



New Hampshire Retirement Savings

Working to Ensure New Hampshire's Present and Future

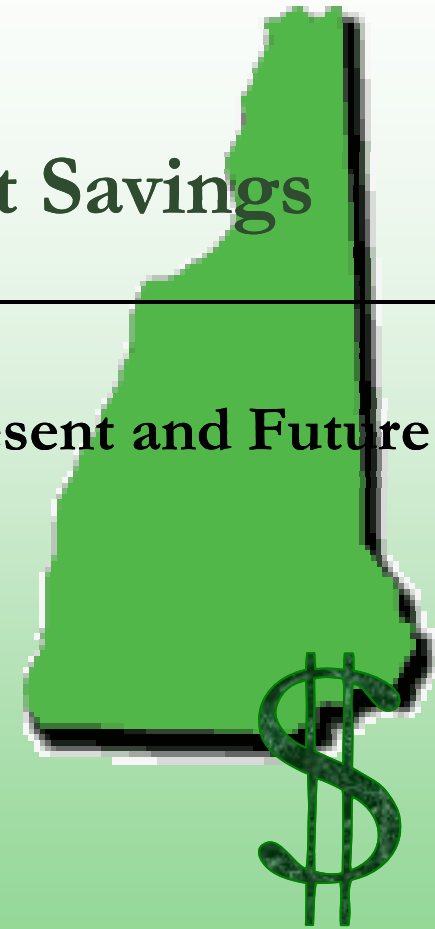
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The Rockefeller Center at Dartmouth College
Policy Research Shop





Agenda

- I. Issue of Retirement Savings Nationally & in NH**
- II. Other States' Initiatives**
- III. The Dartmouth Project**
- IV. President Obama's Proposed Budget for Retirement Savings**
- V. Policy Recommendations**



The Issue of Retirement Savings in NH

National and New Hampshire Figures





Definitions

- Adequate Retirement Savings: enough savings to maintain one's lifestyle into retirement without returning to work
 - 2009 - 72% plan to work during retirement (up 6% since 2008)
 - 34% of all Americans do work after retirement



Retirement

- Presents one of the greatest long-term threats to American financial stability
- Americans rely on:
 - Social Security
 - 401(k)
 - IRAs
 - Individual Savings
- How much do I need to save?
 - 44% of Americans try to calculate
 - 44% guess

Savings

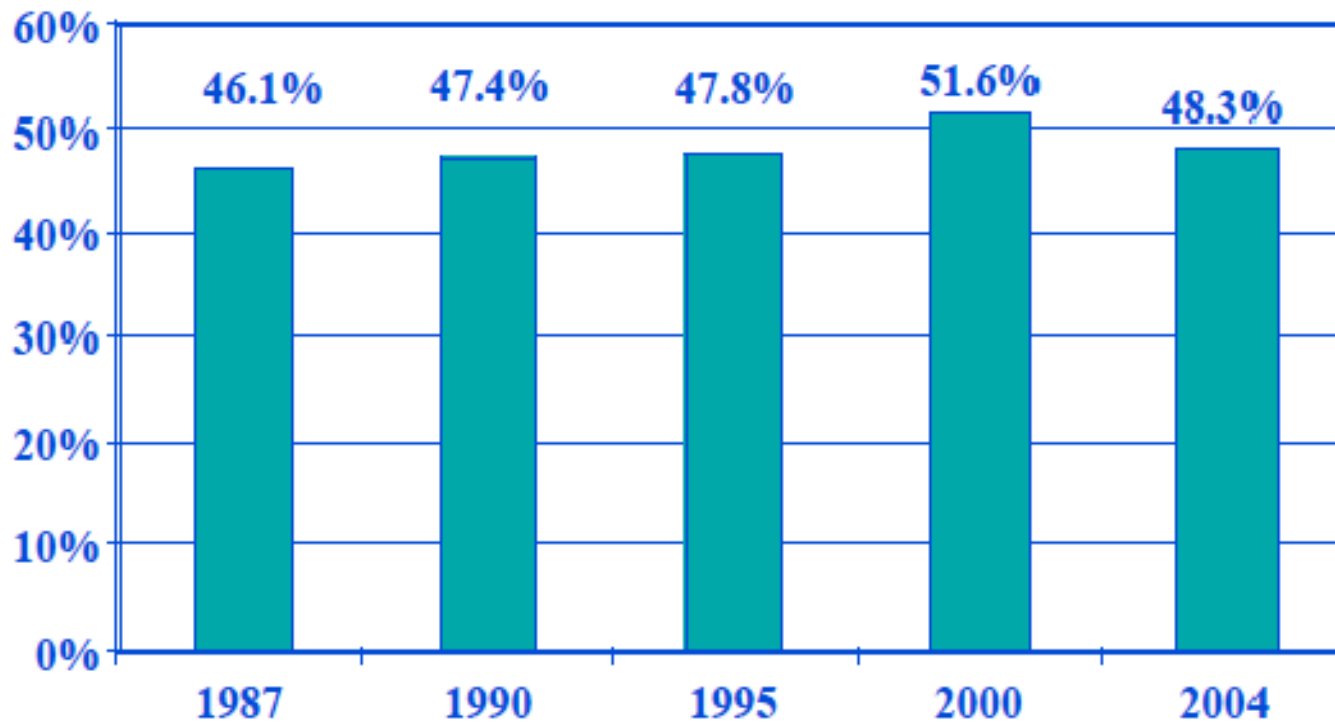


Access vs. Participation

- Two problems:
 - Those without access
 - Those with access who don't participate

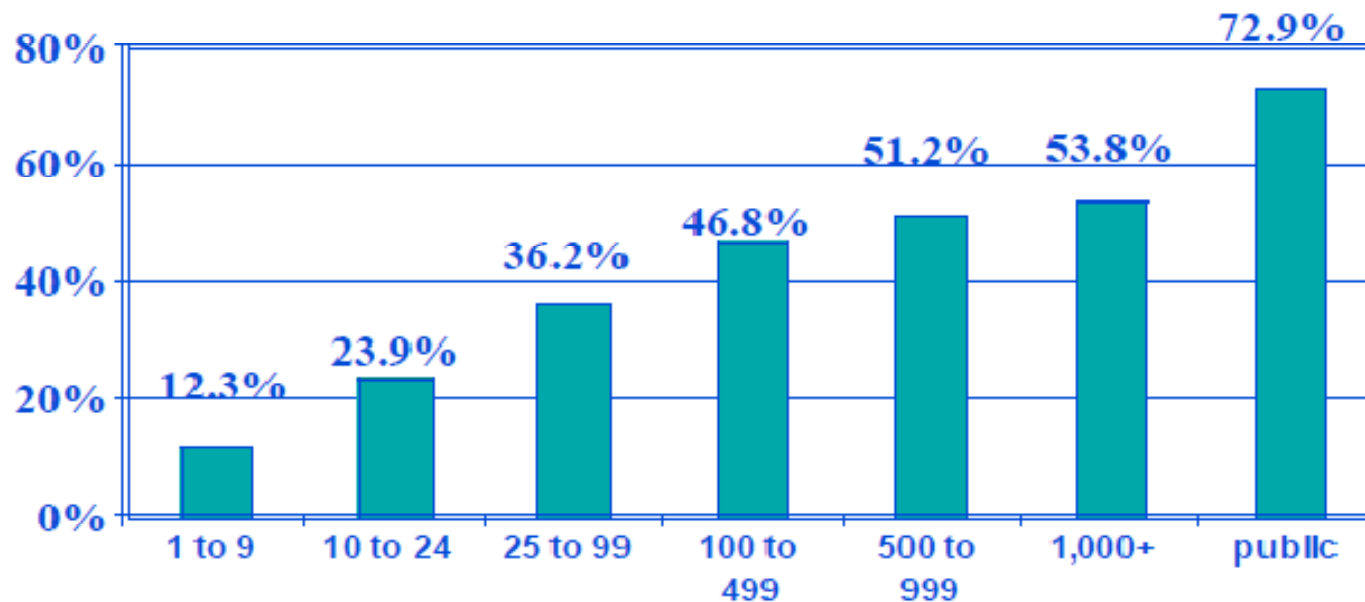


Half of Workers Have No Plan





Workers in Small Firms Least Likely to Have Access





Inadequate Savings with Plan Access

- More likely to save:
 - Age
 - Income
 - Education
 - Risk Tolerance
- 1/4 workers with employee plan (44% of all workers) choose not to save at all

The most likely participant in a pension plan is white, a male, high-earning, aged 45 to 54, and working for a public sector employer.

-Employee Benefits Research Institute



Reported Total Savings and Investments, Among Those Providing a Response

(not including value of primary residence or defined benefit plans)

	<\$10,000	\$10,000– \$24,999	\$25,000– \$49,999	\$50,000– \$99,999	\$100,000– \$249,999	\$250,000+
Workers						
2009	40%	13%	11%	12%	12%	12%
2008	36	13	12	12	15	12
2007	35	13	10	13	15	14
2006	39	14	12	12	11	12
2005		52	13	11	12	11
2004		54	14	11	13	9
2002		50	13	15	15	7
Retirees						
2009	40%	16%	13%	9%	10%	12%
2008	51	9	9	6	13	12
2007	32	13	10	12	20	14
2006	30	12	14	11	13	21
2005		43	20	7	11	19
2004		49	14	7	17	15
2002		45	7	14	19	15

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002–2009 Retirement Confidence Survey.



Comparing the Retirement Savings of the Baby Boomers and Other Cohorts

Drs. Sharon Devaney and Sophia Chiremba

Purdue University Department of Consumer Science and Retailing

- Sample Demographics:
 - 3,428 households surveyed
 - Median sample income: \$44,000
- 57% of surveyed households had 1 or more retirement savings accounts
 - Mean amount: \$47,944, $s = \$174,193$
 - Median amount: \$2,000



Retirement Confidence

- April, 2009 study by EBRI
- Findings:
 - Only 20% believe they have financially secure retirement
 - 28% believe they will now need to work longer (than they did in 2008)
 - 81% have reduced expenses to save for retirement; 43% have adjusted investments; 38% are working more hours/second job; 25% “scrambling” to save more money



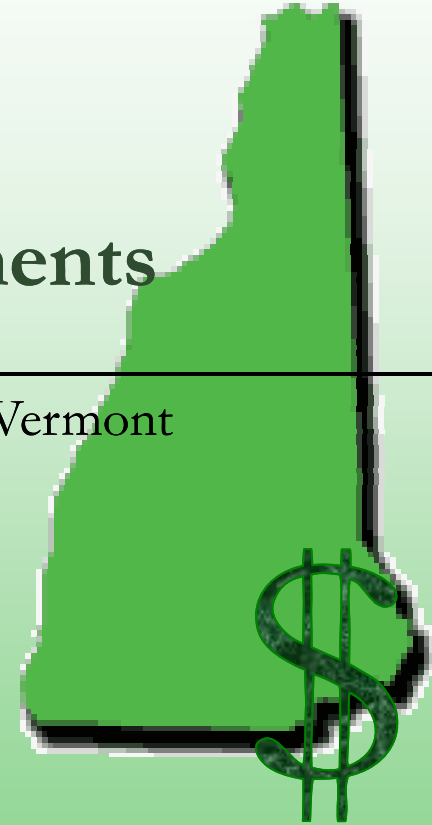
Cost to the State

- 31% of NH Medicaid expenditures are for old age beneficiaries
 - Women comprise 70% of this group
- 12% of New Hampshire population is age 65+
- By 2030, 21% of population will be 65+



Current State Developments

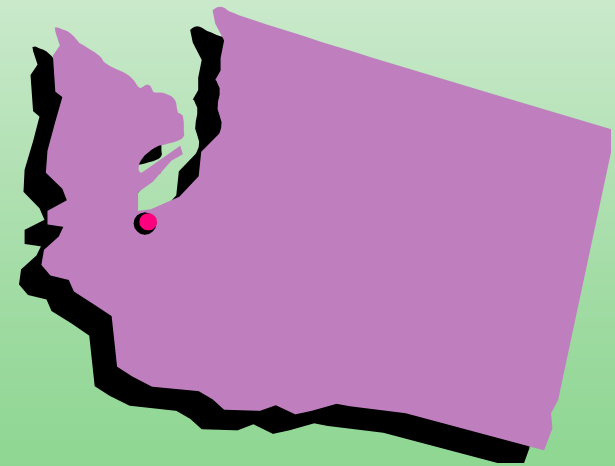
Washington, Connecticut, West Virginia, Vermont





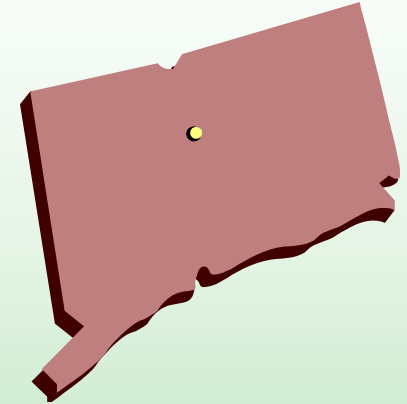
Washington

- 2008: Program design by DRS (3 options)
- 2009: HB1893
- Two Tier: IRAs, 401(k)s
 - Limits
- Preexisting infrastructure: DRS
- Administered by DRS (separately)
- Senate version and funding

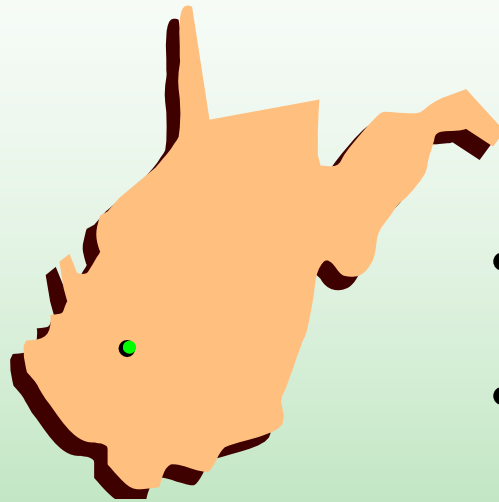




Connecticut



- SB971 (2008 failed bill: SB652)
- Preexisting infrastructure: State Employees System and Teacher's Retirement Board
- Creation of universal 401(k)
- Overseen and marketed by Comptroller, managed by 3rd party



West Virginia

- SB417
- WV Center on Budget and Policy
- Proposes VERAs
- State Treasurer's office oversees
- Preexisting infrastructure: Retirement Plus 457 (SMART 529)
- Lower annual fees (.2% vs. 1.32%)



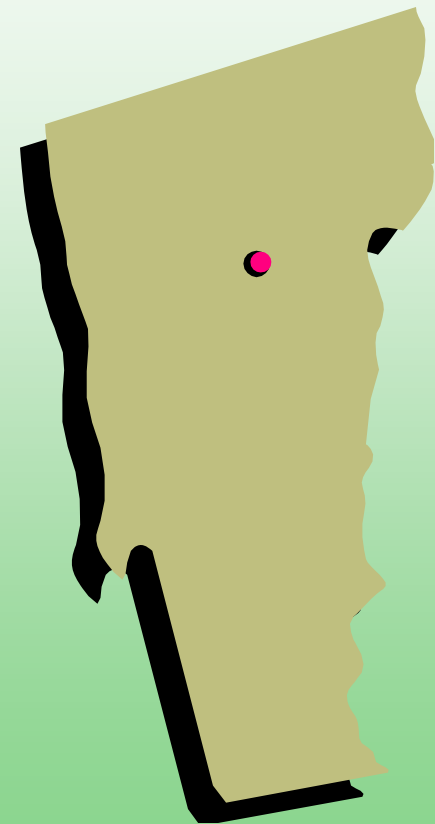
Comparison

	Lack of employer coverage	costs
Washington	974,000 (~50%)	\$4.4 mil. (2 years)
Connecticut	75% of small bus.	\$1 mil. (2 years)
West Virginia	300,000 (over 50%)	\$3 mil. (3 years)



Vermont

- Economy driven by small business
 - 75% of state's companies 9 or fewer employees
 - Employ 21% of state's workforce





- **Approaches**

- Compiled list of resources
 - 9 different links
- Information database
 - Vermont Financial Education Resource Clearinghouse
- Emphasis on Financial Literacy
 - www.MoneyEd.Vermont.gov.
 - Alert Vermonters of free resources available
 - Financial Education Seminars and Classes



- “Keeping the Gold in Your Golden Years” Seminar
 - 90 minute course
 - how much you’ll need to save in retirement
 - assess their current retirement savings resources
 - implement a plan to ensure they will have adequate financial resources available for retirement
 - Outcome:
 - 13 sessions for 263 participants
 - *“It was scary to find out how much more I need to save and how much longer I will have to work. It was very helpful, though.”*
 - Continuing in 2009



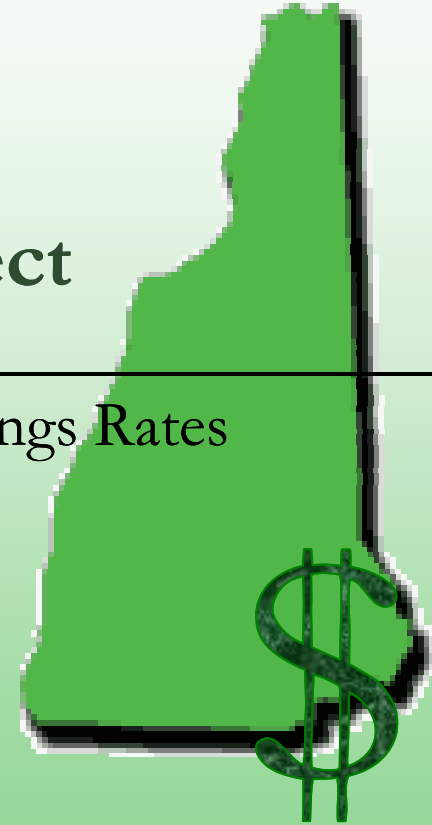
Workplace Retirement Savings Seminars

- Area Chambers of Commerce
- Small business owners and managers
- Offered options from neutral source
- Outcome
 - Held in 3 locations
 - 80 participants
 - unsure of effectiveness, but will continue in 2009
 - Will add 2 more workshop components: budgeting and money management for women



The Dartmouth Project

Testing Strategies for Increasing Savings Rates






- **The Dartmouth Project**

- “New Ways to Make People Save: The Dartmouth Project”
- Institution hosts financial education and information sessions
 - PROBLEM: attendance & usage
- Identified 3 populations less likely to contribute to supplementary pensions
 - Employees with income <\$35,000
 - Young employees
 - Employees with short tenures



- Targeted new hires
- Not saving
 - Lack of information
 - Don't know where to start
 - Lack of income
 - Lack of self control
 - **NEED:** Practical tools to facilitate the decision to enroll  Planning Aid.



Rockefeller Center at Dartmouth College
A Center for Public Policy and the Social Scie

Policy Research Shop

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are needed to see this picture.

QuickTime™ and a
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The Results:

Percentage of employees electing supplementary retirement before and after planning aids

- 30 days after hire date:
 - 7.3% control vs. 21.7% treatment
- After 60 days:
 - 28.9% control vs. 44.7% treatment
- After Changes to Planning Aid -->New Results
 - 27.6% after 30 days.



Could this work for smaller businesses?

Yes!

- Study designed for average worker
 - Simplification is critical
 - Teachable moments
 - Target specific subgroups
 - Planning aids to compliment other saving programs
- State could play a role-- providing the resources

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Jeff
Procurement
Central Stock Room

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Ron
FO & M
Custodial Services

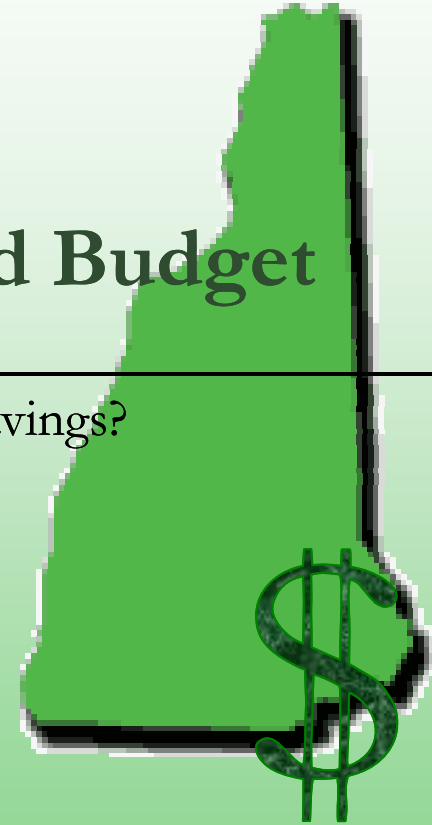
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Dawna
Tuck School of Business
Admissions



President Obama's Proposed Budget

What does that mean for Retirement Savings?





Automatic IRA

- Direct Deposit
- Requirements of employers
- Increase in estimated participation

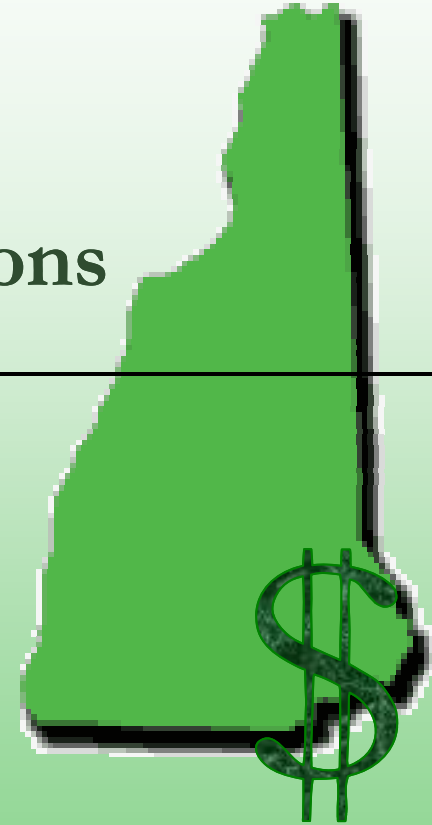


Saver's Credit

- Raises family income limits
- 50% match on first \$1000
- Refundable



Policy Recommendations





Recommendations

- Standardized planning aid for businesses to draw from
- Financial Seminars to inform employers of neutral options
- Washington model
- President Obama's plan