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Why Not a 'Super Simple' Saving Plan for the United States?

26 Pages

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Abstract

Despite decades of significant tax subsidies for pensions and retirement accounts, most Americans retire with little or no pension saving. The federal government will give out more than \$750 billion in estimated tax subsidies for pension plans between 2007 and 2011, and yet, many low- to middle-income families have too few financial assets to afford retirement.

The United States needs a pension system that addresses 21st century needs, one that complements and is able to accompany any Social Security reform the nation is likely to see in the near future. This paper suggests that it is possible to create using the language of the pension world a Super Simple saving plan that would provide a basic, low-cost, easily administrable plan with the potential to increase significantly the retirement assets available to moderate- and middle-income individuals.

The Super Simple plan would (1) create solid minimum levels of employer contributions for low- and moderate-income workers; (2) include automatic contribution features for employees who do not formally opt out; (3) remove many of the complex discrimination rules surrounding retirement plans; (4) create a significant government match for savers to replace the largely symbolic match now in existence for only a few taxpayers; and (5) streamline today's multiple 401(k)-type plans through a simple plan design attractive to employers and employees alike.

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