2022

Dear Member of Congress:

We urge you to oppose problematic retirement savings legislation that purports to help low- and middle-income families prepare for retirement, which is being considered for inclusion in omnibus appropriations legislation. It will primarily subsidize the wealthy and worsen the racial wealth gap. We urge you to shift direction: reform our retirement tax system to ensure safe and dignified golden years for average workers while also expanding Social Security and other public programs that are the bedrock for a secure retirement.

In 2019, the wealthiest 10% of households had retirement accounts averaging over \$850,000, while accounts of families in the bottom half of the economy [averaged under \\$7,000](#). White families had an average account balance of \$168,500, whereas Black and Latino accounts held \$38,300 and \$27,300, respectively. And while 57% of white families had retirement savings, [only 35% of Black families and 26% of Latino families](#) had such accounts. Moreover, as of 2019 around 29,000 high-income taxpayers had amassed “[mega-IRAs](#)” with balances of \$5 million or more, while about half of households had [no retirement accounts at all](#).

The proposed legislation is expected to blend two similar bills: the [Securing a Strong Retirement \(SECURE\) Act of 2022 \(H.R. 2954\)](#), which passed the U.S. House last March, and the [Enhancing American Retirement Now \(EARN\) Act \(S. 4808\)](#), which was approved by the Senate Finance Committee earlier this year. Both bills offered little help to low- and middle-income savers relative to the windfall they give high-income employees and the rich.

Multiple experts on tax and retirement security have offered pointed criticisms of both bills:

- **Americans for Tax Fairness:** [Letter Opposing Senate’s EARN Legislation](#)
- **Center for American Progress:** [Tax Breaks for Retirement Savings Do Not Help the Workers Who Need Them Most](#)
- **Center on Budget and Policy Priorities:** [House Bill Would Further Skew Benefits of Tax-Favored Retirement Accounts](#)
- **Committee for a Responsible Federal Budget:** [EARN Act Would Cost \\$80 Billion Without Gimmicks](#)
- **Institute on Taxation and Economic Policy:** [Bipartisan Retirement Proposals Are Mostly Just More Tax Cuts for the Wealthy](#)
- **Tax Policy Center:**
[Delaying Required IRA Distributions Again Would Largely Help Only The Wealthy Will Congress Turn Democratic Tax Hikes Into Bipartisan Tax Cuts?](#)
[Retirement Tax Benefits Exacerbate Racial Inequities](#)
[Mega IRAs Reflect Mega Legislative Mistakes](#)
- **Washington Center for Equitable Growth:** [Retirement tax incentives supercharge the fortunes of wealthy Americans](#)
- **Washington Post op-ed by Daniel J. Hemel, NYU Law School:** [The American retirement system is built for the rich](#)

- **Daniel J. Hemel, NYU Law School, and Steve Rosenthal, Tax Policy Center:** [Mega-IRAs, Mega-401\(k\)s, and Other Mega-Retirement Accounts](#), statement for the record to the Senate Finance Committee, July 28, 2021
- **Michael Doran, University of Virginia Law School and former U.S. Treasury Dept. official:** [The Great American Retirement Fraud](#)

The principal assistance offered by the Senate bill only to low- and middle-income workers is a 50% government match of contributions up to \$2,000 to retirement plans. However, many workers will not be able to afford to contribute that much and thus will not benefit from the full \$1,000 public match. The bills also expand automatic enrollment in retirement plans (though workers could still opt out), which will increase retirement contributions. But it also risks lower-income workers putting money into restricted accounts that they might need for current expenses.

These modest reforms are outweighed by the harm caused by the rest of the legislation:

- Both bills raise the age for required minimum distributions from 72 to 75, which is very costly and will mainly help the rich shelter their income from taxes for longer periods and build up more wealth for their heirs. Most retirees need their savings to make ends meet much earlier in their retirement because they have fewer other assets. Even if those retirees could leave their retirement funds untouched they'll benefit less because they do not live as long as the wealthy.
- Both bills increase the "catch-up" contribution limits for people in their early 60s from \$6,500 to \$10,000, for a total of more than \$30,000 in contributions per year. This only helps the few workers with enough disposable cash to take advantage of the new higher limits.
- Both bills will likely greatly encourage the use of Roth IRAs, which favor the wealthy and lose more tax revenue long-term than do traditional IRAs.
- The legislation could [cost as much as \\$87 billion](#) over 10 years (based on the EARN Act's retirement savings tax breaks) when properly accounting for the gimmicks and timing shifts used to obscure its true costs.

These changes will skew the benefits of the retirement system even more in favor of the wealthy and will exacerbate the existing racial gap in retirement security between white households and Black and Latino families. There is a better way. Congress should reform the current retirement tax system and expand Social Security and other public programs on which such lower-income retirees heavily rely by:

- **Lowering, rather than raising, contribution limits for the wealthy.** Congress should use the money saved to provide much higher subsidies to help working families save for retirement.
- **Reining in Mega IRAs.** Some Roth IRAs hold [tens of millions or even billions of dollars](#) and allow wealthy investors to avoid paying capital gains taxes on appreciated assets and to dodge estate taxes otherwise due on accounts passed on to heirs. Roth IRAs were created specifically to help lower-income savers, not pad the pockets of the ultra-rich.
- **Establishing a lifetime limit on all tax-favored retirement benefits, as proposed by the [Obama-Biden administration](#).** Once an individual aged 62 reached the proposed annual cap (\$210,000 in 2016), corresponding to a maximum lifetime balance of \$3.4 million for a 62-year-old, they could no longer make additional contributions or receive additional defined benefit accruals, though their balance could continue to grow with investment earnings.
- **Raising Supplemental Security Income (SSI) asset limits to improve financial security for low-income elderly and disabled people**—as recommended by the [Center on Budget and Policy Priorities](#).

- **Enhancing Social Security, the bedrock of retirement for most Americans.** Reforms such as those proposed by [Rep. John Larson](#) (D-CT) and [Sen. Richard Blumenthal](#) (D-CT) would raise benefits and improve services, funded by requiring the highest earners to pay the payroll tax on salaries over \$400,000, wages that currently go tax-free.

Real retirement-savings reform would address the core problem: too many low- and middle-income workers with too little savings; too many high-income employees, and the rich, with too much savings that is heavily subsidized by taxpayers. The pending bills will further distort our retirement tax system into a fortune-building system for the rich, rather than make it a source of security, stability and dignity for older Americans. We urge you to reject the pending retirement legislation and instead pursue true retirement-savings reform.

Sincerely,

Alianza Americas
Alliance for a Just Society
American-Arab Anti-Discrimination Committee (ADC)
American Family Voices
Americans for Democratic Action (ADA)
Americans for Financial Reform
Americans for Tax Fairness
Blue Future
Campaign for America's Future
Center for Economic and Policy Research
Center for Law and Social Policy
Center for LGBTQ Economic Advancement & Research
Center for Popular Democracy
Coalition on Human Needs
Communications Workers of America (CWA)
Economic Policy Institute
Family Values@Work Action
Groundwork Collaborative
Healthcare For America Now
Health Care Voter
Hispanic Federation
Income Movement
Institute for Policy Studies - Global Economy Project
Institute for Policy Studies - Inequality Program
Institute on Taxation and Economic Policy
Main Street Alliance
Main Street Project
Moms Rising
National Employment Law Project
Network Lobby for Catholic Social Justice
Our Revolution
Patriotic Millionaires
People's Action

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Presente.org
Public Advocacy for Kids (PAK)
Responsible Wealth
RESULTS
Sisters Lead Sisters Vote
Take on Wall Street
Tax Justice Network US
UltraViolet
Unitarian Universalists for Social Justice
United For a Fair Economy
Unrig Our Economy
Voices for Progress
Working Families Party