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Small Retirement Accounts: Issues and Options

David C. John
David C. John is a nonresident senior fellow at Brookings, deputy director of the Retirement Security Project, and senior policy advisor at the AARP Public Policy Institute

J. Mark Iwry
J. Mark Iwry is a nonresident senior fellow at Brookings and a visiting scholar at the Wharton School at the University of Pennsylvania

Christopher Pulliam
Christopher Pulliam is a research analyst at Brookings

William G. Gale
William Gale is the Arjay and Frances Fearing Miller Chair in Federal Economic Policy and senior fellow at Brookings, Director of the Retirement Security Project, and Co-Director of the Urban-Brookings Tax Policy Center

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Abstract

The existence of small and inactive accounts is a largely inevitable feature of the U.S. retirement saving system, which features employer-based retirement plans, individually managed accounts, and automatic enrollment. We consider the issues raised by these accounts, including the corrosive effects of fees, and the increased likelihood of pre-retirement leakage and lost accounts. We examine five sets of partial solutions: extensive reform of the rollover and account consolidation rules; enhancement of the saver's credit; a national retirement dashboard; a default account consolidator; and creating a system with a single account for each worker. Each idea has advantages and drawbacks. Policy makers should consider these options as they contemplate reform.

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Iwry periodically provides, in some cases through J. Mark Iwry, PLLC, policy and legal advice to plan sponsors and providers, government officials, academic institutions, other nonprofit organizations, trade associations, fintechs, and other investment firms and financial institutions, regarding retirement and savings policy, pension and retirement plans, and related issues. Iwry is a member of the American Benefits Institute Board of Advisors, the Board of Advisors of the Pension Research Council at the Wharton School, the Council of Scholar Advisors of the Georgetown University Center for Retirement Initiatives, the Panel of Outside Scholars of the Boston College Center for Retirement Research, the CUNA Mutual Safety Net Independent Advisory Board, a network of advisors to an investment firm, and the Aspen Leadership Forum Advisory Board. He also periodically serves as an expert witness in federal court litigation relating to retirement plans. The authors did not receive any financial support from any organization or person for any views or positions expressed or advocated in this document. They are currently not an officer, director, or board member of any organization that has compensated or otherwise influenced them to write this paper or to express or advocate any views in this paper. Accordingly, the views expressed here are solely those of the authors and should not be attributed to any other person or any organization.

"Mighty Oaks from Little Acorns Grow"

14th Century English Proverb

I. Introduction

Every new retirement saver starts with a small account. Over time, balances can grow with continuing contributions by savers or employers, investment earnings, and tax benefits. Not all accounts, however, grow very much. Some account balances are cashed out early, while others are eaten away by administrative and management fees. In far too many cases, employees lose track of their past accounts. These situations make retirement planning more difficult and endanger retirement security for millions of households.

The existence of accounts with small balances is an inevitable byproduct of retirement systems, like those in the United States and several other countries, where individualized, employer-based accounts and automatic enrollment provisions are widespread. They are caused by a variety of circumstances. And of course, not all small balances are undesirable. New savers and those with lower incomes will inevitably have smaller balances, and small retirement benefits are preferable to no benefits.

Nevertheless, public policies that enable people to navigate the problems that small accounts create could help millions of households save more adequately for retirement. Increasing people's retirement income by just $1,000 a year could also help states and the federal government save several billion dollars that they otherwise would have spent for retiree support programs (Trostel, 2017).[1] There is also an important equity component to addressing small accounts, as they are especially prevalent among Black and Hispanic/Latino IRA holders.

In this paper, we address issues raised by the presence of small accounts and present five sets of solutions: extensive reform of rollover and account consolidation rules; enhancement of the saver's credit; creation of a national dashboard and/or a default method of automatically merging certain current and past accounts; and developing a system where each worker has only a single account over the course of their career. Since there are many types of small accounts, it may be that only one of our proposals applies to a specific circumstance.

Section II provides some historical context and data about small accounts. Section III describes several issues and concerns associated with small accounts. Section IV considers how other countries have addressed similar issues. Section V covers proposals to address the problems that small accounts create in the United States. Section VI provides a brief conclusion.

II. Background

The number of small retirement savings accounts in the United States can be linked to several factors. The first is the steady shift from employer-funded and managed defined benefit (DB) plans, which pool resources, toward more individually based, worker-funded saving in 401(k) plans and individual retirement accounts (IRAs).[2] In addition, small accounts can result from the structure of an employer-

[1] However, the problems raised by small accounts are not the same as those raised by inadequate saving. For example, consolidating all of one's small accounts into one larger account may not be sufficient to generate adequate retirement wealth. On the other hand, those with high income replacement rates from Social Security – that is, lifetime low earners – might have adequate retirement income despite having only a small private retirement account.

[2] Between 1979 and 2017, the share of U.S. workers participating only in a DC plan rose from 7 percent to 37 percent, while those in a DB plan only fell from 28 percent to 2 percent. Those with both DB and DC plans added an additional 9 percent in 2017 after rising from 10 percent to 16 percent from 1979 to 1985 and then falling as DBs continued to decline (EBRI, 2019).

based retirement system, where each employer has its own plan, and balances do not automatically move from one to the next when workers change jobs. A third factor is the expansion of retirement programs to cover more mobile and lower-to-moderate-income workers, including the expansion of automatic enrollment, which increases participation but also creates many new – and hence – small accounts (Madrian and Shea, 2001; Gale et al., 2009).

To provide estimates of the number of people with small accounts, we use data from the 2019 Survey of Consumer Finances. The data show that about 16 percent of households that have IRAs have balances that are "small" – defined for our purposes as below $10,000.[3] The prevalence of such accounts is higher among young, low- and moderate-income, and Black and Hispanic/Latino households (Figure 1). Among household heads under the age of 35 who own an IRA, 58 percent have small balances, far higher than the 13 and 9 percent figures for 35- to 64-year-olds and those older than 65, respectively. Among IRA holders, 37 percent of households in the lowest income quintile and 30 percent of households in the second-lowest income quintile have small balances. Compared to only 6 percent of households in the highest quintile. Black and Hispanic/Latino IRA holders are more likely to have small IRA balances – 31 and 32 percent, respectively – than white and other households – about 15 percent.

Similar patterns emerge when looking at employer-sponsored individual account plans. About 20 percent of households with DC plans have account balances below $10,000. DC plan accounts under $10,000 are more common among young and low-to-moderate-income households (Figure 2). About 48 percent of household heads with DC plan accounts under age 35 have small balances, compared to only 16 and 17 percent of 35- to 64-year-olds and those older than 65, respectively. Households in the lowest and second-lowest income quintiles that have DC plan accounts are more likely to have small balances (79 and 53 percent, respectively) than households in the highest quintile (7 percent). Notably, the prevalence of small employer-sponsored plan balances is evenly distributed across racial and ethnic groups – a departure from the pattern seen with small IRAs. Black and Hispanic/Latino households with a DC plan are about as likely to have small account DC plan balances (24 and 26 percent, respectively) as are white and other households (23 and 28 percent, respectively).

The number of small retirement accounts is likely to grow as more states (and potentially the federal government) establish Automatic IRA and similar programs that mainly serve moderate-to-lower income workers.[4] Currently, each of the state-facilitated Auto IRA programs in operation in California, Oregon, and Illinois has average account balances of less than $1,000.[5] These initially small balances are to be expected not only because the programs generally began recently but particularly because they are designed to serve lower-income, first-time savers who can contribute only relatively modest amounts.

III. Issues raised by small accounts

Administrative Costs and Fees

Small accounts are especially vulnerable to having their rate of return and even their balances significantly affected by administrative fees. While those fees are often expressed as a percentage of assets in the account, the expense of setting up an account, maintaining it, and providing periodic reports to the account owner is largely fixed and not dependent on account size. Therefore, a fee structure where all

[3] Note that using household data will understate the prevalence of small accounts because, for example, if two partners in a household each have account balances of $6,000, then each individual would have a small account, by our definition, but the household would be recorded as having a balance of $12,000 and thus not having a small account.

[4] Auto IRA legislation has now been passed by legislatures in ten states: California, Colorado, Connecticut, Illinois, Maine, Maryland, New Jersey, New York, Oregon, and Virginia (Center for Retirement Initiatives, n.d.).

[5] California: CalSavers Retirement Savings Program (2020); Oregon: Sellwood Consulting LLC (2021); Illinois: Center for Retirement Initiatives (2021). Chalmers et al. (2021) analyze OregonSaves in more detail using administrative data.

types of fees are aggregated and assessed as a percentage of assets for all accounts in a plan effectively has larger accounts subsidizing smaller ones.

Plan sponsors and providers, however, often break out different types of fees when determining how and how much to charge account owners. While investment costs are usually charged as a percentage of assets in the account, recordkeeping and related administrative costs are often charged as a flat fee and are often absorbed by the plan. A 2020 study found that 63 percent of plans paid the recordkeeping fee for the saver, while the others required participants to pay it, usually monthly or quarterly (NEPC, 2020). In 2017, one study estimated the median annual DC plan recordkeeping fee was $59 (Schirmer, n.d.).

This amount, if charged to savers, can deeply affect small accounts. For example, an annual fee of $50 represents a full 5 percent (500 basis points) of a $1,000 balance but only 0.05 percent (5 basis points) of a $100,000 balance. If investors earn 3 percent per year on investments, the $50 fee is equal to a 167 percent tax on the smaller account's return but only 1.67 percent on the larger account's return. The account with the smaller balance would decline over time but the larger account would continue growing. To the extent that small account holders earn lower rates of return than owners of large accounts, these effects are exacerbated.

Leakage from the retirement system

Aggregate pre-retirement withdrawals of retirement savings ("leakage") appear to be large. Using deidentified tax returns, Goodman et al. (2021) found that, in 2015 alone, 15 percent, or $50 billion, of withdrawals from DC plans and IRAs went to pre-retirement age people. Not all pre-retirement withdrawals are problematic, of course. Providing pre-retirement liquidity may well encourage plan participation by assuring potential savers that they can access their retirement savings in the event of financial hardship. And taking early withdrawals may be necessary or desirable in some circumstances – for example, divorce or health crises. The most common reason for early withdrawals, however, is job separation (GAO, 2009).

The rules governing withdrawals from tax-qualified plans when workers change jobs reflect complex tradeoffs between public policy objectives and the often-conflicting interests of savers, plan sponsors, financial providers, and other players in the market. Generally speaking, pension policy in this area seeks to promote saving at reasonable cost and to preserve benefits for retirement by maximizing portability and minimizing leakage. Current rules:

- limit involuntary employer cashouts to balances up to $1,000, but only after the plan has offered terminating employees a direct rollover with full advance written disclosure of the employee's options;
- encourage direct rollovers by imposing 20 percent tax withholding on employees who choose a cash distribution instead of a direct rollover; and
- permit plans to dispose of accounts between $1,000 and $5,000 without employee permission only by rolling them over to an IRA established for the employee.

Appendix A presents further details on the current rules. They have proven to be helpful but considerably more needs to be done to adequately address the problems of small accounts and the related concerns about leakage and inadequate portability.

Lost Accounts

Accounts can be lost for any of several reasons, including the employer treatment of small balances upon job separation, as discussed above. In addition, former employees who have been cashed out may leave checks uncashed or change their postal and email addresses. Former employers may terminate plans, change providers, go out of business, be acquired, or change the company's name. Nonresponsive terminating employees who have their small plan accounts involuntarily rolled over to an IRA may not receive the plan's or IRA's required notifications to them and thus remain unaware that they even own an IRA.

It is not easy for savers to find lost accounts or for custodians of abandoned or "orphan" accounts to find missing participants. Each of the three federal pension agencies and the Social Security Administration offer resources that can be helpful, but – separately and in the aggregate – they are far from comprehensive, and the information they provide cannot be accessed from one central location.

Goodman, Mukherjee, and Ramnath (2021) find that small IRA accounts, regardless of how they were opened, are more likely to be abandoned than larger accounts. They show that the probability that an abandoned account is reclaimed within ten years of the participant turning 72 – the age at which people must start taking distributions from IRAs – increases with account balance, plateauing at around 60 percent for accounts larger than $3,000. Small accounts involuntarily rolled into an IRA because they belonged to a nonresponsive terminating employee are about 10 times more likely to be abandoned than small accounts that are not involuntarily transferred.

IV. How other countries handle small accounts

Before turning to how other countries address the problems associated with small accounts, it is worth highlighting that some countries do *not* have these problems. Chile has a mandatory retirement savings system where contributions go to a central processor before being forwarded to the appropriate provider. Mexico has very few duplicate accounts because of its payment central processing arrangement. Employers send funds to certified banks and then one central processing company sends them to the appropriate provider. In this and other similar *lifetime provider systems*, workers keep the same account when they change jobs unless they choose to move to another provider and employers simply have to send contributions to the intermediary processor or a similar location. Australia (see Appendix B) is also moving to a lifetime provider system later this year and Ireland is slated to follow in 2022 (Department of Social Protection, 2018).[6]

Nevertheless, small account problems arise in a number of countries, especially where retirement accounts are mandatory or auto enrolled. These countries have dealt with small account issues in a variety of ways (Silcock, 2021). Besides setting up a lifetime provider program, the major interventions include: a dashboard where savers can manage all their accounts; information campaigns; caps on fees; automatic consolidation. While each of the systems has its own characteristics based on its country's financial system, traditions and political situation, there are enough similarities that their experience can help to inform policymakers in this country.

Dashboards enable savers to view and manage all of their retirement accounts in one place. A dashboard can include an online registry that helps workers locate and track their retirement accounts and benefits as well as services such as recovering and consolidating lost accounts, projecting future income, or even providing or referring unbiased financial advice to users. The United Kingdom, Israel, Denmark, and Sweden use or are moving to implement dashboards, and most include a feature that allows savers to find lost accounts. Dashboards are more effective if they have either simple instructions for reclaiming lost accounts or a direct mechanism allowing savers to do so. Success, however, still requires savers to use the dashboard and complete the process of finding their accounts. As a result, most of these countries have taken additional measures to reduce the number of small accounts with dashboards being just one, and often the least aggressive, option.

Information campaigns are another approach to reducing small accounts. The Israeli government ran information campaigns on the advantages of combining multiple small accounts, while New Zealand has focused on improving the general financial capability of savers. This approach, like dashboards, is a relatively light touch, avoiding more fundamental changes. It is even less likely to encourage anyone other than the most motivated to find and consolidate accounts as it only provides information and is not necessarily linked to a data base of lost accounts or a direct way to consolidate them.

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[6] Ireland has somewhat less of a problem with small accounts. It does not have universal coverage, workers in industries with high job turnover generally do not gain new accounts from job changes, and Irish fees, while generally high, are less detrimental to small accounts because they are percentage-based rather than flat.

Some countries have eliminated or capped account management fees in certain circumstances. The United Kingdom, for example, prohibits charging flat fees on accounts of less than GBP100 (about $139), although other fees may still be charged (Department for Work & Pensions, 2021). Similarly, Sweden has capped transfer fees. Another approach is to offer incentives to increase account balances. For instance, at one time New Zealand offered to deposit funds in the account after the saver had made a certain level of contributions.

Automatic consolidation of retirement accounts is another way to address small balances. For example, Israel introduced a policy in 2017 where, after a set amount of time, those who do not combine their past inactive accounts on their own will have them consolidated automatically into their active account. Similarly, in Norway, multiple inactive accounts will be automatically consolidated after three months into the owner's active account unless the saver chooses not to do so (Silcock, 2021). Both countries have a system where only a single employer-based account is active at a time. Part of the motivation for this approach was to reduce fees paid by participants across multiple accounts (Cognizant, n.d.).

V. Policy options for the United States

The examples above highlight policy responses in other countries. In this section, we describe several options that the United States could consider. We explore five options. Two would alter provisions of the existing system regarding rollovers and tax incentives to save. The other three involve broader structural changes in the retirement system – a dashboard, a national standard for default account consolidation, and a lifetime-provider system.

Combining Accounts

The rollover process in the United States could be improved in a number of ways. In Appendix C, we describe in detail a set of proposals that fall under three categories: improving the rollover process overall, facilitating automatic rollovers between plans and IRAs, and supporting "automatic portability" rollovers between employer plans when employees change jobs.

In terms of the overall process, plans sending rollovers could be required to use standardized, uniform protocols for fund transfers and standardized data showing that the rollover came from a qualified plan or bona fide IRA.[7] Regulations could provide that inadvertent acceptance of an improper rollover would not taint a plan's qualified status, only the tax treatment of the transferred funds. These changes would make it reasonable to require, for the first time, that all qualified DC plans accept rollovers. Doing so would bring about a sea change in portability, serving participants' interests by enhancing their ability to keep track of, combine, and consolidate their retirement savings.

In addition to proposing changes to improve the timeliness of required rollover explanations, we suggest that Congress allow lump-sum recipients more time to roll over their entire distribution. As more fully described in Appendix C, terminating plan participants who receive a distribution instead of having it directly rolled over by the plan are subject to 20 percent withholding tax. If they roll over the remaining 80 percent of the distribution within 60 days, that amount is nontaxable. If they can come up with other funds equal to the 20 percent withheld and add that to the rollover within the same 60 days, the 20 percent will also be nontaxable and remain in the retirement system. Unfortunately, many recipients cannot quickly come up with the funds to replace the 20 percent, in which case it becomes taxable, usually including an additional 10 percent early distribution tax. To prevent this, Congress should extend the normal 60-day rollover deadline – solely for purposes of the 20 percent tax withheld – until the tax return due date. Then recipients would have a better chance to gain access to the 20 percent withheld and use it to complete the rollover.

[7] The standard data elements should include the participant's most recent contribution level and investment election to enable receiving plans to default participants into the same contribution level and similar investments.

In the second category, improving rollovers from automatic plans to IRAs, we suggest that the investment safe harbor for small auto-rollover IRAs be expanded to permit investment in no-fee accounts and in Qualified Default Investment Alternatives (QDIAs) such as target date funds. This would usually permit auto-rollover IRA balances to continue growing rather than gradually shrinking as they often do currently by paying administrative fees while invested in low-return principal protection funds.

Finally, we argue for supporting "automatic portability" rollovers between employer plans when employees change jobs. As noted, automatic rollover of small plan balances to IRAs has prevented billions of dollars in leakage from involuntary cashouts. And our suggested investment improvements should prevent erosion of those balances. Savers' interests, however, often would be even better served by automatically moving those benefits into their current employer's qualified plan, if any.

Saver's Credit

The Saver's Credit is a tax credit available to low- and moderate-income taxpayers who contribute to a retirement plan, such as a 401(k) or IRA (Sherlock, 2019). Although the number of taxpayers claiming the Saver's Credit has increased since its inception, it has only slightly improved retirement savings, due to the way it is structured. Congress designed the Saver's Credit with three credit rates depending on the taxpayer's income: 10 percent for most eligible taxpayers, 20 percent for some others, and 50 percent for a very few. The credit is nonrefundable in the sense that it is limited to filers who have federal income tax liability. Although the refund can be directly deposited to an IRA, it is more often consumed or used to reduce debt.[8]

A better way to help low- to moderate- income workers build retirement balances would be to make the Saver's Credit refundable and deliver it as a savings match equal to 50 percent of the saver's contribution for that tax year. It would be claimed on the tax return and deposited directly into their retirement savings account.

This structure would be superior to the existing credit. First, the single higher credit rate is a more powerful and simpler incentive to save. Second, making the credit refundable will make tens of millions of additional workers eligible if they contribute to a qualified plan or IRA. Third, there is evidence that offering the refundable credit in the form of a matching deposit would be an effective saving incentive. For instance, one study of IRA contributions at tax time found that a match resulted in more people saving and higher contributions among those who saved (Duflo et al., 2006). Because relatively few low- to moderate-income workers are employed by companies that offer a retirement plan, much less an employer match, a federal match would plausibly improve both saver's credit participation and savings amounts. Finally, automatically depositing the match in a retirement savings account instead of paying it to the saver makes the credit more likely to be saved, not spent.

Creating a National Retirement Dashboard

While automatic features have made huge strides in simplifying enrollment, saving, and investing, the retirement system remains fragmented and complex and requires decisions that most people are not equipped to make. An American retirement dashboard, like those that are being used or developed in several other countries with defined contribution systems, could help savers better manage their retirement preparations. A dashboard would include an online registry allowing each worker to track their retirement accounts and benefits. It could also offer services such as recovering and consolidating lost accounts, projecting future income, or even providing or referring unbiased financial advice to users (more information about the dashboard proposal can be found in John et al. (2020)).

While it would not address systemic problems such as coverage, a dashboard could reduce the strain that a complex retirement system imposes on households. An effective dashboard could help employees and other savers, employers, recordkeepers, asset managers, plan providers, and the government, all of whom have an interest in ensuring that workers understand and manage their retirement savings appropriately.

[8] For further discussion of the Saver's Credit and its history, see Gale, Iwry, and Orszag (2004a, 2004b) and Iwry (2005).

The private sector does not currently provide such a dashboard and is unlikely to be able to do so. Fintech applications typically help retrieve only those accounts the user is already aware of and often charge for their services. Some applications can search data bases, but recordkeepers and asset managers may be reluctant to allow access to possible competitors.

A national online retirement dashboard should have standard features, avoid conflicts of interest, and be easy to find and available to everyone free of charge. For-profit providers are unlikely to provide dashboards without charge – especially not to people who are not their clients – and keeping multiple private-sector dashboards conflict-free and with standard features would be a challenge. Accordingly, while the private sector could conceivably provide a dashboard, either through individual providers or a consortium of them, it would be most effectively and reliably provided through a website sponsored or co-sponsored by the federal government that is designed exclusively to serve savers' interests.

Such a facility might be housed at the Pension Benefit Guaranty Corporation, Treasury/IRS, the Department of Labor, the Social Security Administration or possibly the Consumer Financial Protection Bureau and could contain accurate information on each individual's retirement benefits in all plans and IRAs as well as the individual's Social Security benefits.

National default consolidator

As discussed earlier, the United States could further promote the existing automatic portability arrangements or additional similar arrangements, which facilitate rollovers from a former to a current employer's plan when an individual changes jobs, unless the individual elects otherwise. This corresponds roughly to "account follows participant," or, in the United Kingdom, "pot follows member" consolidation.

More far-reaching forms of consolidation would look beyond just accounts in a former employer's plan and a current employer's plan. For example, some countries have established a national clearinghouse entity to handle all recordkeeping and to automatically consolidate a wider range of retirement accounts, regardless of how long they have existed or whether they are workplace related. Other countries have standards for when providers should merge past accounts with current ones. In either system, savers are given appropriate notice and an opportunity to opt out of the consolidation. At one end of the spectrum, all of an individual's retirement accounts could be combined. Alternatively, the default consolidation might be more narrowly limited to accounts that are lost, small, and/or inactive. This is the case in Australia, where all inactive accounts smaller than about $4,000 are merged into an individual's current active account (Baker et al., 2020; Silcock, 2021).

Default consolidation of all or many of a saver's accounts can reduce the number of accounts, including small or inactive ones, thereby simplifying the task of managing accounts, reducing costs, and discouraging leakage.

There is, however, a concern that consolidation decision rules could cause consolidation into a surviving account in too many cases where the saver would be better off remaining with multiple accounts or a different surviving account. Depending on how the consolidation system and its rules were constructed, accounts might be combined into the one that was most recently active, the largest account, into a specific type of account, etc. For instance, an IRA might be combined into an employer plan even if the saver had set up the IRA for particular tax purposes or to take advantage of a specific investment opportunity. This might happen if the old accounts had better or more suitable investments, better professional support, lower fees, or reflected deliberate diversification of investments, account types, or providers across the saver's whole portfolio. Accordingly, there is reason to approach default consolidation cautiously. Unlike automatic enrollment or automatic contribution increases, which can be readily stopped or even reversed by a previously inattentive participant, default consolidation of accounts would be irrevocable in most cases.

Taking all of this into account, we think default consolidation could be appropriate, first, for lost or unclaimed accounts following reasonable efforts to notify the owner. In the case of other accounts that are small and inactive, the risks could be mitigated by taking a slightly different approach. Instead of

defaulting savers into consolidating multiple accounts without taking their preferences into account, savers could receive regular reminders to check fees and expenses and consider the potential efficiency gains from consolidation of both small and inactive accounts, accompanied by improved, apples-to-apples fee disclosures. This could be followed by a request that savers respond by either consenting to or declining a proposed consolidation.

Evidence gathered from trials or pilots of this kind comparing alternative consolidation decision rules and evaluating savers' responses – as well as evidence from the initial auto portability in the United States and experience in other countries – would provide a basis for developing further policy. Broader default consolidation could then be considered if alternative approaches prove ineffective and to the extent that circumstances can be defined in which default consolidation would consistently serve savers' financial interests and desires.

A single account per worker

There is considerable appeal in a retirement system that would make it easy for a worker to have only a single account. Gale, Holmes, and John (2016) propose implementing such accounts on a voluntary basis – allowing workers to elect this approach. As individuals moved through their working lives, they – and their employers, if any – would contribute to the same account for the individual, as opposed to the current practice of having IRAs and acquiring a new retirement plan whenever an individual moves to a new employer that sponsors a plan.[9] Of course, savers who want to diversify for any reason – e.g., among DBs, DCs, and IRAs, different providers or provider types, etc. – would be free to set up, participate in, and maintain as many different plans, accounts, and plan or account types as they pleased. Although this single account approach is sometimes referred to as a lifetime provider policy, the purpose is not that the provider remains the same over the worker's lifetime but that the worker be able to have a single account over their lifetime (with the option to select and change the provider).[10]

A single account would have many advantages. It would dramatically reduce the number of small accounts. It would be simpler – people seeking to consolidate their savings in a single account using an IRA would not have to deal with multiple rollovers or other aspects of account consolidation. It would reduce the frequency of cashouts when people change jobs, since people would not have to make a choice about the disposition of their retirement assets. By raising account balances, it would reduce the deleterious effects of fees on small accounts. And it would reduce the likelihood of lost accounts.

Savers seeking diversification with respect to future tax rates could partition the account into "Roth" and traditional components just as many 401(k) plans do now. Similarly, savers preferring an emergency savings account within a 401(k) but separated from their retirement savings could have a subaccount as some 401(k)s do now. But those preferring diversification among different providers or provider types could still maintain different accounts, and employers could continue to deploy their own retirement plans.

As noted above, Australia and Ireland are moving to single-account policies in the near future. The Australian experience and its challenges are discussed in Appendix B. The United States should monitor these developments closely.

It is worth emphasizing that, in the large portion of the U.S. work force (about 1 in 3 workers) that is ineligible to participate in the traditional employer-sponsored system, one form of a single account approach is already beginning to be tried out. State-based automatic enrollment payroll deduction IRA programs, designed to minimize involvement of employers that have chosen not to sponsor a retirement plan, have been directing payroll deduction contributions for a given individual that originate with

[9] For more extensive discussions, see Gale, Holmes, and John (2016), Baker et al. (2020), and Silcock (2021).

[10] For comparison, in the Social Security program, each worker has a single account and accrues benefits over the course of their lifetime. A somewhat closer analogy would be the industry-wide, collectively bargained multiemployer pension system: there, as a worker moves between jobs with different participating employers, each employer contributes for the worker to the same plan.

different employers to a single private-sector-sponsored IRA for that individual. Instead of relying on employer-based ERISA fiduciary rules to protect savers with respect to their investments, the IRAs must comply with state government regulatory standards defining the default investment and the other permissible alternative types of investments in the investment menu and limiting their costs. With the continued expansion of these state-facilitated auto IRAs (and potentially a federally facilitated, nationwide auto IRA program substituting direct government regulation of IRAs and investments for employer-based ERISA fiduciary protections), the use of a single, low-cost, regulated default account may provide proof of concept for the millions of employees and nonemployee contingent workers who are ineligible for employer plans.[11]

VI. Conclusion

Small and inactive retirement savings accounts are a largely inevitable feature of the existing U.S. retirement saving system. They are expensive to open and maintain for both savers and providers, easily lost or drained early, and hard to consolidate into other retirement accounts. However, there are reforms that could reduce all of these problems and provide savers with greater retirement security.

One of the most promising and easily implemented are a series of changes to existing rollover and account consolidation rules. Although some may seem technical, they could help millions of savers to retain billions in assets. Improving the saver's credit could increase the savings of those who need the extra retirement income the most. A retirement dashboard could make it much easier to find and combine lost and inactive accounts. Similarly, a default account consolidator and consolidation policy would help savers consolidate those accounts with minimal effort. Finally, a voluntary single account system could help savers and many providers to avoid many of the complexities of the current system.

All these reforms will face challenges before they can be fully implemented. Some would fit more easily into the existing system than others. But policymakers should seriously consider all five as ways to reduce some of the complexity and confusion that retirement savers face.

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[11] In fact, if this cohort of workers has a single-account option, the market could conceivably sort itself into segments – the single-account approach particularly applying to these smaller, first-time, savers (often lower-to-moderate-income workers not eligible for employer plans), like those covered by the state auto IRAs. Meanwhile, higher-income and higher-balance savers could choose to live with some of the current system's costs and complexities (ideally, improved in other ways described earlier) if sufficiently interested in diversifying their portfolios among plans, providers, and investments of different types, as employers continue to deploy their own retirement plans.

Appendix A: Thumbnail Sketch of Plan Distribution Rules After Employment Terminates

Up to $200

In the interest of simplicity and efficiency, plans are permitted to cash out a terminating employee's account of up to $200 (for example, by giving or mailing the employee a check) without offering to keep it in the plan or roll it over tax-free to another employer plan or IRA. The cashout is taxable.[12]

$201 - $1,000

Plans are not required to keep terminating employees' accounts of $201 to $1,000 but must offer to roll them over tax-free directly to a new employer plan that accepts such rollovers or to an IRA designated by the employee. If the employee instead elects to receive a cash payment of the balance, it is generally taxable, subject to 20 percent withholding tax and usually a 10 percent early withdrawal penalty. If the employee is non-responsive after the plan's direct rollover offer, the plan can, without the employee's permission, make such a cashout (with the same tax consequences).

Employees receiving a cash payment still have the option (regardless of the amount) to roll it over tax-free within 60 days to a new employer's plan that accepts rollovers or to an IRA. Because 20 percent withholding is required, only 80 percent of the account balance will actually be paid out. Therefore, even if the employee manages to roll over the 80 percent in time, the remaining 20 percent will not escape tax (or, usually, the 10 percent early withdrawal penalty) unless the employee comes up with an equal amount of cash to add to the rollover within the 60-day period.

$1,001 - $5,000

For accounts of this size, like those between $200 and $1,000, plans must offer departing employees a direct, tax-free rollover to an employer plan or IRA of the employee's choice; alternatively, the employee can elect a cash payment with the tax consequences just described. If the employee prefers to keep the funds in the plan, the plan may comply, but is not required to; instead, unless the employee elects a cash payment, the plan can eliminate the account and roll over the balance tax-free to an IRA the plan has set up for the employee, invested to preserve principal. If the terminating employee is nonresponsive, plans cannot simply cash out the account; they must prevent leakage (and protect employees from tax and 10 percent penalty) by either making this "automatic" rollover to an IRA or retaining the account in the plan.[13]

Over $5,000

The default disposition of a terminating employee's account that exceeds $5,000 is retention in the plan. Therefore, if the employee is nonresponsive after the plan offers to make a direct rollover, the plan cannot cash out the account but must retain it.[14]

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[12] These dollar amounts generally refer to the employee's aggregate vested benefits under the plan.

[13] To accommodate employers' interests, employers can disregard accounts containing amounts rolled over from other plans or IRAs when determining whether vested benefits are under $5,000 and can therefore be removed from the plan regardless of a terminating employee's preferences.

[14] Given this regulatory framework, it is not surprising that Goodman et al. (2021, Figure A3) show that, upon job change, the likelihood of an account being rolled over into a new account rises sharply after the account balance reaches $1,000 and drops off once it exceeds $5,000. The study also shows that smaller accounts experienced the highest probability of full leakage (>40 percent) and the lowest probability of a full rollover (<20 percent).

Appendix B: Australia's Response to Small Accounts

Australia has taken two significant steps to reduce the number of small and lost accounts. The Australian Tax Office (ATO) intervenes through the "inactive low-balance accounts" system.[15] Like the United States, Australia has an employer-based retirement savings system mostly funded by contributions made by the employer on the employees' behalf. However, participation in the Australian system is compulsory for both workers and employers. Many Australian workers have accumulated several accounts over the course of their careers, resulting in high numbers of inactive accounts and considerable loss of savings from high fees.

First, to prevent the erosion of small balances, the government requires providers to automatically transfer to the ATO accounts to which contributions have not been made for at least 16 months and that have a balance less than AUS$6,000 ($4,632). The ATO then consolidates, retains, or transfers the balances to the account owner. Depending on the inactive account's balance, the saver's age and employment status, and whether the saver also has an active account, the government will either hold onto the funds, paying interest at the rate of inflation, consolidate them with an active account, or send them to a bank account. In this system, the ATO works to keep small accounts from getting lost or depleted by fees and charges, and it automatically consolidates small accounts for savers. As a result, Australia has seen a decrease in the share of individuals with multiple Superannuation retirement savings accounts, although millions still exist.

Second, effective November 2021, Australia is transitioning to a "lifetime provider" system, where a retirement savings fund or account will, by default, move with its owner through job changes, a design known as "super stapling," rather than a new account being automatically opened with each new employer. Under this system, when an individual starts a new job in July 2021 or later, the employer will no longer be permitted to make its compulsory contributions to a regulated fund chosen by the employer. Instead, the employer must first inquire of the tax authorities whether the new employee has an existing regulated "stapled" default fund. If the default applies, the saver's existing "stapled" account will always continue to receive employer and other contributions throughout the saver's career rather than a new small account being created after each job change. The employee can choose to move to a different provider at any time. If the saver has multiple existing accounts, the tax authorities will apply a set of rules to select one of them as the "stapled" or default fund to receive employer contributions. The new arrangement is intended to reduce the number of accounts for a given saver and enable the saver to pay only one set of administrative charges. This approach is similar to New Zealand's, where savers are automatically enrolled with a provider, and stay with that provider from job to job unless the individual chooses to move to a different provider.

While clearly benefitting most savers, stapled accounts pose some new challenges to providers. In order to succeed, they will need to focus on individual savers rather than employers and to provide member engagement tools to attract and retain customers. A strong brand identity will be essential. One analysis suggests that provider consolidation is inevitable, and that most funds will divide into three categories as a result of stapling (Dickinson and Fernando, 2021).

Those chosen as default funds by or for new workers will both attract participants and likely retain many of them in the future. Funds not chosen as a default would receive fewer new members, but likely retain many of them as well as their existing base. However, niche funds and new entrants may see few new savers and lose many existing customers.

How retirement funds handle this challenge will determine their future. They will need to be more attractive to savers, both in terms of performance and fees, in order to retain their customers and attract new ones. A key will be ensuring that the competition for savers does not become destructive or expensive. Regulatory oversight could help to prevent this. However, individual savers could greatly benefit from a single account through lower costs, better investment results, and having all of their retirement savings in one location.

[15] This section is based on Australian Government (2020) and Parliament of Australia (2021).

Appendix C: Making It Easier to Combine Accounts

Improving the rollover process

Require rollovers to be accompanied by standardized, uniform data

Qualified plans generally are careful to protect their tax qualified status by ensuring that any rollover they accept is compliant and that all funds rolled over come from a qualified plan (or bona fide IRA). Plans currently are protected from receiving funds that did not originate in a qualified plan if the receiving plan reasonably concludes that the sending plan was qualified, for example by checking online that the sending plan's most recent annual report stated that it was intended to be qualified.[16]

To further streamline this process, plans could be required to use standard, uniform protocols for transfer of funds and data in all rollovers. In addition, the sending plan's rollover explanation and the receiving plan's enrollment notice could each be required to be accompanied by a standardized set of data elements – specified by Treasury regulations following extensive notice and comment -- that the individual and/or the other plan need to effectuate a rollover. This could include each plan's and plan sponsor's name, address, and contact information, employer identification number, plan number, the type(s) and amount(s) of funds being rolled over, the receiving plan's routing and account numbers (which might need to be electronically masked to protect them from misuse) to accept electronic fund transfers, and a code signifying that the sending plan is intended to be qualified. In addition, sending plans could specify a participant's most recent contribution level and investment election to enable receiving plans to default participants into the same contribution level and map them over to similar investments, unless the participant elects otherwise.[17]

The standardized data elements could accompany the rollover explanation as an attachment or in some other efficient form. In any event, the relevant data and fund transfer protocols would be standardized and streamlined so that plan administrators and recordkeepers can communicate efficiently (subject to any appropriate confidentiality or information privacy concerns). This would spare savers the friction, frustration, and delays commonly experienced when attempting to roll over, especially from resistant plan administrators, asset managers, or IRA providers interposing obstacles or delays in an effort to retain assets under management.

Require qualified DC plans to accept rollovers with appropriate protections

Plans should not have to worry that accepting rollovers might put their qualified status at risk if the sending plan failed in some way to fully comply with the myriad tax-qualification requirements. Treasury and IRS might issue guidance making clear that acceptance of rollovers cannot taint a plan's qualification unless it had specific reason to believe that the sending plan or rollover might be noncompliant. Accordingly, if assets rolled over later proved to raise qualification questions, they would be treated as segregated from the receiving plan's other assets for qualification purposes. Under this approach, acceptance of rollovers generally could not taint a plan's qualification; at issue would be only the tax treatment of the benefits rolled over, potentially affecting only the individual for whom the rollover was made.

With these protections, and on these conditions, it would seem reasonable to require, for the first time, that qualified DC plans accept rollovers.[18] This would bring about a sea change in portability, serving participants' interests by enhancing their ability to keep track of, combine, and consolidate their retirement savings.

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[16] IRS Revenue Ruling 2014-9.

[17] The legislation could make clear that this kind of default is permissible for plans using automatic enrollment.

[18] Limited exceptions might be appropriate, for example for noncash rollovers and perhaps for employee stock ownership plans (ESOPs).

Improve the timing of rollover notices

Employer-sponsored retirement plans are required to provide terminating participants a written explanation of their distribution and rollover options, including information about the tax treatment of each. Although plans are required to provide the notice between 180 and 30 days before benefits are distributed, it is often hard to predict when the distribution will actually occur. In some cases, this means participants must make important decisions about their savings before having the opportunity to read the explanation and understand the full implications.

Because it often is easier to determine when the employee or employer gave notice of termination than to predict when a distribution will actually occur, plans should be required to provide the rollover explanation within a brief, specified time, such as five business days, after the notice of termination. In most cases, this would fall within the 180 days before the distribution occurs, but if the distribution was delayed more than 180 days after the explanation was provided, the explanation would be furnished again at least 30 days before the actual distribution.

Reduce leakage by allowing recipients more time to complete the last 20 percent of the rollover

As described, terminating plan participants who receive a distribution instead of having it directly rolled over by the plan are subject to 20 percent withholding tax. If they roll over the remaining 80 percent of the distribution within 60 days, that amount is nontaxable. If they can come up with other funds equal to the 20 percent withheld and add that to the rollover within the same 60 days, the 20 percent will also be nontaxable and not leak out of the retirement system.

Unfortunately, many distributees cannot quickly come up with the funds to replace the 20 percent that was withheld. The 20 percent amount then becomes taxable, usually including an additional 10 percent early distribution tax. To prevent this, we propose that legislation extend the normal 60-day rollover deadline – solely for purposes of the 20 percent tax withheld – until the tax return due date. Then distributees would have a better chance to gain access to the 20 percent withheld and use it to complete the rollover.

Permit Roth IRAs to be rolled over to qualified plans

Currently, Roth IRAs, which have become increasingly popular, are not allowed to be rolled into a retirement plan tax-free even if the plan includes Roth 401(k) accounts. This reflects concerns about the risk of incorrect tax treatment when Roth amounts are paid out of the plan if the taxpayer and the plan fail to maintain appropriate records of time periods and subaccounts. The rollover of Roth IRAs into a Roth 401(k) should be permitted if the plan and the individual maintain proper separate accounting as specified by IRS.

Improve automatic plan-to-IRA rollovers

Permit small auto-rollover IRA balances to be invested in no-fee accounts

As noted, if a terminating employee has a vested account balance in a qualified plan between $1,000 and $5,000 but does not tell the plan what to do with the balance, the plan can eliminate the account and automatically roll over the balance tax-free to an IRA the plan has set up for the employee. These are called "safe harbor" IRAs because they are subject to Labor Department regulations giving plan sponsors that originate the automatic rollover a fiduciary safe harbor from liability under ERISA if the IRA is invested to preserve principal. Because of the safe harbor regulations, these automatic rollover safe harbor IRAs generally are invested in money market or stable value funds that have provided low returns for many years. As a result, even reasonable administrative fees have eroded and eventually consumed many of these account balances.[19]

[19] See GAO (2014).

As noted, some countries have subsidized expenses for small accounts to preserve them and help them grow. The U.S. began to experiment with such a policy, with industry support, during the Obama Administration.[20] The Treasury Department offered small savers[21] zero-fee Roth IRAs funded solely by a retirement bond – an updated, more user-friendly version of U.S. savings bonds. If the Labor Department expanded its ERISA fiduciary investment safe harbor for auto-rollover IRAs to explicitly allow qualified plans to invest the rollovers in "myRA" (also sometimes known as "R bond") IRAs, this should prevent auto-rollover IRA balances from dwindling. Auto IRA administrative expenses (reduced to zero in the case of myRAs) would no longer exceed current low returns on principal preservation investments.[22] In 2017, these no-fee, no-risk IRAs were about to be incorporated as investment options on a large scale in the California, Oregon, and Illinois state-facilitated automatic IRA programs. Although the Trump Administration canceled those arrangements and the entire myRA program administratively in coordination with a broader effort to thwart the state-facilitated programs,[23] myRAs could now be reinstated administratively or by legislation.

Prevent shrinkage and promote growth of small auto-rollover IRA balances by also permitting them to be invested in QDIAs

The Labor Department should also expand its fiduciary safe harbor for auto-rollover IRAs to permit their investment in low-cost target date funds or balanced funds, at least if the 401(k) plan used those funds as its qualified default investment for other purposes in accordance with Labor Department regulations[24]. This would often permit auto-rollover IRA balances to be invested as they had been in the qualified plan and continue to grow rather than gradually shrinking as they often do currently by being invested in no-growth assets with high fees.

Use the entire account balance in determining the $5,000 limit on auto rollovers to IRAs

Under current law, a retirement plan does not need to consider an employee's entire account balance in the plan when determining whether the savings of a former employee who does not make any election must be retained or can be automatically rolled over to an IRA. Instead, they can base their decision on just the amount that was accumulated while that saver was employed by the plan sponsor, excluding amounts rolled over into the plan.[25] Combining small accounts would be easier if plans were required to count the entire balance for this purpose. As an example, if a participant rolls $100,000 into a plan before contributing $4,000, which grows with earnings to $4,500, and then leaves that employer without specifying how the funds are to be dealt with, the plan could make an automatic rollover to an IRA on the theory that the saver's plan account balance was less than $5,000. But if the $100,000 rollover amount had to be counted, the plan would be required to retain the account absent instructions from the participant.[26]

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[20] See Iwry (2014) and Gale, John, and Smith (2012), especially pages 11-13.

[21] myRAs reaching a value of $15,000 could not receive further contributions without being reinvested in commercial IRAs.

[22] GAO (2014), pages 13-17 and n.39.

[23] Iwry (2019), Sullivan (2019), and Waggoner (2017).

[24] These are commonly referred to as "QDIAs" (short for "Qualified Default Investment Alternatives").

[25] See Internal Revenue Code Section 411(a)(11)(D).

[26] Such a change would be controversial with plan sponsors. They could object to being required to administer, over the long term, benefits accumulated in other plans by very short-term employees, who did not even stay with the plan sponsor long enough to accumulate more than $5,000. This concern may be outweighed, though, by participants' and the system's interests in minimizing leakage and preserving and combining retirement savings.

Support “automatic portability” rollovers between employer plans when employees change jobs

As noted, automatic rollover of small plan balances to IRAs has prevented billions of dollars in leakage from involuntary cashouts. And the investment improvements we have suggested should prevent the steady erosion of automatic IRA balances. However, savers’ interests often would be even better served by preserving benefits in an employer’s qualified plan, and often would be best served by rollover to a current employer’s plan (if any).[27]

Accordingly, Labor Department guidance has permitted a private-sector firm to provide auto-portability[28] services (facilitating rollovers between ERISA-covered employer plans) for fees charged to plans and nonresponsive participants. If a plan participant’s employment with the plan sponsor terminates while the participant has an account balance of up to $5,000, and if the participant does not respond when asked how the benefits should be handled, the firm collects and matches participant and plan data in an effort to identify the terminating participant’s new employer and new plan (if any) and to automatically roll over the former plan balance to the new employer’s plan. In many instances, the former plan can dispense with the small balance by rolling it over initially to an IRA until the individual’s participation in a new employer’s plan that accepts rollovers is verified. We believe that appropriate efforts to expand auto-portability should be supported by further regulatory or legislative action, if and as needed, including encouragement (and, if necessary, ultimately requirements) of data-sharing and cooperation by plan recordkeepers.[29]

Auto-portability faces at least three significant challenges. First, someone needs to bear the cost of the necessary communications and data search and matching. The private-sector provider that has long been pioneering auto-portability in the market is a for-profit entity; it naturally charges plans and participants fees that of course offset some of the cost efficiencies of combining small accounts. So long as others are not active in this market, competition cannot put downward pressure on the fees.

Second, while plan sponsors typically are glad to be rid of very small benefits of terminating employees, many prefer to retain larger benefits to increase average plan balances and thereby qualify for greater reductions in their plan administration, recordkeeping, and perhaps investment expenses. Relatedly, competing outside recordkeepers and asset managers can be expected to continue pressing plan sponsor clients to hold on to larger balances of departing employees to avoid losing profitable assets under management.[30] Inhouse and outside plan administrators can invoke security and privacy concerns to justify their refusal to share participant data with firms seeking to match data and complete automatic rollovers.

Without data sharing by enough plan recordkeepers, it will be hard to match nonresponsive terminating employees with their new plans (if any), and most benefits will roll only to IRAs and not to new employer

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[27] There are, of course, exceptions. IRAs can have lower fees and expenses than employer plans, although this often depends on how the IRA is invested. Plans’ greater potential for institutional rather than retail investments generally give them a significant advantage in benefiting participants, as does plan compliance with ERISA’s fiduciary standards, including reasonable expenses and professionally designed investment menus. Plans have other advantages as well, including the frequent availability of loans (which can better preserve savings than outright withdrawals and which IRAs cannot offer).

[28] See 84 FR 37337. The DoL guidance was requested by and applies to Retirement Clearinghouse LLC of Charlotte, NC, subject to conditions specified by DoL. Future guidance could give similar permission to other companies. See also, Williams (2019).

[29] As of September 2021, two major recordkeepers – Alight Solutions and Vanguard – have announced that they will partner with Retirement Clearinghouse to provide auto-portability to participants in plans they serve (Editorial Staff, 2021).

[30] Recordkeepers’ and asset managers’ competing interests in maximizing assets under management are not a factor for those whose savings are held by only a single provider. For example, many savers in the state-facilitated auto IRA programs have no retirement savings outside of the auto IRA program and therefore are dealing with only one recordkeeper (and often only one asset manager). The program’s recordkeeper, using an individual’s social security number, can arrange for the individual’s contributions made through more than one employer (simultaneously or sequentially) to be deposited by the employers in a single IRA belonging to the individual. In contrast, proposed Federal auto IRA legislation has contemplated that participating savers might have multiple auto IRA trustees and recordkeepers.

plans.[31] This would still be beneficial in the case of benefits that would otherwise be cashed out, but not necessarily in the case of benefits that might better serve the participant if held in the current employer's plan (or even the former employer's plan) than in an IRA. If enough recordkeepers share data on smaller accounts, auto-portability could alleviate the problems associated with those small balances. But if data sharing proves to be a public good with too many free riders, it might need to be required, and the costs might need to be subsidized. A separate question is whether there would be a need for a regulated, non-profit entity to serve as a public-option auto-portability provider. Employer, recordkeeper, and asset manager interests in workable and administrable arrangements will vary by size of account and should be taken into account, of course, provided that participants' interests are paramount.

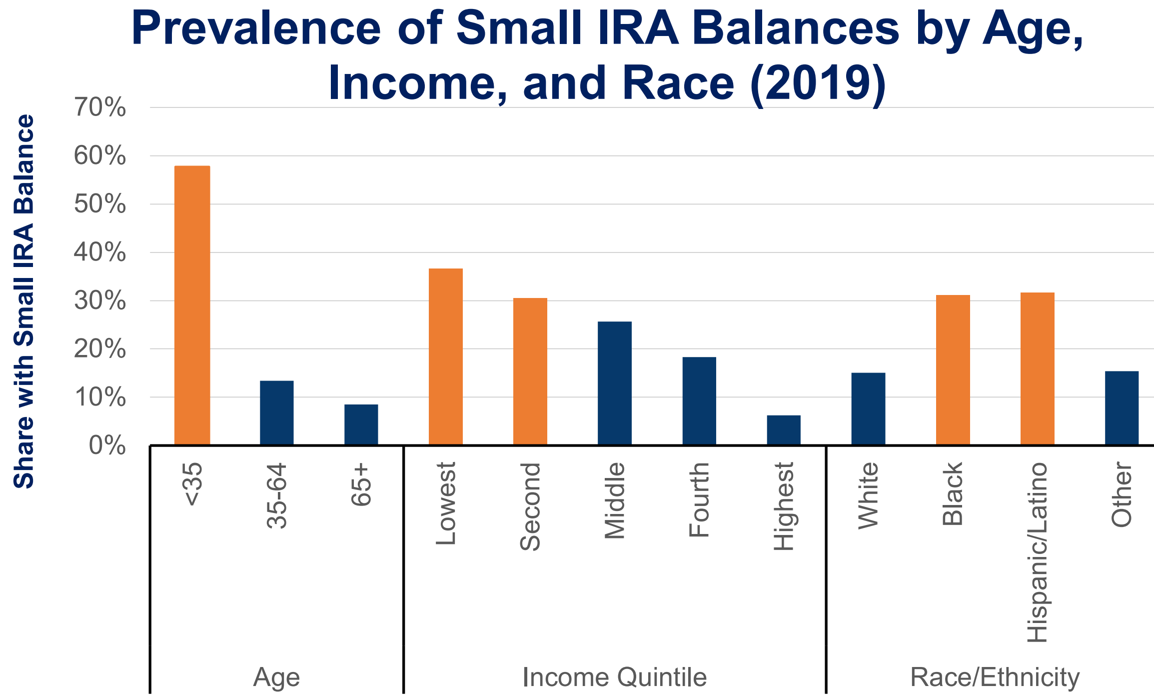
Sharing of participant data for purposes of matching former-plan benefits to current plans also could be expanded by going beyond currently or recently terminating employees, back to benefits accumulated in multiple former employer plans (and IRAs), making it easier to roll over and consolidate benefits in a current plan (if any). This might build on the existing requirements that plan administrators report to the IRS on former employees' deferred vested benefits.[32] And in the future, in specified appropriate circumstances (especially in the context of a retirement dashboard, described above), certified auto-portability companies might be permitted to arrange automatic rollovers of lost or very small and inactive accounts as the default option for nonresponsive individuals by querying a confidential government data base that lists those deferred vested benefits and shows whether the owner is participating in a new employer's plan.

Whether the current auto-portability effort succeeds in accessing sufficient data on current plan participants at reasonable cost or demonstrates that adequate data matching will not occur without imposing a requirement, the effort promises to contribute to a more comprehensive solution for small accounts and for overall personal retirement benefit management. Such a more ambitious way to facilitate portability and help savers locate, consolidate, and otherwise manage their retirement benefits – a central retirement dashboard or data clearinghouse – is discussed above.

[31] In addition, some participants will prefer to keep their benefits in their former employer's plan if they have no new employer plan or if they like the former plan's investment choices, HR support, or other features. Therefore, even if rollover from the former plan to a current plan were made the default, we would preserve participants' option to keep benefits in the former plan.

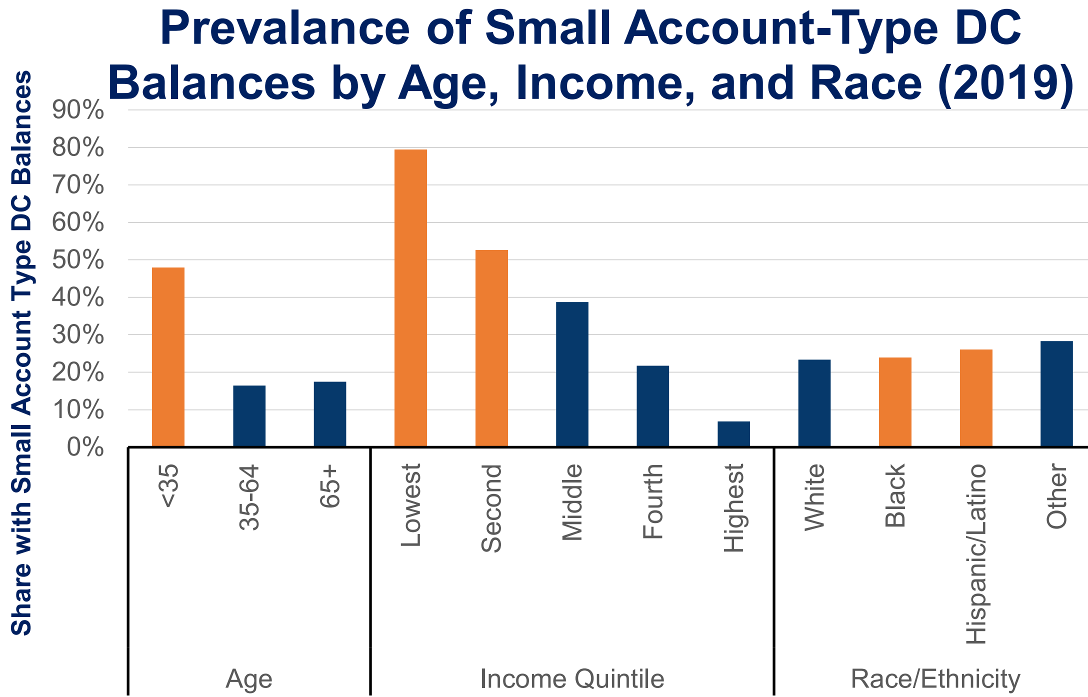
[32] The IRS forwards the information to the Social Security Administration (SSA), so that SSA can remind individuals of those employer-plan benefits when they claim their Social Security benefits. See discussion of Form 8955-SSA, above.

Figure 1



Source: Survey of Consumer Finances 2019
Note: Conditional on having an IRA/Keogh. Unit of analysis is household and demographic characteristics defined by reference person. Small IRA balance defined as total value of IRA/Keogh less than $10,000.

Figure 2



Source: Survey of Consumer Finances 2019
Note: Conditional on having an account-type DC. Unit of analysis is household and demographic characteristics defined by reference person. Small account-type DC balance defined as total value less than $10,000.

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