



**SMALL BUSINESS
MAJORITY**

Retirement Plans that Work for Small Business ***-Background and Issues-***

Presented by
Terry Gardiner
Small Business Majority
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About Small Business Majority



- **Small business organization** – founded and run by small business owners
- **National** – offices in Washington, DC, Virginia, Ohio, Colorado, Missouri, New York, California, Oregon, Virginia and Washington State
- **Research and advocacy** on issues of top importance to small businesses (<100 employees) and self-employed, including healthcare, taxes, access to capital, clean energy and more
- Very focused on **outreach to and education** of small business owners across the country

Terry Gardiner

Vice President of Policy and Strategy

Small Business Majority



- Terry Gardiner directs Small Business Majority's policy development from our Seattle office.
- He is particularly focused on policies that will ensure the successful implementation of the Affordable Care Act. He also plays a key role in policies that promote a vibrant clean energy economy, access to capital and small business economic development.
- Originally a commercial fisherman, Terry founded and spent 22 years as the CEO of Silver Lining Seafoods, later NorQuest Seafoods. He grew the company to over \$100 million in sales, with 1,000 employees and markets in 22 countries.
- Terry is a former Speaker of the Alaska House of Representatives, in which he served for 10 years and authored a host of successful groundbreaking legislation.

Most US businesses are very small



Size of Business	# Companies	# Employees
Self Employed	21,700,000	21,700,000
Small Businesses <10	4,661,829	12,964,000
Small Business 10-100	1,159,448	29,182,000
Medium 100-500	90,386	17,548,000
Large 500+	18,469	61,210,000

Over the last decade the total workforce in the United States increased 12.8%, but the number of self-employed increased **38% to 22 million**.

Washington Small Businesses



- 400,000 Self-employed Entrepreneurs
- 140,000 small businesses (<100 employees)
- 130,000 small businesses (< 20 employees)
- 900,000 small business employees; 40% of state workforce
- Average wage is lower in small businesses
 - Small firms <20 = \$33,567
 - Large firms >500 = \$58,460

Politically, small business matters



- Small biz trusted by voters who care about helpful public policy
- Poll of 6 battleground states found 88% of Independent voters had favorable rating of small biz
- Small biz is second only to military as highest-rated US institution
- Higher levels of confidence in small biz than big biz

Washington Smaller Businesses have Lower Average Wage



Business Size	Average Annual Wage	% of Top
500+	\$58,460	100%
100-499	\$44,969	77%
20-99	39,959	68%
>20	\$33,567	57%

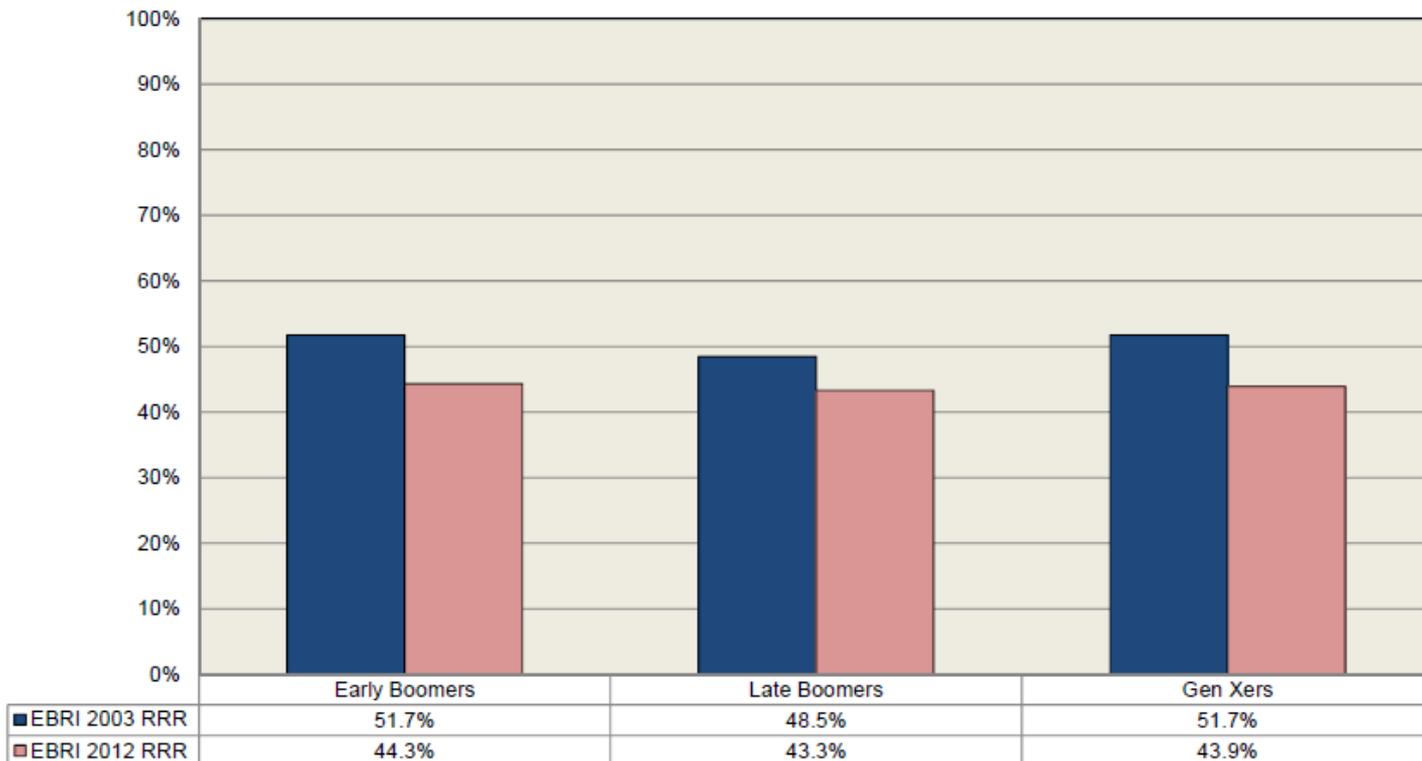
Many Americans are not saving enough for retirement



Figure 1
EBRI Retirement Readiness Rating™: 2003 vs. 2012

(Status Quo for Social Security, Housing Equity Used "As Needed")

Percentage of population at risk* for inadequate retirement income, by age cohort (baseline assumptions)



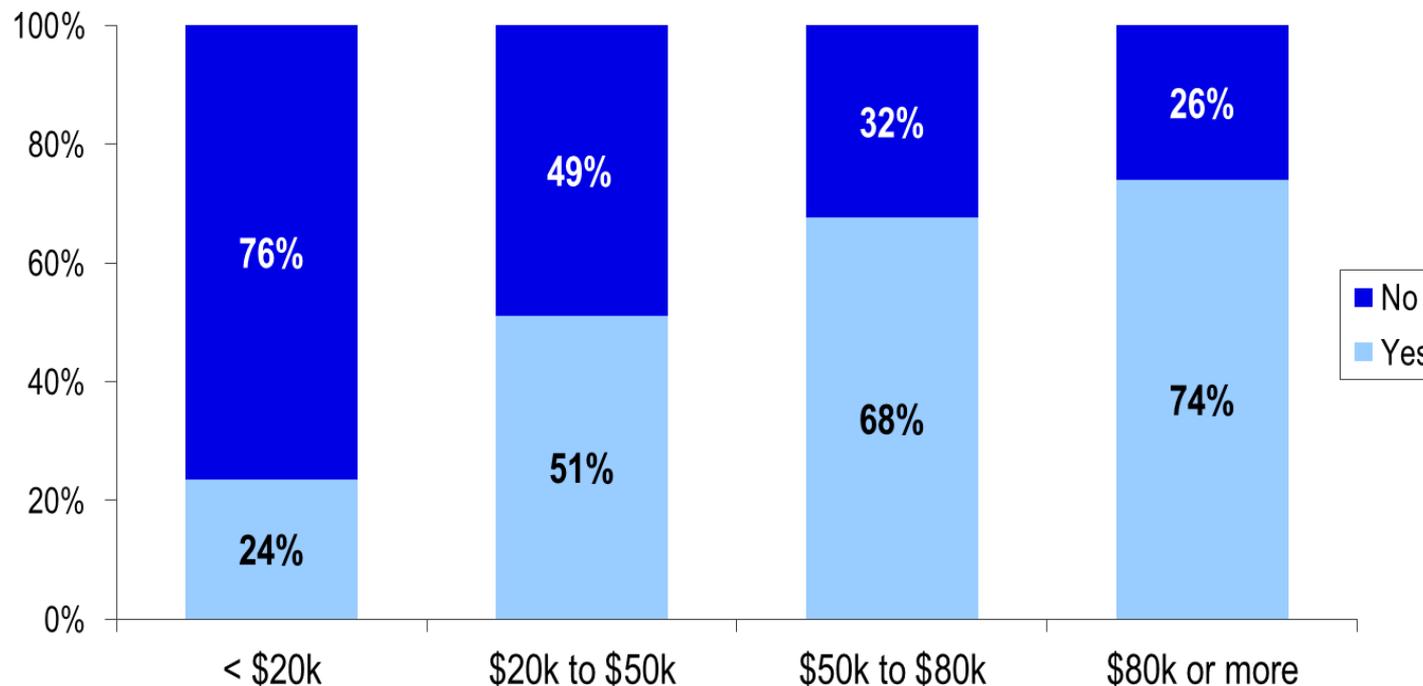
Sources: EBRI Retirement Security Projection Model® versions 1501 and 1502.

* See text for definition of "at risk."

Access to a retirement plan varies by income



U.S. PRIVATE SECTOR WORKERS: Does your employer offer a pension or retirement plan? By Personal Annual Income



Lower income individuals are much less likely to have access to a retirement plan.

Low-income & Part-time Workers



- Low-income workers: 70% of workers with annual incomes between \$20,000-\$29,999 lack pension or retirement plan coverage.
- Part-time full-year: 79.6% of workers who work part-time or part of the year do not have a pension or retirement plan.

Source: Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2011," EBRI Issue Brief, no. 378 (November 2012). p. 11.

Low-income & Business Size



Employee Characteristics of Nonsponsors, by Size of Firm

<u>Annual Salary</u>	<u>Total</u>	<u>5-20 Workers</u>	<u>21-100 Workers</u>
Less than \$20,000	30%	30%	27%
\$20,000–\$40,00	59 %	58%	68%
Over \$40,000	8%	8%	5%

Source: Employer Benefits Research Institute annual Small Employer Retirement Survey, 2003

AARP- Washington state is facing a retirement security crisis

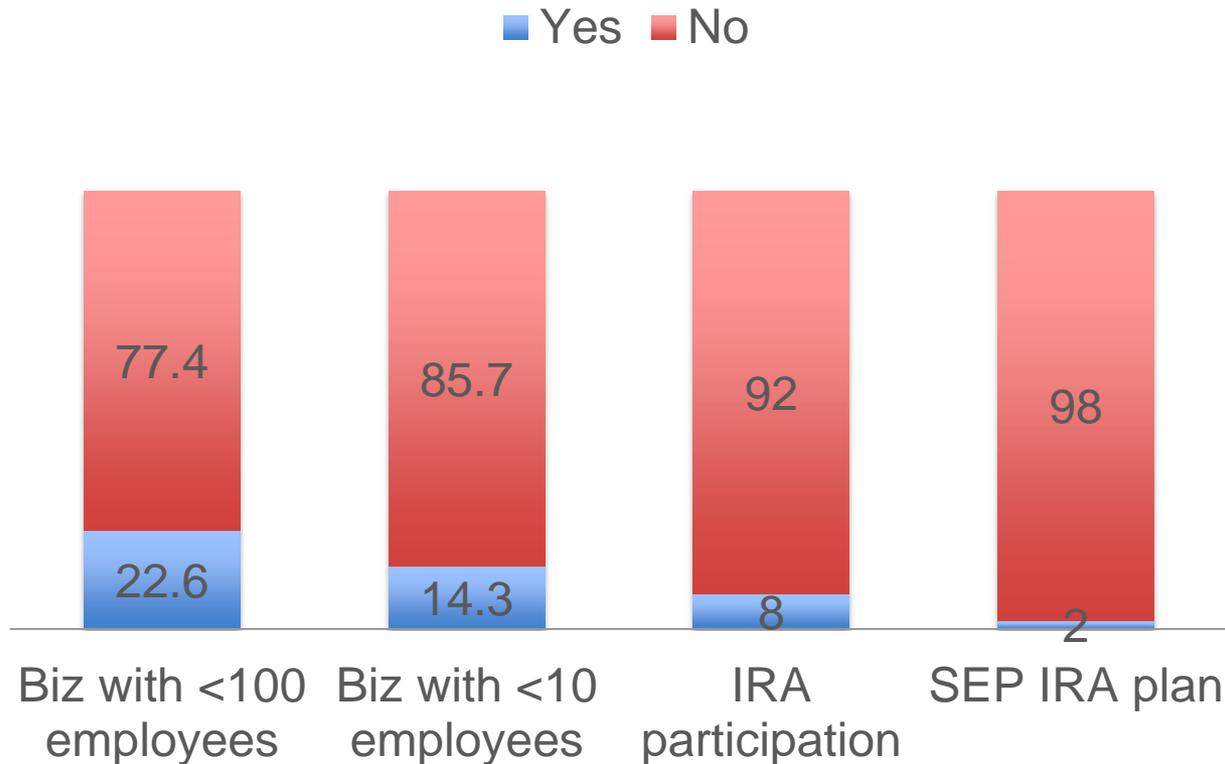


- Recent survey of WA residents age 45-64 found 42% have less than \$25,000 in savings.
- 45% don't own retirement account assets
- 80% of workers employed with business with fewer than 25 employees don't have a retirement plan
- Nearly 60% of middle-class retirees can expect to outlive their financial assets
- If older adults don't have enough money to be self-sufficient in retirement, they must rely on public safety net services – expensive for state

National Problem: retirement plan options not working for small business owners and employees



- Workers with retirement plans

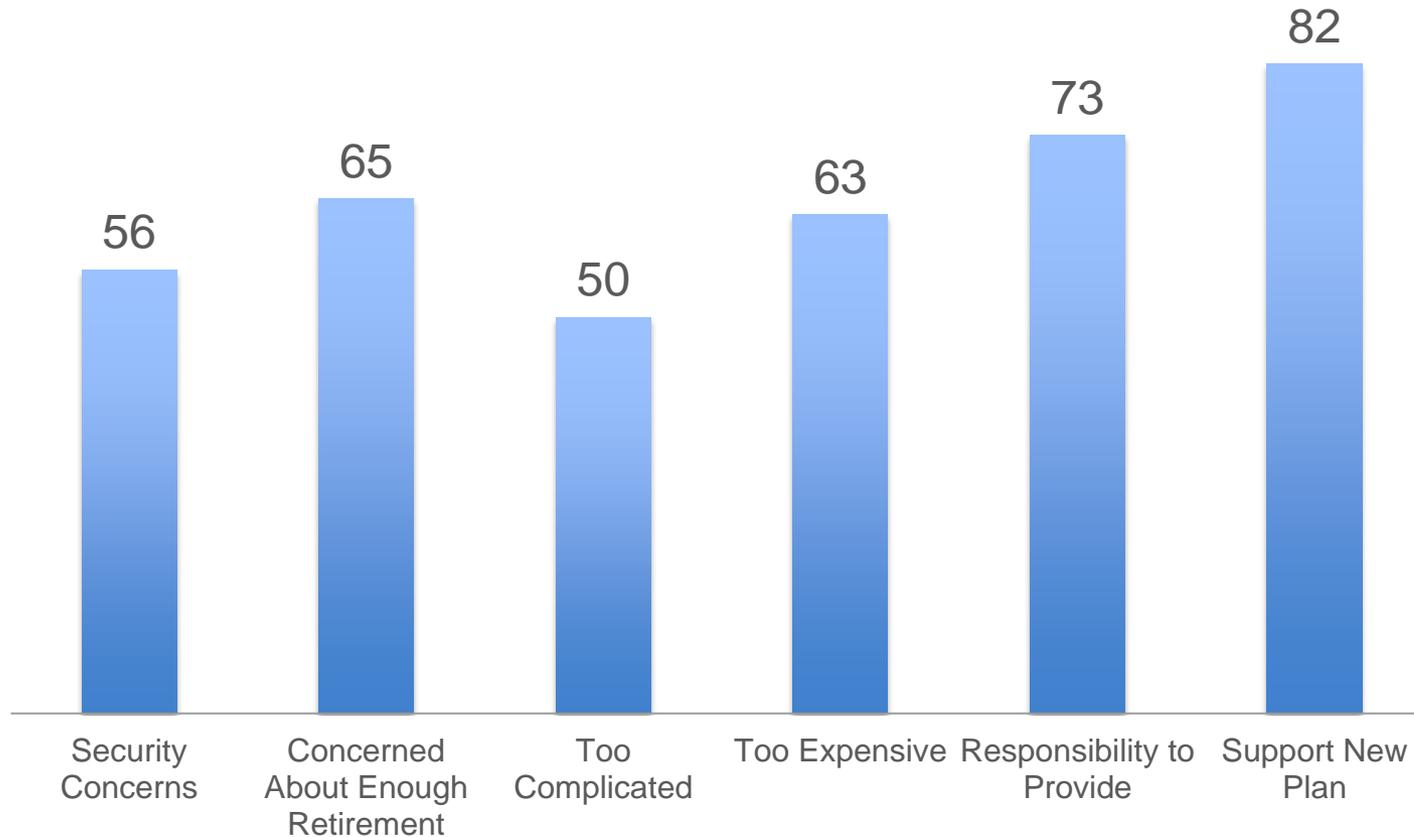


- 78% of Washington Small Businesses do not offer a retirement plan

Small business will support change

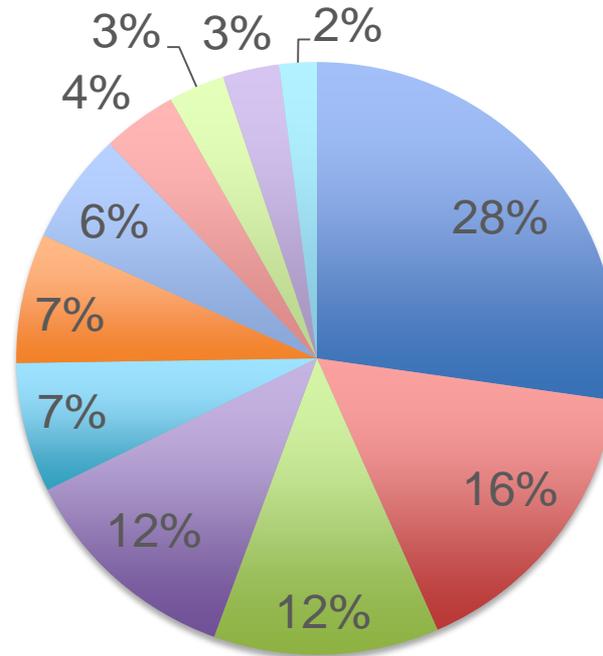


Main issues small biz recognize about retirement (out of 100%)



Reasons small businesses do not offer a retirement plan

– 2003 Small Employer Retirement Survey-EBRI

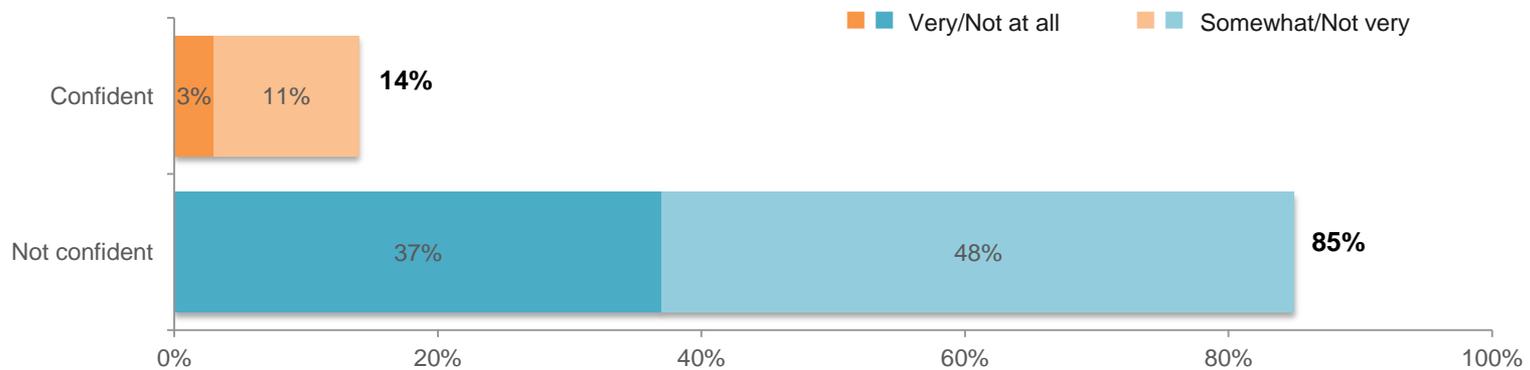


- Revenue uncertain/low
- Disinterest
- Biz too new
- High contributions
- Burdensome
- Already have benefits
- Too expensive
- Too much to short term employees
- Biz too small
- No need
- Wages preferred

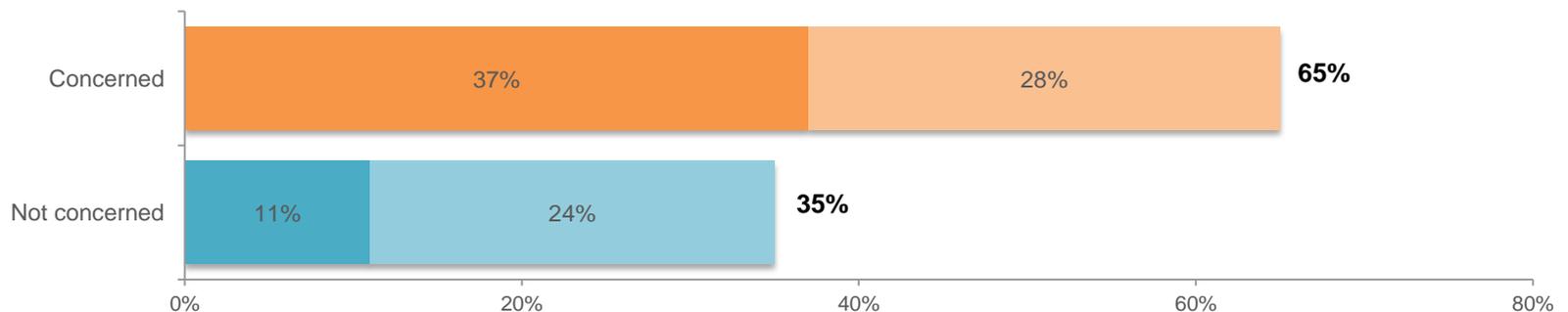
Small businesses believe Washington needs to do more



- 85% believe Washington residents won't have enough money saved for retirement.



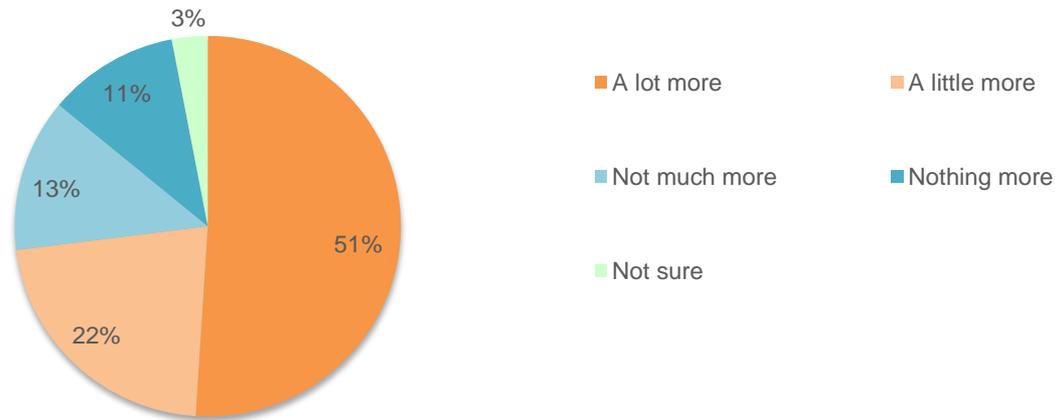
- 65% are concerned their employees won't have enough money saved for retirement.



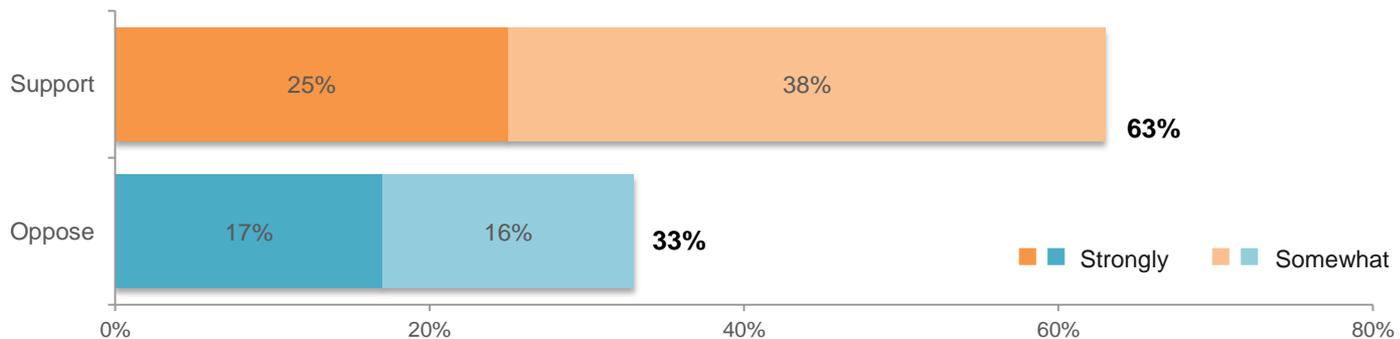
Washington small businesses support START legislation



- 73% believe Washington should do more to help residents prepare for retirement.



- 63% support legislation establishing a voluntary retirement savings plan option.

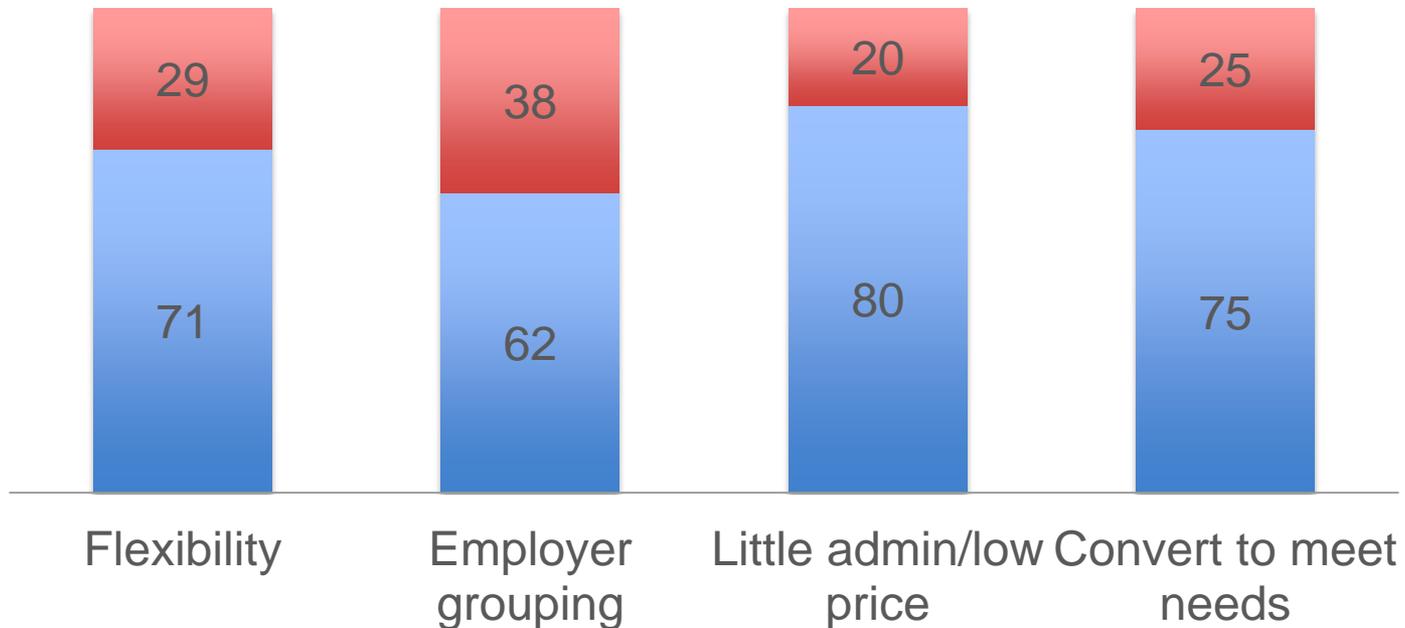


National -Small business wants retirement plan that fits



Important features small biz want in retirement plans (out of 100%)

■ Important ■ Not important



National poll - Small business opinions on retirement



- 75% agree Americans are financially unprepared for retirement
- Only 19% offer a 401(k) though
- 69% say their business is too small to do so
- Over 50% believe it's too expensive



Save toward a retirement today



Key features:

- Voluntary for employers and employees
- Portable as people move from job to job
- Self-employed business owners would be eligible
- No on-going costs or risk for the state
- An effective tool to encourage private savings
- After initial start-up costs paid by state or industry, START is self-sufficient, 100% funded from individual account fees



Voluntary and portable



- Small employers can offer START plans as an option for employees
- Employees can take START accounts with them from job to job
- START benefits low-wage workers more likely to change jobs repeatedly and less likely to have retirement savings vehicles through work



Target retirement funds



- Choose a fund based on your age and years to retirement
- Invest in diversified stocks & bonds
- Become more conservative towards retirement age
- Annual expenses low compared to other funds

Conclusions



- **Research:** National and Washington small business retirement data is very similar and conclusive
- **Problem:** 80% of small businesses do not offer any of the existing retirement plan options that have existed for decades
- **Why?:** Small business has consistently stated that existing plans don't match their and employee needs
- **Solutions:** Small Business, of all political persuasions, want and strongly support new alternative retirement plan options

Contact Information



Terry Gardiner

tgardiner@smallbusinessmajority.org

206-310-6707

www.smallbusinessmajority.org