

# Expanding Access to Savings and Increasing Financial Security



## Background

Nearly half of all workers fear they will lack sufficient savings to get through retirement. Many are right to worry – projections show that 44 percent of Baby Boomers and Gen Xers are at risk of running short of funds in retirement.

Some of the challenges are quite clear. According to the Department of Labor, more than a third of private-sector workers (over 40 million people) do not have access to any workplace retirement plan. Others have access to a plan but are not participating, in many cases because tools like automatic enrollment are not in place. Moreover, every year workers that do have retirement savings find themselves raiding their accounts, to the tune of billions of dollars, to pay for unexpected short-term expenses and emergencies. Every dollar leaked from a retirement account today loses interest that would have accrued over a lifetime.

New legislation, co-sponsored by a bipartisan group of Senators—Cory Booker (D-NJ), Tom Cotton (R-AR), Heidi Heitkamp (D-ND), and Todd Young (R-IN)—would confront these challenges by expanding access to workplace retirement savings plans, particularly for workers employed by small businesses. The bills would also help Americans accumulate savings by: expanding the number of employers using automatic enrollment, automatic escalation, and other best practices; facilitating emergency savings to prevent retirement account leakage; and encouraging people to save (rather than spend) their tax refunds.

These reforms closely mirror recommendations from BPC's Commission on Retirement Security and Personal Savings. Taken together, they would provide millions more workers with easy options to save, prompt them to participate in saving at higher rates, and help secure financial stability in retirement – not just for them, for their families as well.

## Legislative Summaries

**The Small Business Employees Retirement Enhancement Act, [S.3219](#)**, would increase access to workplace retirement plans by making it easier for small business owners to offer plans. Specifically, the bill:

- Eliminates the regulatory barriers that prevent small business owners from joining professionally managed **pooled employer plans**, lowering the administrative cost of offering a plan.
- Transfers some of the fiduciary responsibility from the employer to the pooled plan provider, lessening the legal risk to small businesses – in turn, incentivizing more of them to get off the sidelines – and placing the responsibility and accountability for important plan decisions with those who have the expertise to make them.

**The Retirement Security Flexibility Act, [S.3221](#)**, would help more Americans accumulate savings by expanding the prevalence of well-designed workplace retirement plans, both by inspiring new plans and bringing auto features to some of the nearly half of all plans that lack them today. Specifically, the bill:

- Incentivizes plan sponsors to use automatic enrollment and automatic escalation of contributions to levels that are considered appropriate for the average saver. Workers would always be able to opt out.
- Makes it easier for small businesses to offer these well-designed plans by providing flexibility on the required employer contributions in order to be exempted from certain regulatory testing.

**The Strengthening Financial Security Through Short-Term Savings Act, [S.3218](#)**, would reduce early withdrawals (“leakage”) from retirement accounts and facilitate short-term savings by allowing employers to automatically enroll their workers into emergency savings accounts in addition to retirement accounts.

**The Refund to Rainy Day Savings Act, [S.3220](#)**, would allow individuals to pre-commit to saving their tax refunds for later in the year.

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