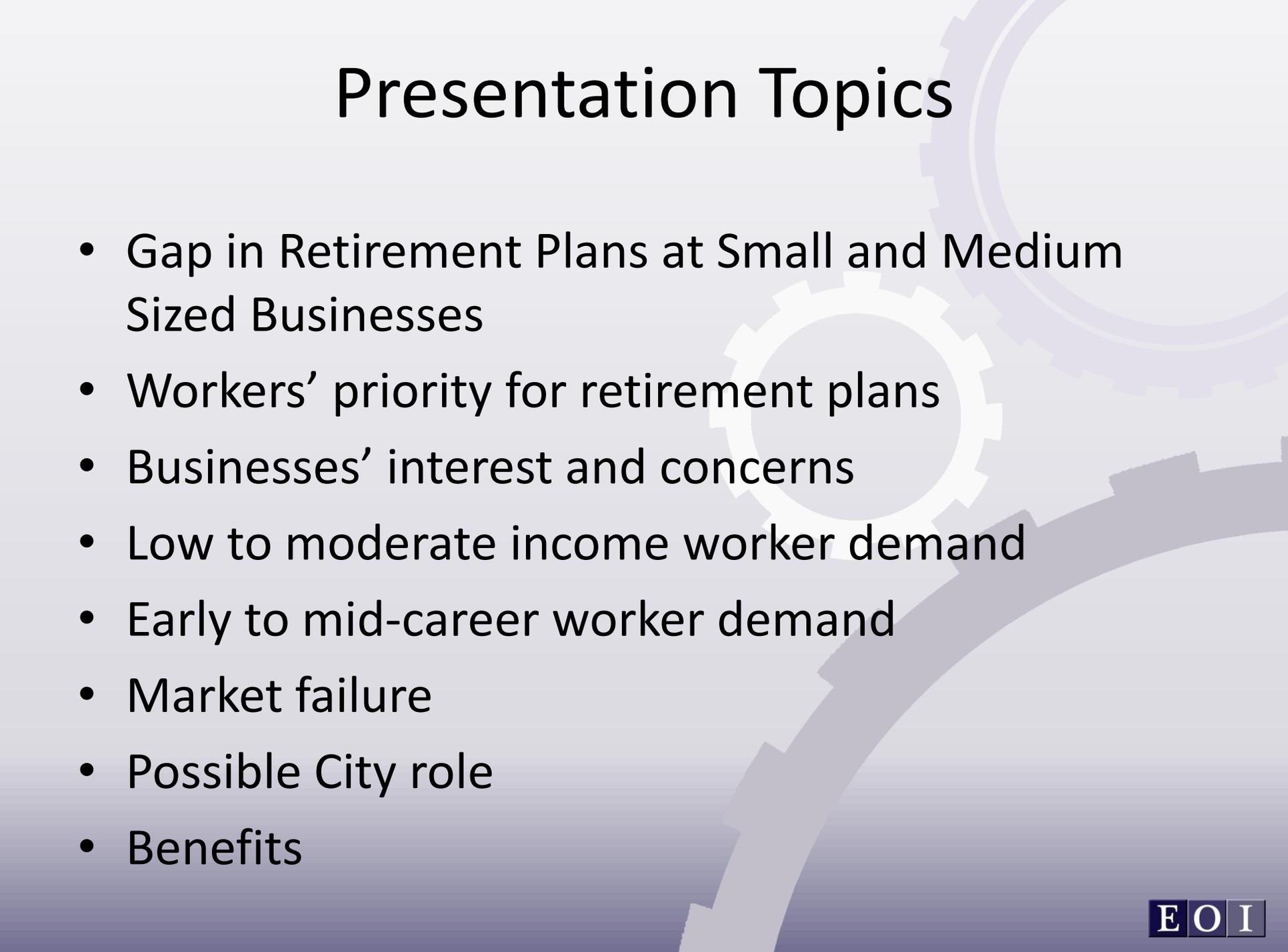


Access, Demand and Options for Retirement Savings

Presentation to: Seattle City Council
Committee on Economic Resiliency
and Regional Relations

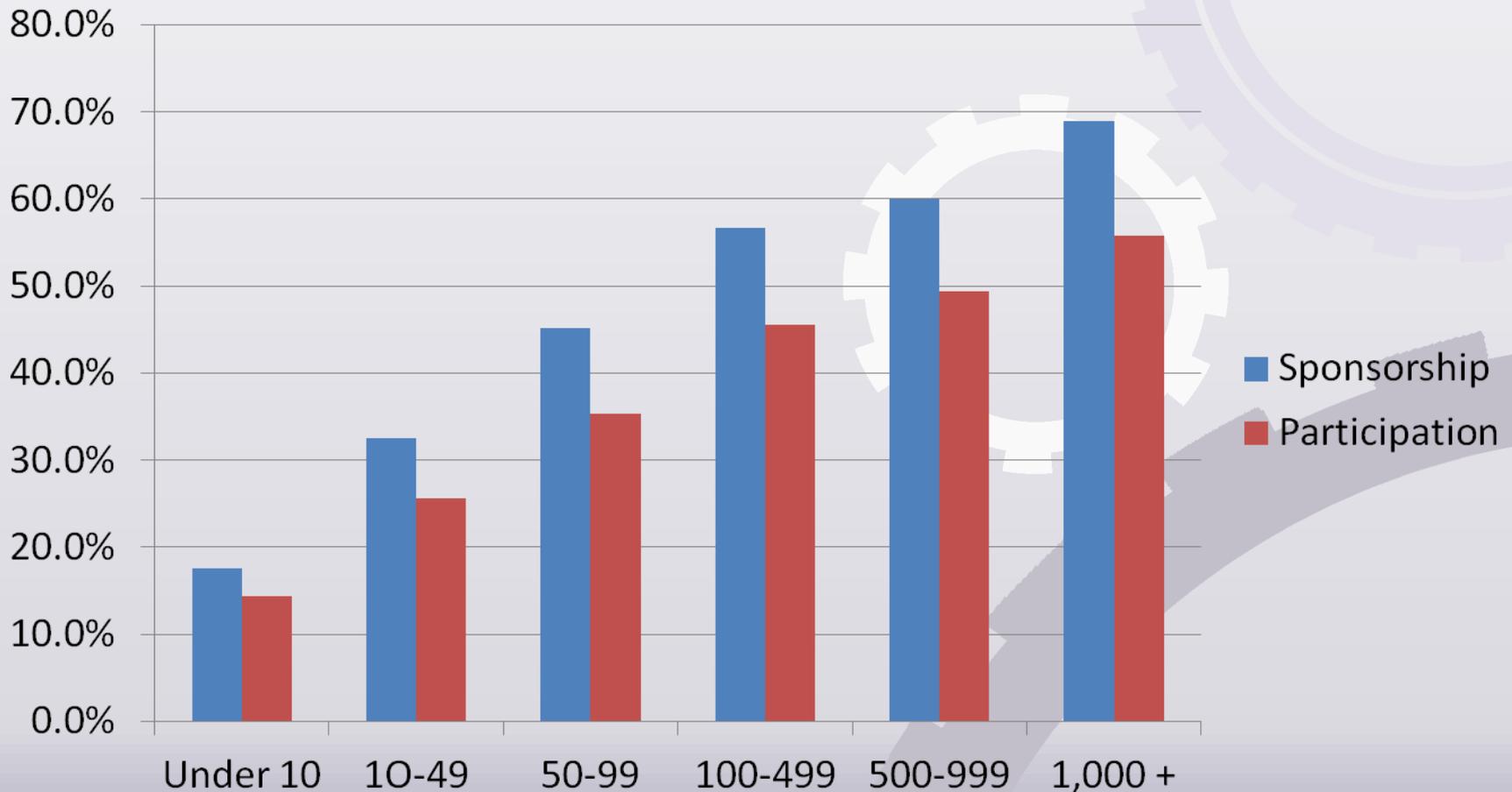
Gary Burris
Economic Opportunity Institute
June 5, 2012

Presentation Topics



- Gap in Retirement Plans at Small and Medium Sized Businesses
- Workers' priority for retirement plans
- Businesses' interest and concerns
- Low to moderate income worker demand
- Early to mid-career worker demand
- Market failure
- Possible City role
- Benefits

Plan Sponsorship by Employers



Employee Benefits Research Institute, Issue Brief No. 363, Oct. 2011
(private sector workers age 21-64).

Importance of and Access to Retirement Plans



SBART (Small Business Annual Retirement Trends) Survey for ShareBuilder, conducted by Harris Interactive, October 2007

Effect of 401(K) On Retention

- In a survey only 16% of small business employers felt a 401(k) would make a difference in retention.
- 39% of employees said they would leave their current job with no 401(k), for a job that offered one, all else being equal.

SBART (Small Business Annual Retirement Trends) Survey for ShareBuilder, conducted by Harris Interactive, October 2007, p. 54

Factors Leading to Serious Consideration of Offering a Retirement Plan

	Much	Somewhat More Likely	No
• Increase in business profits	34%	39%	25%
• Plan that requires no employer contributions	30	37	32
• Business tax credit for starting a plan	23	43	31
• Availability of easy-to-understand information	20	35	45
• Plan with reduced administrative requirements	20	37	41
• Greater tax advantages for key executives	18	34	46
• Greater tax advantages for employees	17	41	40
• Plan customized for the needs of the business	16	44	40
• Demand from employees	15	40	44
• Allowing key executives to accumulate more in plan	11	32	55

Fact Sheet: Small Employers Without Plans, from the 2003 Small Employer Retirement Survey, Employee Benefit Research Institute, June 2003

Commitment of Low Wage Workers

- Over 39%, of those earning below \$20,000 (\$9.62 per hour and less) participate in their 401(k) plan (Hewitt)
- Participation rate 33.8% of private-sector, age 21-24, earning between \$20,000-\$29,999 (EBRI)
- Remarkable levels given the competing economic priorities of lower wage workers.
- Though a smaller percentage than higher wage workers, illustrates a major interest in and commitment to retirement savings among lower paid members of the workforce

Hewitt and Associates: *Research Highlights: How Well Are Employees Saving and Investing in 401(k) plans 2006 Universe Benchmarks*, p. 2
2.6 million eligible employees and 1.7 million participants in 401(k) programs

Many Young Workers Save for Retirement When a 401(k) is Available

- While less than that of older workers, there is significant participation from younger workers in 401K plans.
- 47.5% of workers in their 20s participate in their company's 401(K)

Market Failure

- Why don't small businesses offer retirement plans now?
 - Complexity, too many choices for owner
 - Easy options such as the SIMPLE IRA and payroll deduction IRA are not well known to employers
 - Employees aren't demanding retirement plans, some aren't planning for the long-term

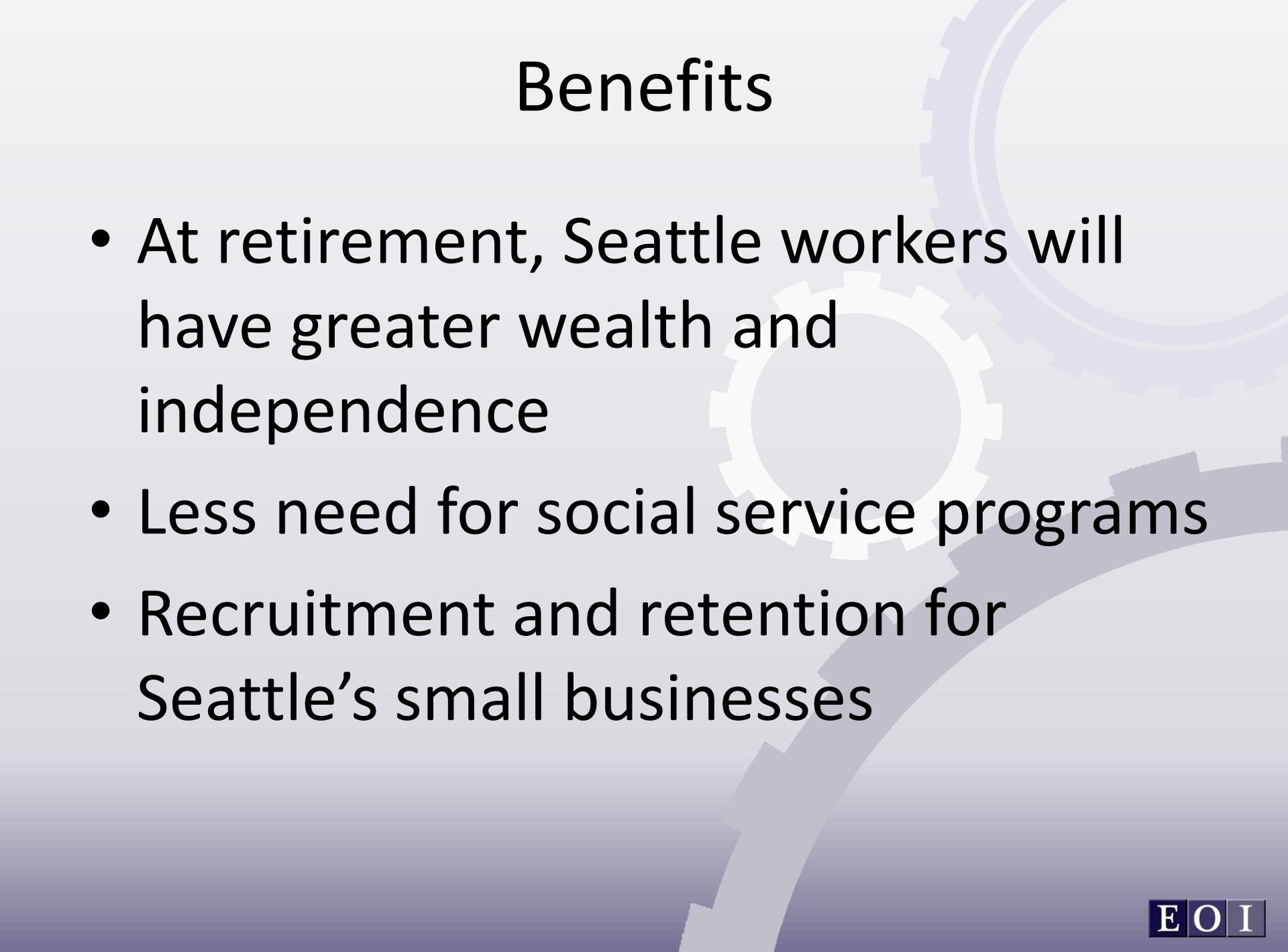
Market Failure

- Financial Services Industry
 - Brokers and financial advisors make less profit on small accounts and new savers
 - Per person cost of a plan is higher for small employers
 - Fees and expenses vary greatly, can be unreasonable and may not be transparent

What the City could do

- Act as a facilitator supporting small businesses starting retirement savings plans
- Identify and work with a financial services company that will offer products tailored to small business at reasonable fees, with limited high quality options
- Educate small business owners and workers on the importance of planning and saving for retirement

Benefits



- At retirement, Seattle workers will have greater wealth and independence
- Less need for social service programs
- Recruitment and retention for Seattle's small businesses