

## **HELPING FAMILIES SAVE, INVEST, AND BUILD A BETTER FUTURE**

### ***Edwards: Tax Credits to Help Middle-Class Families Save and Invest***

*Sen. John Edwards believes that our tax code should help middle-class families save, invest, and get ahead. President Bush has cut taxes on the wealth (estates, capital gains, and dividends) of the most fortunate Americans, shifting the tax burden onto the earned income of the middle class. Today, Edwards introduced legislation to help regular Americans create wealth for themselves. His bill would expand progressive tax credits to promote investment, savings, and wealth creation for middle-class families.*

#### **Edwards' Legislation Helps Families Save and Get Ahead:**

**Edwards Will Expand the Saver's Credit.** Edwards' legislation, the Better Future for American Families Act, will build on the Saver's Credit. Although the credit has been a success, it remains temporary and does too little for too few families.

***The Saver's Credit:*** The credit provides up to a dollar-for-dollar match on contributions to IRA, 401(k), and other retirement plans. Taxpayers can receive tax credits matching up to \$1,000 in savings every year (giving them up to \$2,000 in savings) if their incomes are below \$50,000 for joint filers. Individuals can withdraw from IRAs without penalty once they reach age 59 and ½ or if they use the funds for certain medical expenses, higher education and first-time home buyer expenses.

***The Edwards Proposal:*** The Edwards legislation would:

- **Make the Saver's Credit permanent.** The Saver's Credit is now expected to expire after 2006. Unlike nearly all other tax breaks, the Republican budget plan fails to extend it.
- **Expand benefits for middle-class families.** The Saver's Credit phases out rapidly as income rises, providing too small a benefit to families earning more than \$30,000 and creating high marginal tax rates for millions of savers who use the credit. The Edwards legislation would expand benefits for families earning between \$30,000 and \$50,000.
- **Help more families.** There are 57 million taxpayers who are eligible for the maximum credit on paper, but only about one-fifth could actually benefit from the credit if they contributed to an IRA or 401(k). The others lack income tax liability and get nothing. Edwards will make these families eligible for the Saver's Credit.

**The Edwards Bill Will Help Families Build a Better Future.** A middle class family that saves the maximum under this plan every year from age 25 to retirement will have a nest egg of \$200,000, on top of other savings. The changes to the Saver's Credit will make it much easier for millions of middle-class families to save and invest for college, a new home, or retirement. It will also strengthen our economy by strengthening our flagging private savings rate.

**Senator Edwards' Broader Agenda to Help Families Get Ahead.** Today's legislation is part of Edwards' agenda to help American families save, invest, and build a better future. Yesterday, he proposed federal legislation to protect the strong anti-predatory lending laws in North Carolina and other states. He has proposed tax credits to help families buy a first home and expand access to bank accounts. He also supports additional steps to fight abuses in the financial industry, including credit card rip-offs and abusive payday lending.

## **American Families Are Struggling to Save for the Future:**

**Families Pay a High Price to Be Middle Class.** Although most Americans are earning more than they did a generation ago, they are still unable to save for the future, leaving them vulnerable to problems like job losses and illnesses. Home mortgage costs have risen 70 times faster than one worker's income, eating up the income families have gained by sending a second adult into the workforce. Home foreclosures have more than tripled in 25 years. Costs of other necessities like health insurance, childcare, and college tuition are also increasing.

**Paychecks Are Stretched Too Thin to Save.** One-quarter of Americans are "asset poor" because they could not support themselves at the poverty level for three months with only their savings and other assets, if necessary. Almost one in five households approaching retirement can expect to retire in poverty, and this rate is even higher for African American and Hispanic households.

**Millions of Families Lose Everything.** Personal bankruptcies reached an all-time high of 1.6 million a year in 2002. This year, more children will see their parents go bankrupt than will see them get divorced.

## **Middle-Class Families Don't Get Enough Help Saving for Retirement:**

**Savings Incentives Are Little Help to Middle Class Families.** The federal government spends more than \$300 billion a year to help families save, including the mortgage interest tax deduction, favorable tax treatment for contributions to retirement and college-savings plans, and benefits for small business ownership and stock investment. However, more than 90 percent of these tax benefits go to households earning more than \$50,000 a year.

**The Bush Tax Cuts Have Shifted the Tax Burden onto the Middle Class.** After President Bush's tax cuts on the wealth of the most fortunate Americans, the middle class will bear a higher share of the nation's tax burden. Millionaires pay lower tax rates on their investments than teachers, nurses, and police officers pay on their earned income.