AICPA
401(k) Plans for Firms

Creating a retirement-ready nation

State retirement programs and AICPA solutions

Most states across America have taken up a legislative cause to develop programs as a solution to close the coverage gap among private sector workplace retirement savings plans. Everyone recognizes the importance of preparing for retirement, and the strains that could be placed on state budgets across America if those preparations are neglected. Today, over 40 states are in different stages of legislation with programs that will help employees save for retirement at companies that do not have a retirement plan.

Why is a state IRA, marketplace or MEP program important?

Quite simply, not enough Americans are saving for retirement. According to a recent AP-NORC poll* almost 1 in 4 Americans say they never plan to retire. The truth is that older workers usually end up leaving their jobs sooner than they might like and those who are unprepared can suffer serious financial hardship. This same coverage gap can also be seen among CPA firms with fewer than 10 employees. Almost 25% of small CPA firms reported having no retirement plan in place at their firm in a 2019 AICPA survey.

There are many benefits that occur when a broader population is on track for retirement. Projected cost reductions to society in retirement can be a significant benefit. In the short-term, state IRA program best addresses the deficits in the marketplace as it applies to retirement savings through to the use of behavior finance options which have shown to have high levels of success. Over time, the state IRA programs will change lives.

Common features of state IRA programs.

- Automatic enrollment default contribution rates 3–5%
- Automatic escalation 1% with varying caps
- Generally eligible to rollover to an IRA or employer plan
- Recordkeepers and fund managers are selected by process.
- Compliance costs for employers for non-compliance
- States generally allow hardship

Eligibility varies by state. Please refer to your state specific website for eligibility requirements and other details

For multi-state employers, the number of employees for state IRA programs are based on a company's Employee Development Department filings with the state. What this means to multi-state employers is that requirements in states that have implemented plans will vary by state, not based on the employer's total employee count, but rather, only employees that earned a wage in the respective state.

*https://www.apnews.com

What can accountants do to close the coverage gap?

As a member of the accounting profession, you are best suited to change retirement readiness history in America. As a trusted adviser to your clients, stress the importance of reviewing retirement strategies and the many different solutions available within the retirement plan space. For some, the best option may be to register with the state and comply with the various regulations around the state IRA programs. For others, this may not be the case.

The AICPA 401(k) Plans for Firms is helping firms of all sizes find plans that offer over 9,500 investment options for as little as $100/month. This could unlock thousands of investment options for your employees while allowing higher contribution limits than SIMPLE IRA plans.

This piece only scratches the surface on state retirement programs and how you can help your firm and clients with various considerations around retirement plans. Visit aicpa.org/retirement for more details on retirement plan options for your firm.

Learn more about retirement strategies and custom plan options for your firm at
aicpa.org/retirement