STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
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Re: Pew report — Recommendations to Increase Retirement Savings in Washington

This report is submitted to fulfill Section 133(4) of the 2023-25 biennial operating budget, which directs Commerce to submit a study of retirement preparedness of Washington residents, including feasibility analysis of a portable individual retirement account savings program with automatic enrollment (auto-IRA) for private sector workers without workplace retirement benefits.

The Department of Commerce met the budget instruction by contracting with the Pew Charitable Trusts (Pew) to fulfill the budgetary requirements of the study. Pew in turn contracted with the Center for Economic and Business Research (CEBR) at Western Washington University (WWU). Together they collaborated on this study examining the demographic analysis, retirement systems, or retirement planning. The report contains an evaluation of wealth and savings, fiscal impacts and current market options.

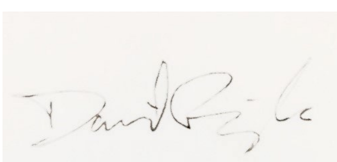
The report fulfills Section 133(4) of the 2023-25 biennial operating budget:
(4)(a) $30,000 of the general fund—state appropriation for fiscal year 2024 is provided solely for the department to produce a study of the retirement preparedness of Washington residents and the feasibility of establishing a portable individual retirement account savings program with automatic enrollment (auto-IRA) for private sector workers who do not have workplace retirement benefits. To conduct the study, the department shall enter into an agreement with a nonprofit, nonpartisan think tank and research center based in Washington, D.C. that is unaffiliated with any institution of education and with a mission to generate a foundation of facts that enriches the public dialog and supports sound decision making. This research center will be responsible for the production of the study to the department. The center shall not be reimbursed for costs nor shall it receive or retain any of the funds. With the advice and consent of the department, the center may select a research institution, entity, or individual located in Washington state with expertise and proficiency in demographic analysis, retirement systems, or retirement planning to collaborate with on this study. The appropriation may be used by the department to enter into a contract with this partner entity for the partner entity's contributions to the study. Any funds not provided to the partner entity or otherwise unused shall be returned.
(b) The study must analyze current state and federal programs and recent state and federal statutory and rule changes that encourage citizens to save for retirement by participating in retirement savings
(i) An examination of potential retirement savings options for self-employed individuals, part-time employees, and full-time employees whose employers do not offer a retirement savings plan;
(ii) Estimates of the impact on the state budget from shortfalls in retirement savings or income, including on public budgets from taxpayer-financed elderly assistance programs and a loss of economic activity by seniors;
(iii) The level of interest by private sector Washington employers in participating in an auto-IRA program;
(iv) A determination of how prepared financial institutions will be to offer these plans in compliance with federal requirements on 31 all new retirement plans going into effect in 2025;
(v) Findings that clarify the gaps in retirement savings services currently offered by financial institutions;
(vi) An examination of the impact of retirement savings on income and wealth inequality;
(vii) An estimate of the costs to start up an auto-IRA program, an estimate of the time for the program to reach self-sufficiency, and potential funding options;

(viii) The experience of other states that have implemented or are implementing a similar auto-IRA program for employers and employees, as well as program impacts on the market for retirement plan products and services;
(ix) An evaluation of the feasibility and benefits of interstate partnerships and cooperative agreements with similar auto-IRA programs established in other jurisdictions, including contracting with another state to use that state's auto-IRA program, partnering with one or more states to create a joint auto-IRA program, or forming a consortium with one or more other states in which certain aspects of each state's auto-IRA program are combined for administrative convenience and efficiency;
(x) An assessment of potential changes in enrollment in a joint auto-IRA program if potential participants are concurrently enrolled in the federal "saver's credit" program;
(xi) An assessment of how a range of individuals or communities view wealth, as well as ways to accumulate assets;
(xii) The appropriate state agency and potential structure for implementing an auto-IRA program; and
(xiii) Recommendations for statutory changes or appropriations for establishing an auto-IRA program.
(c) By December 15, 2023, the department must submit a report to the appropriate committees of the legislature in compliance with RCW 43.01.036 on the study findings.

In the report, Pew provides recommendations for several options to increase retirement access and utilization – "ranging from increased financial education to providing a retirement program."
The Department has not proposed these recommendations in any policy or budgetary request for the 2024 supplemental session and recognizes the need for additional policy development and assessment on the needs of Washington residents. For instance, the ability to review different income levels in Washington state relative to the cost of living of different regions of the state, the impact on Native people working for non-tribal employers, and savings structures like those noted in the July 2023 GAO report would provide useful additional data for policymakers.

We thank both Pew Charitable Trust and the CEBR at Western Washington University for their work and recommendations on this important public policy issue. We look forward to your consideration of the report and its recommendations.

Respectfully submitted,



Dave Pringle | LEGISLATIVE DIRECTOR

Washington State Department of Commerce

Recommendations to Increase Retirement Savings in Washington

A Report to the Washington State Department of Commerce

The Pew Charitable Trusts

December 2023

Executive summary

The Washington State Legislature commissioned a study to examine the retirement preparedness of Washington residents and to assess the feasibility of policy proposals to increase retirement readiness in the state. Using multiple research methods, this study examines the issue of retirement security in Washington from different perspectives ranging from the nature of the problems that need attention to a variety of approaches for addressing these challenges. Among the key findings:

Lack of retirement plan access is a driver of retirement insecurity. Forty-three percent of private sector workers in Washington lack access to a workplace retirement plan, representing more than 1.2 million workers in the state. Younger workers, Black and Hispanic workers, those with less education, lower incomes or who are working for smaller employers were all more likely to lack access.

- **49%** of Black private sector workers and **63%** of Hispanic private sector workers in Washington lack access to workplace retirement plans compared to **38%** of White workers and **39%** of Asian workers.
- While retirement benefits are largely delivered through employers, small employers in particular are challenged by costs and administrative hurdles in providing retirement plans to their workers.
- Evidence consistently shows that without such access very few workers save for retirement outside of these plans, despite the existence of individual retirement accounts (IRAs) and other retirement vehicles.

Wealth and income inequality are tied to lack of access to retirement benefits. Ownership rates of financial investments nationwide are lower for Black and Hispanic households than for White households: Investment ownership is **5 times higher** for White households than for Black or Hispanic households earning less than $59,000 nationally. These differences in investment ownership, which persist even after taking income into account, reflect differences in the amount of retirement savings held by different groups of households.

Inadequate retirement savings hurts not just workers but all Washington taxpayers. Taxpayers in Washington are facing an additional $3.9 billion in state social assistance spending from 2021 to 2040 due to insufficient retirement savings. The cost to Washington residents as federal taxpayers is much greater, with an additional $25.9 billion in increased federal spending over 20 years. This would cost Washingtonians a total of $29.7 billion over this time frame, or an additional $12,300 per working age household.

- A key factor in the fiscal costs of insufficient savings is the fact that Washington is aging. The population of Washington residents aged 65 and older is expected to **grow by over 1 million** – a 69% increase – by 2037.

Financial education is important but will not by itself close the gap in access to retirement plans. Increased financial experience, gained by expanding access and opportunities to save for retirement, is an important complement to financial education. Education and retirement plan participation together are more likely to improve financial literacy and family financial outcomes than education programs on their own.

The voluntary employer-based retirement system will not fully solve the issue of retirement insecurity. Employers who want to offer retirement benefits to their workers have a wide set of options from which to choose; traditional pensions and 401(k) plans are just the most well-known of many plan types. An employer-sponsored retirement plan can significantly boost employee retirement security with tools like employer matching contributions and robust investment options. But offering any retirement plan means that the employer must take on an array of legal and administrative responsibilities, many of which can be costly for the small business owner. Employers are not required to provide retirement benefits, and many firms say they cannot. Individual workers can set up their own retirement savings account, but the majority do not because of the number of decisions – spanning from where to invest, how much, and into which investments – necessary to do so.

States are implementing solutions to boost retirement savings. This study evaluates three policy options states have used to increase access to retirement savings: marketplaces, multiple employer plans (MEPs), and automated savings programs (also known as auto-IRAs or secure choice). Automated savings programs have been the most popular state-facilitated model to encourage additional retirement access and saving. Fifteen states have passed legislation creating such programs and seven state programs are in operation, accruing $1.1 billion in savings by more than 800,000 participants.

- A potential automated savings program in Washington could accrue $10.1 billion dollars over 15 years, becoming cash flow positive four years after beginning operation and three years after enrolling participants.

Washington small businesses would support an automated savings program. In a survey of 500 Washington small businesses with 100 or fewer employees, 72% said they supported an automated savings program, with 21% saying they strongly supported the concept. This support was consistent across firm size, whether an employer offered a retirement plan, business trade association membership, or political affiliation.

Recommendations: There are several options available to policymakers for increasing retirement security for Washington residents, ranging from increased financial education to providing a retirement program. Any initiative should strive to balance these criteria:

- aim to increase the retirement savings by workers at scale;
- not compete with the private employer-sponsored retirement system;
- be fiscally responsible;
- be financially sustainable; and
- be attractive to small business with minimal burdens or cost.

There are strengths and weaknesses with any approach, but an automated savings program – as modeled by 15 other states – is best at trying to satisfy the criteria listed above. Any automated savings program should: cover all employers without a retirement plan; automatically enroll workers with the opportunity to opt out; minimize costs to employers and participants as much as possible; and provide education and opportunities to traditionally underserved communities.

Budget proviso references and study limitations

The budget proviso as found in engrossed substitute Senate Bill 5187, section 133(4)(b), required the report to cover several topics. Below is a list of those topics, where the report provides the analysis, and limitations in the analysis.

(i) An examination of potential retirement savings options for self-employed individuals, part-time employees, and full-time employees whose employers do not offer a retirement savings plan: This topic is discussed in the section entitled, "Background on the private retirement system" and in Appendix C.

(ii) Estimates of the impact on the state budget from shortfalls in retirement savings or income, including on public budgets from taxpayer-financed elderly assistance programs and a loss of economic activity by seniors: This topic is discussed in the section entitled, "The fiscal impact of an aging population."

(iii) The level of interest by private sector Washington employers in participating in an auto-IRA program: This topic is discussed in the section entitled, "Small business views on automated savings programs" as well as Appendix E.

(iv) A determination of how prepared financial institutions will be to offer these plans in compliance with federal requirements on all new retirement plans going into effect in 2025: This topic is discussed in the section entitled, "Background on the private retirement system." Note: The report authors did not have time to assess the preparedness of financial institutions of the many changes enacted by the federal SECURE 2.0 legislation for private sector retirement plans that go into effect in 2025. However, in informal communications with financial services firms and trade associations, many expressed confidence that they will be able to incorporate these changes into their product and service offerings.

(v) Findings that clarify the gaps in retirement savings services currently offered by financial institutions: This topic is discussed in the section entitled, "Background on the private retirement system."

(vi) An examination of the impact of retirement savings on income and wealth inequality: This topic is discussed in the section entitled, "Wealth and savings implications for racial and ethnic groups" as well as in Appendix A. Note: The discussion in this section is based on national data and not state-specific data.

(vii) An estimate of the costs to start up an auto-IRA program, an estimate of the time for the program to reach self-sufficiency, and potential funding options: This topic is discussed in the section entitled, "Feasibility of potential Washington automated savings program."

(viii) The experience of other states that have implemented or are implementing a similar auto-IRA program for employers and employees, as well as program impacts on the market for retirement plan products and services: This topic is discussed in the section entitled, "State policy solutions landscape" as well as Appendix D.

(ix) An evaluation of the feasibility and benefits of interstate partnerships and cooperative agreements with similar auto-IRA programs established in other jurisdictions, including contracting with another state to use that state's auto-IRA program, partnering with one or more states to create a joint auto-IRA program, or forming a consortium with one or more other states in which certain aspects of each state's auto-IRA program are combined for administrative convenience and efficiency: This topic is discussed in the section entitled, “State policy solutions landscape,” specifically at ‘Interstate partnerships.’

(x) An assessment of potential changes in enrollment in a joint auto-IRA program if potential participants are concurrently enrolled in the federal "saver's credit" program: This topic is discussed in the section entitled, “Potential impact of the federal Savers’ Tax Credit.” Note: There is insufficient data to estimate a change in enrollment because of the federal Savers’ Tax Credit.

(xi) An assessment of how a range of individuals or communities view wealth, as well as ways to accumulate assets: This topic is discussed in the section entitled, “Wealth and savings implications for racial and ethnic groups.” Note: The discussion in this section is based on national data and not state-specific data, and due to data limitations, some groups such as low-income groups are not covered.

(xii) The appropriate state agency and potential structure for implementing an auto-IRA program: This topic is discussed in the section entitled, “Feasibility of potential Washington automated savings program” and specifically under the discussion ‘State agencies to house automated savings program.’ Note: The discussion in this section is limited due to time constraints for researching potential state entities.

(xiii) Recommendations for statutory changes or appropriations for establishing an auto-IRA program: This topic is discussed in the section entitled, “Recommendations and conclusions.”

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Access to workplace retirement plans in Washington

Key takeaways about retirement plan access:

- More than **1.2 million** private sector workers lack access to workplace retirement plans in Washington, representing **43%** of the private sector workforce in the state.
- **49%** of Black workers and **63%** of Hispanic workers in Washington lack access to workplace retirement plans compared to coverage gaps of **38%** for White workers and **39%** for Asian workers.
- Those without access are also more likely to be younger, less educated, earn less, and work for smaller employers, and 1 in 4 workers with a seemingly middle-class income (between $50,001 and $78,000) do not have workplace retirement benefits.
- Employers want to provide retirement plans because it helps workers, but most small businesses find the cost and administration of a plan to be key barriers to providing benefits.

Worker access to retirement benefits

In Washington, 43% of private sector workers lack access to workplace retirement savings plans. This represents more than 1.2 million Washingtonians who can't save for retirement at work. While men and women have similar rates of access to workplace savings plans, those without access are more likely to be younger, non-White, less educated, earn less and work for smaller employers.

- This report covers private sector workers and not public sector workers, who traditionally have much higher rates of coverage by retirement and other benefits.
- This report includes both full- and part-time workers. Part-time workers are covered at lower rates than their full-time counterparts. While 43% of the overall workforce in Washington lacks coverage, 65% of part-time workers, those working 34 hours or less per week, lack coverage.
- Unionized workers from both the public and private sectors also have higher rates of access to retirement benefits – nationally, 94% of unionized workers have access to retirement benefits[1]. Washington has one of the highest rates of unionization in the nation at 19% of the workforce.[2]

Access to retirement benefits differs greatly by race and ethnicity (Table 1). Hispanic workers are the least likely to have access to workplace retirement savings in the state. Nearly two-thirds of Hispanic workers lack access, representing more than 200,000 workers. In addition, nearly half of Black workers and more than one third of White and Asian workers lack access.

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[1] U.S. Department of Labor, Bureau of Labor Statistics, (2023), *Table 5. Union affiliation of employed wage and salary workers by state,* Economic News Release, January 19, 2023, https://www.bls.gov/news.release/union2.t05.htm.

[2] U.S. Department of Labor, Bureau of Labor Statistics, (2019), *Union workers more likely than nonunion workers to have retirement benefits in 2019,* TED: The Economics Daily, October 25, 2019, https://www.bls.gov/opub/ted/2019/union-workers-more-likely-than-nonunion-workers-to-have-retirement-benefits-in-2019.htm.

Table 1: State private sector workers without retirement plan access by race and ethnicity

	Percentage without access	Number without access
White, non-Hispanic	38%	710,615
Black, non-Hispanic	49%	62,541
Asian, non-Hispanic	39%	121,010
Hispanic	63%	260,068
Other*	47%	68,731

*Note: Other race/ethnicity includes Indigenous Americans/American Indians and those who report more than one race.
Source: Pew analysis of the Current Population Survey (2019-2022).

Access also varies by age. Workers under age 26 are nearly twice as likely to lack access to workplace savings as workers in their prime working years (45-54 years old) (Table 2). Younger workers are less likely to get jobs with benefits than older workers, and younger workers may put less emphasis on retirement benefits when evaluating job offers.

Table 2: Private sector workers without retirement plan access by age

	Percentage without access	Number without access
18-25 years old	63%	295,543
26-34 years old	44%	318,382
35-44 years old	37%	242,589
45-54 years old	34%	193,680
55-64 years old	37%	172,772

Source: Pew analysis of the Current Population Survey (2019-2022).

Access to retirement benefits improves with increased educational attainment (Table 3). Roughly three in four workers without a high school diploma lack access to a retirement plan. Still, large numbers of highly educated workers also lack access. More than a quarter of those with a bachelor's degree or higher lack access, which represents nearly 300,000 workers in the state.

Table 3: private sector workers without retirement plan access by education

	Percentage without access	Number without access
Did Not Graduate High School	74%	170,178
High School Diploma or Equivalent	53%	392,862
Some College or Associate Degree	42%	360,789
Bachelor's Degree or Higher	28%	299,137

Source: Pew analysis of the Current Population Survey (2019-2022).

Similarly, access to workplace savings increases with income (Table 4). This is not surprising because income and education are correlated, but what is interesting – and concerning – is that 1 in 4 moderate-income workers (between $50,001 and $78,000) do not have workplace retirement benefits.

Table 4: Private sector workers without retirement plan access by income

	Percentage without access	Number without access
$18,000 or less	77%	376,184
$18,001 to $30,999	63%	302,964
$31,000 to $50,000	45%	273,528
$50,001 to $78,000	25%	136,048
$78,001 or greater	18%	134,241

Source: Pew analysis of the Current Population Survey (2019-2022).

Firm size is also closely associated with rates of access to workplace savings (Table 5). Workers at smaller firms, which often face administrative and cost challenges to offering retirement benefits[3], are less likely to have access. More than three quarters of workers employed at businesses with fewer than 10 employees lack access to a retirement plan.

Table 5: Private sector workers without access by firm size

Number of employees	Percentage without access	Number without access
Under 10	76.1%	275,827
10 to 24	61.2%	325,916
25 to 99	49.6%	116,464
100 to 499	38.4%	141,815
500+	26.4%	362,945

Source: Pew analysis of the Current Population Survey (2019-2022).

Lack of access to workplace plans in Washington is broadly distributed across industries (Table 6). However, workers in leisure and hospitality and construction are more likely to lack access than those in other fields. Two thirds of those working in leisure and hospitality and more than half (55%) of those in construction lack access. Still, large numbers of workers in other industries, including retail, professional services, and education and health services also lack access. These three industries comprise nearly half (roughly 1.4 million) of the private sector labor force in Washington.

[3] The Pew Charitable Trusts (2017). Employer Barriers to and Motivations for Offering Retirement Benefits. https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/06/employer-barriers-to-and-motivations-for-offering-retirement-benefits.

Table 6: Private sector workers without access by industry

	Percentage without access	Number without access
Leisure & Hospitality	67%	201,440
Construction	55%	122,308
Other Industries	52%	157,442
Retail	43%	193,441
Professional	39%	169,706
Transportation	37%	53,248
Education & Health Services	35%	170,203
Manufacturing	29%	109,582
Financial Activities	29%	45,598

Source: Pew analysis of the Current Population Survey (2019-2022).

Barriers to access: employers sponsoring retirement plans

In the United States, retirement benefits are generally provided by employers, but employers are not required to do so. Thus, one way to increase access to retirement benefits is by more employers adopting plans so why don't all employers offer retirement benefits?

As noted above, retirement benefits are more likely to be offered by larger firms than small businesses. According to research by Western Washington University, firms with fewer than 100 employees make up 97% of all businesses in Washington, and workers at such firms comprise 47% of the workforce (see Appendix A, Distribution of Businesses).

Many employers, and particularly small firms, find it difficult to offer retirement benefits. To understand this issue, Pew surveyed 500 businesses in Washington from July through September of 2023 (full results are in Appendix E). The surveyed businesses had no more than 100 employees, and nearly all (91%) were local firms as opposed to franchises. Roughly half the sample were employers that offered retirement plans.

For employers that sponsored retirement plans, Pew asked why they did so and whether the reason for offering a plan was a major reason or a minor one. In summary, employers offer retirement benefits primarily because doing so benefits the workers:

- Nearly all (92%) said that a major reason was that a plan helps employees save for retirement.
- Another major reason was that a plan has a positive impact on employees (79%).
- Employers also said plans help attract and retain quality employees (68%).
- And offering a plan was the right thing to do for society (61%).

For employers without plans, the survey asked if they ever plan to offer a retirement savings plan, and 53% said they would not offer a plan at any point in the future. When asked why they did not provide retirement benefits, the top reason identified by respondents was that they did not have the resources to administer such a plan (43%) followed by the cost of setting up a plan (38%). The survey results in

Washington are consistent with prior research on small businesses, including a 2016 nationwide Pew survey of small to mid-sized employers.[4]

Additionally, in the fall of 2023, Pew conducted listening sessions with business leaders and small- and medium-sized businesses in Washington. These business owners and organizations were asked their perspectives on offering employee benefits and retirement plans. They mentioned that things such as housing, childcare, and health benefits were often more top of mind for their workers and consequently for them. Still, they emphasized that their workers were also concerned about their future financial situation and retirement.

[4] Ibid.

Wealth and savings implications for racial and ethnic groups

Key takeaways on wealth and saving by race and ethnicity:

- Nationally, investment ownership is **5 times higher** for White households than for Black or Hispanic households earning less than $59,000 nationally.
- Differentials in retirement savings nationally: White households in the third income quartile have saved a median account value of $53,000 while Black households have saved $41,000 and Hispanic households just $25,000.
- Nationally, even among those who have access to a retirement plan, a participation gap persists with 82% of Black workers and 82% of Hispanic workers participating compared to roughly 90% of White workers.

Retirement security is a function of one's financial assets, whether those assets are retirement savings, a promised pension, the equity in a house, personal investments, or other sources. Like access to a retirement plan, however, wealth and savings varies a great deal by race and ethnicity.

A study by the US Treasury found that ownership rates of financial investments were five times higher for White households than for Black and Hispanic households in the bottom two income quartiles, representing those with household incomes less than $59,000.

- In the lower half of the income distribution, financial investment ownership rates for White households were 24% and 43%, respectively, compared to 14% and 32% for Black households and 4% and 22% for Hispanic households.[5]
- Looking solely at those who had any financial investments (i.e., excluding those without investments), the median value of financial investments owned by White households in the third income quartile, those earning $59,000 to $108,000, was $35,000 compared to only $12,000 for Black households and just $3,300 for Hispanic households.[6]

While income differences across these groups are related to this disparity in investment ownership, even among households in the same income quartiles, wealth ownership rates are lower for Black and Hispanic households. The Treasury study suggests that apart from income differences, differences in intergenerational wealth transfers and varying risk tolerances between racial and ethnic groups may also help account for differences in ownership of financial investments.[7]

Retirement savings are an important component of a household's investment asset holdings, and these differences in investment ownership are also present in retirement savings. Just looking at households with retirement savings, white households in the third income quartile have saved a median account value of $53,000 in a retirement plan while Black households have saved $41,000 and Hispanic households just $25,000.[8]

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[5] US Department of the Treasury, (2023), *Racial Differences in Economic Security: Non-Hispanic Assets*, Retrieved 9/14/23, https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-non-housing-assets.
[6] Ibid.
[7] Ibid.
[8] Ibid.

As noted above, workers of color lack access to workplace retirement benefits, but access is not the full story. Black and Hispanic workers have lower rates of participation in workplace retirement plans than White workers. A national analysis conducted by the investment management company T. Rowe Price found that almost six in 10 White workers participate in a retirement plan while just four in 10 Black workers and three in 10 Hispanic workers are participating. While much of this appears related to lack of access, even among those who have access to a workplace retirement plan, a participation gap persists with 81.6% of Black workers and 82.2% of Hispanic workers participating compared to roughly 90.4% of White workers.[9]

Income differences within a group may also affect retirement plan participation within a group. For example, while Asian workers have relatively high access rates and overall have the highest earnings of any racial and ethnic group in the U.S., this belies differences within this group. A 2016 analysis by the Pew Research Center found that Asians had the greatest amount of income inequality of any racial and ethnic group in the U.S. Asians in the top 10% of the income distribution earned 10.7 times as much as Asians in the bottom 10%. This compares to an 8.7 times difference between the top and bottom 10% for the overall U.S. population.[10] This suggests that while Asian workers overall have greater rates of access to workplace plans than Black and Hispanic workers, there are likely significant participation differences within groups. Developing a better understanding of these differences within groups and how they may impact retirement savings behavior will be important to improve savings among all racial and ethnic groups.

Automatic enrollment is a crucial factor in closing the participation gap because it both boosts enrollment broadly and helps equalize participation rates across different demographic groups. These impacts have been the largest among groups with historically lower participation rates. A study examining the implementation of automatic enrollment at a large U.S. corporation found a twenty-one-percentage point gap between White and Black workers' participation rates prior to the introduction of automatic enrollment (43% to 22% respectively). While automatic enrollment boosted participation among all workers, it was more pronounced for Black workers, shrinking the gap to just seven percentage points (88% for White workers and 81% for Black workers).[11]

Black and Hispanic views on saving and financial priorities

Any policy solution to address the gaps in retirement security needs to meet people where they are, and recent research sheds some light on the needs of underserved communities. For example, research from the Joint Center for Political and Economic Studies and the National Opinion Research Center (NORC) examined the financial situations and goals of Black Americans. Black Americans reported a wide range of financial situations and experiences. Although only 42% reported having enough saved to cover three

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[9] T. Rowe Price, (2022), A*ccess Matters: Race, Ethnicity, and the Retirement Savings Gap,* https://www.troweprice.com/content/dam/retirement-plan-services/pdfs/insights/race-retirement-and-savings-gap/Access_Matters_Infographic.pdf; Sudipto Banerjee, (2023), *Closing the Retirement Savings Gap for Minorities*, Retrieved 9/14/23, https://www.troweprice.com/personal-investing/resources/insights/closing-the-retirement-savings-gap-for-minorities.html.

[10] Rakesh Kochhar and Anthony Cilluffo, (2018), *Income Inequality in the U.S. Is Rising Most Rapidly Among Asians, The Pew Research Center*, https://www.pewresearch.org/social-trends/2018/07/12/income-inequality-in-the-u-s-is-rising-most-rapidly-among-asians/.

[11] Brigitte C. Madrian and Dennis F. Shea, (2001), *The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior*, The Quarterly Journal of Economics **116**(4): 1149-1187.

months of expenses, 67% were at least somewhat optimistic about their financial futures. Many of their financial goals were focused on short-term, more immediate needs while rating longer term goals, such as retirement, as less important. Still, 73% of Black Americans said that having enough saved for a comfortable retirement was either very important or absolutely critical.[12]

In a Prudential survey examining the Hispanic American financial experience, 53% of Hispanics said that saving for retirement is an important financial priority, which is significantly lower than the whole population (62%). Top financial priorities for Hispanics are more immediate, such as reducing debt (52%) and building an emergency fund (42%). Both of those items are roughly in line with the overall population. Of interest is that saving for a child's or grandchild's education was of greater importance to Hispanics (31%), than the overall population (18%).[13]

As noted above, Hispanics have lower rates of access to and participation in workplace plans than other racial and ethnic groups. More than half of Prudential's Hispanic survey respondents reported a "poor" or "very poor" understanding of U.S. workplace retirement plans, which may present an opportunity for outreach and education. Prudential also suggests that some Hispanics may be more hesitant to participate in a retirement plan because they are considering retirement outside of the U.S. Nearly a quarter (23%) of Hispanics reported that they would divide their time between the U.S. and another country during retirement. An additional 7% said they would live primarily outside the U.S. One in ten of those not contributing to a workplace plan said uncertainties about what would happen to their money if they retired outside of the U.S. was a barrier to their participation.[14]

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[12] Jessica Fulton, LaShonda Brenson, Juan Carlos Donoso, Vince Welch, (2023), *Pessimism and Hope: A Survey of the Financial Status and Aspirations of Black Americans*, Joint Center for Political and Economic Studies. https://jointcenter.org/pessimism-and-hope-a-survey-of-the-financial-status-and-aspirations-of-black-americans/.

[13] Prudential Research, (2014), *The Hispanic American Financial Experience*, https://www.prudential.com/media/managed/hispanic_en/prudential_hafe_researchstudy_2014_en.pdf.

[14] Ibid.

The fiscal impact of an aging population

Key takeaways on the fiscal impact of aging and retirement savings:

- Washington's population is aging. From 2022 to 2037, the number of Washington residents aged 65 and older is projected to increase **by over 1 million**, a 69% increase.
- In 2040, **53%** of older households will have an annual income of less than $75,000 and will face an expected average annual income shortfall of about **$4,810** relative to recommended levels of savings.
- Taxpayers in Washington are projected to face a cumulative **$3.9 billion** in additional *state* social assistance spending over the period of 2021 through 2040.

Aging in Washington

As is the case across the country, demographic changes in Washington are leading to larger shares of older residents and retirees relative to those working age and in the labor force. These changes can put an additional strain on social services as more older residents and retirees increase demand for social services while there are fewer working age individuals to support the provision of these services. The Center for Economic and Business Research (CEBR) at Western Washington University (WWU) examined the aging population and projected how this population would change in Washington over the next 15 years. (For county level estimates to show the impact at a more local level, see Appendix A.)

In 2022, there were an estimated 1,566,990 people in Washington aged 65 and older, and this number will grow to 2,640,502 by 2037, a 69% increase. The aging of the population will not be uniformly distributed across counties, although all counties will see an increase in the older population. For example, San Juan County's older population will more than double by 2037 while Yakima County's older population growth rate will be a relatively modest yet still robust 37%.

Population aging may strain the state's resources. The dependency ratio measures the relationship between the combined populations of young children under 15 and those age 65 and older relative to the working aged population of 15 to 64. The dependency ratio indicates the level of strain that may be placed on working age residents who generally support younger and older populations, and changes in the dependency ratio may result from a decline in working aged people or an increase in dependents. Across many counties in Washington, the dependency ratio is expected to increase between 2022 and 2037. The average increase in the dependency ratio is similar between western and eastern regions of the state, but the dependency ratio is higher for rural counties than for urban counties, likely reflecting the rapid aging of these areas (see Appendix A).

Insufficient savings leads to retiree income shortfalls

Most Americans save for retirement through employer-provided retirement plans, but as detailed in the demographics section, 43% of workers in Washington's private sector lack access to a retirement savings plan at work. For many, lack of retirement plan access will translate over time to low retirement savings, leading to insufficient assets to maintain their standard of living in retirement.

To estimate the size of the retiree income shortfall due to insufficient retirement savings, Pew partnered with Econsult Solutions (ESI), an economic consulting firm. To maintain the living standards enjoyed by households during their working years, financial advisors recommend an "income replacement" target of 75% of the average income earned between ages 45 to 64. The analysis focused on households with less than $75,000 in income, who are assumed to be economically vulnerable. Households with $75,000 or more in income are assumed to have sufficient savings for retirement even if they were saving below their target replacement income. Analyzing trends in demographics and savings, Pew and ESI projected that by 2040, the vulnerable Washington households will have an average annual income of $37,660, falling short of their income replacement target by $4,810.[15]

Social assistance costs from insufficient savings

Fortunately, social programs can make up much of the savings' shortfall for the vulnerable older households, but large income shortfalls in retirement coupled with population aging will increase these programs' fiscal cost and increase pressure on taxpayers.

To measure the fiscal impact of inadequate retirement savings, the Pew-ESI analysis first projected a baseline scenario of the social assistance spending needed to address the retiree income shortfall if current eligibility requirements and benefit levels of entitlement and welfare programs were maintained through 2040. Then the analysis compared that baseline spending to lower spending under an alternative and hypothetical scenario in which people have sufficient savings to reach their target retirement income. The difference in assistance program spending between these two scenarios can be thought of as the fiscal cost of insufficient savings.

While many programs serve older Americans, retirement savings primarily impacts the spending on programs that use means testing for benefits eligibility. In comparing the baseline and sufficient savings scenarios, Pew and ESI primarily analyze means-tested benefit programs that rely on a mix of federal, state, and local funding: Medicaid, Medicare Part D Low-Income Subsidy, Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Low-Income Home Energy Assistance (LIHEAP), Supportive Housing for the Elderly (Section 202), and Older Americans Act Congregate Nutrition & Home-Delivered Nutrition Programs. The study also considered programs that are targeted to seniors and are not means tested but the costs of which are tied to the size of the older population and that population's retirement savings, such as the Older Americans Act Supportive Services & Senior Centers and Older Americans Act Caregiver Support. The analysis then estimates per capita program expenditures based on a mix of administrative data and program rules.

Given the estimated income gap and current social program costs, taxpayers in Washington would face a cumulative $3.9 billion in additional state social assistance spending over the 20 year period of 2021 through 2040 relative to a scenario in which all households save adequately.[16] Additionally, based on current and projected tax flows, Washington taxpayers may be on the hook for another cumulative $25.9 billion tied to their share of increased federal spending on social assistance programs over the

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[15] Econsult Solutions, Inc., (2023). *The Cost of Doing Nothing. Federal and State Impacts of Insufficient Retirement Savings,* https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf.
[16] Ibid.

same period.[17] Combined, these costs to Washingtonians attributable to insufficient retirement savings total $29.8 billion, or an additional $12,300 per working age household over this period.[18]

Additional savings to offset the retiree income shortfall

Additional savings can offset the large fiscal and personal cost of insufficient savings. The amount of savings that would be required to completely close the annual retiree income gap of $4,810. Given standard market assumptions, additional monthly savings of $95 over 30 years would completely close this gap for vulnerable Washington households. In addition, utilizing the recently expanded federal Saver's Credit, discussed below, could shrink that required savings further to just $65.[19] While the additional savings to offset the fiscal impact is hypothetical, any increase in retirement savings above the status quo will improve outcomes for both households and taxpayers.

[17] Ibid.
[18] Ibid.
[19] Ibid.

The role of financial education in retirement savings

Key takeaways on financial education and literacy:

- Some Washington residents do well on financial literacy measures, but in looking at 5 standard financial literacy measures taken as a whole, 57% were unable to answer more than three of the five correctly.
- An increase in financial experience – provided by expanding opportunities to save for retirement in the workplace – accompanied by financial education programming and nudges, could significantly improve both financial literacy and family financial outcomes.

Financial education can encourage more individuals to save for retirement. Generally, a financially knowledgeable person makes decisions that improve their personal economic health and resilience. However, financial literacy initiatives—while useful in creating a more financially-savvy population—do not fully bridge gaps created by lack of effective access to retirement savings opportunities.

Financial literacy measures

Many people do not understand the economics of saving and investing for the future. The National Financial Capability Study is a national survey that covers a range of topics related to people's economic conditions and knowledge. Specifically, the survey asked respondents five questions, referred to as the 'Big 5,' about a range of personal finance topics in everyday life. Table 7 provides an overview of each question as well as the percentage of surveyed Washington residents that correctly answered each question.

Table 7: Big 5 financial capability questions and percentage of correct answers

Question (correct answer in **bold**)	Percentage of Washington residents with correct answer
The interest question: Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? Answers: **More than**/Less than/Exactly $102	77%
The inflation question: Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account? Answers: More than today/**Less than today**/Exactly the same	63%
The bond question: If interest rates rise, what will typically happen to bond prices? Answers: They will rise/They will stay the same/**They will fall**/There is no relationship between bond price and interest rate	33%
The mortgage question: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. Answers: **True**/False	72%
The risk question: Please tell me whether this statement is true or false. "Buying a single company's stock usually provides a safer return than a stock mutual fund." Answers: True/**False**	49%

Source: Pew analysis of the 2021 National Financial Capability Study, Washington subsample (n=502)

As the table shows, some Washington residents do quite well on individual questions, but taken as a whole, 57% were unable to answer more than three of the five questions correctly.

Financial literacy and education

Despite more financial information being available, gaps in literacy exist. According to a Pew Research Center analysis of U.S. Census Bureau data, millennials currently comprise the largest share of the U.S. labor force at 35%, which constitutes a major share of our country's economy.[20] Despite how accessible personal financial information and educational materials are through technology and online resources, a recent report from the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business shows that millennials have lower levels of financial literacy than older adults.[21]

[20] Richard Fry, (2018), *Millennials are the Largest Generation in the U.S. Labor Force*, https://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/.
[21] Andrew Martinez, (2018), *Improving Financial Literacy Among Students of Color, Especially Millennials,* https://diverseeducation.com/article/127137/.

In Washington, multiple organizations are focused on financial literacy, including:

- The Jump$tart Coalition Washington identifies high-quality personal finance materials, curriculums, and resources for educational use and makes them available through an online clearinghouse. [22] Resources serve financial institutions, educators, policy makers, and parents.[23]
- The Washington State Department of Financial Institutions provides a website dedicated to financial education for all Washington residents with links to resources and local partners that provide assistance with financial education.[24]
- The Office of the Washington State Treasurer provides several resources for financial education and links to other organizations that assist in developing financial literacy.[25]

In addition, several private sector organizations are also active in providing financial literacy resources for the State such as the Washington State Employees Credit Union.[26] The National Endowment for Financial Education (NEFE) provides a comprehensive personal finance curriculum.[27] Described as a practical and objective program, this curriculum is available at no cost to all high schools throughout the country.[28]

Financial literacy, experience and outcomes

Based on the emphasis on and availability of resources dedicated to increasing financial wellness, a key question is: Are these resources and activities effective in increasing financial literacy, and increasing actual savings for both short-term and long-term needs like retirement income?

Pew conducted a review of the research literature regarding the correlation between financial education and financial literacy and concluded that while a relationship may exist between financial literacy and financial outcomes, it's not necessarily clear whether literacy affects outcomes or outcomes affect literacy. The full report is in Appendix B.

Some research does find an association between financial literacy and behavior. In general, financial knowledge is associated with an increase in engaging in various financial activities such as paying bills on time, budgeting, paying off credit cards, and setting financial goals. Other studies have found a correlation between financial literacy and retirement planning. More specifically, financial literacy is predictive of investment behaviors, including stock market participation, choice of a low-fee investment portfolio, and better diversification and more frequent stock trading. Conversely, low financial literacy is associated with higher debt accumulation and high-cost borrowing, making poor mortgage choices, and a greater chance of mortgage delinquency and home foreclosure.

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[22] *See generally,* The Jump$tart Coalition Washington, https://wajumpstart.org/.
[23] Ibid.
[24] *See generally,* The Washington State Department of Financial Institutions, 'Financial Education for Washington Residents,' https://dfi.wa.gov/financial-education.
[25] Washington State Treasurer, *Financial Education: Learn to Manage Your Money Wisely,* https://www.tre.wa.gov/personal-finance/financial-education/.
[26] *See generally*, WSECU, *Financial Wellness*, https://wsecu.org/financial-wellness,
[27] *See generally*, The National Endowment for Financial Education, *About* (last viewed Dec. 1, 2020), https://www.nefe.org/about/default.aspx.
[28] *See generally,* The High School Financial Planning Program, *Personal Finance Curriculum for Teens*, https://www.hsfpp.org/about/program-overview.aspx.

At the same time, financial education on its own has not consistently shown the ability to increase savings or financial well-being. The research is also mixed on what sorts of financial education are most impactful and most likely to increase an individual's readiness for the financial decision-making that accompanies adulthood.

Some research has shown that financial knowledge increases through personal experience with financial activities. Employer-sponsored retirement plans often provide targeted financial education information that participants can use to increase their knowledge as they save. Some programs include 'nudges' with the education that encourage participants to increase their savings at key milestones, like birthdays or the turning of the new year.

Going back to the financial literacy questions from the National Financial Capability Study discussed above, we can see the relationship between financial literacy and being covered by a retirement plan. In the survey, residents in Washington were asked if they or their spouse/partner, if applicable, have any retirement plans through a current or previous employer. Comparing performance on the 'Big 5' financial literacy questions described above and plan coverage, people are significantly more likely to get at least 4 questions right if they are covered by a retirement plan:

Table 8: Performance on 'Big 5' financial literacy questions by retirement plan coverage

	Covered by plan	Not covered by plan
3 or fewer questions right	43%	60%
4 or more questions right	57%	40%

Source: Pew analysis of the 2021 National Financial Capability Study, Washington subsample (n=472)

For Washington, a key takeaway is that financial education is important but on its own is not likely to make a meaningful difference in the level of retirement savings and financial well-being in retirement. However, <u>an increase in financial experience – provided by expanding opportunities to save for retirement in the workplace – accompanied by financial education programming and nudges, could significantly improve both financial literacy and family financial outcomes</u>.

Background on the Private Retirement System

Key takeaways on the private retirement system:

- Several types of retirement plans exist for employers to sponsor, particularly for small businesses.
- The main drawback of employer-provided plans is that the system is voluntary, and employers are not required to offer a retirement plan to their employees.
- Savings options are available to individuals outside of the workplace, but the individual worker needs to know what types of accounts exist, evaluate them, make decisions about investments, and set up recurring contributions. Perhaps for this reason, **only 14%** of Americans save for retirement outside of the workplace.

Retirement options like defined benefit and defined contribution plans are typically offered as part of an employment benefits package. Yet offering a retirement plan is not mandatory; these offerings depend on the employer choosing to offer the plan as an option for their employees. This system reduces the financial security of workers, because they cannot be sure if they will have the ability to save for the future each time they move from one job to the next. Indeed, at present approximately 56 million Americans – including, as noted above, 1.2 million Washington private sector workers – do not have the ability to save for retirement at work, simply because their employer does not offer a plan. [29]

Background on employer-sponsored plans

There are two broad types of employer-sponsored plan, defined benefit (DB) and defined contribution (DC). Defined benefit plans, or employee pensions, are common in public service but are less common in the private sector. Private sector employers that offer a retirement plan are more likely to offer a defined contribution plan, such as a 401k.[30]

- With **defined benefit** plans, workers receive an "automatic" commitment of a level of replacement income once they have achieved tenure with that employer. The commitment belongs to the employer who has a fiduciary responsibility to manage the plan soundly. The DB plan is generally insured by The Pension Benefit Guaranty Corporation (PBGC) so there is little risk the saver will be left with nothing if the employer goes out of business. However, the long-term commitments in DB plans tend to be expensive. The worker's role in this system is to stay in a covered position to earn the benefit.
- With **defined contribution** plans, workers are given the option to contribute a portion of their pay to an investment account and may have to make choices about appropriate investment options and risk. The employer may or may not contribute to the plan and maintains fiduciary responsibility to manage the plan in the best interests of the participants.

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[29] John Sabelhaus, (2022), *The Current State of U.S. Workplace Retirement Plan Coverag*e, Scholarly Commons, March 1, 2022, https://repository.upenn.edu/entities/publication/d8cadb9f-a595-4574-9b5c-3f173c60cabe.
[30] U.S. Department of Labor, *Private Pension Plan Bulletin Historical Tables and Graphs 1975–2020*, October 2022. https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletin-historical-tables-and-graphs.pdf

When employers offer retirement plans at work on a defined benefit or defined contribution basis, onboarding is simplified. The employer, a trusted source for most employees, assumes responsibility for product and feature selection, and individual contributions are accomplished by direct deposit. Typically, DB plans automatically cover workers who meet age and tenure thresholds while DC plans can, but do not have to, automatically enroll workers and use auto-escalation, which increases the likelihood that employees will participate in the DC plan and increase their contributions over time.

From the employee's perspective, the main drawback of employer-provided plans is that the system is voluntary, and employers are not required to offer a retirement plan to their employees. It might seem odd that an employer would choose not to provide this important benefit. But this decision is not as simple as deciding to offer a plan; as noted above in the discussion about access, even when employers want to provide retirement benefits, becoming a plan sponsor takes time and resources.

Costs, reporting, and administrative roles for employers

Retirement plans can be costly for the employers that sponsor them. Costs can include fees paid to service providers as well as the costs of complying with federal rules governing retirement plans. The following is a list of some of the sources of costs for employers sponsoring a plan:

- **Startup:** Many service providers have fixed costs to get a plan started for an employer. For example, service providers must create accounts for the employees who will be part of the plan and input employee data into the administrative recordkeeping system. In addition, they must create plan documents that often require approval by governmental authorities. Service providers usually charge a separate setup fee to cover these tasks.
- **Recordkeeping:** Once a plan is operational, the plan administrator performs a variety of tasks such as tracking contributions and withdrawals, processing new hires or terminations, and providing assistance when participants have questions. The recordkeeper also provides statements and other reports to participating employees.
- **Investments:** Usually, asset management fees related to investments in a plan are charged to the participants as a small percentage of the assets in a participant's account. Larger employers may use an investment advisory firm to assist with investment menu selections, at an expense to the employer.
- **Administrative and Fiduciary:** Federal law requires many compliance activities that an employer must complete to develop and maintain an employer-sponsored plan. For example, most large retirement plans must audit the accounts and plan assets, and the employer must ensure that the plan's benefits do not unduly favor highly paid employees. Employers can outsource compliance tasks to accounting firms and recordkeepers, adding to the cost to maintain an employer plan. In some cases, employers also may need to take out insurance or a fidelity bond to protect against claims of negligence in performing their fiduciary responsibilities.

Options for retirement savings for individuals without access to an employer plan

When an individual does not have access to either a defined benefit or defined contribution plan at work, savings options are available. Taking advantage of these options means the individual worker needs to know what types of accounts exist, evaluate them, make decisions about their investment strategy, and set up recurring deposits into the retirement account. Due to the effort required to set up such an account, only 14% of workers save for retirement in this way.[31] The following are the most common types of retirement accounts individuals and/or self-employed workers can set up (Appendix C provides a table providing more detail on these programs):

- Individual Retirement Accounts (IRAs). IRAs are for individual investors and generally any person can set up an IRA through a financial institution. The two types of IRAs are Roth IRAs and traditional IRAs. Roth IRAs are funded with after-tax contributions, while contributions to traditional IRAs are tax deductible. These two vehicles provide tax advantages depending on the individual's financial situation. For example, because Roth IRA contributions have been taxed, withdrawals are tax free. If a taxpayer believes they will be in a higher tax bracket at retirement, a Roth IRA might make more sense than a traditional IRA.
- Simplified Employer Pension (SEP) and Savings Incentive Match Plan for Employees (SIMPLE). IRAs are used as the basis for two types of plans that have been designed for small businesses or the self-employed – Simplified Employer Pension (SEP) and SIMPLE IRA plans. SEPs only allow employer contributions into IRAs that are set up for each employee.[32] The SIMPLE allows employees and employers to contribute to traditional IRAs set up for employees.[33]
- 401(k). Self-employed workers can use a one-participant 401(k) plan. When used by a self-employed worker, the plan may go by solo 401(k), individual 401(k), or uni-401(k). This plan type is for one person firms without any employees and allows the self-employed worker to contribute a portion of their wages to an individual account. Those contributions can be pre-tax, that is, they are excluded from the employee's taxable income, or they can be after-tax like the contributions made to Roth IRAs.
- Payroll Deduction IRA. One other IRA-based program is the payroll deduction IRA. This is not an employer-sponsored plan but simply an IRA that is funded by employee contributions deducted from the paycheck. Typically, a worker will ask the employer to withhold a set amount and forward that amount to an IRA provider, but the employer is not under any obligation to perform the withholding.

[31] Anqi Chen and Alicia H. Munnell, (2017), Center for Retirement Research at Boston College, *Who Contributes to Individual Retirement Accounts*, https://crr.bc.edu/wp-content/uploads/2017/04/IB_17-8-1.pdf.
[32] A self-employed worker can contribute a certain percentage of their business profits as an "employer."
[33] A self-employer worker can contribute both a percentage of their earnings as an "employee" and provide a matching contribution as an "employer" in this scenario.

State policy solutions landscape

Key takeaways about state policy solutions:

- States have been taking the lead in addressing retirement savings shortfalls, focusing on 3 types of programs: automated savings programs or auto-IRAs, multiple employer plans (MEPs), and retirement marketplaces.
- Fifteen states have adopted the automated savings program. As of October 2023, the seven operational automated savings programs have amassed approximately **$1 billion** in savings across more than **750,000 participants** and **165,000 employers**.
- Because of their voluntary nature, both MEPs and marketplaces have not achieved significant increases in retirement plan coverage. In 2023, the total number of employee accounts produced through the Washington marketplace was fewer than 100.

In the absence of national solutions to the retirement savings gap, state-level solutions have been developed to encourage additional access and saving. Current state-facilitated programs are rooted in existing retirement plan models in the private sector. In each model the state fills what has been missing for many: assumption of a fiduciary role to evaluate available structures and investment options and to provide work-based access to the selected solution on an automated basis at a reasonable cost to employers and employees. The three most commonly-used state-facilitated models are summarized below and in Table 9.

Automated savings program (auto-IRA). The most popular state-facilitated model is the automated savings program, also known as an auto-IRA, secure choice, or "work and save" program, in which the employee has part of their wages deducted and contributed to their IRA. Other than enrolling workers and facilitating contributions through payroll deduction, the employer pays no fee, has no role or fiduciary responsibilities in an automated savings program, and is not allowed to make contributions to the employee's account. Program participation is required for employers if they do not offer a retirement plan and if they meet certain eligibility criteria such as a minimum firm size. Employees are automatically enrolled in the program but have the option to opt-out if so desired. The program may use either a traditional or Roth IRA account, but in practice all state programs currently use a Roth IRA, funded with post-tax contributions as the default savings vehicle. Investment options usually include a capital protection portfolio, a target date fund family of portfolios and other mutual fund options professionally managed by an outside investment firm. Roth IRAs are an attractive option for savers because they allow money to grow tax-free, are portable across jobs, and permit the account owner to access their contributions at any time without penalty. The state provides oversight of the program but outsources the administrative and investment functions to private sector service providers.

Multiple employer plan (MEP). An MEP is a retirement savings plan offered by two or more unrelated employers and administered by a third-party provider. In theory, any kind of retirement plan, including a defined benefit plan, may be used in an MEP, but in practice a 401(k)-style plan is most often used. The retirement plan in the MEP is subject to federal pension law. Until recently, employers participating in the same MEP had to share a common nexus or interest with other employers or a common physical presence in a geographic area. States were provided with the ability to serve as the nexus for unrelated employers in 2015.[34] The state provides oversight of the program but outsources the administrative and investment functions to private sector service providers. Employers do pay fees for joining the MEP and have some fiduciary obligation as a participating sponsor, but costs and fiduciary liability could be lower as the MEP takes advantage of the economies of scale of a group plan.

Online retirement marketplace. A retirement marketplace is a state-facilitated online platform for retirement plan service providers to offer products to small businesses without a plan. The state creates the website, evaluates potential service providers, and encourages employers to use the website to shop for products meeting the state's criteria. The marketplace is not a retirement program like those discussed above; it is a vehicle to assist small businesses looking for retirement plans and to provide some basic financial education. In the states that have attempted to create a retirement marketplace model, a limited number of service providers have opted to participate and typically offer 401(k) plans and IRA plans. The impediments to employers adopting a retirement plan for employees – time, resources, cost – remain with a marketplace model.

Combination of programs. These programs are not mutually exclusive. Given that the state already operates a marketplace, as discussed below, the state could add an automated savings program or a MEP so that employers and employees have choices. An employer could enroll its employees into an automated savings program, and then after a few years, the firm could decide that it wants its own retirement plan and either join a MEP or select its own plan from the marketplace. The workers would keep their IRAs from the automated savings program while they migrate to the MEP.

Table 9 gives a summary of the features of each model.

[34] 29 C.F.R. § 2509.2015-02 (2015).

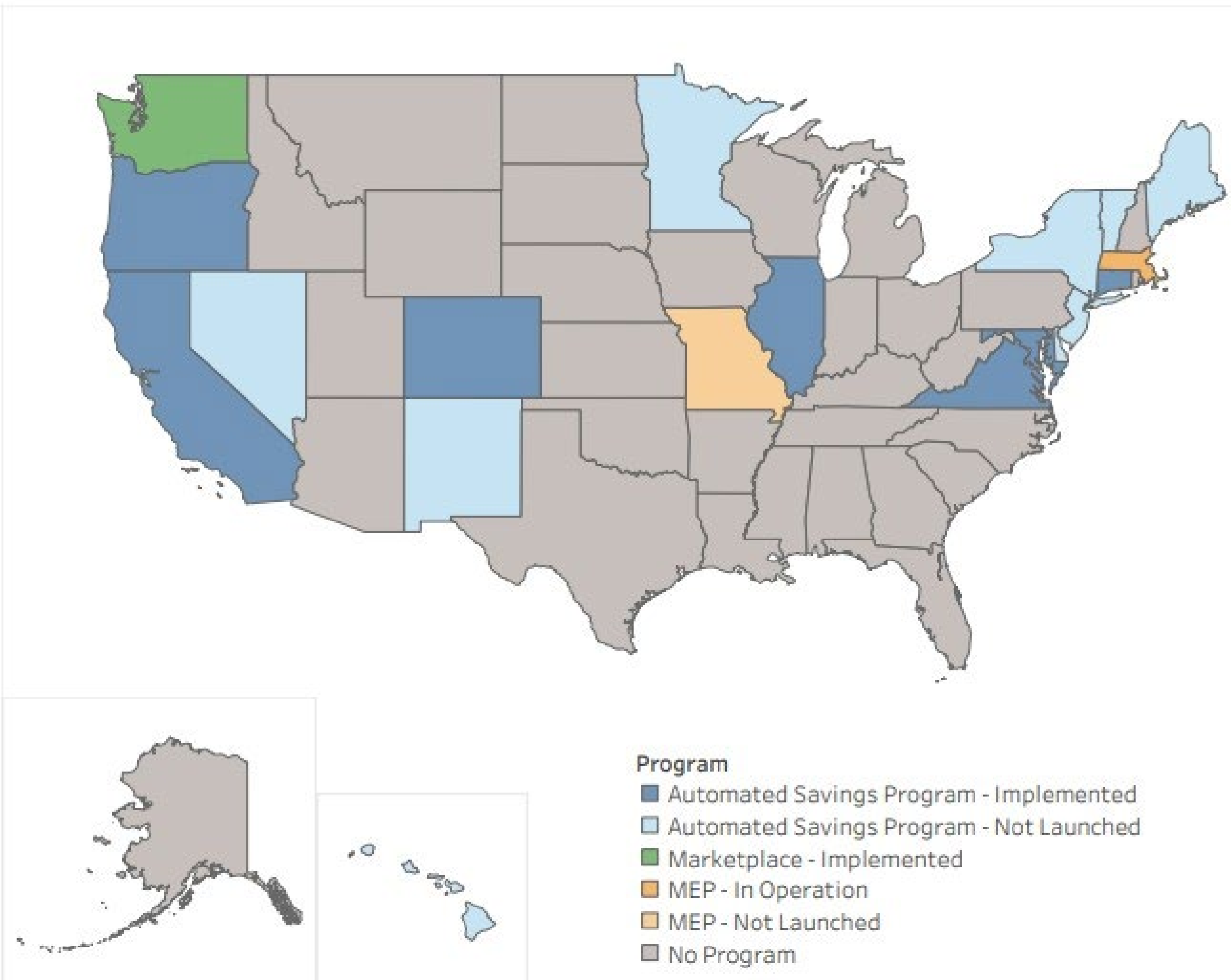
Table 9: Summary of features of state-facilitated retirement models			
	Automated savings program	**MEP**	**Marketplace**
Description	State-sponsored program for businesses without a retirement plan to facilitate employee payroll contributions to an IRA. Administration and recordkeeping outsourced to a third-party provider.	State-sponsored program, voluntary to eligible employers without an employee retirement plan that multiple employers can join. A qualified financial firm manages the plan.	Website managed by the state, designed to set basic standards, and simplify the process of finding and comparing retirement arrangements for businesses and individual savers. Plans are offered by qualified financial firms identified by the sponsoring state.
Participation	Required for employers that do not offer their own plan, depending on other eligibility criteria if any. Employers can opt out by adopting own plan. Employees are auto-enrolled but may opt out of participation at any time.	Voluntary for eligible employers; employees are auto-enrolled but may opt-out of participation at any time.	Interested employers and individuals search for and adopt savings arrangements which may include auto-enrollment.
Contributions	Contributions are made by employees facilitated by employers; under federal law, employers may not contribute. Contributions subject to IRA limits set annually by the IRS.	Depending on plan features, contributions may be made by both employers and employees. Basic elective deferral limits set annually by the IRS – contribution limits higher than in an IRA plan.	Marketplace may offer both defined benefit and defined contribution plans; contributions may be made by both employers and employees. Depending on the vehicle, IRA or basic elective deferral limits set annually by the IRS apply.
Tax treatment	Contributions can be either pre- or post-tax. But most use post-tax (Roth).	Contributions can be either pre- or post-tax.	Depending on the vehicle, contributions can be either pre- or post-tax.
Fiduciary responsibility	The state provides program oversight and serves as the fiduciary under state law. Participating employers are not fiduciaries.	The state or a designated body is the named fiduciary, but participating employers share some responsibility.	The adopting employer has fiduciary responsibility. There is no fiduciary in an individual context.
Administrative responsibilities	Most administrative responsibilities are assumed by the selected program administrator, including employee and employer communications. Employers facilitate initial enrollment of employees and ongoing payroll contributions.	The state/program administrator and participating employers share responsibilities for coordinating and managing the plan. Employers facilitate initial enrollment of employees and ongoing payroll contributions.	The adopting employer is responsible for coordinating and managing the plan within the organization. There are not significant administrative responsibilities in an individual context, but they are assumed by the IRA provider.
Administrative costs	Startup costs and some program management costs are incurred by the sponsoring state. Administrative and investment management costs are paid by participating employees as negotiated and monitored by the state.	Startup costs and some program management costs are incurred by the sponsoring state. The state and participating employers pay administrative fees. Participating employees pay investment fees.	The state faces nominal fees to manage the website. Adopting employers may pay administrative fees which vary by employer size or marketplace rules. Participating savers pay investment fees.

National landscape of state initiatives

As of September 2023, 47 states and the District of Columbia have introduced legislation related to, and 19 states have enacted and are in the process of implementing, retirement savings programs for private-sector workers who do not have a retirement plan available through their employer.

As previously noted, states whose legislatures have authorized adoption of a state retirement savings program vary in their approach. Figure 1 below provides a visual summary of the specific programs adopted as of the date of this Report. As is apparent, there is a preference for automated savings programs in states which have adopted plans.

Figure 1 State initiatives on retirement security



Alt text: A map showing all 50 states indicating that California, Colorado, Connecticut, Illinois, Maryland, Oregon, and Virginia have implemented a state automated savings program; Delaware, Main, Minnesota, Nevada, New Jersey, New Mexico, New York, and Vermont have adopted but not yet launched a state automated savings program; Washington has implemented a retirement marketplace; Massachusetts is operating a multiple-employer plan (MEP); and Missouri has adopted but not yet launched an MEP. All other states indicate no retirement program activity in the state.

† The Hawaii program uses an employer requirement, employee opt-in model, and the New Mexico automated savings program uses an employer opt-in, employee automatic enrollment model. In 2022 the New Mexico program was unable to attract

a private sector partner for the program and the future of both the state's employer opt-in and marketplace are in question. The approach of each state is described in further detail in Appendix D.
‡ New Jersey originally passed a bill creating a marketplace but has since passed an automated savings program bill and begun its implementation. It is unclear what this will mean for the potential launch of a New Jersey marketplace.

Nearly all states with active or enabled programs began their journey with at least one legislated study. Using state-specific and national level data, states have confirmed that significant portions of their workforce are not covered by retirement plans at work and are not saving for retirement outside of work. The following are short summaries of the three major program types; for a comprehensive history of these program types in the states, see Appendix D.

Retirement plan marketplace experience

The retirement plan marketplace offers a limited state role but has seen very low take up and limited financial services participation. While the Washington marketplace, the only operational marketplace in the nation, has been in operation since 2018, to date, it has had limited reach. Between 2020 and 2022, the marketplace had three participating financial providers. The 2022 departure of Saturna from the marketplace shrunk the number of saver accounts attributable to the marketplace by approximately 60%. As of the date of this report in 2023, the total number of employee accounts produced through the marketplace was fewer than 100.[35] The marketplace does have certain requirements for vendors that would use it, which may be why there are only two vendors at present.

Additionally, the marketplace approach is only intended to offer savings arrangements already available in the private market. Nationwide the percentage of employers offering a retirement plan has not moved significantly over the last 40 years despite the introduction of low-cost retirement savings arrangements developed at the state and federal level such as Simplified Employee Pension (SEP) plans, Savings Incentive Match Plan for Employees (SIMPLE) plans, and the U.S. Treasury's My Retirement Account (MyRA).[36]

Multiple employer plan (MEP) experience

A state MEP allows for employer matches and high contribution limits and potentially offers low costs. Despite recent changes at the federal level due to passage of the SECURE Act that have expanded the availability of MEPs in the private sector (renamed pooled employer plans or PEPs), state MEPs may still play a role.

However, state MEPs have seen low take-up and limited financial services participation. As of June 30, 2023, after approximately six years in operation, the Massachusetts CORE Plan (the only operational state MEP in the country) has amassed $25.2 million in assets across 176 employers and just over 1,100 savers.[37] The Massachusetts MEP is limited to nonprofit organizations of fewer than 20 employees, but

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[35] Information about the marketplace from a conversation with the Washington Department of Commerce, September 2023.
[36] The myRA program was discontinued in 2017.
[37] Office of the Massachusetts State Treasurer, CORE Plan for Nonprofits, https://www.mass.gov/core-plan-for-nonprofits

the current number of savers in the MEP is a small fraction of the total number of small nonprofit employees. Like the marketplace and the private employer-based retirement system, the MEP is voluntary for employers and relies on employers actively identifying and adopting the plan which is not dissimilar from the status quo which has not seen significant changes in coverage over the last 40 years. However, a state MEP that is open to all private sector employers or even a large subset of firms in a state has yet to launch and, if one were to do so, the promise of economies of scale to drive down costs could potentially make a MEP attractive to employers.

Automated savings program (auto-IRA) experience

As of the date of this report, 15 states have adopted the automated savings program. Illinois and Oregon were the first states to adopt automated savings legislation in 2015. Oregon's program, branded as OregonSaves, launched with a pilot in 2017. Since then, six more states – California, Colorado, Connecticut, Illinois, Maryland, and Virginia - have implemented programs. Eight other states are in various stages of implementation.

As of October 2023, the seven operational programs have amassed approximately $1 billion in savings across more than 750,000 participants and 165,000 employers.[38] Average monthly savings is $172, and the participation rate, after opt-outs, ranges from 64% to 82% depending on the state.

Automated savings programs are built on a public-private partnership model, meaning that the state provides governance and oversight of the program, but contracts with a private sector program administrator and investment manager for recordkeeping, compliance, and investment. At present, two private sector program administrators have contracted with states to serve this function although this could change as more programs are created.

Despite their short history, research is starting to show how automated savings programs are working for both employers and employees. For example, Pew conducted a survey of covered OregonSaves employers and found that approximately three quarters said they had a positive or neutral experience with the program.[39] The same survey found eight in ten employers faced no out-of-pocket costs while those that did cited increased spending on office supplies and payroll processing time.[40] Explicitly designed to not be an employer plan, businesses should not have to field or face questions from participating employees. Pew's survey found this to be broadly the case with 80% of respondents hearing only "a little" or "no questions at all" from their employees about the program.[41]

Research also shows a positive reaction from workers. The RAND Corp. conducted a series of surveys for Pew with adults eligible to participate in Illinois Secure Choice, reaching out to a representative sample of workers enrolled in the program as well as those who opted out. The survey was conducted from March 2020 through April 2021. Nearly 4 in 10 (38%) of those enrolled in the program say that Illinois

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[38] Ibid.
[39] The Pew Charitable Trusts, (2020), *Employers Express Satisfaction With New Oregon Retirement Savings Program*, https://www.pewtrusts.org/en/research-and-analysis/articles/2020/07/30/employers-express-satisfaction-with-new-oregon-retirement-savings-program.
[40] Ibid.
[41] Ibid.

Secure Choice has made them feel more financially secure. Although about half said that the program to this point has had no impact on their feeling of financial security, savers who did report an impact were more likely to say it was positive than negative. When asked about their program experience, 62% said they were satisfied versus only 5% who were dissatisfied.[42]

In addition, a sophisticated quantitative study assessed how OregonSaves affects workers. The study used data from the Survey of Income and Program Participation to indicate a 12 percent increase in IRA ownership among Oregon workers after the program's roll-out. Notably, the study found significant gains for lower-income, single, female, and older workers, as well as workers of small-size firms who previously lacked retirement savings plan coverage.[43]

As a result of lower access rates, Black and Hispanic workers are more likely to be eligible for automated savings programs compared to their overall share of the population or workforce. For example, in Illinois Secure Choice, Illinois' automated savings program, Black and Hispanic workers represent most of the program's eligible population and roughly half of its current participants according to a survey by Pew. Black workers make up just 12% of workers in Illinois but represent 21% of eligible workers in the state while Hispanics make up 19% of workers in the state but 36% of the eligible population.[44]

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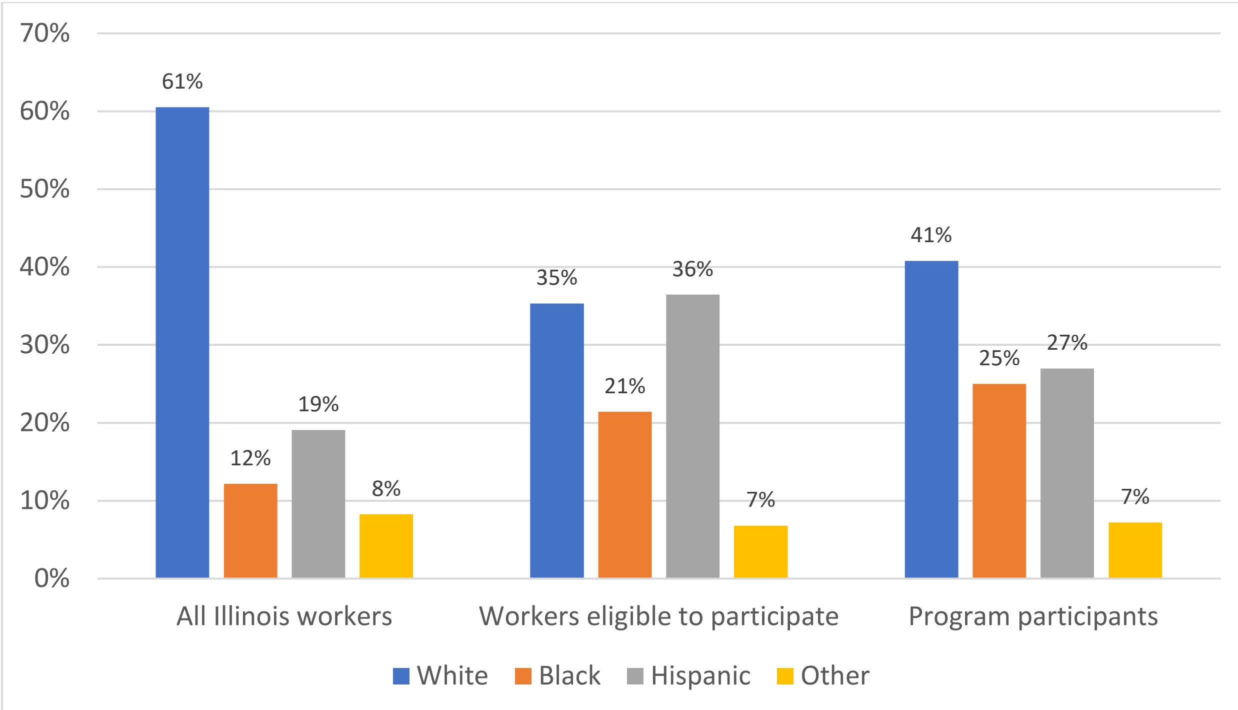
[42] The Pew Charitable Trusts (2022), *Many in Illinois Retirement Savings Program Feel Their Financial Security Is Improving*, https://www.pewtrusts.org/en/research-and-analysis/articles/2022/04/18/many-in-illinois-retirement-savings-program-feel-their-financial-security-is-improving.

[43] Ngoc Dao, (2023), *Does a Requirement to Offer Retirement Plans Help Low-Income Workers Save for Retirement?*, Social Science Research Network, https://ssrn.com/abstract=4561558.

[44] The Pew Charitable Trusts (2023), *Demographic Overview of Illinois Secure Choice Program Population*, https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2023/08/demographic-overview-of-illinois-secure-choice-program-population.

Figure 2: People of color make up majority of both the eligible population and those participating in Illinois Secure Choice



Sources: Pew survey of Illinois Secure Choice eligible participants, spring 2020, and 2020 Current Population Survey.

Note: Due to rounding, not all percentages may sum to 100%.

Black workers are also more likely to participate in the program in Illinois, making up 25% of overall participants (relative to 21% of the eligible population.) However, Hispanic workers were less likely to participate, making up just 27% of the participants (relative to their 36% share of the eligible population.)[45] As noted above, even among private employer-sponsored plans, Hispanics have the lowest rates of participation of any racial and ethnic group. Still, even with lower participation rates in an automated savings program, this can have a meaningful impact when so many Hispanic workers are left out of the current employer retirement benefit system.

Additionally, there may be ways to provide targeted interventions to address challenges faced by particular groups in achieving greater participation. These could include policies and programs such as educational materials and opportunities tailored for specific populations that make enrollment and participation more attainable. One such program saw success among low- and moderate-income Spanish speaking Hispanics by providing financial planning information in Spanish along with behavioral nudges.[46]

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[45] Ibid.
[46] Luisa R. Blanco, O. Kenrik Duru, and Carol Mangione, (2020), *A Community-Based Randomized Controlled Trial of an Educational Intervention to Promote Retirement Saving Among Hispanics,* Journal of Family and Economic Issues **41**(2): 300-315.

Interstate partnerships

Although interstate compacts are common to provide tax-advantaged savings accounts to people with disabilities through state-run ABLE programs, partnerships in state efforts to boost private savings are still new.[47] Within the ABLE space there are three existing consortiums, allowing states to pool assets under management and reduce the administrative costs of managing a program. As more states pass legislation to create automated savings programs, particularly states with smaller population sizes, it makes sense for states to consider a similar interstate partnership model to reduce costs for the states, the providers, and the account holders.

Two types[48] of multi-state partnership appear most plausible, duplicating in certain aspects the kind of partnership seen in the ABLE programs. The first, and easiest, is for an established state program to allow another state to join their program. In this case, the established program will have already made the early decisions regarding defaults, investment line-up, and fees, as well as hired a program administrator and investment manager. The joining program would need to align their statute and program rules/regulations to those of the established program and determine through a memorandum of understanding (MOU) or other contractual agreement how the partnership would make future decisions about the program.

The second partnership type is a pair or group of states without established programs joining together in pursuit of a program administrator to launch a multi-state partnership. As in the ABLE partnership model, one state will be the "lead" state in this type of partnership. This would include liaising with the program administrator and taking a leadership role to ensure the partnership meets regularly for continued oversight. The governance piece of this model type will add complexity in the early stages of the partnership but would allow all early partners to discuss and establish the defaults, investment line-up, and fees together.

Forming a multi-state partnership is not as simple as passing legislation, gaining approval from the program board, and seeking a program administrator. Unlike a stand-alone program, a multi-state partnership will place requirements and constraints not just on the program rules, but in most cases the text of the legislation and enabling statute. Policymakers and legislators in states interested in a multi-state partnership need to ensure their legislation explicitly allows the program to enter into a multi-state agreement. In addition, as many programmatic elements as possible will need to be the same between partner states. Therefore, it is important that the enabling statute provide flexibility to the program board to determine programmatic elements, such as the default contribution rate, automatic escalation rate, account type, and investment type.

In August 2023, Colorado Secure Savings and the Maine Retirement Investment Trust (MERIT) signed a first-in-the-nation partnership agreement, hoping to accelerate Maine's program launch. The Delaware

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[47] ABLE accounts stem from the Stephen Beck Jr. Achieving a Better Life Experience Act of 2014. AKF Consulting, (2023), *ABLE America 2022: Victories and Momentum for Change*, https://akfconsulting.com/wp-content/uploads/ABLE-Market-Report-2023-FINAL-as-of-2023-4-19-715pm.pdf.

[48] Angela Antonelli, J. Mark Iwry, and David John, (2019), *Achieving Economies of Scale in State-Facilitated Retirement Savings Programs*, Georgetown University Center for Retirement Initiatives, Achieving Economies of Scale in State-Facilitated Retirement Savings Programs: The Case for Multi-State Collaboration.

EARNS program is also considering partnership proposals from existing programs, with a plan to launch in 2024. These compacts are aimed at increasing assets under management (AUM) at a faster pace, which will help the states hit AUM benchmarks[49] more quickly. This will achieve two goals: 1) accelerate the speed with which the programs become self-sustaining and could begin to repay start-up costs if the program were funded with a loan from the state to the program; and 2) lower fees for account holders. Automated savings programs are currently run on a hybrid fee model, meaning that accounts are charged a flat dollar account fee, as well as a basis point fee on the assets in the accounts. Contracts between the state programs and the private sector program administrators often include fee breaks at certain levels of AUM. Therefore, combining multiple state programs not only increases the speed with which new programs can launch, it will hopefully help those programs achieve the AUM benchmarks more quickly and lower fees for all participants.

[49] AUM benchmarks are asset levels at which the program administrator will reduce asset-based fees for the record keeper or investment manager.

State automated savings programs' impact on the private market for retirement plans

Key takeaways from research on state programs' effects:

- Three states with automated savings programs show a higher rate of increase in new private plans sponsored by employers following the adoption of a statewide automated savings program relative to states without such programs.
- State automated savings program may be nudging those employers who have been contemplating whether they should adopt their own plan to move forward.

When the early states began implementing automated savings programs, there was a concern the programs would compete with the private market or cause businesses with existing private plans to terminate those plans in favor of the state program. To address this concern, Pew examined federal data on employer-sponsored retirement plans to compare new plan adoption and termination rates in states with automated savings programs relative to states without such programs. While the existing state programs are still new, Pew's analysis found evidence that employers are still adopting their own private retirement plans.[50] In fact, California, Illinois, and Oregon show a higher rate of increase in new private plans following the adoption of a statewide automated savings program relative to states without such programs. In other words, rather than competing with the private market for retirement products, state programs are complementing the private market.[51] In addition, private plan termination rates in those three states were below the national average in 2021,[52] meaning that employers who already had private plans were not terminating the private plan in favor of the state program.

These results make sense because many employers don't offer retirement benefits until they've reached a point of financial stability. Thus, the advent of a state automated savings program may be nudging those employers who have been contemplating whether they should adopt their own plan to move forward. In fact, a report by Gusto, a payroll and benefits provider based in San Francisco, indicates that the company saw new plan growth in the run-up to the 2022 compliance deadline for employers in California as it marketed retirement plan services.[53] That trend continued after the state compliance deadline.

In addition, for those employers who already offer a plan, moving to the state program would be a significant downgrade of an existing benefit. 401(k) plans offer significantly higher annual contribution limits than the state programs ($22,500/year vs. $6,500/year for workers under 50 years of age), usually provide a wide range of investment alternatives, and allow employers to make their own contributions

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[50] The Pew Charitable Trusts, (2023), *State Automated Retirement Savings Programs Continue to Complement Private Market Plans*, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/14/state-automated-retirement-savings-programs-continue-to-complement-private-market-plans.

[51] The Pew Charitable Trusts, (2022), *New State Retirement Programs Prompt Increased Private Plan Adoption*, https://www.pewtrusts.org/en/research-and-analysis/articles/2022/12/21/new-state-retirement-savings-programs-prompt-increased-private-plan-adoption.

[52] The most recent period for which Form 5500 data is available.

[53] Steve Abbot, (2022), *State Auto-IRAs Can Boost 401(k) Adoption*, https://gusto.com/company-news/stateautoiras-401ks.

to employees' accounts. State programs, however, provide a basic payroll deduction benefit with limited investment options and no employer match ability. Additionally, many state automated savings programs contain provisions that prevent an employer who has had a plan in the last two years from joining the program. This further disincentivizes employers who might consider dropping an existing qualified plan for the state offering. Therefore, as currently operated in the states, the automated savings model should not replace existing retirement plans and should not compete with private retirement plan service providers and financial firms.

Additional work on this topic by researchers affiliated with the National Bureau of Economic Research estimates that automated savings programs increase the probability that an individual works for a firm with a private retirement savings plan by roughly 3 percent, and the probability that the individual participates in that plan by around 7 percent.[54] This work corroborates the Pew study, providing a more in-depth picture of the worker side of the equation. As it stands, state automated savings programs appear to complement, not compete with the private sector for retirement plans.

[54] Adam Bloomfield, Kyung Min Lee, Jay Philbrick and Sita Slavov, (2023), *How Do Firms Respond to State Retirement Plan Mandates*, National Bureau of Economic Research, https://www.nber.org/papers/w31398.

Potential impact of the federal saver's tax credit

Key takeaways on the Savers Match:

- Congress created a new tax credit called the "Saver's Match," which is a government matching contribution for low- to moderate-income savers with a maximum match available of $1,000 for single filers and $2,000 for married filing jointly.
- Several challenges need to be addressed before the Saver's Match goes into effect in 2027, but the match would have a large impact on low- to moderate-income retirement savers.

Congress established the Saver's Credit in 2001 through the Economic Growth and Tax Reconciliation Relief Act, and later made the credit permanent in the Pension Protection Act of 2006. This non-refundable tax credit for low- to moderate-income workers was conceived as a tool to incentivize retirement saving. Contributions of up to $2,000 ($4,000 married filing jointly) qualify, with a maximum credit of $1,000 ($2,000 married filing jointly). The credit is calculated based on a tiered structure and the tax filer's adjusted gross income (AGI). To receive the full 50% credit, the maximum AGI in 2023 is $21,750 (single), and $43,500 (married filing jointly). As income increases, the tiered structure reduces the credit percentage. The maximum AGI to be eligible for the credit is $36,500 (single), and $73,000 (married filing jointly).

Although originally envisioned as a savings incentive for low- to moderate-income individuals, those without a tax liability receive no benefit from the credit. In 2019, only 9.3 million returns out of 157 million total returns with a tax liability claimed the credit, with an average credit amount of $191.[55] Many low- to moderate-income savers also have no tax liability, so for them applying for the credit is not worthwhile. And for those who have tax liability, many do not know the program exists or how they would go about applying. This is attributable to a lack of outreach to and education of the target population. In fact, a recent survey from the Transamerica Institute for Retirement Studies showed that only 41% of Americans with incomes under $50,000 were aware the credit exists.[56]

Recognizing that the credit was not reaching its target audience, Congress will phase out the saver's credit in 2026 and implement a new program called the "Saver's Match." This new provision from SECURE 2.0 legislation creates a government matching contribution for low- to moderate-income savers. The contribution amounts ($2,000 single, $4,000 married filing jointly) and maximum match available ($1,000 single, $2,000 married filing jointly) will remain the same, but the mechanism will change. The match is a refundable tax credit, meaning that a tax filer is eligible regardless of their tax liability. In addition, the match money must be deposited into an IRA or other retirement plan.

Elements of the match are currently being ironed out, particularly around how the government match money will flow into IRAs or other retirement plans. A major sticking point for this new program is that Roth IRAs are specifically excluded as account types for match deposits. This is problematic for the state automated savings programs, given that the default account type for savers in all existing programs is a Roth IRA. The other issue is around education and advertising. Without significant outreach efforts to populations who would qualify for the match, it is unlikely the match will see increased uptake beyond

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[55] Transamerica Institute, (2022), *The Saver's Credit: A Tax Credit That Pays to Save for Retirement,* https://transamericainstitute.org/docs/default-source/saverscredit/savers-credit-trends-report-2022.pdf.
[56] Ibid.

what we see with the saver's credit. That said, SECURE 2.0 includes a provision that provides funding to the Department of Treasury for outreach and education around the match, so it is possible that the combination of the change to a refundable tax credit and renewed outreach from the government to the target population could prompt an uptick in the number of low- to moderate-income savers putting money away for retirement and receiving a government match on their savings.

Small business perspectives on automated savings programs

Key takeaways from small business perspectives on a state savings program:

- Seventy-seven percent of surveyed small businesses in Washington support the concept of an automated savings program with 1 in 5 businesses giving strong support.
- Firms without retirement plans, which would be covered by the program, and the smallest employers show high levels of support for a state retirement savings program.
- In listening sessions with businesses, people noted that portability of these plans was seen as a key feature as was the ability for their employees to access their funds for an emergency or unexpected expense.

To gauge the perspectives of small and medium size business owners in Washington, Pew conducted a survey of business owners and benefits decision makers at companies with 5 to 100 employees. These businesses were a mix of businesses with and without retirement plans.

Business owners and benefits decision makers were presented with a hypothetical automated savings program, and its features. They were then asked if they would support such a program in Washington. Seventy one percent of those surveyed reported that they would support such a program while 73% of businesses without a plan said they would support such a program in Washington. Table 10 shows survey responses to the program support question in terms of whether the business offers a retirement plan or whether the firm has 10 or fewer employees. In both cases, support is consistent with the overall response, and if anything, firms without retirement benefits and the smallest employers show strong or stronger support for an automated savings program compared to larger employers and those with benefits.

Table 10: Support for automated savings program by plan sponsorship, small firm size

	All	Firm offers a retirement plan		Small firm (10 or fewer EEs)	
		Yes	No	Yes	No
Strongly support	21%	20%	21%	21%	21%
Somewhat support	51	49	52	51	50
Do not support	27	29	25	27	28
Don't know/not sure	2	2	2	2	1

Source: Pew analysis of Washington Small Business Survey. The survey questionnaire can be found in Appendix E.

Tables 11 through 13 show levels of support for an automated savings program from, respectively, membership in a state or local chamber of commerce or the National Federation of Independent Businesses; self-identified political ideology, and self-identified political party affiliation. There is no meaningful difference in terms of level of support whether a business is a member of a trade association or not as support among members is 74% while among nonmembers it is 69%. Self-identified conservatives and those that report an affiliation with the Republican Party show significantly lower levels of support compared to other groups, but clear majorities of conservatives (59%) and Republicans (62%) either somewhat or strongly support an automated savings program compared to self-identified liberals (87%) and Democrats (88%) and those who report they identify as independents or other parties (74%).

Table 11: Support for automated savings program by membership in business trade association

	All	Business Assn Member	
		Yes	No
Strongly support	21%	20%	21%
Somewhat support	51	54	48
Do not support	27	24	30
Don't know/not sure	2	3	1

Source: Pew analysis of Washington Small Business Survey. The survey questionnaire can be found in Appendix E.

Table 12: Support for automated savings program by self-identified political ideology

	All	Ideology*		
		Liberal	Moderate	Conservative
Strongly support	21%	33%	21%	14%
Somewhat support	51	54	59	45
Do not support	27	12	20	38
Don’t know/not sure	2	2	0	3

Source: Pew analysis of Washington Small Business Survey. The survey questionnaire can be found in Appendix E.
* Statistically significant at the p<.01 level

Table 13: Support for automated savings program by self-identified political party affiliation

	All	Political Party*		
		Democrat	Republican	Other
Strongly support	21%	33%	22%	15%
Somewhat support	51	55	40	59
Do not support	27	11	37	26
Don’t know/not sure	2	1	2	0

Source: Pew analysis of Washington Small Business Survey. The survey questionnaire can be found in Appendix E.
* Statistically significant at the p<.01 level

Additionally, Pew conducted two listening sessions with business leaders and small and medium sized businesses in Washington. Similarly, these business owners and organizations were asked their perspectives on offering employee benefits and retirement plans and were asked to react to the same hypothetical automated savings program as those businesses in the survey.

Business owners emphasized the need for consistent and clear education and outreach if an automated savings program was implemented in Washington. Business owners who conducted payroll themselves and did not use an outside payroll provider emphasized the need to make this process as seamless as possible and to provide support to businesses as they navigated this process. They also felt that having additional resources for employees around both understanding the program and broader financial literacy would be important.

In some cases, there was confusion between how an automated savings program would work compared to other programs, most specifically Washington’s long term care benefits. It would be important to provide clear messaging that distinguishes a potential automated savings program.

Business owners saw many of the features of an automated savings program as being beneficial to both them and their employees. The portability of these plans was seen as a key feature as was the ability for their employees to access their funds should they need them for an emergency or unexpected expense. Crucially, many of the business owners felt that an automated savings program would also “level the playing field” between them and larger employers who are more often able to offer retirement benefits.

They felt this would make them more competitive and would be an important retention tool in attracting and keeping employees. While they felt that not all their workers would choose to participate, many workers would find an automated savings program useful.

Feasibility of potential Washington automated savings program

Key takeaways of the analysis of a potential automated savings program:

- Pew modeling projects **367,900 funded accounts and $2.5 billion** in new savings assets once the program is active for 7 years.
- Under reasonable assumptions, a program is projected to be cash-flow positive three years after enrolling participants and net positive by year 7 (five years after enrolling participants).

Because the automated savings program is the most common program adopted by states, Pew is providing some analysis of what a program might look like in Washington. This analysis first considers where the program might be housed within Washington government. We then examine the financial feasibility of an automated savings program in Washington. The feasibility analysis will use data on businesses and workers in Washington as well as data from existing state programs to estimate employer and employee participation, level of assets over time, and when the program might be self-sustaining in terms of program revenues and costs.

State agencies to house automated savings program

An automated savings program will need to be placed in a state department or agency for operational purposes. Operating within an existing state entity will help with implementation and may be able to draw on experiences with other state programs. The likely Washington executive branch agency candidates for housing an automated savings program include:

1) Department of Treasury (typical placement in other states)
2) Department of Commerce (houses the ABLE program, which is part of the Oregon ABLE Partnership, so the department has some experience with outreach and running a program using a multi-state compact)
3) Employment Security Department (houses Paid Family Leave, so the department already has experience with direct outreach to employers and employees)

Modeling of automated savings program financial feasibility

In this section, we analyze what an automated savings program could look like in terms of participants, savings, and estimated points at which a program could be financially self-sustaining.

Participant assumptions

To model the possible scale of a Washington automated savings program, Pew starts with an estimate of the number of private sector firms and employees from the Current Population Survey, an annual data series from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. Using this data, Pew estimates approximately 1,223,000 workers in Washington lack access to a workplace retirement plan as of 2021 (the last year for which data was available at the time of the analysis). Table 14 provides a breakdown of this estimated number of workers by size of employer.

Table 14: Projected covered workers in Washington

Total Covered Workers	1,223,000
Under 10	275,827
10 to 24	325,916
25 to 99	116,464
100 to 499	141,815
500+	362,945

Source: Pew analysis of the Current Population Survey (2021)
Note: Numbers may not sum to total due to rounding.

However, not all these uncovered workers would be eligible for the automated savings program through their employer. For example, employers that already sponsor a qualified retirement plan are exempt from the automated savings program, and many of these uncovered workers are ineligible to participate in the employer's plan because of age and service minimums. In addition, employer plans do not cover contract employees, i.e., 1099 workers, who provide services to the employer, and there are many non-traditional workers such as sole proprietors and online platform workers who are not connected to a traditional employer.

Employers that are covered would become subject to the program some months after its official launch. For the purposes of this modeling, Pew assumes that employers will become formally subject to the program in late 2025, at which point they must complete some ministerial tasks—such as providing the program a list of employees and remitting the payroll contributions of their participating employees. Therefore, Pew also models increasing employer compliance over the first 30 months after employers become formally subject to the program. Pew also accounts for a portion of the pool of covered employers adopting their own workplace plan in response to the program. Pew assumes a steady increase in employer participation plateauing in 2028.

From this pool of covered employers and employees, Pew adjusts the number of eligible participants because of attrition through inaccurate or incomplete enrollment information or workers changing jobs. Pew assumes an attrition rate of 45% to result in a decrease in participating employees of 35%. Based on the experiences of other state programs, Pew assumes that 32% of the remaining workers will opt-out, meaning that 68% of employees not lost to attrition are expected to participate. This opt out assumption includes both employees formally opting out of the program as well as those setting their contribution rate to 0%. Table 15 provides these attrition and participation rates after opting out.

Table 15: Employee attrition and participation rates

Employee Attrition Rate	45%
Employee Participation Rate	68%

Table 16 shows the projected number of participants adjusted for the attrition and opt-out rates in total and by firm size as well as the growth of participating employers and employees over a 7-year period. Note that this table begins with the assumed start of the program in Year 1 when the state begins incurring costs for establishing the program and not the year employers are assumed to become subject to the deadline.

Table 16: Total projected participating workers at participating firms over first 7 years of the program

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total	**0**	**37,200**	**110,300**	**350,000**	**355,800**	**361,800**	**367,900**
<10 workers	0	7,900	23,300	73,000	73,300	73,700	74,100
10-24 workers	0	9,800	28,900	91,400	92,700	93,900	95,200
25-99 workers	0	3,600	10,600	33,700	34,300	34,900	35,600
100-499 workers	0	4,300	12,600	39,900	40,400	41,000	41,500
≥500 workers	0	11,700	34,900	112,000	115,100	118,300	121,500

Note: Numbers may not sum to total due to rounding.

Program assumptions

The model assumes a few characteristics of program participants, including average income and rate of withdrawal. The percentage of contributions withdrawn is assumed to increase with account balances but averages approximately a quarter of contributions after 6 years. Additionally, not every account that is created and funded is likely to be funded every pay period. The model assumes that only two thirds of accounts will be funded in any given pay period. The earnings projections use the historical average annual return for a portfolio comprised of 70% equities and 30% fixed income as calculated by Vanguard, an investment advisor. The return is then adjusted by the historical average annual rate of inflation based on the consumer price index for all urban consumers (CPI-U) over the same period. The model assumes a 6% real rate of return and all dollar amounts are in 2023 dollars.

Additionally, the model incorporates program features such as defaults and fee structure. The model assumes a hybrid fee structure common to the currently launched automated savings programs in other states where the program charges participants both a small asset-based fee and a monthly flat or per account fee. A portion of these fees is used to cover the state's administrative costs, which drives the revenue portion of the model's cashflows and, in part, is used to project when the program will become cash-flow positive (i.e., self-funding and is able to cover the state's ongoing operating expenses). Table 17 provides these assumptions.

Table 17: Savings program assumptions

Average income for those without workplace plans	$40,511
Average monthly savings at starting deferral rate	$168.80
Default starting deferral rate	5.00%
Max deferral rate	8.00%
Investment real rate of return	6.00%
Percentage of regularly contributing accounts	66.00%
Percent of contributions withdrawn semiannually	15.00%
Asset-based fees	0.29%
State asset-based administrative fee	0.05%
Recordkeeper asset-based fee	0.15%
Investment manager asset-based fee	0.09%
Flat or Per Account Fee	$26.00
State flat administrative fee	$4.00
Recordkeeper flat fee	$22.00

Budget assumptions

Finally, the model assumes a state budget outlay that drives the expense portion of the model's cashflows and is the other half of the model's cashflow projections. Note that this table begins in 2023, the year the program is assumed to begin incurring costs. Accounting for 2% annual inflation, dollar amounts are in 2023 dollars. Here the program is assumed to cost the state $500,000 annually once in operation.

Table 18: Breakdown of program operational budget over 6 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6+
Staff, general, and administrative	$975,000	$375,000	$360,000	$310,000	$310,000	$310,000
Inter-Agency support	$50,000	$50,000	$25,000	$25,000	$25,000	$25,000
Contracts	$300,000	$300,000	$420,000	$420,000	$420,000	$420,000
Marketing and Communication	$100,000	$200,000	$100,000	$100,000	$100,000	$100,000
Legal, audit, and Insurance	$75,000	$75,000	$95,000	$145,000	$145,000	$145,000
Total outlays	**$1,500,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**

Projections

Under the above assumptions and idealized conditions, around 1,223,000 Washingtonians may be eligible for the program. However, as laid out above, the model incorporates assumptions regarding existing employer plans, employment churn, enrollment, and verification hurdles on the part of employers and employees. Therefore, an automated savings program with conservative but reasonable employer compliance/enforcement, employee participation and withdrawals, and program cost and spending assumptions would be expected to hold just over $2.5 billion in assets across approximately 367,900 funded accounts 7 years after creation. The program could expect to become self-sustaining in year 4 and would become net positive (i.e., be able to recoup all startup and ongoing operating costs) in year 7.

Table 19: Projection of program feasibility years 1 to 7

End-of-Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Assets ($ billions)	$0.000	$0.049	$0.208	$0.618	$1.170	$1.815	$2.543
Funded accounts	0	69,300	177,200	350,000	355,800	361,800	367,900
State outlays	**$1,500,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**
Asset-based fee revenue	$0	$15,600	$84,300	$269,400	$545,100	$865,300	$1,227,400
Flat-fee revenue	$0	$143,700	$467,100	$1,227,300	$1,417,600	$1,441,200	$1,465,400
State revenue	**$0**	**$159,300**	**$551,500**	**$1,496,700**	**$1,962,700**	**$2,306,500**	**$2,692,800**
Cash flow balance	($1,500,000)	($840,700)	($448,500)	496,700	$962,700	$1,306,500	$1,692,800
Net positive balance	($1,500,000)	($2,340,700)	($2,789,300)	($2,292,600)	($1,329,900)	($23,400)	$1,669,400

Note: Cash-flow positive (green) in Year 4; Net positive (green) in Year 7

Note: Numbers may not sum to total due to rounding.

Recommendations and conclusion

This report started with a discussion of the policy problem, which is that 43% of Washington private sector workers do not have access to a retirement plan at their place of work. This lack of access to retirement benefits has implications for individuals' future retirement security, wealth inequality, the ability of Washington small business owners to compete for talent, and taxpayers who must fund social assistance for an increasingly older population. This report also detailed different ways to address these challenges, from financial education to the private, employer-sponsored retirement system, to a range of state policy innovations.

In deciding on the specific approach to address retirement security in Washington, there are several criteria to consider:

- Any solution should aim to increase the retirement savings by workers at scale. This is the heart of the problem. Washington private sector workers lack access to retirement savings plans and hence will run short of an income level in retirement that will assure a decent standard of living. Any solution must bring these workers into the savings system with a particular emphasis on those workers who are usually left out: younger persons, workers of color, and those who work at small firms.
- The solution should not compete with the private employer-sponsored retirement system. While many lack access to a retirement plan at their job, many are building a secure future through workplace retirement plans. The private retirement system provides robust savings options for those employers that can provide them, including matching contributions, tools for planning, and a diverse investment lineup. Any solution to fill the gap in access should build on and complement this success.
- A solution expanding retirement savings must be fiscally responsible. As noted above, Washington taxpayers will experience a significant fiscal cost from inadequate retirement savings. A solution must meaningfully address this fiscal burden.
- A solution must be financially sustainable. Any new initiative is not free and will take time and resources to build and develop. So, it should be judged by its ability to keep costs low and perhaps even be self-sustaining from a financial operations perspective. That is not to say that an initiative must be self-sustaining, particularly if it provides a long-term benefit to citizens and taxpayers.
- Finally, any approach must be attractive to small business with minimal burdens or cost. Small businesses are the engine of job growth in this country, and a solution to expand retirement savings opportunities should help, and not hurt, small business.

There are strengths and weaknesses with any approach, but an automated savings program – as modeled by 15 other states – is the approach best suited for satisfying the criteria listed above. Because the MEP and the marketplace are voluntary, it is difficult to achieve coverage of a large number of workers, and the evidence with these approaches bears this out. Automated savings programs cover all workers without a workplace retirement plan, and while in practice there are exceptions that limit the reach of these programs, large numbers of workers are saving. In addition, achieving scale is critical for both the financial viability of a program as well as for reducing the fiscal impact of insufficient retirement savings.

All three approaches in theory compliment rather than compete with the private retirement system. However, MEPs may be seen as competitive because they offer a product that is already offered by the private market. Moreover, automated savings programs likely increase the number of employer-sponsored plans as noted above.

Finally, all three approaches should be attractive to small business. MEPs and the marketplace are voluntary opportunities for employers, and the report demonstrated that small employers would welcome an automated savings program.

]Study methodology

To generate estimates for retirement plan coverage and lack of access to workplace retirement plans as well as population estimates for those not covered by a plan in Washington, a pooled version of the 2019-2022 Minnesota Population Center's Integrated Public Use Microdata Series (IPUMS) Current Population Survey (CPS), Annual Social and Economic (ASEC) Supplement is used.[57] Readers should be aware that estimates of retirement plan access and participation vary across data sources. For example, one study found that among private-sector full-time workers, the reported CPS access rate for 2012 was 15 percentage points lower than that in the Department of Labor's National Compensation Survey.[58] Methodological differences, such as the makeup of the underlying sample or the phrasing of the survey questions, contribute to some of the variation. Furthermore, previous research suggests that respondents tend to underreport retirement plan access and participation compared with W-2 tax data.[59] After a 2014 redesign, the number of workers with access and those participating fell further.[60] However, the CPS still provides important geographic detail not available from other sources of data.

To better estimate retirement plan access in Washington, CPS data are benchmarked to Internal Revenue Service (IRS) W-2 tax data from the IRS Statistics of Income using both CPS and the Survey of Consumer Finances (SCF) to adjust these estimates. This is done by adjusting the CPS access estimate based on those reporting retirement account income and then further adjusting this estimate using SCF data on current coverage given retirement account ownership.[61] These estimates produce higher access rates more in line with the administrative data from SOI. Still, these results should be treated as estimates.

To estimate the fiscal impact of insufficient retirement savings Pew partnered with Econsult Solutions Inc. (ESI). ESI modeled demographic scenarios to project population and income patterns using Census Bureau Long-Term Projections reconciled with data from the 2020 decennial census and the American Community Survey. Federal income data sets were used to define income scenarios for retiree households under current trends as well as under an alternative in which households achieved recommended

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57 Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, J. Robert Warren and Michael Westberry. Integrated Public Use Microdata Series, Current Population Survey: Version 10.0 [dataset]. Minneapolis, MN: IPUMS, 2022. https://doi.org/10.18128/D030.V10.0.

58 Alicia H. Munnell and Dina Bleckman, (2014), *Is Pension Coverage a Problem in the Private Sector?,* Center for Retirement Research at Boston College Brief 14-7, 2014, 3, http://crr.bc.edu/wp-content/uploads/2014/04/IB_14-7-508.pdf.

59 Irena Dushi, Howard M. Iams, and Jules Lichtenstein, *Assessment of Retirement Plan Coverage by Firm Size, Using W-2 Tax Records*, Social Security Bulletin 71, no. 2 (2011): 53–65, http://www.ssa.gov/policy/docs/ssb/v71n2/v71n2p53.pdf; U.S. Government Accountability Office, *Retirement Security: Federal Action Could Help State Efforts to Expand Private Sector Coverage*, (2015), 16, http://www.gao.gov/ assets/680/672419.pdf.

60 Craig Copeland, (2020), *Retirement Plan Participation and the Current Population Survey: The Impact of New Income Questions on These Estimates*, https://www.ebri.org/crawler/view/retirement-plan-participation-and-the-current-population-survey-the-impact-of-new-income-questions-on-these-estimates.

61 For a full methodology, see John Sabelhaus, (2022), *The Current State of U.S. Workplace Retirement Plan Coverage*, https://repository.upenn.edu/handle/20.500.14332/44123. Similar results using the same methodology have previously been published by AARP: https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/washington.doi.10.26419-2Fppi.00164.049.pdf.

income replacement levels. Federal and state expenditures were modeled utilizing Congressional Research Service reports, Congressional Budget Office studies, and program budget documents and data.[62]

To gauge business perspectives of an automated savings program in the state, Pew partnered with Public Private Strategies to conduct several interviews and listening sessions with business leaders and small business owners. Public Private Strategies engaged a broad small business community to identify small business owners and leaders. Thirteen small business owners joined the listening session. The business owners ranged from those who were self-employed, those with contract workers up to businesses with approximately 40 employees. Additionally, Pew spoke with several leaders of business organizations, including chambers of commerce and trade associations.

Pew also engaged SSRS, a public opinion research firm, to conduct a survey of small and medium size businesses (5 to 100 employees) in Washington. Businesses with and without plans were included in the survey. Additional information and toplines from the survey can be found in Appendix E.

Additionally, data on demographic aging and the dependency ratio, distribution of businesses and employment, and household assets at the county level come from The Center for Economic and Business Research at WWU. Their methodology along with their full county level tables can be found in Appendix A.

[62] For a full methodology, see ESI Econsult Solutions, Inc., (2023), *The Cost of Doing Nothing*, https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf.

Appendix

Appendix A: Washington demographic background

The Center for Economic and Business Research (CEBR) at Western Washington University (WWU) examined various aspects of the demographic characteristics, income and asset levels, and business composition of the State of Washington.

1. Population projections

Projections of the future population, by age group, are calculated for each county in Washington for a 15-year period (2022-2037). The first projection was created using Small Area Demographic Estimate (SADE) data from the Office of Financial Management[63], while the second was created using data from the U.S. Census[64].

Methodology

Data from the Office of Financial Management (OFM) provided population data from 2010 to 2022. Due to the impact of COVID-19, some populations showed a decrease, while the 10-year average implied consistent growth. To balance the potential lag effects from COVID-19, multiple growth rates were used. The first is averaged growth rates provided by OFM at 5-year intervals, starting with 2022 (2027, 2032, 2037). Then, the 12-year average (2010-2022), which was truncated by 10%. The average of these two projections is calculated to estimate populations of each age group. [P after n years = P x $(1+GR/100)^n$]

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[63] Washington State Office of Financial Management, *Estimates of April 1 population by age, sex, race and Hispanic Origin*, https://ofm.wa.gov/washington-data-research/population-demographics/population-estimates/estimates-april-1-population-age-sex-race-and-hispanic-origin.

[64] US Census, https://data.census.gov/

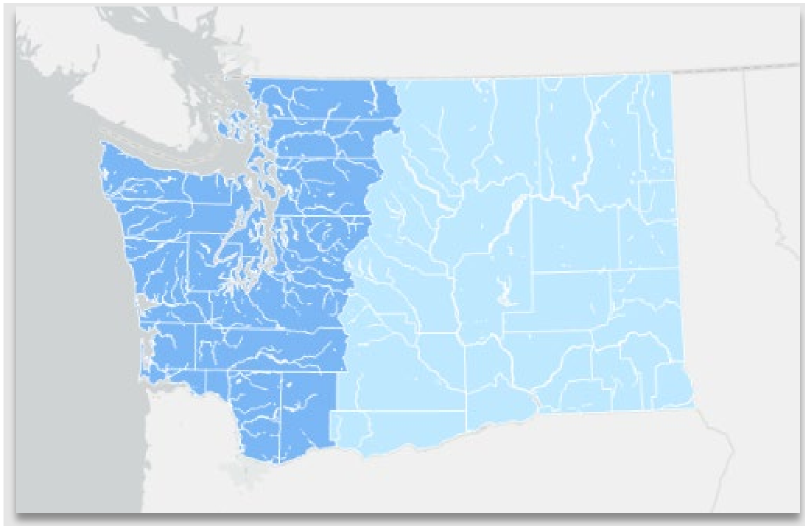
OFM aged 65+ population projection				
County	2022	2032	2037	% change 2022-2037
Adams	3,099	3,501	3,979	28.4%
Asotin	6,554	7,296	8,138	24.2%
Benton	41,767	50,351	61,697	47.7%
Chelan	20,375	23,947	28,514	39.9%
Clallam	30,966	36,139	42,687	37.9%
Clark	109,929	138,110	178,187	62.1%
Columbia	1,281	1,397	1,528	19.3%
Cowlitz	27,757	32,041	37,327	34.5%
Douglas	9,473	10,860	12,535	32.3%
Ferry	2,424	2,763	3,169	30.7%
Franklin	12,059	14,775	18,460	53.1%
Garfield	822	964	1,156	40.6%
Grant	17,097	19,360	22,074	29.1%
Grays Harbor	21,717	25,361	29,929	37.8%
Island	30,414	37,121	46,197	51.9%
Jefferson	16,717	20,613	26,031	55.7%
King	369,503	429,788	505,943	36.9%
Kitsap	68,847	83,820	104,148	51.3%
Kittitas	10,923	13,293	16,468	50.8%
Klickitat	6,789	7,933	9,355	37.8%
Lewis	22,451	25,739	29,734	32.4%
Lincoln	3,732	4,242	4,844	29.8%
Mason	20,079	23,196	26,982	34.4%
Okanogan	12,384	14,244	16,512	33.3%
Pacific	9,958	11,807	14,186	42.5%
Pend Oreille	4,681	5,514	6,576	40.5%
Pierce	168,409	199,595	239,765	42.4%
San Juan	8,267	10,496	13,768	66.5%
Skagit	37,350	44,941	55,067	47.4%
Skamania	2,785	3,208	3,730	33.9%
Snohomish	155,945	191,601	240,385	54.1%
Spokane	117,997	141,603	173,019	46.6%
Stevens	13,119	15,043	17,362	32.3%
Thurston	71,590	89,215	114,144	59.4%
Wahkiakum	1,828	2,132	2,518	37.7%
Walla Walla	15,073	17,562	20,771	37.8%
Whatcom	54,893	67,068	83,769	52.6%
Whitman	6,517	7,358	8,375	28.5%
Yakima	43,742	49,027	55,246	26.3%
State Total	**1,579,314**	**1,883,022**	**2,284,272**	**44.6%**

Census aged 65+ population projection

County	2022	2032	2037	% change 2022-2037
Adams	2,638	3,003	3,439	30.4%
Asotin	5,940	6,713	7,598	27.9%
Benton	41,419	53,990	70,988	71.4%
Chelan	18,917	23,292	28,944	53.0%
Clallam	28,806	35,422	43,963	52.6%
Clark	111,165	153,485	215,189	93.6%
Columbia	1,293	1,450	1,634	26.4%
Cowlitz	25,665	31,007	37,859	47.5%
Douglas	9,232	11,133	13,484	46.1%
Ferry	2,593	3,250	4,104	58.3%
Franklin	12,934	17,795	24,768	91.5%
Garfield	800	1,001	1,279	59.9%
Grant	16,871	20,561	25,367	50.4%
Grays Harbor	20,732	25,562	31,753	53.2%
Island	28,772	37,698	50,032	73.9%
Jefferson	17,160	23,587	33,058	92.6%
King	381,325	479,061	608,627	59.6%
Kitsap	67,858	90,265	121,887	79.6%
Kittitas	9,403	12,124	15,809	68.1%
Klickitat	7,152	9,199	11,945	67.0%
Lewis	20,315	23,964	28,437	40.0%
Lincoln	3,228	3,751	4,380	35.7%
Mason	18,339	22,078	26,706	45.6%
Okanogan	11,245	13,462	16,206	44.1%
Pacific	9,308	11,524	14,388	54.6%
Pend Oreille	4,478	5,673	7,275	62.5%
Pierce	165,783	211,803	273,230	64.8%
San Juan	8,959	13,000	19,316	115.6%
Skagit	35,607	45,843	59,726	67.7%
Skamania	3,503	4,710	6,396	82.6%
Snohomish	155,316	207,962	281,699	81.4%
Spokane	115,654	150,856	199,923	72.9%
Stevens	14,030	17,541	22,045	57.1%
Thurston	71,866	98,749	138,243	92.4%
Wahkiakum	1,782	2,173	2,671	49.9%
Walla Walla	14,408	17,941	22,690	57.5%
Whatcom	54,486	72,924	99,233	82.1%
Whitman	6,384	7,678	9,332	46.2%
Yakima	41,625	48,502	56,878	36.6%
State Total	**1,566,990**	**2,019,734**	**2,640,502**	**68.5%**

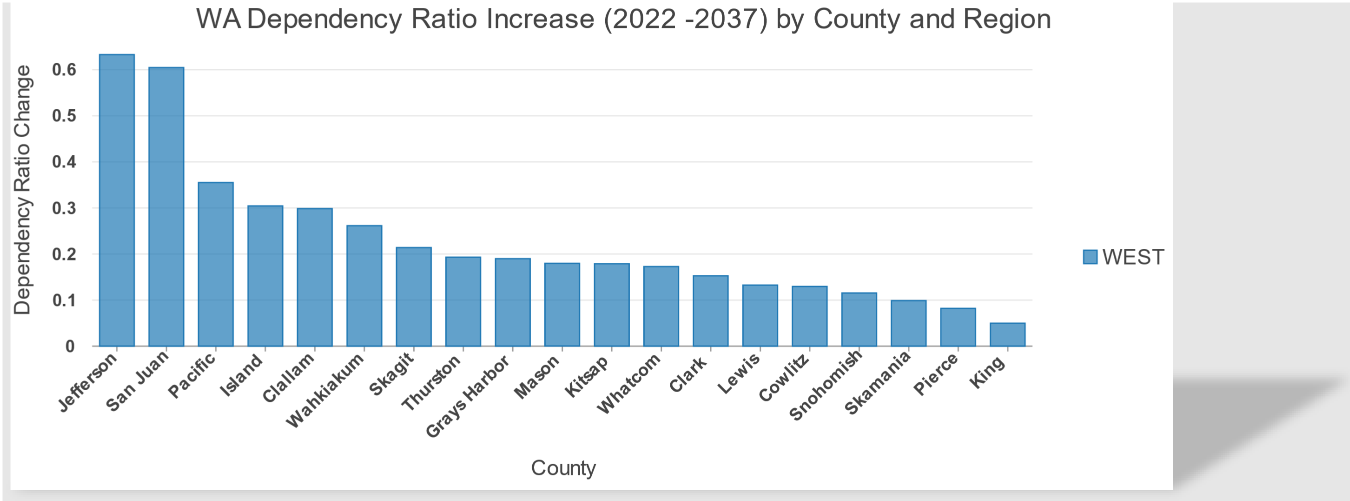
Regionality

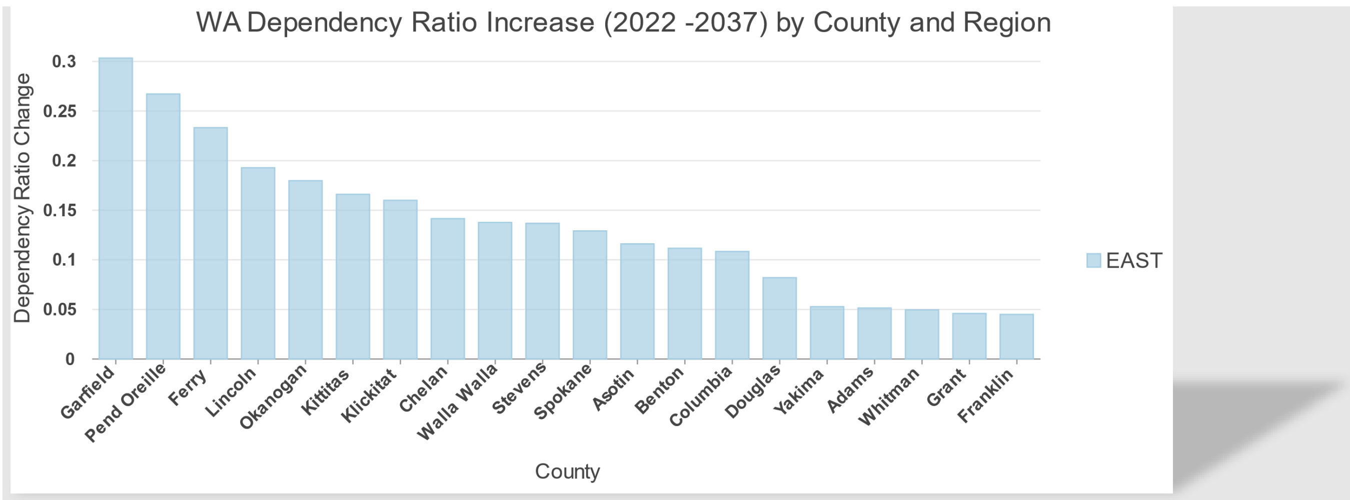
Regionality is defined by the East-West split created by the Cascade Mountain Range.



OFM dependency ratios

A Dependency Ratio is the relationship between independent populations (working age 15-64) and dependent populations (young children: 0-14; retirement age 65 +). Counties with larger increases in dependency ratios implies that the dependent populations are growing faster than the independent populations. Jefferson and San Juan counties are projected to have the highest increases in dependency ratios over the next 15 years when compared to other WA counties. In Jefferson County, this is likely due to the relatively large aging population growing faster than the working age cohort. San Juan County is the smallest county in WA and is made up of a series of islands, making large scale development difficult. This makes it a prime "rural" location for aging communities to settle. As shown in the next section, "rural" counties of WA have on average a faster growing dependency ratio when compared to more "urban" counties. The following graphs are split by east and west regions of Washington. Generally, the western side of the state is more populous and less rural.





According to the Washington Office of Financial Management, 'Rurality' is defined as having a population density of less than 100 people per square mile, or any county that is less than 225 sq mi[65]. San Juan and Island counties are the only counties in Washington that fit this definition based on overall area. However, Island County does have a population density that would qualify it for urban status. Both counties are in western Washington.

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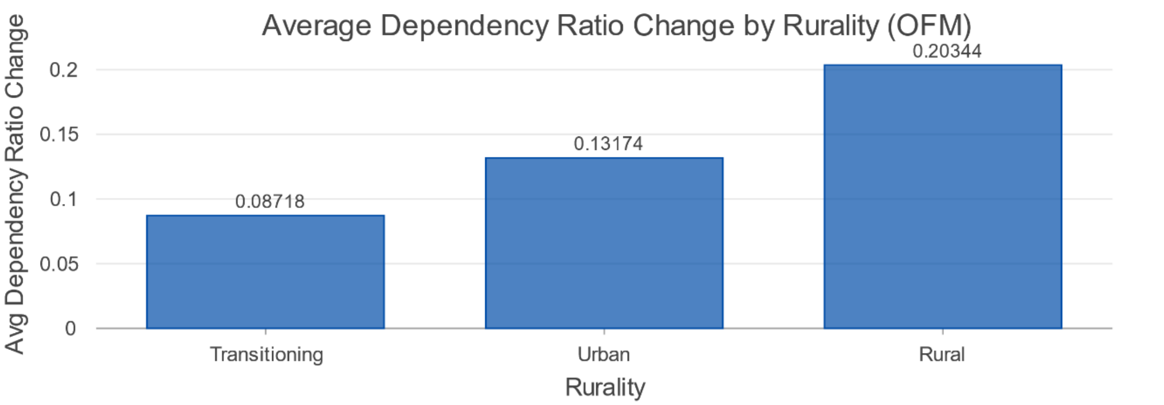
65 Washington State Office of Financial Management, *Population density and land area criteria used for rural area assistance and other programs,* https://ofm.wa.gov/washington-data-research/population-demographics/population-estimates/population-density/population-density-and-land-area-criteria-used-rural-area-assistance-and-other-programs#:~:text=In%20this%20legislation%2C%20%22rural%20county,for%20tax%20and%20other%20assistance.

Rurality (OFM)

Rural				Transitioning	Urban	
Adams	Garfield	Lewis	Skagit	Cowlitz	Benton	Snohomish
Asotin	Grant	Lincoln	Skamania	Franklin	Clark	Spokane
Chelan	Grays Harbor	Mason	Stevens		King	Thurston
Clallam	Island	Okanogan	Wahkiakum		Kitsap	Whatcom
Columbia	Jefferson	Pacific	Walla Walla		Pierce	
Douglas	Kittitas	Pend Oreille	Whitman			
Ferry	Klickitat	San Juan	Yakima			



2. Distribution of businesses

Establishment size refers to the reported total count of businesses that employ a given range of employees, while employment refers to the reported number of employees. Data from the Washington State Employment Security Department (ESD)[66] was used to show the county level distribution of businesses based on total employees at the state level. Establishment size represents the total number of businesses, while employment represents the total number of employees. Data was also pulled from Mergent Intellect[67] for the county level analysis and is presented as percentages rather than as reported figures.

ESD data

Raw figures as reported to ESD.

Establishment Size	State	% of Total
1-4	192,593	69.62%
5-9	35,322	12.77%
10-19	24,390	8.82%
20-49	17,403	6.29%
50-99	5,839	2.11%
100-249	3,343	1.21%
250-499	935	0.34%
500-999	403	0.15%
1,000+	270	0.10%
Total Establishments	276,641	100.00%

Employment	State	% of Total
1-4	274,219	7.32%
5-9	233,278	6.23%
10-19	331,708	8.86%
20-49	523,793	13.99%
50-99	401,850	10.73%
100-249	500,976	13.38%
250-499	319,249	8.53%
500-999	277,654	7.42%
1,000+	911,851	24.35%
Total Employment	3,744,392	100.00%

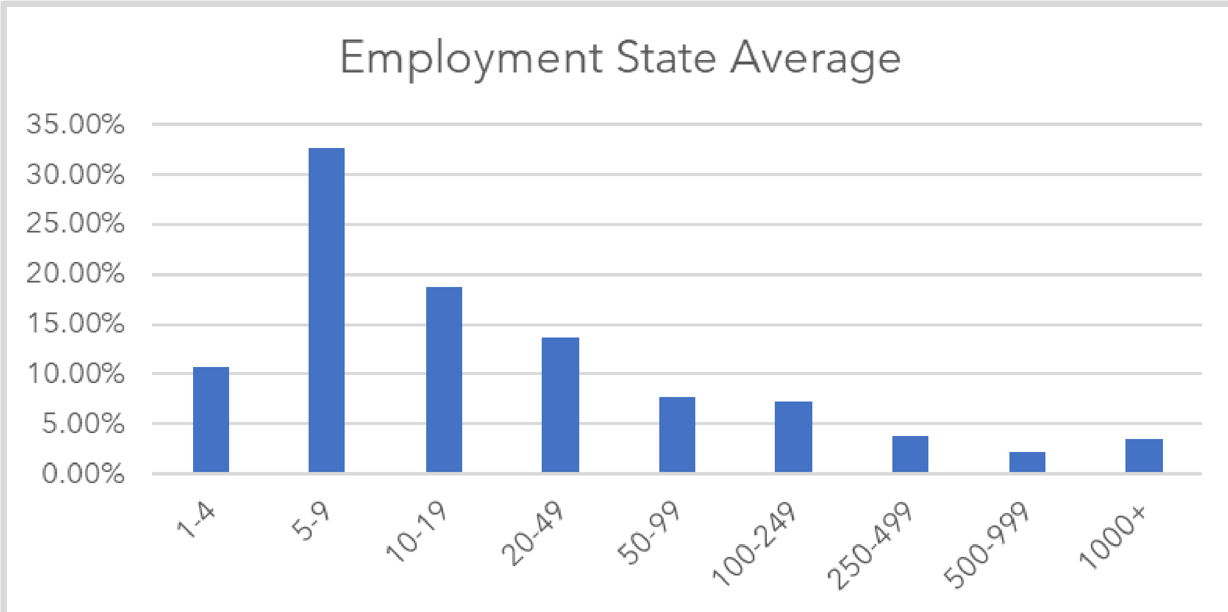
Mergent data: employment (people)

This table illustrates the distribution of employees by county based on the size of the establishment they are employed by. These numbers are reported as percentages due to data quality issues. Cells with purple text indicate percentages above the state level percentage within each given category. Urban counties are more likely to have a larger share of businesses with a higher number of employees and a larger share of total employees when compared to the state average.

[66] Washington State Employment Security Department, https://esd.wa.gov/.
[67] Mergent Intellect, https://www-mergentintellect-com.ezproxy.library.wwu.edu/index.php/search/index. (requires subscription to log in)

Distribution of employees by county and firm size

County	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Adams	12.13%	35.82%	20.24%	11.15%	4.80%	10.07%	5.79%	0.00%	0.00%
Asotin	11.61%	36.74%	17.56%	13.00%	10.07%	11.04%	0.00%	0.00%	0.00%
Benton	7.69%	25.91%	16.11%	12.63%	6.82%	5.27%	1.45%	1.63%	22.47%
Chelan	8.99%	29.61%	19.76%	15.40%	8.14%	8.67%	2.67%	6.76%	0.00%
Clallam	11.70%	36.56%	21.11%	13.49%	9.23%	2.80%	1.72%	3.37%	0.00%
Clark	10.72%	34.23%	17.69%	12.99%	7.84%	6.21%	3.67%	3.93%	2.71%
Columbia	14.14%	44.41%	16.91%	11.87%	0.00%	12.66%	0.00%	0.00%	0.00%
Cowlitz	8.01%	27.79%	17.75%	14.44%	9.36%	9.18%	3.95%	5.68%	3.85%
Douglas	11.77%	35.67%	18.81%	15.84%	10.02%	7.90%	0.00%	0.00%	0.00%
Ferry	12.59%	26.46%	22.04%	15.14%	14.77%	9.00%	0.00%	0.00%	0.00%
Franklin	9.07%	31.23%	19.16%	15.10%	7.18%	11.17%	4.53%	2.57%	0.00%
Garfield	14.89%	33.39%	13.01%	23.51%	15.20%	0.00%	0.00%	0.00%	0.00%
Grant	9.03%	31.43%	17.16%	14.88%	7.39%	8.82%	11.29%	0.00%	0.00%
Grays Harbor	8.94%	31.39%	21.33%	16.61%	7.81%	10.31%	3.61%	0.00%	0.00%
Island	12.79%	38.67%	19.33%	13.78%	2.53%	7.14%	5.78%	0.00%	0.00%
Jefferson	12.45%	38.02%	20.85%	13.45%	2.23%	1.67%	6.09%	5.23%	0.00%
King	8.62%	26.58%	15.72%	12.70%	8.38%	7.79%	4.32%	4.63%	11.26%
Kitsap	11.53%	36.18%	20.20%	13.28%	6.34%	2.91%	3.27%	4.77%	1.52%
Kittitas	11.33%	33.44%	21.21%	13.64%	7.08%	4.40%	8.89%	0.00%	0.00%
Klickitat	9.06%	28.31%	16.34%	13.19%	6.39%	6.63%	3.46%	0.00%	16.62%
Lewis	9.14%	31.45%	21.76%	13.10%	8.15%	8.32%	0.00%	8.08%	0.00%
Lincoln	14.05%	36.78%	17.30%	9.64%	15.36%	6.86%	0.00%	0.00%	0.00%
Mason	12.11%	36.56%	21.55%	12.47%	6.28%	5.41%	0.00%	5.62%	0.00%
Okanogan	10.01%	31.50%	18.73%	13.99%	9.93%	13.50%	2.36%	0.00%	0.00%
Pacific	11.14%	31.02%	21.02%	15.12%	8.73%	12.96%	0.00%	0.00%	0.00%
Pend Oreille	8.16%	36.42%	19.88%	8.92%	2.30%	0.00%	24.32%	0.00%	0.00%
Pierce	9.95%	32.59%	17.78%	14.95%	7.55%	6.01%	2.84%	4.15%	4.18%
San Juan	13.27%	41.59%	22.08%	10.54%	9.87%	2.65%	0.00%	0.00%	0.00%
Skagit	9.06%	29.94%	20.01%	16.68%	7.78%	5.99%	3.48%	4.75%	2.31%
Skamania	10.11%	21.95%	16.51%	12.55%	11.59%	6.61%	20.68%	0.00%	0.00%
Snohomish	10.17%	32.76%	18.48%	13.64%	7.16%	6.73%	3.96%	2.96%	4.15%
Spokane	8.71%	29.02%	17.16%	14.93%	8.13%	7.26%	5.07%	4.44%	5.29%
Stevens	12.63%	41.60%	20.11%	12.31%	8.23%	5.12%	0.00%	0.00%	0.00%
Thurston	11.13%	36.87%	21.09%	13.80%	8.81%	4.49%	2.15%	1.67%	0.00%
Wahkiakum	15.98%	37.33%	18.84%	10.73%	5.71%	11.42%	0.00%	0.00%	0.00%
Walla Walla	8.46%	28.53%	16.14%	12.05%	5.19%	11.87%	1.42%	5.97%	10.35%
Whatcom	10.10%	32.69%	17.51%	14.33%	6.90%	7.70%	3.72%	4.22%	2.82%
Whitman	5.50%	18.22%	9.65%	11.54%	4.66%	4.93%	0.00%	0.00%	45.51%
Yakima	7.63%	27.52%	18.22%	15.11%	8.64%	9.70%	6.18%	5.36%	1.63%
State Avg	10.63%	32.72%	18.62%	13.65%	7.76%	7.21%	3.76%	2.20%	3.45%



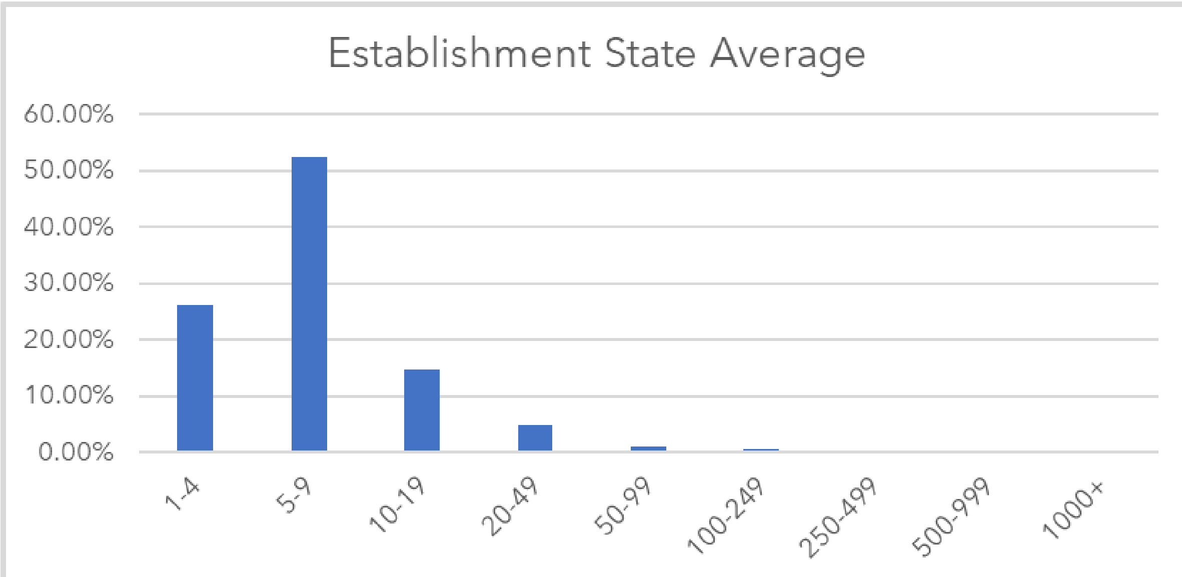
Mergent data: establishment size (businesses)

This table represents the total number of businesses based on the range of total employment. These numbers are reported as percentages due to data quality issues. Cells with purple text indicate percentages above the state level average within each given category. Urban counties are more likely to have a higher share of large businesses, and the more populous the county, the higher the likelihood of being above state average.

Share of businesses based on the range of total employment

County	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Adams	27.75%	52.53%	14.31%	3.84%	0.70%	0.70%	0.17%	0.00%	0.00%
Asotin	26.40%	54.40%	13.20%	3.80%	1.60%	0.60%	0.00%	0.00%	0.00%
Benton	24.26%	52.34%	15.85%	5.54%	1.32%	0.49%	0.06%	0.04%	0.10%
Chelan	24.11%	51.15%	16.65%	5.89%	1.35%	0.66%	0.07%	0.11%	0.00%
Clallam	26.34%	53.03%	14.92%	4.24%	1.17%	0.22%	0.04%	0.04%	0.00%
Clark	26.08%	54.25%	13.47%	4.44%	1.16%	0.44%	0.10%	0.05%	0.01%
Columbia	27.48%	56.49%	11.45%	3.82%	0.00%	0.76%	0.00%	0.00%	0.00%
Cowlitz	23.25%	51.83%	16.20%	5.98%	1.71%	0.75%	0.14%	0.11%	0.04%
Douglas	26.72%	52.75%	13.65%	5.05%	1.26%	0.57%	0.00%	0.00%	0.00%
Ferry	30.66%	43.80%	17.52%	5.11%	2.19%	0.73%	0.00%	0.00%	0.00%
Franklin	23.89%	53.29%	15.37%	5.29%	1.19%	0.81%	0.11%	0.05%	0.00%
Garfield	33.33%	51.39%	8.33%	5.56%	1.39%	0.00%	0.00%	0.00%	0.00%
Grant	24.03%	54.32%	14.04%	5.40%	1.26%	0.63%	0.32%	0.00%	0.00%
Grays Harbor	22.93%	51.99%	17.08%	6.02%	1.14%	0.74%	0.11%	0.00%	0.00%
Island	27.65%	54.37%	12.94%	4.05%	0.36%	0.47%	0.16%	0.00%	0.00%
Jefferson	27.12%	53.87%	14.38%	4.00%	0.27%	0.09%	0.18%	0.09%	0.00%
King	25.93%	51.68%	14.63%	5.32%	1.52%	0.64%	0.16%	0.08%	0.05%
Kitsap	26.25%	53.87%	14.53%	4.12%	0.92%	0.16%	0.08%	0.05%	0.01%
Kittitas	27.01%	51.39%	15.58%	4.57%	1.04%	0.21%	0.21%	0.00%	0.00%
Klickitat	25.39%	53.10%	14.40%	5.26%	1.08%	0.46%	0.15%	0.00%	0.15%
Lewis	23.56%	52.02%	17.52%	4.86%	1.32%	0.59%	0.00%	0.14%	0.00%
Lincoln	31.05%	51.58%	12.11%	3.16%	1.84%	0.26%	0.00%	0.00%	0.00%
Mason	27.13%	52.90%	14.81%	3.86%	0.81%	0.40%	0.00%	0.08%	0.00%
Okanogan	25.50%	51.56%	15.45%	5.02%	1.52%	0.85%	0.09%	0.00%	0.00%
Pacific	27.03%	48.82%	16.72%	5.41%	1.35%	0.68%	0.00%	0.00%	0.00%
Pend Oreille	20.59%	59.66%	15.55%	2.94%	0.42%	0.00%	0.84%	0.00%	0.00%
Pierce	25.26%	53.61%	14.10%	5.28%	1.15%	0.43%	0.09%	0.06%	0.03%
San Juan	26.67%	54.94%	13.92%	3.19%	1.17%	0.11%	0.00%	0.00%	0.00%
Skagit	23.98%	51.16%	16.77%	6.24%	1.22%	0.44%	0.10%	0.07%	0.02%
Skamania	30.30%	44.24%	16.36%	6.06%	1.82%	0.61%	0.61%	0.00%	0.00%
Snohomish	25.46%	53.43%	14.50%	4.88%	1.08%	0.45%	0.12%	0.04%	0.03%
Spokane	24.39%	52.46%	15.02%	5.89%	1.40%	0.57%	0.15%	0.08%	0.04%
Stevens	26.27%	56.15%	12.72%	3.52%	1.03%	0.31%	0.00%	0.00%	0.00%
Thurston	25.10%	53.95%	14.90%	4.43%	1.24%	0.29%	0.07%	0.03%	0.00%
Wahkiakum	32.71%	49.53%	12.15%	3.74%	0.93%	0.93%	0.00%	0.00%	0.00%
Walla Walla	24.77%	53.34%	14.93%	4.75%	0.94%	1.00%	0.06%	0.11%	0.11%
Whatcom	25.80%	53.64%	13.72%	5.06%	1.07%	0.51%	0.12%	0.07%	0.02%
Whitman	24.52%	52.68%	13.70%	6.99%	1.25%	0.57%	0.00%	0.00%	0.29%
Yakima	22.49%	51.79%	16.84%	6.22%	1.57%	0.77%	0.23%	0.09%	0.02%
State Avg	**26.13%**	**52.55%**	**14.62%**	**4.84%**	**1.17%**	**0.51%**	**0.12%**	**0.04%**	**0.02%**

Note to table: Search parameters (WA, >=4 Employees, >=$100,000 Sales: 248,372 Locations). Some locations reported 0 employees, these results were excluded from analysis. Total Establishments: 246,480; Total Employees: 2,688,39789% of ESD establishments, 72% of ESD employees.



Alt text: Bar chart showing the distribution of employment in the state by business firm size. Roughly 28% of establishments have one to four employees, about 51% of establishments have five to nine employees, about 14% of establishments have 10 to 19 employees, about 5% of establishments have 20 to 49 employees. The proportion of establishments with 50 to 99, 100 to 249, 250 to 499, 500 to 999, and more than 1000 employees are small.

3. Household assets

Tapestry segmentation

Tapestry segmentation is used to identify distinct consumer markets within the United States using demographic and economic data, broken down into 14 summary groups, 67 distinct segments, and divided into 6 Urbanization groups based on relative geography[68] (Urbanization definitions differ from OFM Rurality definitions in this context). Segment 9 and its subgroups describe markets associated with households/neighborhoods preparing for, or already in, retirement[69]. Higher ratios of segment 9 households to total households likely indicate a larger aging community within a given county. This table presents the total household counts for the 6 tapestry subgroups within segment 9 that are commonly related to retired individuals/communities, organized by Washington counties.

[68] Esri, (2023), *Methodology Statement: 2023 Esri Tapestry Segmentation* https://downloads.esri.com/esri_content_doc/dbl/us/J9941_Tapestry_Segmentation_Methodology_2023_final.pdf.

[69] Esri, *Esri Tapestry Segmentation*, https://doc.arcgis.com/en/esri-demographics/latest/regional-data/tapestry-segmentation.htm#GUID-98ACDB37-7C4A-4380-A515-04CE3C330407.

A point of interest should be drawn to counties showing zero households within this LifeGroup as demographic data implies that elderly people do in fact live in those counties. Zeros here imply that the retirement age people within the given county fall into other LifeGroup categories, perhaps due to their income, spending/saving habits, or lack of retirement support from industries found within the county.

County	2023 Silver & Gold (9A) Tapestry Households	2023 Golden Years (9B) Tapestry Households	2023 The Elders (9C) Tapestry Households	2023 Senior Escapes (9D) Tapestry Households	2023 Retirement Communities (9E) Tapestry Households	2023 Social Security Set (9F) Tapestry Households	2023 Total Senior Styles (Segment 9) Households	2023 Senior Styles Households, Percent of Total
Urbanization Group (Esri)	Suburban Periphery 40.99%			Semirural 17.17%	Metro Cities 41.84%			
Adams	0	0	0	0	0	0	0	0.00%
Asotin	0	0	0	521	0	0	521	0.26%
Benton	0	2,241	0	644	888	322	4,095	2.08%
Chelan	358	1,027	0	0	601	0	1,986	1.01%
Clallam	5,266	0	2,665	5,021	1,357	558	14,867	7.55%
Clark	0	2,571	795	0	2,696	1,522	7,584	3.85%
Columbia	0	0	0	0	0	0	0	0.00%
Cowlitz	0	0	358	2,212	0	1,285	3,855	1.96%
Douglas	0	0	0	0	0	0	0	0.00%
Ferry	0	0	0	1,937	0	0	1,937	0.98%
Franklin	0	0	0	0	0	0	0	0.00%
Garfield	0	0	0	0	0	0	0	0.00%
Grant	0	0	0	764	0	0	764	0.39%
Grays Harbor	1,049	0	0	4,376	0	400	5,825	2.96%
Island	3,615	844	0	730	0	0	5,189	2.63%
Jefferson	4,187	1,684	0	1,358	656	0	7,885	4.00%
King	1,467	13,256	882	769	11,648	22,402	50,424	25.60%
Kitsap	0	3,539	0	0	1,843	2,183	7,565	3.84%
Kittitas	0	0	0	0	1,073	0	1,073	0.54%
Klickitat	0	0	0	2,489	0	0	2,489	1.26%
Lewis	0	0	0	1,150	1,851	0	3,001	1.52%
Lincoln	0	0	0	0	0	0	0	0.00%
Mason	2,115	0	0	945	934	0	3,994	2.03%

County	2023 Silver & Gold (9A) Tapestry Households	2023 Golden Years (9B) Tapestry Households	2023 The Elders (9C) Tapestry Households	2023 Senior Escapes (9D) Tapestry Households	2023 Retirement Communities (9E) Tapestry Households	2023 Social Security Set (9F) Tapestry Households	2023 Total Senior Styles (Segment 9) Households	2023 Senior Styles Households, Percent of Total
Urbanization Group (Esri)	**Suburban Periphery** 40.99%			**Semirural** 17.17%	**Metro Cities** 41.84%			
Okanogan	0	0	0	0	0	0	0	0.00%
Pacific	981	0	0	2,081	0	0	3,062	1.55%
Pend Oreille	0	0	0	1,029	0	0	1,029	0.52%
Pierce	0	8,544	825	899	4,287	3,455	18,010	9.14%
San Juan	734	543	0	0	0	0	1,277	0.65%
Skagit	1,582	518	0	1,348	843	0	4,291	2.18%
Skamania	0	0	0	0	0	0	0	0.00%
Snohomish	0	6,543	0	770	2,433	2,300	12,046	6.12%
Spokane	0	3,808	0	1,629	2,796	5,576	13,809	7.01%
Stevens	0	0	0	1,225	379	0	1,604	0.81%
Thurston	0	596	604	1,274	3,415	1,057	6,946	3.53%
Wahkiakum	0	0	0	382	0	0	382	0.19%
Walla Walla	0	0	0	0	1,444	0	1,444	0.73%
Whatcom	1,883	2,814	417	0	0	0	5,114	2.60%
Whitman	0	1,050	0	0	0	0	1,050	0.53%
Yakima	0	1,381	0	280	1,719	493	3,873	1.97%
Tapestry Segment Link	9A	9B	9C	9D	9E	9F		
State Total	**23,237**	**50,959**	**6,546**	**33,833**	**40,863**	**41,553**	**196,991**	

Household assets by age group (2023)

Household asset data was collected using Esri's Business Analyst Tool[70], by age groups as well as total county level data. Data points within each category are highlighted based on either being in the top (green) or bottom (red) 10% of the given category (*Median Income to Median Net Worth ratio highlighted in reverse as a lower ratio in this category implies less reliance on income). Data for three age groups were collected: 55-64 (Approaching Retirement), 65-75 (Recently Retired), and 75+ (10 Years into Retirement). Median Income to Median Net Worth ratios were calculated to identify communities that

[70] Esri Business Analyst Tool, https://bao.arcgis.com/esriBAO/

rely more heavily on income rather than on savings. Median Net Worth to total county Median Net Worth ratios (per age group) were calculated to identify those who may be at higher risk of not having enough savings. Retirement age individuals generally have higher than median assets to prepare for future diminishing incomes. The Aggregate Net Worth of each age group was compared to the County Aggregated Net Worth, and the percentage of households each age group makes up within each county. A confluence of negative associations within one county may indicate at-risk groups, while a confluence of positive associations may indicate affluent communities. Race and ethnicity data included summarized by county and age group.

The highlighting on the tables below is intended to draw attention to the top and bottom 10% of the data. Counties with multiple data points within the bottom 10% should be further investigated for industry opportunities to increase access and education around alternative retirement programs. Counties with multiple data points in the top 10% should be investigated for best practices and opportunities to improve retirement benefits in lagging counties. Some counties may have data points that fall within the top and bottom 10%, but each county is different. For example, counties with low aggregate wealth and high total households implies large communities that may need assistance, while the opposite would imply small, wealthy communities.

The following tables should help inform policy decisions by allowing interested parties to identify:

- concentrations of retirement age populations
- those population’s dependency on income vs. savings
- saving habits
- relationship between aggregate net worth and population

County	Approaching Retirement (55-64)											
	Assets				Race and Ethnicity							
	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Adams	39.7%	165.1%	19.5%	16.1%	47.4%	0.2%	27.1%	0.8%	1.0%	0.1%	17.4%	6.0%
Asotin	31.7%	123.5%	24.7%	18.9%	90.3%	0.5%	2.4%	1.0%	1.5%	0.2%	0.6%	3.5%
Benton	26.4%	178.8%	32.3%	19.1%	74.7%	1.2%	9.5%	2.9%	1.1%	0.2%	4.8%	5.6%
Chelan	31.5%	146.0%	29.1%	19.6%	76.4%	0.3%	9.0%	1.1%	1.1%	0.2%	5.5%	6.4%
Clallam	30.5%	105.5%	21.8%	20.3%	84.3%	0.5%	3.0%	1.7%	3.7%	0.2%	1.2%	5.3%
Clark	27.8%	169.5%	29.7%	18.5%	80.5%	1.9%	5.0%	4.4%	1.0%	0.7%	1.9%	4.6%
Columbia	37.3%	112.8%	22.6%	21.9%	86.8%	0.3%	2.7%	0.8%	1.3%	0.1%	2.5%	5.5%
Cowlitz	30.7%	144.8%	26.3%	19.5%	84.8%	0.6%	3.6%	1.8%	1.6%	0.5%	1.5%	5.5%
Douglas	28.4%	141.4%	25.1%	18.6%	72.1%	0.2%	10.7%	1.2%	1.2%	0.2%	5.6%	8.8%
Ferry	48.8%	101.7%	36.2%	26.2%	76.5%	0.1%	2.8%	0.3%	11.8%	0.3%	1.1%	7.0%
Franklin	26.1%	190.5%	25.3%	14.9%	50.3%	2.1%	23.3%	2.1%	1.3%	0.1%	12.8%	8.1%
Garfield	39.0%	112.8%	21.4%	19.0%	96.1%	1.1%	0.6%	0.3%	0.6%	0.0%	0.8%	0.6%
Grant	32.1%	155.5%	26.4%	17.3%	60.9%	0.5%	18.0%	1.5%	1.8%	0.1%	9.9%	7.3%
Grays Harbor	32.0%	118.9%	24.8%	20.7%	82.9%	0.9%	3.1%	1.5%	4.1%	0.3%	1.6%	5.5%
Island	24.8%	140.5%	27.0%	20.2%	84.3%	1.1%	3.3%	4.1%	0.8%	0.4%	1.2%	4.8%
Jefferson	36.5%	95.2%	22.6%	23.8%	87.8%	0.5%	2.7%	1.3%	1.4%	0.2%	1.0%	5.1%
King	22.9%	267.5%	32.5%	17.5%	62.8%	5.9%	4.6%	18.6%	0.8%	0.6%	2.1%	4.6%
Kitsap	23.1%	169.4%	31.5%	20.2%	80.0%	1.9%	3.6%	6.2%	1.4%	0.9%	1.4%	4.6%
Kittitas	29.9%	218.8%	27.8%	17.0%	87.8%	0.4%	3.0%	1.5%	1.3%	0.2%	1.5%	4.3%
Klickitat	39.1%	112.5%	24.4%	21.9%	84.1%	0.1%	4.6%	0.7%	1.7%	0.2%	2.7%	5.9%
Lewis	31.4%	136.4%	24.5%	19.9%	87.2%	0.5%	3.3%	1.0%	1.4%	0.2%	1.4%	5.0%
Lincoln	29.9%	120.9%	27.1%	22.2%	89.5%	0.3%	2.2%	0.8%	1.2%	0.2%	0.8%	5.1%
Mason	29.6%	128.0%	23.1%	21.4%	82.8%	0.7%	3.9%	1.4%	3.1%	0.4%	1.9%	5.8%
Okanogan	43.5%	115.9%	24.1%	21.6%	74.6%	0.4%	6.5%	0.8%	7.7%	0.1%	4.7%	5.3%
Pacific	36.0%	100.4%	21.1%	20.6%	86.0%	0.4%	2.4%	1.9%	2.3%	0.2%	1.2%	5.6%
Pend Oreille	31.1%	117.2%	27.4%	24.8%	89.9%	0.5%	2.8%	0.4%	1.6%	0.3%	1.0%	3.6%
Pierce	26.8%	178.4%	29.4%	18.5%	70.8%	6.1%	4.8%	8.3%	1.3%	1.4%	2.2%	5.1%
San Juan	31.7%	112.2%	28.7%	25.4%	87.2%	0.3%	2.8%	0.7%	0.6%	0.1%	1.5%	6.7%
Skagit	29.4%	144.6%	26.9%	18.9%	80.1%	0.5%	6.6%	2.2%	1.7%	0.3%	3.3%	5.2%
Skamania	34.8%	111.2%	26.7%	24.3%	83.8%	0.5%	3.9%	1.3%	1.3%	0.6%	1.4%	7.2%
Snohomish	21.6%	197.3%	32.6%	19.5%	73.5%	2.6%	4.4%	10.9%	1.2%	0.5%	2.0%	5.0%
Spokane	32.2%	165.2%	28.6%	18.4%	86.4%	1.6%	3.1%	2.1%	1.1%	0.5%	1.2%	4.0%
Stevens	30.5%	121.0%	29.1%	23.6%	86.8%	0.4%	2.1%	0.6%	4.0%	0.2%	0.8%	5.1%

	Approaching Retirement (55-64)											
	Assets				Race and Ethnicity							
County	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Thurston	27.0%	161.6%	28.5%	19.0%	79.0%	2.5%	4.3%	5.6%	1.3%	0.9%	1.6%	4.8%
Wahkia-kum	27.9%	110.4%	23.0%	22.0%	88.8%	0.6%	1.9%	1.3%	1.4%	0.0%	1.3%	4.8%
Walla Walla	33.9%	144.6%	24.6%	18.1%	76.2%	1.0%	9.2%	1.2%	1.2%	0.2%	4.6%	6.3%
Whatcom	30.5%	169.8%	28.0%	17.7%	81.0%	0.9%	4.5%	4.6%	2.3%	0.3%	1.9%	4.4%
Whitman	33.9%	602.9%	27.7%	12.8%	86.0%	1.2%	3.0%	4.5%	0.8%	0.2%	1.1%	3.4%
Yakima	33.6%	165.3%	24.3%	17.2%	50.6%	0.8%	22.8%	1.3%	3.5%	0.1%	13.2%	7.8%
State Aver-age	31.63%	155.74%	26.57%	19.93%	79.26%	1.08%	6.08%	2.68%	2.04%	0.32%	3.18%	5.37%

	Newly Retired (65-74)											
	Assets				Race and Ethnicity							
County	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Adams	27.8%	216.1%	21.9%	14.1%	58.5%	0.1%	20.6%	0.6%	1.2%	0.1%	10.9%	8.1%
Asotin	18.7%	184.0%	32.3%	20.5%	92.8%	0.3%	1.3%	0.7%	0.7%	0.1%	0.4%	3.7%
Benton	15.7%	236.8%	26.4%	17.1%	77.8%	0.9%	7.4%	3.1%	0.7%	0.4%	3.7%	6.0%
Chelan	17.5%	201.5%	32.4%	18.9%	82.5%	0.3%	6.4%	0.9%	0.9%	0.1%	3.7%	5.2%
Clallam	16.2%	173.8%	38.0%	25.3%	87.4%	0.4%	2.2%	1.4%	2.7%	0.2%	1.0%	4.7%
Clark	17.0%	211.6%	24.0%	16.7%	82.0%	1.3%	4.0%	4.3%	0.8%	0.7%	2.0%	4.9%
Columbia	23.6%	146.6%	32.3%	23.2%	90.6%	0.1%	2.0%	0.4%	0.4%	0.0%	0.6%	5.8%
Cowlitz	17.9%	202.1%	28.9%	19.3%	87.4%	0.6%	2.6%	1.6%	1.0%	0.8%	0.9%	5.2%
Douglas	17.1%	198.7%	30.1%	17.2%	76.9%	0.3%	8.3%	1.0%	1.4%	0.1%	4.1%	7.9%
Ferry	27.7%	169.6%	34.8%	24.6%	82.5%	0.5%	1.1%	0.6%	10.9%	0.4%	0.5%	3.5%
Franklin	15.3%	282.6%	22.7%	12.2%	55.8%	1.5%	19.7%	2.6%	1.6%	0.3%	10.2%	8.3%
Garfield	20.5%	145.8%	39.7%	26.2%	90.6%	0.9%	2.1%	0.7%	1.6%	0.0%	0.2%	3.9%
Grant	18.6%	218.8%	28.6%	15.8%	68.4%	0.7%	13.9%	1.5%	1.6%	0.1%	7.3%	6.6%
Grays Harbor	18.3%	170.3%	30.4%	22.0%	86.5%	0.6%	2.2%	1.2%	3.3%	0.3%	1.0%	5.0%
Island	13.7%	213.4%	33.1%	21.5%	87.2%	1.0%	2.5%	3.4%	0.6%	0.4%	1.0%	4.0%
Jefferson	19.5%	164.6%	38.4%	28.6%	89.6%	0.4%	1.9%	1.1%	1.3%	0.1%	0.7%	4.8%
King	16.4%	246.0%	22.9%	14.2%	63.6%	5.1%	3.9%	19.6%	0.8%	0.5%	2.0%	4.5%
Kitsap	14.3%	209.5%	28.3%	18.8%	81.8%	1.4%	3.3%	5.8%	1.2%	0.8%	1.5%	4.2%
Kittitas	16.7%	305.8%	31.2%	16.3%	90.0%	0.1%	2.3%	0.8%	1.0%	0.2%	1.0%	4.6%
Klickitat	25.7%	140.7%	32.0%	24.6%	87.2%	0.2%	2.8%	0.6%	1.8%	0.3%	1.0%	6.1%
Lewis	20.0%	172.1%	28.2%	20.5%	88.2%	0.4%	2.5%	0.7%	1.1%	0.2%	1.4%	5.4%
Lincoln	18.1%	148.1%	27.7%	24.2%	91.3%	0.1%	1.2%	0.6%	2.2%	0.1%	0.9%	3.7%
Mason	17.5%	191.8%	34.5%	23.0%	85.3%	0.6%	3.3%	1.3%	2.3%	0.3%	1.6%	5.3%
Okanogan	25.3%	176.7%	33.8%	22.5%	79.1%	0.4%	4.5%	0.8%	6.8%	0.2%	3.3%	4.9%
Pacific	21.1%	150.3%	38.4%	27.5%	87.9%	0.5%	2.0%	1.3%	1.2%	0.3%	0.7%	6.0%
Pend Oreille	18.6%	159.3%	36.9%	24.9%	91.7%	0.4%	1.6%	0.3%	1.0%	0.1%	0.5%	4.4%
Pierce	15.7%	239.0%	23.8%	15.4%	73.7%	5.0%	4.0%	8.4%	1.1%	1.4%	2.1%	4.4%
San Juan	15.5%	179.6%	38.2%	26.9%	89.6%	0.2%	3.0%	1.0%	0.5%	0.2%	1.1%	4.5%
Skagit	17.3%	199.6%	29.5%	19.7%	84.3%	0.4%	4.2%	1.8%	1.6%	0.3%	2.4%	5.1%
Skamania	17.4%	206.9%	29.7%	21.1%	87.0%	0.7%	2.7%	1.3%	1.4%	0.4%	1.7%	4.9%
Snohomish	15.2%	203.9%	21.8%	15.2%	73.8%	2.0%	4.0%	11.1%	1.2%	0.5%	2.2%	5.2%

	Newly Retired (65-74)											
	Assets				Race and Ethnicity							
County	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Spokane	18.9%	220.7%	26.2%	16.9%	87.2%	1.2%	2.7%	2.0%	1.0%	0.7%	1.1%	4.1%
Stevens	19.9%	153.2%	34.0%	23.6%	89.1%	0.2%	1.8%	0.7%	3.1%	0.2%	0.7%	4.2%
Thurston	15.6%	225.0%	26.5%	17.3%	80.5%	2.0%	3.7%	5.6%	1.3%	0.8%	1.6%	4.5%
Wahkia-kum	17.5%	135.6%	40.2%	29.4%	87.7%	0.7%	2.2%	0.4%	1.0%	0.1%	0.7%	7.2%
Walla Walla	18.6%	205.5%	28.9%	17.9%	80.4%	1.0%	7.0%	1.3%	0.9%	0.3%	3.5%	5.6%
Whatcom	17.0%	235.4%	30.5%	17.4%	84.2%	0.7%	3.5%	3.7%	1.7%	0.3%	1.7%	4.2%
Whitman	19.9%	746.3%	20.9%	11.1%	87.2%	1.0%	2.8%	3.8%	0.6%	0.3%	1.0%	3.3%
Yakima	21.2%	227.9%	27.5%	16.3%	58.9%	0.6%	17.8%	1.2%	3.5%	0.1%	9.8%	8.1%
State Av-erage	18.68%	210.64%	30.40%	20.20%	82.21%	0.89%	4.74%	2.54%	1.77%	0.33%	2.35%	5.17%

	10 Years On (75+)											
	Assets				Race and Ethnicity							
County	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Adams	14.8%	275.2%	24.2%	10.7%	64.5%	0.1%	16.4%	0.9%	0.5%	0.1%	8.5%	9.0%
Asotin	13.7%	176.1%	19.8%	17.3%	92.7%	0.2%	1.5%	1.1%	0.5%	0.1%	0.8%	3.0%
Benton	13.3%	167.4%	12.3%	11.0%	80.3%	0.7%	6.2%	2.4%	0.6%	0.4%	3.3%	6.2%
Chelan	13.9%	160.6%	14.4%	14.4%	85.3%	0.1%	3.9%	0.7%	0.4%	0.1%	2.4%	7.0%
Clallam	12.3%	172.1%	27.5%	19.6%	90.2%	0.4%	1.8%	1.1%	1.6%	0.1%	0.9%	3.9%
Clark	14.1%	156.1%	11.7%	10.5%	83.1%	1.2%	3.5%	3.4%	0.6%	1.0%	2.2%	5.0%
Columbia	11.4%	214.7%	28.8%	19.9%	91.5%	0.5%	2.2%	1.1%	0.2%	0.0%	2.0%	2.5%
Cowlitz	13.1%	179.9%	19.0%	14.7%	88.4%	0.5%	2.6%	1.0%	0.5%	0.9%	1.4%	4.9%
Douglas	13.4%	177.9%	16.5%	13.1%	79.6%	0.3%	5.2%	0.6%	1.4%	0.1%	2.6%	10.3%
Ferry	13.2%	231.4%	14.2%	13.2%	80.0%	0.6%	0.8%	0.2%	13.6%	0.0%	0.3%	4.5%
Franklin	11.1%	266.6%	11.6%	6.9%	60.8%	1.6%	15.9%	2.0%	1.9%	0.2%	8.1%	9.5%

	10 Years On (75+)											
	Assets				Race and Ethnicity							
County	A*	B	C	D	White	Black	Hispanic	Asian	Alaskan Native/ Native American	Pacific Islander	Other	Multi
Garfield	13.4%	181.8%	25.6%	18.7%	98.3%	0.3%	0.3%	0.0%	0.7%	0.0%	0.0%	0.3%
Grant	13.5%	219.9%	15.9%	11.2%	71.8%	0.6%	10.2%	2.2%	1.4%	0.2%	4.9%	8.6%
Grays Harbor	13.0%	174.6%	21.6%	14.5%	88.8%	0.4%	1.9%	0.8%	2.0%	0.2%	1.3%	4.5%
Island	10.3%	179.4%	19.5%	14.2%	88.4%	0.7%	2.0%	2.8%	0.4%	0.1%	1.1%	4.5%
Jefferson	11.6%	191.4%	26.2%	18.7%	91.3%	0.3%	1.4%	1.5%	0.7%	0.1%	0.9%	3.8%
King	13.1%	183.5%	10.9%	9.4%	68.1%	4.2%	3.6%	16.7%	0.6%	0.5%	1.9%	4.4%
Kitsap	12.5%	141.5%	12.4%	12.1%	83.6%	1.0%	2.9%	5.3%	0.7%	0.5%	1.8%	4.1%
Kittitas	14.1%	228.8%	14.7%	11.0%	91.1%	0.2%	2.0%	0.3%	0.6%	0.2%	1.3%	4.4%
Klickitat	13.5%	177.2%	19.0%	13.9%	87.8%	0.5%	2.4%	0.8%	1.2%	0.0%	1.6%	5.7%
Lewis	13.2%	175.9%	23.3%	15.2%	90.1%	0.4%	2.0%	0.6%	0.8%	0.1%	1.2%	4.8%
Lincoln	11.9%	151.5%	27.3%	17.5%	92.3%	0.0%	2.2%	0.1%	0.9%	0.2%	0.6%	3.8%
Mason	11.8%	164.0%	23.1%	15.0%	87.2%	0.4%	2.7%	1.1%	1.4%	0.2%	2.0%	4.9%
Okanogan	14.6%	221.2%	20.1%	14.5%	79.5%	0.2%	2.8%	0.3%	6.5%	0.0%	3.0%	7.8%
Pacific	12.6%	160.7%	26.0%	19.7%	89.2%	0.1%	2.0%	0.8%	0.7%	0.0%	0.6%	6.5%
Pend Oreille	13.4%	146.5%	15.7%	14.3%	92.9%	0.1%	1.5%	0.5%	0.8%	0.0%	1.0%	3.2%
Pierce	13.0%	178.2%	13.0%	10.2%	75.6%	4.0%	3.9%	8.0%	0.8%	1.2%	2.1%	4.4%
San Juan	10.6%	177.6%	18.0%	14.7%	91.0%	0.2%	1.1%	1.5%	0.4%	0.2%	1.5%	4.1%
Skagit	12.8%	169.4%	18.7%	14.9%	86.7%	0.2%	3.1%	1.3%	1.4%	0.4%	1.5%	5.4%
Skamania	12.6%	131.5%	13.6%	11.8%	88.4%	0.8%	1.8%	1.5%	0.7%	0.2%	1.5%	5.1%
Snohomish	13.2%	138.0%	9.4%	9.0%	76.7%	1.8%	3.8%	8.5%	0.8%	0.7%	2.3%	5.4%
Spokane	14.7%	188.6%	14.3%	12.0%	87.8%	1.2%	2.6%	1.7%	0.7%	0.7%	1.3%	4.0%
Stevens	13.4%	149.5%	15.5%	13.2%	89.0%	0.1%	1.9%	0.6%	3.2%	0.0%	0.8%	4.3%
Thurston	13.2%	164.9%	14.6%	11.4%	83.7%	1.5%	3.0%	4.4%	0.8%	0.7%	1.4%	4.5%
Wahkiakum	12.2%	112.2%	18.4%	18.9%	92.5%	0.2%	1.8%	0.3%	0.5%	0.0%	1.7%	3.0%
Walla Walla	14.0%	181.0%	20.7%	16.0%	83.9%	0.6%	5.0%	1.3%	0.5%	0.1%	2.8%	5.8%
Whatcom	14.0%	184.5%	14.1%	12.0%	87.4%	0.5%	2.4%	2.7%	1.4%	0.2%	1.3%	3.9%
Whitman	14.1%	692.8%	18.8%	9.0%	89.3%	0.9%	2.6%	2.4%	0.1%	0.3%	1.4%	2.9%
Yakima	14.2%	234.5%	20.0%	11.7%	66.5%	0.7%	13.5%	1.2%	2.6%	0.2%	7.4%	8.0%
State Average	13.05%	194.33%	18.22%	13.74%	84.50%	0.73%	3.75%	2.15%	1.41%	0.26%	2.13%	5.08%

Summary

Counties in need of additional assistance/resources with managing/preparing for retirement may be identified by using the data and tables provided in conjunction with one another. Take for example, Adams County, which is rural and relatively small when measured by population and business distribution. Here, households classed as approaching retirement (age 55-64) and newly retired (age 65-75) make up a relatively small portion of total households when compared to the WA state average. The 65+ population is expected to slowly grow over the next 15 years, while the dependency ratio will stay relatively low, indicating little age-based demographic change. Tapestry data suggests that there are no households that fall into segment 9 within Adams County, signifying that the lifestyles of the aging community here are different from that of the majority. These households also appear to have a higher dependency on income vs. savings. The race and ethnicity data shows that there is a relatively large Hispanic community and communities that identify as other races, which decline drastically in population size as they age. Data from this county implies that additional resources or alternative retirement programs should be made available for the people who work and live there. The data included in this report is intended to encourage further research into county-specific issues and industries by using a variety of data associated with retirement age communities.

Appendix B

Literature review: financial literacy, education, and outcomes

Overview

Financial literacy is important because a financially knowledgeable person is more likely to make decisions that improve their personal economic health and resilience than a person who is less knowledgeable. Financial literacy matters because individuals have a lot of responsibility for their financial situation, particularly about their retirement security in which workers are in a 'do-it-yourself' situation. But financial literacy matters not just for the individual's own financial well-being, but a financial literate population is the foundation for a fair and free economy by encouraging competition and efficient markets.

This section reviews the academic research on financial literacy, and covers the following topics:

- Definition: financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security.
- In terms of measurement, most academic researchers have coalesced around a set of three questions, known as the 'Big 5,' that cover the topics of compound interest, real rates of return, risk diversification. However, results from a wide variety of surveys show that most respondents do not get all of the Big 5 questions right. However, there is no consensus or definitive evaluation about the best approach to measuring financial literacy.
- Broad financial education is typically and consistently offered at the state level through primary and secondary public schools. Almost all states require some proficiency in financial literacy or economics and offer courses.
- As to whether financial education improves financial literacy, the research evidence is limited and not consistent, which points to the need for more comprehensive studies.
- Research has found connections between financial literacy and better financial outcome. While a relationship may exist between financial literacy and financial outcomes, it's not necessarily clear whether literacy affects outcomes or outcomes affects literacy. That is, does financial literacy lead to better outcomes, or does engaging in personal finance activities and decisions increase financial literacy?

- The research connecting education to improved financial outcomes is also somewhat mixed, but an important insight that needs additional study is that the way financial education is delivered may be more important to better outcomes than the substance of the education.
- The issue of the effectiveness of financial education cannot be divorced from the cost of providing education, and here again, there is little evidence.

Introduction

This section reviews what published research describes about financial literacy and education, specifically in terms of outcomes. The discussion will cover what is meant by financial literacy and how it is measured, the forms of financial education, and then how financial education and literacy lead, if at all, to improved financial outcomes.

Before covering these topics, it's helpful to ask why financial literacy matters, that is, why do we care? First, financial literacy matters at the societal level: Much like an informed citizenry is necessary for democracy, a financial literate population supports a fair and free market economy by encouraging competition and efficient markets.[71]

At the individual level, financial literacy also matters because individual Americans must make a lot of difficult decisions that affect their financial security: "We believe that the sense of public urgency over the level of financial literacy in the population is a reaction to a changing economic climate in which individuals now shoulder greater personal financial responsibility in the face of increasingly complicated financial products."[72]

This statement is particularly true in retirement security as workers are largely in a 'do-it-yourself' situation in which they make decisions on participating in a plan, how much to contribute, where to invest savings, and when and how to withdraw funds at retirement. According to standard economic models, workers must make decisions that are future-oriented versus wants or needs that are very much in the present: Saving for a future retirement competes with daily expenses, paying off credit card or student debt, or saving for a home purchase. Without some level of financial literacy or ability to make numerical calculations, individuals may not be able to reach a desired or even acceptable level of retirement security.

Definitions and measurement

What is financial literacy, and how do we know that we do or don't have it? According to a national financial literacy program, Jump$tart, which is a source for national standards for K through 12 financial education programs, financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security.[73] The academic research literature has many other definitions of financial literacy that variously cover knowledge of financial products, financial concepts, and numeracy or mathematical skills. Two particularly influential researchers, for example, define financial literacy as the "ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions."[74]

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[71] Hastings, J.S., Madrian, B.C. and Skimmyhorn, W.L., 2013. Financial literacy, financial education, and economic outcomes. *Annu. Rev. Econ*. 2013. 5:347–73.

[72] Ibid.

[73] Jump$tart, 2020, https://www.jumpstart.org/.

[74] Lusardi, A. and Mitchell, O.S., 2014. The economic importance of financial literacy: Theory and evidence. *Journal of economic literature*, *52*(1), 5-44, at p. 6.

In terms of measurement, most academic researchers have coalesced around a set of three questions, known as the 'Big 3,' that cover the topics of compound interest, real rates of return, risk diversification.[75] Specifically, these three questions are (with correct answers in **bold**):

- Suppose you had $100 in a savings account and the interest rate was 2 percent per year. After 5 years, how much do you think you would have in the account if you left the money to grow [answers: **more than $102**; exactly $102; less than $102]
- Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, would you be able to buy: [more than; exactly the same as; or **less than today** with the money in this account]
- Do you think that the following statement is true or false? "Buying a single company stock usually provides a safer return than a stock mutual fund." [true; **false**]

Other measures have supplemented the Big 3 questions. For example, the Financial Industry Regulatory Authority, a nonprofit private entity that regulates the securities industry, created the National Financial Capability Survey (NFCS).[76] The survey uses the Big 3 questions but also adds two more questions on mortgage interest and bond prices to create the Big 5 questions.

- The mortgage question: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. Answers: **True**/False
- The bond question: If interest rates rise, what will typically happen to bond prices? Answers: They will rise/They will stay the same/**They will fall**/There is no relationship between bond price and interest rate

Other approaches go beyond the Big 3 or the NFCS: The Jump$tart financial literacy surveys use more than 30 questions. Alternative measures in the academic research literature include a self-assessment of financial knowledge or the level of confidence in one's financial ability, but this measure might reflect bias in one's self-assessment such as overconfidence in one's own abilities.[77]

Despite the different measures and approaches, there is no consensus or definitive evaluation about the best approach to measuring financial literacy. As one group of researchers noted:

> No study has provided incentives for giving correct answers as a mechanism to encourage thoughtful answers that reflect actual knowledge, nor has any study allowed individuals to access other sources of information (e.g., the Internet or friends and family) in completing a performance test to assess whether individuals understand their limitations and can compensate for them by engaging other sources of expertise. If individuals have effective compensatory mechanisms, we may see discrepancies between performance test results and actual outcomes and behaviors in the field.[78]

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[75] Lusardi, A. and Mitchell, O.S., 2006. Financial literacy and planning: implications for retirement wellbeing, Pension Research Council Working Paper no. 1. *Philadelphia, PA: The Wharton School, University of Pennsylvania*.
[76] The NFCS can be found at https://www.usfinancialcapability.org/.
[77] Hastings et al., 2013.
[78] Hastings et al, 2013, p. 357.

Modes of financial education

Financial education can be provided in different ways and at different points in one's life or career. Many large employers offer financial education programs through human resource and benefits programs. These programs are offered usually in context of enrolling in the company's retirement savings plan. Broad financial literacy programs are not usually offered by employers. According to a Bank of America survey, for example, just two out of five employers who offer a 401(k) retirement plan provide any financial wellness program to their employees.[79] Of course, individuals can engage in their own self-study whether as part of a degree-granting institution like a community college or through online tutorials or a professional society.

Broad financial education is typically offered at the state level through primary and secondary public schools. Almost all states require some proficiency in financial literacy or economics and offer courses. In some states, standardized testing is used to measure comprehension. According to a survey by the Council for Economic Education (CEE):[80]

- 45 states include personal finance in their K-12 standards, 21 states require high school coursework in personal finance, and only 5 use standardized testing of personal finance.
- All 50 states and the District of Columbia include economics in their K-12 instruction, 25 states require economics high school coursework, and only 10 states have standardized testing in economics.

Findings on financial literacy

A critical question in the research literature is whether, and how, financial education and literacy affect financial outcomes. This question on the connection to outcomes covers measures of literacy, how financial education might affect literacy, and then on the connection between financial literacy and financial decision making.

Measures of financial literacy are usually evaluated by testing. As discussed above, there are different approaches to measuring financial literacy, but the main approach is to see how people respond in surveys that contain questions like the Big 3 questions. The general takeaway is that the general population is not financially literate, and this is broadly true at the state, national, and international levels. Some examples from important surveys include the following:

- Generally, results from a variety of surveys show that most respondents do not get all of the Big 3 questions right.[81]
- The Health and Retirement Study is a longitudinal study that surveys older Americans (ages 50 and above) every two years since 1992. In 2004, the HRS tested financial knowledge using the Big 3 questions. Three-quarters of respondents got the inflation question correct, 67 percent gave the correct answer to the compound interest question, and 52 percent picked the right response to the stock risk question. Overall, only 34 percent of older Americans got all 3 questions right.[82]

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[79] Bank of America, 2023, *Workplace Benefits Report*, available at https://benefitplans.baml.com/IR/pages/workplace-benefits-report.aspx.

[80] Council for Economic Education, 2022, *Survey of the States, Economic and Personal Finance Education in Our Nation's Schools*, available at https://www.councilforeconed.org/policy-advocacy/survey-of-the-states/.

[81] Lusardi & Mitchell 2014; Hastings et al., 2013.

[82] Lusardi and Mitchell 2014.

- FINRA's National Financial Capability Study uses the Big 3 plus two more questions, and its survey results can be disaggregated down to the state level. In the U.S., only a third of individuals can answer four or five questions correctly. Among Millennials, only 24 percent can answer at least 4 of the 5 questions.[83]
- According to a 2012 National Assessment of Educational Progress (NAEP) economics assessment, only 43 percent of students tested at a level representing competency. The report noted differences in scores based on race, gender, and family characteristics with white students, males, and students from households with higher reported parental levels of education scoring higher than their counterparts.[84]
- The Programme for International Student Assessment (PISA) tests students around the globe in literacy and math but also several other subjects. According to PISA's first financial literacy assessment, American teenagers fall in the middle of the pack globally, performing around the average of the 18 countries that participated but also failing to meet the baseline level of proficiency.[85]

Does financial education improve financial literacy?

The evidence is limited and contradictory. For example, somewhat dated research from the Jump$tart Coalition for Personal Financial Literacy shows surprisingly little correlation between measures of high school students' financial knowledge and whether they have completed a financial education class. However, that same research found that weaker high school scores may be a function of younger high school students – 9th and 10th graders – taking these tests. Older high school students and college students tend to do better, possibly because of greater exposure to financial situations.[86]

But education may improve some types of financial literacy and not others. For example, in a relatively large randomized financial education intervention in India, researchers found that although financial education does not improve financial decisions that require numeracy, study subjects improved awareness of financial choices and attitudes toward financial decision making because of education.[87]

Does financial literacy affect financial behaviors and outcomes?

Some research does find an association between the literacy and behavior. In general, financial knowledge is associated with an increase in engaging in various financial activities such as paying bills on time, budgeting, paying off credit cards, and setting financial goals.[88] Other studies have found a correlation between financial literacy and planning for retirement, savings and wealth accumulation.[89] More

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[83] Mottolla, G.R., (2014), *The Financial Capability of Young Adults—A Generational View*, FINRA Investor Education Foundation, DOI:10.13140/RG.2.1.3800.5281

[84] U.S. Department of Education, National Center for Education Statistics, *The Nation's Report Card on the State of 12th-Graders' Economic Literacy, The Nation's Report Card: Economics 2012*, April 2013, https://nces.ed.gov/nationsreportcard/subject/publications/main2012/pdf/2013453.pdf.

[85] OECD, (2014), "Country Note – United States," *PISA 2012 Results: Students and Money: Financial Literacy Skills for the 21st Century (Volume VI),* Programme for International Student Assessment (PISA) http://www.oecd.org/unitedstates/PISA-2012-results-finlit-usa.pdf.

[86] Mandell, L., 2008. The financial literacy of young American adults. *The Jumpstart Coalition for Personal Financial Literacy*.

[87] Carpena F, Cole S, Shapiro J, Zia B. 2011. Unpacking the casual chain of financial literacy. Work. Pap. 5798, World Bank, Washington, DC

[88] Hilgert MA, Hogarth JM, Beverly SG. 2003. Household financial management: the connection between knowledge and behavior. *Fed. Reserve Bull*. 89(7):309–22

[89] Ameriks, John, Andrew Caplin, and John Leahy. 2003. "Wealth Accumulation and the Propensity to Plan." *Quarterly Journal of Economics* 118 (3): 1007–47.; Lusardi & Mitchell 2006; Hung, Angela, Andrew Parker, and Joanne Yoong. 2009. "Defining and

specifically, financial literacy is predictive of investment behaviors, including stock market participation,[90] choice of a low-fee investment portfolio,[91] and better diversification and more frequent stock trading.[92] Conversely, low financial literacy is associated with higher debt accumulation and high-cost borrowing,[93] making poor mortgage choices,[94] and a greater chance of mortgage delinquency and home foreclosure.[95]

While a relationship may exist between financial literacy and financial outcomes, it's not clear whether literacy affects outcomes or outcomes affects literacy. That is, does financial literacy lead to better outcomes, or does engaging in personal finance activities and decisions increase financial literacy?

Some research has shown that financial knowledge increases through personal experience: A study of credit card markets in India, for example, found that the fees paid by new card holders fall by 75% during the first three years after an account is opened owing to negative feedback from having to pay fees and interest: By paying a fee, consumers learn how to avoid fees with future purchases.[96] Survey findings seem to confirm the importance of experience as a way to boost financial literacy: In the Health and Retirement Study, the biennial survey of older Americans, when asked how they learned about personal finance, half of respondents said that the most important way was through personal experience as opposed to learning from friends and family or through formal instruction or education.[97]

> To give a more concrete example, individuals with higher levels of financial literacy might better recognize the financial benefits of, and be more inclined to enroll in, a savings plan offered by their employers. Conversely, if an employer automatically enrolls employees in the firm's saving plan, the employees may acquire some level of financial literacy simply by virtue of their savings plan participation.[98]

Alternatively, does some other, unrelated factor, like greater numeracy or increased interest in financial concepts, lead to greater financial literacy? Perhaps patience or a forward-looking attitude contributes to both financial literacy and better financial outcomes? Research has not delved deeply into these questions.

Measuring Financial Literacy." RAND Working Paper 708; van Rooij, Maarten, Annamaria Lusardi, and Rob Alessie. 2012. "Financial Literacy, Retirement Planning and Household Wealth." *Economic Journal* 122 (560): 449–78.

[90]van Rooij, Maarten, Annamaria Lusardi, and Rob Alessie. 2011. "Financial Literacy and Stock Market Participation." *Journal of Financial Economics* 101 (2): 449–72.

[91] Choi J, Laibson D, Madrian BC. 2011. $100 bills on the sidewalk: suboptimal investment in 401(k) plans. *Rev. Econ. Stat*. 93:748–63

[92] Graham J, Harvey C, Huang H. 2009. Investor competence, trading frequency, and home bias. *Manag. Sci.* 55:1094–106

[93] Lusardi, Annamaria, and Peter Tufano. 2009a. "Debt Literacy, Financial Experiences, and Overindebtedness." National Bureau of Economic Research Working Paper 14808.

[94] Moore D. 2003. Survey of financial literacy in Washington State: knowledge, behavior, attitudes, and experiences. Tech. Rep. 03-39, *Soc. Econ. Sci. Res. Center*, Washington State Univ., Pullman

[95] Gerardi K, Goette L, Meier S. 2010. Financial literacy and subprime mortgage delinquency: evidence from a survey matched to administrative data. Work. Pap. 2010-10, Fed. Reserve Bank Atlanta, https://books.google.com/books?hl=en&lr=&id=yD8rZM1eW94C&oi=fnd&pg=PA2&dq=Gerardi+K,+Goette+L,+Meier+S.+2010.+Financial+literacy+and+subprime+mortgage+delinquency:+evidence+from+a+survey+matched+to+administrative+data.+Work.+Pap.+2010-10,+Fed.+Reserve+Bank+Atlanta&ots=6v77Ok0_qp&sig=LVqiFbNzG0Uek5wR4XZTYD33NM#v=onepage&q&f=false

[96] Agarwal S, Driscoll J, Gabaix X, Laibson D. 2011. Learning in the credit card market. Work. Pap., Fed. Reserve Bank Chicago.

[97] Hilgert et al. 2003.

[98] Hastings et al., 2013, p 358.

Evidence on whether financial education improves financial outcomes is mixed. For example, a study evaluated the effects of a mandatory eight-hour financial literacy course rolled out by the US Army for all new enlisted personnel. The outcome was participation in and contributions to the retirement savings program for federal workers. The soldiers who joined the Army just after the implementation of the financial education course had participation rates in the plan and average monthly contributions that were roughly double those of soldiers who did not receive the course.[99]

In a different study, researchers used a natural experiment based on the expansion over time and across states in high school financial education mandates. The researchers could compare literacy and outcomes between states with and those without mandates and found some impact on wealth and savings.[100] But a different set of researchers re-examined the same data and suggested that the state adoption of these mandates was correlated with economic growth, which could have had an independent effect on savings and wealth accumulation.[101]

The effects of financial education also may depend on how it is delivered. An experiment tested the impact of two different financial education programs targeted at microentrepreneurs.[102] One treatment group participated in traditional, principles-based financial education; members of another treatment group participated in several sessions of financial education oriented around simple financial rules of thumb. The financial behaviors of the treatment group who received the principles-based financial education were no different from a control group of entrepreneurs who did not receive any education. But the financial behavior of the treatment group who participated in the rules-of-thumb oriented course was significantly improved from the control group. This study suggests that how financial education is delivered, and not just providing financial education, could matter in whether it has meaningful effects and might help explain why other studies have found much weaker links between financial education and economic outcomes. A more recent review of 126 studies made the statement that financial education "success depends crucially on increasing education intensity and offering financial education at a 'teachable moment.'"[103]

Finally, the issue of the effectiveness of financial education cannot be divorced from the cost of providing education, and here again, there is little evidence: "Of the few studies that exploit randomization or natural experiments, there is at best mixed evidence that financial education improves financial outcomes. There is even less evidence on whether financial education is cost-effective; indeed, there are almost no studies detailing the costs of financial education programs on small or large scales."[104]

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[99] Skimmyhorn, W., (2013), *Assessing financial education: Evidence from a personal financial management course, Work. Pap., West Point*.

[100] Bernheim BD, Garrett DM, Maki DM. 2001. Education and saving: the long-term effect of high school financial curriculum mandates. *J. Public Econ*. 80:435–65.

[101] Cole, S., Paulson, A. and Shastry, G.K., 2014. Smart money? The effect of education on financial outcomes. *The Review of Financial Studies*, *27*(7), pp.2022-2051.

[102] Drexler, A., Fischer, G. and Schoar, A., 2014. Keeping it simple: Financial literacy and rules of thumb. *American Economic Journal: Applied Economics*, *6*(2), pp.1-31.

[103] Kaiser, T. and Menkhoff, L., 2019. Financial education in schools: A meta-analysis of experimental studies. *Economics of Education Review*, p.101930.; see also Fernandes, D., Lynch Jr, J.G. and Netemeyer, R.G., 2014. Financial literacy, financial education, and downstream financial behaviors. *Management Science*, *60*(8), pp.1861-1883.: Financial education as typically implemented does not lead to substantial behavior change.

[104] Coussens, MD.2006. Toward financial literacy: Program leaders comment on evaluation and impact. *Consum. Interests Annu*. 52:315–26.

Conclusion

Financial literacy is important to individual well-being and to the functioning of our free market economy. But the research summarized above points to several areas of either additional research or improvement in our financial education programs, such as:

- While financial education is concentrated in our K-12 education system, education after secondary school is inconsistent. As the number and complexity of financial decisions increases after high school, employers and governments should examine ‘life-long learning’ approaches to boosting financial knowledge.
- More research needs to establish the linkages, if any, between education, knowledge, and outcomes.
- Financial education programs also should consider how content is delivered. For example, would more experiential programs or programs that combine experience and information have more impact on people’s financial situation? Should we strive for broad knowledge or deliver specific information at the time of a specific financial decision?
- Finally, state and federal governments should do more evaluation of the cost effectiveness of financial education programs.

Appendix C: Major plan types for individual savers

IRAs and IRA-based plans

	Iras	Payroll deduction IRA	SEP	SIMPLE IRA plan
Advantage	Easy to set up an maintain.	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.
Employer Eligibility	Employers do not set up IRAs – individuals set up their own IRAs	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with 100 or fewer employees that does not currently maintain another retirement plan.
Employer's Role	None	Arrange for employees to make payroll deduction contributions. Transmit contributions for employees to IRA. No annual filing requirement for employer.	May use IRS Form 5305-SEP to set up the plan. No annual filing requirement for employer.	May use IRS Form 5304-SIMPLE or 5305-SIMPLE to set up the plan. No annual filing requirement for employer. Bank or financial institution handles most of the paperwork.
Contributors To the Plan	Employee contributions only	Employee contributions remitted through payroll deduction.	Employer contributions only.	Employee salary reduction contributions and employer contributions.
Maximum Annual Contribution (per participant) Contributor's Options	\$6,500 for 2023. Participants aged 50 or over can make additional contributions up to \$1,000. Employee can decide how much to contribute at any time. Contributions can be tax deductible (traditional IRA) or made with after-tax amounts (Roth IRA).	\$6,500 for 2023. Participants aged 50 or over can make additional contributions up to \$1,000. Employee can decide how much to contribute at any time. Contributions can be tax deductible (traditional IRA) or made with after-tax amounts (Roth IRA).	Up to 25% of compensation but no more than \$66,000. Employer can decide whether to make contributions year-to-year.	**Employee:** \$15,500 in 2023. Participants aged 50 or over can make additional contributions up to \$3,000. **Employer:** Either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 yrs.); or contribute 2% of each eligible employee's compensation. Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's compensation.
Minimum Employee Coverage Requirements	Not applicable	There is no requirement. Can be made available to any employee.	Must be offered to all employees who are at least 21 years old, employed by the employer for 3 of the last 5 years and had compensation of \$750 in 2023.	Must be offered to all employees who have compensation of at least \$5,000 in any prior 2 years and are reasonably expected to earn at least \$5,000 in the current year.
Withdrawals, Loans & Payments	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax (special rules apply to Roth IRAs). Participant loans are not permitted.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax (special rules apply to Roth IRAs). Participant loans are not permitted.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SEP–IRAs.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SIMPLE IRAs.
Vesting	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	All contributions are immediately 100% vested.

Source: Internal Revenue Service[105]

[105] Internal Revenue Service Publication 4484, (2001), *Choose a Retirement Plan*, https://www.irs.gov/pub/irs-pdf/p4484.pdf

Appendix D: state program implementation history

Retirement plan marketplace implementation history

In 2015, Washington passed legislation enacting the first retirement plan marketplace in the country. Since then, New Jersey, New Mexico, and Vermont have all adopted legislation which includes a marketplace component; however, to date, only Washington's marketplace has launched.

Washington's statute directed the State Department of Commerce and Department of Financial Institutions to establish a program that listed retirement products which complied with certain requirements such as offering low investment fees and was costless to use by employers. To promote competition, the legislation required at least two providers join before the program launched. Interest among financial providers in joining the website proved limited and the marketplace was unable to launch until it was able to certify two firms in March of 2018. The Washington State Small Business Retirement Marketplace launched with financial services firms Finhabits and Saturna offering IRAs and 401(k)s respectively. In 2020 a third provider, Aspire, began offering IRAs as well. In 2022, Saturna exited the marketplace, so as of August 2023, only Finhabits and Aspire remain on the marketplace. Finhabits offers IRAs, while Aspire offers both IRAs and Solo 401(k)s.

New Jersey followed Washington in adopting marketplace legislation in 2016. Although the legislature passed an automated savings bill, then Governor Chris Christie vetoed the legislation and recommended a retirement plan marketplace be adopted in its place. The legislature agreed; however, since enactment, few efforts were made to implement the program. In 2018 the legislature again passed an automated savings bill which was signed by Governor Phil Murphy. It's unclear what this means for implementation of the New Jersey marketplace.

Highlighting the fact that these programs are not exclusive, both New Mexico and Vermont included language that creates marketplaces alongside other retirement efforts. In its 2017 legislation implementing a MEP, Vermont also created a marketplace to be implemented no earlier than the second year of the MEP's operation. Vermont recently repealed this legislation in favor of an automated savings program, so neither the MEP nor the marketplace will come to fruition. New Mexico also calls for a marketplace in conjunction with the state's voluntary IRA program passed in February of 2020, which stated that the marketplace should be online in 2022. While efforts to create the marketplace are underway, it is unclear when the marketplace will ultimately launch.

State multiple employer plan implementation history

Under previous federal law, MEPs were restricted to employers with a common nexus. For this reason, MEPs were historically sponsored by membership organizations, trade groups, and other instances where employer commonality brought businesses together but had limited broader potential. However, in 2015, the US Department of Labor Employee Benefits Security Administration expanded the universe of MEPs when it issued an Interpretive Bulletin which laid out a safe harbor in which a state could act as a common nexus for local employers and therefore sponsor a MEP.[106] This led several states to move

[106] Federal Register, (2015), *Interpretive Bulletin Relating to State Savings Programs that Sponsor or Facilitate Plans Covered by the Employee Retirement Income Security Act of 1974*, https://www.federalregister.gov/documents/2015/11/18/2015-29427/interpretive-bulletin-relating-to-state-savings-programs-that-sponsor-or-facilitate-plans-covered-by.

forward with exploring state MEPs as a solution to the coverage gap. Vermont and Massachusetts both passed MEP legislation in 2017.

Massachusetts was the first state to directly address the retirement coverage gap with the launch of the Massachusetts Defined Contribution (CORE) Plan in 2012. The CORE plan is a MEP for non-profits in the state with 20 or fewer employees. Massachusetts is currently considering a bill to expand the program by making the plan available to all non-profit employers in the state.[107]

Vermont's now repealed MEP program originated from a series of reports produced by the Public Retirement Study Committee, a group created by H885 2014 (VT). The committee was charged with completing an interim study of the feasibility of establishing a public retirement plan and produced four reports between 2014 and 2017, ultimately recommending the implementation of a state MEP. The legislature adopted that recommendation by creating the Green Mountain Secure Retirement Plan in 2017.

The plan's governing board initially solicited bids for a third-party financial firm to provide administrative services to the plan in 2018. Unable to come to terms with the submitting firms, the board worked with the legislature to modify the implementing legislation to allow for a more flexible plan structure that included the option to structure the Green Mountain Retirement Secure Plan as an aggregated single-employer prototype plan. While structurally different from an MEP in that each employer technically adopts an individual plan, a prototype plan approach seeks to reduce administrative burden and compliance costs by providing uniformity across plans like the savings a single plan is thought to offer. The modified legislation was adopted in 2019 and the board reissued its call for third-party administrative services in June of that year. In the period between 2019 and 2022, the plan did not move forward toward implementation. During the 2023 legislative session, the legislature considered and ultimately passed SB 135, creating an automated savings program, VT Saves, and repealing the Green Mountain Secure Retirement Plan.[108]

Finally, during the 2023 session, the Missouri legislature considered and ultimately passed HB 155, creating a voluntary MEP for employers with no more than 50 employees.[109] The Missouri Show-Me My Retirement Savings Plan is envisioned as voluntary/opt-in for employers and automatic enrollment for employees, similar to the Massachusetts program, and is supposed to launch and begin taking employee contributions by September 2025.

Automated savings program implementation history

Illinois and Oregon were the first states to adopt automated savings legislation in 2015. Oregon's program, branded as OregonSaves, launched with a pilot in 2017 and applies to all employers in the state without a workplace plan. It has rolled out in phases and is currently enrolling those in its last wave—employers with fewer than five employees.

Illinois' program, Illinois Secure Choice, launched in 2018 covering employers with 25 or more employees and no retirement plan, and followed a phased rollout like Oregon's. In 2022 program leadership

[107] https://malegislature.gov/Bills/193/S2025.
[108] https://legislature.vermont.gov/bill/status/2024/S.135.
[109] https://house.mo.gov/BillContent.aspx?bill=HB155&year=2023&code=R.

returned to the legislature to amend the Illinois Secure Choice statute, reducing the employee threshold to five employees. Illinois is currently enrolling employees from businesses with 5-15 employees.

California's program, CalSavers, is by far the largest in the country, accounting for nearly 60% of savers in the state programs. After a pilot in 2018, CalSavers launched in three large waves between 2019-2022. In 2022, CalSavers leadership also returned to the legislature to lower their employee threshold from employers with at least five employees to all employers. Businesses with fewer than 5 employees will have until December 31, 2025, to enroll in the program.

Between 2019 and 2023, four additional programs launched: Connecticut with MyCTSavings, Maryland with Maryland$aves, Colorado with Colorado Secure Savings, and Virginia with RetirePath VA. The MyCTSavings and Colorado Secure Choice programs cover employers with five or more employees and are currently enrolling all eligible businesses above that threshold. RetirePath VA, meanwhile, just launched in June 2023 and will cover employers with 25 or more employees.

Programs in implementation

Several programs are in varying stages of implementation. Legislation for the Maine Retirement Investment Trust (MERIT) passed in 2021 and the program plans to launch a pilot in fall 2023 via a first-in-the-nation partnership with Colorado Secure Savings (multistate partnerships are discussed more generally below). Delaware passed legislation in 2022 and is already considering partnership proposals from existing programs, with a plan to launch in 2024. Programs in New Jersey and New York, meanwhile, are in the early stages of development and are likely to launch by 2025.

Variants, cities, and newly passed legislation

Maryland. The seven active programs are quite similar, in that they are automatic enrollment for employees and require employers who do not provide a private retirement saving plan to facilitate the state program. Non-compliance with this requirement generally warrants warning letters from the state government, with continued non-compliance leading to fines of $100-$250 per employee per year. Maryland$aves diverges from the standard program features as the only active program without a compliance mechanism. Maryland$aves uses an "incentive only" approach, waiving a $300 annual business filing fee for employers who facilitate the program. This "incentive only" model is still in its first year, so further data collection is needed to fully understand the expected facilitation rate. That said, as of August 2023, the Maryland$aves program held $2.99 million in assets from 4,222 savers out of a potential pool of roughly 947,000 uncovered workers in the state.[110] Meanwhile, Colorado Secure Savings, which launched several months after the Maryland program with a similar population size of about 923,000 uncovered workers, employer requirement, and standard compliance mechanism, held $14.26 million in assets from 34,623 savers.[111]

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[110] https://www.marylandsaves.org/policies-and-statute/; AARP, (2022), *Payroll Deduction Retirement Programs Build Economic Security*, Fact Sheet: Maryland, https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/maryland.doi.10.26419-2Fppi.00164.022.pdf.

[111] AARP, (2022), *Payroll Deduction Retirement Programs Build Economic Security*, Fact Sheet, Colorado, https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/colorado.doi.10.26419-2Fppi.00164.007.pdf.

Hawaii. Hawaii passed legislation in 2022 with the employer requirement in place, but without automatic enrollment for employees. The state has set aside $25 million for an employee incentive program, which would allocate up to $500 in matching funds to the first 50,000 savers who participate in the program for 12 consecutive months. Much like the Maryland variation, this type of incentive is untested, so it is unclear what participation rates will look like under this model. That said, the data on automatic enrollment from other sources shows a clear jump in participation rates when a program moves from opt-in to opt-out.[112]

New Mexico. New Mexico passed legislation in 2020 to create a program that is voluntary/opt-in for employers and automatic enrollment for employees. This legislation is like the original statute in New York, which was subsequently amended in 2022. Since employers are not required to participate, it is unclear what level of participation the state could expect in this model. In late 2022, New Mexico issued an RFP for a program administrator and received no bids from the private sector. The program is currently dormant.

Seattle and New York City. In addition to the state programs, two cities have passed legislation to create their own automated savings programs. The first was the City of Seattle in 2017. Seattle's program applies to all employers without a plan but the city postponed implementation in 2019 pending possible action at the state level. The second was New York City in 2021. Given the statutory changes in the 2022 New York state legislation, this program suspended implementation.

Minnesota, Nevada, and Vermont. In 2023 these three states passed automated savings legislation. The states have not yet begun the implementation process, but all three programs are statutorily committed to launching in 2025.

[112] Brigitte C. Madrian and Dennis F. Shea, (2001). Briggite C. Madrian, D. F. S. (2001). "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior." The Quarterly Journal of Economics **116**(4): 1149-1187

Appendix E

2023 Pew Charitable Trusts Washington Small Business Retirement Savings Survey

The study was conducted for the Pew Charitable Trusts via Telephone by SSRS, an independent research company. Interviews were conducted by telephone among a sample of n=500 completed in Washington. The margin of error for the total of respondents is +/- 5.5 percentage points for Washington at the 95% confidence level. More information about SSRS can be obtained by visiting www.ssrs.com.

***General Notes:** Percentages may not add to 100%, due to rounding.
An asterisk indicates a result less than 1%.

Introduction

BASE: ALL QUALIFIED RESPONDENTS

S2. Which of the following descriptions applies to you?

	Washington (n=500)
You are the owner or co-owner of a small business	49
Not the owner, but you are the decision maker about employee benefits	51
Neither of these applies to you	*
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

S3. First of all, approximately how many people does your business employ? When answering this question, please include wage -W2- workers, including full-time, part-time, and seasonal workers. Please do not include any contract -1099- workers.

	Washington (n=500)
5 to 10	67
11 to 29	22
30 to 49	6
50 to 74	3
75+	2
Refused	0

BASE: ALL QUALIFIED RESPONDENTS

S4. Is a retirement savings plan such as a 401(k) or 403(b) offered to any of your employees?

	Washington (n=500)
Yes	42
No	56
Don't Know/not sure	3
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

S5. What type of business or industry is your company?

	Washington (n=500)
Agriculture, forestry, fishing	2
Arts, entertainment, recreation	3
Communications, telecommunications	1
Construction	10
Educational services that do NOT include PUBLIC schools	5
Finance, insurance	1
Health care, pharmaceutical	12
Hotel, lodging, restaurant	22
Leasing and rental	1
Manufacturing	6
Nonprofit	7
Real Estate	1
Retail	9
Services for example, business, legal, engineering, accounting	7
Transportation, warehousing	3
Utilities; for example, electric power, gas, water	1
Wholesale trade	2
Private government contractor	0
Public schools	0
Child care	2
Automotive	2
Research, technology	1
Building, grounds cleaning or maintenance	1
Private government contractor	0
Public Schools	0
Other	3
Don’t know/not sure	0
Refused	0

BASE: ALL QUALIFIED RESPONDENTS

S6. And is your business a local business or a franchise?

	Washing-ton (n=500)
Local Business	91
Franchise	7
Don't Know/not sure	1
Refused	*

Questions for Businesses with Retirement Plans

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

P2. Approximately what percentage of your employees are eligible to participate in your company's retirement savings plan? Please consider full-time, part-time, and seasonal workers, but NOT contract workers.

	Washing-ton (n=244)
1% to 50%	15
51% to 75%	10
76% to 100%	174
Don't know	2
Refused	1

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

P3. Does your retirement plan currently include employer contributions?

	Washington (n=244)
Yes	90
No	9
Don't know	1
Refused	*

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

P4. Did your company start offering a retirement savings plan [READ LIST]?

	Washington (n=244)
Right Away	16
Within a year of opening	26
Within 2 to 10 years of opening (VOL.)	25
Within 11 to 20 years of opening (VOL.)	7
21 or more years after opening (VOL.)	4
Plan started before I joined the company (VOL.)	3
Don't know/not sure	18
Refused	*

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

P5. There are many reasons businesses might offer a retirement savings plan. Please tell me whether each of the following is a major reason, minor reason, or not a reason your organization offers a retirement plan.

Would you say that's a major reason, a minor reason, or not a reason?

A. It helps attract and retain quality employees.

	Washington (n=244)
Yes, major reason	68
Yes, minor reason	28
No, not a reason	5
Don't know/not sure	0
Refused	0

B.

C. It has a positive impact on employees.

	Washington (n=244)
Yes, major reason	79
Yes, minor reason	18
No, not a reason	3
Don't know/not sure	*
Refused	0

D. It helps employees save for retirement.

	Washington (n=244)
Yes, major reason	92
Yes, minor reason	7
No, not a reason	1
Don't know/not sure	0
Refused	0

E. It provides tax advantages for management.

	Washington (n=244)
Yes, major reason	18
Yes, minor reason	45
No, not a reason	36
Don't know/not sure	1
Refused	0

F. It provides tax advantages for employees.

	Washington (n=244)
Yes, major reason	47
Yes, minor reason	37
No, not a reason	16
Don't know/not sure	0
Refused	0

G. It's the right thing to do for society.

	Washington (n=244)
Yes, major reason	61
Yes, minor reason	28
No, not a reason	10
Don't know/not sure	1
Refused	0

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

P6. Why did you choose to offer the type of retirement savings plan that you did?[113]

	Washington (n=244)
We chose a safe harbor plan offered by our payroll company.	15
We sought out a variety of plans and chose the one that we felt best met our needs.	55
We chose the simplest option we could find.	16
We chose the most cost-effective option we could find.	15
Our retirement plan was recommended by the company providing it.	22
Don't know/not sure	9
Refused	1

Questions for businesses that do NOT offer retirement plans

BASE: RESPONDENTS WHO DO NOT OFFER A RETIREMENT PLAN

NP1. There are many reasons businesses do not offer a retirement savings plan. Please tell me whether each of the following is a major reason, minor reason, or not a reason your organization does not offer a retirement plan.

Would you say that's a major reason, a minor reason, or not a reason?

[113] Results may add to more than 100% because multiple responses were permitted.

A. It is too expensive to set up.

	Washington (n=245)
Yes, major reason	38
Yes, minor reason	20
No, not a reason	36
Don't know/not sure	6
Refused	*

B. We do not have the resources to administer such a plan.

	Washington (n=245)
Yes, major reason	43
Yes, minor reason	22
No, not a reason	33
Don't know/not sure	2
Refused	*

C. Our employees are not interested.

	Washington (n=245)
Yes, major reason	20
Yes, minor reason	24
No, not a reason	49
Don't know/not sure	6
Refused	2

D. Our business is too new.

	Washington (n=245)
Yes, major reason	5
Yes, minor reason	21
No, not a reason	72
Don't know/not sure	2
Refused	0

E. We are concerned about how to choose a plan provider.

	Washington (n=245)
Yes, major reason	7
Yes, minor reason	21
No, not a reason	66
Don't know/not sure	5
Refused	*

F. We haven't thought about it.

	Washington (n=245)
Yes, major reason	9
Yes, minor reason	18
No, not a reason	66
Don't know/not sure	6
Refused	*

G. We don't know how to get a plan.

	Washington (n=245)
Yes, major reason	6
Yes, minor reason	25
No, not a reason	66
Don't know/not sure	2
Refused	1

BASE: RESPONDENTS WHO DO NOT OFFER A RETIREMENT PLAN

NP2. Does your company ever plan to offer a retirement savings plan to your employees? (IF YES: How soon do you plan to offer it?

	Washington (n=245)
In the next year	9
In the next five years	21
In the next ten years	3
No	53
Don't know/not sure	12
Refused	1

Automated savings program questions

BASE: ALL QUALIFIED RESPONDENTS

A1. Some states have adopted a new program to help workers save for retirement. These **state-sponsored automated retirement savings programs** are sometimes known as an "**Auto-IRA**," a "Work and Save," or a "Secure Choice" program. How much, if anything, have you heard about this type of state-sponsored program? Have you heard?

These programs are not meant to replace social security.

	Washington (n=500)
A lot	3
Some	11
Not much	18
Nothing at all	66
Don't know/not sure	2
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

A2. Now I am going to ask a few questions about a new retirement plan intended to make it easier for employees at businesses without retirement plans to save for retirement. The plan would be sponsored by the state and not by businesses like yours. First, I have a few questions about how this might apply to BUSINESSES. Please tell me how much, if at all, you support each separate feature of the new retirement plan. Would you say you…that?

A. Businesses would withhold money from participating employees' paychecks and send it to the retirement account on their behalf.

	Washington (n=500)
Strongly support	26
Somewhat support	36
Do not support	35
Don't know/not sure	3
Refused	*

B. Businesses would not be required, nor would they be allowed to contribute to their employees' retirement accounts.

	Washington (n=500)
Strongly support	16
Somewhat support	29
Do not support	48
Don't know/not sure	6
Refused	1

C. Businesses would not have any legal responsibility for their employees' retirement accounts.

	Washington (n=500)
Strongly support	44
Somewhat support	29
Do not support	22
Don't know/not sure	4
Refused	0

D. The program would be run by a financial services company with experience in retirement plans and investments, but the state government would provide oversight and guidance.

	Washington (n=500)
Strongly support	20
Somewhat support	41
Do not support	36
Don't know/not sure	3
Refused	*

E. All communications to employees would come from the program administrator.

	Washington (n=500)
Strongly support	37
Somewhat support	38
Do not support	22
Don't know/not sure	3
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

A3. Now I have a few questions about how this program might apply to EMPLOYEES. Please tell me how much, if at all, you support each separate feature of the new retirement plan. Would you say you…that?

Would you say you strongly support, somewhat support, or do not support this feature?

A. Employees who don't have access to a retirement savings plan at their work would be offered the chance to participate in one.

	Washington (n=500)
Strongly support	58
Somewhat support	26
Do not support	13
Don't know/not sure	2
Refused	*

B. By default, workers would contribute to the retirement savings account unless they took action to opt out of the program.

	Washing-ton (n=500)
Strongly support	30
Somewhat support	38
Do not support	31
Don't know/not sure	1
Refused	*

C. As a starting point, Participating employees would contribute a set amount of five percent of their paychecks to the retirement account.

	Washington (n=500)
Strongly support	14
Somewhat support	45
Do not support	39
Don't know/not sure	2
Refused	*

D. Employees could stop or change their contributions at any time.

	Washington (n=500)
Strongly support	70
Somewhat support	17
Do not support	12
Don't know/not sure	1
Refused	*

E. Employees could withdraw their own contributions to the account at any point without a penalty.

	Washington (n=500)
Strongly support	52
Somewhat support	27
Do not support	21
Don't know/not sure	*
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

A4. Now I want you to think about all of these plan features together. Please tell me how much, if at all, you support the new retirement plan as a business owner or decision-maker. Do you....?

If respondent says support, ask: do you strongly or somewhat support?

	Washington (n=500)
Strongly support	21
Somewhat support	51
Do not support	27
Don't know/not sure	2
Refused	*

BASE: RESPONDENTS WHO SUPPORT RETIREMENT PLAN

A5a. Regardless of whether your business currently offers a plan, what is the main reason you support THIS RETIREMENT PLAN?

	Washington (n=354)
The costs of withholding contributions would be modest.	20
It would make our business more competitive to open positions.	15
It would help attract more qualified candidates to open positions.	38
Other	1
All of the above (VOL.)[114]	4
Everyone should have access to a retirement plan/it is the right thing to do (VOL.)[2]	2
Empowers employees' independence, choice, and control of retirement (VOL.)[2]	3
Good option/beneficial/helpful to save for retirement (VOL.)[2]	4
Eases company's burden/provides government support (VOL.)[2]	1
Good for employers who don't offer a retirement plan (VOL.)[2]	*
It doesn't apply to us/We already have a plan/Need more information (VOL.)[2]	2
Automatic/ensured saving/people must contribute to retirement account (VOL.)[2]	0
Don’t know/not sure	7
Refused	1

[114] This option is a code developed based on verbatim responses when respondents chose “other” and were asked to specify.

BASE: RESPONDENTS WHO DO NOT SUPPORT THIS RETIREMENT PLAN

A5b. What is the main reason you do not support this retirement plan?

	Washington (n=137)
I am worried about the costs of enrolling workers and sending their contributions to the plan.	4
I don't think my business's employees want/need a retirement plan.	8
I don't think workers should be automatically enrolled in a retirement plan.	48
Other	5
Don't want or don't trust government-run plan (VOL.)[115]	27
Too bureaucratic/controlling (VOL.)[4]	4
Not as good as our plan/not interested (VOL.)[4]	1
Don't know/not sure	4
Refused	*

[115] This option is a code developed based on verbatim responses when respondents chose "other" and were asked to specify.

BASE: RESPONDENTS WHO OFFER A RETIREMENT PLAN

A6. If the state adopts a retirement savings program like the one that is being proposed, how likely are you to continue to offer your business's retirement plan? Are you very likely, somewhat likely, not too likely, or not likely at all?

	Washing-ton (n=244)
Very Likely	57
Somewhat likely	22
Not too likely	9
Not likely at all	10
Don't know/not sure	2
Refused	0

BASE: RESPONDENTS WHO DO NOT OFFER A RETIREMENT PLAN

A7. If the state adopts a retirement savings program like the one that is being proposed, businesses will be required to register their employees unless they start their own retirement plan. How likely are you to adopt your own retirement plan instead? Are you very likely, somewhat likely, not too likely, or not likely at all?

	Washing-ton (n=245)
Very Likely	15
Somewhat likely	23
Not too likely	21
Not likely at all	37
Don't know/not sure	4
Refused	*

Questions related to concern about current retirement savings situation in state

BASE: ALL QUALIFIED RESPONDENTS

R1. How concerned are you, if at all, that YOUR EMPLOYEES will not have enough money when THEY RETIRE? Are you very concerned, somewhat concerned, not too concerned, or not concerned at all?

	Washington (n=500)
Very concerned	29
Somewhat concerned	39
Not too concerned	15
Not concerned at all	15
Don’t know/not sure	2
Refused	*

BASE: ALL QUALIFIED RESPONDENTS

R2. In your opinion, how much, if anything, should state lawmakers do to help encourage residents to save for retirement? A lot more, somewhat more, a little more, or nothing more?

	Washington (n=500)
A lot more	23
Somewhat more	25
A little more	18
Nothing more	31
Don’t know/not sure	2
Refused	1

BASE: ALL QUALIFIED RESPONDENTS

R3. How concerned, if at all, are you, that some residents will not have enough money for retirement and could end up needing public assistance? Are you very concerned, somewhat concerned, not too concerned, or not concerned at all?

	Washington (n=500)
Very concerned	31
Somewhat concerned	44
Not too concerned	11
Not concerned at all	12
Don’t know/not sure	1
Refused	*

Business demographics

BASE: ALL QUALIFIED RESPONDENTS

D1. How many years has your organization been operating?

Your best estimate is fine.

	Washington (n=500)
0 through 5 years	11
6 through 10 years	15
11 through 20 years	20
21 through 30 years	19
31 through 50 years	22
51 through 99 years	10
100 through 300	2
Don’t know/not sure	2
Refused	0

BASE: ALL QUALIFIED RESPONDENTS

D2. Next, we have a question about your business revenue; please stop me when I get to the category that includes your **business revenue** in 2022. Was it**...**?

	Washington (n=500)
Less than $0, it was negative	2
Less than $10,000	1
$10,000 to less than $50,000	4
$50,000 to less than $100,000	4
$100,000 to less than $200,000	11
$200,000 to less than $500,000	13
$500,000 to less than $1 million	13
$1 million or more	33
Don't know/not sure	9
Refused	10

BASE: ALL QUALIFIED RESPONDENTS

D3. Is your business a member of the National Federation of Independent Business (NFIB)?

	Washington (n=500)
Yes	13
No	73
Don't know/not sure	13
Refused	0

BASE: ALL QUALIFIED RESPONDENTS

D4. Is your business a member of your state or local Chamber of Commerce?

	Washington (n=500)
Yes	37
No	57
Don't know/not sure	7
Refused	*

Demographics of respondent

BASE: ALL QUALIFIED RESPONDENTS

D5. To ensure that it is recorded accurately, could you please state your gender?

	Washington (n=500)
Male	38
Female	60
Other	0
Non-binary	*
Don't know/not sure	*
Refused	1

BASE: ALL QUALIFIED RESPONDENTS

D6. What is your age as of your last birthday?

	Washington (n=500)
19 – 34	15
35 – 49	26
50 – 64	38
65 +	13
18 +, exact age unknown	7

BASE: ALL QUALIFIED RESPONDENTS

D7. Do you consider yourself to be a(n) Democrat, Republican, Independent, or something else?

	Washington (n=500)
Democrat	19
Republican	20
Independent	28
Something else	17
Don't know/not sure	3
Refused	13

BASE: ALL QUALIFIED RESPONDENTS

D8. How would you characterize your political views – very conservative, conservative, moderate, liberal, or very liberal?

	Washington (n=500)
Very conservative	5
Conservative	25
Moderate	32
Liberal	12
Very liberal	5
Don't know/not sure	9
Refused	13