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Time for Congress to strengthen access to retirement security

By Eric J. Pan

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Saving for retirement is an important financial goal for millions of Americans. For many, the current system works well, as Americans have more than $39 trillion earmarked for retirement. However, the current retirement system could be made even more effective for additional Americans — particularly those from underrepresented communities.

The Federal Reserve notes that while 73% of non-retired Americans have some retirement savings, only a small subset feel that their retirement savings plan is on track. The numbers are even more staggering for younger adults and individuals of color, as they largely report feeling their retirement plan is not on track.

Today, policymakers have a unique opportunity to strengthen our voluntary retirement system and increase financial security for all Americans — especially among underrepresented communities — by providing greater access to incentives and programs that build savings, wealth and greater opportunities.

The Securing a Strong Retirement Act of 2022, or SECURE 2.0, is a vital piece of bipartisan legislation that will improve the long-term financial well-being of all Americans. This legislation was **overwhelmingly approved in March by the House of Representatives**, and it is vital that the Senate passes it now.

This bill can be transformative for so many Americans because it promotes automatic enrollment, which will lead to increased participation rates in 401(k) and 403(b) retirement savings plans. Notably, a 2012 Ariel/Aon Hewitt study showed that automatic enrollment resulted in increased participation rates for all individuals, with dramatic increases among Black and Hispanic participants. Encouragingly, the rate of increased participation was dramatically higher among early career professionals in lower salary brackets — providing a much longer runway to grow retirement savings.

Additionally, the legislation builds on provisions that allow employers of various types to band together in a pooled employer plan to expand access. This provides additional opportunities for underrepresented individuals to access financial tools that could help increase retirement savings and, ultimately, confidence in the ability to retire.

The earlier one can start saving for retirement the better. Case in point, for the more than 43 million individuals with federal student loan debt, many face the difficult choice of paying the debt off first or adding to their savings for their financial future. This is even more challenging for graduates from underrepresented communities, as these individuals tend to experience higher student loan debt burdens. SECURE 2.0 seeks to address this by allowing employees to receive matching contributions in their retirement accounts based on their student loan payments. This is a vital provision that will allow individuals to better plan for their future, while managing their current obligations.

This legislation also considers Americans nearing or already at retirement age. Currently, participants in certain retirement accounts must begin drawing a minimum distribution from their accounts at age 72. This bill gradually raises that mandate by three years, allowing individuals to let their investments grow for longer, and ultimately providing more flexibility in how they approach their finances in retirement. Additionally, increasing the catch-up contribution limits for those aged 62–64 provides a valuable opportunity for those nearing retirement to ensure a healthy nest egg.

There is no one-size-fits-all solution for increasing retirement savings, as Americans rely on a mix of tools to ensure financial stability in retirement, including Social Security, private savings, employer-sponsored retirement plans, and individual retirement accounts. This bipartisan bill provides a thoughtful, proactive and constructive path forward to improving retirement outcomes for Americans. Swift passage of this legislation by the Senate will be an important step forward to increase Americans' retirement security. The time to act is now.

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