The Saving for the Future Act

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A bill to build financial security, strengthen retirement preparedness, and reduce wealth inequality for American families through employer-led workplace savings

The large majority of workers will receive at least $1,000 per year of employer savings contributions.

Under the law, a high school-educated worker is projected to build more than $600,000 in wealth.

The Problem: Working families struggling to generate wealth

- Three in ten workers lack access to workplace retirement plans, and 45% do not participate in one.
- We have a minimum wage, but no minimum employer contributions to savings plans. As a result, too few workers receive employer contributions to savings plans on their behalf.
- Four in ten adults do not have liquid savings to meet a $400 emergency expense. Many of these Americans must turn to high-cost lending products that trap families in cycles of debt.
- Disparate participation in workplace savings drives wealth inequality. Black and Latino households have a median net worth of only $14,000—compared to $146,000 for white households.

The Solution: The Saving for the Future Act

Makes saving through work a universal feature of employment in America

- Like the minimum wage, establishes a minimum employer contribution to a savings plan of 50 cents per hour worked. The minimum rises to 60 cents after two years and then rises with wage growth.
- Encourages and builds upon proven models of employer-provided savings like 401(k), defined benefit pensions, and emerging state-backed savings plans.

Empowers small and medium-sized businesses by making government a partner, not a hindrance

- Businesses with fewer than 100 workers may simply make contributions through payroll into UP Accounts run by the federal government. UP Accounts are portable, low-fee, and worker-owned.
- Employers receive a generous tax credit worth 50% of their minimum contributions to their first 15 workers, and 25% of their minimum contributions to their next 15 workers.
- The smallest employers (10 or fewer workers) may opt out of employer contributions; if they do, workers get UP Account access and a direct, individual credit for their savings.

Flexibly meets the needs of workers of different ages and income levels

- The first $2,500 in savings goes to a worker's *UP-Savings* account, an accessible account for non-routine expenses. Additional contributions then go to a worker's *UP-Retirement* account.
- Workers are automatically enrolled to contribute 4% of their own earnings, but may opt out or select a different contribution level. Worker contributions automatically rise to as high as 10%.

Supporting Organizations

Third Way ▪ Prosperity Now ▪ Service Employees International Union (SEIU) ▪ AARP
National Urban League ▪ Local Initiatives Support Corporation (LISC)

Q&A on the Saving for the Future Act

How much will workers save under The Saving for the Future Act?
When a worker consistently saves a modest portion of earnings, with the help of employer contributions over a lifetime of work, the results are powerful. Under the Saving for the Future Act, a worker receiving only the minimum employer contribution and making only the default employee contribution would accumulate $626,000 by retirement, according to projections by Third Way. That nest egg is enough to provide $25,000 of income annually, providing a robust supplement to Social Security. The above example assumes that the individual withdraws $800 a year from their *UP-Savings* account. A worker who does not draw down their *UP-Savings* account would accumulate $774,000. Those who elect to contribute more or whose employers contribute more than the maximum amount would build even larger sums of wealth.

How many people will this help?
There are at least 49 million American workers currently not participating in a retirement plan, who would begin participating under the Saving for the Future Act. The number could be significantly larger, depending on how many small employers opt to participate.

What is an *UP-Savings* account, and how does it work?
New research shows that the problem of early retirement fund withdrawals can be addressed by facilitating short-term savings for workers. *UP-Savings* is designed to encourage individuals to build modest emergency savings before putting away money for retirement. When first enrolling in an UP Account, a participant's first $2,500 in contributions will deposit in his or her *UP-Savings* account. Participants may withdraw funds from their *UP-Savings* accounts when they face a non-routine financial need, such as a large out-of-pocket medical expense, a lapse in earning, a car accident, or family leave. Once an *UP-Savings* balance reaches the $2,500 maximum, all additional contributions must go toward the *UP-Retirement* account. When a participant makes a withdrawal from the *UP-Savings* account, contributions will automatically revert back to the *UP-Savings* account. If participants want to bypass the *UP-Savings* account and save for retirement first, they may elect to do so.

Does the bill affect Social Security?
No. The Saving for the Future Act makes no changes to Social Security whatsoever. Social Security is and must continue to serve as the foundation of retirement and social insurance in America, and Congress must act to shore up Social Security as soon as possible. Most Americans believe that it's vital to have additional income on top of Social Security when they retire, and that is what The Saving for the Future Act is designed to provide.

Does this include part-time workers?
Yes. Under the Saving for the Future Act, those working part-time at an employer with 10 or more workers would be assured a retirement account and the minimum employer contribution.

What about independent contractors?
There is an ongoing debate over which workers must be considered employees. That debate is beyond the scope of this bill. However, under the Saving for the Future Act, independent contractors have the right to participate in UP Accounts, and their employers are required to provide them notice of their right to an account and information on how to enroll in an account and claim the individual credit.

Will this affect people's 401(k) plans or defined benefit pensions?
No. Existing retirement plans will be allowed to continue, and the Saving for the Future Act ensures that employers continue to use them. The maximum annual employee contribution to an UP Account is set at half the level of allowable contributions to 401(k) plans. That means employers who offer a 401(k) plan can offer a more generous tax deferral to their workers. However, employers without a plan at all will have the opportunity to offer a basic, effective savings product without burden.

How will UP Account money be invested?
The fiduciaries of UP Accounts will be a federal Board, appointed by the President and confirmed by the Senate, just like the Thrift Savings Plan for federal workers. The Board is required to contract out the administration of UP Accounts to a financial services company, and the Board must ensure that participants provide a menu of investment products that allows for diversification across stocks and bonds, including low-fee index funds. The default *UP-Retirement* investment must be a fully diversified fund or funds that reduce risk for the investor as he or she approaches retirement age.

Can an employer contribute more than the minimum?
Yes. Employers may still provide an additional match or larger non-elective contributions to UP Accounts and to existing types of plans.

What happens when a worker changes jobs?
UP Accounts are designed to maximize portability. Because an UP Account is attached to the worker, not the employer, it moves easily with a worker from job to job.

What happens to people's money once they reach retirement age?
Participants will be provided several ways to tap their retirement savings. First, they may convert their savings to a monthly income that lasts the rest of their life, or their spouse's life. Second, they may convert their savings to a temporary monthly income that lasts until a predetermined date. This option is ideal for individuals seeking to delay the age at which they begin taking Social Security, allowing them to increase their Social Security benefit. And third, participants may choose to take automatic, regular withdrawals equal to a certain percentage of their account balance.

How do the tax credits work?
Every employer complying with the minimum employer contribution—including those small employers not required to do so—will receive a tax credit. The credit is worth 50% of employers' required contributions on behalf of their first 15 full-time equivalent employees, and it is worth 25% of their required contributions on behalf of their 16th through 30th employees. Tax-exempt employers may claim the credit as a refund. Workers who do not receive an employer contribution can claim an individual credit, worth the same amount, on up to $1,000 of their own contributions annually in the first year.

What is the cost of the bill?
The bill has not yet been scored by the Congressional Budget Office. The primary cost of the bill is its tax credits, which are estimated to cost $200-$250 billion over 10 years. The Saving for the Future Act fully offsets this expense with a modest, 2 percentage point increase in the corporate tax rate, from 21% to 23%, and by returning the top income tax rate on ordinary income from 37% to 39.6%, its level before the Tax Cuts and Jobs Act.

Has this been tried before?
The UK has a pension system with some key similarities to the Saving for the Future Act. The UK law, passed in 2008, requires that all employers provide workers with access to a workplace retirement plan and that employers must contribute a minimum amount, based on percentage of earnings. One available plan is a government-established, defined contribution plan called the National Employment Savings Trust (NEST), which is similar to UP Accounts.