RETIREMENT SAVINGS FOR AMERICANS ACT

Bipartisan, bicameral Retirement Savings for Americans Act would make saving for retirement reliable, real, and attainable for American workers.

Senator Hickenlooper (D-CO) and Senator Tillis (R-NC)

The Problem: The American economy has been the global leader in wealth creation, yet a large portion of Americans have no direct stake in our nation's prosperity. **The bottom 50 percent of households own only 1.5 percent of total U.S. wealth.** A major component of lack of wealth for low and middle-income Americans is that millions have little or nothing saved for retirement. **The Federal Reserve reports that 25 percent of workers have no retirement savings at all.** Workers in rural areas are less likely to have retirement savings, or even access to a plan.

The Solution: Reward work, build wealth and boost economic security for millions of American workers by enabling them to save for retirement. The legislation is targeted directly at the millions of working class Americans, such as those in the rural, gig economy or employed by small businesses, who don't have access to a workplace retirement plan. It is modeled after the highly successful retirement plan for members of the uniformed services and federal workers. This bill uses market forces to build wealth for Americans and reduce income inequality. Once enacted, it will provide millions of Americans with a direct stake in the growth and prosperity of our economy.

Key Components of the Legislation:

- **Eligibility and Auto Enrollment:** Full- and part-time workers who lack access to an employer-sponsored retirement plan would be eligible for an account, and they would be automatically enrolled at 3% of their income. They could choose to increase or decrease their withholding, or opt out entirely at any time. Independent workers (including gig workers) would also be eligible. Highly compensated employees would be required to roll their funds over or have them disbursed.
- **Federal Contribution:** Low- and moderate-income workers would be eligible for a 1% automatic contribution (as long as they remain employed) and up to a 4% matching contribution via a refundable federal tax credit. This would begin to phase out at median income.
- **Portability:** Accounts would remain attached to workers throughout their lifetimes, and workers would be able to stop and start contributions at will.
- **Private Assets:** 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.
- Awaiting a JCT score but we project the legislation will cost roughly $40 billion a year. • Click **here** for more details on the legislation.
- Key changes from last year:

- Clarifying language ensuring that in the case of independent contractors (ICs), businesses enrolling ICs will not have that factored into the employee-employer test.
- Updated language to ensure low and middle income Americans will be eligible for the tax credit.

Key Background:

- According to the Federal Reserve's Survey of Consumer Finances, families in the top 10 percent of the income distribution held retirement accounts with an average value of $692,800, while those in the bottom half of the distribution had accounts with an average value of $57,400.
- The federal government spent $276 billion in tax incentives to support private retirement savings in 2019. **CBO reports that only $16 billion went to the bottom 40 percent of workers.**
- The legislation is supported by respected economists from both sides of the aisle, such as Kevin Hassett and Teresa Ghilarducci.
- In a new ranking of the world's retirement systems, the U.S. scored a C+ mainly because the current system works well for white collar workers but fails gig workers and blue collar workers.
- The legislation features proven methods to build wealth and reduce income inequality:
  - Auto-enrollment, tax credits for middle income savers, low fee investment options and financial education. Automatic enrollment increases participation by 13%. Matching contributions increase uptake by 22%.
- After 40 years of matched contributions and a solid rate of return, someone earning $30,000 annually could retire with around $600,000 in savings.[1]
- Estimates suggest that roughly one-half of workers do not participate in an employer sponsored retirement plan. Only 1/3 of workers in leisure and hospitality have access to a workplace retirement plan. This has consequences: the bottom 25 percent of Americans have a net worth of $310.
- Lack of retirement savings occurs across all age groups:
  - 42% of those 18-29, 26% of those 30-44, 17% of those 45-59, and 13% of those over 60 have nothing saved for retirement.

Supporters: Economic Innovation Group, Kevin Hassett, Former Chairman of the Council of Economic Advisers and Distinguished Visiting Fellow at the Hoover Institution, Teresa Ghilarducci, labor economist at The New School, International Franchise Association, Society for Human Resource Management, Uber, DoorDash, Small Business & Entrepreneurship Council, Goldman Sachs 10,000 Small Businesses Voices, Flex Association, and Bipartisan Policy Center Action.

[1] This estimate assumes that someone contributes 5 percent of their annual income and receives a 5 percent match, that the account has a 7 percent annual return, and that there are no early withdrawals.

The US Conference of Mayors adopted a bipartisan resolution at their 2023 Annual Meeting calling on Congress to establish a TSP-type program for workers who lack access to an employer-sponsored retirement plan.