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The American Dream in our Golden Years:
Improving Retirement Security and Building Independence

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UNITED STATES SENATE SPECIAL COMMITTEE ON AGING

EXECUTIVE SUMMARY

America's retirement system is a mix of public and private plans that work together to meet the challenges and needs of the American public. This report highlights how well Americans are prepared for retirement today, what gaps exist in our retirement system, the impact recent reforms have undertaken to fill those gaps, and solutions for the future to help millions of Americans save for retirement and enjoy their golden years.

Today, retirement security is more important than ever and on the minds of millions of Americans. Over the course of the past decade, the United States' 65-and-older population has grown by more than one-third, and this trend is expected to continue.[1] The good news is many Americans are doing quite well saving for retirement. Those that can save are doing so and the majority of Americans are living comfortably in retirement.

However, there are still people who are struggling to save for retirement, threats to the existing system, and gaps in coverage. Some of these problems include: limited access to retirement accounts; low participation rates among those who have access to retirement plans; retirement account leakage; rising healthcare costs; politicization of certain types of retirement account investments; pension insolvency; dependency, inequity, and insolvency in Social Security; and government work disincentives.

This report explains how recent reforms made through the bipartisan Setting Every Community Up for Retirement Enhancement (SECURE) Act and the Trump Administration fill these gaps and address these threats. Actions such as expanding access to retirement savings plans, creating new lifetime income options for retirees, and increasing the auto-portability of retirement accounts have opened the door for millions of Americans to start setting money aside for retirement.

While the SECURE Act was a significant step forward, we cannot stop there. Currently, Congress is debating bipartisan proposals that aim to build on the SECURE Act and address outstanding gaps. We will take a look at key provisions in this new legislation and identify additional reforms Congress should consider to strengthen retirement security in America including:

- Expanding Lifetime Income Options for Retirees
- Codifying Auto-Portability Regulations to Prevent Leakage
- Plan Benefit Expense Flexibility to Increase Retirement Options
- Expanding and Strengthening Health Savings Accounts
- Eliminating the Retirement Earnings Test in Social Security
- Protecting the Gig Economy
- Supporting Golden Entrepreneurs

By passing these provisions into law, we can work together to provide Americans with the peace of mind that their retirement years will be among the best of their lives.

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INTRODUCTION

Retirement and enjoying the rewards of a lifetime of work is a key part of the American Dream. Our Founding Fathers understood this when they implemented our nation's first retirement system, providing pensions to commissioned officers that served until the end of the Revolutionary War.[2] Since that law in 1778, our retirement system has undergone countless reforms to strengthen and expand Americans' retirement security as our population, economy, and values have evolved.

Today, building wealth for retirement is more critical than ever. Over the course of the past decade, the United States' 65-and-older population has grown by more than one-third, and this trend is expected to continue.[3] With an aging population, retirement security is one of the most salient issues facing Americans today.

The good news is that the vast majority of Americans have diligently saved, and therefore are prepared for retirement. Others struggle and face uncertain financial security in retirement. Recently, Congress worked to pass the bipartisan Setting Every Community Up for Retirement Enhancement (SECURE) Act that included many reforms to close retirement gaps and expand financial security for hard-working Americans. While huge strides have been made in helping Americans save for retirement, we still have work to do.

This report will review the trends and status of American retirement savings, showing that while there are gaps, the vast majority of Americans are doing relatively well and are prepared for retirement. The second section of this report will focus on identifying the gaps and threats to America's retirement system, including: gaps in private-sector systems, rising healthcare costs, unfunded pension liabilities, the politicization of retirement savings, and problems facing the Social Security system. The third section of this report will review some of the key reforms included in the recently passed SECURE Act. This report will close with a discussion on ways Congress can build on the SECURE Act and continue to strengthen America's retirement system.

SECTION 1: THE GOOD NEWS ABOUT AMERICAN RETIREMENT SAVINGS

Open any newspaper and you will read about an impending "retirement crisis" and how Americans are woefully underprepared for retirement. Many people point to wealth and income disparities as evidence that the retirement system is broken and a crisis is around the corner. The Federal Reserve estimates that white families had eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family.[4] The National Institute of Retirement Security found that people of color who are close to retirement age have an average savings of $30,000, which is just a quarter of the $120,000 average saved by white households.[5] These incredibly important problems need to be addressed. They are not an indictment of our retirement system, but rather are a result of wage differences.

Contrary to what some media sources would have us believe, Americans are doing quite well saving for retirement. Those that can save are saving. An amazing fact is that *poverty falls as Americans retire*. A 2017 Census Bureau study found that while five years prior to retirement, 5.5 percent of Americans had incomes below the poverty line, the poverty rate fell to 3.6 percent by the fifth year after retirement - a one-third reduction.[6]

How is this possible? The reason is the U.S.'s three-legged retirement system of Social Security, public and private pension plans, and individual savings. These systems combine to provide enough resources for Americans, including low-income Americans, to maintain or even improve their standard of living in retirement. An important part of this formula, and retirement savings overall, has been the ongoing 40-year shift from employer and public pensions to individual savings.

The three legs of the U.S. retirement system are:

1) **Social Security**
2) **Public and Private Pension Plans**
3) **Individual Savings**

Combined they provide enough resources for Americans, including low-income individuals, to maintain or even improve their standard of living in retirement.

Today, many Americans rely on individual savings in 401(k)-type defined-contribution (DC) accounts to supplement Social Security in retirement, instead of counting on income from defined-benefit (DB) or traditional pension plans.[7] From the early 1990s to 2019, the percentage of private-sector workers who were covered by DB plans decreased from 32 percent to 12 percent, and the percentage of those workers who participated in DC plans increased from 35 percent to 47 percent.[8] About 73 percent of full-time private-sector workers had access to DC plans in 2019, compared with 35 percent of part-time workers.[9] Additionally, individuals or married couples who have employment earnings can also establish Individual Retirement Accounts (IRAs) to accumulate retirement funds on a tax-advantaged basis.[10] Over time, IRA account balances may contain both direct contributions and rollovers of certain DC accounts from previous employers. In 2016, about 30 percent of households had IRAs.[11]

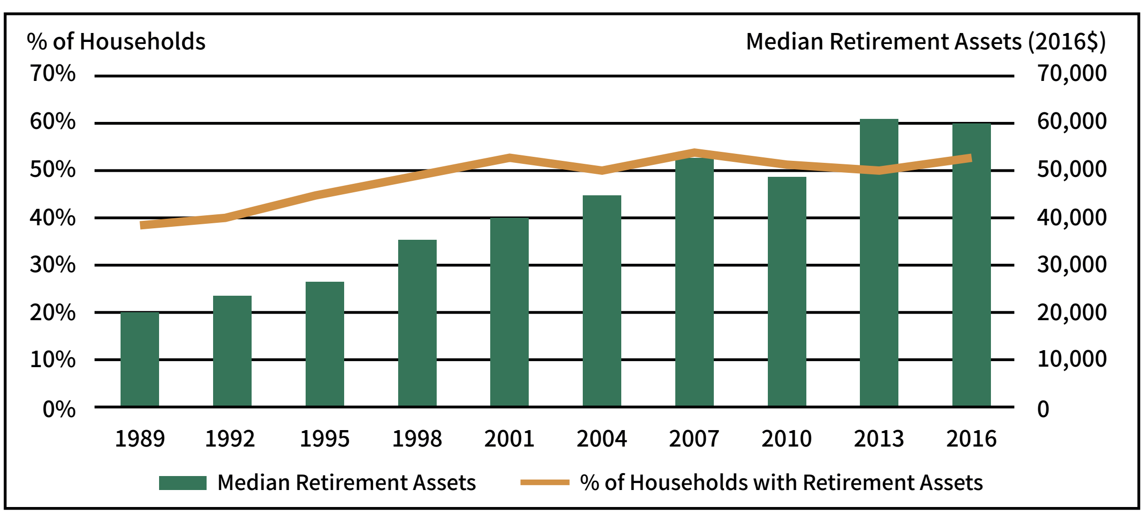
Not only do more workers have access to DC plans, but they are also contributing more to these accounts than ever before. According to the Department of Labor, in 1975, total contributions to employer-sponsored DC plans were equal to 5.8 percent of private sector wages. By 2017, contributions to these accounts had risen to equal 9.6 percent of private sector wages and salaries – a two-thirds increase.[12]

Great news: more and more workers have access to defined contribution plans.

In 2017, contributions to these plans equaled almost 10% of wages a person received from his or her employer. This growing shift from pensions to defined contribution plans gives everyday Americans the power to invest in their own retirement.

The shift from DB to DC plans has given individuals greater opportunity to invest and more responsibility in selecting the investments needed to achieve a secure retirement. This has led to households holding greater retirement assets. In 1989, about 37 percent of U.S. households had retirement assets; by 2016, this increased to 52 percent.[13] The average savings held by households nearing retirement in 1989 was $164,793; by 2019, this number had increased by nearly 128 percent to $375,642.[14] The median retirement assets among households participating in DC plans and IRAs also increased during this time, from $20,524 in 1989 (2016 dollars) to $60,000 in 2016.[15]

Percentage of Households with Retirement Assets and Median Retirement Assets, 1989-2016



Source: Congressional Research Service analysis of the Survey of Consumer Finances (1989-2016).

In the 1960s, broadcaster Walter Cronkite shocked his television viewers by discussing the conditions seniors found themselves in, with some being forced to eat dog food because they, unfortunately, could not afford proper groceries.[16] It is true that, in 1979, the Congressional Budget Office data showed seniors were disproportionately likely to be in the poorest fifth of the population. Since 1979, retiree incomes have grown significantly more quickly than the incomes of working Americans: 109 percent growth above inflation for seniors, as opposed to 69 percent for working-age households.[17] As a result, the poverty rate of older Americans had fallen by over two-thirds in the past five decades.[18]

Over the past 50 years, the poverty rate of older Americans has fallen by more than two-thirds. Retiree incomes now grow more quickly than the incomes of working-age Americans.

Older Americans are also reporting doing better in retirement. Gallup found that nearly 80 percent of Americans aged 65 and older reported having "enough money to live comfortably," as opposed to just over 60 percent of working-age Americans.[19] A survey by the Fed found that just 5 percent of seniors reported "finding it hard to get by," versus 9 percent of households aged 25 to 54.[20]

This is all fantastic news and reason to celebrate, but what about the 15 percent of Americans in the Gallup poll who rated their current financial situation as poor? What about the 5 percent of seniors who are finding it hard to get by in the Fed survey? There are still gaps and ways that we can strengthen our retirement system to ensure that all Americans have the resources to enjoy their golden years.

SECTION 2: GAPS AND THREATS TO AMERICA'S RETIREMENT SYSTEM

Despite all the good news on how well Americans are saving for retirement, there are still gaps in the current retirement system that prevent all Americans from saving and preparing for retirement. Some of these gaps include workers for whom employer-provided retirement plans are not available, lack of participation in existing employer-provided retirement plans, rising healthcare costs in old age, and portability of employer-sponsored plans and cash-out concerns when switching jobs. There are also systemic and political threats to the current system, such as: unfunded liabilities in public and private pension systems, inequities and dependency on Social Security, government-imposed disincentives to work, and the politicization of retirement savings by those pushing their environmental, social, and governance agendas.

Gaps in Employer-Provided Retirement Plans

Limited Access to Retirement Accounts

American workers are significantly more likely to save for retirement when given access to a retirement plan at work. In fact, workers who earn $30,000 - $50,000 per year are 12 times more likely to save at work than on their own. The problem is many part-time, low-income, and small business workers are less likely to have access to employer-sponsored DC plans than other workers. Smaller employers are generally less likely to provide retirement plan options to their employees, largely due to administrative burdens, startup costs, fees, and liabilities.[21] As of March 2021, while 83 percent of workers at firms with 100 or more employees had access to retirement benefits, only 53 percent of workers at firms with 1 - 99 employees had access.[22] Additionally, about 82 percent of workers in companies with 500 or more employees had access to DC plans, compared with 48 percent of those in companies with 49 or fewer employees.[23] Across large and small employers, about 73 percent of full-time private-sector workers had access to DC plans in 2019, compared with 35 percent of part-time workers.[24] Low-income workers also have less access to employer-sponsored retirement plans: only 45 percent of the lowest quarter of earners had access to an employer-provided retirement plan, while 88 percent of the highest quarter of income earners had access.[25]

For example, Kyla Ernst-Apler, a 38-year-old aerial performer in New York City, has never had a 401(k) retirement plan.[26] Kyla holds multiple jobs to support herself, but none offer retirement options. Through no fault of her own, it is incredibly difficult for Kyla to consistently save for her retirement. Kyla is not unique; many Americans just like her, who work for small businesses or in seasonal or part-time jobs, do not have adequate access to employer-provided retirement accounts to save for their future.

Low Participation Rates

Even if an employee has access to an employer-provided retirement plan, there is no guarantee that the employee will participate. Of the around 70 percent of workers who have access to employer-provided retirement plans, only about 55 percent participate.[27] Low participation rates in employer-provided retirement plans can prevent workers from being prepared and enjoying their golden years. Participation rates in employer-provided retirement plans also follow similar trends as they gain access to these accounts, with lower participation among low-income, part-time, or small business employees. Only 20 percent of part-time workers with access to employer-provided retirement accounts participate, while 61 percent of full-time employees do.[28] Similarly, 22 percent of the lowest quarter of income earners participate in plans compared to nearly 80 percent of the highest quarter of income earners.[29] Lastly, only 34 percent of employees in businesses with less than 49 employees participate in an employer-provided retirement plan compared with 77 percent of employees in businesses with 500 or more employees.[30]

Low participation rates limit a person's ability to save for retirement. While 70 percent of workers have access to a retirement plan through their work, only 55 percent of those individuals participate in a plan.

This is not all bad news, and these numbers are just a snapshot. Many younger or low-income workers who are not participating in their employer plan today may participate later in their careers. These workers might have other saving priorities such as paying off student loan debt, saving for a house, or starting a family. Workers may also delay saving until their income rises to handle other priorities. Similarly, low-income workers may choose not to save for retirement at any age because doing so would reduce their current resources. Further, the structure of the Social Security benefits formula helps individuals who have lower lifetime earnings by providing them with higher monthly benefits, which meet a high percentage of their needs in retirement. Despite these considerations, workers who do participate in employer-provided retirement plans have a higher chance of being able to effectively save for retirement.

Retirement Account Leakage

In today's dynamic economy, Americans are changing jobs more than ever before. The average 401(k) participant will change jobs 10 times over the course of a career, which translates into just under 15 million plan participants changing jobs every year. When workers change jobs, this opens up the possibility of losing accrued retirement savings at their former employer. This is called retirement plan "leakage."

Workers with small 401(k) account balances are generally subject to an auto-rollover provision that terminates their retirement account and transfers assets to a misnamed Safe Harbor IRA, which is invested in money market funds and yields little to no interest. Of the 14.8 million retirement plan participants changing jobs each year, 36 percent, or 5.3 million, have balances less than $5,000 in their accounts.[31] Unsurprisingly, workers with low balances are the most likely to cash out their balances. Of these 5.3 million workers, 54 percent cash out within the first year, while 75 percent have cashed out by year seven.[32] Workers who opt to cash out also face substantial penalties and fees, in addition to losing retirement savings. Leakage also disproportionately impacts communities of color. For example, African Americans are 61.5 percent more likely and Hispanic Americans are 57 percent more likely to cash out their retirement savings than the general population.[33]

Retirement plan "leakage" is a major issue. A recent study by the Joint Committee on Taxation found that 22 percent of net retirement contributions leak from the system in any given year.[34] The study also found that six major life events generally cause this leakage: job separation, negative income shocks, home purchase, divorce or separation, medical expense deduction, or new tuition. Job separation is the most prominent factor.[35] The Employee Benefit Research Institute (EBRI) estimated that in 2015 alone, $92 billion leaked out of the U.S. retirement system due to job changes.[36] Not everyone cashes out their accounts; some accounts are simply "forgotten" and left behind when workers switch jobs. Some estimate that by the end of 2021 there will be nearly 25 million forgotten 401(k) accounts with an average balance of $55,000.[37] These are real dollars and savings that workers have put away for retirement but no longer have at their fingertips. It is imperative that my colleagues in Congress work together to fix this leakage problem. Doing so will go a long way to helping Americans prepare for retirement and enjoy their golden years.

By the end of 2021 there will be almost 25 million 401(k) accounts that are unaccounted for. Those accounts have an average balance of $55,000.

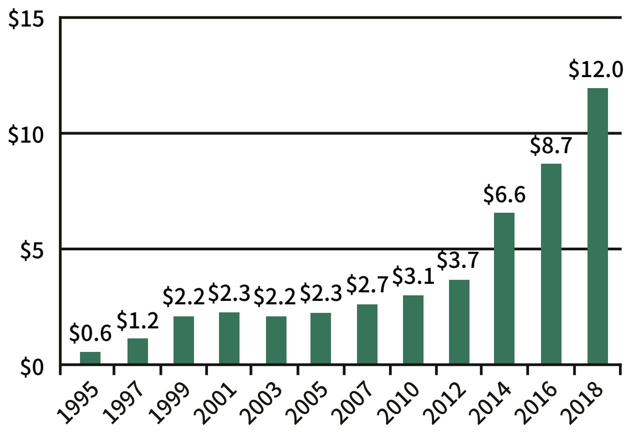
Rising Healthcare Costs in Old Age

As Americans age, healthcare costs tend to increase as we work to keep ourselves healthy and vibrant. By age 65, Americans' average annual expenditure on healthcare costs is over $11,000, or about three times what the average American spends during their 20s and 30s.[38] The rise of healthcare costs and unforeseen health emergencies often threaten seniors' retirement savings, sometimes depleting their savings to the point of bankruptcy. The rate of older Americans declaring bankruptcy has increased more than 204 percent from 1991 to 2016, and the leading cause is rising and unforeseen healthcare costs.[39]

One strategy to mitigate health-related bankruptcy is to make Health Saving Accounts (HSAs) commonplace in retirement planning. Workers can contribute pre-tax dollars into HSAs during their younger and healthier years, allowing them to build up their savings. When their healthcare costs increase later in life, these individuals can use their HSA money on a tax-free basis to cover their medical bills. Regretfully, not everyone has access to HSAs and those that do remain hesitant to participate. A 2020 study suggests that one in three Americans with a high deductible health plan does not have an HSA, and over 50 percent of those that do, don't contribute to their accounts.[40] Overcoming these barriers and incentivizing contributions to HSAs will help eliminate the risk of depleting the retirement savings of hard-working Americans.

Politicization of Retirement Accounts

Assets in Funds with ESG Criteria, 1995-2018, Trillions of Dollars



Source: The Forum for Sustainable and Responsible Investments (2016 and 2018)

Political agendas are now making their way into and threatening investor returns in our retirement and asset management systems. Environmental, Social, and Governance (ESG) based investing is the new form of "investing" by which investment decisions are made based on a firm's environmental impact, its relationship with various communities and social agendas, and management culture. From 1995 through 2018, the number of assets in funds with ESG criteria increased from $0.6 trillion to $12 trillion, an increase of 2,000 percent.[41] More than half of all public pension funds are now invested with ESG criteria.[42]

This is not good news for retirees. A recent study by the Center for Retirement Research at Boston College found that state mandates and ESG investing policies reduce annual returns by 70 to 90 basis points.[43] Compounded for a lifetime of savings in these funds, that means tens of thousands of dollars lost to participating retirees. These findings were consistent with the results of earlier studies on ESG investment returns in retirement plans.[44]

A 2020 study found state mandates and ESG investing have led to lower earnings for individuals who invest their retirement funds.

Despite this poor showing of ESG investing, the Biden Administration is doubling down on ESG investing and removing retiree protections. The Biden Administration recently announced it would not enforce a Trump Administration rule that set forth the legal duty of retirement plan managers to follow the Employee Retirement Income Security Act (ERISA) and act solely in the interests of plan beneficiaries to maximize the financial return of their assets. The Biden Administration's radical environmental and social agenda has led to their unconstitutional decision not to enforce the rule.[45] They are not stopping there. Recently the Board of Governors of the Federal Reserve System voted to join the Network for the Greening of the Financial System, a group of central bankers and financial regulators set on implementing the Paris Climate Agreement.[46] Furthermore, Securities and Exchange Commission (SEC) Chairman Gensler has made his intentions clear to continue work on mandatory climate risk investment disclosure by the end of 2021.[47]

By selectively not enforcing rules and pushing non-financial ESG objectives through government regulation, the Biden Administration is prioritizing a political agenda over financial returns and retirement security for Americans. The retirement savings of hard-working Americans should not be sabotaged for any political agenda or wider societal ends beyond financial returns on investment. Doing otherwise threatens a lifetime of hard-earned dollars and enjoying one's golden years.

Private and Public Pensions: Insolvency of Unions' Own Making

Many of us remember hearing about family members who worked one job their whole lives and when they retired, they received a gold watch and a pension. Those pension plans, formally known as Defined Benefit (DB) plans, serve as a key retirement vehicle for millions of Americans. The number of DB plans offered by private sector employers peaked in 1986 at 172,642 and continues to fall as more employers shift to DC plans. In 2018, there were 46,869 DB plans – 45,275 offered by single employers and 2,472 by multi-employers.[48]

In the private sector, plans can be offered by a single employer or employers can group together in a multi-employer plan, negotiated by a union. Both types are governed by the Employee Retirement Income Security Act of 1974 (ERISA), which created minimum standards for pension plan sponsors and established the Pension Benefit Guaranty Corporation (PBGC) as a backstop in the event private sector employers fail to give their workers their earned pensions.[49] The good news is the PBGC currently protects 23.5 million individuals who receive benefits from 23,200 single employer plans and 10.9 million individuals who get benefits in 1,400 multi-employer plans.[50]

Currently, 5,340 pensions, with a combined membership of 33.2 million people are operated for state and local government employees.[51] Unfortunately, many of these plans are not on solid footing. Nationwide, the plans had assets totaling $4.1 trillion but double that amount in liabilities at $8.6 trillion.[52] The states with the highest pension liabilities are California ($1.7 trillion), New York ($824 million) and Illinois ($675 million).[53]

Both private and public sector pension plans need to be reformed, otherwise retirees face the possibility of not receiving the full pension amount they were promised and worked hard to achieve. The PBGC's single employer guaranty fund is financially well at the current time. However, it is projected to become unsustainable because it is exposed to $176 billion in liabilities due to underfunded pension plans.[54] The multi-employer guarantee fund is in even worse shape with a projected deficit of $63.7 billion and is projected to be insolvent by 2027.[55] When this insolvency happens, certain workers could lose 90 percent of their pension benefits.[56]

A sad truth is that these plans have been mismanaged for years. In some cases, the mismanagement was deliberate in order to hide criminal actions, as was the case of a former United Auto Workers International Union senior official in 2020.[57] Take the example of Frank Vanderhoff. He is a 34 year retired member of the Michigan Regional Council of Carpenters and Millwrights. His pension fund is expected to run out of money by 2035, in part due to questionable real estate investment risks taken by his pension fund managers, including investing $40 million over the years to develop an upscale golf community that at its peak attracted 45 golf course memberships and 7 houses. Mr. Vanderhoff faces a potential cut of 20 percent or more of his benefits and doesn't know how he will keep his house.[58]

Federal taxpayers shouldn't be forced to pay for the damages caused by reckless and untrustworthy leaders. But as recently as March 2021, taxpayers provided an $86 billion bailout to pensions in the multiemployer fund, without requiring any reforms.[59] On the public pension side, a number of local governments have begun to use the Chapter 9 Bankruptcy Code to reduce or restructure the pension payments promised to retirees.[60] Since Congressional Democrats have already shown a willingness to place taxpayers on the hook for private sector pensions, it is possible they will also shift the burden of state and local pensions to those who had nothing to do with the crisis.[61]

In March 2021, Democrats in Washington, DC gave an $86 billion bailout to their union allies with no strings attached.

Problems and Threats to Social Security

Dependency, Inequity, Lack of Ownership, and Low Returns

Millions of older Americans depend primarily on Social Security for their retirement income.[62] The Census Bureau found that 12 percent of retirees received 90 percent or more of their income from Social Security benefits and 42 percent rely on Social Security for the majority of their income.[63] This dependency on Social Security is particularly true for low-income households. For older families in the lowest 20 percent of the income distribution, about 90 percent of their retirement income is from Social Security and Supplemental Security Income (SSI). For these families, less than 1 percent of their retirement income is from DC plans or IRAs.[64] A big reason for this is the combination of the 12 percent Social Security payroll tax and low incomes. The Social Security payroll tax squeezes out other forms of saving and investment, especially for low-income workers, making it impossible for many workers to build real wealth in private accounts. As a result, low-income workers often make the logical decision to forego private retirement savings entirely.[65]

12 percent of retirees receive 90 percent or more of their income from their monthly Social Security check.

42 percent of retirees rely on their Social Security benefits for a majority of their income.

Social Security aims to replace low-income worker wages in retirement. A recent study found that individuals classified as “very low” earners have 80 percent of their wages replaced by Social Security benefits.[66] Furthermore, a study by the Congressional Budget Office found that workers who participated in the labor force for at least 20 years were projected to have benefits above the poverty threshold. An estimated 40 percent of workers with shorter careers were projected to have benefits below the poverty threshold. Because individuals with shorter careers only made up 14 percent of Social Security eligible retirees, when looking at the entire group of individuals eligible for Social Security, 90 percent were projected to have household benefits above the poverty threshold.[67] This means Social Security is doing well at replacing wages for low-income Americans, but the question is, would these Americans be better off if they had control of their own retirement savings?

The short answer is, yes. Americans working today are likely to pay more in taxes than they will ever receive in Social Security benefits.[68] One of the reasons for this is because American workers do not own their Social Security benefits, like they own their bank savings accounts, IRAs, or 401(k)s.[69] This means when a retiree passes away, she loses any of her remaining benefits.

Imagine an assembly line worker at the Boeing manufacturing plant in North Charleston, SC who pays $404,377 into Social Security by the time he reaches retirement age. By the age of 70, this worker would collect only $53,266 in benefits. If he died at age 70, the remaining balance would stay in the Social Security Trust Fund. The assembly line worker would have to live past the age of 90 to collect the full amount he paid into Social Security.[70] Unfortunately, the average life expectancy in the U.S. is 78 and much lower for low-income Americans, men, minorities, and people living in certain geographic locations.[71] Because Social Security benefits are not owned, they are also not inheritable and that wealth inequity is compounded from generation to generation.

Social Security requires people to work in order to earn their retirement benefits, but they can't pass their benefits on to their heirs. This compounds generational inequality. Take the example of a North Charleston Boeing assembly line worker: over his working lifetime he will pay over $404,377 into the Social Security system by the time he retires. But by age 70, he'll only collect $53,266 in benefits, leaving over $350,000 of his earned benefits in the system.

Social Security contributions also earn a very low rate of return. Social Security, by law, is only allowed to invest in U.S. Treasury securities. As a result, the average rate of return for Social Security was a mere 2.2 percent in 2019 for American workers.[72] Take a hypothetical example of a 23-year-old male who earns about $60,000 a year. Over his lifetime, he will pay almost $550,000 in Social Security taxes. For his contribution into the system, he'll receive $2,209 a month in Social Security benefits. But if that same individual would have been allowed to invest his earnings into a personal retirement account, he could have earned a monthly annuity of $6,185.[73]

We already know low-income Americans are overly dependent on Social Security, and now they are further set back facing these low returns on their retirement savings. If these workers were instead allowed to invest their Social Security in productive businesses, they could receive at least three times the amount of income for their retirement.[74]

Social Security's Coming Insolvency

As important as Social Security is to so many American families, the truth can't be ignored: it's in trouble.[75] Since 2010, the program has been paying more in benefits than it takes in revenue.[76] Currently, Social Security is able to pay all of the benefits it owes because of the money it receives via the payroll tax and interest it earns on Treasury bonds. In the very near future, that money won't be enough. According to its 2021 Trustees Report, the Social Security Trust Funds are expected to run out in 2034, slashing benefits by around a quarter. This is one year earlier than the 2020 report, which confirmed a memo released in November 2020 that indicated that the COVID-19 pandemic probably knocked another year off the Trust Funds' lifespan.[77]

How did this happen? The way Social Security operates is that workers today pay for the benefits of today's retirees, our parents and grandparents. This method is great when there are many people paying for the benefits of a small number of retirees, which was the case when Social Security was first created in 1935. Eighty-six years ago, there were almost 20 workers paying into the system for every retired senior.[78] Today, however, we are living longer and undergoing demographic changes. In the 1940s, the average 65-year-old lived until age 79; today the average 65-year-old is living to age 85.[79] As a result, people are collecting Social Security benefits for a longer period of time than originally envisioned. Furthermore, as the Baby Boomer generation ages, the number of Americans who are 65 and older will increase to almost 80 million by 2035, up from the approximately 56 million today.[80] All of this means that today there are only 2.8 workers for every retiree.[81] This downward trend is expected to continue and in a few years, there will not be enough current workers to pay for the benefits of current retirees.

Currently, there are 2.8 workers for each Social Security beneficiary. That number goes down to 2.3 workers per beneficiary by 2035. With current demographics trending downwards, there won't be enough workers available to pay the full benefits of future Social Security retirees.

Another challenge in 2021 threatening to knock even more years off the Social Security Trust Funds' lifespan: inflation. According to the Bureau of Labor Statistics, inflation has run at around a 5.4 percent rate over the past year, the highest 12-month increase since 2008.[82] Social Security indexes benefits to inflation, and current projections suggest that benefit increases may even top 6 percent in 2022. In October 2021, the Social Security Administration announced a benefit increase of 5.9 percent for 2022 – the largest increase in nearly 40 years as a direct result of inflation, which will erode the buying power of Social Security beneficiaries.[83]

Social Security Work Disincentives

We currently have a convoluted and complicated Retirement Earnings Test (RET) in Social Security that is perceived as a tax, confuses retirees, and disincentivizes work. If you are a working Social Security recipient below full retirement age, between the ages of 65 and 67 depending on the year of one's birth, your benefits are reduced if you earn above a certain threshold. In 2021, that threshold is $18,960 for those who will not reach full retirement age and $50,520 for those who have reached retirement age.[84]

After a person reaches full retirement age, their benefits are no longer reduced. Social Security recalculates and increases your benefits to make up for the previous reduction for the rest of your life.[85] This happens because of the RET. An American Association of Retired Persons (AARP) survey found that 76 percent of future beneficiaries are aware of benefit reduction while 42 percent know that benefits are eventually replaced.[86] Another survey by the National Bureau of Economic Research (NBER) found that only around one-third of respondents are aware of the benefit replacement.[87] As a result, many beneficiaries perceive the RET as a tax.

The confusion surrounding this program increases the likelihood that individuals are choosing not to work for fear that the RET will cause them to lose their withheld benefits. We can see the impact of this policy by reviewing what happened when Congress changed the RET in 2000 to only apply to individuals who had not reached full retirement age. Previously, the RET had applied to individuals between full retirement age and 70.[88] When Congress changed the RET, there was a 1-4 percentage points increase in labor participation force among individuals for whom the RET was abolished.[89] Other research findings show that workers "bunch" below the RET's earnings threshold, limiting their work to avoid the perceived penalty.[90] In 2017, more than 3.2 million workers could have been impacted by the RET because they were working while also receiving benefits.[91] This is an unnecessary, confusing distortion in our Social Security system that keeps older Americans on the sidelines of work.

SECTION 3: BUILDING ON NOTEWORTHY SUCCESSES

Setting Every Community Up for Retirement Enhancement (SECURE) Act

In October 2019, I led a letter to Leader McConnell, and was joined by a number of my Republican colleagues (Senators Collins, Ernst, Portman, Tillis, and former Senators Gardner and McSally), calling for the swift Senate passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act. This action led to the SECURE Act being included in the end-of-year legislation and signed into law in December 2019. This bipartisan legislation increases access to retirement plans for millions of Americans and helps individuals of all ages save for their future. Key provisions of the law included: establishing pooled employer plans (PEPs); making it easier for 401(k) plan administrators to offer annuities; increasing the startup credit for small employer retirement plans; repealing the maximum age for traditional IRA contributions; increasing the required minimum distribution age for retirement accounts to 72; provisions to better cover long-term part-time employees; and permitting parents to withdraw up to $5,000 from retirement accounts penalty-free within a year of birth or adoption for qualified expenses.

New Pooled Employer Plans to Expand Coverage

To help bridge the access gap in employer-provided retirement plans, the SECURE Act established Pooled Employer Plans (PEPs), also called open multiple-employer plans (or “open MEPs”), allowing unrelated small businesses to join together and provide retirement savings options without some of the costs, administrative burdens, and liability attached to sponsoring a plan on their own. This concept, which resembles the Association Health Plan (AHP) model, requires Pooled Plan Providers (PPPs)—investment advisors or broker-dealers—to administer the PEPs. Participating employers have the ability to transfer their fiduciary responsibilities to the administering PPPs, in addition to reducing costs and administrative obligations through economies of scale—a particular boon for employees of small businesses.

A perfect example of the new PEP system was presented by John Iacofano, owner of Iacofano’s Catering in Mount Pleasant, SC, during the U.S. Special Committee on Aging hearing on “Building Wealth and Fostering Independence: Creating Opportunities to Save” on July 15, 2021. The same day that he testified at the hearing, Iacofano’s Catering employer-provided retirement PEP launched. A traditional

401(k) would have cost Mr. Iacofano's small business $15,000-$20,000 per year to operate; this PEP reduced those costs to a mere $2,600. The cost reduction put this retirement benefit in reach for his small business to offer his employees. Plus, these low costs allow his business to offer enhanced employer matching contributions on up to 5 percent of employee contributions.

At the hearing, Mr. Iacofano talked at length about his long desire and need to provide a retirement plan for his employees. The number one benefit potential employees ask him is, "do you have a retirement plan?" He also shared a story about how he lost a key employee to a big corporation that was able to offer a retirement plan, despite the corporation offering lower pay. Passage of the SECURE Act enables small businesses all over the country, like Iacofano's Catering, to close the access gap and offer their employees new retirement benefits. This also helps these small businesses compete with large corporations to recruit and retain talent that strengthens our dynamic economy.

The SECURE Act allows small businesses, like Iacofano's Catering in Mount Pleasant, SC, to offer their employees new retirement benefits. Iacofano's Catering's new retirement plan started on July 15, 2021 and will help the local small business recruit and retain talented employees. As an added bonus, the low-cost to operate the plan means Iacofano's Catering can offer employer matching contributions up to 5 percent.

Expanded Startup Credit to Help Small Businesses

To further assist small businesses in offering new employer-provided retirement plans to employees, the SECURE Act increased the tax credit for small businesses offering new 401(k) plans. The tax credit is available to employers with up to 100 employees and was increased to $5,000 for new plans, a ten-fold increase from the previous $500 credit. This tax credit can cover up to 50 percent of retirement plan administrative costs for the first three years of the plan. To encourage automatic enrollment plans, the SECURE Act provides a $500 tax credit to small businesses that adopt automatic 401(k) enrollment.[92]

This tax credit has helped many smaller employers offer 401(k) plans to their employees for the first time. Damon Deru, Founder and CEO of AdvisorPeak Inc., based in Layton, Utah, had wanted to offer a 401(k) plan for his 16 employees since 2018, and the newly enhanced tax credit made it within his reach for the first time.[93] AdvisorPeak's new retirement plan is helping them recruit and compete with larger corporations for valuable talent and employees.[94] AdvisorPeak Inc. is just one of many small businesses launching new retirement plans. Guideline Inc., a digital record keeper for retirement plans, has seen a sharp increase in the number of first-time plans, signing 6,510 plans nationwide in 2020, up 43.4 percent from 2019.[95] This is just the beginning of a trend that should continue to help close the access gap to employer-provided retirement plans.

New Lifetime Income Options for Retirees

With the decline of defined-benefit pension plans and employers offering more 401(k) plans, there is a growing need for alternatives to the regular expected payments that pension plans once provided employees. This is where annuities come in, offering retirees a guaranteed lifetime income like a traditional pension or Social Security that does not fluctuate with the market. Annuities help retirees rest easy knowing they will not run out of money in retirement. This is especially important as we live longer lives, well past what we might have planned for during our working years.

The SECURE Act included three major reforms to help reduce barriers to lifetime income options in DC plans and encourage workers to learn about these options for retirement. The first provision requires workplace plan benefit statements to include "an estimate of the monthly income a participant could receive in retirement if a qualified joint and survivor annuity or a single life annuity were purchased,"[96] even if a plan does not offer an annuity distribution option. A second major reform was to solve a technical challenge in offering annuity plan portability. If a plan decides to eliminate a lifetime income option, the accrued benefits can now be transferred to another plan or distributed to the participant. The last major improvement was the creation of a safe harbor for plan fiduciaries, making it easier for the selection of a lifetime income provider in a DC plan. These three provisions will help workers better plan and prepare for their retirement.

Increasing Auto-Portability Options to Prevent Leakage

Auto-portability of retirement plans is the key way to address the serious problem of retirement plan leakage. With auto-portability, if a worker leaves Job A with a low 401(k) balance and immediately enters Job B, a so-called "locate & match" technology identifies the inactive Job A account, matches it with the new Job B account, and rolls the assets from the inactive Job A account into the new Job B account. This is all done automatically, thus reducing the cash-out prevalence and possibility of lost accounts with old employers. The Employee Benefit Research Institute (EBRI) estimates that if all workers with less than $5,000 in their 401(k) retirement accounts were subject to auto-portability when they change jobs, they would have an additional $1.5 trillion in retirement savings at age 65.[97] Furthermore, the largest increase in retirement savings would be for workers aged 25 to 34 in the lowest income bracket.[98]

By using existing technology to help workers locate their earned benefits when they switch jobs, an additional $1.5 trillion in retirement savings could be made available to workers by the age of 65. The biggest winners are younger workers aged 25 to 34 in the lowest income bracket.

In 2017, I worked with the Trump Administration to update long-awaited guidance allowing for auto-portability between employer retirement plans.[99] In July of that year, I sent a letter along with many of my Republican colleagues, asking the Department of Labor to leverage administrative actions in order to create a regulatory framework, which was finalized in July 2019.

Auto-portability programs are already having a profound effect, with J. Spencer Williams who runs Retirement Clearinghouse, leading the way. In 2017, the Retirement Clearinghouse (RCH) launched a test auto-portability program with a major 401(k) plan sponsor that required affirmative consent from participants to consolidate their safe harbor IRA balances into their new plans.[100] A review in 2021 revealed a doubling of the match and response rates from 2017. So far, RCH has matched 5 percent of all safe harbor accounts, obtained responses from 29 percent of these matches, and consolidated the retirement accounts for 99 percent of these responders.[101]

South Carolina Helping Retirees

South Carolina has a population of 5.1 million individuals. Seniors account for 18.2 percent of all South Carolinians, a slightly higher percentage than their 16.5 percent population nationwide.[102] South Carolina is doing its part to protect the savings of these retirees and many older Americans who choose to retire in the Palmetto State because of the many tax advantages to help seniors keep their hard-earned savings.

First and foremost, South Carolina is one of the few states where Social Security benefits are not subject to income taxes. Seniors in South Carolina also enjoy other tax income benefits; they can deduct up to $10,000 in qualifying retirement income and $15,000 from all taxable income (up to $30,000 for taxpayers filing jointly). Retired members of the military can also receive an additional tax break on their military retirement plan.[103] Property taxes in South Carolina are also some of the lowest in the country. Seniors in South Carolina may claim a homestead exemption, which allows for the first $50,000 of their home's fair market value to be exempt from local property taxes. South Carolina also helps older Americans who wish to pass something on to their children and grandchildren by having no estate or inheritance tax.[104]

Reasons to Retire in South Carolina:

- ✓ **Social Security Benefits are not subject to state income taxes**
- ✓ **Seniors can deduct up to $10,000 in qualifying retirement income**
- ✓ **Seniors can deduct up to $15,000 for all taxable income ($30,000 filing jointly)**
- ✓ **Military retirement plan tax break**
- ✓ **Among the lowest property taxes nationwide**
- ✓ **Seniors can claim a homestead exemption**
- ✓ **No estate or inheritance tax**

SECTION 4: SOLUTIONS TO INCREASE RETIREMENT SECURITY

There is no silver bullet, but there are ways to continue building on recent successes and bridge the remaining gaps in our retirement system to improve access, boost retirement plan participation, protect auto-portability, provide better lifetime income options, improve financial literacy, boost health savings, and promote work.

Newly Proposed Retirement Security & Savings Act

Recently, my colleagues, Senator Rob Portman and Senator Ben Cardin, introduced a bipartisan proposal to address some of these outstanding issues and improve retirement security for Americans. The title of their proposal is the “Retirement Security & Savings Act” (S. 1770). Similarly, our colleagues in the House of Representatives, Representatives Richard Neal and Kevin Brady, reintroduced their own version titled, “Securing a Strong Retirement Act” (H.R. 2954). Both proposals have similar, but not identical, provisions building on the successes of the bipartisan SECURE Act.

Both proposals also include more than 40 provisions, but a few key provisions are:

<u>Small Business Startup-Credit</u>: Currently, small businesses can receive a tax credit up to 50 percent of the administrative costs of starting an employer-sponsored retirement plan. Both the Senate and House bills propose increasing this amount to help incentivize and expand employer-sponsored retirement plans for small businesses.

<u>Non-profit MEP Participation</u>: Both new proposals would allow 403(b) plans, generally sponsored by charities and public educational organizations, to participate in MEPs. MEPs are proving very successful for small businesses; expanding eligibility for non-profits will help more employees have access to employer-sponsored retirement plans.

<u>Student Loan Debt and Retirement Savings</u>: For some workers, student debt obligations make it difficult or impossible to save for retirement. Under both the House and Senate measures, employers are able to treat qualified student loan payments by employees as retirement plan contributions for making matching contributions.

Catch-up Contributions: Under current law, individuals who are 50 years old and older are allowed to make additional catch-up contributions to a retirement plan. The current limit on these catch-up contributions is $6,500. Both new proposals set out to increase this amount and index it for inflation, so individuals that may not currently have enough saved for retirement may accelerate their savings later in life.

Required Minimum Distributions: The SECURE Act increased the age at which plan participants must begin taking required minimum distributions, or RMDs, from 70.5 to 72. Both the new Senate and House proposals would increase this age to 75 by 2032. This change will allow individuals to hold on to their retirement assets longer if they wish to account for a longer expected lifespan in retirement.

Lifetime Annuity Changes: Under current law, the maximum one can devote to a lifetime income option in your retirement account is the lesser of 25 percent or $125,000. Both House and Senate bills would remove the 25 percent cap to help retirees rest easy and prepare for longer life expectancies in retirement.

Auto-Enrollment in 401(k) Plans: In an effort to boost employer-sponsored retirement plan participation, the House proposal would require most new 401(k)s and 403(b)s to adopt auto-enrollment. The initial amount would be at least 3 percent (and no more than 10 percent) and increase by one percentage point each year until reaching 10 percent. The Senate bill does not yet require auto-enrollment, although it includes incentives to encourage companies to implement that feature.

Key Legislative Priorities to Increase Retirement Security

Expanding Lifetime Income Options for Retirees

We are making great progress in expanding lifetime income options for American workers and retirees. As we know, lifetime income options in retirement are extremely important, so retirees can rest easy knowing they will have regular income at their disposal for the rest of their lives. In 2006, Congress created qualified default investment alternatives (QDIA) for employer retirement accounts. However, Department of Labor (DOL) regulations require investments to have 90-day liquidity requirements. Because annuities and other lifetime income products often have delayed liquidity features, these DOL restrictions create a barrier for employers to include lifetime income options as QDIAs. Given that many employer-provided retirement plan participants opt for their employer's default investment, the lack of availability for employers to offer lifetime income options in their QDIA offerings means that most employees miss out on this important retirement option. This is a problem Congress can fix. A simple fix would be to incorporate a qualified QDIA safe harbor to allow, but not require, a QDIA to include a limited investment in an annuity that provides a guaranteed return on investment and has a delayed liquidity feature. Such a change would go a long way to ensuring millions of Americans have access to lifetime income options in their employer-provided retirement plans.

Codifying Auto-Portability Regulations to Prevent Leakage

Auto-portability programs, made possible through my work with DOL using their administrative authority to create a regulatory framework, are already seeing amazing results. Unfortunately, DOL's regulatory guidance has a five-year sunset, so there is more work to be done to ensure this new benefit is not lost in the future. Additionally, plan providers would prefer the certainty of statutory text to the unpredictability and potential volatility of administrative guidance documents. Most importantly, workers overwhelmingly want auto-portability. In a recent survey by the Employee Benefits Research

Institute (EBRI), nearly nine in 10 participants viewed auto-portability of their retirement savings following a job change as a valuable feature.[105] Congress must act to codify the new DOL regulatory framework to bring certainty and longevity to this new benefit for today's and tomorrow's workforce. With this small change, Congress can prevent leakage and ensure low-income workers and workers with smaller account balances have trillions more dollars for their retirement. Congress may also consider ways to encourage employers to sign up for national retirement portability exchanges and matching services.

Nine in 10 participants think auto-portability is an important feature to ensure they can keep their retirement savings following a change in jobs. Congress needs to codify the regulations issued by the Department of Labor to make sure future individuals do not miss this valuable tool.

Expense Flexibility and Electronic Delivery to Increase Plan Options and Savings

Employers face many expenses in designing, implementing, and administrating retirement plans for their employees. Under current law, assets of the plan may be used to pay for reasonable administrative costs and compliance. However, assets cannot be used for plan formation and design. This is problematic because many beneficial attributes in retirement plans such as automatic enrollment, lifetime income options, or financial education programs are part of plan formation and not legally required for compliance purposes. Because of this, employers must pay the costs of implementing these features out of their own assets. The result is many plan sponsors and employers, especially small employers, forego making these beneficial changes to their retirement plans because of the costs. This means employees are missing out on these potential programmatic benefits to boost their retirement security. One easy solution to this is to allow plan assets to cover the costs of new plan benefits options that specifically support legitimate goals of the plan participants.

To boost plan assets and savings, one simple policy reform is to make electronic disclosure the default method of communication with retirement plan participants and beneficiaries. ERISA and the Tax Code requires many retirement plan documents to be delivered to participants on a regular basis. Delivering these materials electronically will save on printing, processing, and mailing. A recent report estimates that plan participants could save more than $500 million per year with electronic delivery of plan disclosures.[106] In addition, electronic delivery encourages participants to engage with their investments and retirement plan allocations, resulting in higher contributions and retirement preparedness. According to a survey conducted by the Investment Company Institute's of 401(k) record keepers, the average contribution rate of participants who interacted with their plan website was 7.8 percent versus just 5.8 percent for those who did not interact with their plan's website.[107]

Expanding and Strengthening Health Savings Accounts

A Health Savings Account (HSA) is a tax-advantaged saving account that allows workers to set aside money for qualified medical expenses.[108] HSAs are a crucial tool in helping alleviate the burden of healthcare cost on our seniors, by helping them set aside and later access tax-advantaged funds while leaving their traditional retirement saving accounts intact.

Because HSAs are restricted to workers with a high-deductible health plan, HSA participation has remained low across the country. While very popular with those able to participate, their limitation to these select workers needlessly limits a valuable tool to help retirees meet their retirement healthcare needs. That is why I joined my colleague, Senator Marco Rubio, in introducing the Health Savings Act of 2021 (S. 380). It simplifies and expands both HSAs and Flexible Spending Arrangements (FSAs) by eliminating the high-deductible healthcare plan requirement and increasing the share of qualifying healthcare plans.[109] When passed, this bill will open the door to millions of Americans that have not had the opportunity to participate in these kinds of saving accounts and allow them to protect their hard-earned retirement savings against unforeseen medical expenses.

The Health Savings Act of 2021 simplifies and expands access to Health Savings Accounts (HSAs) and Flexible Spending Arrangements (FSAs) in order to increase participation in these tax-advantaged accounts. Specifically the bill allows for:

- **Catch-up contributions by spouses to the same HSA once both spouses have reached age 55.**
- **Medicare Part A beneficiaries to participate in an HSA.**
- **Amounts paid for a prescription and over-the-counter medicine to be included as a qualified medical expense from which HSA money can be used.**

Eliminating the Retirement Earnings Test in Social Security

We should be rewarding work and making retirement decisions easy for older Americans. The current Retirement Earnings Test (RET) is an unnecessary and confusing distortion in our Social Security system. Repealing the RET would increase flexibility for individuals wishing to receive benefits earlier for a host of personal reasons including caregiving responsibilities, less access to loans and financial support, and perception of lower life expectancy. It is not the federal government's role to decide what seniors need in retirement. I have introduced legislation to repeal the RET in Social Security to empower older Americans with a more simplified decision when they reach retirement age. By repealing the RET, older Americans will simply calculate their Social Security benefit based on their chosen retirement year, regardless if they wish to continue working. This would not alter Social Security's solvency but would give individuals more control over their finances, with the additional positive impact of increasing labor force participation by older Americans.

Protecting the Gig Economy and Labor Laws

The "gig" economy, where technology allows individuals to set their own hours and provide services to customers who request them, is a fast growing and important new work arrangement for American workers. The Bureau of Labor Statistics (BLS) identifies 10.1 percent of the American workforce as part of the gig economy. Nearly one-quarter of gig workers are seniors who prefer the flexibility that comes with the gig economy.[110] One senior who participates in the gig economy is Ella Tyler, 67, from Texas. A former lawyer who needed extra cash when her husband passed away, she responded to an ad looking for tutors. She gets paid up to $27 an hour to help students who are preparing to take the Law School Admissions Test.[111] The gig economy gives American workers increased work flexibility and ways to supplement their income and expand their skill sets.

Unfortunately, Democrats are leading a direct attack on the gig economy through the "Protecting the Right to Organize" (PRO) Act. The PRO Act would limit workers' ability to be independent contractors and would forcibly reclassify as many as half of all independent contractors as employees. Specifically, the PRO Act would implement California's AB5 law nationwide, without even including that law's carve-outs.[112] President Biden included the PRO Act - in its entirety - in his so-called American Jobs Plan. If the PRO Act passes, millions of older Americans would be at risk of losing their business or being forced into untenable work arrangements. Seniors often depend on gig economy work to supplement their retirement income, retain healthcare benefits, stay engaged in their communities, and support their families. That is why I remain opposed to the PRO Act and will fight against its passage in the Senate.

The Golden-preneurship Act

American entrepreneurship and innovation is the backbone of the American economy but contrary to popular belief, not all of America's entrepreneurs are young tech-focused individuals starting companies in their garages. In fact, millions of older Americans represent a powerful and growing share of entrepreneurs. Today, the average age of successful entrepreneurs in America is 45, and in 2018, 3 in 10 entrepreneurs were over the age of 50, an increase of 50 percent since 2007.[113]

In my conversations with older entrepreneurs in South Carolina, I have learned how they combine their years of experience, networks, and dreams to start countless successful small businesses. However older entrepreneurs often face unique challenges in today's economy including: the need for enhanced digital and technical skills, mentorship opportunities, business growth and hiring training, and resources to help them with estate and retirement planning for their businesses. That is why I introduced the Golden-preneurship Act (S. 2348), which establishes a new training program for "Golden Entrepreneurs" at the Small Business Administration. This legislation will ensure that today's Golden Entrepreneurs have the tools and resources to create tomorrow's jobs, new technologies, and opportunities.

CONCLUSION

Retirement and enjoying the rewards of a lifetime of work are key components of the American Dream. Building wealth for retirement has become more critical than ever. Over the course of the past decade, the United States' 65-and-older population has grown by more than one-third.[114] The good news is many of these people are prepared for and are doing well in retirement. *We are not in the midst of an impending retirement crisis*. Encouraging Americans to save and invest their hard-earned dollars is always a good thing, but painting a picture of a crisis is misleading and paves the way for unnecessary government intervention.

The private sector-led American retirement system is not broken, but there are areas that can be improved and threats to the success we have seen. For example, the current system needs to help people like Kyla Ernst-Apler have a 401(k) retirement plan. She deserves resources to help her consistently save when she changes jobs. This is especially important for workers who make between $30,000 and $50,000 a year, as they are 12 times more likely to save for their retirement if one is offered through an employer. Another important tool is to prevent retirement savings leakage by leveraging existing technology to address automatic portability between plans. We need to work together to help the almost 25 million 401(k) accounts that are unaccounted for by connecting them with their rightful owners. Taking this small step, where the average account balance is $55,000, will help many Americans in retirement.

I was proud to work with the Trump Administration and my colleagues across the aisle to pass the SECURE Act and implement several important improvements to our retirement system. Provisions like open multi-employer plans, help Americans who work at small businesses save for retirement. I applaud employers like John Iacofano of Iacofano's Catering taking advantage of these new tools and offering employees a retirement benefit for the first time along with enhanced employer matching contributions. Through these provisions in the SECURE Act, we made it easier for small businesses to launch new retirement plans, increase lifetime income options for employees, and contribute and save longer in IRAs. All these reforms helped address some gaps in our retirement system and improve how Americans prepare for retirement.

The American retirement system does not need an overhaul, but we can and should build on these successes. As Congress begins consideration of SECURE Act 2.0, it is important that future legislation expands retirement plan access, grows lifetime income options, codifies DOL's new auto-portability rules, strengthens and expands HSAs, simplifies confusing Social Security laws, protects the gig economy and helps our seniors who become entrepreneurs. Americans are doing well saving for retirement, but we can always do better to ensure our golden years are truly golden.

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