

**401kWire.com**

The insiders' edge for defined contribution executives!  
an InvestmentWires' Publication

Thursday, August 27, 2020

## DC Industry Insiders Ponder Biden's 401k Pitches

This week many defined contribution industry insiders (and perhaps some outside the industry, too) are wondering about several DC-related proposals from the campaign of **Joe Biden**, the Democrat challenging U.S. President Donald Trump in the election this fall.

Biden's campaign website shares "*The Biden Plan for Older Americans*": section four of that plan is titled "Equalize Saving Incentives for Middle-Class Workers." That includes three pieces: equalizing DC plans' tax benefits across the income scale (not a new **debate**), allowing caregivers to make catch-up contributions, and tax breaks to encourage small businesses to set up plans ("automatic 401(k)s"). **401kwire** spoke with trade group leaders and other retirement plan industry insiders to find out more.

### Will These Proposals Improve the System?

"Spark favors any discussion to improve the U.S. retirement system and help more Americans save more for retirement," **Tim Rouse**, executive director of the **Spark Institute**, tells **401kwire**. "I am not convinced the Biden proposal does that."

"I would add that Democrats opposed '**Rothification**' when it was originally included as part of the tax reform package because they understood the value of maintaining the existing tax structure," Rouse continues.

### Mind the Incentives

"The Biden tax plan is short on details, but given what we know, it appears that the plan would negatively impact small business owners and retirement plan savers," Rich Rausser, senior vice president of client services at Pentegra, tells **401kwire**. "It would most likely reduce their incentive to make matching contributions for their employees and the plan may actually reduce their desire

to sponsor any retirement plan at all."

Rausser also touched on the proposed Financial Transaction Tax (FTT).

"The tax would apply a 0.1% financial transaction tax on all stock and security trades," Rausser says. "In my view, this will have a negative impact on American workers and retirement plan savers."

"This tax would be detrimental to retirement plan savers since a good portion of their retirement savings is invested in the markets," Rausser continues. "We agree with the American Retirement Association in that this tax would be 'an attack on American workers who are investing for their future in their 401(k).'"

"What we need is a well thought out retirement plan policy in America that meets the needs of American workers and helps provide them with tools and incentive to achieve the financial success that they will need in the long run," Rausser concludes. "While the **SECURE Act** put many tools in place to broaden retirement plan coverage in this country, the SECURE Act on its own will not entirely fix our nation's retirement policy. It was a big step in the right direction and we need more legislative action like this."

## The Plan Is Vague

"I think most of the reporting on that over the last few days have been speculation because the plan itself is very vague on what he plans to do other than talk about the desire to equalize the benefit of the tax expenditure on retirement saving," **Lew Minsky**, executive director of the Defined Contribution Institutional Investment Association (**DCIIA**), tells **401kwire**.

"I share a concern that when you start taking away some of the key underpinnings of the current system, you could head down a path of consequences," Minsky continues. "We can't take away incentives for savings in a system where we need to make more."

## And What About Congress?

"I would start by saying it's a plan," **Jason Roberts**, partner at the **Retirement Law Group**, tells **401kwire**. "It's a part of the

package of things that the Biden administration would like to implement, and, at the end of the day, something that would have to go through Congress."

"They can shepherd the effort, but I really feel like people have grown attached to their 401(k)s, and I think there would be significant push back from business owners that are enjoying more incentives than those who are not paying any income tax," Roberts continues.

"I feel like it would be tough to get that through congress even if you had a blue [i.e. Democrat-controlled] House," Roberts speculates. "I still think there will be a lot of Senators and Congresspeople who are saying 'Don't touch my 401(k).'"

"I think it is probably further down the list of priorities of what they would be willing to spend political capital on ... so I am not alarmed by it," Roberts concludes. "But let's say it did move forward, and it did become the law, I think you would see fewer employers offering plans."

Plus, Biden is a candidate now, and the election is still more than two months away.

Here's the text of Biden's proposal regarding retirement plan savings:

#### IV. EQUALIZE SAVING INCENTIVES FOR MIDDLE-CLASS WORKERS

In the modern retirement landscape, a sound retirement begins with years of diligent saving. While other aspects of the Biden Plan will help raise wages for workers and reduce costs for spending like child care and health insurance, the Biden Plan will also ensure that middle-class families get a leg up as they grow their nest egg.

Under current law, the tax code affords workers over \$200 billion each year for various retirement benefits — including saving in 401(k)-type plans or IRAs. While these benefits help workers reach their retirement goals, many are poorly designed to help low- and middle-income savers — about two-thirds of the benefit goes to the wealthiest 20% of families. The Biden Plan will make these savings more equal so that middle class families can enter retirement with enough savings to support a healthy and secure

retirement. President Biden will do so by:

- Equalizing the tax benefits of defined contribution plans. The current tax benefits for retirement savings are based on the concept of deferral, whereby savers get to exclude their retirement contributions from tax, see their savings grow tax free, and then pay taxes when they withdraw money from their account. This system provides upper-income families with a much stronger tax break for saving and a limited benefit for middle-class and other workers with lower earnings. The Biden Plan will equalize benefits across the income scale, so that low- and middle-income workers will also get a tax break when they put money away for retirement.
- Removing penalties for caregivers who want to save for retirement. Under current law, people who work as caregivers without receiving wages are ineligible to get tax breaks for retirement saving. The Biden Plan will allow caregivers to make "catch-up" contributions to retirement accounts, even if they're not earning income in the formal labor market, as has been proposed in bipartisan legislation by Representatives Jackie Walorski and Harley Rouda.
- Giving small businesses a tax break for starting a retirement plan and giving workers the chance to save at work. As proposed by the Obama-Biden Administration, the Biden Plan will call for widespread adoption of workplace savings plans and offer tax credits to small businesses to offset much of the costs. Under Biden's plan, almost all workers without a pension or 401(k)-type plan will have access to an "automatic 401(k)," which provides the opportunity to easily save for retirement at work — putting millions of middle-class families in the path to a secure retirement.

**Printed from: <http://www.I-Wires.com/story.aspx?s=61800>**

**Copyright 2020, InvestmentWires, Inc.  
All Rights Reserved**

[Back to Top](#)