



# Reducing Red Tape for Small Business Retirement Plans

*The SECURE Act improves America's retirement security*

## **The 401(k) is Main Street's Savings Plan**

Over eighty million American workers now participate in employer based defined contribution retirement plans. In the 30 years since 401(k) plans gained acceptance, 401(k) plans have become the most popular savings arrangement. The 401(k) plan is primarily a middle class benefit—with 66 percent of participants in 401(k) plans making less than \$100,000 per year, and 34 percent less than \$50,000 per year. When a defined contribution plan is offered in the workplace, 78 percent of American workers who earn between \$30,000 and \$50,000 a year participate.

## **The SECURE Act - A commonsense bipartisan bill that will help small businesses adopt plans**

Small business owners face real challenges – costs, administrative burdens, and increased liability for mistakes – in the decision to provide retirement benefits for their workers. The Setting Every Community Up for Retirement Enhancement (SECURE) Act, is a bipartisan package of commonsense retirement policy proposals to help these small businesses do the right thing and offer a retirement savings plan for their workers.

## **The SECURE Act increases the small business retirement plan tax incentives**

Under current law, employers with fewer than 100 employees receive a tax credit for three years after adopting a new retirement savings plan. The SECURE Act significantly increases the amount of this tax credit from the current cap of \$500 to \$5,000. Small employers that implement an automatic enrollment feature in their retirement plan design are eligible for an additional \$500 credit. These increased incentives will reduce costs to the small business owner for implementing a retirement plan and encourage a better plan design that will get more workers saving for their retirement.

## **The SECURE Act gives business owners flexibility to help guide their decision-making**

The SECURE Act includes an important provision that gives small business owners the proper time to decide whether or not the business is able to put a retirement plan in place. The SECURE Act also gives the small business owner with an existing 401(k) plan the flexibility to switch to an administratively streamlined safe harbor 401(k) plan with robust employer contributions either during or after a plan year.

## **The SECURE Act allows for unrelated employers to join a pooled employer plan**

Another key provision in the SECURE Act allows two or more unrelated employers to join a pooled employer plan. The provision includes important consumer protection safeguards requiring the service provider of such an arrangement to take responsibility for the proper operation of the pooled plan. Pooling unrelated employers together into one plan creates an economy of scale that lowers both employer and plan participant cost, making this type of arrangement attractive for small business owners.

In sum, this bill improves upon the success of the private employer based retirement system and should to be enacted into law without further delay.