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# Letter: Retirement proposal could do real harm

## Editor:

In your May 1 editorial, "[An option for those without a retirement savings plan](https://www.readingeagle.com/news/article/editorial-an-option-for-those-without-a-retirement-savings-plan)," you correctly highlighted the impending insolvency of Social Security and the lack of retirement preparation among many workers as major policy issues.

However, endorsing state-run auto-IRAs in Pennsylvania is the wrong way to go and is based on two important misperceptions. The first is that 2.1 million Pennsylvania workers do not have access to retirement accounts simply because their employers do not offer them a 401(k) plan. Traditional and Roth IRAs allow workers to save for retirement with similar tax benefits and can be set up with minimal expense. The issue is not lack of access but rather that workers must take active steps to set up an account. The innovation with state-run auto-IRAs is reliance on passivity.

The second misperception is that few would miss the automatic contribution during their working years. My colleagues and I have examined how state-run auto-IRAs will affect workers. One-third of potentially affected workers hold high-interest credit card debt with a balance exceeding \$5,000. About 15% have difficulty meeting basic needs such as paying rent or utility bills. For many, state-run auto-IRAs would worsen their financial situation.

Finally, state policymakers exhibit a shocking amount of lack of responsibility in offering retirement options through auto-IRAs. The bloated administrative expenses in OregonSaves are 100 basis points, 20 times as high as if a worker set up a Roth IRA that tracked the S&P 500.

**Dr. Aaron Yelowitz**

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**Jim Sensenig**

05.10.19 / 8:10 am

Dr. Yelowitz

All good points and the last thing we need is the State of PA involved in retirement plans, even in an "administrative" role. IRAs have been around since the 1970s. People need to take the initiative to save for retirement, not have the State do it for them.

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