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RELEASE: March 30, 1982

IRAs DISCRIMINATE AGAINST TRADITIONAL FAMILIES

Why do federal tax laws discriminate against the traditional family and against the dependent-wife who is a career homemaker? Why does the federal tax code give tremendous financial advantages to wives in paid employment but deny those advantages to women who choose to be traditional wives and mothers?

The Individual Retirement Accounts (IRAs) are a prime example of the financial discriminations in our tax laws which are eroding the economic integrity of the family unit. In the last three months, hundreds of millions of dollars have poured into IRA accounts, yet they are patently discriminatory against the traditional family.

The IRA offers tremendous financial advantages. It allows any wage earner to put $2,000 into an Individual Retirement Account. That $2,000 is tax free now, and so is all the income it produces for the rest of your life until you start drawing your retirement (which can be anytime from age 60 to age 70).

The discriminatory part is that, if both the husband and wife are wage-earners, they can <u>each</u> get the $2,000 benefit, for a total of $4,000 per year. But, if only the husband is a wage-earner and his wife is a traditional homemaker, the couple is limited to an IRA total for <u>both</u> of them of only $2,250 per year.

This financial discrimination against traditional one-earner families, and especially against dependent-wives and mothers, amounts to $1,750 per year plus lifetime interest. Over 20 to 30 years, the traditional homemaker would pay a terrible price for her choice of career.

IRA accounts started in 1975. Their current popularity and importance are caused by two facts: (a) the Reagan tax package increased both the amounts that can be salted away in IRAs and the kinds of persons who can create IRAs, and (b) current high interest rates make it so desirable to avoid paying income tax on interest-income.

The Reagan tax amendments increased the maximum that can be placed annually in an IRA from the lesser of $1,500 or 15% of the individual's earned income, to the lesser of $2,000 or 100% of the individual's earned income. The Reagan tax act also allows millions

of additional people to set up IRAs who were previously excluded because they were under an employee pension plan or Keogh plan.

Two basic concepts of the IRAs remain the same. IRA benefits are limited to those who have earned income; income from savings, investments, social security, gifts, or husband's support cannot be counted. An IRA is a individual account for the exclusive benefit of one person; joint ownership is forbidden; the individual has the exclusive right, at any time, to designate or change his beneficiary.

Where both husband and wife are employed, each spouse can set up an IRA and place up to $2,000 per year into it. However, neither spouse has any claim whatsoever on the other's IRA, and once the money is put into the separate IRAs, it is locked up until retirement and cannot be shifted between the two accounts.

Assume the case of a couple that can afford to lock up only $2,000 a year instead of $4,000 in IRAs. They must decide right now how to allocate the $2,000 between the husband's and wife's account, and that decision can never be changed.

In a marriage where only the husband is employed, he can put a total of $2,250 into IRAs, which can be divided any way between his own IRA and the "spousal IRA." That is, he can put a maximum of $2,000 into either IRA and $250 into the other, or he can put $1,125 into each IRA. But this is still $1,750 less than the $4,000 that a two-earner couple can put each year into IRAs.

Note that an IRA cannot be jointly owned, but must be two separate IRAs, one owned by the husband and one owned by the wife. Once the division of money is made, it cannot be changed, and the money is locked up until retirement. The dependent-wife does not get any vested or accrued benefit (as she does in Social Security). She can get only as much IRA retirement as her husband chooses to give her, whereas he can take the full amount and then name his girl friend or a future wife as beneficiary.

The traditional security and benefit which wives enjoy from joint tenancies and from the community property laws of eight states are specifically forbidden by the IRA law. The federal tax law limits an IRA to "the exclusive benefit of an individual and his beneficiaries" and exempts IRA from "any community property laws."

It is clear that the federal tax laws discriminate against the dependent-wife in the home in an unfair and financially costly way. This discrimination is shocking and should be eliminated immediately.