

May 2009



## Universal Voluntary Retirement Accounts

Secure retirements, competitive businesses and economic growth for America

### Summary

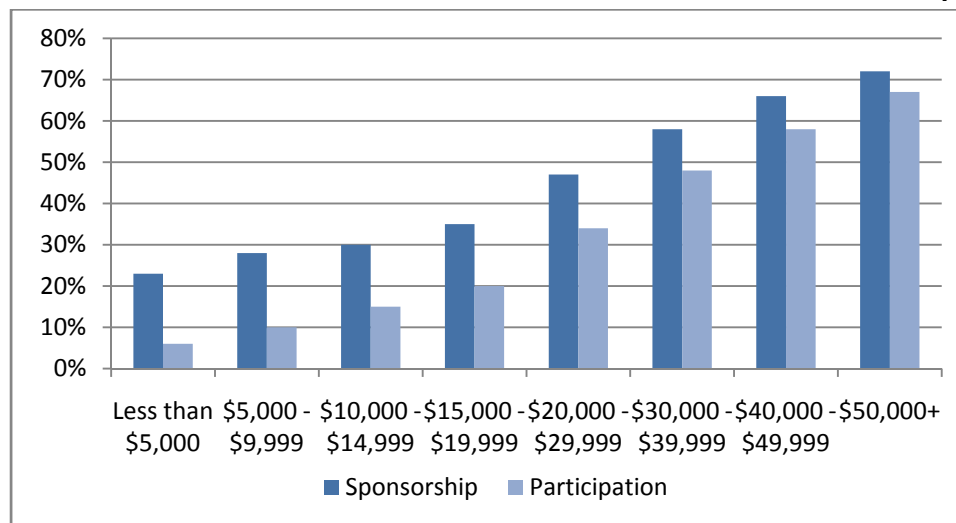
A better retirement system is critical for the economic security of Americans and for promoting small business competitiveness. Currently, half of all workers lack access to a retirement plan at their workplace.<sup>1</sup> Small businesses face high administrative and cost hurdles that often prevent them from offering retirement plans to employees.

Universal Voluntary Retirement Accounts (UVRAs) are a straightforward alternative to the retirement savings dilemma facing today's workers and small businesses. UVRAs allow any individual worker to open a low-cost Individual Retirement Account (IRA), and make it easier for small businesses to recruit and retain employees by offering them a way to save for retirement.

### Benefits for workers, business and our economy

**UVRAs make retirement plans available to more Americans.** Nationally, two out of three low-wage workers and one in four high wage workers continue to lack access to a retirement plan.<sup>2</sup> Many individuals and business owners put off starting a plan due to the complexity of existing retirement plans and confusion over program fees.

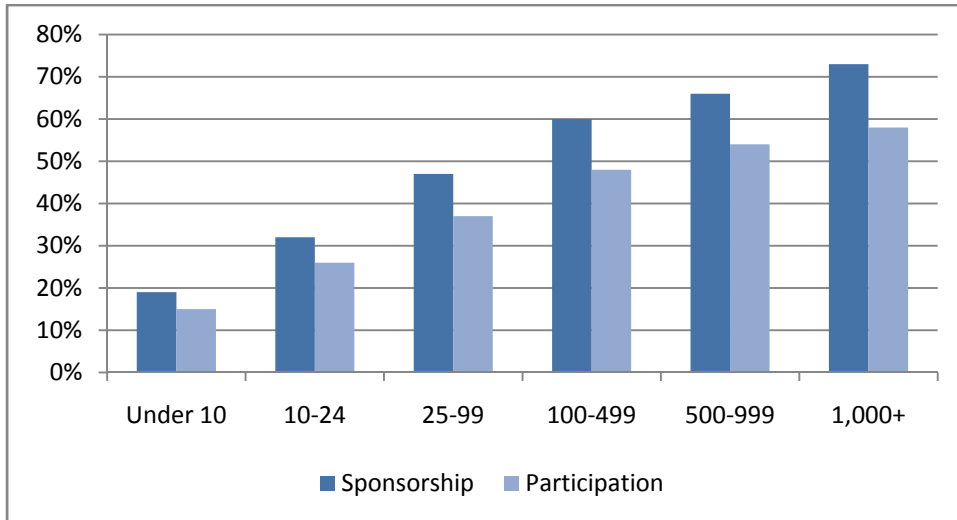
**BY INCOME: SPONSORSHIP AND PARTICIPATION IN RETIREMENT PLANS – 2007**



Source: Employee Benefit Research Institute Issue Brief No. 322, Oct. 2008

**UVRAs lower hurdles for small businesses.** Administrative and cost barriers prevent many small businesses from offering pension benefits to employees. In 2007, 80% of private sector workers in businesses with fewer than 25 employees did not participate in a pension plan. Even in companies with 500 or more employees, 43% of employees lacked coverage.<sup>3</sup>

## BY FIRM SIZE: SPONSORSHIP AND PARTICIPATION IN RETIREMENT PLANS – 2007



Source: Employee Benefit Research Institute Issue Brief No. 322, Oct. 2008

### How UVRA's work

UVRA's are voluntary defined contribution plans that utilize a state's existing retirement or investment infrastructure and professional fund management to bring together the investments of thousands of workers at small- and medium-sized businesses. States use their expertise and bargaining power to reduce cost barriers and complexities that prevent many small businesses from starting retirement plans.

UVRA's benefit workers, employers and the American economy:

- Workers benefit from convenient payroll deductions, a pre-selected menu of investment options, a retirement plan that can move from job to job, and low fees that improve investment returns.
- Smaller-sized businesses are able to compete on a more level playing field, with an easy-to-administer and inexpensive way to offer competitive benefits packages to workers. Employers may choose whether and how much to contribute to employees' accounts.
- The American economy benefits from an increased number of "citizen investors", an increased individual savings rate, and improved long-term family economic security.

UVRA's aren't intended to replace current retirement plans. They are designed for individuals and businesses without workplace-based retirement investing, and rely on existing rules for tax-deferred retirement savings. It's a supplement to Social Security's defined benefit for retired Americans, which alone is barely enough to keep many out of poverty.

### What's needed from Congress

Several states across the country are considering adopting UVRA programs. A \$15 million federal appropriation to seed these efforts would allow them to move forward with implementation.

<sup>1</sup> Employee Benefit Research Institute, Issue Brief No. 322, Oct. 2008.

<sup>2</sup> Employee Benefit Research Institute, Issue Brief No. 322, Oct. 2008.

<sup>3</sup> U.S. Census Bureau, American Community Survey: Selected Economic Characteristics 2005-2007.