

Blog Post, June 2016, 16-7

States Bridging the Partisan Divide on Retirement Security

By Angela M. Antonelli and David C. John

Solutions for too many critical problems facing our nation today are tied up in partisan gridlock, but Maryland's Republican Governor Larry Hogan recently demonstrated what bipartisanship is all about. He reached across the aisle and agreed to work with Democrats to tackle one of the most serious financial challenges facing Americans today: retirement security. On May 10, 2016, Governor Hogan signed the Maryland Small Business Retirement Savings Program bill into law.

According to the U.S. Government Accountability Office (GAO), almost one-third of households age 55 and older will have to rely largely on Social Security as their primary source of income in retirement because they do not have a defined benefit pension plan or a defined contribution retirement savings plan. More than four in ten working households (44 percent) have no defined contribution retirement savings at all. Recent studies document the most effective way for workers to save for retirement is by having access to a savings program through their employer, yet more than half of private sector workers do not have this option.

Maryland and other states have stepped forward to address the growing retirement savings crisis because of federal gridlock. Publicly-sponsored individual retirement accounts (IRAs), for example, are also being implemented in Illinois, Oregon, Connecticut and California. Because Democrats have primarily led these efforts, Republican Governor Hogan's actions are significant because they demonstrate an important step to bridge a partisan divide that can help millions of currently uncovered workers begin saving for retirement.

These retirement savings initiatives are consistent with the role states have played in tackling other savings challenges, most notably college savings. States enacted college savings 529 plans to establish state-sponsored agencies to help parents save for their children's higher education, even offering generous tax deductions or tax credits to do so. Indeed, it was the conservative Heritage Foundation that helped to develop such innovative solutions to assist more American families to save, be it for college or retirement, by expanding access and opportunities to saving vehicles.

Every day 10,000 Americans turn 65 and too many of them will be entering their post-work lives with little more than their Social Security benefits. As these seniors live at or below the poverty line, states will be increasingly pressed to deal with dramatic increases in the costs of social service programs for seniors, such as Medicaid, housing subsidies and energy assistance. The financial services industry has argued within the hallways of many state capitals that state efforts are unnecessary and compete with the private sector. While industry does not have to concern itself with seniors living in poverty, our elected state leaders do.

Retirement security is a bipartisan problem deserving bipartisan cooperation to address. The reality is saving for retirement need not be hard to do. States are leading the way to create savings opportunities for employees without workplace retirement plans, especially for low and moderate income families. Research shows that state-sponsored plans featuring automatic enrollment (with opt-out provisions) work well, make saving easier, convenient and much more likely. The new IRAs are the property of the employee and portable. Many small business owners want to help their workers save for retirement and recognize it is good for business if employees are more financially secure.

These state initiatives are not about government dictating how people should save but instead identifying easier and more effective ways to help more Americans build retirement savings. In each of these state-sponsored programs, although employees will have the option to choose not to save, we know many more will say yes to savings and that is an outcome all should want to achieve. Maryland's Republican governor signing a bill passed by a Democratic-controlled General Assembly is a promising sign of bipartisanship on a critical issue and should give us all hope for the future.

[Angela M. Antonelli](#) is the Executive Director of the Georgetown University Center for Retirement Initiatives.

David C. John is a Senior Strategic Policy Advisor with AARP's Public Policy Institute.

A version of this opinion piece was originally published in the Baltimore Business Journal.

This blog post is written for and published by the Georgetown Center for Retirement Initiatives. Copyright 2016, Georgetown University.

[View complete](#) copyright and reprint policies.