

Retirement Savings Lost and Found Act of 2020

Sponsored by Senators Elizabeth Warren and Steve Daines

As employers have shifted from defined benefit pensions to individualized retirement plans such as 401(k)s, workers have become responsible for tracking, managing, and consolidating multiple retirement accounts as they move from job to job. Moving an account from an employer to employer is not easy, so many workers never get around to it.

The investment management company TIAA estimated that 30% of employees—tens of millions of Americans—have left a retirement account at their previous employer, including 43% of Gen Xers and 35% of Gen Yers.¹ And according to the Government Accountability Office, millions more have left two or more accounts behind.²

This problem is only expected to grow in the coming years. Young workers today switch jobs at much higher rates than their older counterparts. The median job tenure for workers between 25 and 34 is less than 3 years, so workers could accumulate many different employer-sponsored retirement accounts throughout their working careers.³ Because of their short employment period, these workers may leave behind retirement accounts with small balances, which can decline rapidly in value from fees.⁴ Between 2004 and 2014, “separated employees left more than 16 million accounts of \$5,000 or less in workplace plans, with an aggregate value of \$8.5 billion.”⁵ An estimated more than \$100 billion of retirement savings are unclaimed.⁶ Americans are already \$7.7 trillion short on what they need for their retirement,⁷ and some are now relying on their retirement savings to help manage income loss or cover expenses during the current recession.⁸

Bipartisan Retirement Savings Lost and Found Act of 2020

Creates a national lost and found for retirement accounts. Uses data employers are already required to report to the Treasury Department to create a national, online, lost and found for Americans’ retirement accounts. This means that with the click of a button, any worker can locate **all** of their former employer-sponsored retirement accounts. No more lost accounts—ever.

Maximizes investment earnings. The act also makes it easier for plan sponsors to move small accounts into age-appropriate target-date funds so that workers can maximize their investment returns.

Reinvests small cashed-out accounts. Requires plan sponsors to send lost, uncashed checks of less than \$1,000 to Treasury so that individuals can locate this money and continue to save for their retirement.

The bipartisan **Retirement Savings Lost and Found Act of 2020** is one of those common-sense moves that we can make to help hard-working Americans build a little more security so they can retire with the dignity they deserve.

This bill is supported by the AARP, the American Benefits Council, the ERISA Industry Committee (ERIC), and the Pension Rights Center.

¹ TIAA, “Lack of Understanding Linked to Low IRA Ownership,” March 14, 2017, <https://www.tiaa.org/public/about-tiaa/news-press/press-releases/pressrelease668.html>.

² Government Accountability Office, “401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts,” November 2014, pp. 23, <http://www.gao.gov/assets/670/667151.pdf>.

³ U.S. Department of Labor, Bureau of Labor Statistics, “Economic News Release: Employee Tenure Summary,” September 20, 2018, <https://www.bls.gov/news.release/tenure.nr0.htm>.

⁴ Government Accountability Office, “401(k) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts,” November 2014, pp. 10, <http://www.gao.gov/assets/670/667151.pdf>.

⁵ Id., pp. 7

⁶ Government Accountability Office, “Federal Action Needed to Clarify Tax Treatment of Unclaimed 401(k) Plan Savings Transferred to States,” January 2019, pp. 1, <https://www.gao.gov/assets/700/696525.pdf>.

⁷ Pension Rights Center, “Nation’s Retirement Income Deficit Now \$7.7 Trillion” (March 12, 2015) (online at <http://www.pensionrights.org/newsroom/releases/nations-retirement-income-deficit-now-77-trillion>).

⁸ CNBC, “More than 1 in 4 Americans are raiding their retirement accounts after a coronavirus-related job loss,” Sharon Epperson, May 23, 2020, <https://www.cnbc.com/2020/05/23/26-percent-of-americans-are-raiding-their-retirement-accounts-after-job-loss.html>.