

THE TAX PICTURE

Tax Reform Is Imminent, Experts Believe



(NAPSA)—Tax reform was one of many topics discussed recently by a panel hosted by Boston-based asset manager Eaton Vance. The panel of behavioral finance, economic, tax, and capital markets experts discussed a range of issues facing investors, including tax reform, social security, the national deficit, single stock concentration, capital markets performance, inflation, retirement readiness and other personal finance issues.

According to the sixth annual investor survey commissioned by Eaton Vance, investors say that the tax implications of their investments are important to them; however, investors' actual level of knowledge about the subject is low. Nearly one in four surveyed is unaware of current tax rates, more than half (53 percent) are unfamiliar with the Alternative Minimum Tax and less than one third (31 percent) know about tax-managed investing.

Mark A. Weinberger, former U.S. Assistant Secretary of Treasury for Tax Policy and current vice chair of Ernst & Young, expressed concern that many of those currently unaware of the Alternative Minimum Tax will be impacted by it in the near future. He stated, "right now it only affects about three million people. But by 2010, without any changes, we're looking at 30 million people paying the alternative minimum tax. In fact, the projections estimate that over 90 percent of those who earn between \$100,000 and

\$500,000 annually will be paying the Alternative Minimum Tax."

Weinberger also commented that "we need a fairer system, we need a simpler system, and if we can go ahead and broaden the base, lower the rates, get rid of many of the current deductions and credits, we will have a much more economically efficient system which will increase our GDP and our standard of living."

Alice Rivlin, a visiting professor at the Public Policy Institute in Georgetown University and a senior fellow in the economic studies program at the Brookings Institution, expressed a strong opinion for what actually should be done regarding the tax situation, stating, "I would look for a move over the next several years [of] higher taxes in the form of a broad-based consumption tax. I think we will start seriously debating it, to reduce our reckless borrowing to the future."

Duncan W. Richardson, senior vice president and chief equity investment officer of Eaton Vance Management, as well as portfolio manager of Eaton Vance Tax-Managed Portfolio, made it clear that with or without tax reform, taxes were an important consideration for investors. "Going forward we think investors need to be thinking about tax-management, not only of capital gains but of their income streams as well."

The dialogue was based on the results and implications of Eaton Vance's sixth annual survey, a

detailed study of attitudes and practices about investing. The poll was conducted among 1,000 U.S. residents who have invested in both qualified retirement plans and investments outside of qualified retirement plans (stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities and money market funds). This study was conducted by Penn, Schoen & Berland Associates, Inc. for Eaton Vance Corp. during the third week of November 2004.

Eaton Vance Corp. is a Boston-based investment management firm whose stock trades on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates manage over \$98 billion in assets as of January 31, 2005, for more than 100 investment companies, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based full-service strategic polling and market research firm.

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