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In Brief

How Auto IRA Plus Meets the Needs of Businesses and Their Workers

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The problem

Sufficient retirement savings are essential to having a secure retirement, and most Americans save for retirement through their place of employment. Yet almost half of American workers are employed by a company that does not offer them a retirement savings plan or pension.

Over half of these employees work for a small business. The smaller the business, the less likely it is to offer a retirement benefit.

Auto IRA Plus is designed to work for both the employer and employee

Auto IRA Plus builds on the experiences of existing state Auto IRA programs. An Auto IRA is a simple retirement savings program sponsored by a state using private sector providers. It provides a payroll deduction retirement savings program to workers who otherwise would not have access to one. Auto IRAs already exist or are being created in 17 states.

Auto IRA Plus would create a network of 50 state Auto IRA savings programs. Federal legislation would require all 50 programs to have the same basic structure and meet certain standards, but individual states could tailor their program to meet the specific needs of their economy. If a state chooses not to have its own Auto IRA, it could allow another state's to serve their businesses. Employers could choose to either offer a 401(k)-type plan or allow their workers to use the state Auto IRA.

Meets employer needs. For small businesses, a retirement program should have low or even no cost and be easy to administer. State Auto IRAs have no employer fees, and the administrative work is handled by the state program. In a Pew study of Oregon's Auto IRA program, 80 percent of businesses reported having no cost in enrolling their workers. Being able to offer a retirement benefit also allows small businesses to hire and keep better employees.

At any point, an employer can choose to offer a 401(k)-type plan instead. Studies show more employers start 401(k) plans in states with Auto IRA programs.

Meets employee needs. Auto IRA Plus is a simple, low-cost program that allows employees to gradually save through payroll deduction into a Roth IRA. State Auto IRAs offer a few select investments from providers chosen by public bidding. The simple structure keeps fees low. And savers continue to use the same account when they move to another Auto IRA employer.

This **In Brief** is a synopsis of the report, ***Auto IRA Plus: Creating Universal Retirement Savings Coverage Through State Programs.*** To view the full report, visit: https://doi.org/10.26419/ppi.00378.001.

State Auto IRAs use automatic enrollment, which has been proven to make retirement saving simple and increase participation and savings. Savers are enrolled unless they decide not to but have total control and can save more or less than recommended, change investments, or even stop saving later on. And money in a Roth IRA can be withdrawn tax free at any time if a financial emergency occurs.

Employees like Auto IRAs. A new Pew survey found that 84 percent of employees would be very or somewhat likely to enroll in an Auto IRA.

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