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Mr. Tom Morgan
Internal Revenue Service
CC:PA:01:PR (Notice 2024-65)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Saver's Match RFI (Notice 2024-65)

Dear Mr. Morgan,

As a Research Professor and Executive Director of the Georgetown University Center for Retirement Initiatives (GUCRI) at the McCourt School of Public Policy, I am pleased to have this opportunity to submit comments in response to the Request for Information (RFI) issued by the Department of Treasury (Treasury) and the Internal Revenue Service (IRS). These comments represent my own opinion and not those of Georgetown University.

Established in 2014, the GUCRI works closely with states and stakeholders to educate policymakers about state-facilitated retirement savings programs (SFRPs). For more than a decade, one of the GUCRI's primary missions has been to work with states to provide simple, low-cost retirement savings options to the more than 57 million private sector workers[1] who do not have access to an employer-sponsored retirement savings plan. SFRPs offer private sector employers a low-cost, easily accessible way to offer their employees a way to save for retirement. Many of these programs require employers that do not offer their own plans to automatically enroll their employees in the SFRP, although employees can always choose to opt out. The GUCRI provides technical assistance to states considering or implementing such programs; hosts monthly and annual state meetings; maintains a resource center and program performance data; provides guidance to address legal, policy and regulatory issues; delivers new research; and shares best practices and lessons learned.

Many SFRPs serve the population eligible for the Saver's Match and can be an effective conduit for increasing awareness and reaching eligible workers. These comments focus primarily on issues that could limit the ability of SFRPs to contribute to the success of the Saver's Match. I

[1]Angela Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?, Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc. https://cri.georgetown.edu/wp-content/uploads/2020/12/CRI-ESI-Report-Benefits_of_Universal_Access_FINAL.pdf.

expect service providers and other stakeholders will address the more technical issues related to claiming and administration, providing Treasury and the IRS with many constructive suggestions for improving the effectiveness and efficiency of the Saver's Match.

The Saver's Match has the potential to be a significant improvement over the little-used Saver's Credit,[2] with the ability to reach and benefit millions of low- and moderate-income Americans and improve retirement readiness and financial well-being. I will continue working with the states and stakeholders committed to the efforts of Treasury and the IRS to successfully implement it.

The Saver's Match Can Contribute to Building Wealth and Reducing Inequities While Reducing Future Fiscal Burdens

Too many Americans are simply not saving enough for retirement. The U.S. Government Accountability Office (GAO)[3] found that about half of households approaching retirement (age 55 or older) had no retirement savings in a defined contribution (DC) plan or an individual retirement account (IRA). The median amount for the 48% of households age 55 and older that had some retirement savings was $109,000, while about 55% of households ages 55–64 had less than $25,000 in retirement savings and 41% had zero. While most households in this age group have some other resources or benefits from a defined benefit (DB) plan, 27% had neither retirement savings nor a DB plan. According to the Social Security Administration (SSA), approximately one-half of households rely on Social Security for 50% of their income and 25% rely on Social Security for 90% or more of their income.[4]

These findings should not be surprising if, as noted, almost one-half of the private sector workforce lacks access to employer sponsored retirement savings plans. Workers are 15 times more likely to save for retirement if they have access to such a plan.[5] The gaps in access to retirement savings plans are greater among younger workers, women, minorities, and lower-income workers. Black and Hispanic workers tend to have significantly lower amounts of retirement savings than white workers.[6]

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[2]Multiple studies report that as few as 5% of eligible filers claimed the Saver's Tax Credit.
[3]U.S. Government Accountability Office, "Retirement Security: Most Households Approaching Retirement Have Low Savings," May 2015. https://www.gao.gov/assets/gao-15-419.pdf.
[4]Irena Dushi, Howard M. Iams, and Brad Trenkamp, "The Importance of Social Security Benefits to the Income of the Aged Population," Social Security Administration, *Social Security Bulletin*, Vol. 77 No. 2, 2017. https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html#:~:text=We%20find%20that%20about%20half%20of%20the%20population,at%20least%2090%20percent%20of%20their%20family%20income.
[5]Catherine Harvey (2017). "Access to Workplace Retirement Plans by Race and Ethnicity," AARP. https://www.aarp.org/content/dam/aarp/ppi/2017-01/Retirement%20Access%20Race%20Ethnicity.pdf, page 1.
[6]Jack VanDerhei, "How Large are Racial and Gender Disparities in 401(k) Account Balances and What is Causing Them: Initial Findings from the Collaborative for Equitable Retirement Savings," 9 (Mar. 2024). https://www.morningstar.com/content/cs-assets/v3/assets/blt9415ea4cc4157833/blt273217bac27b173a/65f8b69d9b2cdab3b993ebcb/CFERS-Publication-March-2024.pdf.

The Saver's Match has the potential to significantly boost retirement savings and build wealth for more low- and moderate-income families, helping to address the savings and wealth disparities among racial and ethnic groups. In 2020, the GUCRI analyzed the potential impact on savings for a typical automatic enrollment individual retirement account (auto-IRA) SFRP saver by making the Saver's Tax Credit refundable. The study concluded that a refundable tax credit had the potential to boost retirement income significantly. If a young Roth auto-IRA saver can start saving early (for example, by age 25) and do so consistently, accumulating contributions of $110,000 throughout their career, a refundable Saver's Credit could contribute to supporting an annual income stream at age 65 of $21,300, compared to $14,300 without it.[7]

More recently, the Collaborative for Equitable Retirement Savings found that for all ages from 25–64, the increase in the account balance/salary ratios at age 65 can be as high as 21.4% to 33.7% for eligible participants, with even more positive savings results for younger savers and Black females.[8]

The challenge for policymakers is whether to pay now or pay later to address the realities of an aging population lacking sufficient retirement savings with few resources to supplement Social Security benefits. Over the next two decades, the federal and state governments will be increasingly pressed to deal with dramatic increases in the cost of social service programs for seniors living at or below the poverty line — namely, programs related to healthcare, housing, food, and energy assistance.

According to the Pew Charitable Trusts, the retirement savings shortfall is expected to create a $1.3 trillion burden on federal and state budgets over the next 20 years.[9] The consequences of this shortfall will be wide-ranging, with the largest impact on those who already need public assistance. The Saver's Match has the potential to help mitigate the economic and fiscal impacts, but whether it is successful ultimately rests on how the program is implemented.

The Role of State-Facilitated Retirement Savings Programs (SFRPs)

The purpose of SFRPs is to provide more workers with an opportunity to save for retirement. There are currently 20 state programs, and of these, 17 of them are auto-IRA programs. Auto-IRA SFRPs require employers that do not offer a retirement plan to facilitate the automatic

[7] Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?," Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc.

[8] VanDerhei, "How Effective Might the Saver's Match Be in Mitigating Race/Gender Disparities in 401(k) Plans," (May 2024). https://www.morningstar.com/content/cs-assets/v3/assets/blt9415ea4cc4157833/blt161d7e11cd6c4248/6633b9eb619c8b3c69f92075/CFERS-Savers-Match-May-2024.pdf.

[9] Pew Charitable Trusts, "State Automated Retirement Programs Would Reduce Taxpayer Burden From Insufficient Savings," 2023. https://www.pewtrusts.org/en/research-and-analysis/articles/2023/05/11/state-automated-retirement-programs-would-reduce-taxpayer-burden-from-insufficient-savings#:~:text=The%20analysts%20who%20conducted%20the,billion%20between%202021%20and%202040.

enrollment of their employees into the program. The auto-IRA programs use Roth IRAs as their default account type, and the majority enroll participants at a 5% savings rate. Participants can opt out or change their contribution rate at any time.

Because SRSPs reach the Saver's Match target population, they represent an opportunity not previously available because they have only recently become a new retirement savings option for workers. These programs have grown significantly in a relatively short period of time. Since the first auto-IRA SFRP, OregonSaves, launched in 2017, auto-IRA SFRPs have amassed $1.75 billion in assets under management in the eight programs reporting to date, and approximately 941,000 funded retirement savings accounts.[10] The average contribution rate varies by program at approximately $108–$191 per month, meaning that workers are contributing approximately $1,000–$2,000 per year. This strong performance will continue with more programs still preparing to launch.

Because employers are not allowed to match contributions in the state auto-IRA programs, the Saver's Match will provide a much-needed boost for individuals saving through these state programs. As Treasury and the IRS consider how to implement the Saver's Match, some concerns, if left unaddressed, could potentially increase operational costs for SFRPs or, in the worst-case scenario, prevent SFRP participants from receiving these matching funds.

Help State-Facilitated Retirement Savings Program Help Savers Eligible for the Saver's Match

The SFRPs can play an important role in helping to reach eligible individuals, and there are ways that Treasury and the IRS can support their efforts.

Collaborate with SFRPs to Reach Eligible Workers. *Question 2 asks about the barriers individuals face in making qualified retirement contributions.* State programs understand well that there are numerous barriers to making such contributions, especially among underserved communities. These barriers include: 1) lower incomes and competing financial demands that make saving difficult; 2) low levels of financial literacy and knowledge; 3) lack of easy access to a retirement savings option; and 4) cultural differences and language barriers that keep individuals from engaging with the financial system.

SFRPs can help to address many of these barriers because they are already developing innovative ways to reach those eligible for their savings programs, for instance, their use of multi-lingual program materials and outreach to local community organizations. Treasury and IRS should consider how they can collaborate with SFRPs to increase awareness of the Saver's Match.

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[10] Georgetown Center for Retirement Initiatives, "State Program Performance Data," September 2024. https://cri.georgetown.edu/states/state-data/current-year/.

SFRPs are already serving almost 1 million low- and moderate-income workers and their employers, and this is still the early stages of these new programs. Collaborating with state programs can be an efficient and cost-effective way to reach those eligible, and the federal government could consider some modest grants or other funding to support state program efforts. However, state programs would want to make sure they have clarity about the ways they can communicate with savers in a manner that would not constitute financial advice.

Treasury and IRS also should consider how they might incorporate information about state programs in promoting the Saver's Match. For example, the IRS could work directly with the SFRPs to ensure that Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) trainers and volunteers are aware of SFRPs (in the states where these programs exist) and know how to ask about and/or recognize them. Savers in auto-IRA SFRPs may not recognize they have a Roth IRA, but they may recognize that they participate in the brand name of their SFRP.

Make it Easier for SFRPs and their Participants to Receive the Saver's Match. *Question 12 asks how to assist individuals eligible who make qualified retirement savings contributions to a Roth IRA and do not otherwise participate in an IRA or retirement plan that accepts the Saver's Match contributions.* Most of the participants in SFRPs are saving in Roth IRAs, but the Saver's Match can only be deposited into a traditional retirement account or IRA. The auto-IRA SFRPs participants are largely low- and moderate-income workers and a traditional IRA, as a pre-tax account, is not as advantageous for these individuals as a Roth account.[11] Requiring individuals to open a traditional IRA solely for the purpose of receiving the matching funds may increase the cost to savers by increasing provider fees and introducing unnecessary complexity.

Unless Congress changes existing law and allows for funds to be deposited into Roth IRAs, state programs would have to create another traditional account for savers to receive the Saver's Match. If this step is necessary, then Treasury and IRS should work with the states and other providers, as needed, to make this process of offering a parallel traditional account to receive the Saver's Match as easy as possible to keep the costs and administrative burden low. For example, it might be helpful if Treasury and the IRS would provide some flexibility as to when the traditional account can be opened and not require Roth IRA participants to have to take active steps to open a traditional account before claiming the Saver's Match.

If a provider needs to maintain more than one account for a participant, then other reporting and disclosure requirements should be streamlined also to reduce costs and administrative burden.

[11]The Tax Policy Center reports that the share of taxpayers actively contributing to traditional IRAs and who make less than $50,000 is 0.9%. Tax Policy Center, "Who uses individual retirement accounts?," 2024. https://taxpolicycenter.org/briefing-book/who-uses-individual-retirement-accounts.

These include whether the Know Your Customer (KYC) requirements also must apply to opening a second account and allowing for a joint disclosure document for a participant's Roth and traditional IRA.

Make the Claiming and Administration of the Saver's Match Simple, Efficient, and Effective. The Saver's Match has the potential to improve retirement outcomes for millions of Americans, especially historically disadvantaged groups. Various service providers and other stakeholders will provide Treasury and IRS with many specific, detailed suggested solutions to address the more technical issues related to claiming and administration to improve the effectiveness and efficiency of the Saver's Match.

Regardless, some basic principles should be reflected in solutions to improve the implementation of the Saver's Match. These include:

- **Simplicity.** Treasury and IRS should design all systems, websites, claiming processes, educational materials, and application forms to be as simple and easy to understand as possible.
- **Technology and automation whenever possible**. The federal government, including the IRS, already receives information from multiple sources regarding both income and retirement plan contributions and can do more to integrate databases to allow for data matching that could support, for example, pre-populating a form and thus reducing the burden on the applicant to find information that could deter claiming the Saver's Match.
- **Decisions that are easy, not hard.** Only ask the applicant to provide information if absolutely required and reduce the number of decisions that must be made. Establish defaults, such as the account that will receive the money or what will happen if the amount is under $100, while providing the option to make a different choice.
- **Provide access to all who qualify**. It is also important to make it easy for all who qualify to claim and receive the Saver's Match, including those who do not file taxes.
- **Invest in marketing and outreach.** Engage the extensive networks at the state and local level to provide information about the Saver's Match. Reach out to collaborate with financial education providers to augment existing efforts, and consider new partnerships with providers, such as SFRPs, to help reach those who are eligible.

Conclusion

Thank you to Treasury and the IRS for this outreach to gather information about the new Saver's Match and what will help to make it successful. The Saver's Match has the potential to be a valuable tool to help boost retirement readiness and reduce inequities in retirement savings. SFRPs can play an important role in this effort.

If you have any questions or would like more information about this letter, please contact me at ama288@georgetown.edu.

Sincerely,

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