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Remarks on the Universal Savings Accounts Initiative

April 14, 1999

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. 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 benefited 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 and 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 47½ 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 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. IRA's and 401(k)'s 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

6 years because we're saving more in the Government and not having deficits.

But personal savings has gone down over the last 6 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 poised 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——

[*At this point, several Members of Congress arrived.*]

The President. ——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 7 percent of existing tax benefits for retirement go to families with incomes of $50,000 a year or less—only 7 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 6 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.

NOTE: The President spoke at 3:09 p.m. in the Rose Garden at the White House. In his remarks, he referred to Andrew J. Goldschmidt, owner, Goldschmidt Plumbing, Heating & Air Conditioning, and his wife, Theresa.

Radio Remarks on Kick Butts Day

April 14, 1999

Today, on Kick Butts Day, young people all across America are speaking out against teen tobacco use. These kids are right. It's tragic—and it's wrong—that every day 3,000 kids become regular smokers. So I urge Congress to stand with our kids and stand up to the tobacco companies who are targeting our children. I urge you to make sure the tobacco settlement funds are used to reduce youth smoking. It's time all of us worked together to give our children the healthy future they deserve.

NOTE: The President's remarks were recorded at approximately 12:30 p.m. on April 9 in the administrative offices of Memorial Hall in Philadelphia, PA, for later broadcast. This transcript was released by the Office of the Press Secretary on April 14. These remarks were also made available on the White House Press Office Actuality Line.

Statement on House Action on the Republican Budget Proposal

April 14, 1999

The budget passed by House Republicans falls short of what the American people need