

Increasing Retirement Savings:

A discussion about state and federal proposals to boost access to private sector retirement plans



April 12, 2016

8:30 to 10:30 a.m.

#PewRetirement

Overview

- Why retirement savings is important
- Current savings situation
- Retirement savings across the states



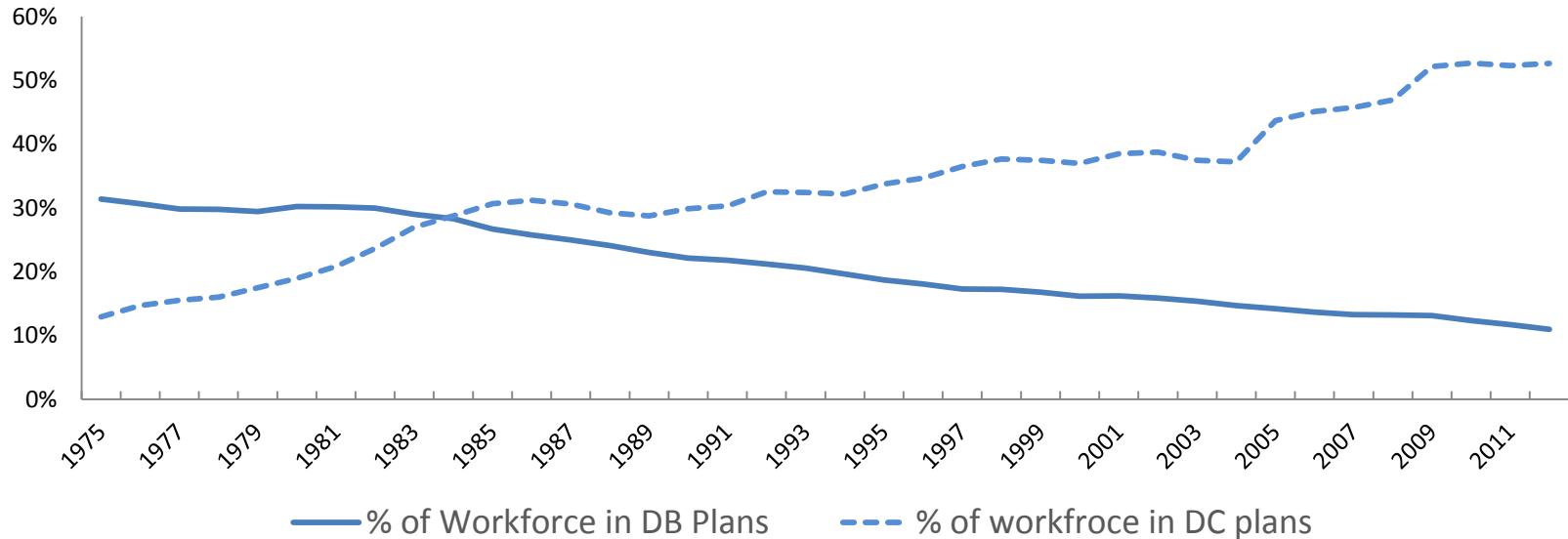
Why retirement savings is important

- Longevity: additional years of life at age 65
 - 1950: 14 years
 - 2013: 19 years
- Annual cost of long term care
 - Adult day health care: \$17,904
 - Assisted living: \$43,200
 - Nursing home: \$80,300

Source: National Center for Health Statistics. Health, United States, 2014: With Special Feature on Adults Aged 55–64. Hyattsville, MD. 2015; Table 16, available at <http://www.cdc.gov/nchs/data/hus/hus14.pdf#016>.

Why retirement savings is important

Active Participants in Retirement Plans by Plan Type as a Percent of the Workforce, 1975-2012



Source: U.S. Department of Labor, Employee of Benefits Security Administration, December 2014

Current savings situation

- “Rule of thumb” for retiree income: live on 4 percent of accounts per year or save 10 times their annual income
- Median income for households between 55 and 64 is \$56,575
- Median DC savings accounts for persons between the ages of 55 and 64 is approximately \$76,000

Current savings situation

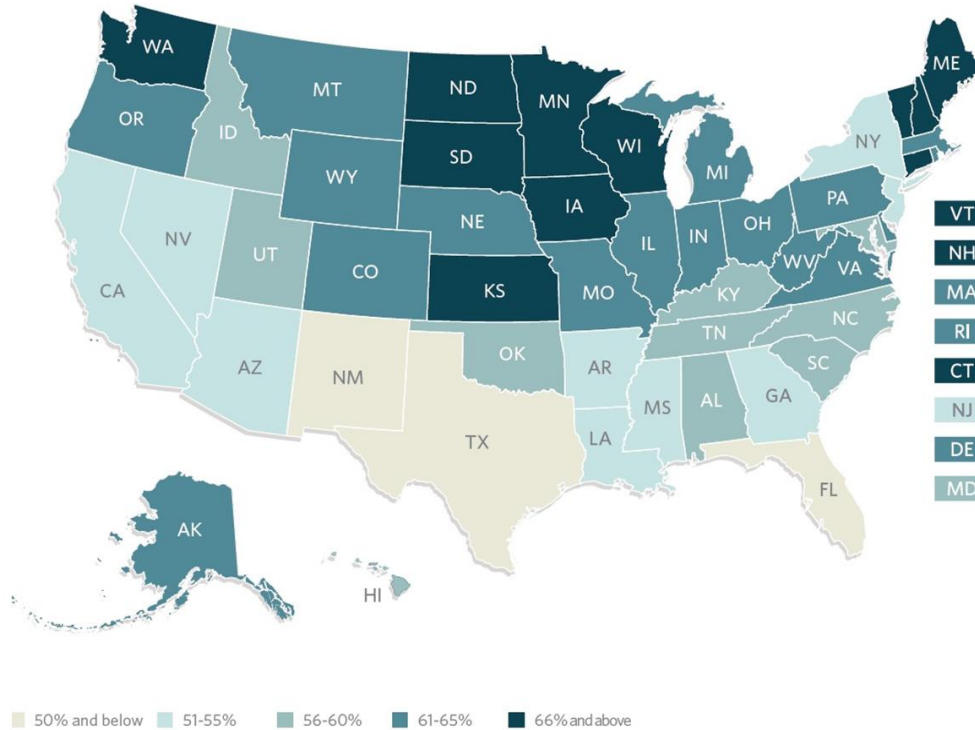
- 56 percent of retired Americans born between 1928 and 1945 have debt
- Half of single elderly and one-third of elderly in relationships die with less than \$10,000 in assets
- Retirement savings shortfall of \$4.13 trillion
- More than half of American households face a standard of living decline in retirement

Sources: Employee Benefits Research Institute, “Retirement Savings Shortfalls: Evidence from EBRI’s Retirement Security Projection Model,” Issue Brief, No. 410 (2015); Munnell, Hou, and Webb, “NRRRI Update Shows Half Still Falling Short,” Issue in Brief, Number 14-20, Boston, MA: Center for Retirement Research (2014); The Pew Charitable Trusts, *The Complex Story of American Debt*, (2015); Poterba, Venti, and Wise, “Were They Prepared for Retirement? Financial Status at Advanced Ages in the HRS and AHEAD Cohorts,” NBER Working Paper No. 17824 (2012)

Retirement savings across the states

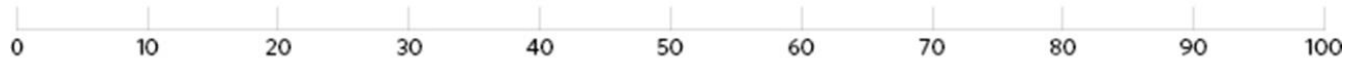
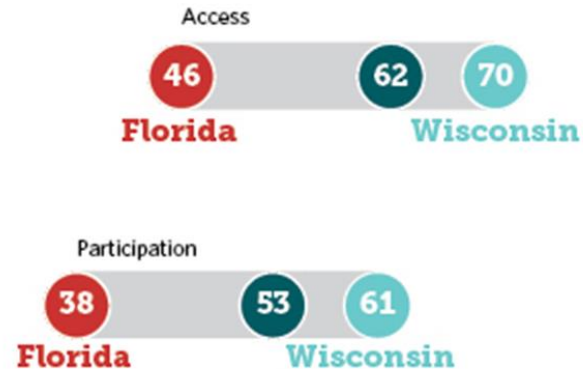
- 3 Key Terms:
 - Access
 - Take-up
 - Participation
- Example:
 - 60 percent access
 - 85 percent take-up rate
 - 51 percent participation rate

Access across the 50 states



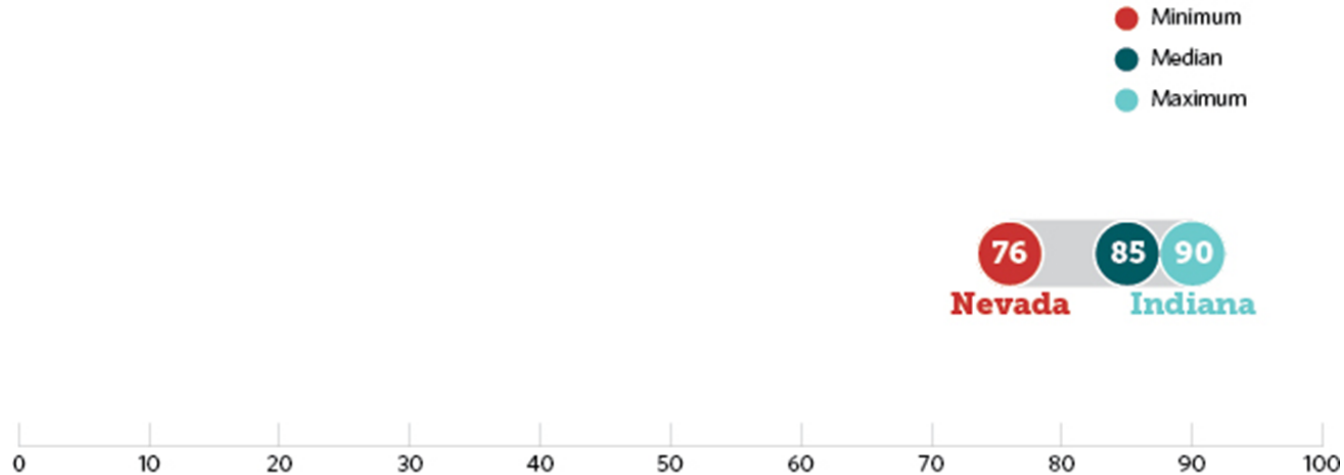
Access and participation range

- Minimum
- Median
- Maximum



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Take-up range



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What factors can influence access and participation?

- Various factors associated with access and participation, including:
 - Employer size
 - Industry
 - Wage and salary income
 - Age
 - Education
 - Race and ethnicity
- Many of these elements vary across the states

Access by employer size

	Access
< 10 employees	22%
10-49 employees	37%
50-99 employees	52%
100-499 employees	63%
500+ employees	74%

Proportion of small employers:

Low: Minnesota (9 percent)

High: Montana (18 percent)

Access by industry

Manufacturing	69%
Financial activities	68%
Educational and health services	64%
Transportation and utilities	61%
Professional and business	56%
Wholesale and retail trade	56%
Other industries	50%
Construction	40%
Leisure and hospitality	34%

Proportion of workers in construction industry:

Low: Michigan (4 percent)

High: New Mexico and Texas (8 percent)

Access by wage and salary income

	Access
< \$25,000	32%
\$25,000 - \$49,999	56%
\$50,000 - \$99,999	71%
\$100,000+	75%

Proportion of workers in low income households:

Low: New Hampshire (12 percent)

High: Arkansas (29 percent)

How wage and salary income might affect access/participation

- Indicator of job quality
- Income as constraint
 - Half of households experienced income drop/gain of 25 percent or more
 - 55 percent cannot replace one month's income via liquid savings

Access by race and ethnicity

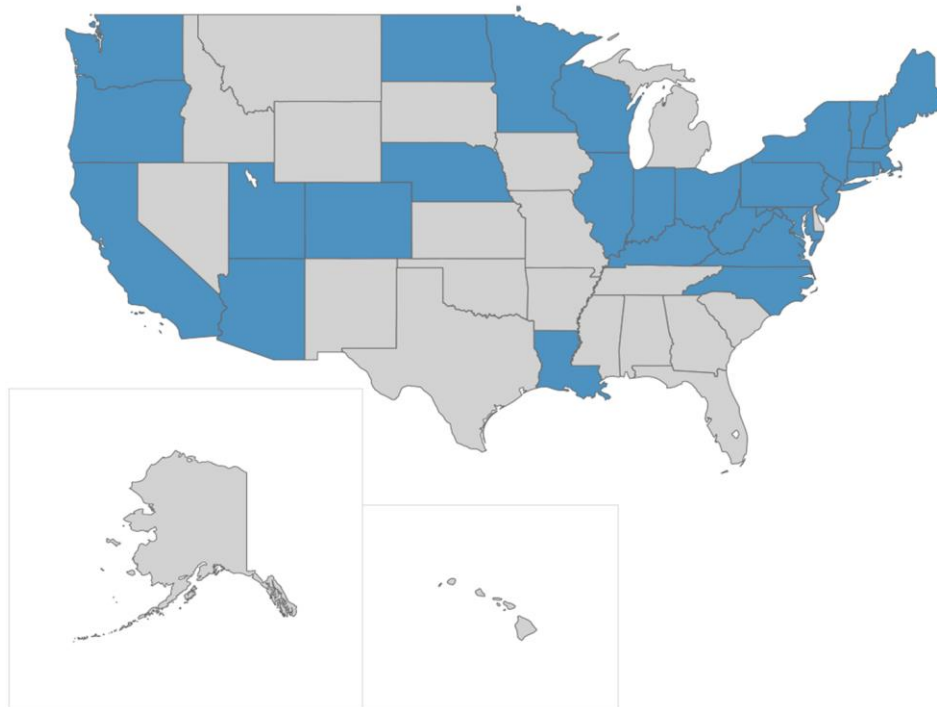
	Access
White non-Hispanic	63%
Black non-Hispanic	56%
Asian non-Hispanic	55%
Other non-Hispanic	59%
Hispanic	38%

Proportion of Hispanic workers:
Low: Vermont (1 percent)
High: New Mexico (52 percent)

Employer and industry response

- Automatic enrollment
- Auto escalation
- Retirement Industry
 - Small employers not cost effective
 - Multiple employer plans – not ‘blessed’

The policy response





Retirement Savings

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