UNIDOSUS
STRONGER COMMUNITIES. STRONGER AMERICA.

HEADQUARTERS
Raul Yzaguirre Building
1126 16th Street NW, Suite 600
Washington, DC 20036-4845

202.785.1670
202.776.1792
unidosus.org

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The Honorable Danny Werfel, Commissioner
Internal Revenue Service
1111 Constitution Ave, NW
Washington, DC 20224

Re: Comments in response to Request for Comments Regarding Implementation of Saver's Match Contributions [Docket No. IRS-2024-0034]

Dear Commissioner Werfel,

On behalf of UnidosUS, we respectfully submit these comments in response to the Internal Revenue Service's (IRS) Request for Comments Regarding Implementation of Saver's Match Contributions. We are grateful for this opportunity to share information with the IRS about Latinos and their retirement savings, as well as concerns with the design of the Saver's Match and its ability to boost retirement savings for Latinos.

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers at local and national levels.

UnidosUS publishes reports, provides testimony, and advocates for policies that protect workers, make financial services more inclusive, and improve the economic well-being of working-class people and the Latino community. For example, this year, we testified before the Senate's Committee on Banking, Housing, and Urban Affairs in a hearing focused on consumer protections and junk fees that impact working-class consumers and Latinos. Our research and analysis include publications such as *Latinos' Retirement Insecurity in the United States (2018)*; *Latinos' Eligibility to Save in a Workplace Retirement Plan (2020)*; and *Second Edition of our Latino Banking and Financial Health Survey (2024).*

Latinos form an important part of the U.S. economy. The nation's 63 million Latinos produce almost $4 trillion per year in economic output.[1] If Latinos in the U.S. were an independent country, they would be the 5th largest economy in the world.[2] Latino economic activity is the fastest growing part of our economy, with Latino homeownership, business creation, household wealth, and overall spending increasing much more rapidly than that of the rest of the country.[34] Finally, the Department of Labor projects that nearly 80% of all new workers joining the labor force in the next 10 years will be Latino.[5]

Latinos have experienced important economic gains over the past few years in higher employment levels, wages, and increased wealth. The overall unemployment rate is at a near historic low of 4.1%, with slightly higher rates for Black (5.7%) and Latino workers (5.1%).[6] Workers in the bottom wage quartile saw their annual wages increase by more than 4% per year since 2020 and overall wages increased as much as 6% in 2023 alone.[7] Real wages (wages after adjusting for inflation) increased for over 12 consecutive months and lower-income segments are experiencing the fastest growth. Though many households are still struggling, real wages increased by more than 1%[8] since January 2023, and that increase was more than 3% for low-income workers.[9]

Lower-wealth groups also made gains in their net worth over the past few years. Latino wealth grew by 47% to $62,000 between 2019 and 2022, and Black wealth grew by 60% to $45,000 during that same period.[10] However, the economic and racial wealth divide remains a concern, with White families' median wealth at $285,000. Notably, the top 10% of households owned $6.5 million in assets, while the bottom 50% of households averaged only $50,000 in wealth.[11]

Despite gains in wealth, working-class people, people of color, and Latinos also are experiencing significant economic difficulties. For example, the poverty rate remains higher than the pre-pandemic rate of 10.5%—at 11.5%, it represents 38 million people. The poverty rate for Black people reached a historic low of 17.1% in 2022, but among Latinos it remains higher than the pre-pandemic period, when it was 15.7%, and still hovers at 16.9%.[12]

These financial challenges contribute to how families are feeling about their economic situation. An UnidosUS poll of 1,200 Latinos in Arizona, California, and Texas found that 62% of respondents had less than $400 in emergency savings, and 35% of have no emergency funds set aside at all.[13] And, fully two-thirds of Latino renters in Arizona, California, and Texas are concerned about their ability to make their next rent payment.[14]

Many Latinos are citing retirement as an economic concern. In August of this year, we conducted a national poll of 3,000 Latino voters, in which we asked them to identify the most important issues elected officials should address. Inflation and the rising cost of living were the top concerns for respondents, followed by jobs and the economy.[15] Among those who cited jobs as a concern, 34% specifically cited a lack of access to benefits like retirement savings programs.[16]

Latinos lack access to retirement savings and many struggle to save for retirement even with access to good quality retirement products. This is why, despite the introduction of the Saver's Match program created by Section 103 of the SECURE 2.0 Act of 2022 (SECURE 2.0) and its intention to address retirement savings for low-income workers, we are highly concerned with its design and impact. Congress expanded and adjusted the longstanding Saver's Credit, converting it into the Saver's Match, through the passage of SECURE 2.0, with the intention of boosting the retirement savings of working-class Americans. However, Congress created two significant barriers in the design of the program including:

- Income thresholds which are too low and exclude millions of working-class people who could greatly benefit from this program.
- A savings match requirement that is unrealistic, and a benefit that is too meager.

Below, we provide an overview of the significant challenges and disparities that Latinos face in both accessing and using retirement benefits. Next, we explore the flaws in the Saver's Match design and why even a well-executed and equitable implementation of the match would not significantly impact the Latino community's ability to save for retirement.

We recognize that the Treasury Department and the IRS may not be able to meaningfully impact Latino retirement savings through this program. Some of this responsibility rests on Congress to make necessary legislative changes to the design of the match. However, it is important for the IRS and other stakeholders to understand these flaws so as to temper expectations for the program's success and understand what is realistically needed to meet the retirement needs of working-class people and Latinos.

Latino workers experience significant barriers to accessing retirement benefits, and those that have access to such benefits struggle to save.

Hispanic workers form the backbone of our labor force. The 32 million Latino workers in the labor force make up about 19% of all workers.[17] Latino workers have the highest labor force participation rate of any group with 67.4% of all Latinos working or searching for work compared to 65.3% of Asians, 62.9% of Blacks, and 62.4% of Whites.

Despite their importance to the workforce and their high rate of worker participation, Latinos have low levels of retirement savings, lack access to retirement accounts, and have a low participation rate in retirement accounts. For example, a 2022 study by the Economic Policy Institute found that 63% of Whites have access to retirement plans with 54% participating in a retirement plan. Comparatively, 40% of Latinos have access to retirement plans with only 30% participating in a plan.[18]

This lack of access and low participation rate means that Latinos have less overall savings set aside for retirement. The median retirement account balance for older Latinos is $105,000 compared to $156,000 for Whites.[19] And a 2022 Congressional Budget Office (CBO) study found that as of 2019, 71% of White families have retirement assets while only 50% of Black, 36% of Latinos have retirement assets.[20]

The Economic Policy Institute shares various reasons for such disparities in retirement savings explaining, "[these] are due in part to industry characteristics. Black and Hispanic workers are much more likely to work in such sectors as the Accommodation and Food Services sector, where pay is low and benefits are meager. A 2022 survey ranked this sector last in the quality of 401(k) plans offered."[21] Many Latinos work in low-wage jobs which often offer few benefits. For example, Latinos make up more than 30% of all workers in agriculture and construction sectors, and more than a fourth of workers in leisure and hospitality jobs.[22] Additionally, Latinos are disproportionately represented in manufacturing, textile production, bakeries, retail industries, "gig" economy jobs.[23]

Technical obstacles also prevent participation even when plans exist. Undocumented immigrants cannot access many programs, and enrollment remains low even among those with Individual Tax Identification Numbers (ITINs). Language barriers also limit accessibility of programs and information with over 26 million people in the US considered limited in English proficiency.[24]

Finally, low-wage workers across every race and ethnicity have low levels of retirement access. EPI finds that high-earning workers are three times as likely to have access to a retirement benefit compared to low-earning workers. They find that 82% of those in the top fifth of income earners have access to a retirement plan compared to only 28% in the bottom fifth of income earners.[25]

The Savers Match, as currently designed, may have limited effectiveness and will not make a meaningful impact on the retirement savings of working-class people and Latinos.

The income thresholds and phaseout range of the Saver's Match will limit the accessibility of this program and exclude millions of working-class people who could benefit greatly from a match. The Saver's Match is a government match for retirement account contributions. The maximum match is $1,000 per person (up to $2,000 per married couple filing jointly). Joint filers earning $41,000 or less ($20,500 or less for single filers) qualify for the maximum match rate of 50%. In other words, a married taxpayer earning $41,000 who makes $2,000 in eligible contributions would be eligible for a $1,000 match. Joint filers making more than $41,000 would see gradually declining matches as their income increases to $71,000 where program eligibility ends.[26]

These thresholds are also set at a level that is not much higher than the poverty level - $15,060 for an individual and $20,440 for a family of two - meaning that those who do qualify for the benefit, may not be able to make a contribution towards the match without possibly forgoing a necessary expense.[27] What's more, the supplemental poverty measure, which, unlike the official poverty measure, takes into account clothing, shelter, and utilities, is just under the Saver's Match phase out for married filers at $37,482.[28]

Workers who are earning poverty level or near poverty level wages don't have the ability to set aside thousands of dollars for retirement savings. This is illustrated in our financial health survey of 1,200 Latinos which revealed that over half of respondents had $400 or less saved in case of an emergency.[29] Thirty- five percent do not have any money saved for an emergency; this share rises to 57% for respondents who earn $29,000 or less per year.[30] It is unrealistic to expect an individual set aside $2,000 in exchange for $1,000 which they cannot access until retirement age at a moment when they face urgent needs like paying for rent, medical expenses, or putting food on the table.

Finally, many states have a minimum wage that is higher than the Saver's Match income threshold. There are currently 30 states, and the District of Columbia, with minimum wages above the federal mandate. Workers in all but two of these states would be phased out according to the proposed income guidelines.[31] To ensure the program is inclusive, changes and updates to the income threshold should be made for the intended impact to take effect.

Congress and stakeholders of the Saver's Match should take lessons from the design of the Child Tax Credit (CTC) as passed in the American Rescue Plan Act (ARPA). The CTC is an example of a benefit with an effective and inclusive design which the Saver's Match should model. ARPA allowed tax filers to claim up to $3,600 per child per year for children under age 6 and $3,000 per child per year for children ages 6-17. The credit was made available to all low-income families regardless of earnings or tax liability and was broad based in eligibility only decreasing in value for single parents earning more than $112,000 and married couples earning $150,000 a year.[32] Its near universal eligibility and the generous size of the CTC, created significant impact for beneficiaries, reducing poverty among children to a record low 5.2% in 2021.[33]

Congress should adopt the same principles embedded in the CTC into the Saver's Match to achieve maximum impact. These design principles include:

- Broad-based eligibility to ensure that all working-class people in need of a retirement boost can benefit from the match.
- A generous benefit that makes a real impact and makes it worthwhile for individuals to participate in the program.
- An easily accessible benefit both in acquiring the benefit and using it.

A more effective design would also provide a much greater match than $1,000 for a significantly lower contribution from participants. There is precedent for the federal government to provide up to an 8 to 1 savings match to individuals such as with the Assets for Independence (AFI) program.[34] The AFI program provided matched savings funds to individuals who wished to save towards a down payment on a home or capital for a small business. The program provided up to a 4 to 1 match in federal funds and another 4 to 1 from community-based organizations that were implementing the program, in total providing up to an 8 to 1 match. Overall, an individual could receive eight dollars for every one dollar they saved. Such a design not only increases the impact of the benefit by providing more overall funds to the participant, but increases the incentive, and participation rate, for individuals to save towards their goal.

In the absence of these basic principles and adjustments, the Treasury Department, IRS, and stakeholders in the Saver's Match and retirement work, cannot expect the Saver's Match to have significant impact in improving retirement savings for working-class people and Latinos.

Conclusion: The Saver's Match is a step in the right direction but much more needs to be done for the benefit to have a meaningful and positive impact on the retirement savings of working-class people and Latinos.

While the Saver's Match is an improvement over its predecessor, the Saver's Credit, the program is not without its challenges. The design of the Saver's Match program presents significant barriers that will ultimately undermine its intended purpose of establishing and supporting retirement savings for working-class Americans, particularly Hispanic workers. Our concerns are centered on two critical barriers that hinder access to benefits and provide an insufficient benefit.

These limitations are crucial for Latino workers who are already economically disadvantaged and face challenges to accessing or maintaining retirement savings accounts. We are concerned the administrative burden and narrow eligibility criteria will exclude working-class Latinos and other people of color who are disproportionately represented in low-wage jobs. We recommend that the Department of Treasury and Congress take the following actions: expand the income thresholds, restructure the match incentive, include an emergency access provision, and simplify the administrative requirements to increase accessibility.

With any questions or for additional information, please contact Santiago Sueiro, Senior Policy Analyst, at ssueiro@unidosus.org.

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