

THE SAVER'S MATCH PROVISION IN SECURE 2.0:

How We Can Put Thousands of Dollars into Retirement Savings Accounts for People with Low Income

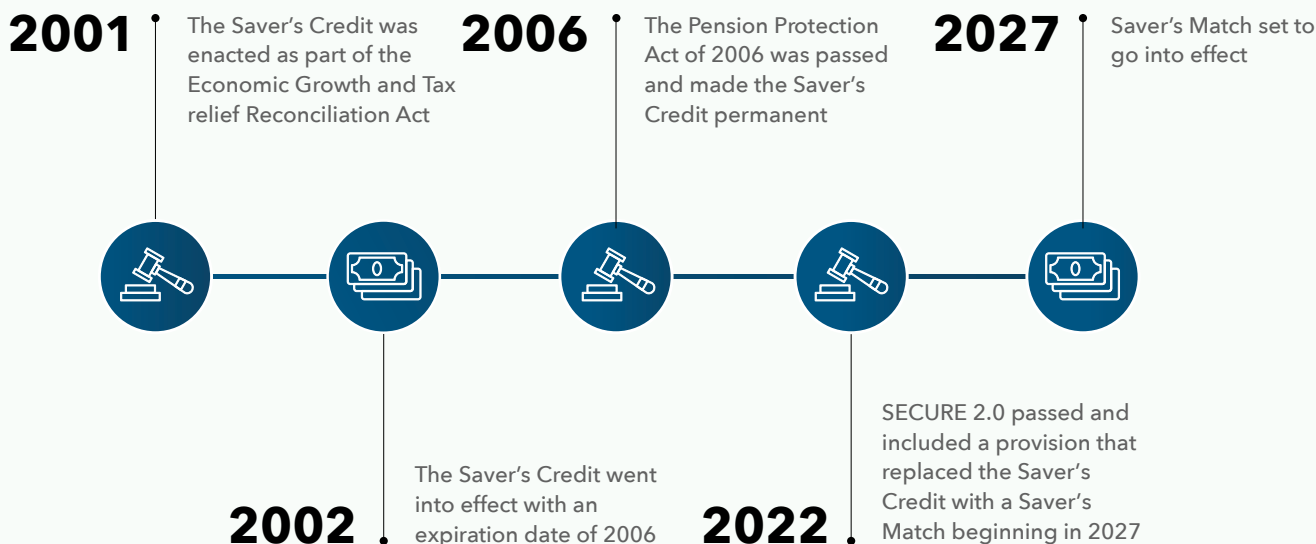
A Primer from the Aspen Institute
Financial Security Program

Do retirement savings matter for people with low income?

With only home equity generating more wealth for households in America, retirement savings are an essential component of retirement security, [financial resilience](#), and wealth creation. As home equity becomes increasingly out of reach for more households, America's workplace retirement savings system enables ongoing investing in capital markets and offers infrastructure at scale to help all households build wealth. Today, [just over half](#) of American households have access to workplace retirement savings, or choose to open an individual retirement account (IRA).

What is the Saver's Match?

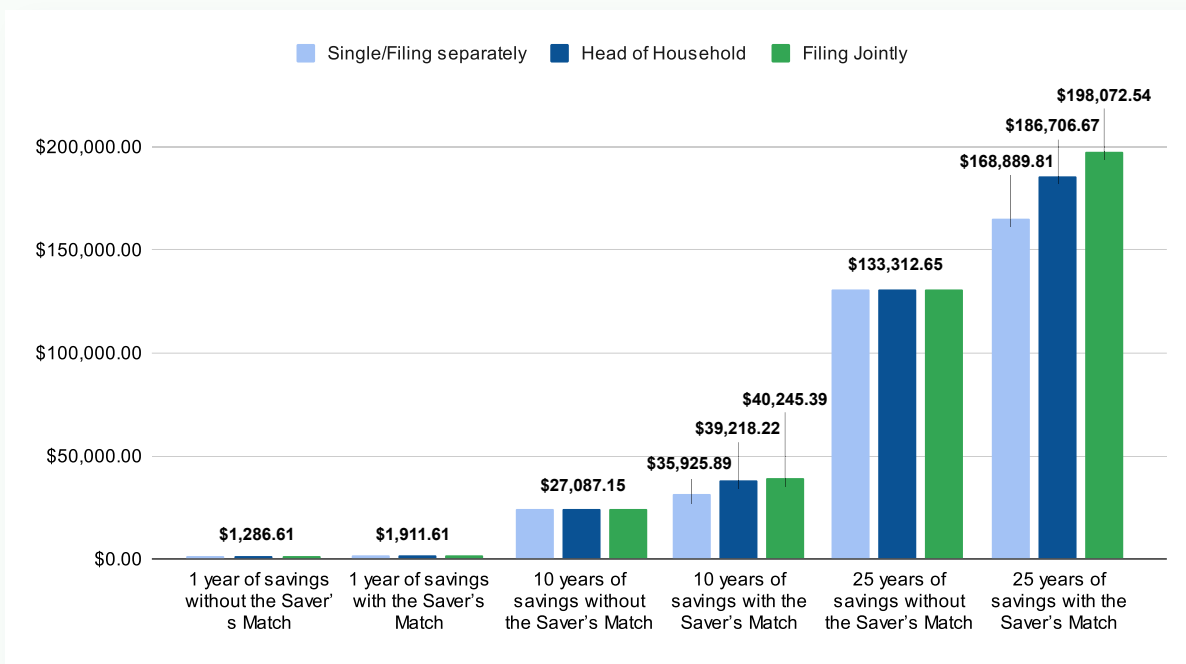
In 2022, Congress passed the SECURE 2.0 Act. One of the provisions of the Act is the Saver's Match, a federal matching contribution for low- to moderate-income workers who contribute to a retirement savings account. In 2027, the Saver's Match will replace the Saver's Credit. Instead of functioning as a standard tax credit, a federal matching contribution will be deposited into a taxpayer's retirement account. The Saver's Match will still be income-limited like the credit it replaces. A key difference from the credit is that the match will be fully refundable, meaning it will be paid even if a worker does not have any tax liability.



What is the potential impact of the Saver's Match?

Every year, eligible savers could receive up to \$1,000 per person into a qualifying retirement account (up to \$2,000 per married couple filing jointly). Preliminary estimates from the Employee Benefits Research Institute find that 69 million people are eligible for the match. Of those, at least 20 million people already have a qualified account and roughly 49 million might be encouraged to start saving to take advantage of the match.

Over 25 years, the Saver's Match could increase the retirement savings balance of an eligible saver by as much as 50%



Note: Analysis from Andrew Blevins at Pew Charitable Trusts.

Modeling based on a saver with a personal income of \$25,000, an annual 2% COLA in the MAGI cap and personal income, a 5% initial contribution rate escalating 1% annually up to 8%, and an inflation adjusted 6% return on the investment.

How can we make sure everyone who is eligible for the Saver's Match can benefit from it?

Implementing the Saver's Match is not straightforward, and neither is ensuring that eligible people are prepared to take advantage of this opportunity to have new money invested into retirement accounts. While experts in government and industry are focused on solving the complex operational challenges, successful implementation will require significant effort and problem solving from leaders across all sectors—including financial services providers, nonprofits, advocacy groups, government leaders, tax preparers, and more.

We need leaders from across sectors to:

- Make sure eligible people—whether they are customers, employees, constituents, clients, members, or something else—understand the Saver's Match and what they need to do to receive the money in their account.
- Form creative pathways and partnerships to ensure that eligible people have easy access to high quality accounts in which to save and receive the Saver's Match.
- Support the the Saver's Match policy and ensure that it continues to be a priority for policymakers until it goes into effect in 2027, with a special focus on expanding the policy to make Roth IRAs—the most common account structure for state-facilitated workplace retirement savings plans—to become eligible to receive the Saver's Match.

Given the critical opportunity ahead of us, we need all voices at the table. We need fresh thinking and new partnerships, and we need creative communications and strategies to reach the millions of households who stand to benefit.

RESOURCES

[Federal Saver's Match Could Benefit Millions of Low- to Moderate-Income Americans](#) (Pew)

[How Effective Might the Saver's Match Be in Mitigating Race/Gender Disparities in 401\(k\) Plans](#) (Collaborative for Equitable Retirement Savings)

[The Retirement Savings Contribution Credit and the Saver's Match](#) (Congressional Research Service)

[How the Saver's Match Could Promote Financial Inclusion](#) (Retirement Clearinghouse)

[Sizing the Market for the Saver's Match](#) (Employee Benefit Research Institute)

[General Explanation of Tax Legislation Enacted in the 117th Congress](#) (Joint Committee on Taxation)