

Washington may soon help Americans save more for retirement

It's not often we hear lawmakers agreeing on policies these days, but we may have found one topic where the majority of Congress feel bipartisan support is necessary – retirement savings. A few weeks ago, the House overwhelmingly approved (417-3) the Setting Every Community Up for Retirement Enhancement (SECURE) Act. Similar legislation is now pending in the Senate and the Finance Committee chairman Sen. Charles Grassley (R-IA) has already made it clear he is hoping to act quickly so the House and Senate bills can be reconciled and sent to the president. This is an important topic to all Americans saving for their future and one Congress agrees changes need to be made to ensure we are entering into retirement comfortably and confidently. There is little doubt that many Americans approaching retirement age find themselves woefully unprepared. A study by the Aspen Institute has found that about 60% of American workers do not own a retirement account.¹ Joan Ruff, Board Chair of the AARP, further suggests that workers are 15 times more likely to save for retirement when a savings program is offered by their employer.

If passed, this bill would be the first major retirement legislation since 2006, and a bipartisan effort at that! The availability of a workplace retirement plan is just one problem that Congress hopes to address. In addition to this important topic, they hope to create certain incentives that make it easier and more appealing for individuals to save for retirement. Listed below are a few of the changes that are included in the many proposed provisions that are outlined in the bill that could impact your savings:

- **Access to a 401(k) Plan for small businesses** – Retirement plan fees for a small business can often times be burdensome due to the small number of employees and lack of assets managed within the plan. This legislation could make it easier for small businesses to band together to create a Multiple Employer Plan (MEP) in order to create scale. This is not a new idea, however, compliance barriers have made MEPs uncommon for 401(k) Plan clients in the past, but some of those common objections may soon change, making the idea more attractive in the future.
- **Save while paying off student loans** – It's no secret that companies wish to both attract and retain top talent, some of which may be recent college graduates. HR Managers have noticed that in several cases many of these employees are more focused on their current income versus retirement benefits due to their sizeable student loan debt. They are forced to put off saving for retirement and focus on making those monthly loan payments. There are currently only a few firms with private letter rulings from the IRS allowing for companies to make their 401(k) matching contribution in the form of a student loan repayment, but this could become a much more common feature. It becomes a win-win situation – the employee benefits by having their employer help pay down their student loans while still being able to save for their retirement, *and* the employer benefits from having a more engaged employee that is not stressed or distracted by the threat of being unable to save for their future and in turn can focus on their job and help their company succeed.

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¹ <https://www.financial-planning.com/news/the-shocking-number-of-americans-without-a-retirement-account>

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- **More flexibility in saving for retirement** – Currently, one can't contribute to a traditional Individual Retirement Account (IRA) beyond age 70 ½. In this proposed bill, that maximum age requirement would be repealed. Additional flexibility could also be added for employees who may be required to take Required Minimum Distributions (RMDs) and delay mandatory distributions until Age 72.²

The SECURE Act passed almost unanimously in the House and there is great optimism when introduced to the Senate, it too will be received positively. Should the Senate approve the bill, next step is to the President. While timing for this to unfold is unknown, there is great hope we are moving in the right direction to help Americans prepare and feel confident their financial future will be safe.

² Age pending outcome of legislative vote

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