

# Starter 401(k):

## Helping Small Businesses Close the Retirement Coverage Gap

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You see “Help Wanted” signs everywhere, but small-business owners historically have been at a disadvantage when it comes to finding workers because they often are unable to provide the same retirement savings plans as larger employers. A Starter 401(k) plan will allow them to offer an attractive employee incentive while helping to close the retirement coverage gap.

### What Is a Starter 401(k)?

Bipartisan legislation known as the Enhancing American Retirement Now (EARN) Act has been introduced in the U.S. Congress this year. A provision of the bill, the Starter 401(k) plan, is designed to make it easier for small businesses—those with 50 or fewer employees—to offer a defined contribution plan to workers to help them save for retirement.

### What Does the Bill Do?

Although a majority of small-business owners would like to offer their staff a workplace retirement plan, owing to burdensome regulations and high administrative costs, only about half of them do. This legislation will enable small businesses to provide streamlined, cost-effective retirement savings plans to their employees.

### How Would the Plan Work?

Employers would be eligible to offer a Starter 401(k) if they currently are not providing workers with a retirement plan option.

### Key components of the plan include:

- **Protection from certain obligations.** Employers would be covered by “safe harbor” provisions regarding nondiscrimination and top-heavy testing requirements.
- **No mandatory matching contributions.** Employers would be exempt from matching contribution requirements.
- **Annual contribution limits.** Employee contributions to a Starter 401(k) plan would be restricted to \$6,000 a year, indexed to inflation.<sup>1</sup> Employees aged 50 and older would be eligible to make an additional \$1,000 annual catch-up contribution.<sup>2</sup>
- **Automatic enrollment.** Eligible employees would be automatically enrolled in the plan at a minimum level equal to 3% of their salary but not more than 15% of pay.<sup>3</sup>



## Whom Does It Benefit?

Aside from enhancing small-business owners' ability to attract valuable employees, if passed the legislation is expected to benefit millions of additional workers who previously lacked access to a workplace retirement plan—many of whom are moderate-income individuals and racial minorities.

Viewed more broadly, small businesses are among our country's biggest employers. Enabling them to provide their employees with an opportunity to secure their financial future not only is good for small-business owners and their workers, but it also helps fuel our economy and allows communities to thrive.

## How We Can Help

Given that the EARN Act, with its provisions to create a Starter 401(k) plan, is widely supported by Congress, it could pass by year end.

At Mariner Wealth Advisors, our Retirement Plan Solutions team is here to answer your questions about the Starter 401(k) plan and explore how it could benefit both small-business owners and their staff. Our goal is help them make informed investment decisions and to promote greater financial well-being and retirement readiness.



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

### Sources:

<sup>1</sup> National Association of Plan Advisors "[Starter 401\(k\) Bill Introduced in the U.S. House.](#)"

<sup>2,3</sup> American Retirement Association "Addressing Retirement Plan Coverage and Adequacy."

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