

Massachusetts Credit Unions



Creating Cooperative Power

December 31, 2018

The Honorable Richard Neal
United States House of Representatives
2309 Rayburn House Office Bldg.
Washington, DC 20515

BY E-MAIL ONLY

Dear Congressman Neal:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc., please accept this letter in support of your unwavering efforts to create automatic individual retirement accounts (“Auto IRAs”). As you are aware, the Association is the state credit union trade association, serving approximately 170 state and federally-chartered credit unions owned by over 2.6 million consumers as members. The Association acknowledges your previous efforts in past sessions of Congress in introducing legislation to address this concept. It is hoped that a measure similar to H.R. 4523, the *Automatic Retirement Plan Act of 2017*, will be reintroduced early in the upcoming 116th session of Congress.

The hallmark of the credit union mission is to consistently promote savings and financial education to our members. Retirement is often the ultimate goal of a member’s financial planning and credit unions seek to be their trusted partner. Yet many financial issues can intervene and undermine members’ dream of a financially secure retirement. Such actions include the lack of awareness about the importance of efficient management of their financial resources. In addition, retirement is no longer a one-size-fits-all scenario where employees depart from a job at age 65 and live for a short span afterward on a pension and social security. Today’s “new retirement” includes options that range from retiring early, at 55 and even younger, or working part-time at a previous job, to starting a new business, or “dipping” in and out of the job market at will in later years. The number of actions taken depends upon the amount of funds set aside in previous years to grow into a retirement portfolio.

The Association also notes that retirement planning has become mostly a do-it-yourself activity because traditional sources of retirement income, such as employers, have chosen to narrow their business risk and taken less responsibility for retirement or are becoming less important. Many employers have abandoned traditional “defined-benefit” retirement plans where they assume the investment risk. Instead, they are turning to “defined contribution” plans where the employee must bear the investment risks. Since social security is less able to serve as an adequate source of primary retirement income, personal savings and investments are a crucial component of retirement income, with the responsibility of growth falling on an employee.

From our view, the problem is multi-layered and revolves around the failure to save for retirement and inflexible tools. Credit unions provide financial counseling, education and guidance to help individuals

develop financial plans to maximize their funds and to plan for the future. By providing additional tools as you propose, credit unions can help more members extend their financial security throughout their retirement years.

The Association suggests that the Auto IRA is not a replacement for the traditional 401k. The product works as simply as direct deposit currently works as a conduit for savings into financial institution accounts as directed by employees. The key difference is the ability of the employer to select a single provider of IRA services rather than allow employees to direct their funds to a provider of their choice. Furthermore, flexibility exists as employees would not be forced to participate but have the option to formally opt-out. It remains our belief that the Auto IRA is a needed "nudge" to direct employees to save more for retirement. Features of your previous proposals in this area of particular value to credit unions include the small employer exemption, saver's credits/government matching features, and extended compliance dates.

Given the deep divisions over our federal debt, the concept of Auto IRAs provides a practical tool for increased savings options for those most in need and adversely hampered by limited savings or excessive debt. Without access to such a very basic service, such individuals are severely limited in the choices they have to conduct the business of their daily lives. They are likewise disadvantaged in preparing for the future. The Association recognizes the sound public policy you craft underlying the role of the federal government in helping to address this dire situation.

The Association remains eager to promote retirement savings options for consumers at every opportunity, a task prioritized with your guidance beginning in 2013. Your new House leadership position is welcomed to reenergize a path to success. Building a coalition across the aisle in the Senate, with leadership demonstrated by Senator Shelton Whitehouse, is part of our commitment to advance this issue. Credit union advocates stand ready to help you achieve this shared goal and are available for further discussion relative to the formation of upcoming proposals at your convenience.

Thank you for taking the lead again to promote quality financial services to Massachusetts and our nation's consumers.

Sincerely,



John B. Winne
Interim CEO

JBW/mabc