
'American Savings Account' proposed

By Editorial Staff Thu, Feb 11, 2016

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Legislation that would create for certain private sector workers a portable retirement savings arrangement to be known as the "American Savings Account" (ASA) has been introduced by Sen. Jeff Merkley (D-OR).

The "American Savings Account Act of 2016" calls for arrangements similar to IRA-based plans and to the federal Thrift Savings Plan (TSP) for governmental employees.

The bill is aimed at employees of businesses that offer no retirement plan and at self-employed individuals. It has provisions similar in some ways to automatic IRA programs that have been proposed at the federal level, and—owing to the absence of congressional action—are now being pursued by a number of states.

Following is a brief summary of the ASA Act provisions:

- Part-time and full-time workers of firms not offering a defined contribution retirement plan would be automatically enrolled.
- The self-employed could affirmatively choose to enroll.
- Independent contractors could request that those who employ them withhold and remit ASA contributions on their behalf.
- Church employers could optionally elect to enroll their employees, but would not be required to.
- Employees covered by a collective bargaining agreement (union employees) would not be covered as "qualified employees."
- Contributions would begin at 3%, and can be maintained, increased, reduced, or halted.
- Amounts automatically withheld could be recovered as permissible withdrawals, up to the employee's tax filing deadline.
- Maximum annual contributions, which would be excludable from taxable income, would equal the deferral limit that applies to 401(k), 403(b), governmental 457(b), and TSP plans (currently \$18,000).
- Annual automatic increases of 0.5% of compensation would apply to employees with affirmative deferral rates less than 5 percent, and employee can opt out.
- Contributions would be made to a Traditional IRA (similar in concept to SEP or SAR-SEP contributions made to Traditional IRAs), and would be eligible for conversion to

Roth IRAs.

- The contribution deadline would be no less frequent than monthly and no later than 30 days after the end of a pay period.
- ASAs could accept rollovers of any amount eligible to be rolled over to a Traditional or (if converted) a Roth IRA.
- Distributions from ASAs would not be aggregated with the taxpayer's Traditional or Roth IRAs for purposes of basis recovery or ordering rules.
- Investments offered would mirror those of the federal TSP program (the default investment being an age-appropriate target date fund).
- A participant's spouse would be the account beneficiary in the absence of a spousal waiver.
- States sponsoring certain retirement plans for private sector workers could prohibit their state employers' participation in the ASA program.
- ASA contributions would be authorized as of January 1 of the third calendar year following the year of enactment.
- An ASA Board of Directors would establish policies for the investment and management of the fund to which contributions would be made.

The bill's introduction coincided with the Senate Finance Committee hearing on enhancing access to retirement saving options, and with retirement initiatives in President Obama's 2017 fiscal year budget proposal.

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