



Improving Americans' Retirement Outcomes Through the National Savings Plan

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Introduction and summary

America's current retirement system is failing its citizens. Millions of workers nearing the end of their careers likely will not be able to maintain their preretirement standard of living, and even fewer members of younger generations are on track to attain it.¹ American Progress has called for a host of reforms to address the retirement crisis—from improving private-sector retirement plans to strengthening Social Security to reforming retirement tax subsidies.²

One of the key ways that the Center for American Progress Action Fund has recommended improving the private-sector retirement system is by providing all workers with access to a retirement plan modeled on the Thrift Savings Plan, or TSP, the 401(k)-style retirement savings plan currently open to federal employees and members of Congress.³ The TSP has many features that make it a good retirement plan, including low fees, sensible investment options, and simplicity, and it is praised by both progressives and conservatives.⁴

This report introduces CAP Action's proposed National Savings Plan, or NSP, providing additional details on how establishing a plan similar to the TSP for all workers would operate, as well as new estimates for how much better off workers would be if they were saving in such a plan.

Under our proposal, workers without access to a retirement plan at their workplace would be automatically enrolled in the NSP, and contributions would be defaulted into a low-fee, life cycle fund that automatically adjusts investments based on a worker's age. Upon retirement, savings would be converted into a stream of income that could not be outlived. The plan also would be open to independent contractors and the self-employed, as well as for rollovers from "myRAs," the federal government's new starter retirement savings account.

The NSP would provide access to a high-quality retirement savings account for the millions of Americans who do not currently have a workplace retirement plan. In fact, our models show that workers would be much better off saving in the NSP

than in a typical 401(k) plan. Our analysis, based on a worker earning a typical salary and contributing 12 percent of their pay each year starting at age 30 and retiring at 67 finds:

- A worker saving in the NSP would be approximately 2.3 times more likely to have a secure retirement—defined as replacing 70 percent of their preretirement income with their retirement savings and Social Security—than a worker contributing the same amount to a typical 401(k) plan.⁵
- In fact, to have the same likelihood of a successful retirement as the NSP offers, this hypothetical saver would need to have a 52 percent higher annual contribution in a typical 401(k) compared with the NSP—18.2 percent of pay compared with 12 percent.⁶
- A small business worker with an even higher-fee 401(k) plan would be 5.2 times more likely to maintain his or her standard of living in retirement by saving in the NSP than in an employer's plan.⁷

The need for this proposal and analysis has never been greater. The changing nature of work increasingly calls into question a system where private retirement savings are predominantly tied to one's employer. The NSP would be available to all workers, regardless of whether they have a formal employer, are an independent contractor, or are self-employed. Additionally, states such as Illinois, California, and Oregon are moving to establish retirement accounts for those workers without workplace retirement plans.⁸ Because these plans are likely to share some features with the NSP, this analysis can help inform how those state plans are designed, as well as encourage other states to adopt similar plans. Furthermore, it should provide fuel for the federal government to adopt the NSP because many workers will live in states without such plans. Finally, the Department of the Treasury is currently deciding where savers in its new myRA program should be automatically enrolled once they exceed account limits. The NSP or a similar program would provide the best option.⁹

Our Mission

The Center for American Progress Action Fund is an independent, nonpartisan policy institute and advocacy organization that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, The Center for American Progress Action Fund can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

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