



EVERY TEXAN

Formerly Center for Public Policy Priorities

Every Texan Supports HB 2996: A Path Forward to a Secure Retirement for Texans

For more information, please contact Jonathan Lewis, Senior Policy Analyst
lewis@everytexan.org

HB 2996 is a step in the right direction for working Texans, employers, and the state's financial future. This legislation will have far reaching impacts on Texas, including:

- **Workers:** This legislation will give millions of Texans easy access to retirement savings accounts.
- **Employers:** This legislation will help level the playing field for small businesses by providing easy access to establishing retirement plans for their employers.
- **State Resources:** This legislation will help reduce future costs to the state associated with care for seniors without financial resources.

HB 2996 establishes a retirement contribution program that addresses four key elements which research shows increases the likelihood that an individual chooses to save. These include:

- **Availability** – Most individuals that are saving for retirement do so at work, and therefore, any policy to boost retirement savings should target the workplace. One study found that workers are 15 times more likely to save for retirement if they have a retirement plan at work. [i]
- **Automatic enrollment** – Research finds that when an employer automatically enrolls their employee in a retirement savings plan rather than having the employee to sign-up for the plan, there is a significant boost in retirement savings plan enrollment. Data from Vanguard's database of 3.9 million participants show that plans with automatic enrollment have a participation rate 28 percentage points higher than plans without automatic enrollment. [ii]
- **Ease of investment** – Plans with too many investment options can create decision fatigue and prevent workers from enrolling in the plan. It's important that plans have a default investment option to simplify an individual's decision making process.
- **Auto escalation** – Auto escalation is an automatic increase in the employee's contribution rate over a set period of time such as each year. Auto escalation helps workers' retirement savings contributions keep up with their wage increases and helps participants' retirement savings grow over time.

We strongly urge you to consider the future of Texans by supporting HB 2996 to create a Secure Retirement Savings program.

[i] AARP. "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/>

[ii] The Vanguard Group Inc., "How America Saves," (2015), <https://institutional.vanguard.com/iam/pdf/HAS15.pdf>. As cited in: The Pew Charitable Trusts, "How States are Working to Address the Retirement Savings Challenge."