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The Retirement Savings for Americans Act: Increased Access, Worse Retirement Outcomes Overall

Publication Date
November 2024

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Executive Summary

In this report, we analyze the potential effects of the Retirement Savings for Americans Act on retirement-income adequacy for Generation Z and millennial workers. The RSAA proposal aims to expand retirement coverage for American workers by creating a federal retirement plan for those not covered through their employer. Workers would be automatically enrolled into the federal plan, with a federal-match tax credit that starts to phase out at median income. We use the Morningstar Model of US Retirement Outcomes to conduct our analysis, building in the RSAA's features into the simulation. We focus on five scenarios that reflect potential but realistic changes to investor savings behavior and retirement plan sponsor behavior in response to the enactment of the RSAA. We use status quo results—which assume no changes to the current retirement system—as the baseline in this analysis.

Finding One: In Most Plausible Scenarios, the Majority of Working Americans Would Be Better Off With the Status Quo

We find that the RSAA would likely lead to worse retirement outcomes for the majority of working Americans, with median wealth ratios—defined as the ratio of projected wealth at retirement under a hypothetical RSAA scenario over projected wealth at retirement under our status quo scenario—showing that wealth could decrease by as much as 20% for Gen Z workers and 12% for millennial workers. This occurs because the RSAA would likely crowd out the private retirement plan market to some extent by subsidizing contributions for lower-income workers. Moreover, net contribution rates are typically lower under the RSAA, as contribution rates in defined-contribution, or DC, plans—even for lower-income workers—are often much higher than the 3% default. The RSAA could also reduce IRA contributions, as workers may view the federal plan as equivalent to an employer-sponsored plan.

Finding Two: The RSAA Would Boost Retirement Outcomes for Workers Not Covered by an Employer-Sponsored Plan, but This Benefit Would be Offset by Larger Decreases for Those Covered in the Status Quo

We find that workers without any future years of participation in a DC plan or with limited future participation (one to nine years) would generally benefit from the RSAA. Retirement outcomes are also better for industries with fewer employers offering plans. This is because the RSAA would automatically enroll workers without access to an employer-sponsored retirement plan into the federal program. However, for workers with 10 or more years of future participation in a DC plan, the RSAA would result in significantly worse outcomes, particularly for those with 20-plus years of future participation.

An Overview of the Retirement Savings for Americans Act

In October 2023, the Retirement Savings for Americans Act, or RSAA, was introduced in Congress.[1] The goal of the bill is to expand retirement coverage for American workers. To that end, the bill would create a federal retirement program for workers, modeled after the federal government's Thrift Savings Plan. The proposal's key features include:[2]

A. **Automatic eligibility and enrollment**: Full- and part-time workers without access to an employer-sponsored retirement plan would be automatically enrolled in the federal retirement account at a savings rate of 3% of their income. Participants can change their savings rate and opt out at any time. Independent and gig workers would also be eligible.
B. **Federal match tax credit**. Low- and moderate-income workers would be eligible for a federal match tax credit, consisting of a 1% nonelective contribution and a match of 100% up to 3% and 50% up to 5%. The match tax credit would be deposited directly into the retirement account. The federal match begins to phase out at median income, calculated with data from the Census Bureau's Current Population Survey.
C. **Portability**. The federal retirement account would be portable, as accounts would remain attached to workers throughout their lifetimes. Workers would retain control.
D. **Private assets**. Accounts would remain the sole property of the worker, and the assets could be passed down to future generations to help build wealth.
E. **Investment options**. Various low-cost investment options would be provided, including target-date funds and index funds.

Proponents of the bill note that the proposal could dramatically improve retirement outcomes for Americans, especially people without access to an employer-sponsored retirement plan and lower- and moderate-income workers. Supporters of the bill also highlight the federal match tax credit as a key feature to incentivize participation in the program.

Critics argue that the proposal would undermine the nation's private retirement system, as employers would be less likely to sponsor a retirement plan if the federal government provides a plan and covers the costs. They point to the federal match tax credit in particular as being a strong incentive for employers to terminate their plan, potentially crowding out private retirement plans altogether. Critics also point to the high cost of the bill (USD 40 billion per year, according to the bill's fact sheet) as a significant concern.

In the rest of this paper, we analyze the potential impact of the RSAA on retirement outcomes for current American workers. We run various scenarios using the Morningstar Model of US Retirement Outcomes. We start with some brief background on the model before going over our study methodology and results.

1 https://www.congress.gov/bill/118th-congress/senate-bill/3102/text

2 Refer to bill's fact sheet: https://www.hickenlooper.senate.gov/wp-content/uploads/2023/10/Retirement-Savings-for-Americans-One-Pager-FINAL-10.19.2023.pdf

Brief Background on the Morningstar Model of US Retirement Outcomes

The Morningstar Model of US Retirement Outcomes, or the Model, is a sophisticated tool used to predict the financial outcomes of American households in retirement. By utilizing detailed data from a variety of sources, including the Survey of Consumer Finances, or SCF, the model simulates various factors such as income, expenses, investments, and health to project retirement-income adequacy.

Key features of the Model include:

- Comprehensive data input: Incorporates a wide range of household characteristics and financial information.
- Stochastic modeling: Utilizes probability-based simulations for both the accumulation and decumulation periods.
- Realistic behavior: Models household behavior, including savings rates, withdrawal patterns, and job turnover.
- Longevity and health risks: Accounts for the impact of long-term-care expenses on retirement finances.
- Tax implications: Calculates federal and state income taxes on retirement income.
- Housing wealth: Considers the role of home equity in retirement planning.

The Model uses a retirement-funded ratio metric to assess financial sufficiency in retirement. This is calculated for each of 1,000 simulated life paths for each household. The numerator is the sum of real (that is, inflation-adjusted) income across all retirement years plus any leftover assets at the time of death, if applicable. The denominator is the sum of real expenses (also across all retirement years). This metric shows the magnitude of the shortfalls, with retirement-funded ratios that are well below one, indicating significant shortfalls. The Model also calculates the amount of wealth that a household has at retirement age (assumed to be 65 herein). Please refer to the technical appendix for more information on the Model.[3]

Study Methodology

To model the impact of the RSAA, we made adjustments to our simulation framework. First, Roth IRA balances were transferred to pretax accounts within the account information file. This adjustment was necessary to accommodate the RSAA account-modeling process.

Next, we built RSAA-specific functionality into the Model. Namely, we automatically enrolled workers who are simulated to not have access to an employer-sponsored defined-contribution plan into the federal retirement plan.

We assumed enrolled workers contribute at the 3% default rate. However, in some scenarios, we assumed escalation up to a 7% savings rate, which is supported by empirical savings rate data for participants with a DC plan that offers comparable features as the RSAA. We test the 7% savings rate

3 Refer to technical appendix.

because some workers auto-enrolled into the RSAA account would save above the default. All RSAA contributions are treated as Roth and capped at existing IRA limits.

The federal match tax credit was modeled according to the bill's specifications. Namely, we modeled a 1% federal nonelective contribution (as long as the worker was employed) and a match of 100% up to 3% and 50% up to 5%. The total federal match tax credit was capped at 5% of the phase-out amount.

We used an income level of $60,000 as the threshold for the match tax credit to start phasing out, based on an analysis of the Current Population Survey.[4] For those with an income level above the threshold, we reduced the match tax credit by $75 for each $1000, or portion thereof, above the phase-out threshold.

We used an opt-out rate of 20%; this assumption is generally based on State Auto IRA data.[5] However, we used a lower opt-out rate than supported by the data because of the federal match incentive. In other words, we think that opt-out rates could be lower than what has been observed at the state level because of the match incentive. Sensitivity testing on this assumption is included in the appendix.

Preretirement withdrawals are modeled using the same logic we use to model preretirement withdrawals from DC accounts, which are primarily pretax accounts. Because Roth accounts have smaller penalties, this assumption may understate the frequency and severity of preretirement withdrawals from the RSAA account. It is also possible that investors contributing to this account are unfamiliar with retirement accounts, in general, thus increasing preretirement withdrawal rates and amounts.

We varied the probability a household member contributes to an IRA in this analysis; we change this assumption because many people save to these only when they do not have access to an employer-sponsored retirement plan. Our status quo assumption is based on the IRA contribution data in the SCF for all workers, regardless of whether they have access to an account-based retirement plan at their current job. In most of the scenarios herein, we use a probability of contributing to an IRA assumption based on analysis of SCF data for working respondents who have an account-based retirement plan at their current job and save to an IRA.[6]

The probability that an employer sponsors a DC plan varies in this analysis. In particular, we reduce the probability that an employer sponsors a plan, with the reduction percentage varying by the size of the employer. Refer to the table below.

4 We model the match tax credit assuming single filing status.

5 For example, refer to the CalSavers data: https://www.treasurer.ca.gov/calsavers/reports/participation/2024/september_2024.pdf

6 The probability of contributing to an IRA, conditional on having an IRA, per the SCF, is approximately 17% for working respondents who have an account-based retirement plan at their current job and save to an IRA. When looking at all working respondents with an IRA, the aggregate probability of contributing is approximately 36%.

Table 1: Reduction in Probability an Employer Sponsors a DC Plan by Plan Size

Plan size	Assumption #1	Assumption #2
0-99 participants	33%	33%
100-999 participants	25%	25%
1,000-9,999 participants	23%	0%
10,000+ participants	22%	0%

Note: Reductions in the likelihood of an employer sponsoring a DC plan in this table are based on an analysis of the distribution of the percentage of active participants in a plan with a salary less than $60k in our database. Specifically, our rates are based on an employer dropping a plan if 60% or more of their workers have a salary less than $60k. Also, note that workers with a salary above $60k can still get a significant federal match, which means that this is likely a conservative estimate of the reduction in probability an employer sponsors a plan.

We include in our analysis a scenario in which the probability an employer sponsors a DC plan does not change for larger plans (1,000 participants or more; refer to the assumption #2 column in the above table). We test this because many employers use their DC plan as an incentive to hire and retain employees, viewing it as a key component of their overall benefits package. Furthermore, many plan sponsors take a paternalistic approach, providing plan participants with guidance and tools around retirement plans. We also consider the possibility that some employers retain their DC plans due to organizational inertia.

While employers may want to keep their plans, for some, it would not make sense from an economic perspective. This is because the RSAA would subsidize matching contributions for at least some portion of workers. Using a large sample of record-kept data, we calculated the percentage of employer contributions going to participants with a salary less than $60,000 for each plan in the dataset. On average, 45% of employer contributions went to this group.

Also, while we have focused on the median income level in most of this article, note that the RSAA would still provide a potentially meaningful match for workers making more than the median income. For example, a worker making $75,000 per year would still qualify for a 2.5% match tax credit (assuming single filing status). Repeating the calculation described in the prior paragraph, we found that, on average, 56% of employer contributions went to workers with a salary less than $75,000.

These results indicate that the RSAA could alter the economic incentives for some employers, as many of the employer contributions going toward lower- and middle-income employees could be subsidized by the federal match tax credit.

We also want to emphasize that we set the assumptions in Table 1 with the long-term impact of the RSAA in mind. To elaborate, the RSAA would likely stymie new plan creation, and while the change may primarily affect smaller plans in the short term, we do think that access to plans, even with larger employers, would go down in the long run (refer to assumption #1 column in the above table).

Study Scenarios

We designed five scenarios to assess the impact of the bill on retirement-income adequacy, using assumptions that we believe are realistic. Note that no scenario is intended to reflect our best estimate or most likely outcome if the RSAA was enacted. However, the impact is likely to fall somewhere in the range that we present.

Table 2 shows each scenario, with the applicable assumptions highlighted in green. Note that each of these assumptions is explained in the above text.

Table 2: Scenario Assumptions

Scenario	Reduced IRA Ctrbs	RSAA 3% Ctrb	RSAA Escalate to 7% Ctrb	Plan Closures Across all Plan Sizes	No Large Plan Closures
1: Less IRA Usage	■	■		■	
2: No Large Plan Closures	■	■			■
3: Above Default Saving	■		■	■	
4: No Large Plan Closures & Above Default Savings	■		■		■
5: Status Quo IRA Usage		■		■	

For this analysis, we use our status quo results from Look and VanDerhei (2024) as the baseline. In particular, we calculate pairwise wealth ratios, which are calculated as the projected wealth at retirement age from the RSAA runs over the projected wealth at retirement age from our baseline Model results. For example, if a household's projected wealth at retirement age under an RSAA scenario is $105,000 in a particular simulation trial, compared with $100,000 in the baseline for the same household and simulation trial, the wealth ratio would be 1.05. We also compute the delta of the retirement-funded ratios, though less focus is placed on this output metric.

We use the simulated expenses from our status quo runs in the RSAA scenarios. Lastly, we focus exclusively on Gen Z and millennial workers in this analysis,[7] as they have a meaningful amount of time before retirement, which allows us to study the full impact of the RSAA.

7 We use the following definitions for generations. Gen Z: People in the labor force born in 1996 or after. Millennials: People born between 1980 and 1995.

Finding One: In Most Plausible Scenarios, the Majority of Working Americans Would Be Better Off With the Status Quo

We started by analyzing the median wealth ratios across the Gen Z and millennial age cohorts for all five scenarios. Note that a wealth ratio less than 1 indicates that the RSAA scenario tested led to a decrease in the wealth balance. We found that in all but one of the scenarios, American workers in both generations would have more saved if the RSAA was not enacted. Moreover, we note that the impact of the RSAA is generally less pronounced for millennials because there is a shorter time horizon before retirement. Results are displayed in Exhibit 1.

Exhibit 1: Median Wealth Ratios by Age Cohort

Scenario	Gen Z	Millennials
1: Less IRA Usage	0.801	0.884
2: No Large Plan Closures	0.845	0.916
3: Above Default Saving	0.884	0.963
4: No Large Plan Closures and Above Default Savings	0.91	0.978
5: Status Quo IRA Usage	1.075	1.081

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

Next, we reviewed wealth ratios for Gen Z and millennials by income quartile. Our income quartiles are based on the average indexed monthly earnings[8] calculated for each household member as part of the Model's estimation of Social Security benefits. The results show that the RSAA is unlikely to boost retirement outcomes even when controlling for income. Refer to Exhibit 2.

8 Average indexed monthly earnings refer to a worker's average earnings, wherein wages are adjusted to account for differences in the standard of living over time. Social Security benefits are typically calculated using average indexed monthly earnings. Refer to https://www.ssa.gov/oact/cola/Benefits.html

Exhibit 2: Median Wealth Ratios by Age Cohort and Income Quartile

Wealth Ratios for Gen Z Workers by Income Quartile

Scenario	1st	2nd	3rd	4th
1: Less IRA Usage	0.678	0.772	0.831	0.879
2: No Large Plan Closures	0.701	0.797	0.866	0.922
3: Above Default Saving	0.784	0.861	0.909	0.936
4: No Large Plan Closures and Above Default Savings	0.784	0.867	0.931	0.967
5: Status Quo IRA Usage	1.128	1.101	1.075	1.026

Wealth Ratios for Millennial Workers by Income Quartile

Scenario	1st	2nd	3rd	4th
1: Less IRA Usage	0.769	0.849	0.901	0.949
2: No Large Plan Closures	0.779	0.866	0.923	0.979
3: Above Default Saving	0.881	0.945	0.977	0.991
4: No Large Plan Closures and Above Default Savings	0.868	0.941	0.983	1.009
5: Status Quo IRA Usage	1.164	1.13	1.079	1.028

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

We also reviewed the wealth ratios from a race and ethnicity perspective, noting that the impact of the RSAA would be similar across households with different racial and ethnic backgrounds, as shown in Exhibit 3.

Exhibit 3: Median Wealth Ratios by Race and Ethnicity

Scenario	Hispanic	Non-Hispanic Black	Non-Hispanic Other	Non-Hispanic White
1: Less IRA Usage	0.844	0.824	0.904	0.868
2: No Large Plan Closures	0.869	0.850	0.941	0.899
3: Above Default Saving	0.940	0.910	0.966	0.945
4: No Large Plan Closures and Above Default Savings	0.945	0.917	0.985	0.961
5: Status Quo IRA Usage	1.124	1.115	1.052	1.077

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

Next, we reviewed retirement-funding ratios, as they provide a more complete picture of the impact of the RSAA. Specifically, we compared the retirement-funding ratios with those from our status quo research, calculating the change in the percentage of households with a funded ratio less than 100%, which indicates that the household ran short of money in retirement. The exhibit below contains the deltas by generation and income quartile. Note that a positive delta indicates that a larger percentage of Americans may experience shortfalls.

Exhibit 4: Delta in Retirement-Funded Ratios by Age Cohort and Income Quartile

Delta in Retirement-Funded Ratios for Gen Z Workers by Income Quartile

Scenario	1st	2nd	3rd	4th
1: Less IRA Usage	12%	15%	12%	8%
2: No Large Plan Closures	12%	13%	10%	5%
3: Above Default Saving	9%	8%	5%	4%
4: No Large Plan Closures and Above Default Savings	8%	7%	2%	1%
5: Status Quo IRA Usage	-4%	-4%	-3%	1%

Delta in Retirement-Funded Ratios for Millennial Workers by Income Quartile

Scenario	1st	2nd	3rd	4th
1: Less IRA Usage	5%	8%	7%	5%
2: No Large Plan Closures	5%	6%	4%	2%
3: Above Default Saving	3%	2%	1%	2%
4: No Large Plan Closures and Above Default Savings	2%	0%	-1%	-1%
5: Status Quo IRA Usage	-3%	-4%	-2%	1%

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Household members are assumed to claim Social Security at retirement age. Results are for Gen Z and millennial age cohorts. A positive delta indicates an increase in the percentage of households running short of money.

We note that the results are similar when using an 80%-funded ratio as the threshold to determine retirement-income adequacy.

Discussion of Results

There are many factors contributing to why the RSAA would reduce the resources many Americans have available for retirement. One key reason is that the enactment of the RSAA would likely lead to fewer employers sponsoring DC plans. This matters because the default RSAA contribution rate of 3% is significantly lower than typical contribution rates in DC plans. For instance, the average deferral rate in Vanguard's "How America Saves 2024" report was 7.4%. Notably, even workers earning less than $50,000 per year had deferral rates of 5.1% or more.[9]

9 Refer to Figure 36 and Figure 37 of Vanguard's "How America Saves 2024" report: https://institutional.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2024/has/how_america_saves_report_2024.pdf

The gap remains significant when factoring in matching and nonelective contributions. Under the RSAA, a worker earning less than the median income who contributes 3% would receive a 4% federal match tax credit. This is comparable to the employer matches in DC plans. In fact, the average (median) promised employer match was 4.6% (4.0%), according to Vanguard.[10] Additionally, employer matches for DC plans do not start to phase out for workers earning more than the median income level. Therefore, for many workers, including those earning less than median income, participation in an employer-sponsored DC plan would result in larger overall contributions than the RSAA federal account.

Results for the RSAA improve when we assume federal program participants increase their savings rate to 7%, as those earning less than median income would get the full 5% federal match tax credit (the "Above Default Saving" scenario). However, while some participants would save at a higher rate, most participants are likely to contribute at the default. This is because the RSAA does not include an auto-escalation feature, which is a key driver of the higher contribution rates seen in DC plans.[11]

Another factor is the impact of the RSAA on IRA-saving behavior. In all but the "Status Quo IRA Usage" scenario, we model a lower probability of contributing to an IRA. This assumption is based on the observation that people are more likely to save to IRAs when they do not have access to an employer-sponsored retirement plan, and workers would likely consider the RSAA federal account as equivalent to such a plan.

Beyond savings behavior, we model workers opting out of the federal program, which means that a portion of the working population do not participate and save. We used a 20% opt-out rate in the scenarios above, but our sensitivity testing shows that the direction of the results does not change with a lower opt-out rate (refer to the appendix).

We also model preretirement withdrawals, which, when they occur, reduce the balance in the federal account.[12] Moreover, as we noted in the methodology section, our preretirement withdrawal logic, which is based on preretirement withdrawal behavior for mostly pretax accounts, may actually understate the impact because of the Roth treatment of the RSAA federal account.

These results highlight the importance of maintaining a balance between the private and the public retirement systems, ensuring that changes do not negatively impact retirement-savings behavior.

That said, the RSAA would improve access and participation in a retirement plan, which we now discuss.

10 Refer to Figure10 of Vanguard's "How America Saves 2024" report.

11 See Madrian and Shea (2000), Thaler and Benartzi (2004), VanDerhei (2007), and VanDerhei and Lucas (2010).

12 To be clear, we model preretirement withdrawals from IRAs and DC accounts as well.

Finding Two: The RSAA Would Boost Retirement Outcomes for Workers Not Covered by an Employer-Sponsored Plan, but This Benefit Would be Offset by Larger Decreases for Those Covered in the Status Quo

Next, we analyzed the wealth ratios by the number of years of future participation in a DC plan (from the status quo run). The results indicate that American workers with no future participation in a DC plan would be better off with the RSAA. The RSAA would also boost outcomes for workers with one to nine years of future participation in a DC plan in most of our scenarios. This is an intuitive finding, as the RSAA would automatically enroll workers without access to an employer-sponsored plan into the federal program. Results are displayed in Exhibit 5.

Exhibit 5: Median Wealth Ratios by Number of Years of Future Participation in a DC Plan in Status Quo

Scenario	0 yrs	1 to 9 yrs	10 to 19 yrs	20+ yrs
1: Less IRA Usage	1.089	0.928	0.812	0.782
2: No Large Plan Closures	1.074	0.943	0.865	0.85
3: Above Default Saving	1.424	1.062	0.884	0.817
4: No Large Plan Closures and Above Default Savings	1.374	1.061	0.917	0.867
5: Status Quo IRA Usage	1.532	1.219	1.04	0.997

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

However, we also note that the RSAA would reduce wealth in cases in which workers participated in a DC plan for 10 or more years, and often by substantial margin. The next exhibit details the results for those with 20 or more years of future participation in a DC plan by income quartile.

Exhibit 6: Median Wealth Ratios for Those With 20-Plus Years of Future Participation in a DC Plan in Status Quo by Income Quartile

Scenario	1st	2nd	3rd	4th
1: Less IRA Usage	0.707	0.781	0.829	0.859
2: No Large Plan Closures	0.766	0.834	0.877	0.935
3: Above Default Saving	0.752	0.815	0.852	0.881
4: No Large Plan Closures and Above Default Savings	0.786	0.851	0.890	0.945
5: Status Quo IRA Usage	1.000	0.999	0.992	0.983

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

These results show that the RSAA would lead to significantly worse outcomes for workers, even for those with lower incomes, who would otherwise have participated in an employer-sponsored plan for a large portion of their career.

Finally, we reviewed the results by industry. We found that the RSAA would improve retirement outcomes for industries with fewer employers sponsoring plans in some of the scenarios. Of particular note are the agriculture and mining and construction industries, both of which have a smaller share of employers sponsoring a retirement plan. We do not focus on the public sector herein because it is less likely that the RSAA would impact plan availability. That said, it is still possible that the RSAA would impact retirement plans sponsored by some municipalities or other governmental entities.

Exhibit 7: Median Wealth Ratios by Industry

Scenario	Agriculture	Mining and Construction	Manufacturing	Wholesale & Retail Trade	Finance, Insurance, & Real Estate	Misc. Services
1: Less IRA Usage	0.971	0.914	0.83	0.856	0.865	0.86
2: No Large Plan Closures	0.978	0.935	0.871	0.877	0.9	0.895
3: Above Default Saving	1.151	1.007	0.903	0.979	0.939	0.936
4: No Large Plan Closures and Above Default Savings	1.153	1.017	0.924	0.98	0.956	0.954
5: Status Quo IRA Usage	1.325	1.134	1.05	1.208	1.065	1.073

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Results are for Gen Z and millennial age cohorts. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

Conclusion

This study examined the potential impact of the RSAA on retirement-income adequacy for a nationally representative sample of Gen Z and millennial workers. Our analysis showed that the RSAA would result in less favorable retirement outcomes in the majority of the scenarios we tested. This is due to the RSAA likely crowding out the private retirement plan market to some degree through the federal match tax credits for workers earning less than the median income. When factoring in realistic changes to investor savings behavior in IRAs and DC plans, we noted that overall contribution rates would likely be lower under the RSAA compared with the status quo. However, we did find that the RSAA would boost retirement-income adequacy for workers without access to employer-sponsored retirement plans throughout their careers, particularly those in industries with low plan coverage. These findings emphasize the need for a balanced approach between public and private retirement systems to ensure that any policy changes support, rather than undermine, long-term retirement savings.

Appendix: Sensitivity Testing Results for RSAA Account Opt-Out Rate

The assumptions used in the below scenarios are the same as the "Less IRA Usage" scenario with the exception of the RSAA account opt-out rates.

Exhibit 8: Median Wealth Ratios for 10% and 30% Opt-Out Rate Scenarios by Age Cohort

Scenario	Gen Z	Millennials
Lower Opt-Out Rate	0.840	0.923
Higher Opt-Out Rate	0.755	0.839

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at age 65. Wealth ratios are calculated at retirement age. Wealth ratios below 1 indicate that the RSAA scenario tested led to a smaller wealth balance.

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