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General Comment

If I'm understanding the concern, young employees, lower wage earners, and employees of small businesses may not have access to employer-sponsored retirement plans.

As a financial planner, I often talk with clients about an 80% retirement replacement ratio. This suggests that if one takes no more than a 20% pay-cut when he or she retires, they won't sustain a huge change in lifestyle.

Social Security. With an average $2000/month for the highest earning spouse, and even $1000/month for a non-working spouse of an insured worker, the combined $36000/year alone would replace 80% of pre-retirement income for employees retiring on up to $45000/year. A bigger issue here is if one spouse passes away early in retirement, the surviving spouse experiences a 33% pay-cut. However, data shows that the annual median expenses for a single person in retirement does not differ much from that of a married couple. In fact, some data suggests it higher for the single/widow/widower.

IRAs. Another rule of thumb in retirement planning is to save 10%. OK, many planners are now suggesting 15%. The allowable $10000 for a couple into a deductible IRA ($5000 for each spouse- ignoring the additional amount that can be contributed starting at age 50) would be 15% or more savings for employees whose pre-retirement income is up to $66K. Employees earning more than $66K at an employer who does not offer a company-sponsored retirement plan arguably has marketer job skills wherein competitive market forces would motivate an employer to get on board and offer a plan. Each there are two spouses in the workforce, a cap of $5000 would exclude many from reaching the 15% savings rate using only the IRA. Why not increase the annual deductible contribution of an IRA to that of a SIMPLE IRA (company-sponsored IRA currently available)?

A mandatory company-sponsored retirement plan for employers that meet certain thresholds may be a good solution. This could be accomplished without the government managing it. To the extent that the government runs the plan, the chance that the employees get the financial education they need to make informed decisions about it is quite low, unless the government bears the cost of educators, perhaps by a tax credit to the employer for paying for it. Financial literacy and education is a bigger issue than the availability of savings plans. Something doesn't feel right about making something mandatory for employers, but leaving participation voluntary for employees. And we already have a mandatory retirement plan for employers and employees (Social Security).

Employers have a vested interest in their employees retiring well:
*Retirement-age employees represent the highest wage, insurance, and workers compensation costs
*Retirement-age employees may lose some of their motivation and productivity. Kind of "Running down the clock."
*As one ERISA attorney put it, "Employees will get to retirement, not have enough to retire, and its got to be someone else's fault." Of course, this may only apply to ERISA plans.

Because of this, many employers offer retirement plans. Many of them sponsor financial and retirement education programs, not only to comply with 404(c), but because they understand the above, and they care. Fringe benefits like financial planning are offered for upper management and executives (even though they are well-educated). My conclusion is that more incentives for employers to provide financial and retirement education in the workplace is our only hope to move the needle for young employees, lower wage earners, and employees of small businesses. It is a issue of financial literacy and human nature, not availability of savings options.

As a side note, many of the employees at the center of this issue are served by commission-based registered representatives and insurance agents because they can't afford the fees of fee-based, fiduciary financial advisors. Imposing fiduciary status on these advisors will create an even bigger vacuum of available help and education for this demographic. Existing regulations for this segment of advisors is sufficient, and in some cases outdated and redundant. Regulators already have enough rules to enforce. How well they are enforced is another matter. More rules = higher cost to deliver advice. Higher cost = fewer can afford it. Fewer employees receiving education and advice = few motivated to save for retirement.