

Becoming a Nation of Savers: 2 Simple Fixes

As 2008 draws to a close, we continue to feel the shocks of the current economic crisis. Those with the opportunity to save through a retirement plan at work should still consider themselves lucky. Even though they may have taken a hit, they're likely to be in a better financial position than the average woman.

Today, two in three working women earn less than \$30,000 a year. Forget golden parachutes: even if they want to save, many women do not work for employers who provide savings opportunities such as 401(k)s. When women without savings reach retirement, Social Security becomes their lifeline. And for many, it isn't much of one—for women who are alone in retirement, one out of four live in poverty.

As our leaders work to stabilize financial institutions and protect the diminishing assets of American workers, let's encourage them to institute some simple fixes.

Fix One: Turn millions into savers overnight by creating an "automatic workplace Individual Retirement Account (IRA)." The Auto IRA is a simple, low cost way for millions who currently are not covered by an employer-sponsored plan to save for retirement.

The Auto IRA is a workplace savings tool for a business that doesn't currently offer a retirement savings plan. The Auto IRA would require employers to automatically enroll their employees in a plan and the government will provide a small tax credit to account for the minimal cost set-up. The employer only needs to set-up – no complicated fiduciary rules, no requirement to match employees' contributions.

The key is that an employee would be




automatically enrolled when they start a job, and the plans would move with them from job to job. Of course, employees would be able to opt out. But experience to date with Automatic 401(k)s suggests that they will remain in the plan.

Fix Two: Take the only tax provision that rewards saving by low-income workers, and make it better. The Saver's Tax Credit provides a tax offset for people earning up to \$53,000 (married filing jointly) who saved in a qualified plan during the last tax year. For the lowest income savers, it's worth up to \$1,000. Five million tax filers currently take advantage of this credit although estimates show that more than 24 million other tax-filers are eligible. Those who aren't taking the credit are either not saving, or they don't owe taxes. The Automatic IRA solves the first problem. Simplifying and making the Saver's Credit refundable solves the second. These actions would put more money in the pockets of those in our country who need it most, particularly women who live years longer and need more money.

Millions of people are experiencing a sense of economic uncertainty.

Rather than of a nation of spenders, let's become a nation of savers. Support actions that encourage saving not only for the low-income women who struggle every day, but for everyone. The sooner we start, the better.

For more information on retirement security: www.wiserwoman.org
www.bpwusa.org. 

**This is an excerpt from an op-ed disseminated by BPW/USA and Women's Institute for a Secure Retirement (WISER) for publication.*

An AARP survey shows that six in ten workers believe they are not saving enough for retirement and 13 percent are taking money out of their accounts and other investments to cover their daily expenses.
