NAIFA | Advocacy

House Insurance and Pensions Committee
Wednesday, February 9, 2022
Opposition to HB2586

Chairman Johnson and members of the House Insurance and Pensions Committee, I am speaking on behalf ofthe Kansas Chapter of the National Association of Insurance and Financial Advisors (NAIFA) to express our opposition for HB2586. NAIFA represents the interests of more than 20,000 licensed insurance agents and financial advisers across the country. Ninety percentof NAIFA members serve middle-income clients and/or lower-income individuals and families. NAIFA Kansas has over 300 members that serve our community.

NAIFA encourages expanding retirement savings options and making it easier for Americans to plan and save for retirement. NAIFA appreciates that states are looking for solutions and we agree this area deserves our attention. However, NAIFA does not believe that a mandatory state-run program that competes with private market plans is the answer. There is already a strong, vibrant private sector retirement plan market that offers diverse, affordable options to individuals and employers

Auto-IRA proposals claim to be designed to address issues of availability and access. However, availability of and access to retirement savings options are not the problems—anyone can walk into any NAIFA member's office and walk out with a retirement plan specifically tailored totheir individual circumstances and goals. Access to employer sponsored plans naturally varies by employment status. And not all those without access to an employer sponsored retirement plan need it. Many of my clients are couples that save for retirement jointly and many households already own and contribute to an IRA. One of the most common reasons for opting out of similar state sponsored auto-IRA programs is "I have my own retirement plan".

The 2021 enacted provisions of the SECURE Act addresses many of the existing retirement savings gap concerns by making it much more feasible (and less costly) for employers to simply adopt into a multiple employer retirement plan and pooled employer plans. Further it expanded access to part-time workers and established tax credits for businesses to get new plans up and running and encourages auto enrollment.

Multiple employer plans will have all the benefits, features, and provisions of more traditional single employer retirement plans, but with significant relief to the employers with respect to cost, administrative duties and fiduciary duties. The advantages of these plans over a state-facilitated auto-IRA plan include employer matching of participant contributions, diversity of investment options, less cost to employee-participants, significantly higher annual contribution limits, and the ability (in most plans) to select either or both ROTH or traditional tax treatment of plan assets.

With the ready availability of and access to private sector retirement savings vehicles growing, we must look closer at the OTHER factors that significantly contribute to the retirement savings shortfall. A lack of financial education about the need to save for retirement and competing financial needs which cause many to live from paycheck to paycheck with nothing left over each month to put away in a retirement account. There are significant constraints to what an auto enrollment savings plan can achieve when provided to workers with low wages, volatile wages, and high turnover. States should first investigate these reasons behind the shortfall in retirement savings before proposing expensive solutions that do not address the true problem.

There are many good reasons for Kansas to press pause. We believe that Kansas should jointhe 43 other states that have rejected this type of program as it would be better served by allocating resources for expanded financial literacy education and outreach efforts to promote the importance of saving for retirement.

Thank you.

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