

Date: February 7, 2022

To: The House Committee on Insurance and Pensions

From: Judy Davis-Cole

Re: Proponent testimony for HB 2586: Enacting the Kansas Work and Save Program Act

Chairman Johnson and members of the committee:

My name is Judy Davis-Cole and I am submitting this written testimony as an AARP advocacy volunteer who represents approximately 285,000 Kansas AARP members. I also am representing myself as a private Kansas citizen who is concerned about the financial security of future retirees, as well as the future financial stability and security of Kansas state services.

Stats in part:

- Currently, half of U.S. households will not have enough retirement income for a secure retirement. ⁽¹⁾
- Kansas ranks 15 out of 51 states in reported retirement savings. ⁽²⁾
- Social Security remains the major source of retirement income in 2020. ⁽³⁾
- The average Social Security monthly income for Kansans is only \$1579.30 for 2021 into 2022. ⁽⁷⁾
- Lack of financial literacy in the pre-retirement and retirement populations make it less likely that people will invest in retirement on their own. ⁽³⁾
- People are 15 times more likely to save for retirement when there is a workplace retirement savings program available. (They are only 5 times more likely to save on their own.) ⁽⁵⁾
- Nearly 40% of Kansas 1.1 million private-sector employees do not have access to a retirement savings plan at work. ⁽⁴⁾
- 71% of surveyed Kansas small business owners support a Kansas Retirement Savings Option. ⁽⁵⁾
- 81% of surveyed Kansas small business owners agree that Kansas law makers should support a state retirement savings option. ⁽⁵⁾
- 62% of surveyed Kansas small business owners are likely to participate in a state offered retirement savings option. ⁽⁵⁾

Everyone deserves to feel secure in retirement. When retirees only have Social Security as an income, they are not financially secure. With the average monthly SS income currently being \$1,579/month, that is approximately only \$5,000 a year over the Federal poverty line. ⁽⁷⁾ They are more likely to have to rely on state-based services for food, clothing, housing, health care and transportation. When retirees are financially insecure, it impacts everyone in increased taxes and costs to support assistance programs. This program and like programs are estimated to save states up to \$51 million over time. ⁽⁶⁾

Benefits of HB 2586 (in part):

- Offers people who work for small businesses an optional and easy-to-access method of work-place savings to supplement their SS benefit at retirement, promoting self-reliance.
- Employee retirement savings will be default, a ROTH IRA offering emergency use without penalties if absolutely necessary.
- The employee retirement savings investments will be a portable account, allowing the employee more freedom when moving to different employment.
- Small businesses would have access to a simple and voluntary retirement plan for their employees with professionally managed and easy-to-use investments.
- 80% of surveyed Kansas small business owners feel that the retirement savings option may help their businesses attract employees and stay competitive. ⁽⁵⁾

Thank you for the opportunity to submit testimony in favor of HB 2586. I am requesting that you support and pass this important bill. Please contact me through AARP Kansas if you have any questions.

Resources

1. Doonan, Dan and Kenneally, Kelly. National Institute on Retirement Security. "Americans' Views of State-Facilitated Retirement Programs" November, 2021
2. Daily Capital. "What is the Average Retirement Savings by State". PersonalCapital.com September 30, 2021.
3. Board of Governors of the Federal Reserve System. "Report on Economic Well-Being of U.S. Households in 2020". May, 2021
4. AARP Bulletin. State Activities. January, 2022
5. AARP. www.aarp.org/securefutureks
6. AARP Public Policy Institute, May, 2017.
7. Amadeo, Kimberly, et.al. TheBalance.com "Federal Poverty Level Guidelines and Chart". January, 2022