

INVESTOR ALERT re PROPOSED NEW TAX ON TRANSACTIONS

A bill (H.R. 1068 H111) has been proposed in Congress (see URL references below), which would impose a 0.25% tax on the value of every securities, option, futures, and commodities transaction – on both buyer and seller. This is clearly an attempt to punish brokerage firms and “tax the rich” since poor people do not trade securities. But it would also have some broader, highly negative effects, including hurting all people with 401(k)s and IRAs.

1. Mutual funds would see their annual operating expenses increase by about 0.5% on average (assuming an approximate annual 100% turnover ratio), thus reducing returns by an equal amount.

2. Liquidity in the markets would be reduced to the degree that investors and traders are turned off by the new added drag on performance. Illiquid markets are bad for all involved, and raise cost of capital to corporations and governments.

3. The proposed additional cost would just add another piece of ammunition to the “case” for a buy-and-hold philosophy – which is a dangerous approach to investing (or trading) in a rapidly changing world.

4. Imposition of such a tax would logically cause a further drop in the USA market. The *removal* of a similar levy in China in 2008 led to an immediate and *sharp rally* in its market. And on a relative basis, a tax of this type in the USA markets would make it competitively more attractive for investors anywhere on the planet to execute transactions elsewhere.

5. Any reduction in transactions in the USA caused by the new tax would result in job losses and, potentially at the margin, the failures of some marginally healthy investment firms. **Those who want to ‘tax business’ do not understand that people pay all taxes!** Such ‘thinkers’ can dominate in Washington.

Investors as well as traders should urgently contact their Senators and Representatives in Washington to express their wishes regarding this proposed legislation. www.govtrack.us/congress/billtext.xpd?bill=h111-1068

We also suggest you spread the word via this petition:

www.rallycongress.com/no2tradertax/1536/tell-congres-to-block-trader-tax/ (Spelling here is NOT wrong; use as is)