SECURE 2.0: UNLOCKING POTENTIAL FOR A BETTER RETIREMENT

Federal retirement legislation currently under consideration may also unlock more retirement options for small businesses and their employees

CONGRESS IS CURRENTLY CONSIDERING IMPORTANT RETIREMENT LEGISLATION INFORMALLY REFERRED TO AS *SECURE 2.0,* FORMALLY CALLED THE *SECURING A STRONG RETIREMENT ACT* (HOUSE-PASSED VERSION), THE *EARN ACT* (SENATE FINANCE-APPROVED VERSION), AND THE *RISE & SHINE ACT* (THE SENATE HELP-APPROVED VERSION).

SECURE 2.0 would build on changes enacted in the *SECURE Act* at the end of 2019 and has widespread, bipartisan support. We believe this legislation would unlock additional opportunities for Americans to save for retirement and gain access to workplace plans.

The United States is currently facing a retirement challenge. Millions of Americans are nearing the age of retirement without adequate savings. At LPL Financial, we believe that everyone deserves access to financial advice that furthers their ability to save for major life events such as buying a home, paying for college tuition and ultimately retirement.

95% **of surveyed LPL advisors support federal retirement legislation.**

What advisors say

To further understand the significant impact that the proposed provisions in this legislation would have, LPL surveyed our network of more than 20,000 affiliated financial professionals in all fifty states. LPL advisors are typically located in rural and suburban locations, commonly found on Main Streets across the country.

LPL Financial

89% of our advisors believe that small businesses would be incentivized to start a plan by an increase in the existing small business start-up tax credit, as proposed in the House and Senate Finance bills.

- "More employers would be inclined to establish plans and match contributions."

94% of our advisors support the House provision that provides an additional small business start-up credit based on the contributions made by the employer.

74% of our advisors believe that allowing part-time employees into a plan after two years, instead of three, would help close the coverage gap, as proposed in all three bills.

79% of our advisors believe that small businesses that make military spouses immediately eligible and vested in their plan should be entitled to a tax credit to cover the additional cost of doing the right thing for those helping our country. This provision is in both the House and Senate Finance bills.

Supporting our small businesses

Small businesses are the backbone of our economy. However, with slim profit margins and the challenges of operating on a small scale, they aren't always able to offer employees workplace retirement plans. Both the House and Finance bills would enhance the existing tax credit provided to small businesses for starting a plan. That credit covers a portion of the plan expenses incurred during the initial three years. The House adds an additional small business start-up tax credit based on employer contributions to the plan. These provisions would remove the financial barriers that small businesses face when determining how to allocate their capital, and would also allow them to be a competitive employer that retains employees—something all small businesses are struggling with right now.

- Offsetting expenses that larger firms can easily cover will give a better competitive advantage to small businesses when it comes to offering retirement savings plans.
- Many small businesses, especially during the first five years, do not have extra cash to offer employee benefits. This start-up credit may make the difference for them of being able to offer something versus not offering anything.

81% **of our advisors support expansion of the Saver's Credit, which is in the House and Finance bills in different forms, as a means to increase retirement savings among low- and middle-income individuals.**

Growing retirement savings

Although millions of Americans have access to retirement accounts and diligently save, there are many who haven't saved enough for retirement because they didn't make contributions when entering the workforce. The current proposed legislation includes provisions that would help incentivize individuals to save at all points in their career, including when they have lower incomes and might not believe that they can afford to save for retirement.

Over 91% **of our advisors applaud the House and Finance bill provision allowing plans to self-correct inadvertent errors without a submission to the IRS.**

- "Fear of transgressing an unknown or misunderstood requirement hinders many employers from offering plans in the first place."
- "Fear of the IRS is the number one reason we see clients avoid initiating a plan."
- "I think the penalties for inadvertent violations keep many small employers from offering plans."

Updating the current retirement system

We believe that important reforms to the current IRS reporting system will simplify some of the plan administration. In particular, 91% of survey participants believe that it should be possible to self-correct an inadvertent plan violation without a submission to the IRS and support this provision of the bill. Not only will it reduce time that IRS staff spends on a small issue, it will reduce the fear that clients face when addressing an issue.

LPL is proud to support Congressional efforts to incentivize retirement savings for all Americans.