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**Senate Committee on Finance  
Subcommittee on Social Security, Pensions, and Family Policy  
Hearing Entitled: "Investigating Challenges to American Retirement Security"  
December 9, 2020**

**STATEMENT FOR THE RECORD**

Dear Chairman Portman, Ranking Member Brown and Members of the Subcommittee:

The American Securities Association (ASA), the only trade association exclusively for regional financial services firms, is committed to helping Americans prepare for retirement and other significant life milestones, such as sending a child to college. ASA member companies engage with regulators and policymakers to encourage common-sense, private sector solutions to strengthen the current retirement system and expand savings opportunities for all Americans.

In 2019, lawmakers came together on a bipartisan basis to pass the Setting Every Community Up for Retirement Enhancement ("SECURE") Act. This major legislation featured dozens of positive reforms to empower more Americans to better prepare for retirement. The Senate Finance Committee played a critical role in crafting the SECURE Act, which ultimately received support from a broad range of industry and consumer stakeholders.

The ASA applauds the Committee's interest in expanding on the positive reforms enacted by the SECURE Act. However, as policymakers continue to consider additional retirement proposals in the coming months, we encourage the Committee to recognize that some provisions included in SECURE Act are only now beginning to take effect. For example, the broadly supported pooled employer plan ("PEP") provisions will be effective on January 1, 2021. These provisions are intended to help more small employers offer retirement solutions for their employees. While some policymakers are debating the merits of placing more enrollment mandates on small businesses, the ASA encourages the Committee to take a more cautious approach until the new PEP framework can fully implemented and evaluated.

Rather than place costly and burdensome mandates on America's small businesses, the SECURE Act correctly recognizes that incentives and increased efficiency are better tools to address the savings gap. While the ASA agrees that additional measures to improve access to retirement savings should be considered, policymakers should also recognize that small businesses are already subject to a mandatory retirement plan in the form of Social Security. As the Committee knows, the Social Security program relies on the private sector to ensure payroll taxes are appropriately collected and transferred to the federal government. Any additional mandates, particularly with differing rules and requirements, would represent a significant challenge for small employers.





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**Improve Small Business Retirement Plan Options:** The ASA supports updating rules that would encourage small businesses to offer retirement plans to their employees. As such, we strongly encourage Congress to consider enhancing and expanding low-cost SIMPLE IRAs. SIMPLE IRAs have been proven successful in encouraging micro-businesses to begin offering retirement savings arrangements to their employees.

Specifically, the ASA recommends that rules governing SIMPLE IRAs be updated to allow for a Roth option while also permitting SIMPLE IRA sponsors to make non-elective contributions on behalf of their employees. These reforms would facilitate the creation of new plans for very small employers while also easing the transition process for those businesses who later choose to adopt a 401(k) savings arrangement. These two proposals, which are included in the Retirement Security & Savings Act introduced by Sens. Rob Portman and Ben Cardin, would likely encourage more small employees to consider offering SIMPLE IRAs when a traditional 401(k) might still be too costly or complex relative to the size of their business.

**Encourage Utilization of Financial Planning:** To encourage access to financial advice, the ASA supports a bipartisan proposal from Sens. Portman and Cardin to allow employees to pay for financial planning with pre-tax dollars through employer-sponsored “cafeteria” plans.<sup>1</sup> On average, individuals who use financial planning services save more and are financially better prepared, with one study suggesting that good financial planning can yield nearly 29 percent additional retirement income.<sup>2</sup> Providing employees a tax advantaged benefit to pay for financial planning would expand the use of this critical tool. Additionally, Congress can further encourage worksite education by enhancing existing safe harbor protections.

**Build on the Success of 529 Plans:** 529 plans are an invaluable tool for families and individuals looking to save for school. Nearly every state sponsors some type of 529 plan, with most states encouraging contributions by offering tax deductions and/or credits. However, in many states, such tax incentives are only available for contributions made to the same state’s 529 plan. Additionally, some states only allow the account owner, and not third-party contributors, to claim the deduction. To encourage all Americans to start saving as soon as possible, the ASA recommends policymakers enact a modest, above-the-line federal income tax deduction for contributions made to any state’s qualified 529 plan.

This policy would promote contributions from grandparents and other family members, providing additional resources for 529 savers. Additionally, under the current system, some would-be savers who anticipate one or several moves out of state – for employment, health reasons or military service – may be reluctant to start making contributions to their current

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<sup>1</sup> Retirement Security and Savings Act of 2019 (S. 1431, 116th Congress)

<sup>2</sup> Blanchett, David, and Paul Kaplan. 2012. “Alpha, Beta, and Now ... Gamma.” Morningstar White Paper (December).





state's 529 plan. Knowing that a federal deduction is available would likely encourage these individuals to enroll in a 529 plan and consistently contribute.

The ASA also appreciates Congress's interest in helping more Americans struggling with student loan debt because of the negative impact debt has on long-term savings goals, including a secure retirement. However, the ASA believes that policymakers should also seek ways to encourage more Americans to start saving ahead of these expenses, rather than financing their education primarily through debt. Increased access to 529 plans could play a vital role in helping more Americans avoid burdensome student loan costs.

**Digital Communications:** In recent years, Americans have overwhelmingly embraced digital communication over outmoded paper delivery systems. During the pandemic, the ability of our members to work remotely and support their clients virtually depended on the successful adoption of numerous technologies. The ASA believes that lawmakers should support additional legislative and regulatory updates that would shift the default method of delivering plan-related communications to clients. E-delivery has proven to be an effective and popular tool for clients, and we encourage policymakers to continue moving forward in this area. Additionally, a 2018 study by the Investment Company Institute and the American Retirement Association estimates that total printing and mailing costs for paper delivery could exceed \$385 million annually. Finally, digital communication also provides greater access for the visually impaired as well as retirement savers who are not proficient in English.

**Increase the Required Minimum Distribution Age to 75:** The ASA supported language in the SECURE Act to raise the required minimum distribution (RMD) age for plan disbursements from 70 ½ to 72. This welcomed change better reflects our current reality, in which many Americans are living and working longer than ever before. The ASA believes Congress can do even more to help seniors saving for retirement and is encouraged that both chambers have introduced legislation to would raise the RMD age to 75.<sup>3</sup> This provision would allow seniors more time to amass savings, providing greater retirement security and making them less likely to depend on resource-strained safety net programs later in life.

Thank you for your consideration of our views.

Sincerely,

*Kelli McMorrow*

Kelli McMorrow  
Head of Government Affairs  
American Securities Association

<sup>3</sup> Securing a Strong Retirement Act of 2020 (H.R. 8696, 116<sup>th</sup> Congress); S.1431

