

**Statement of
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**Before the
US Special Committee on Aging**

**At the Hearing
*A Financially Secure Future: Building a Stronger Retirement System for All Americans***

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Good morning, Chairman Casey, Ranking Member Scott, and members of the Committee. Thank you for the opportunity to appear before you today and for working constructively to improve the retirement system. It is a particular honor to be here because I live in the Greenville area, a pastoral paradise in the upstate of South Carolina, and I have the pleasure of being represented by Senator Scott.

I am the Founder, President, and CEO of Retirement Clearinghouse (RCH), a fintech company with a mission to dramatically improve and preserve the retirement savings for tens of millions of Americans changing jobs each year in our growing and dynamic economy. The Chairman of our Board is Robert Johnson. You most likely know him as the founder of Black Entertainment Television. Bob bought into our mission more than a decade ago and over the years working together, I have witnessed Bob's personal commitment to helping minorities and lower income families save for retirement and begin to bridge America's savings and wealth gap.

Congress has taken important steps in recent years to provide more people with the opportunity to save so they can retire with dignity and financial independence. The SECURE Act of 2019, for example, brought common sense reforms aimed at expanding access to employer-provided retirement plans. Those reforms are already starting to bear fruit, but of course additional improvements are always possible.

Getting people to start saving is job one. But right after that, the most important improvement we can make is to help those same participants preserve their savings when switching jobs or facing career disruptions. Today, more than 30% of all participants, and nearly 50% of minority participants cash-out their retirement savings when they change jobs. The savings lost to cash outs adds up to about \$100 billion each year, a number so large that it's difficult to wrap your head around it. But what it means is that every year millions of people are cashing out their savings and putting their retirement at risk.

It is rarely a good decision to cash out your retirement savings, but we can certainly understand why it happens. It can be very challenging to move your savings, and people with balances under \$1,000 are often just handed a check, minus taxes and penalties, of course. When we ask participants why they cash out, the most common response is simply that it's easier to take the money than it is to roll it over to their new employer's plan or an IRA.

That is why we created auto portability. Based on our work with a very large employer, we set out to fix the cash-out problem and help preserve savings for America's mobile workforce – in particular for lower-income workers. Auto portability is a simple concept. It is a technology that allows a person's account to automatically follow them from one employer's plan to the next. The idea is that if we make it easy and automatic, more people will keep their savings in a plan rather than cashing-out.

Let me give you a real-life example of the impact auto portability can have on a worker's retirement. In November 2017, at age 30, Jaime was hired by one of our clients, a very large employer in the healthcare services industry, which we would note is an industry with high employee turnover. Jaime lives in El Paso Tx. In June 2018, utilizing auto portability's technology, we located Jaime's account from a former employer that had \$1,117 in it. The good news is that Jaime had not cashed out that small balance savings account. With Jaime's consent, we moved his account into his current employer's 401(k) plan. Fast forward. A little over two years later, in October 2020, Jaime left his employer for a new job. By this point Jaime's 401(k) account had grown to \$5,006. Once again, Jaime made a good decision and gave us his consent to move his savings to his new employer. Those two good decisions have kept Jaime's savings intact and by his normal retirement age, his \$5,006 will grow to more than \$50,000. It almost goes without saying that there are literally millions of Jaime's that change jobs each year and with a modest mix of a nudge and enabling technology, we can help them all along a path to a more secure retirement.

Thanks to support from the Ranking Member and other members of this Committee, including Senator Warren, we were able to work with the Department of Labor on critical regulatory guidance that facilitated the initiation of auto portability. Now we are working with two of the industry's largest providers, Alight Solutions and Vanguard, which will make auto portability available to over 16 million 401(k) participants. And that is just the beginning.

Auto portability will have a tremendous impact on the retirement system. The Employee Benefit Research Institute estimates that auto portability can preserve an estimated \$1.5 trillion in additional retirement savings over a generation. Of that amount more than \$190 billion will be saved by Black workers.

We are very appreciative of bipartisan support from members of Congress and their interest in legislation to help encourage the rapid, system-wide adoption of auto portability. One way to do that would be to provide certainty and stability by codifying into law the guidance issued by the Department of Labor. We also think it would be helpful to create modest tax incentives to encourage early adopters of auto portability and to defray the costs borne by participants as the system gets up to scale. These gentle legislative nudges would deliver a tremendous benefit to working families.

Thank you for your attention to these issues, your support for auto portability, and for the opportunity to testify today. I would be pleased to answer any questions.