

Retirement Security

The State of Saving

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City of Seattle

Retirement Plan Types

Social Security

- Federal Government-sponsored pension system that collects a certain percentage of an employee's salary from both the employer and employee and pays out a predetermined benefit to retired workers; all risk is on the government.

Defined Benefit (e.g. public pension, Taft-Hartley)

- Employer-sponsored system that pays a defined percentage of an employee's final salary upon retirement; investment risk is on the employer.

Defined Contribution (e.g. 401(k), 457)

- Employer-sponsored system that contributes a certain percentage of an employee's salary or set dollar amount into an account; investment risk is on the employee.

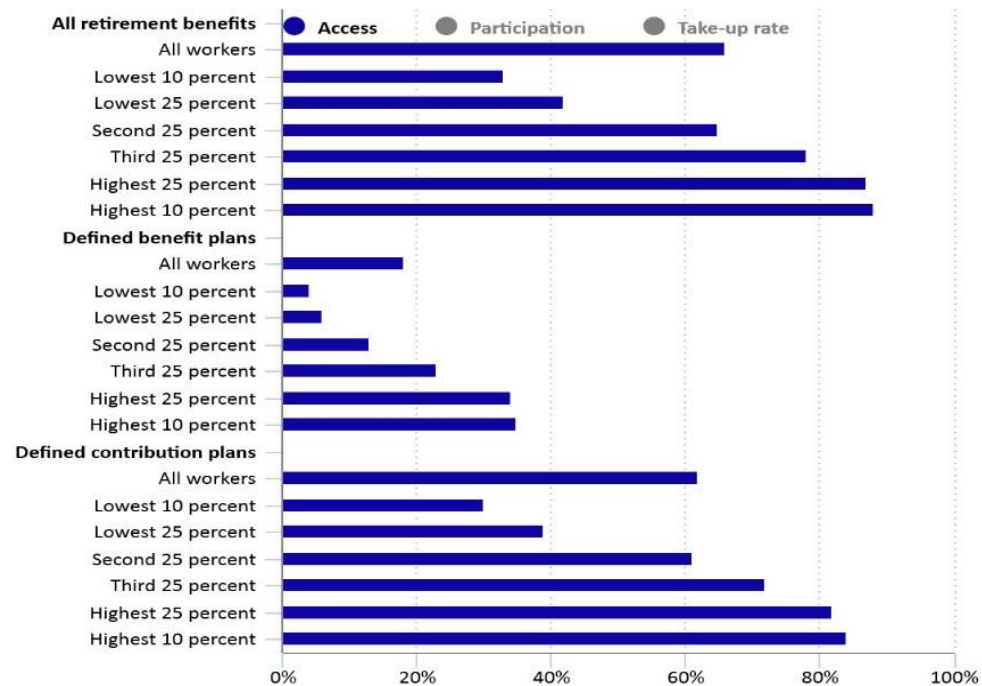
Individual Retirement Accounts (e.g. traditional, Roth)

- Personal tax-advantaged retirement accounts where an individual saves and invests money for the purpose of retirement; investment risk is on the individual.



Access to Retirement Plans

Percent of private industry workers with access to retirement benefits, by type of retirement plan and wage category, March 2016

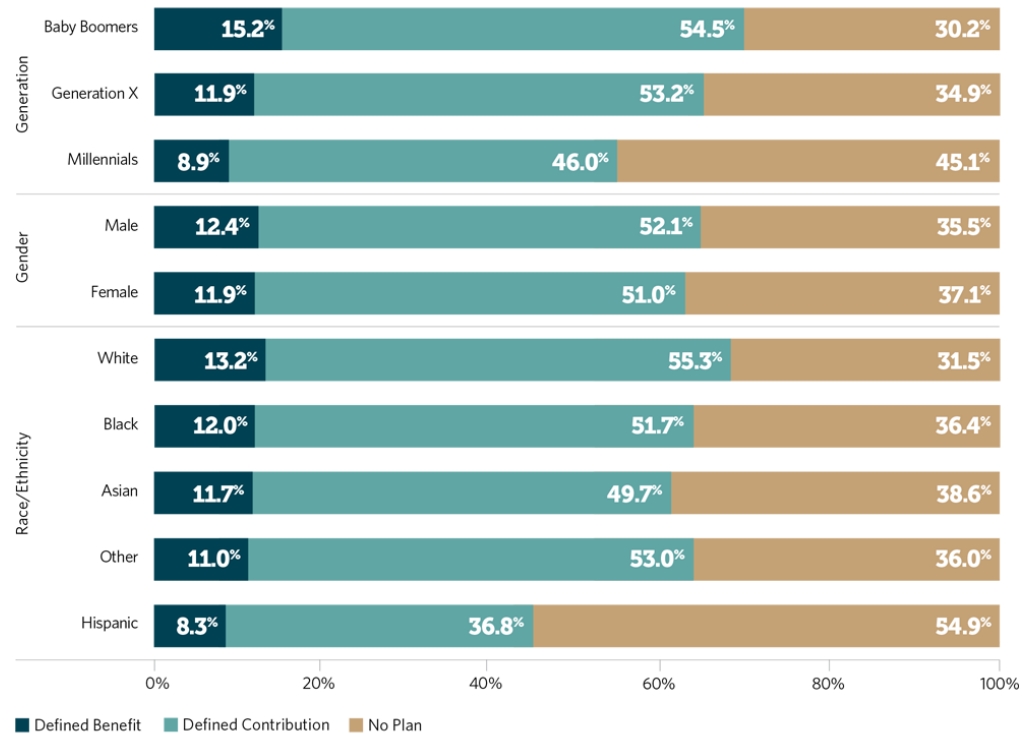


Click legend items to change data display. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.



- 64% of all American workers have access to a retirement plan at work
- 45% of all workers participate in a retirement plan
- The lowest 25% income workers have lower access (45%) and lower participation (25%) rates

Access to Retirement Plans



Source: Pew analysis of U.S. Census Survey of Income and Program Participation, 2016

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- No significant gender differences
- Hispanics and the young are less likely to have access
- Part-time employees are also less likely to have access
- Small employers are less likely to provide a plan

Seattle Retirement Savings Plan

- The SRSP was intended to address those workers that don't have access to an employer-sponsored plan.
- The overriding advantage of the SRSP is to automatically enroll employees in the plan, allowing them to opt-out.
- Studies have shown that automatic enrollment leads to much higher participation and savings rates.



Other Options

- The State of Washington offers Retirement Marketplace with ready-made investment plans for both employees and employers through 3rd party vendors.
<https://www.retirementmarketplace.com/>
- Banks and investment firms offer competitively priced and easy to implement traditional and Roth IRAs or personal investment accounts.
 - Bettermint
 - Schwab
 - TD Ameritrade
 - Ally Financial, etc.



How much to save?

- Social security for most workers may not be enough for a comfortable retirement.
- Most workers can expect social security to provide 40% of preretirement wages; up to 55% for low wage earners.
- A rule of thumb for a comfortable retirement is to replace 65% to 75% of wages in retirement.
- Workers who save between 5% and 10% of wages are more likely to fill in that gap.
- Opening an account with automatic paycheck deduction is a great way to ensure you pay yourself with savings first.

