CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

## PRESS RELEASE

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# MORE AMERICANS INVESTORS THAN EVER BEFORE

## – New Study Shows Expansion of Middle Class Stock Holding –

**WASHINGTON, D.C**. – A marked expansion of stock ownership among middle class Americans has fundamentally transformed important aspects of the U.S. economy, according to a new study released today by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC). The study, *The Roots of Broadened Stock Ownership*, identifies the main factors behind this change, as well as some implications for current and future tax policy.

"This study shows that over the last decade, the number of stockholders has leapt by over 50 percent," Saxton said. "Many millions of ordinary Americans are now invested in mutual funds and other investments. This revolution in equity ownership has empowered the middle class to become owners in American corporations to an extent never seen before. Even after taking into account the recent market correction, many of these middle class investors have accumulated significant assets.

"The mutual fund revolution is a critical factor explaining the rise of middle class investing. Mutual funds offer superior returns to traditional saving accounts, and facilitate the diversification needed in equity investment along with professional management. The result is a democratization of these combined advantages in equity investment formerly available primarily to the affluent.

"Tax policy also has played a role by providing for Individual Retirement Arrangement (IRA) accounts and 401(k) plans to shield some portion of personal saving from multiple taxation. By removing some of the tax bias against personal saving, incentives were provided for an expansion of middle class investment. In addition, an anti-inflation Federal Reserve monetary policy has provided a good environment for investment without inflation-induced erosion.

"The challenge to policy makers is to continue this trend by reducing existing biases against saving and investment in the tax code. The amounts permitted for IRA deductions and 401(k) contributions should be raised considerably. Furthermore, the current policy forcing seniors to make mandatory withdrawals from IRA accounts after age 70 1/2 should be curtailed, if not ended. Given the bias against personal saving in the current tax code, it is not surprising that personal saving and investing remains inadequate. If we want to encourage personal saving and investment, we must reduce the tax bias against them in the current tax code," Saxton concluded.

For more information on IRAs and saving, please visit our website at www.house.gov/jec.

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