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Leading Positive Social Change for Wisconsinites Over 50

Wisconsin ▼

Need a Nest Egg? First, Make a Nest

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Small business owner June Zahn of Menomonee Falls is urging legislative candidates to back “work and save” programs. Photo by Darren Hauck.

By Joanne Cleaver

As a small-business owner, June Zahn wishes she could afford to provide a retirement savings plan for herself and her two employees at A Better Me spa in Menomonee Falls. “It would be great to be able to put money aside as a habit,” said Zahn, 52.

Nearly 1 million private-sector workers in Wisconsin do not have access to a job-based savings plan, such as a 401(k) or 403(b).

That’s why AARP Wisconsin is urging legislative candidates to support a “work and save” program in 2019. Such a program could give hundreds of thousands more workers a chance to save through payroll deductions—and the savings would be portable when they change jobs.

“Social Security isn’t enough to depend on in retirement,” said Lisa Lamkins, federal advocacy director for AARP Wisconsin. “When workers can save through payroll deductions, their savings rate goes up exponentially.”

Under a work and save plan, the state would create the infrastructure for a payroll savings program but would not fund its operation or contribute to workers’ savings.

Other states are moving forward with variations on this idea. Oregon launched an “auto-IRA” program

Such programs have gained bipartisan support because cultivating a habit of early, consistent saving can pay off later. People who achieve financial security during their working years are less likely to apply for state-funded assistance during retirement.

Zahn, the spa owner, said her company would “definitely” sign up if the state offered a payroll-deduction option.

The Magic of Auto Enrollment

Automatic enrollment can make a difference, too. Enrolling workers and letting them opt out results in higher participation rates than simply offering a program and letting them opt in. It also gives an earlier start to compound interest, which can transform modest but regular savings into a steady flow of retirement income.

When workers are automatically enrolled, just 10 percent opt out, but without auto enrollment, only 75 percent opt in, according to an analysis by the Brookings Institution.

“It makes it easier to save when you don’t see it,” said Cheryl Maranto, an associate professor of management specializing in human resources at Marquette University in Milwaukee.

In a 2015 AARP Wisconsin survey, 42 percent of working registered voters 45 and older said their employer did not offer a workplace savings plan. And 61 percent said elected officials should support a state program for those without access to a retirement savings plan at work.

Business owners have few cost-effective options, said Wendy K. Baumann, president of the Wisconsin Women’s Business Initiative Corporation, an economic development nonprofit.

The key to encouraging widespread retirement savings, Lamkins said, is for the state to offer a streamlined, low-cost program that small businesses can tap into for their employees.

“Make it easy for the small-business owner,” said Lynne Keckeisen, 53, president of Confluence Graphics, a Milwaukee-based company. “It’s confusing to administer these plans, and we don’t have time because we are so busy running our businesses.”

Joanne Cleaver is a writer living in Manistee, Michigan.

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