

April 2017

Texas Can Boost Individual Retirement Savings Rates in the Workplace Written Testimony For HB 3601

Laura Rosen – Senior Policy Analyst, rosen@cphp.org

Retirement savings is critical to our residents' future financial security. HB 3601 will boost retirement savings rates in Texas by helping employers offer a simple retirement plan to their workers at virtually no cost.

Why Do We Need this Legislation?

- **Most Texans are not saving for retirement, which will soon put a strain on state and local resources.**
 - A half to two-thirds of Americans are at risk of being unable to maintain their standard of living in retirement or cover long-term care costs.¹
 - The average private sector worker in Texas age 21-64 has only \$32,028 in a defined contribution account.²
 - When retirees don't have enough money to pay their bills, some are forced to rely on public programs.
- **Plan Administration Costs are a Barrier for Employers to Offer a Plan** - Plan administration costs are cited by employers as one reason they are not offering a retirement plan to their workers. This legislation enables employers to offer a retirement savings plan at virtually no cost to their workers.
- **Lack of Access to Workplace Retirement Plans** - One key reason Texans are not saving for retirement is because many do not have the opportunity to save for retirement at work, the best and most common way individuals build retirement savings.
 - Workers are 15 times more likely to save for retirement if they have a retirement plan at work.³
 - When Texas workers are given the opportunity to save at work, the vast majority take advantage of it. Specifically, 84 percent of full-time, full-year workers that have access to a plan participate.⁴

What Are The Benefits of This Legislation?

A state-administered program to expand access to retirement plans in the workplace would benefit Texas in a variety of ways.

- **Worker benefits** - Workers would benefit from increased household savings, which would reduce worker stress, increase productivity and set individuals up for a more secure retirement.^{iv}
- **Employer benefits** – Employers are able to offer a desired benefit to workers at virtually no cost.
- **State benefits** - Not only will retirees have more money to spend in their communities, but they are also more likely to be self-sufficient and less likely to rely on public programs.

For background on Texans' retirement savings shortfall and policy solutions to address it, please see CPHP's report "[Working Texans Face an Alarming Retirement Savings Shortfall](http://bit.ly/2oYZXIk)" here: <http://bit.ly/2oYZXIk>

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cphp.org or 512.823.2875.

¹ Jones, Rich. "States Increasing Access to Workplace Retirement Savings Plans," (Fall 2016), http://www.workingpoorfamilies.org/wp-content/uploads/2016/12/WPPF-Fall-2016-Brief_121916.pdf

²National Institute on Retirement Security. "Financial Security Scorecard: A State-by-State Analysis of Economic Pressures Facing Future Retirees." (March 2014) http://www.nirsonline.org/storage/nirs/documents/2014%20Scorecard/final_2014_scorecard.pdf

³AARP. "Greater Savings Can Increase Retirement Security and Economic Growth" (June 24, 2014) <http://blog.aarp.org/2014/06/24/greater-saving-can-increase-retirement-security-and-economic-growth/>

⁴The Pew Charitable Trusts. "Employer-based Retirement Plan Access and Participation Across the 50 States." <http://www.pewtrusts.org/en/multimedia/data-visualizations/2016/employer-based-retirement-plan-access-and-participation-across-the-50-states>

⁵CFPB. Financial Wellness at Work. (August 2014), <http://www.consumerfinance.gov/data-research/research-reports/financial-wellness-at-work/>.