

# GOVERNMENT RELATIONS POLICY POSITION PAPER

## Enhancing Retirement Security

### The Issue

Our nation is facing a significant retirement security challenge, with studies continuing to show that United States households are not saving enough for retirement. With millions of Americans struggling to save for their anticipated needs<sup>1</sup>, policymakers are increasingly concerned by the implications of insufficient retirement savings – for individuals, their families, and our nation.

There are a number of reasons for this crisis. Many Americans face competing financial demands, which can cause them to shift their resources away from retirement savings and towards other essential needs. LPL believes that limited access to retirement plans is a primary cause for today's retirement savings challenge. Many Americans do not fully understand the retirement savings options currently available in the marketplace, nor do they appreciate the critical importance of saving early to leverage the benefits of compounding over time.

Against this backdrop, many studies show that access to a workplace retirement plan is a critical component to helping individuals save for retirement– and too many Americans today do not have access to such a plan. Data from the Bureau of Labor Statistics<sup>2</sup> indicates only 49% of employees working for a small business with less than 50 workers have access to a retirement plan. To solve for this problem, lawmakers in Washington have proposed legislation to increase incentives for small businesses to offer retirement plans for their employees. We have also seen lawmakers across the country propose legislation that would create state-run mandatory auto-IRA retirement plans with the goal of removing barriers to retirement savings. To date, Oregon, Illinois and California have implemented programs. Colorado, Connecticut, Maryland, New Jersey, Seattle and Virginia have enacted legislation and are developing these programs, and at least six other states have pending legislation.

### Next Steps

Congress has begun working on the next generation of retirement legislation, based largely on bills introduced in the House of Representatives and the Senate in 2019 and 2020. Most recently, leadership of the House Committee on Ways and Means, including Chairman Richie Neal (D-MA) and Ranking Member Kevin Brady (R-TX) reintroduced the Securing a Strong Retirement Act (also known as SECURE 2.0) which aims to build on the progress made when the SECURE Act was enacted at the end of 2020. These bills include many provisions championed by LPL, which would further enhance retirement security, including:

- Increasing the age at which RMDs must begin from 72 to 75.
- Enhancing the small business tax credit for starting a retirement plan, so that (1) there is a credit based on contributions made by the employer, and (2) the smallest employers can receive either 75% or 100% of their start-up costs (depending on the bill), instead of 50% under current law.
- Establishing a new enhanced automatic enrollment safe harbor with a tax credit for small employers to make the safe harbor affordable for small employers.
- Allowing employers to self-correct inadvertent errors in their retirement plans without making a submission to the IRS. Self-correction allowed for certain inadvertent IRA errors too.
- Establishing an indirect way for investors to deduct their IRA advisory fees.
- Indexing the \$1,000 IRA catch-up contribution.

---

<sup>1</sup> According to studies released by the Economic Policy Institute and the National Institute on Retirement Security, nonprofits that provide research and educational information for policymakers.

<sup>2</sup> Bureau of Labor Statistics 2020.

- Permitting \$10,000 catch-up contributions at age 60 for plans (\$5,000 for SIMPLEs).
- Permitting Roth SIMPLEs.

Exempting Roth accounts in plans from the lifetime RMD rules, like Roth IRAs.

## LPL Position

LPL believes that everyone should have access to objective assistance from a trusted advisor who can help them achieve a secure retirement. LPL also believes that small business owners are the key to providing retirement options to a broader range of American investors, and that we should identify ways to make retirement plans less complex, less expensive and more accessible.

Significant advances can be made to address this retirement savings challenge if the federal government, state governments, employers and the financial services industry work together to do the following:

- Educate the American public about the importance of saving;
- Clarify and promote the many savings vehicles available to investors today; and
- Expand tax incentives to encourage more employers to provide employer retirement plans to their employees.
- Reduce barriers to establishing plans and lower the regulatory and reporting costs associated with retirement plans.

LPL supports the small business and savings concepts highlighted in the proposed bills. We are committed to working with policymakers on initiatives that make it easier for everyone to save. We will continue to advocate for these proposals while cautioning policymakers against provisions that may inadvertently limit access to useful retirement products and services.

Please see four white papers from LPL Government Relations highlighting our efforts to make it easier for small business to implement retirement plans for their employees:

- [The Small Business Retirement Savings Challenge](#)
- [Rothification: A Step Backward for Retirement Security](#)
- [Improving Retirement Plan Access by Reducing Complexity](#)
- [Promoting Retirement Security Among Small Business Employees](#)

This material was prepared by LPL Financial.

**Securities and advisory services offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC).** Insurance products are offered through LPL or its licensed affiliates. To the extent you are receiving investment advice from a separately registered independent investment advisor that is not an LPL Financial affiliate, please note LPL Financial makes no representation with respect to such entity.

If your financial professional is located at a bank or credit union, please note that the bank/credit union **is not** registered as a broker-dealer or investment advisor. Registered representatives of LPL may also be employees of the bank/credit union. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, the bank/credit union. Securities and insurance offered through LPL or its affiliates are:

**Not Insured by FDIC/NCUA or Any Other Government Agency | Not Bank/Credit Union Guaranteed | Not Bank/Credit Union Deposits or Obligations | May Lose Value**

For Public Use | Tracking # 1-05160937