



Economic Opportunity Institute

Proposal for Washington Voluntary Accounts Creating Universal Access to Retirement Security

The Pension Problem:

- Half of all workers have no employer-sponsored retirement plan.
- Complexity and cost prevent many workers and small companies from starting plans.
- We're living longer, yet retirement wealth fell for the majority of workers during the 1990s – even before the drop in the stock market.
- Social Security provides a necessary stable base of income, but workers also need pensions and savings for true security and comfort in old age.

Washington Voluntary Accounts would provide all workers and small business owners the opportunity to save for retirement. Features include:

- Defined contribution plan with pre-selected menu of investment options
- Administration by the Washington State Department of Retirement Systems with oversight by the State Investment Board
- Payroll deductions and optional employer contributions
- Portability between jobs
- 2-tier system:
 - Tier 1 - IRA's open to any *worker* who chooses
 - simple for workers and their employers
 - Tier 2 - 401(k) or SIMPLE IRA open to any *employers* who choose and their employees
 - more requirements on employers
 - much higher contribution limits

Advantages of Washington Voluntary Accounts:

- Provides small businesses with an easy, low cost way to provide retirement benefits and retain employees
- Provides workers a viable way to save for retirement
- Provides economies of scale and high quality investment options to small businesses and individual workers
- Allows lower income workers to build assets
- Broadens the pool of investors, ultimately benefiting private investment firms, too