

State-mandated retirement programs are coming, are you ready

There is a savings gap in America. According to a recent [Go Banking Rates survey](#), 69 percent of Americans have less than \$1,000 in their savings account, and the [National Institute on Retirement Security \(NIRS\)](#) found that 45 percent of working-age households have no retirement assets. With the Baby Boomer generation set to retire and subsequent generations eventually wanting to enjoy their golden years, this lack of savings means more people will be pulling on social security, creating a negative impact on the overall economy. The government has taken note of this crisis and is looking for a way to fill the gaps, including mandating retirement plans for small businesses.

AARP found that people are **more likely to save** if their employer offers a 401(k) or some type of retirement savings program. While most large businesses do offer 401(k) programs already, small businesses are less likely to participate, often due to costs. To reduce barriers to entry, many states are creating free or low-cost savings programs for small businesses to offer their employees.

Which states are mandating participation?

Currently, 30 states are working on creating state-sponsored retirement programs. These programs are in different stages of development, but 12 states have passed legislation:

- California
- Colorado
- Connecticut
- Illinois
- Maryland
- Massachusetts
- New Jersey
- New Mexico
- New York
- Oregon
- Vermont
- Washington

What does this mean for small businesses?

For small businesses in the 12 states with retirement legislation, now is the time to understand the program and prepare for it. While using the state-sponsored plans is not mandatory, businesses do have to offer some kind of 401(k) retirement plan. Many of the start dates are still in the future, but preparing now will make for a smoother implementation and finding the best plan for your business.

Here is a brief overview of the impending deadlines by state:

California: Called **CalSavers**, the deadline (September 30, 2020) has passed for employers with 100+ employees. Employers with 50+ employees must register by June 30, 2021, and employers with 5-49 employees must register by June 30, 2022.

Colorado: The **Colorado Secure Savings Program**, expected to be enacted mid-2021, mandates that businesses with at least five employees provide their employees access to an Individual Retirement Account funded through automatic payroll deductions.

Connecticut: Their **Retirement Security** plan was enacted in 2016 and is expected to begin in mid-2021 starting with a pilot program. Currently, the plan only requires that employers with five or more employees provide payroll deduction for employee contributions.

Illinois: Known as the **Illinois Secure Choice** program, deadlines for businesses 25+ employees passed as of November 2019. The program only applies to businesses with 25 or more employees.

Maryland: The **Maryland Small Business Savings Program** is required for all businesses that do not offer a current retirement program (regardless of size) and is set to launch a pilot program in late 2020.

Massachusetts: The state created the **CORE** program for non-profits with 20 or less employees, and is not a mandatory program.

New Jersey: The state created the **New Jersey Secure Choice Savings Program Act**, which requires employers with 25 or more employees who have been in business for at least two years to offer a state-sponsored retirement program. The deadline for implementation is March 28, 2021.

New Mexico: The **New Mexico Work and Save Act**, expected to be live by July 1, 2021, will create an online retirement marketplace where workers 18 years and older who do not have retirement accounts can set aside a portion of their income to invest directly into a Roth IRA.

New York: The **New York State Secure Choice Savings Program** is a voluntary program and will take effect in 2020.

Oregon: Titled **OregonSaves**, this state program is mandatory and employers with 5 or more employees should already be enrolled, and those with 4 employees or fewer need enroll by January 15, 2021.

Vermont: The **Green Mountain Secure Retirement Plan** is currently available and is a voluntary program for employers with 50 or fewer employees.

Washington: The state created **Washington's Retirement Marketplace** to offer low-cost retirement plans to businesses and individuals on a voluntary basis.

How Human Interest can help

Many of these retirement plan mandates are still a ways off, but it is important for businesses to start planning early. For those businesses that do not reside in one of the 30 states looking to create these mandates, it is still beneficial for recruitment, retention, and your employees' overall well-being to offer some type of retirement program.

While the state-mandated programs seem like they are free, they do not offer the flexibility or control many people are looking for with their retirement savings. Many of these programs require a minimum contribution percentage, as well as low maximum yearly total contributions.

You can offer a flexible program that has all the benefits of a large organization's 401(k) plan, yet is made for small businesses. Human Interest built their 401(k) program with small businesses in mind by providing affordable, personalized retirement services, plus automated plan administration and investment advising. Human Interest allows you to offer Roth, Traditional, 403(b), safe harbor, or profit-sharing 401(k) plans while providing an optional match or vesting schedule.

Instead of waiting until the last minute to establish an employee retirement plan, now is your opportunity to create a program that will work for your business now and in the future. Contact Human Interest today, to learn more about our affordable 401(k) plans built with small businesses in mind, and how we can help you prepare for retirement plan mandates.

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