

# Auto Enrollment

## Proposed Legislation Aims to Increase Retirement Plan Participation for All Americans

On Sept. 9, the House Ways and Means Committee approved retirement provisions in President Biden's Build Back Better bill. If the legislation becomes law, it will dramatically change how Americans save for retirement.

### Auto Enrollment: a Savings Game Changer

If enacted, the measure would reduce a retirement coverage gap that affects some 33% of private-sector workers, according to the U.S. Bureau of Labor Statistics. "Estimates show that enactment of the combination of the Automatic IRA Act and the Encouraging Americans to Save Act would create 51 million new individuals now saving for retirement and would add an additional \$6.2 trillion in retirement savings over a 10-year period. Nearly all—98%—of these 51 million new savers earn less than \$100,000 per year,"<sup>1</sup> said Brian Graff, head of the American Retirement Association, in his remarks to the Committee.

### Employer Plan Requirements

The proposed legislation would require employers that are at least two years old that currently don't offer access to a retirement plan and employ five or more people to begin automatically enrolling their employees in IRAs or 401(k)-type plans, effective Jan. 1, 2023. The automatic contribution would start at 6% for qualified employees and auto-escalate up to 10% during the fifth plan year and thereafter. Employees would be free to opt out or change their savings rate. Companies that fail to comply would be fined \$10 per employee per day for up to three months.

### Tax Credit for Plan Start-up Costs

To help offset plan administration costs, the proposed legislation significantly boosts the existing tax credit for qualified plan start-up costs and adds a new credit for certain small employer automatic retirement arrangements. An employer with a deferral-only 401(k) would get a \$1,000 credit for three years regardless of expenses and \$500 for the fourth year.

### State-Sponsored Auto IRAs Proposed

The other part of the legislation encourages employees, especially minorities who lack access to a retirement plan, to participate in a state-sponsored auto-IRA plan. For small and mid-sized employers (between 5 and 250 employees) without plans, 86% support the state-sponsored concept.<sup>2</sup> According to an Employee Benefit Research Institute study, nearly half (47%) of workers without a retirement plan report having less than \$1,000 in savings and investments.<sup>3</sup>



## Consult With Your RPS Team

If you would like to discuss these proposed retirement provisions or review your plan design, the Retirement Plan Solutions team at Mariner Wealth Advisors is here to help and can offer recommendations and guidance on the options that might be available to you.

For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

### Sources:

<sup>1</sup> [“ARA Graff Projects 51 Million New Retirement Savers”](#)

<sup>2</sup> [“Graff: Auto-IRA an Industry Gamechanger”](#)

<sup>3</sup> [“Retirement Confidence Survey 2021 Fact Sheet”](#)

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