

June 6, 2016

The Honorable Elizabeth Warren  
United States Senator  
317 Hart Senate Office Building  
Washington, DC 20510

The Honorable Mike Lee  
United States Senator  
361A Russell Senate Office Building  
Washington, DC 20510

Dear Senators Warren and Lee,

We write to commend you for your leadership regarding the “Graduate Student Savings Act of 2016,” which aims to permit graduate students or postdoctoral fellows to save a portion of their stipend in an individual retirement account. As the country’s leading provider of individual retirement accounts, Fidelity fully understands the importance of adequate and consistent saving for retirement. The Graduate Student Savings Act is an important step toward giving these students and fellows a jumpstart on retirement when a long savings timeline can have a tremendous impact.

Many graduate students receive stipend or fellowship support that helps them pay for food, rent, transportation, or other living expenses while they work on their degree. While this money is taxed by federal and state governments, it doesn’t qualify as “compensation” and cannot be saved in an IRA. By giving graduate students the ability to make contributions to IRAs from their stipends, these students can develop good savings habits early in their careers, build up retirement savings balances while they are young, and reinvest any gains on their assets and get the potential benefits of compounding for as long as that money is kept in the accounts. The snowball effect of both compounding and tax-deferred growth can be quite powerful and are worth the efforts of early and continuous saving.

The simple change proposed in the Graduate Student Savings Act will give countless students whose retirement may feel far off in the future access to not only a wide array of investment options but the benefit of investing over time. As people live longer and have fewer sources of lifetime income, placing some money in an IRA can make a big impact down the road. We appreciate your advocacy, as it is more vital than ever that we encourage our nation’s students to think about, engage in, and prepare for their future.

Regards,

A handwritten signature in black ink that reads "John F. Sweeney". The signature is fluid and cursive, with a large initial "J" and "S".

John Sweeney, EVP Retirement and Investing Strategies