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"Montana Credit Unions"

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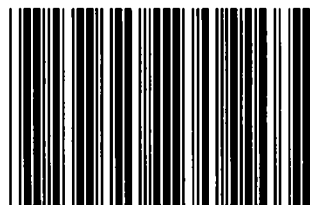
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BAUCUS

Senator Max Baucus
Speech to the Montana Credit Unions
April 21, 2006

Thank you for inviting me to this special event.

I'd like to start by saying a big hello to your president, Tracie Kenyon (KEN-YUN). Tracie, it was great to see you and the other Credit Union representatives when you were in Washington last month. You're doing a great job as president. Keep up the good work.

I'd also like to say hello to two women who are extremely important to Montana Credit Union Network's success – Faye Lippincott and Pat Garvin. Faye, thank you for all of your work in coordinating chapter volunteers. And Pat, thank you for your hard work and dedication in making this conference possible. Both of you are aces.

And last but certainly not least, I want to recognize Bob Pyfer (PIE-FER). I've really enjoyed working together with Bob over the years – I always know what Bob's thinking. Bob is a real fighter and I know you'll all join me in sending Bob our very best.

I'm proud to be a longtime credit union member and supporter. I've belonged to the Senate Credit Union since my early days in the Senate.

Credit unions are known for their customer-friendly service. All of you play a vital role in the financial industry. But you often come under undue scrutiny -- usually due to your tax-exempt status.

Too often Congress, and various Administrations over the years have tried to abolish your tax status. And time and time again I've gone to the mat to fight back. In our state alone, 40 percent of Montanans use credit unions. It doesn't look like the current Administration will make any moves to try to change

your tax exempt status, but if they do you can be sure that I'll stand up for you.

Montana Credit Unions really step up to the plate to provide an invaluable service to people all over our state – particularly in rural areas and reservations. I especially want to commend you for your outreach to reservations.

Bear Paw Credit Union has engaged in an extensive outreach project with the Fort Belknap Reservation.

Bear Paw has been installing ATMs and helping to get reservation residents enrolled and banking at the credit union. I commend you for your outreach and encourage you to continue to reach out to more Native Americans across the state.

Outreach is something that is important to the Montana Credit Union Network and I know that many of you provide financial literacy classes to high school students and surrounding communities. I applaud your efforts! The best way to boost the economic future for our state is to get kids off to a good start.

Ensuring that the next generation of Montanans and Americans are financially savvy will help our kids keep stride in a world that is every day becoming more complex, and more competitive.

For most of the past year I have talked about competitiveness. What must we do to keep this country strong and make it stronger? One thing we must do is save more. Encouraging Americans to save more is an area where credit unions have taken the lead. But despite your important work in this area, we can do more together to encourage savings.

We have become a nation of deficit spenders – nationally and personally we spend more than we take in. Personal savings is at an all time low. The 2005 personal savings rate was negative — minus 0.5 percent. Capital is critical to growth, so this decline in savings is more than an interesting statistic. Our international competitiveness depends in part on reversing this downward savings trend.

To improve the personal savings rate, we cannot just provide tax incentives that shift savings from one type of account to another or from one investment to another. We have to create new savings. We can create new savings by creating new savers.

How do we create new savers? Data on retirement savings leads to some pretty clear conclusions:

- **Workers who can save at work through payroll deduction arrangements — such as 401(k) plans — usually take advantage of the opportunity to save.**

About two-thirds of eligible workers contribute to a 401(k) plan. The percentage of workers contributing to 401(k)-type plans jumps dramatically — to more than 80 percent — if eligible workers are automatically enrolled in these plans.

- Workers that have to write out a check to an IRA usually do not get around to it. Less than 20 percent of eligible taxpayers write out a personal check to an IRA.

- About 40 percent of workers do not have access to an employer-sponsored savings plan, and for small employers, the situation is worse. More than half of workers with small employers — those with fewer than 25 employees — have no employer-sponsored retirement plan. And for firms with fewer than 10 employees, only 16 percent of workers participate in an employer-sponsored plan.

The high participation rates in employer-sponsored 401(k) plans, and the low rates for IRAs, leads to a clear conclusion. We can increase retirement savings — create new savings — by making payroll deduction retirement savings available to more workers.

Earlier this year I introduced The “Savings Competitiveness Act” which will do just that - give workers the right to save for retirement through payroll deduction at work. Employers are not required to contribute.

Employers just withhold contributions and forward them to an IRA. We provide a modest credit to help small employers with the start-up costs. Employers willing to automatically enroll employees in payroll deduction savings would receive the credit for an additional two years.

If a small employer wants to contribute toward employees' retirement savings, the bill helps the employer get started with a 3-year start-up credit for 50 percent of contributions to workers who are not highly compensated. And small employers who use "SIMPLE" plans can share the profits in a good year by making discretionary contributions to employees' SIMPLE IRAs.

Workplace savings is a key component of the bill, but there are other provisions that will help create new savings:

- This bill would allow parents to divert part of their Roth IRA contributions to Young Saver's Accounts for their children.

- This bill helps working families with retirement savings by replacing the current Saver's Credit with a refundable credit, deposited to the taxpayer's retirement savings account. Families earning up to \$50,000 would be eligible for a 50 percent credit. Those earning up to \$60,000 would be entitled to a portion of the credit.

- **This bill helps retirees with modest savings by exempting \$50,000 of their savings from minimum distribution requirements.**
- **This bill removes traps for the unwary by simplifying distribution rules. It would conform 401(k) and IRA penalties so that workers who do not have advisers to lead them through a series of hoops do not get hit with excise taxes that those with a guide can avoid.**

This bill also takes some of the guesswork out of choosing an IRA. It would create a seal of approval for IRAs that have investment options similar to those in the Thrift Savings Plan and modest fees.

Many workers rely on their credit union to help them manage their financial health. I believe my savings bill would provide important additional tools.