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December 23, 1999

Mr. Marshall N. Carter
Chairman and Chief Executive Officer
State Street Corporation
225 Franklin Street
Boston, Massachusetts 02110-2804

Dear Marshall:

Thank you for your letter about strengthening our nation's pension systems and enhancing individual retirement savings. I appreciate knowing your thoughts on these issues, and I have passed your letter along to Treasury Secretary Summers and members of my staff in the National Economic Council for review.

I'm glad you took the time to write. Best wishes.

Sincerely,

BILL CLINTON

BC/CKS/DC/lynn (Corres. #7052603)
(12.carter.mn)

cc: Gene Sperling, 2FL/WW, c/copy of incoming
WHcc
The Honorable Lawrence H. Summers
Secretary of the Treasury
Washington, D.C. 20220

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DRAFT OF BC LETTER

INITIALS: BC /cks	DOCUMENT NAME: \\s_who00010\dos\public\letter\slr\p\cks \carter marshall.doc
DRAFT / LETTER DATE: December 1, 1999	CORRESPONDENCE #: 7052603
	CC: Sec. Summers, Dept. of Treasury, w/ incoming letter. Gene Sperling, 2FL/WW, w/ inc. letter.
CORRESPONDENCE ADDRESSED TO: Mr. Marshall N. Carter Chairman and CEO State Street Corporation 225 Franklin Street Boston, Massachusetts 02110-2804	Jason Furman ok'd sending ty for views response.

Dear Marshall:

Thank you for your letter about strengthening our nation's pension systems and enhancing individual retirement savings. I appreciated ~~learning~~ knowing your thoughts on these issues, and I have passed your letter along to Treasury Secretary Summers and members of my staff in the National Economic Council for review.

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~~I'm glad you took the time to write.~~ Best wishes.

DEC 23 1999

dl 12/22

Proposed Draft to Revise P 304 Social Security
E:/texts/slr/draft/p304 cks

Chris Scully
9/21/99

Cleared by Natasha Bilimoria, N

Draft:

I do not see a way to make this statu. Pls advise. Deli

Dan / Delia
Edits based on clearance emails. Ms. Bilimoria indicates that changes are not welcome.

Thank you for sharing your thoughts on Social Security. I appreciate knowing your concerns.

Social Security is one of our most important federal programs. It has provided security in retirement for tens of millions of Americans for three generations and has assisted millions of families ~~of~~ workers, ~~who have died~~ who lose income from premature~~ly or become~~ death or disab~~led.~~ility.

We have an obligation to our parents to protect the Social Security benefit on which they now rely, and we have an obligation to our children to strengthen Social Security for the future. We must not do anything that would undermine our commitment to this program and the values it represents. If we continue our current policies, the Social Security Trust Fund is projected to be exhausted in 2034, at which point Social Security taxes will be sufficient to pay only 71 percent of promised benefits. However, if we act now, we can extend the life of the Trust Fund for decades while meeting our obligations to current and future retirees.

That is why, as a vital first step, I have proposed that we securely lock away all of the surpluses generated by the Social Security system and protect them for the future, ~~for~~ when the money will be needed to pay for ~~the~~ retire~~ments of the~~ing baby boomers. My plan would eliminate the publicly held debt by 2015, making the United States debt-free for the first time since 1835. As a second step, after locking in one decade of debt reduction, ~~my plan would~~ we should begin crediting the Social Security Trust Fund with the interest savings resulting from this debt reduction so that we can ensure the health of Social Security through 2053. Finally, to extend the solvency of Social Security beyond then, I have challenged Congress to work with me on a bipartisan basis to make the tough but sensible choices necessary to do so.

With people living longer, it is now more important than ever that all Americans build wealth for a secure retirement. That is why, in addition to my plan for Social Security, I have proposed the largest, fairest tax cut for retirement savings, called Universal Savings Accounts (USAs). USAs would provide a progressive approach for the majority of working Americans to build wealth and to save for their retirements. For families earning $40,000, the USA program, when fully phased in, would provide a tax credit of $600 for each family to use toward building their own retirement accounts. If they put more into their accounts, the government would match their contributions, further increasing their tax savings. USAs would give millions of Americans a new opportunity to increase their savings, to increase their retirement security, and to have a share of the wealth and prosperity that our economy has generated.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 23, 1999

REMARKS BY THE PRESIDENT
ON SIGNING VETO OF TAX BILL

The Rose Garden

11:10 A.M. EDT

THE PRESIDENT: Good morning. Thank you very much. Please be seated. Thank you and good morning. As all of you know, Congress has sent me the tax bill I have repeatedly pledged to veto. In a moment, I will do that because, at a time when America is moving in the right direction, this bill would turn us back to the failed policies of the past.

In the 12 years before I became President, irresponsible policies in Washington piled deficit upon deficit, quadrupling the national debt, leading to high interest rates, eventually bringing us the worst recession since the Great Depression. Interest rates and unemployment were too high, wages were stagnant, growth was slow.

Vice President Gore and I came into office determined to change all that with a new economic strategy focused on fiscal discipline, expanded trade, investment in our people. The strategy has worked. In the past six and a half years, it has produced lower interest rates and ushered in the longest peacetime expansion in our history, with more than 19 million new jobs, rising wages, the lowest unemployment in a generation, and record-breaking levels of home ownership. And by balancing the budget for the first time in a generation, we have changed red ink to black, turning a deficit of $290 billion into a budget surplus of $99 billion this year, with growing surpluses projected for years to come.

The American people understand that these are not simply numbers on charts. The progress we've made is something they see and feel every day -- in more jobs, higher paychecks, HOPE scholarships that help send their children to college, lower interest rates for owning a home and buying a car. This is the right course for our people, and our nation. It is making a difference in the lives of Americans. And they want us to stay on it.

Our hard-won prosperity gives us, also, the chance to do something few people ever have -- the chance to invest our surplus to meet the long-term challenges of America. We can lift the burden of debt from the shoulders of the next generation. We can secure the future of Social Security and Medicare. We can ensure a first-rate education and modern schools for our children.

Unfortunately, the tax bill Congress has sent me would deny those opportunities to the American people. The bill is too big, too bloated, places too great a burden on America's economy. It would force drastic cuts in education, health care and other vital areas. It would cripple our ability to pay down the debt. It would not add a day to the Social Security trust fund. It would not add a day to the Medicare trust fund, or modernize Medicare with prescription drug coverage. Nearly a trillion dollars in tax cuts, but not one dollar for Medicare. I will veto this bill because it is wrong for Medicare, wrong for Social

Security, wrong for education, and wrong for the economy.

Now, in the face of my determination to do this, many in Congress seem ready to throw in the towel. That would be a disservice to the American people. They sent us all here to get things done. And we have proved in the past, with the Welfare Reform bill of 1996 and the Balanced Budget Act of 1997, that we can work together to get things done and bring good results to our country. So, instead, I ask Congress not to go home until we have worked together once again, in a good-faith effort to meet the long-term challenges our people face.

First, let's reach a bipartisan agreement to save Social Security. The congressional majority's current plan and its so-called lockbox would fail to protect the Social Security surplus from being spent, and it would not add a day to the Social Security trust fund. Instead of this weak lockbox and no additions to the trust fund, I ask Congress to work with me to construct a real lockbox that would keep Social Security solvent until the year 2050.

Second, let's work together to save Medicare. With Medicare facing insolvency in just 16 years and with three out of four seniors lacking dependable, affordable prescription drug coverage, we know we must not put off this challenge. Months ago, I put forth a detailed plan for Medicare that would reform and modernize it with a voluntary prescription drug benefit. It would address the immediate, critical needs of teaching hospitals, skilled nursing facilities and other priorities while extending Medicare's solvency to the year 2027.

Now, I don't expect the Republican majority to agree with me on every detail of my plan; I never thought that would be the case. But I do expect, and the American people have a right to expect, that we will work together in good faith to meet these long-term objectives.

Third, we should fulfill our obligations to the future by producing a real budget that pays down the debt, brings down interest rates, and makes vital investments in education, the environment, national security, biomedical research, health care, and other areas so vital to our future.

If we do this, within the framework I have outlined, we can not only invest in our future, we can pay down America's debt over the next 15 years and make our country debt-free for the first time since Andrew Jackson was here and planted that big magnolia tree in 1835. (Applause.)

So I say again, let's do first things first: pay down the debt, save Social Security, save and modernize Medicare, invest in education.

In the days ahead, I will ask the Republican majority to work with me to fulfill these fundamental obligations we have to our children and to our future. If we can work together to meet these objectives, we can also work together to pass tax relief we can afford -- affordable, middle-class tax relief that reflects the priorities of both parties and the values of the American people. That would be a good bill I would happily sign.

Every generation of Americans is called upon to meet the challenges of its time. But few have the unprecedented opportunity we have -- to meet the challenges not only of our time, but the great challenges of our future. We must seize that opportunity.

Thank you very much. (Applause.)

(The veto is signed.)

Thank you. (Applause.)

END 11:23 A.M. EDT

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 14, 1999

PRESIDENT CLINTON INTRODUCES UNIVERSAL SAVINGS ACCOUNTS: PROVIDING MILLIONS OF AMERICANS A NEW OPPORTUNITY TO SAVE FOR RETIREMENT

April 14, 1999

Today, President Clinton announced his Plan to Provide Universal Savings Accounts for Most Americans. These accounts will give 124 million Americans the opportunity to build wealth and to save for their retirement through a progressive tax cut. A married couple that participated for 40 years, could accumulate over $253,680 in today's dollars -- enough to produce $20,121 a year of after-tax income in retirement.

Currently, Too Few Americans have Additional Savings. Because Americans are living longer, it is more important than ever for them to build wealth for a secure retirement. Currently, over two-thirds of Americans rely on Social Security as their principal source of retirement income, and 18 percent rely on Social Security as their only source of income. Too few Americans are saving for their retirement. The typical family headed by someone 55-64 years of age has financial assets worth just $32,000.

President Clinton Believes that Social Security Reform Needs to be Complemented with Actions to Strengthen Private Savings and Private Pensions. Social Security reform will ensure that Social Security remains a rock solid foundation for retirement security. Universal Savings Accounts will give working American families the opportunity to save for a secure retirement. Under this new program, 73 million people who do not participate in employer-provided pension plans would qualify for USAs, as well as 51 million people with pensions.

Here's How USAs Work:

98 million adults would receive an automatic government contribution to their Universal Savings Account every year.

In addition to the automatic contribution, the government would match, dollar for dollar, voluntary contributions to the USAs by low and moderate income workers. Eligible workers with higher incomes would have a match rate of at least 50 percent.

USAs Provide a Progressive Approach for Retirement Savings for the Majority of Working Americans. The current tax system provides 66 percent of the tax benefits for pensions and retirement savings to taxpayers with incomes above $100,000. In contrast, the USA proposal would provide 80 percent of its benefits to families with incomes below $100,000. USAs makes the tax system more progressive by providing the most generous tax breaks for low and middle income workers -- who are the least likely to have access to employer pensions and who have the most difficult time saving.

USAs Will Help Make Additional Retirement Savings Universal. Each spouse in a married couple with family earnings over $5,000 and adjusted gross income of less than $100,000 who is between the ages of 18 and 70 will be eligible for a USA tax credit (single taxpayers must have adjusted gross income below $50,000; head of household filers must have income below $75,000). In addition, workers with higher incomes who do not have pension coverage are eligible for an account.

USAs Allow American Families to Build Wealth to Meet Their Retirement Needs. USAs give these workers an opportunity to build wealth and save for retirement.

A couple earning $40,000 would automatically receive $600 of tax credits deposited into their accounts, even if this family contributed nothing to their accounts. After 40 years, with only automatic contributions their accounts would total $76,104 (in today's dollars) and provide $6,036 a year of after-tax retirement income.

However, if each year this family saved $700 ($350 in the account of each spouse), then the government would provide a $1,300 tax credit ($650 each). After 40 years they would have wealth totaling over $253,680 in today's dollars, enough to provide $20,121 of after-tax income in retirement.

USA Tax Credits
A Family of Four with an Income of $40,000

Consider a married couple with two children. One spouse makes $40,000 a year working for a small business. The other spouse stays at home with their young children. Like millions of other families, they live paycheck to paycheck. Before payday, their bank account rarely has more than a couple hundred dollars.

How the New USA Accounts Work for this Family. The USA accounts are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

Automatic Tax Credit: Every year the husband and wife would each receive an automatic annual tax credit of $300, for a total of $600. They would claim the tax credit on their tax return, and it would be deposited in their new USA accounts.

Matched Tax Cut: As a powerful new incentive to save, this couple would receive an additional $1 in tax credit for every dollar the couple saved -- up to $700 ($350 each) of savings would be matched. For each dollar the couple deposited in their USA accounts, they would receive a corresponding $1 in a matching tax credit, which would also be deposited in their USA accounts.

This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment: The couple's $700 of savings would be supplemented by a $1300 tax credit for a total of $2000 a year in retirement savings. That's $600 credited automatically ($300 each) plus a $700 savings credit ($350 each). The USA credit almost triples the couple's contribution, and it allows for tax favored build up of account balances.

The Automatic Tax Credit Provides Core Savings Support

Automatic Tax Credit	Family Contribution	Matched Tax Cut	Total Annual Savings in USA

$600	$0	$0	$600*

*This savings could build to $76,104 after 40 years -- assuming a 5 percent real rate of return.

The Matching Tax Cut Provides A Powerful Incentive To Save

Automatic Tax Credit	Family Contribution	Matched Tax Cut	Total Annual Savings in USA
$600	$700	$700	$2000*

*This will provide a total tax credit of $1,300.

These savings could build to $253,680 after 40 years -- assuming 5 percent real rate of return. And would provide $20,121 of after-tax income in every year of retirement.

Building Wealth for Retirement. Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $700 every year and received the maximum tax credit of $1,300, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $700 per year while they worked.

Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut. This family would receive a much larger tax cut from the USA account tax credits than from the 10% across-the-board tax cut. While this family would receive just $315 from the across-the-board tax cut, they would be eligible to receive $1,300 from the USA account tax credits.

USA Tax Credits
A Family of Four with an Income of $60,000

Consider a married couple with two children. One spouse makes $60,000 a year working for a small business. The other spouse stays at home with their young children. Like millions of other families, they live paycheck to paycheck. Before payday, their bank account rarely has more than a couple hundred dollars.

How the New USAs Work for this Family. USAs are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

Automatic Tax Credit: Every year the husband and wife would each receive an automatic annual tax credit of $150, for a total of

$300. They would claim the tax credit on their tax return and it would be deposited in their new USAs.

Matching Tax Credit: As a powerful new incentive to save, this couple would receive an additional $0.75 in tax credit for every dollar the couple saved -- up to $972 ($486 each) of savings would be matched.

This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment: The couple's $972 of savings would be supplemented by a $1,028 tax credit for a total of $2,000 a year in retirement savings. That's $300 credited automatically ($150 each) plus a $728 savings credit ($364 each). The USA credit more than doubles the couple's contribution, and it allows for tax favored build up of account balances.

The Automatic Tax Credit Provides Core Savings Support

Automatic Tax Credit	Family Contribution	Matching Tax Credit	Total Annual Savings in USA
$300	$0	$0	$300

*This savings could build to $38,052 after 40 years -- assuming a 5 percent real rate of return.

The Matching TAX CREDIT Provides A Powerful Incentive To Save

Automatic Tax Credit	Family Contribution	Matching Tax Credit	Total Annual Savings in USA
$300	$972	$728	$2000*

*This will provide a total tax credit of $1,028.

These savings could build $253,680 after 40 years -- assuming 5 percent real rate of return. And would provide $20,121 of after-tax income in every year of retirement.

Building Wealth for Retirement. Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $972 every year and received the maximum tax credit of $1,028, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $972 per year while they worked.

Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut. This family would receive a much larger tax cut from the USA account tax credits than from the 10% across-the-board tax cut. While this family would receive just $547 from the across-the-board tax cut, they would be eligible to receive $1,028 from the USA account tax credits.

USA Tax Credits
A Family of Four with an Income of $80,000

Consider a married couple with two children. One spouse makes $80,000 a year working for a small business. The other spouse stays at home with their young children.

How the New USAs Work for this Family. USAs are designed to deliver tax credits to help families save and build wealth for their retirement. This family would receive:

Matching Tax Credit: As a new incentive to save, this couple would receive an additional $.50 in tax credit for every dollar the couple saved -- up to $1,333 ($667 each) of savings would be matched.

This Adds Up to A Big Tax Cut for Retirement Savings and a Great Investment: The couple's $1,333 of savings would be supplemented by a $667 tax credit for a total of $2,000 a year in retirement savings. That's a $667 savings credit ($333 each). The USA credit increases the couple's contribution, and it allows for tax favored build up of account balances.

At this income level the Automatic tax credit is not available.

Automatic Tax Credit	Family Contribution	Matching Tax Credit	Total Annual Savings in USA
$0	$0	$0	$0

The Matching Tax Cut Provides A Powerful Incentive To Save

Automatic Tax Credit	Family Contribution	Matching Tax Credit	Total Annual Savings in USA
$0	$1,333	$667	$2000*

*This will provide a total tax credit of $667.

These savings could build $253,680 after 40 years -- assuming 5 percent real rate of return. And would provide $20,121 of after-tax income in every year of retirement..

Building Wealth for Retirement. Regular savings over a lifetime combined with these tax credits will help working families build wealth and retirement security. If this family saved $1,333 every year and received the maximum tax credit of $667, after 40 years they would have a nest egg of wealth totaling $253,680 in today's dollars. This would provide $20,121 of after-tax income in every year of retirement from depositing only $1,333 per year while they worked.

Benefits of USA Tax Credits Compared to the 10% Across-the-Board Tax Cut. This family would receive $947 from a 10% across-the-board tax cut. At first glance, this might seem to be somewhat larger than the $667 USA tax credit. However, the USA also provides for tax-free compounding of account balances, making the tax credit worth well over $1000 to this family.

THE NEED FOR USAs
Making Savings For A Secure Retirement Available to More Americans

Currently, Too Few Americans Have Enough Savings For A Secure Retirement. Because Americans are living longer it is more important than ever for them to build the wealth necessary for a secure retirement. But there are gaps in the system that leave too many American families behind.

Social Security Provides A Core Foundation For Retirement And Reform is Necessary To Keep It Strong, But It Is Only One Leg of The Retirement Stool. While providing basic economic security for older Americans, the program was never meant to provide enough to maintain the standard of living individuals had during their working years. Social Security replaces just one-half of pre-retirement income for an individual who earned $17,000, and less than one-quarter of the income of an individual who earned $72,600. Yet Social Security is the only source of income for 18 percent of elderly Americans, and the principal source of income for 66 percent of elderly Americans.

Pension Coverage Provides Additional Support, But Many American Workers Are Not Covered.

-- Half of all American workers have no pension coverage at all through their current job. This situation is worse for workers in small businesses, where only 18 percent of people who work for organizations employing fewer than 25 workers have access to pensions through their current job.

-- Less than 20 percent of workers have their own IRA, and many do not contribute regularly.

-- Just one quarter of all workers are covered by 401(k) plans in their current job. And while two-thirds of people with earnings $75,000 and over have 401(k)s, just 43 percent of those with earnings between $35,000 and $39,000 have 401(k)s.

-- While 91 percent of all families have some financial holdings, the median value of these holdings is just $13,000. The median value of financial assets of families headed by someone over age 65 is just $20,000.

The Tax Incentives For Retirement Savings Help Many American Families, But The Tax Benefits Are Skewed To The Better Off.

Two thirds of existing pension tax subsidies go to families with incomes over $100,000, while just one third goes to those making under $100,000 and just 7 percent goes to families earning less than $50,000.

USA Accounts provide a progressive tax credit so that the overall retirement system will be more balanced and give all American families an incentive to save.

80 percent of the tax benefits of USA Accounts go to those making under $100,000.

SUMMARY OF UNIVERSAL SAVINGS ACCOUNT PROPOSAL

Universal Savings Accounts (USAs) are voluntary individual retirement savings accounts with a progressive tax subsidy.

Automatic Government Contribution. Workers and their spouses in low- or moderate-income households receive an automatic government contribution of $300, in the form of a refundable tax credit deposited directly into their USAs. The automatic credit is phased out between $40,000 and $80,000 of adjusted gross income (AGI) for joint filers ($20,000-$40,000 for singles; $30,000-$50,000 for head of household filers).

Government Match of Individual Contributions. Voluntary individual contributions to a USA are matched by additional government contributions to the taxpayer's USA. The matches will also be in the form of a refundable tax credit deposited directly into the USA. Low- and moderate-income individuals receive a dollar-for-dollar match. The match rate phases down to 50 percent over the same income ranges as the phase-down for the automatic contribution, and then remains at 50 percent until the income level at which eligibility ends ($100,000 for joint filers with pension coverage; $50,000 for single filers with pension coverage; $75,000 for head of household filers with pension coverage; no limit for people without pension coverage). Total contributions (including the credit) to an account are capped at $1,000 per year.

Eligibility. To be eligible, a taxpayer must have at least $5,000 of earnings (which can be combined earnings on a joint return) and must not be the dependent of another taxpayer. Thus, an individual without earnings can have a USA if his or her spouse earns at least $5,000. Taxpayers younger than age 18 or older than 70 are ineligible. Taxpayers with an employer-sponsored retirement plan must have AGI of less than $100,000 for joint filers ($50,000 for single filers; $75,000 for head of household filers). All eligible workers without an employer-provided pension would receive at least a 50 percent match, regardless of income.

Investment Choice. Individuals will have the option of investing their accounts in a universal retirement plan similar to the Federal Thrift Savings Plan (TSP), a 401(k)-type plan for federal government employees. Individuals would be able to choose among a limited number of broad-based investment options similar to those offered in the TSP and in many private sector 401(k) plans. We look forward to working with Congress and experts from the private sector to devise the best way to administer the accounts, as well as to explore whether it would be possible to provide account holders with the option of investing directly with private sector fund managers.

Withdrawal Rules. No amount could be withdrawn from a USA before age 65, unless the account holder dies. Once withdrawals commence after age 64, no additional contributions could be made to the account.

Tax Treatment of Accounts. Automatic and matching government contributions would not be taxable when deposited to accounts. Earnings would grow tax free until retirement. Withdrawals would generally be taxable, but 15 percent of each withdrawal would be excluded from taxes in order to approximate a tax-free return of an individual's own contribution. Voluntary USA contributions will not be tax deductible because the tax subsidy is provided in the form of the tax credit rather than a deduction, enabling the program to be more progressive.

Coordination with 401(k)-type Plans. Eligible employees will receive a government matching contribution deposited to their USA when they contribute either to their USA or to a 401(k)-type plan. The government match supplements any employer matching contributions. Therefore, USAs will not cause workers to shift contributions from private-sector 401(k)-type plans to USAs. In fact, USAs will encourage workers to save through 401(k)-type plans by giving the millions of workers who are currently eligible to contribute, but who fail to do so, a greater incentive to contribute without imposing administrative burdens on employers or plan administrators. Because contributions to a 401(k)-type plan are excludable from taxable income while USA contributions are not, joint filers with AGI of more than $50,000 ($25,000 for single filers; $37,500 for head of household filers) who elect to receive government matches will be required to include in taxable income 80 percent of the portion of the 401(k) contribution that is matched.

Protections for Women Including Divorcees and Widows. The design of USAs recognizes that women are more likely to spend time out of the labor force than men and have lower average earnings than men, and ensures women will have the opportunity to accumulate significant savings in their USAs. First, spouses of workers are eligible for the USA tax credit even if they do not work. Second, the progressive credit formula targets the tax benefits to low and moderate income workers. We look forward to working with Congress and outside experts to determine what the best means are to ensure that women are protected in case of divorce or widowhood.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 14, 1999

REMARKS OF THE PRESIDENT
ON UNIVERSAL SAVINGS ACCOUNTS

The Rose Garden

3:09 P.M. EDT

THE PRESIDENT: Thank you very much. Andrew and Theresa and I were walking down here, and they were mildly nervous because they don't do this every day. But I think you did a very fine job. (Applause.) I want to thank them and their three sons for coming. I'd also like to thank Felicia Harris and her daughter, Alexis, who came because they're another representative family who will be benefitted by the USA Account proposal.

I thank Senator Barbara Boxer who is here and has had to stand up here alone because all of the House members who were supposed to be with her are back at the House voting, and I appreciate her being here. I want to thank Secretary Rubin for his leadership on this issue, along with Deputy Secretary Larry Summers and Secretary Shalala; Gene Sperling, my National Economic Counselor.

You know that we want to talk to you about a major issue relating to retirement security in the 21st century. I think it's important to start out by saying that this will be a very big deal to a lot more people. We all know that the number of people over 65 will double by the year 2030. By the year 2050, the average American will live to be 82 years old.

Now, keep in mind that in 1900, life expectancy was only 47 1/2 years. It took 4,000 years, the majority of all recorded history, to make a leap in longevity like the one we have seen in just one century. Now, as I get older, I remind everyone that this is a very high-class problem, and I like it better as the years go by. They are a precious gift.

President Roosevelt said, there is no tragedy in growing old, but there is tragedy in growing old without means of support. Historically, our people have relied upon three basic means of support. First, Social Security. It became the basic means of support and still alone is responsible for lifting almost half of our senior population out of poverty. But it was never supposed to be seniors' only means of support. And we see by the fact that the poverty rate among elderly single women is twice that of seniors in general what happens when Social Security is the only means of support.

Pensions are the second, and private savings are the third. Retirement, to be truly secure, needs a mix of all three.

Well, how strong are these building blocks for most Americans? First, Social Security. It's a rock-solid guarantee and it has been for generations. But for the 18 percent of the seniors, as I said, for whom Social Security is their only source of retirement income, life is still pretty tough.

The first thing we have to do is to make sure that Social Security will be there for the baby boomers. As I said in my State of the Union address, that's why we ought to set aside 62 percent of the surplus to save Social Security and at the same time, as Secretary Rubin said, to pay down our national debt.

We also need to be very mindful that Medicare is quite important not only to Social Security recipients who have that as their only source of income, but to a lot of other seniors as well. And we need to set aside enough money from the surplus to secure Medicare well into the next century.

Our budget plan pays down the debt and saves Social Security and Medicare. I look forward to working with Congress over the coming months to make some changes that are necessary to lengthen the life of both the Social Security and the Medicare trust funds, to maintain our fiscal discipline and secure the health of our economy into the 21st century.

Now, what about the second building block -- private pensions? Half of all American workers, 73 million of them, have no employer-provided pensions whatever. IRAs and 401Ks are something they hear and read more and more about, but don't have for themselves. Currently, only one-third -- listen to this -- only one-third of the tax benefits for pensions and retirement savings go to families who earn less than $100,000, even though they represent the vast majority of working people in the United States today.

The third building block is personal savings. Americans living longer than ever and moving from job to job, who may have defined contribution rather than defined benefit pension plans, more and more will need to increase their personal savings. Our national savings rate has doubled over the last six years because we're saving more in the government and not having deficits.

But personal savings has gone down over the last six years. Too few Americans are saving for their own retirement. For too many Americans, the hard work they do to provide for their families today, as you've just heard, makes it difficult for them to save for tomorrow. The typical family, headed by someone between the ages of 55 and 64, has financial assets worth just $32,000. That won't support them very long in their retirement. For many Americans, as their lives stretch longer, their resources are stretched thinner.

I believe Americans who work hard their entire lives and raise their children should not have to have their retirement posed precariously on the edge of poverty. I believe that Americans, however, have to do more to save for their own future, but that Americans deserve the chance to do that.

Now, that's what this USA Account proposal is all about. It is a complete and comprehensive new plan to help Americans with retirement savings for the 21st century. It is the right way to provide tax relief for the American people, and it is the right way to increase savings and strengthen our economy, even as we help families like the ones we honor today.

Now, I proposed in the State of the Union address setting aside 12 percent of the surplus to establish these accounts. Let me say specifically what I think we ought to do. I propose that Americans be given the chance to open, voluntarily, Universal Savings Accounts. I propose that workers receive a refundable tax credit if their incomes are up to $80,000 a year, deposited directly into their USA accounts, and as they save, that the government help them save further, matching their contributions on a sliding scale, depending on income, giving extra help to those least able to save.

Further, I propose that aid be given to people with incomes between the incomes of $80,000 and $100,000 a year, but on a reduced basis. And even for people with incomes over $100,000 a year, if they have no other personal retirement savings or pensions, they should also be eligible for this help.

This would give many, many millions of Americans a new opportunity to invest in the growing American economy, to have some wealth and security in retirement. It will revolutionize savings not simply for older Americans, but especially, perhaps, for younger Americans, from their very first days in the work force. With USA accounts everyone in the USA will be able to save, especially if we get more and more congressional support as we go along. (Laughter.)

Now, let me go through the reasons that I believe that this is the right way to provide tax relief with the surplus, and I would like to go through some very specific things. First of all, Universal Savings Accounts do just what the name says, they make savings universal. It would be many workers' first, or certainly their best, opportunity ever to save. And by rewarding responsibility, USA Accounts would help set them on the road to further savings.

Second, USA Accounts make investment universal. Savings, of course, is about more than protecting what you have, it's about creating and building greater wealth for a better future. With these accounts, working families will have a chance to invest just as wealthier families do today. They can choose to invest in an interest-bearing account or a stock market mutual fund or a bond fund, just as they would with a government or private pension.

Third, they make real retirement security universal, extending it even to workers with low and moderate incomes who are least likely to be offered pensions by their employers and least likely to be able to save on their own. As I said earlier, I want to emphasize this again today -- only a third of all the tax benefits provided under all the laws of Congress of existing retirement plans go to families earning less than $100,000.

You heard what our distinguished speaker said. Listen to this. I mean, does this family -- these look like the people you want to help, right? I mean, they're making America great. Only seven percent of existing tax benefits for retirement go to families with incomes of $50,000 a year or less -- only seven percent.

Our plan more than doubles that. More than 80 percent of the tax benefits of USA Accounts will go to people making incomes of $100,000 a year or less. It's the vast majority of the American people and it's the right thing to do. It is the kind of tax cut America needs, targeted toward working families, toward savings, and toward the future.

USA Accounts will add up. For example, if a couple earning $40,000 saved just $700 a year, matched by the government, a USA Account invested conservatively would be worth a quarter of a million dollars after 40 years. How many people making $40,000 a year in this country today have a quarter of a million dollars in wealth? Think what this could do for America.

That means -- let me just say what it means practically -- it means that a person could retire and, just from this account, living over 80 years, have well over $15,000 a year in income during retirement. That's the power of savings and compound interest.

But USA Accounts involve more than compound interest. They also add up to a larger stake in our society and its future. Families who own very few financial assets would now own a share of our nation's prosperity and in the remarkable economic growth they have done so much to create. People like Andrew and Theresa, people like Felicia Harris, people working hard, raising their children, thinking about their children's future, would have their first real chance to save for tomorrow while they are working today.

With USA accounts we can say to a 25-year old just starting a family, you can start to save. With these accounts we can say to someone who has made a transition from welfare to work and is watching the stock market surge in value, you actually can have a stake in this wealth you are helping to create. We can say to working families, now you can think about your children's future, and your own.

So, as I stand here at the end of one century and the dawn of the next, and I think about what I would like family life to be like 10, 20, 30, 40 years from now, one of the things that I want very badly to do is to see our wealth more fairly shared by those who create it, and to see it shared in a way that makes sure that, as we live longer and longer, those of us who retire will not pose unconscionable financial burdens for our children and their ability to raise our grandchildren.

Saving Social Security and Medicare is a part of that. Having the right sort of tax cut is a part of that. The USA accounts increase savings, increase retirement security, and will give millions and millions and millions of families who are a big part of this remarkable recovery we have enjoyed for the last six years -- for the first time, those people will have a chance to actually own a piece of the American recovery they have done so much to create.

Thank you very much. (Applause.)

END 3:19 P.M. EDT

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 15, 1999

PRESIDENT CLINTON and VICE PRESIDENT GORE -- ECONOMIC STRATEGY
Providing Tax Relief to Middle-Income American Families

Because of President Clinton's and Vice President Gore's 1993 economic plan and the 1997 balanced budget agreement, the typical middle-income family has the lowest federal tax burden in over 20 years. The President's FY2000 budget builds on this record and proposes targeted tax relief for retirement saving, long-term health care, education, child care, community revitalization, and the environment.

The 1993 Economic Plan -- Passed Without a Single Republican Vote -- Helped Slash the Deficit, While Providing Tax Cuts for Working Families and Small Businesses.

- Tax Cuts for 15 Million Working Families. In 1993, President Clinton and the Democrats provided tax cuts to 15 million hard-pressed working families -- the average family with two kids who received the EITC got a tax cut of $1,026.

- Tax Cuts for Small Businesses. Over 90% of small businesses are eligible for tax reductions through the increased small business expensing limit and capital gains tax relief targeted to small businesses.

The 1997 Balanced Budget Agreement Provided Tax Relief To Make It Easier for Working Families To Raise Their Children and Send Them to College.

- $500 Child Tax Credit To Help 27 Million Families. The balanced budget agreement included a $500 tax credit for each child under 17 years old. This tax cut will help 27 million families with 45 million children under 17. The President fought to ensure that 13 million children from families with incomes below $30,000, such as young teachers, police officers, farmers, and nurses, receive the child tax credit.

- $1,500 HOPE Scholarship Help To Make the First Two Years of College Universally Available. The balanced budget agreement included a $1,500 HOPE scholarship tax credit to help make the 13th and 14th grades as universal as a high school diploma is today.

- 20 Percent Tuition Tax Credit for College Juniors, Seniors, Graduate Students and for Working Americans Pursuing Lifelong Learning to Upgrade Their Skills. The 20 percent Lifetime Learning Tax Credit applies to the first $5,000 of a family's qualified education expenses through 2002, and to the first $10,000 thereafter.

Because of this Strong Record, the Typical Middle-Income Family Will Face the Lightest Federal Tax Burden in Decades:

- For a Family of Four Earning $55,000: Lowest Federal Tax Burden in Over 20 Years. In 1999, for the typical American family of four -- with income of about $55,000 -- the average federal income and employee payroll tax burden will be the lowest in more than two decades (since 1976). In 1999, the federal tax burden will be 15.1

percent -- down from 16.8 percent in 1992 and lower than in any year Ronald Reagan was President. [Treasury Department, Office of Tax Analysis, 1/15/98]

- Lowest Federal Tax Burden in Over 30 Years for Typical Family of Four Earning $27,000. In 1999, for an American family of four with income of about $27,000, the average federal income and employee payroll tax burden will be the lowest in more than three decades (since 1965). For this family, the average federal tax rate will be 6.5 percent -- down from 12.2% in 1992 and lower than any year Ronald Reagan was President. [Treasury Department, Office of Tax Analysis, 1/15/98]

The President's FY2000 Budget Takes the Next Step, Proposing Tax Relief For:

- USA Accounts provide a Progressive Approach for Retirement Savings for the Majority of Working Americans. These accounts will give 124 million Americans the opportunity to build wealth and to save for their retirement through a progressive tax cut. A middle income married couple that participated for 40 years, could accumulate over $253,680 in today's dollars -- enough to produce $20,121 a year of after-tax income in retirement.

- A $1,000 Long-term Care Tax Credit to help pay for formal and informal long-term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children. The budget includes $5.6 billion over five years.

- A $1,000 Tax Credit for Work-related Expenses for People with Disabilities to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans. The budget includes $700 million over 5 years.

- Tax Credits to Build Modern Schools for Our Children. A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds ($22.4 billion) and Qualified Zone Academy Bonds ($2.4 billion). $400 million of the school modernization bonds will go to tribes or tribal organizations for the construction and renovation of BIA funded schools. The budget includes $3.7 billion over 5 years for the tax credits on these bonds.

- Tax Relief for Child Care for Three Million Working Families, Plus Tax Relief to Parents Who Stay at Home. The President's proposal increases the child and dependent care tax credit (CDCTC) for families earning up to $59,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President also proposes to enable parents who have children under one year old to take advantage of the CDCTC by allowing them to claim assumed child care expenses of $500. The President's budget proposal will provide parents with young children an average tax credit of $178 and will benefit 1.7 million families. Overall, the budget includes $6.3 billion over five years for this combined proposal.

- Better America Bonds. The President is proposing Federal tax credits to pay the interest on $9.5 billion in bonds over five years for investments by state, local and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). The budget includes $673 million over five years.

- Increase the Low-Income Housing Tax Credit. To expand and improve the supply of available low income housing, the budget raises the allocation of low-income housing tax credits to States. The President proposes to raise the State per capita cap from $1.25 to $1.75 beginning in 2000. The budget's $1.7 billion over five years will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

Tax Credits For More Fuel Efficient Vehicles and Homes. The budget contains $3.6 billion over the next 5 years in tax cuts for energy-efficient purchases and renewable energy, including: tax credits of between $1,000 and $4,000 for consumers who purchase advanced-technology, highly fuel-efficient vehicles; a 15 percent credit (up to $2,000) for purchases of rooftop solar equipment; and a tax credit of up to $2,000 for purchasing energy-efficient new homes.

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Marshall N. Carter
Chairman and Chief Executive Officer

September 10, 1999

The Honorable William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President,

As the legislative process resumes, I am writing to urge that you give the most serious consideration to initiatives that could strengthen the nation's pension systems and enhance individual retirement savings.

After taking part as a delegate in the 1998 White House National Summit on Retirement Savings, which you co-hosted, I know that you believe that all elements of our retirement finance system - Social Security, pensions and personal savings - must be strengthened to meet the challenges ahead of us.

A number of important initiatives in these areas, which enjoy very broad bipartisan support, have been included in the tax bill which was passed this Summer by the Congress.

These ideas come from some of the leading champions of retirement savings in the Congress -- Senators William Roth, Bob Graham and Charles Grassley and Representatives Rob Portman, Ben Cardin and Earl Pomeroy - and they enjoy widespread support and co-sponsorship from members of both parties.

Among these worthy and responsible proposals are measures that would make provisions for "catch-up" contributions to salary deferral plans and IRAs by persons over 50 years of age; several measures to facilitate portability of benefits, increases in IRA and retirement plan contribution limits, higher income limits on IRA eligibility and new after-tax "plus" accounts.

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Proposals to increase contribution limits for Education IRA's and to make contributions to prepaid tuition plans more attractive are also included in this bill.

Taken together, the pension and retirement savings elements of the current tax bill constitute one of the most significant set of reforms to pension and retirement savings programs since the passage of the Employee Retirement Income Security Act in 1974.

They would represent a major down-payment on the retirement finance challenge of the early 21st century. And in the context of today's growing budget surpluses, these proposals would have eminently manageable revenue costs to the government.

I hope that you and your team will keep these provisions for retirement finance reform high on your agenda. I believe that you will find broad bipartisan support for doing so both in the Congress and among the nation's retirement finance community.

Cordially,

Marshall N. Carter

Marshall N. Carter

cc: The Honorable Trent Lott (R-MS)
The Honorable Don Nickles (R-OK)
The Honorable Thomas A. Daschle (D-SD)
The Honorable Harry Reid (D-NV)
The Honorable William V. Roth, Jr. (R-DE)
The Honorable Daniel Patrick Moynihan (D-NY)
The Honorable Bob Graham (D-FL)
The Honorable Charles R. Grassley (R-DE)
The Honorable Edward M. Kennedy (D-MA)
The Honorable James M. Jeffords (R-VT)
The Honorable J. Dennis Hastert (R-14th IL)
The Honorable Richard Armey (R-26th TX)
The Honorable Tom DeLay (R-22nd TX)
The Honorable Richard Gephardt (D-3rd MO)
The Honorable David E. Bonior (D-10th MI)
The Honorable Bill Archer (R-7th TX)
The Honorable Charles B. Rangel (D-15th NY)
The Honorable Benjamin L. Cardin (D-MD)
The Honorable Rob J. Portman (R-2nd OH)
The Honorable Earl Pomeroy (D-ND)

Name	Date
Chris Scully	1/3/2000

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