Committee on Ways and Means

H.R. 5558, The Retirement Savings and Security Act of 2002

- **Increases age at which individuals are required to make minimum distributions from their IRAs, 401(k) plans, and other qualified retirement plans.**

    - Under present law, seniors are required to start making distributions from their retirement savings plans in the year following the year they attain age 70 ½.

    - This required distribution has no tax policy purpose except to raise revenue.

    - Moreover, the requirement can be very unfair when the stock market is down because it can force seniors to cash in their retirement savings at a loss.

    - The provision increases the age at which mandatory distributions are required from age 70 ½ to 75. This gives seniors more flexibility and control over their retirement savings.

- **Accelerates increase in contribution limits for IRAs, 401(k) plans, and other qualified retirement plans.**

    - The Economic Growth and Tax Relief Reconciliation Act of 2001 increased the amount workers can set aside in retirement savings plans. Under present law, the contribution limits are expected to increase as follows:

        - For IRAs, the limit will increase from $3,000 this year to $5,000 in 2008.
        - For 401(k) plans, it will increase from $11,000 this year to $15,000 in 2006.
        - For SIMPLE plans (established by small employers), the limit will increase from $7,000 this year to $10,000 in 2005.
        - For catch-up contributions for individuals age 50 and older, the limit will increase from $1,000 this year to $5,000 in 2006.

    - The provision would accelerate these scheduled increases so that the higher contribution limits take effect next year.

    - The decline in the stock market has reduced the retirement savings of many workers. The provision will allow workers to set aside more money in their retirement savings plan to help rebuild their account balances.