The Retirement Savings for Americans Act

ECONOMIC INNOVATION GROUP

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Senators John Hickenlooper (D-CO) and Thom Tillis (R-NC) and Representatives Lloyd Smucker (R-PA-11) and Terri Sewell (D-AL-07)

Tens of millions of hardworking American families face retirement insecurity simply because of their occupation or employer. Tragically, the burden and anxiety fall on the people who can least afford it.

The statistics are staggering:

- More than a quarter of non-retired adults have $0 in retirement savings.
- Over 41 percent of full-time workers— and nearly 75 percent of full-time workers in the lowest-earning decile—lack access to an employer-sponsored retirement plan.
- Less than one percent of the $200 billion in annual retirement-related income tax expenditures goes to workers in the bottom quintile.
- Merely one in 10 low-income households nearing retirement age (51-64) have any retirement account savings whatsoever–down by more than half since 2007.
- Half of all households risk taking a cut to their standard of living in retirement.

Simply put: a large share of American workers lack both access to employer-sponsored plans and adequate incentives to help them achieve meaningful retirement security through asset ownership. Low-income workers bear the brunt of the access gap, resulting in a higher level of dependence upon public assistance when they are no longer able to work.

To address this challenge, Senators John Hickenlooper (D-CO) and Thom Tillis (R-NC) and Representatives Lloyd Smucker (R-PA-11) and Terri Sewell (D-AL-07) have introduced the Retirement Savings for Americans Act (RSAA) to establish a program that would be modeled after the highly successful federal Thrift Savings Plan (TSP) and targeted to private sector workers who lack access to an employer-sponsored retirement account. By providing market-driven incentives to work and save, this bill would empower low- and moderate-income Americans to grow their own nest egg and retire with dignity and security.

Key features of the RSAA include:

• **Automatic Eligibility and Enrollment:** Full- and part-time workers who lack access to an employer sponsored retirement plan would be immediately eligible for an account, and they would be automatically enrolled at three percent of their income. They could choose to change their withholding or opt out entirely at any time. Independent and gig workers would also be eligible.
• **Matching Contribution:** Low- and moderate-income workers would be eligible for up to a five percent matching contribution via a refundable federal tax credit. This would be deposited directly into the employee's retirement account and would begin to phase out at median income.
• **Portability:** Accounts would remain owned by workers throughout their lifetimes, and participants would be able to stop and start contributions as they so desire or as their eligibility allows. Workers are in complete control.
• **Employee Ownership:** The accounts would be the property of the worker and the assets could be passed down to future generations to help them build wealth and financial security.
• **Investment Options:** Much like the current TSP, participants would be given a menu of simple, low-fee investment options to choose from, including lifecycle funds tied to a worker's estimated retirement date, or index funds made of stocks and bonds.

This proposal would markedly improve retirement security for low- and moderate-income Americans. Initial estimates suggest that, after 40 years of matched contributions and a reasonable rate of return, someone earning $30,000 annually could retire with up to roughly $600,000 in savings.[1]

[1] This estimate assumes that someone contributes 5 percent of their annual income with a 5 percent match, earns a 7 percent annual return, and makes no early withdrawals.