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Obama Outlines Retirement Initiatives

By [EDMUND L. ANDREWS](#)

WASHINGTON — [President Obama](#), noting that millions of Americans do not have enough savings to cover their retirement, announced a package of initiatives on Saturday to spur increased savings.

The administrative actions, which do not require new legislation from Congress, are intended to make it easier and more automatic for people to put money into tax-advantaged retirement accounts.

“The fact is, even before this [recession](#) hit, the savings rate was essentially zero, while borrowing had risen and credit card debt had increased,” Mr. Obama said in his weekly radio address. “Half of America’s work force doesn’t have access to a retirement plan at work. And fewer than 10 percent of those without workplace retirement plans have one of their own.”

Mr. Obama outlined four new initiatives, all of which are based on new behavioral research on ways to encourage people to save in a systematic way.

One key finding in that research is that people are more likely to contribute to a retirement savings account, like an employer-sponsored [401\(k\)](#) plan, if they are enrolled automatically. Workers have usually had to sign up for the plan, something that large percentages of people either postponed or never did at all.

Under automatic enrollment plans, employees are automatically signed up unless they explicitly ask not to participate.

Many large and medium-size companies have already adopted automatic enrollment plans, but White House officials said the new initiative was aimed at very small firms that often use a simpler system called the “simple [I.R.A.](#)”

Under the new initiative, the Treasury Department and the Internal Revenue Service will publish new guidance for small businesses on how to use automatic enrollment for the simplified plans. It will also encourage employers to institute an automatic “step up,” which increases a person’s saving rate each year or with each raise.

In a second move, Mr. Obama said the [Internal Revenue Service](#) would allow people to check a box on their tax returns and receive their tax refunds in the form of United States savings bonds. White House officials said there are about 100 million tax refunds each year, and the average is about \$2,000.

In a third change, the government will make it easier for employees to contribute the money for unused vacation time and overtime to their retirement accounts. At the moment, most employers simply cash out

the extra time and give the money to their workers.

Mr. Obama said the [Treasury Department](#) and the Internal Revenue Service were also publishing an easy-to-read guide to help people understand the arcane rules governing retirement plans when people change jobs.

White House officials said the new initiatives would go into effect immediately and come on top of two related proposals that Mr. Obama sent to Congress as part of his budget.

One would compel all but the smallest employers to offer retirement savings plans, and the other would expand the saver's tax credit, which matches a family's savings up to \$1,000 a year.

This article has been revised to reflect the following correction:

Correction: September 15, 2009

An article on Sept. 6 about President Obama's new actions to encourage greater retirement savings misidentified the government agencies that are publishing new guidelines for automatic enrollment in employer plans. They are the Treasury Department and the Internal Revenue Service; the Labor Department is not involved.

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