

Congress of the United States

Washington, DC 20515

November 14, 2005

The Honorable John W. Snow
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

Simplifying the U.S. tax code is indeed an important goal. However, as the Treasury Department considers the options set forth by the Advisory Panel on Federal Tax Reform, we want to stress that simplification should be only one of several goals.

While the options presented by the Panel may appear to simplify savings options, they ignore crucial components of sound lifetime financial security planning. Specifically, Americans face twin dangers to their financial security—financial loss from death at any age and the risk of outliving retirement savings.

Our country is experiencing a retirement crisis. Historically, traditional pension plans and Social Security have served retirees as a guarantee against outliving their savings. Looking forward, improvements in life expectancy will strain the financial resources supporting these important guarantees. Therefore changes to the tax code must encourage Americans not only to save more of their hard-earned money, but manage and protect savings to guarantee lifetime income for themselves during ever-lengthening retirements and protect their dependents at death.

Permanent life insurance and annuities are two products that guarantee protection against these risks. By setting arbitrary limits on the ability of Americans to protect their families through life insurance and annuities, the Panel's options would needlessly make millions of families vulnerable to financial risk while also exposing millions of older Americans to the threat of outliving savings. Today, nearly 70 percent of American families are covered by life insurance and annuity products. In 2004 alone, families received \$331 billion in benefits from life insurers' products.

Furthermore, the Panel's options pose a risk to the nation. The insurance protection provided by permanent life insurance and annuities serves as a source of long-term savings and capital formation. Due largely to these products, the life insurance industry has \$3.9 trillion invested in the economy, including \$264 billion in new net investments in 2004. Insurance companies are the largest source of bond financing including: \$1.8 trillion invested in corporate America and more than \$560 billion held in government bonds during last year. \$700 billion of insurance industry assets were held in commercial and residential mortgages, as well as mortgage-backed securities as of year end 2004.

Thank you for considering our views on this important issue. As this process moves forward, we look forward to working with you and your staff to achieve a broader goal: financial and retirement security for American families and our nation.

Sincerely,



EARL POMEROY
Member of Congress



TOM COLE
Member of Congress