<u>Congress: Do Not Limit Retirement Savers' Choice</u>

IRA Proposals Limit Diversification & Block Small Business Capital Formation

The Retirement Industry Trust Association (RITA) is the leading educator and advocate for the growth of and guidelines for the self-directed retirement plan industry. We seek to accomplish our goals by providing resources, information, communication, and support to both our members and consumers. RITA's members support retirement savers who are seeking to diversify their nest egg, invest in what they know, and invest in their local communities.

RITA <u>supports</u> a sensible and reasonable cap. The proposed cap addresses the policy and tax concerns associated with large IRAs. However, RITA has **significant concerns** with some of the IRA provisions proposed in connection with the Ways and Means markup of the Build Back Better Act. These new provisions have **not been publicly vetted** and **will have unintended and adverse impacts** on many Americans (and not just the wealthy) who wish to save for retirement through Main Street investments. The proposals will also have profound impacts on **access to capital for small businesses** and on the ability of Americans to **diversify their savings** outside of the stock market. Small businesses generate the majority of new jobs in America and it would be a shame to shut down capital resources that foster growth.

- **RITA <u>opposes</u> changes that would force retirement savers out of Main Street and small business investments and limits investment choice**. The bill includes a brand-new proposal prohibiting Americans from investing their IRAs in any security that requires the IRA owner to make a representation to the issuer that the owner (1) has a specified minimum amount of income or assets, (2) has completed a specified minimum level of education, or (3) holds a specific license or credential. In other words, the bill would make an end run around longstanding and bipartisan SEC rules regarding non-publicly traded securities, and would undermine the expanded job creation mechanisms of the bipartisan JOBS Act. Even worse, the bill would require that all of these securities be sold within two years, thereby requiring a forced sale of billions of dollars of IRA assets. Importantly, this restriction is not limited to those over a particular income threshold; **it applies to anyone seeking to diversify their retirement savings and it applies to their entire account**. These investments, which allow Americans of moderate means to access investments otherwise only available to large institutions and the wealthy, are routinely used to provide capital to small businesses, farms and other local enterprises, and to diversify retirement savings. This should not be done until Congress understands the impacts of these forced sales and the lost investment in businesses that are not public companies. (*Section 138312*)

- **RITA <u>opposes</u> other new restrictions on Main Street investments**. The bill would prohibit an IRA owner from owning, among the individual, family members, and the IRA, more than 10% of a business, other than a publicly traded company, which **will harm small closely held businesses**. It would also prevent an individual from investing in any entity for which he or she is an officer or director, regardless of ownership percentage. This is another proposal unveiled for the first time that would have devastating impacts on Main Street investments like small businesses, and would have a myriad of unintended consequences. Again, this restriction **is not limited to those over a particular income threshold**; it applies to anyone seeking to diversify their retirement savings. (*Section 138314*)

- **Congress should fully consider grandfather issues**. The bill would place a cap on the amount that can be held in employment-based retirement plans and IRAs. However, the bill would (in a change from prior proposals) require already owned assets in excess of the cap to be sold or distributed in a very limited timeframe. While RITA supports a reasonable cap, the economic impact of forced sales of *existing* investments should be more fully considered. (*Section 138302*)

Unfortunately, these new ideas, never vetted publicly, sour the **sensible retirement reforms** contained in other provisions of the Ways and Means proposal.