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BlackRock

Building a Secure Retirement: Collaborative Solutions for America's Future

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ABOUT THE BIPARTISAN POLICY CENTER

The Bipartisan Policy Center and its advocacy affiliate, Bipartisan Policy Center Action (BPC Action), are unique in their approach to addressing the nation's most pressing issues. As the only organization working across the full political spectrum on domestic issues, BPC brings together diverse perspectives to craft data-driven, pragmatic policy solutions. BPC Action then works directly with legislators and other policymakers to turn those solutions into real change.

What sets us apart is our ability to operate at the intersection of policy development and political advocacy, building consensus across the aisle to advance reforms in Congress. For more than 20 years, BPC and BPC Action have been consistently achieving results on complex issues, demonstrating that bipartisan cooperation is not only possible but essential for lasting solutions.

We are trusted leaders in shaping practical, bipartisan policies and are uniquely positioned to drive change in a deeply polarized political environment, making us an indispensable force for progress in Washington and beyond.

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Executive Summary

In March, BlackRock and the Bipartisan Policy Center hosted the 2025 Retirement Summit in Washington, DC. The Summit convened elected officials, corporate leaders, small-business owners, union representatives, pensioners, and state and federal policymakers to explore ways the private sector and government can collaborate to ensure that more Americans can achieve a financially secure retirement. The discussion featured rich personal anecdotes, innovative policy proposals, and bipartisan consensus on practical ideas to strengthen Americans' financial futures.

Our Summit covered virtually every aspect of retirement security, taking a holistic approach to Americans' long-term financial wellness. The event underscored the commitment of leaders from the public and private sectors alike to protect and strengthen the finances of America's retirees—and to support Americans' efforts to secure their own financial futures—by building from the strong foundation of what's working today.

This white paper presents the findings and recommendations from our Retirement Summit, focusing on five key areas:

1. **Expanding Access to Retirement Plans:** Our Summit discussions—and BlackRock research on registered voters' retirement preparedness—underscored the significant shortfalls in retirement savings that many Americans face. Policies that expand workers' access to retirement plans are foundational to addressing the savings gap. Part I presents recommendations to expand retirement plan access, including reforms that could make it easier and more cost-effective for small businesses to offer plans, as well as policies to enable participation in state-facilitated individual retirement account (IRA) programs.
2. **A Corporate Coverage Standard:** At our Summit, corporate leaders described how employers can promote retirement security by offering retirement plans and employee education. Part II summarizes some best practices for corporations in retirement plan design and employee education, including practices related to employer and employee contributions, automatic enrollment and re-enrollment, and ways to reduce the "leakage" of retirement savings when employees leave jobs.
3. **Upstream Accumulation—Emergency Savings and Early Wealth Building:** Summit participants highlighted how access to readily available savings and early opportunities to invest can promote financial well-being and retirement security. Part III describes how the public and private sectors can help by improving access to emergency savings tools—which can reduce early withdrawals from retirement accounts—and to early wealth-building opportunities—which can help Americans make potentially life-changing investments in education, housing, and business formation.

4. **Income during Retirement:** Summit delegates acknowledged retirees' challenges in appropriately calibrating their spending, and we considered ways to promote responsible and confident spend-down strategies. Part IV presents insights from these discussions, focusing on the role of guaranteed income products and the longevity insurance that Social Security provides. It includes recommendations to support plan fiduciaries in their consideration of guaranteed income products and to help workers make informed decisions about when to claim Social Security benefits.

5. **Strengthening Defined Benefit Plans:** Our Summit discussions included powerful commentary by union members about the continuing importance of defined benefit (DB) plans for many Americans. Part V describes the DB plan landscape and the ways it has changed over time, noting key considerations like funding challenges and DB plans' role as a tool for recruiting and retaining employees.

BPC and BlackRock have long been leaders in efforts to drive effective, bipartisan reforms to the retirement system, including working to advance major retirement legislation, such as the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 and the SECURE 2.0 Act of 2022. We acknowledge, however, that we cannot do this alone. The Retirement Summit in March was a great first step by using our collective convening power to facilitate robust discussions and to identify and advance priorities. Together, BPC and BlackRock will continue to build on policy successes and focus on evidence-based solutions to chart a path forward toward a stronger retirement system. With sustained effort and partnership, we can help all Americans achieve the financial security they need to retire with dignity.

Introduction

Many Americans face challenges saving money, including saving enough for retirement. Concern about the future is widespread, and for many Americans, the thought of retirement conjures more anxiety than excitement.

Over the past year, BlackRock worked with an independent research firm to conduct a series of surveys of registered voters that illustrates this stark reality. For example, 38% of respondents in the most recent survey (April 2025) said they worried about their retirement savings at least once a day.[1] The January 2025 survey found that 51% were more worried about running out of money in retirement than they were about dying.[2] And the August 2024 survey found that 78% of respondents were concerned about not having enough money to take care of long-term care expenses, such as nursing home costs, throughout retirement; 75% were concerned about not being able to maintain their standard of living throughout retirement; and 73% were concerned about having inadequate savings or investments to cover their needs in retirement.[3] These findings are not just numbers—the data show how Americans feel about their own retirement security.

> "WE HAVE TO FOCUS ON HOW TO BUILD MORE HOPE BACK INTO SOCIETY. AND ONE OF THE FUNDAMENTAL FOUNDATIONS OF FEAR AND HOPE IS THIS FEAR OF RETIREMENT, THIS FEAR OF INADEQUACY, OF HAVING ENOUGH TO LIVE ON."
> **— LARRY FINK, CHAIRMAN AND CEO OF BLACKROCK**

In March, the Bipartisan Policy Center and BlackRock convened the 2025 Retirement Summit, bringing together Fortune 500 CEOs and small-business owners; members of Congress and of trade unions; investors; and innovators for a day of conversation, problem-solving, and pathfinding. The theme of the event, "Redefining Retirement: It's All of Our Work," emphasized how critical it is for both the public and private sectors to think about retirement in new ways to help people live better and longer lives. And it showed that leaders across the political spectrum are committed to helping protect and strengthen the finances of America's retirees—and supporting Americans' efforts to secure their own financial futures.

"WE ALL KNOW THAT WE'RE SUPPOSED TO SAVE AS EARLY AS POSSIBLE FOR RETIREMENT, BUT IT IS A HARSH REALITY THAT THE EVERYDAY CHOICES FOLKS HAVE TO MAKE BETWEEN MEDICINE, FOOD, AND RENT CAN GET IN THE WAY."

— MARGARET SPELLINGS, PRESIDENT AND CEO OF THE BIPARTISAN POLICY CENTER

As this report is being written, economic uncertainty is heightening Americans' concerns about their financial futures. But there are more tools than ever to help workers weather economic storms and prepare for retirement, including workplace defined contribution (DC) plans, individual retirement accounts (IRAs), automatic IRAs, and emergency savings and early wealth-building solutions. Our Summit demonstrated a widespread commitment to improving access to and the effectiveness of this broad range of tools, and BPC and BlackRock are eager to continue leading the charge.

Part I: Expanding Access to Retirement Plans

Many Americans lack sufficient access to the most effective retirement tools, exacerbating the challenges they face in saving for their retirement years. Between one-quarter and one-half of U.S. workers—tens of millions of Americans—lack access to a workplace retirement plan, leaving them unable to benefit from automatic enrollment, regular automatic contribution increases, and default investments—key features that employer-sponsored plans have increasingly adopted in recent years, facilitated by two recent landmark pieces of retirement legislation: the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 and the SECURE 2.0 Act of 2022.[4] And moderate earners—who will need personal savings to supplement their Social Security benefits in retirement but who lack access to workplace plans to a greater extent than higher earners—are especially vulnerable to running out of savings in retirement.

Greater access to retirement plans could help address the challenges that Americans face in saving for retirement. BlackRock's April 2025 survey of registered voters found that 31% of voters have not personally saved money for retirement. Notably, 76% of retired respondents said that, looking back, they wish they had saved more money for retirement.[5]

Expanding access to retirement plans was a central theme of the discussions at our Summit. For example, Beth Ford (president and CEO, Land O'Lakes) spoke extensively about the role of employers in expanding access to the most effective retirement solutions and their responsibility to help more Americans financially prepare for their futures. Similarly, Erin Streeter (executive vice president, National Association of Manufacturers) described the important role that access to retirement plans plays in the manufacturing industry. This section builds on these conversations by presenting findings and recommendations to expand access to workplace retirement plans.

GAPS IN THE EMPLOYER-BASED SYSTEM

In the United States, savings from an employer-based retirement plan can be essential to many workers' retirement security, but not all employers provide access to such a plan. Some employers underestimate the demand for these benefits (greatly diminishing the probability they will offer a plan), overestimate the financial and administrative costs, and may be unaware of the federal tax incentives available to offset plan startup and maintenance costs.[6]

A recent survey of more than 700 small companies found that more than half believed the annual cost of offering a retirement plan exceeded $10,000, and only 7% thought the cost was under $5,000.[7] In reality, the smallest employers typically face much lower costs than that. Recordkeeping service provider Human Interest, for example, offers employers a 401(k) for $120 per month, plus $5 per participant per month—just over $2,000 per year for a 10-employee business.[8] Moreover, small businesses are eligible for a tax credit of up to $5,000 annually for three years to offset these costs and an additional credit of up to $1,000 for each participant for five years to cover matching contributions.[9]

To bolster retirement savings and to help address the real and perceived obstacles employers face, 17 state governments have enacted automatic IRA laws. At our Retirement Summit, Maryland Gov. Wes Moore highlighted his state's program, MarylandSaves, and, following the Summit, launched an initiative to promote enrollment in MarylandSaves, including through a Public Service Announcement. These laws give employers a choice: provide a qualifying retirement plan, or submit employee payroll information to a provider chosen by the state, which then automatically enrolls eligible workers in IRAs. Recent research shows that implementation of an automatic IRA program increases: [10]

- the percentage of companies that begin offering a plan through the private market by 8%-23%, depending on the state;
- the probability that an employer in the state will offer a 401(k)-type employer-sponsored retirement plan by 7%; and
- the number of participants in such plans by 6%.

Automatic IRA programs have made meaningful headway closing the retirement plan access gap in the states where they are available, but workers in the 33 states (and the District of Columbia) that lack programs do not benefit. Even the states with active programs, however, face significant hurdles enrolling all eligible workers and expanding retirement security. The problems include high opt-out rates and low contribution levels among participants; employer noncompliance; the compliance burden of anti-money laundering rules; and difficulty reaching nontraditional workers.[11] As federal policymakers consider ways to address the access gap on a national level, it is important that they understand the opportunities and challenges that state programs have faced.

A FRAMEWORK TO EXPAND RETIREMENT PLAN ACCESS

Our Summit showed that many private-sector stakeholders stand willing to address retirement shortfalls and to help expand access to the most effective retirement saving tools. Members of Congress have also shown leadership by passing the bipartisan SECURE Act and SECURE 2.0. But meaningfully addressing the access gap requires more ambitious action. BPC and BlackRock support such an effort and recommend policy measures to make it as easy as possible for employers to provide access to a high-quality retirement plan and to expand access to as many workers as possible.

> "YOU CAN'T HAVE A RETIREMENT CONVERSATION IN AMERICA WITHOUT TALKING ABOUT SMALL BUSINESS. WE ARE A SMALL-BUSINESS COUNTRY."
> — **ROB CROTHERS, BLACKROCK HEAD OF U.S. RETIREMENT**

Small employers and those with short-term or transient workforces in particular express significant concerns about the financial and administrative costs of providing and maintaining a plan. Effective public policy should help ensure that an employer of any size can start and administer a retirement plan with a manageable investment of resources and time.

As Rep. Joyce Beatty (D-OH), a former small-business owner herself, noted at our Retirement Summit, "Oftentimes, if you work with the small-business owner, the administrative costs, the compliance costs [are high]. … We have a responsibility to help those small-business owners when they get started. … We don't talk enough about preparing a small-business owner for the future."

These policy changes could help:

- **Further tailor plan administration requirements applicable to small employers that offer plans.** Federal law requires plan fiduciaries, including plan sponsors, to run their plan "solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits and paying plan expenses."[12] Although this requirement seems straightforward, what it means in practice can be complex, and small employers may be discouraged from offering plans due to the technical complexities associated with administering workplace plans. Pooled employer plans, permitted by the SECURE Act, provide a path to effective and efficient plan administration for small employers, but additional steps that further tailor plan administration requirements would be beneficial. Expanding access to state automatic IRAs can be part of the solution.

- **Create a more flexible "safe harbor" for DC plans to expand access to well-designed workplace plans.** Existing safe harbors that exempt employers from certain annual tests are prescriptive and require the employer to offer contributions to their employees' retirement plans. This requirement might partially explain the reluctance of many smaller employers to sponsor a plan, and serves as an impediment to broader adoption of auto-features. A more flexible safe harbor applying best practices in retirement plan design could allow small-business owners to simply determine an affordable level of employer contributions and then accept annual contribution limits commensurate with that decision.
- **Extend retirement plan startup tax credits to nonprofits, which currently cannot claim these credits.** By allowing nonprofits to claim the startup credit against their payroll tax (rather than income tax) liability, lawmakers would expand coverage for nonprofit workers. The foregone revenue for the Social Security, Medicare, and unemployment insurance trust funds could then be reimbursed from general revenues, so this change would have no effect on the solvency of those programs.[13,a]
- **Tailor the Customer Identification Program (CIP) requirements that apply to employer-facilitated automatic IRAs.** More than 2 million American workers have been blocked from enrollment in automatic IRAs due to incomplete or incorrect information provided by their employers.[14] Although the CIP is a vital component of anti-money laundering regulations, exempting employer-facilitated automatic IRAs or streamlining information required to pass CIP verification could help boost participation without increasing financial crime. Notably, federally qualified plans such as 401(k) s do not need to verify their participants under the CIP, but automatic IRAs do, despite being employer-facilitated via payroll deductions just like 401(k)s and presenting an overall lower risk of being used for illicit activity than 401(k)s.[15]
- **Enable more low- and moderate-income workers to benefit from SECURE 2.0's Saver's Match, which starting in 2027, will provide a federal match for qualifying contributions to eligible workers' retirement accounts.[16]** For example, the program could be revised to permit the deposit of Saver's Match funds into Roth accounts. State-level automatic IRA programs could also help raise public awareness and integrate tax documents and claiming processes for the Saver's Match into their programs.
- **Invest in education and support for employers and the self-employed.[17]** The retirement plan industry is complex, and additional federal policy might make it more so. Policymakers can pair measures to close the access

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[a] BPC and its advocacy affiliate, BPC Action, have promoted proposals that could fully offset the cost of this and other changes mentioned in this report to ensure that retirement policy reform does not increase the federal deficit. See, e.g., BPC Action, "Retirement Policy Recommendations for the 119th Congress," February 18, 2025. Available at: https://bpcaction.org/retirement-policy-recommendations-for-the-119th-congress/.

gap with robust, consistent, and effective outreach to employers, especially small-business owners. Self-employed and nontraditional workers, too, would benefit from significant education about their options for saving for retirement.

"TO THE EXTENT THAT THERE ARE WHOLE SWATHS OF THIS POPULATION THAT ARE LEFT BEHIND WHEN IT COMES TO RETIREMENT SAVINGS, WE SHOULD ALL CARE ABOUT THAT, AND WE SHOULD ALL BE FOCUSED ON HOW WE CAN DO OUR PART IN THAT… IT STARTS WITH EDUCATION, BUT IT ALSO STARTS WITH INCENTIVIZING THE BEHAVIOR WE WANT TO SEE."

— REP. TERRI SEWELL (D-AL)

Workers should also have access to the best tools possible within their plans to secure their financial futures, and additional policy changes could promote better outcomes:

- **Allow all 403(b) plan fiduciaries to select collective investment trusts as plan investment options,** as 401(k) plan fiduciaries have long been permitted to do. Collective investment trusts are regulated investment vehicles that can potentially provide cost effective investment strategy options for 403(b) plan participants. Allowing all 403(b) plan fiduciaries to offer them as investment options for their participants would promote greater investment parity among retirement plans and expand investment options for public-school employees and others who participate in 403(b) plans.
- **Further support DC plan fiduciaries in their consideration of investments in nontraditional assets like private assets and guaranteed income solutions,** potentially through regulatory or legislative measures. Plan fiduciaries are responsible for weighing many factors as they make decisions in the best interests of their plan participants.

Finally, policymaking should focus on maintaining a robust market for private retirement savings solutions. A strong commercial market for retirement plans encourages innovation and promotes competition, driving quality up and prices down.[18] Private-sector providers have played an integral role in strengthening retirement savings by offering 401(k)-type plans, and the state automatic IRA programs have shown the value of public-private partnerships. Commercial dynamism remains necessary to close the access gap, and effective public policy can support this dynamism.

Part II: A Corporate Coverage Standard

The retirement system is a public-private partnership, and the private sector plays a central role in expanding retirement security. At our Summit, corporate leaders like Larry Fink (chairman and CEO of BlackRock), Beth Ford (president and CEO of Land O'Lakes), and Jamie Dimon (chairman and CEO of JPMorgan Chase) shared their personal insights on the retirement landscape, broader economic considerations, and ideas to improve the system. Jamie Dimon, for example, noted the importance of making it easier for small businesses to start plans, while Beth Ford highlighted Land O'Lakes' efforts to work on financial literacy and explained some features of her company's benefits—such as auto-escalation and matches—that promote workers' retirement security.

A critical takeaway from our Summit is that corporations can show leadership in promoting retirement security by providing workers with retirement plans that reflect key features and related education. For example, corporations can:

- **Automatically enroll workers.** When plans automatically enroll workers, 94% of eligible employees participate, compared with just 67% participation in plans without automatic enrollment.[19] Among workers who earn under $30,000 a year, automatic enrollment more than doubles participation.[20] Adoption of automatic enrollment increased sixfold between 2006 and 2023—from 10% to 59% of plans—and SECURE 2.0 requires it of most new plans. Still, many employers can use this opportunity to boost participation among their workforce.[21]

> "LISTENING TO THE EXPERTS … HOW THEY THINK YOU CAN INCENTIVIZE RETIREMENT AND PLANNING FOR WORKING-CLASS AMERICANS … THAT'S A HUGE PRIORITY TO TRANSFORM THE BEHAVIOR IN THIS NATION."
> — REP. JASON SMITH (R-MO)

- **Set an adequate default contribution rate.** Automatic enrollment requires plan sponsors to choose default settings for participants, and one of the most important is the default contribution rate. For many years, the most common default has been 3% of salary, but with increasing recognition that 3% is likely too low to facilitate sufficient lifetime savings, nearly as many plans now use 6%.[22] What is optimal for one plan might not work for another,

but plan sponsors can help ensure that their default contribution rate sets employees up for success, especially those who don't actively manage their retirement plans.

- **Automatically increase participant contributions each year (up to a maximum level).** As individuals progress through their careers and earn more, they should often save a greater portion of their income. Among plans that leverage automatic increases, the standard structure is a 1-percentage-point annual increase up to a maximum level between 10% and 20% of salary.[23] But 58% of DC plans do not incorporate automatic increases.[24] Employers can also help make workers' savings rates "portable" by asking about their prior savings rates upon hire and encouraging them to continue saving at that level or a higher level.
- **Offer matching contributions.** Company matches into DC plans are a key component of compensation packages, providing investments in employees' long-term financial security and incentives for employees to make similar investments for themselves. Recent data from researchers at Washington University in St. Louis shows that employer contributions are especially significant for lower-income workers, whose own savings rates are strongly influenced by matching rates.[25]
- **Conduct regular automatic re-enrollment.** Many workers opt out of participating in their retirement plan when they begin a job but do not then enroll when their financial circumstances improve. Automatically enrolling eligible nonparticipants into a Qualified Default Investment Alternative (QDIA) every two to three years can provide additional cues for these workers to save.
- **Reduce plan leakage at job separation.** For every dollar that people ages 50 or younger save for retirement in a given year, approximately 22 cents "leak out" through early distributions, triggering taxes and penalties and foregoing the compounding returns that are so vital to retirement security.[26] The most common cause of plan leakage is job separation, which often leads to voluntary or involuntary cashouts of retirement accounts.[27] Plan sponsors have multiple avenues to reduce plan leakage, including providing participants the option to stay in the plan even after separation; providing targeted, timely education about the negative effect of early withdrawals; and opting into the Portability Services Network (PSN) to automatically transfer small-balance retirement accounts as workers change jobs.[28]

"WHAT ARE THE IMPEDIMENTS TO SAVING? WHAT ARE THE IMPEDIMENTS TO THRIVING? HOW CAN WE, IF POSSIBLE, REMOVE THOSE? ... I THINK EMPLOYERS STAND IN A PERFECT POSITION TO BE A CATALYST FOR CHANGE. AND THEY STAND TO GAIN A TREMENDOUS AMOUNT."
— SEN. KATIE BRITT (R-AL)

- **Educate employees on the Saver's Match.** In 2027, tens of millions of low- to moderate-income Americans will be eligible for the new Saver's Match. The Saver's Credit, which the Saver's Match will replace, has long been plagued by a lack of awareness among those who could benefit. Alongside policymakers, employers can help close this information gap to ensure that the new match reaches as many of their eligible workers as possible.
- **Regularly review plan design.** Due to both public policy changes and industry innovation, best practices in plan design can change rapidly. As such, it's helpful for plan sponsors to review their plan features on a regular basis to determine whether any new plan design innovation would help their participants. In the coming years, the further adoption of guaranteed income solutions in retirement plans, the structure of employer matching schemes, and other important plan features will be part of a dynamic conversation.

Just as the private sector supports policymakers' retirement reform efforts, policymakers can support the private sector's efforts to live up to this standard, for example by accelerating the expansion of PSN to expand portability. Our Retirement Summit showed that the public and private sectors are ready and willing to work together. Now it's time to put those plans into action.

"WHAT WE HEARD TODAY IS, SO MUCH PROGRESS HAS BEEN MADE. BUT ... THERE'S STILL SO MUCH THAT NEEDS TO BE DONE, AND IT'S NOT SOMETHING THAT JUST ONE OF JUST CAN DO, RIGHT? THAT'S WHY WE CALLED THIS EVENT: 'IT'S ALL OF OUR WORK.' IT IS ALL OF OUR WORK."
— JAIME MAGYERA, CO-HEAD OF U.S. WEALTH ADVISORY, BLACKROCK

Part III: Upstream Accumulation: Emergency Savings and Early Wealth Building

Preparing for retirement does not happen in a vacuum. Rather, financial security is built over a lifetime, shaped by the ability to navigate expenses—both expected and unexpected—along the way. These expenses can force workers to dip into their retirement savings or prevent them from saving for retirement in the first place. The public and private sectors both have key roles to play in breaking down these barriers.[29] Our Summit highlighted promising paths forward, such as expanding access to emergency savings tools and early wealth building opportunities, to enable more people to participate in the financial system and facilitate long-term financial wellness.

MANY AMERICANS STRUGGLE TO ACCUMULATE EMERGENCY SAVINGS

Many Americans, especially lower- and moderate-income (LMI) households, live paycheck to paycheck and struggle to build a safety net of accessible short-term savings.[30] According to BlackRock's April 2025 survey, 23% of registered voters reported having no readily available savings, and 30% said they would have difficulty immediately paying an unexpected bill for $500.[31] In the Federal Reserve's 2023 survey of U.S. households, 18% of adults said the largest emergency expense they could handle right now using only savings was under $100, and 14% said they could handle an expense of $100-$499.[32]

Several speakers at our Summit emphasized Americans' struggle to accumulate emergency savings and the implications of this reality for financial and retirement security. Rep. Joyce Beatty (D-OH), for example, noted the significant number of Americans who lack savings to address a financial emergency, and how this affects the likelihood that these workers will save for retirement. Khari Parker, co-founder of Connie's Chicken and Waffles, discussed how experiences like the COVID-19 pandemic demonstrate the importance of access to readily available emergency savings. Focusing on solutions, Sens. Cory Booker (D-NJ) and Todd Young (R-IN) described their collaboration that successfully incorporated provisions into SECURE 2.0 expanding access to

workplace emergency savings accounts.

A lack of short-term savings can force individuals to dip into their long-term savings prematurely. Data suggests that over a 12-month survey period, 10% of nonretired adults tapped into their retirement savings to cover preretirement expenses.[33] By contrast, research from Commonwealth and the Defined Contribution Institutional Investment Association's Retirement Research Center showed that having at least $2,000 in emergency savings cuts in half the likelihood of workers withdrawing from their retirement account during an economic crisis.[34]

> "IF YOU HAVE AN EMERGENCY SAVINGS PLAN, YOUR CHANCE OF RAIDING YOUR RETIREMENT [SAVINGS] GOES DOWN DRAMATICALLY TO ABOUT 9%. IF YOU DON'T HAVE AN EMERGENCY SAVINGS PLAN, 60% OF PEOPLE … WILL RAID THEIR RETIREMENT TO MEET ONE OF THOSE UNEXPECTED CHALLENGES WE HAVE, AND FURTHER ERODE THEIR POSSIBILITY TO RETIRE WITH SECURITY."
> **— SEN. CORY BOOKER (D-NJ)**

The lack of readily available savings affects LMI households more than households with higher incomes. A recent survey by Washington University in St. Louis concluded that only 8% of low-wage workers have access to a workplace emergency savings program, and 46% do not have any emergency savings.[35] Of those with emergency savings, 54% do not have enough to cover three months of usual household expenses.[36]

KEY ADVANCEMENTS IN EMERGENCY SAVINGS

In 2019, BlackRock announced its philanthropic Emergency Savings Initiative (ESI) with the aim of identifying and scaling the most impactful initiatives aimed at LMI workers. Since then, BlackRock and its nonprofit partners have helped provide more than 10 million workers across the United States with access to high-quality workplace savings solutions, which has helped generate over $2 billion in emergency savings.[37]

In recent years, there has been increasing recognition across the public and private sectors of the importance of building a safety net of liquid, short-term savings to weather unexpected financial shocks. The inclusion in SECURE 2.0 of two major emergency savings provisions, effective as of January 2024, illustrates Congress's acknowledgment of the essential role that emergency savings plays in strengthening retirement security and overall financial stability.[38]

- The first provision allows DC plan sponsors to automatically enroll nonhighly compensated employees into PLESAs, deducting up to 3% (unless the employee elects a higher rate) of post-tax pay alongside retirement contributions. Employees can withdraw funds tax- and penalty-free at any time, while contributions continue until the account reaches $2,500 (or a lower ceiling set by the plan). After reaching the cap, excess contributions are either paused or invested in an individual's after-tax retirement account until the balance falls below the cap.[39]
- The second provision lets DC plan participants withdraw up to $1,000 per year penalty-free for emergency expenses. Participants must replenish the amount before taking another emergency distribution within the next three years.

The $1,000 withdrawal provision has gained traction due to its administrative simplicity.[40] Retirement savers have already begun making qualifying withdrawals, and plan sponsors report that repayments are occurring faster than expected, aided by regular contributions being credited toward the repayment.[41] Although some stakeholders worry about increased asset leakage from retirement accounts, the allowable withdrawal amount is much lower than other options, such as loans and hardship withdrawals, which could serve to reduce leakage overall.

Although employees could benefit significantly from emergency saving accounts, most recordkeepers and plan sponsors have been hesitant to move forward with PLESAs due in part to their complexity.

Stakeholders are coalescing around key reform options that could simplify PLESAs and make them more attractive for plan sponsors, recordkeepers, and employees.[42] For one, recordkeepers suggest that the current law's exclusion of highly compensated employees (HCEs, or employees who earn more than $160,000) is unnecessary and difficult to implement, in part because it is cumbersome to track employees moving in and out of the HCE designation.[43] This exclusion was included in SECURE 2.0 to avoid extending more tax incentives to higher earners, but the $2,500 cap on PLESAs makes these incentives very small, and allowing HCEs to participate would have little effect on either equity or federal tax revenue. Separately, increasing the account cap on PLESAs could better equip workers to handle a financial emergency without tapping their retirement savings—and the accounts would still provide no meaningful tax benefit that higher earners could take advantage of.

Out-of-Plan Emergency Savings Accounts

Lawmakers' recent emphasis on emergency savings has magnified its role as a potential employee benefit, leading to growth in the market for programs that are separate from the retirement account (and often administered by third parties), known as "out-of-plan" emergency savings accounts.[44] Companies such as Fidelity, T. Rowe Price, SecureSave, SoFi, and Sunny Day Fund have stepped in to meet the demand with out-of-plan emergency savings accounts, provided as employee benefits.

These out-of-plan accounts provide flexibility and offer advantages, such as portability between jobs and the ability of employers to provide "seed funding" and matching contributions. Attractive features like these have helped to drive implementation over the past several years, with highly visible examples from companies such as Delta Airlines and Whole Foods.[45]

Standalone emergency savings accounts cannot currently leverage the automatic features that dramatically increase retirement plan participation—features that PLESAs can implement. BlackRock's Emergency Savings Initiative research with Nest Insight in the UK, for example, has shown that automatic enrollment can lead to emergency savings participation rates that are 40-50 percentage points higher than solutions that require actively opting in.[46] Legislative action could deliver parity, allowing PLESAs and out-of-plan accounts to compete on an even footing and provide convenient short-term savings options to the greatest share of workers. To that end, we recommend that Congress establish clear guidelines for defining an out-of-plan emergency savings account eligible for automatic enrollment.

> "IT'S IMPORTANT THAT EVERY AMERICAN KNOW THAT FROM A YOUNG AGE, THEY HAVE A PIECE OF THE GREAT WEALTH THAT WE GENERATE."
> **— SEN. TODD YOUNG (R-IN)**

FINANCIAL JOURNEYS CAN START AT BIRTH

Although emergency savings help workers weather unexpected financial storms, early wealth building initiatives can start Americans investing in their futures beginning at birth, promoting increased financial stability and upward mobility over the long term.

Building wealth early in life increases the likelihood that individuals will have savings readily available for potentially life-changing investments in education, housing, and business formation.[47] An initial investment of $1,000 at birth,

with annual contributions of $500, can lead to an investable sum of $20,000 when an individual reaches age 18.[48,b] In fact, initiating the investments at birth can generate $9,000 more in savings by age 18 than waiting until age 7 to begin investing.

Momentum on Early Wealth Building Initiatives

Early wealth building proposals date back to the late 1990s from both Republicans and Democrats. Recently, bipartisan momentum has been building around the idea that wealth building for Americans should start as early as birth, and these views were echoed during a Retirement Summit panel featuring Sens. Booker and Young. Sen. Booker noted, "We should create these American opportunity accounts for every single child. It will have a transformative effect and create wealth, which has a multiplier effect and could help people create generational wealth more quickly."

States and cities across the United States are advancing a variety of early wealth-building programs to promote economic mobility.[49] Baby bonds are publicly funded trust funds for children to use for expenses ranging from education to homeownership when they reach a certain age.[50] Connecticut and Washington, D.C., run baby bonds programs, and California has introduced a targeted version for children who lost caregivers or spent extended time in foster care.[51] Child savings account programs, on the other hand, can be either publicly or privately funded accounts, often held in state-administered 529 plans, that begin with a seed deposit and embed opportunities for children and their families to earn and save additional funds, including by allowing contributions from the community. This feature is especially important for families living on low to moderate incomes. Several states, including California, Maine, and Pennsylvania, have established universal children's savings account programs, and cities such as New York, San Francisco, and Boston have launched programs that automatically enroll public school students.[52] These programs offer an opportunity to test the most effective ways to encourage account claiming (e.g., through trusted community-based organizations, such as the NYC Kids Rise Save for College Program) and to evaluate the usage of funds as participants in the older programs begin to reach claiming age.

Building on state and local efforts, members of Congress have explored a variety of approaches to create nationwide wealth-building opportunities for American children. One would establish federally managed savings accounts with annual deposits for children under the age of 18.[53] Another would provide additional funds for 529 accounts and extend their use beyond education.[54] A third would provide $5,000 to every newborn and invest the money in an S&P 500 index fund; the fund would vest upon high school graduation or GED completion.[55] In addition, tax legislation passed by the House of Representatives in May

[b] This projection assumes an initial investment of $1,000, with an annual contribution of $500 and an average annual growth rate of 6.5%. Using a compound interest formula over 18 years, the savings come to $20,467.

2025 would establish tax-preferred accounts for children that, under a pilot program, would be seeded with $1,000 in federal funds for newborns.[56] Other contributions to these accounts would also be permissible (up to an annual $5,000 limit), and the account funds could be invested in specified eligible investments (U.S. equity index funds that meet certain other requirements).[57]

Despite growing interest in early wealth-building initiatives, practical and ideological trade-offs have impeded bipartisan support. Funding these programs requires balancing long-term investments in children's financial futures against immediate fiscal constraints.[58] Some argue that universal programs might divert resources from need-based initiatives, while means-tested models could introduce administrative complexities.[59] Restricting fund usage to specific purposes such as education or homeownership aims to promote responsible asset building; however, overly stringent restrictions might limit beneficiaries' flexibility to address their unique financial needs.[60] Administering a federal program to ensure it reaches the target population nationwide could also pose obstacles.

Congress can take practical steps to enhance emergency savings programs by simplifying PLESAs and creating parity between PLESAs and out-of-plan options.[61] Beyond emergency savings, policymakers can foster early wealth-building opportunities by supporting pilot programs and experimentation at the state level to help identify scalable solutions that promote long-term financial security. Expanding these innovations through federal policy could help bridge gaps in financial security, reinforcing the role of both public and private stakeholders in fostering emergency savings and long-term wealth accumulation.

Public-private partnerships can play a crucial role in advancing early wealth-building efforts and enhancing out-of-plan emergency savings accounts. The private sector could partner with states by leveraging their infrastructure and technology to overcome barriers to early wealth-building. Furthermore, out-of-plan emergency savings accounts led by the private sector have already demonstrated success in increasing participation rates, and employers can build on the momentum surrounding emergency savings by offering such accounts as a benefit to their workers.

Part IV: Income during Retirement

Defined contribution plans help Americans save for retirement, but they historically provide limited structure for turning those savings into income once a person leaves the workforce. As a result, many retirees turn to rules of thumb, such as the 4% withdrawal rule; use required minimum distributions to guide their spending; or withdraw funds on an ad hoc basis to meet their needs.[62] These approaches have drawbacks, and the risk isn't just overspending. Without confidence that one's assets will last—because of market downturns, unforeseen health expenses, or living unexpectedly long, for example—many retirees *underspend* to insure themselves against those outcomes.[63]

Delegates at our Summit acknowledged the challenges that retirees face in appropriately calibrating their spending, and we considered ways to promote responsible and confident spend-down strategies. Insights from our session on retirement income are highlighted throughout this section.

Products such as annuities have long existed to turn lump sums into reliable streams of income and provide insurance against outliving one's assets, but use of these guaranteed income products is much lower than the level that would maximize retirees' well-being. As a result, the private sector is innovating, with solutions such as BlackRock's LifePath Paycheck®, to integrate guaranteed income products into DC plans.

GUARANTEED LIFETIME INCOME CAN SUPPORT RETIREE SPENDING

Research shows how guaranteed income solutions tap into human psychology to promote more confident spending in retirement. Nearly 60% of a nationally representative sample of adults "would feel more comfortable spending on nonessential activities such as going on vacation or eating dinner with friends in retirement if they [annually] received an additional $10,000 of income for life than if they had an additional $140,000 of retirement savings"—even though $140,000 represents the average cost of $10,000 of annuitized income.[64] At our Summit, RTX's Chief Investment Officer Robin Diamonte highlighted the "ease of mind" that guaranteed income products can give employees; BPC Senior Fellow Jason Fichtner and former Head of BlackRock's Retirement Group Anne Ackerley described how such products provide people with a "license to spend."[65]

Past research from BPC and BlackRock showed that replacing approximately one-third of a retiree's portfolio with deferred annuities—insurance products that provide regular income beginning at a given point in the future—can increase spending by 29% throughout retirement and reduce downside risk to

consumption by 33%.[66] In part, this is because the additional security provided by guaranteed income allows for a more aggressive asset allocation in the rest of the portfolio.[67]

At the same time, the country's most important guaranteed income stream, Social Security, already covers nearly all U.S. workers. Social Security faces well-known funding challenges that require action, but, even so, policymakers and the private sector have opportunities to help the program deliver greater benefits—and stronger longevity insurance—to retirees.[68]

Specifically, nearly 30% of new Social Security beneficiaries claim benefits at age 62, which reduces monthly benefits by 30% compared with claiming at the full retirement age of 67 and by 44% compared with claiming at age 70 (the claiming age that maximizes monthly benefits).[69] Fully 61% of new beneficiaries claim benefits before reaching full retirement age.[70] As a result, one study estimated that current retirees will collectively miss out on $2.1 trillion in additional wealth because they did not claim Social Security benefits at their optimal age (informed by their life expectancy).[71]

Certainly, some individuals face financial pressures that force them to claim benefits early. But leveraging even modest accumulated assets to bridge the gap between age 62 and later claiming—using a "bridge strategy"—is a promising approach to help retirees maximize their income, and remarks at our Summit addressed the potential role of such a "bridge." This option offers a significant opportunity for the public and private sectors to work together to advance retirement security.

The research from BPC and BlackRock, for example, found that delaying claiming Social Security from age 65 to age 67, on top of adding deferred annuities to a retiree's portfolio, can increase spending by 16% and reduce downside risk by 15% over adding deferred annuities alone.[72] Another study found that the increased consumption enabled by delaying claiming Social Security by just one year (boosting one's monthly Social Security benefit amount by around 7%) more than compensates individuals for the relatively large drawdown of assets needed to facilitate that bridge.[73]

Building on these findings, policymakers can consider additional measures to support DC plan fiduciaries in their consideration of guaranteed income solutions as investment options, potentially through regulatory or legislative measures. Plan fiduciaries are responsible for weighing many factors as they make decisions in the best interests of their plan participants.

In addition, Congress and the Social Security Administration (SSA) can work together to ensure that workers and retirees have the information they need to take a comprehensive and holistic approach to their finances. For one, additional data sharing between SSA and retirement plan recordkeepers could facilitate much greater participant understanding of their retirement finances in aggregate and prompt private-sector innovation to further tailor and personalize solutions.

Second, the terms that SSA uses to describe different claiming ages—62 is the "early eligibility age," 67 is the "full retirement age," and delaying claiming nets "delayed retirement credits" until age 70—are imprecise and encourage people to claim benefits early.[74] Jason Fichtner highlighted this concern at our Summit. In 2023, a bipartisan group of senators introduced legislation (and reintroduced it in April 2025[75]) to improve this language, rebranding age 62 the "minimum monthly benefit age," age 67 the "standard monthly benefit age," and age 70 the "maximum monthly benefit age."[76] Research shows that this terminology would significantly improve understanding of the impact of claiming age on Social Security benefits and increase average claiming age by around 2.5 months.[77] Either Congress or SSA could make these changes.

If Congress and the administration act, the onus will then be on employers to update their retirement plans accordingly and provide effective education to participants.

Part V: Strengthening Defined Benefit Plans

Defined benefit (DB) plans (commonly referred to as "pension plans") have served as a cornerstone of retirement security for many Americans, particularly throughout the 20th century. They are offered by certain private-sector and public-sector employers and provide longer-tenured workers with a predictable, guaranteed lifetime income beginning at retirement, based on a formula typically tied to salary and years of service.

The first private pension plan was established by the American Express Co. in 1875; later that year, railroads and industrial manufacturers began offering pension plans to employees as a tool to retain workers and manage an aging workforce. Private pension plans grew after the passage of the Revenue Act of 1913, which allowed retirement plans to be considered tax-exempt. However, even at their peak in 1975 (shortly after the creation of IRAs and before the creation of 401(k)s), only 39% of private-sector employees participated in a DB pension.[78]

There are two major types of private-sector pension plans: multiemployer plans and single-employer plans. Single-employer plans generally cover a single workforce at a single company. Multiemployer plans, also called "Taft-Hartley" plans, cover multiple employers, generally within the same industry and/or geographic region. Nationwide about 1,400 multiemployer pension plans currently support 10.9 million participants.[79]

Public-sector pensions originated in 1857 with the New York City Police Department and grew substantially during the late 1800s. In 1920, the Civil Service Retirement System was created for federal employees. Pension plans continue to be the dominant form of retirement plan in the public sector. For instance, most state and local government employees (86%) had access to a public pension plan in 2022, and 87% of those workers participated in such plans, according to the Urban Institute.[80]

THE CURRENT DB PLAN LANDSCAPE

In 2022, $681 billion in public and private pension benefits were paid to 26.3 million retired Americans, supporting 7.1 million American jobs, according to the National Institute on Retirement Security.[81] However, private-sector DB plans have declined notably in recent decades. As of 2003, 33% of large employers provided DB plans; by 2015, only 3% of Fortune 500 employers offered traditional DB plans to newly hired employees.[82]

The decline in DB plans has been attributed to various factors, ranging from the economy's movement away from industrial manufacturing to higher costs and risks for employers for DB plans relative to DC plans. Federal law changes and increased regulations governing DB plans have also played a role. For example, a provision in the 1978 Revenue Act, allowing for employee pretax contributions through 401(k) plans, gave employers a cost-effective way to offer employees retirement benefits without assuming the liability of a fully funded pension plan. Studies also show that many employees prefer DC plans over DB plans because they are more easily transferable across jobs, balances are more transparent, and assets are managed by employees.[83]

Pension plans are often a key recruitment and retention strategy for unions, including for the International Association of Fire Fighters (IAFF), the largest labor union for firefighters in North America. At our Retirement Summit, one panel featured a current New York City firefighter who recalled how, as a rookie, he had enrolled in a pension without even knowing it. A veteran fireman gave him a form—and an order: "Just sign it. You'll thank me in 25 years." In addition to retirement security, the accidental disability provisions unique to DB programs are highly valued by public safety employees, who can work under dangerous conditions.

CHALLENGES WITH DB PLAN FUNDING

Discussion panels featuring current firefighters and union leaders during our Summit showcased how shortfalls in pension funding are an ongoing concern. As of 2024, public pensions were underfunded by roughly $1.6 trillion, according to the Stanford University Institute for Economic Policy Research.[84] Private-sector multiemployer pensions have also faced major funding challenges in recent years.[85]

Sponsorship of public safety pension plans varies significantly because some states almost exclusively provide plan coverage at the state level, while others provide it exclusively at the local level; this adds to the complexity of managing these plans for the more than 20 million Americans covered by state and local government pensions.[86] In 2024, several state legislatures acted to increase annual employer contributions to their retirement systems, manage how unfunded liabilities are paid down, and utilize surplus revenues to make supplemental payments to improve system funding and further pay down debt.[87] However, some stakeholders continue to advocate for more policy reforms to strengthen the pension system.

CONSIDERATIONS FOR PENSION SYSTEM REFORM

Some union leaders at our Summit called for the broader adoption of multiemployer pension benefits known as hybrid pension plans, which combine the features of DB and DC plans. Like a traditional pension, hybrid plans provide workers with lifetime income and are designed to be more financially stable over the long term. Like DB and DC plans, hybrid plans offer cost predictability for employers because they are required only to contribute the amount negotiated in their collective bargaining agreements. Some stakeholders have called on Congress to pass legislation that would strengthen and modernize this form of multiemployer retirement plan.[88]

Others are advocating for a broader return to private pension plans by promoting policy changes that permit greater flexibility in certain respects, such as by facilitating the transfer of benefits from DC to DB plans.[89] The push for a revitalization of pensions is particularly salient for industries facing labor shortages and recruitment and retention issues, such as public safety and construction.

DB PLANS AND ADDRESSING THE LABOR SHORTAGE

Pension plans are a key recruiting tool for unions seeking to attract skilled labor.[90] At our Summit, Ed Kelly, the general president of the IAFF, described the impact that DB plans have on recruitment: "[In] places like Alaska, where we don't even have defined benefit pensions … they're struggling so hard to retain their police officers, firefighters, teachers, other critical public employees who will go up to Alaska, go get their training, and then move back to someplace that has a good defined benefit pension plan, access to retiree health care …"

DB plans' role as a recruiting tool is critical given the surging demand for specialized labor, such as electricians, welders, and construction workers. These industries face significant labor shortages, exacerbated by retirements among older workers and a lack of young talent entering the field. For example, the Bureau of Labor Statistics has estimated the United States will need 11% more electricians by 2033 than it had in 2023, nearly triple the growth rate for other professions.

This growing need for a highly skilled workforce is pushing employers to invest more in recruiting (including by offering retirement benefits), training, and upskilling. At our Summit, union leaders highlighted apprenticeship programs and other initiatives to train workers. Sean McGarvey, president of the North America's Building Trades Unions (NABTU), described the union's 1,900

privately funded, registered apprenticeship training centers in North America, which have 316,000 people currently enrolled.[91] Similarly, Ed Kelly noted that the IAFF has "tried to emulate … what the building trades have done in creating apprenticeship programs so we can recruit the next generation of firefighters and train them up in paramedicine and the skills that we need and try to get them into the workforce."

As the need for skilled labor in the United States continues to grow, training programs and benefits like DB plans remain powerful recruiting tools to ensure we "truly have enough workers to do the work."[92]

Building a Stronger Retirement Together

The challenges facing America's retirement system are complex and multifaceted, but our Summit highlighted the strong commitment from both public- and private-sector leaders to address these issues. From expanding access to retirement plans and emergency savings, to innovating new guaranteed income solutions, to strengthening pensions, a collaborative approach between policymakers, employers, and financial institutions will be crucial.

By building on recent policy successes like SECURE 2.0, leveraging technological innovations, and focusing on evidence-based solutions that meet workers where they are in their financial journey, we can create a stronger retirement system. The path forward requires continued bipartisan cooperation, private-sector leadership, and a willingness to adapt to the changing nature of work and longevity. With sustained effort and partnership, we can help ensure that all Americans can achieve the financial security they need to retire with dignity.

"IT'S ACTUALLY A RESPONSIBLE THING TO BE ABLE TO PRESSURE TEST, TO BE ABLE TO MAKE SURE THAT NEEDS ARE BEING MET, TO BE ABLE TO MAKE SURE THAT THINGS ARE SUSTAINABLE, TO MAKE SURE THAT WE'RE NOT MAKING PROMISES THAT WE DO NOT HAVE A PATHWAY OF KEEPING. AND, SO, I DO THINK IT'S IMPORTANT TO BE ABLE TO UNDERSTAND AND THINK THROUGH, 'WHERE IS SOCIETY NOW?' "

— GOV. WES MOORE (D-MD)

Where do we go from here? Strong commitment across the ecosystem is the only way we can drive real change in expanding access to all the tools in a workers' toolkit for achieving retirement security. The call to action was on the walls of the auditorium at the Summit: It's all of our work. And the time is now.

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