

Executive Order on Retirement Security

The Issue

Studies continue to show that U.S. households are not saving enough for retirement and that our nation is facing a significant retirement security challenge. With millions of Americans struggling to save for their needs, policymakers are increasingly concerned by the implications of insufficient retirement savings – for individuals, their families, and our nation. The reasons for this impending challenge are many, including low savings rates, the inability of individuals to be savers early in life, and the increasing longevity of American citizens.

LPL believes that insufficient access to retirement assistance – for both individual investors as well as small business owners trying to offer retirement plan options – 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. Many small business owners struggle with the complexities of running a small business on a daily basis and are not equipped handle the costs and issues associated with offering a retirement plan. Add to this the fact that many Americans face competing financial demands causing them to shift their resources away from retirement savings and toward other needs, and we are left with the growing savings gap that we are faced with today.

What Happened?

On Friday, August 31, President Donald J. Trump signed an executive order to expand access to workplace retirement savings plans for American workers.

- In his executive order, the President directed the Departments of Labor and the Treasury to consider issuing regulations and guidance that would make it easier for businesses to offer retirement plans.
- The Departments will consider changes to make it easier for businesses to join Multiple Employer Plans (“MEPs”).
 - The Department of Labor will consider allowing small businesses to jointly offer 401(k) plans. Historically, the Department of Labor has prevented unrelated businesses such as barbershops and car dealerships from collaborating to offer MEPs.
 - The Order directs DOL to “within 180 days of the date of this order [to] consider, consistent with applicable law . . . , whether to issue a notice of proposed rulemaking, other guidance, or both,” addressing the MEP issue.
 - MEPs reduce the cost of offering retirement plans for businesses that join together by expanding the number of workers who participate
 - This proposal has bipartisan support from Congress and is a key provision of the Retirement Enhancement and Savings Act (RESA), which LPL has endorsed and will continue to advocate for its passage by Congress. Because of legal constraints, DOL can do far less than Congress to facilitate MEPs, which is one of many reasons why RESA continues to be so important.
- The executive order also requires exploration of the potential for broader use of electronic delivery as a way to improve the effectiveness of disclosures and to reduce their associated costs and burdens. Within 1 year of the date of the Executive Order, the Departments will need to complete their review.
- In addition, the Department of the Treasury is to review the rules on required minimum distributions from retirement plans to see if retirees could keep more money in 401(k)s and IRAs for longer.
 - Generally, people must start withdrawing funds from these accounts when they turn 70-and-a-half.
 - This could allow retirees to spread retirement savings over a longer period of time.
 - The Treasury rules have not been updated since 2002.

LPL Position

- LPL believes that all Americans should have access to objective assistance from a trusted advisor who can help them achieve their retirement goals. We also believe small business owners are the key to providing retirement options to a broader range of American investors, and we should identify ways to make it less complex and less expensive to do so.
- Significant advances can be made to address this retirement savings challenge if the federal government, state governments, employers and the financial services industry worked together to (i) educate the American public about the importance of saving, (ii) clarify and promote the many savings vehicles available to investors today, and (iii) expand tax incentives to encourage more employers to provide employer retirement plans to their employees.
- LPL supports the small business concepts highlighted in the President's executive order and is committed to working with policymakers on initiatives such as these to make it easier for small business owners to establish workplace retirement savings plans. In particular, we have supported RESA, which enjoys bipartisan support in Congress. We will continue to advocate for these initiatives while cautioning policymakers against provisions that may inadvertently limit access to useful retirement products and services.
- In addition, please see three recent white papers from LPL Government Relations highlighting our work 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](#)
 - [Improvement Retirement Plan Access by Reducing Complexity](#)