



**National Association
for the Self-Employed**

Legislative Office
325 7th Street, NW, Suite 250
Washington, DC 20004
P: 202-466-2100
F: 202-466-2123
www.NASE.org

Statement of Mr. Keith Hall
President & Chief Executive Officer
National Association for the Self-Employed

“Unlocking Small Business Retirement Security”

U.S. House of Representatives
Small Business Committee
Full Committee

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Chairman Velazquez, Ranking Member Chabot, and members of the House Small Business Committee, thank you for the opportunity to be here today as an invited guest of the committee to discuss the incredibly important topic of retirement security. As president and chief executive officer of the National Association for the Self-Employed (NASE), our nation's leading advocate and resources for America's 27 million self-employed and micro-businesses, I'm here representing our members located in every state throughout the country. For over 30 years, NASE has offered our small business-members a broad range of benefits to help these entrepreneurs achieve success and to drive the continued growth of this vital segment of the American economy. We continue to support, encourage and help motivate millions of Americans who have chosen the self-employment and micro-business ownership path.

As we delve into the topic of retirement security, I think we can all agree that the lack of retirement savings is a looming crisis for American families, including those family-owned small businesses. In fact, last year, the Trump Administration through executive order, challenged the Departments of Labor and Treasury to identify ways in which retirement savings could be streamlined and expanded, specifically for small businesses. We are supportive of these efforts and will continue to lend our voice as to how our country can best develop and implement policies promoting retirement savings.

However, I do want to caution that the path to retirement security is fraught with landmines. Research shows one of the biggest challenges to retirement savings is debt. Recent data from the AARP found that *"the average household has only \$3,000 saved for retirement. In fact, 18% of retirees in the next 15 years will retire with more debt than savings."* This is a staggering statistic – and is the foundation for our conversation today as to how we can best help provide the tools and resources for the 27 million self-employed and micro-business owners to elevate retirement security as a business issue.

As with any challenge or looming crisis, we have an opportunity to work collaboratively to put forth and champion policies and programs that are flexible, comprehensive, and most

importantly, innovative to meet the changing dynamics of how Americans are working in the 21st century.

To start, there are options for the self-employed and micro-business community, to either directly offer retirement savings plans or facilitate information to their employees as to the available programs. Those programs include: Traditional and Roth IRA, solo 401(k), simplified pension plan (SEP) IRA, Simple IRA, and a defined benefit plan. So, while there are options, we also know that there remain two main impediments for self-employed and micro-business owners to access those options: education and time. These challenges were confirmed by recent Pew Charitable Trust survey data finding that out of the 1,600 small and medium size business owners surveyed, 71 percent stated that setting up a retirement account was too costly, and 63 percent said they didn't have the resources to set up a plan.

To be frank, the structure in which the majority of Americans save for retirement is completely skewed towards a traditional work arrangement in the form of employee-sponsored defined contribution plans, primarily 401(k) plans. While those type of arrangements cover 60 percent of the population, according to recent Pew Charitable Trust data, 40 percent of full-time employees do not have access to a retirement plan.¹ The reason this is an important fact to highlight is because the data shows that when employees have access to save for retirement via their paycheck, they are *"15 times more likely to save for retirement."* But yet, as we move towards a more dynamic, fluid work arrangements, many Americans, including the self-employed, don't or won't receive a paycheck. Instead, many of our members see their "pay" fluctuate based on their business activities. Even in some cases, our members have to make hard choices from month-to-month as to what they can pay themselves in order to ensure their business remain solvent and in

¹ The Pew Charitable Trusts, *Who's In, Who's Out: A Look at Access to Employer-Based Retirement Plans and Participation in the States* (January 2016), 1, http://www.pewtrusts.org/~media/assets/2016/01/retirement_savings_report_jan16.pdf. See also U.S. Government Accountability Office, *Retirement Security: Federal Action Could Help State Efforts to Expand Private Sector Coverage* (September 2015), 15, <http://www.gao.gov/assets/680/672419.pdf>; U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2015" (September 2015), <http://www.bls.gov/ncs/ebs/benefits/2015>. In 2015, the private sector employee take-up rates, which measure participation for those who have access to a plan, for defined benefit and defined contribution plans were 84 and 71 percent, respectively.

the extreme case in which they have employees or utilize consultants, they pay them first before paying themselves. I fear that retirement savings programs that require a paycheck, pay system or mandatory, consistent contribution to an account, will never work for the self-employed.

So, what can we do to provide new, innovative opportunities for retirement savings for our changing workforce?

First, I am intrigued as to how some states have intervened and developed new programs that facilitate savings. While those programs conflict with the statement I just made about mandatory contributions and requiring a paycheck, I do believe that these programs provide a ground swell of education and awareness on the importance of retirement savings.

Second, Congress should work collaboratively with the Administration and applicable agencies to provide the legislative and regulatory environment for multi-employer pension plans as outlined in the August 2018 executive order. I know there are several legislative proposals pending, but working quickly to codify MEPs would provide yet another tool that small business owners could utilize in ensuring security in retirement.

Third, we at the NASE have a mantra we like to adhere by: simplify, simplify, simplify. What can we do to simplify the types of retirement accounts that are most flexible and utilized by the self-employed? Simplification was a key tenet of the Trump Administration's executive order last summer and we couldn't agree more. Small business owners are literally buried with paperwork and so all efforts to simplify this process are strongly supported by the NASE.

And fourth, how do we better communicate to new business owners the importance of planning for retirement? In that sense, how can we better partner with the Small Business Administration, business development centers, credit unions, and other lending institutions as to the importance of stressing to businesses the need to include retirement savings as a part of any business plan.

These are just a few overall, topline thoughts as we dig into the issue, but please note that the NASE stands willing and able to collaborate and support any efforts to make things easier and more efficient for the 27 million self-employed Americans to have the confidence that they will be able to enjoy a secure retirement.

I thank the Committee for its time today and welcome the opportunity to answer any questions.