Fixing the Saver’s Credit and Other Ways to Help At-Risk Workers

Catherine Collinson, Transamerica Center for Retirement Studies

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Today’s Presentation

- Transamerica Center for Retirement Studies®
- An In-Depth Review of the Saver’s Credit
- A Few Words About Baby Boomers and Their Precarious Prospects
- In Conclusion
- Questions & Answers
Mission
Nonprofit TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the U.S. Its research emphasizes employer-sponsored retirement plans, including companies and workers, and the implications of legislative and regulatory changes.

Outreach Activities
• **Annual Transamerica Retirement Survey of Workers and Employers.** Now in its 17th year, it is one of the most comprehensive and widely referenced surveys of its kind. Annual thematic releases spotlighting specific segments of the population include:
  – Saver’s Credit Guide
  – Women and Retirement report
• **Other Surveys** include Retirees survey in 2015 and an upcoming survey of unpaid Caregivers.
• **Educational Materials** have been designed for general public use.
• **ClearPath – Your Roadmap to Health & Wealth** bi-weekly radio show discusses issues related to retirement and financial literacy.

Audience includes employers, retirement providers and professionals, the general public, policymakers, academics, and the media.

Website: [www.transamericacenter.org](http://www.transamericacenter.org)
Twitter: @TCRStudies

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The Saver’s Credit Snapshot

**Legislative History**
- 2001-EGTRRA (sunset provision)
- 2006-PPA (made permanent)

**Eligibility Requirements**
- Age 18 or older
- Not a full-time student
- Not claimed as a dependent on another person’s tax return
- Income (AGI) limits:
  - $62,000 Married Filing Jointly
  - $46,500 Head of Household
  - $31,000 Single

**Credit Rates:** 10%, 20% or 50%

**Tax Forms:** Form 8880 and Form 1040, 1040A and 1040NR

**Who Are Most Likely to Benefit?**
- Lower-income workers
- Part-time workers
- Women

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**Saver’s Credit Snapshot**

**It Pays to Save for Retirement**

You may qualify for the Saver’s Credit of up to $1,000 ($2,000 if married filing jointly) for contributions you make to a qualified retirement plan or IRA. And you have until April 17, 2018 to make IRA contributions for 2017. Unlike a deduction, a credit is a dollar-for-dollar reduction of your federal income tax liability and this credit can reduce the amount you owe or increase your refund for taxes already paid.

**Are You Eligible for the Credit?**

To claim the Saver’s Credit for 2017, you must:
- Be age 18 or older,
- Not be a full-time student,
- Not be claimed as a dependent on another person’s return, and
- Have an adjusted gross income of not more than:
  - $62,000 if your filing status is married filing jointly;
  - $46,500 if your filing status is head of household; or
  - $31,000 if your filing status is single, married filing separately or qualifying widow(er).

**Are Your 2017 Contributions Eligible for the Credit?**

Eligible contributions include:
- Contributions to a traditional or Roth IRA, myRA, and
- Salary reduction contributions (including voluntary after-tax and designated Roth contributions) to your employer’s 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or governmental 457(b) plan.

Rollover contributions aren’t eligible for the Saver’s Credit. Your eligible contributions for the credit may be reduced by any recent distributions you received from an employer-sponsored retirement plan or an IRA.

**Amount of the Credit**

The amount of the credit you can get is based on the contributions you make and your ‘credit rate.’ Your credit rate can be as low as 10 percent or as high as 50 percent, depending on your income and your filing status.

Use the 2017 Form 8880, Credit for Qualified Retirement Savings Contributions, to calculate and claim your credit. Use the Form 1040, 1040A, or 1040NR to file your taxes.

**Note:** Is is not available on Form 1040EZ.
Saver’s Credit Take-Up Rates Have Increased

Saver's Credit Take-Up Rates 2002 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Saver's Credit Tax Returns (Millions)</th>
<th>% of All Tax Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5.3</td>
<td>4.1%</td>
</tr>
<tr>
<td>2003</td>
<td>5.3</td>
<td>4.1%</td>
</tr>
<tr>
<td>2004</td>
<td>5.3</td>
<td>4.0%</td>
</tr>
<tr>
<td>2005</td>
<td>5.3</td>
<td>3.9%</td>
</tr>
<tr>
<td>2006</td>
<td>5.2</td>
<td>3.8%</td>
</tr>
<tr>
<td>2007</td>
<td>5.9</td>
<td>4.1%</td>
</tr>
<tr>
<td>2008</td>
<td>6.0</td>
<td>4.2%</td>
</tr>
<tr>
<td>2009</td>
<td>6.3</td>
<td>4.5%</td>
</tr>
<tr>
<td>2010</td>
<td>6.1</td>
<td>4.3%</td>
</tr>
<tr>
<td>2011</td>
<td>6.4</td>
<td>4.4%</td>
</tr>
<tr>
<td>2012</td>
<td>6.9</td>
<td>4.8%</td>
</tr>
<tr>
<td>2013</td>
<td>7.4</td>
<td>5.0%</td>
</tr>
<tr>
<td>2014</td>
<td>7.9</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Annual Cost ($B): $1.06, $1.03, $1.01, $0.95, $0.89, $0.98, $0.98, $1.04, $1.03, $1.12, $1.20, $1.32, $1.38

Average Amount: $199, $195, $191, $178, $172, $167, $164, $166, $168, $175, $174, $178, $174

Source: TCRS analysis of IRS SOI Data, 2002 to 2014
Worker Awareness of the Saver’s Credit Is Low

TCRS finds that awareness of the Saver’s Credit is generally low. However, it is even lower among those most likely to benefit from it, i.e., lower-income workers, part-time workers, and women. Increasing awareness can improve savings and take-up rates.

Survey findings highlighted in red fall below 30 percent.
TCRS also finds that the workers who are most likely to benefit the Saver’s Credit (i.e., lower-income workers, part-time workers, women) are less likely to be offered a 401(k) or similar plan by their employers. Increasing access to workplace plans can also improve savings and Saver’s Credit take-up rates.

**Workers Who Are Offered a 401(k) or Similar Plan By Employer**

TCRS also finds that the workers who are most likely to benefit the Saver’s Credit (i.e., lower-income workers, part-time workers, women) are less likely to be offered a 401(k) or similar plan by their employers. Increasing access to workplace plans can also improve savings and Saver’s Credit take-up rates.

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Survey findings highlighted in red fall below 70 percent.


**Employment Status (%)**

- All: 71%
- Full-Time: 77%
- Part-Time: 42%

**Generation (%)**

- Millennial: 66%
- Generation X: 76%
- Baby Boomer: 73%

**Household Income**

**Workers (%)**

- <$50k: 58%
- $50k to $99k: 70%
- $100k+: 81%

**Men (%)**

- <$50k: 61%
- $50k to $99k: 70%
- $100k+: 84%

**Women (%)**

- <$50k: 55%
- $50k to $99k: 70%
- $100k+: 78%
TCRS finds that workers' total household retirement savings (estimated median) is shockingly low among at-risk groups such as part-time workers, lower-income workers, and women.

Survey findings highlighted in red fall below $40,000 (estimated median).

The New myRA: Worker Awareness is Still Low

In 2015, the U.S. Department of Treasury implemented the myRA, a simplified IRA designed for first-time savers and those who are not offered a 401(k) or similar plan by their employer. Workers who are more likely to benefit from myRA (i.e., lower-income, part-time, women) are least likely to be aware of it.

Survey findings highlighted in red fall below 20 percent.

Fixing the Current Saver’s Credit

1. Update messaging and positioning. Specifically, avoid use of the reference “low-to moderate-income” tax filers. Many who are potentially eligible may not self-identify as being such. Employers may be reluctant to promote it as such. Instead, simply refer to “eligible tax filers.”

2. Implementing an ongoing educational campaign to promote the Saver’s Credit and how to claim it. Highlight related opportunities to facilitate savings including:
   1. The new myRA;
   2. The ability to deposit a portion of one’s tax refund into an IRA or myRA; and,
   3. IRS’ Free File program.

3. Encourage employers to promote the Saver’s Credit among their employees.

4. Add to the Form 1040EZ.

5. Facilitate the depositing of the amount that a tax filer receives from the Saver’s Credit into a retirement account.
How to Expand and Enhance the Saver’s Credit

Four meaningful opportunities for enhancing and expanding the Saver’s Credit so that more may be eligible and/or benefit, include:

1. Making the Saver’s Credit refundable so that all savers who meet the income and eligibility requirements can fully benefit;

2. Simplifying and/or eliminating the non-income-related eligibility requirements;

3. Increasing the income requirements; and,

4. Simplifying and collapsing the current three credit rates within the income requirements into a single credit rate of 50 percent.
How You Can Help Promote the Saver’s Credit

www.transamericacenter.org
A Few Words About Baby Boomers and Their Precarious Prospects
Baby Boomers Expect to Retire Past 65 and Keep on Working

At what age do you expect to retire? (%)

- Before Age 65: 51%
- At Age 65: 19%
- After Age 65: 15%
- Do Not Plan to Retire: 15%

NET – After Age 65 or Do Not Plan to Retire: 66%

Do you plan to work after you retire? (%)

- Yes, Full-Time: 40%
- Yes, Part-Time: 29%
- No, Do Not Plan to Work: 10%
- Not Sure: 1%

NET – Plan to Work: 50%
Baby Boomers’ Reasons for Working Are Need and Enjoyment

Main Reason for Working Past Age 65 and/or After Retirement (%)

- Can't afford to retire/ Haven't saved enough: 34%
- Want the income: 15%
- Need health benefits: 14%
- Want to stay involved: 7%
- Enjoy what I do: 25%
- None of the above: 5%

NET Income & Benefits: 66%
NET Enjoyment: 29%
A Reality Check: Most Workers Aren’t Working at Age 65 or Older

Retirement Age Among Retirees (Median)
62

Percent Employed Age 65 to 74 2016
26%

Source: TCRS’ Survey of Retirees, 2015
Source: Bureau of Labor Statistics, Employment status of the civilian noninstitutional population by age, sex, and race, 2016
How Baby Boomers Envision Their Retirement Transition

How do you envision transitioning into retirement? (%)

- Transition into retirement by reducing work hours with more leisure time to enjoy life: 26%
- Continue working as long as possible in current or similar position until I cannot work any more: 25%
- Transition into retirement by working in a different position or capacity that is either less demanding and/or brings greater personal satisfaction: 13%
- Immediately stop working once I reach a specific age and be pursuing retirement dreams: 20%
- Immediately stop working once I save a specific amount of money and begin pursuing retirement dreams: 6%
- Not sure: 10%

NET - Phased Transition/Continue Working: 64%
NET - Immediately Stop Working: 26%
The Challenge: Employers Do Little to Facilitate Phased Retirement

<table>
<thead>
<tr>
<th>Which of the following ways, if any, does your current employer help its employees who are transitioning into retirement? (%)</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET – Flexible Transition Arrangements</td>
<td>29</td>
</tr>
<tr>
<td>Accommodates flexible work schedules and arrangements</td>
<td>18</td>
</tr>
<tr>
<td>Enables employees to reduce work hours and shift from full-time to part-time</td>
<td>19</td>
</tr>
<tr>
<td>Enables employees to take positions which are less stressful or demanding</td>
<td>9</td>
</tr>
<tr>
<td>Offers financial counseling about retirement</td>
<td>12</td>
</tr>
<tr>
<td>Encourages employees to participate in succession planning, training, and mentoring</td>
<td>7</td>
</tr>
<tr>
<td>Provides seminars and education about transitioning into retirement</td>
<td>8</td>
</tr>
<tr>
<td>Offers retirement-oriented lifestyle and transition planning resources</td>
<td>6</td>
</tr>
<tr>
<td>Provides information about encore career opportunities</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
<tr>
<td>None of these</td>
<td>36</td>
</tr>
<tr>
<td>Not Sure</td>
<td>25</td>
</tr>
</tbody>
</table>

BASE: ALL QUALIFIED RESPONDENTS
Q1533. In which of the following ways, if any, does your current employer help its employees who are transitioning into retirement? Select all.
How Public Policy Can Help Older Workers

Many older workers want and need to continue working past traditional retirement age. However, few employers have practices in place to support them. Anecdotally, employers may be reluctant to adopt phased retirement programs due to concerns about potential liability. Public policy and guidance may be needed.

Specific opportunities to promote continued employment among older workers include:

1. Assess current labor laws and identify impediments to employers offering phased retirement

2. Create incentives and/or remove disincentives for employers to retain older workers

3. Further promote the available job training / re-training programs that are available
In Conclusion

Promoting awareness is absolutely critical to success ...

Whether fixing or expanding the Saver’s Credit, inspiring first-time savers to open a myRA, or implementing any other new programs or reforms to enhance retirement security, success ultimately depends on whether people know about it. Without widespread awareness, the very best solutions can flounder, fizzle or fail.