



Opinion Poll

Small Businesses Believe Washington Needs to do More to Help
Workers Prepare for Retirement, Support Legislation Doing So

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Table of Contents

Executive Summary	3
Main Findings	4
Owners Concerned Residents and Their Employees Are Unprepared for Retirement, Believe Washington Should Do More	5
Small Employers Support State Legislation Creating Basic Retirement Plan	7
Small Employers Agree Offering a Retirement Plan Helps Attract and Retain Employees.....	8
Conclusion	10
Methodology.....	10
Poll Toplines.....	11

Executive Summary

Though the U.S. is slowly recovering from the effects of the Great Recession, Washington small business owners and their employees are facing another financial crisis: retirement security. A survey by the American Association of Retired Persons (AARP) found a quarter of residents between the ages of 45-64 in the Evergreen State have less than \$25,000 in savings, and additional research found nearly three in five middle class workers in the state can expect to outlive their retirement savings.¹ Washington small business owners and their workers are no exception. A scientific opinion poll conducted for Small Business Majority by Public Policy Polling shows the majority of Washington entrepreneurs believe most Washingtonians are unprepared for retirement, and that the state should do more to help workers prepare for their golden years.

The vast majority of small business owners (85%) believe Washingtonians will not have enough money saved for the future. What's more, 65% are concerned their own employees will not have enough money to cover their basic living expenses when retired, with more than a third (37%) responding they are *very concerned*. As a possible result of this worry, 73% of respondents agree Washington should do more to help its residents prepare for retirement, with more than half who *strongly agree*.

Legislation is currently being considered that addresses the issue of retirement by making it easier for small businesses to establish a basic retirement savings option. Under this legislation, the self-employed and small businesses with up to 100 employees will have the option of creating a simple retirement account managed by the state for themselves and their employees. Small employers showed strong support for this legislation: nearly two-thirds (63%) said they support the bill and one-quarter responded they *strongly support* it.

The majority of employers have been unable to offer a retirement plan due to a number of barriers, such as that retirement plans are too expensive (29%), or they simply don't have the HR capacity to manage one (23%). However, they realize the importance of offering employee retirement plans. Of those who currently offer a plan to their employees, the majority of small business owners believe it helps them attract and retain talent and that it has a positive impact on employee attitude and performance. And more than a third say they offer because it's the right thing to do.

Sixty percent of small businesses that don't offer a retirement plan say they would be likely to do so if an affordable plan was available that met their business needs. The proposed state legislation would remove many of the barriers to providing a retirement plan, and nearly four in 10 employers responded they would be likely to use the plan created by this bill, regardless of whether or not they already offer a retirement plan to their employees. What's more, self-employed individuals also strongly support this bill. Like small business owners in the Evergreen State, the self-employed are very concerned about retirement preparedness for Washington's residents, and a vast 73% agree the state should do more to encourage retirement savings. As such, 69% support the retirement savings bill, with 31% who *strongly support* it.

It's important to note that Washington business owners have not made these decisions based on party lines. The political breakdown of the poll shows that it was a Republican plurality, with 42% identifying as Republican, 22% as Democrats and 36% as independent.

Small business owners know that offering a retirement plan helps them better compete in the job market and boosts morale among their employees. Employers clearly recognize the importance of helping their employees prepare for retirement, but several barriers are preventing them from doing more. The majority of entrepreneurs support the state's proposed retirement legislation because it would offer a flexible, affordable and convenient option for themselves and their employees to save more money so they can enjoy their golden years. In order to prevent further strain on state-financed safety net programs, Washington should take steps to encourage its residents to save for the future.

¹ "Retirement Vulnerability of Retirees in Washington" Americans for Secure Retirement, http://www.paycheckforlife.org/uploads/ASR_WASHINGTON_revised_for_Web.pdf

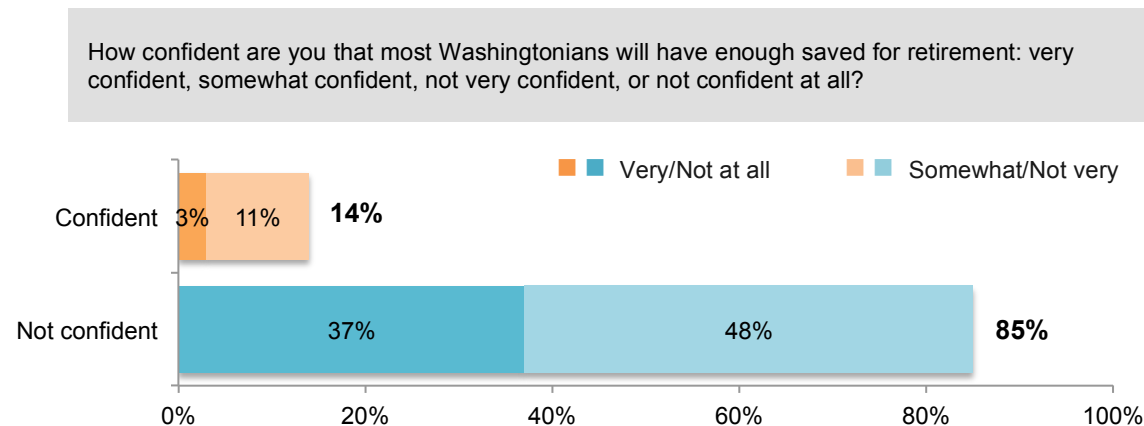
Main Findings

- **Small employers believe most Washingtonians will not have enough saved for retirement and are concerned their employees are also unprepared for retirement:** A vast 85 percent of small business owners believe Washington residents will not have enough retirement savings, with more than two-thirds responding they are *not confident at all*. What's more, 65 percent are also concerned their own employees will not have enough money saved to cover their basic living expenses during retirement. However, 74% of owners say they do have a retirement plan in place for themselves.
- **Small business owners believe Washington should do more to encourage saving for retirement:** 73% of small businesses agree Washington should do more to help small businesses prepare for retirement, with more than half (51%) who *strongly agree*.
- **Small business owners support state legislation that would make it easier for self-employed individuals and small businesses to establish a basic retirement savings option:** 63% of small business owners support proposed state legislation that would establish a basic, voluntary retirement savings account for the self-employed and small businesses with up to 100 employees that would be managed by the state. A quarter of entrepreneurs responded they *strongly support* this kind of legislation.
- **Small employers would offer a retirement plan if an affordable plan was available that fit their business needs:** 60% of small business owners would offer a retirement plan to their employees if an affordable option was available to them that fit their needs. More than a quarter (26%) responded they would be very likely to offer this as a benefit to their workers. This support may stem from the fact that a staggering 78% currently do not offer a retirement plan to their employees, due to a variety of barriers.
- **Many small business owners report they would use the plan created by the proposed legislation, regardless of whether or not they already offer a retirement plan:** Nearly four in 10 (39%) say they would offer the plan created by the proposed retirement bill as a retirement plan for their employees.
- **For those who do offer a retirement plan, the majority report they do so because it helps them attract and retain talent:** 36% of small business owners say they offer a retirement plan to their employees because it helps them attract and retain talent; 23% say they offer because it has a positive impact on employee attitude and performance; and 36% say it's the right thing to do. Small employers who don't offer a plan also cite these as being the most compelling reasons to begin offering a retirement savings plan in the future.
- **Flexibility and cost are some of the most important components of a retirement plan for small business owners:** 27% of respondents say the flexibility to match or not to match in a plan is important, and 22% say low fees is the most important feature; 11% report low set-up costs are the most important feature, 9% say reduced administration time and 32% report it's something else or they're not sure what features are most important.
- **Self-employed strongly support retirement legislation and believe Washington should do more:** More than three-fourths (76%) of the self-employed believe most residents will not have enough saved for retirement, and a vast 73% agree Washington should do more to encourage retirement savings. What's more, 69% of self-employed individuals, of whom there are 400,000 in Washington, support the proposed retirement legislation, with 31% who *strongly support* the bill.
- **Respondents were politically diverse:** 42% identified as Republican, 22% as Democrat and 36% as independent or other.

Owners Concerned Residents and Their Employees Are Unprepared for Retirement, Believe Washington Should Do More

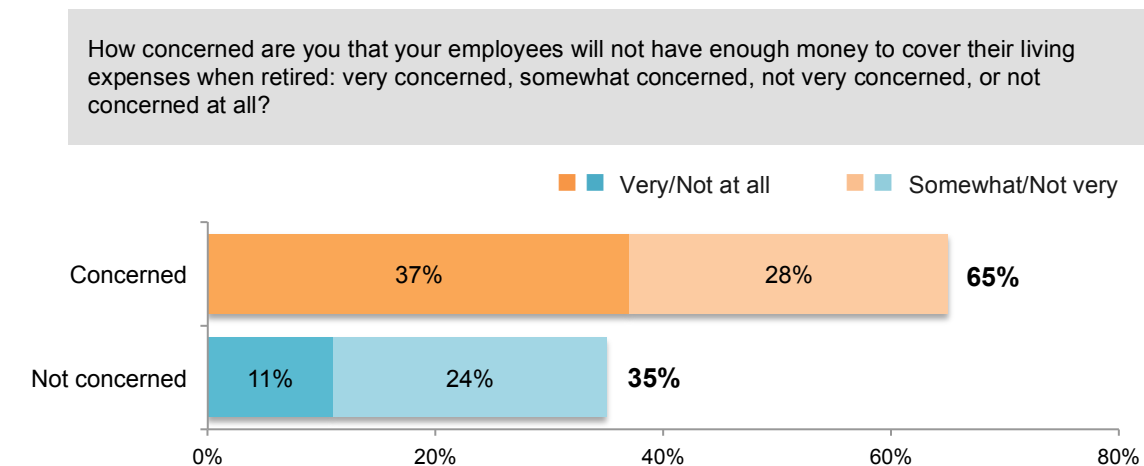
A vast 85% of Washington small business owners believe Washingtonians will not have enough saved for retirement, with more than two-thirds responding they *not confident at all*. Only 14% of small business owners believe residents of the state will have enough retirement savings.

Figure 1: Small businesses believe Washingtonians will not have enough saved for retirement



What's more, small employers are concerned their employees are also unprepared for retirement and that they won't have enough money saved to cover their basic living expenses when retired. In fact, nearly two-thirds (65%) expressed their worry over this issue, with 37% responding that they are *very concerned*.

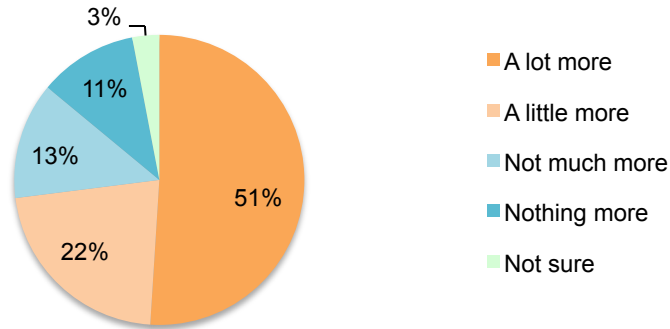
Figure 2: Small employers are concerned their employees will not have enough money saved for their golden years



In order to help workers prepare for the future, small business owners believe Washington should take steps to encourage residents to save more for retirement. In fact, 73% of small businesses agree Washington should do more to help the state prepare for retirement, with more than half (51%) who believe *a lot more* should be done to help Washingtonians prepare for retirement.

Figure 3: Small employers believe Washington should do more to help prepare residents for retirement

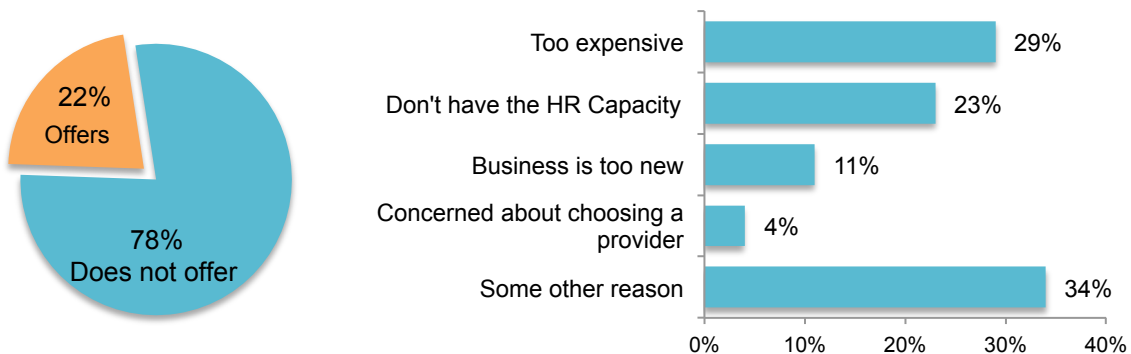
Do you think Washington state should do a lot more, a little more, or nothing more to encourage saving for retirement?



This support may stem from the fact that a vast 78% of small business owners currently do not offer a retirement plan to their employees, based on a variety of barriers such as it being too expensive, not having the administrative capacity to administer the plan, the business being too new and more.

Figure 4: More than three-fourths of small employers don't offer a retirement plan, based on a variety of barriers

Why do you not offer a retirement plan? Is it too expensive to set up, do you not have the human resources capacity to administer such a plan, is your business too new, are you concerned about how to choose a plan provider, or some other reason?

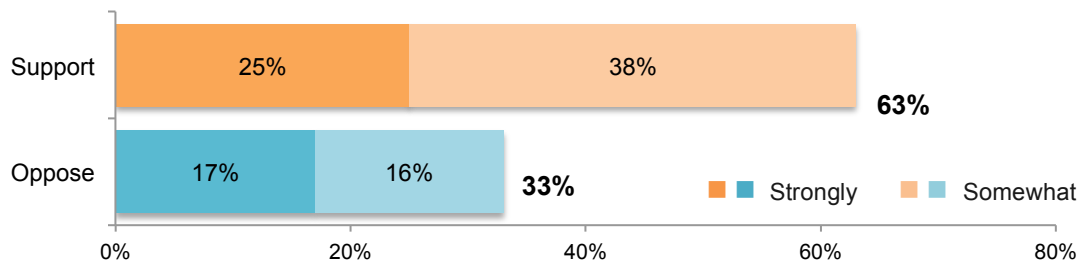


Small Employers Support State Legislation Creating Basic Retirement Plan

Poll results revealed particularly strong support for proposed state legislation that addresses the issue of retirement preparedness by making it easier for small businesses to establish a basic retirement plan. This legislation would allow small businesses to have the option of creating a simple retirement account for themselves and their employees that would be overseen by the state. Nearly two-thirds (63%) of small business owners responded they support the legislation, with one-quarter who *strongly supports* the bill.

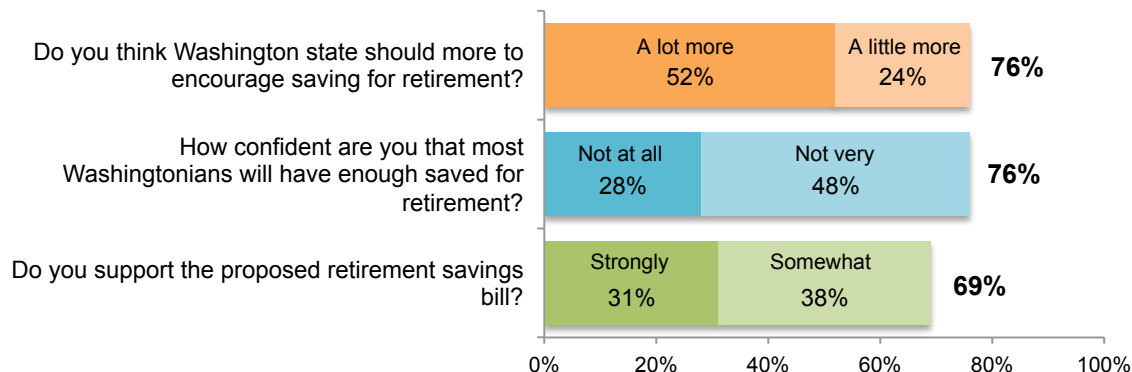
■ **Figure 5: Entrepreneurs support proposed state legislation that would make it easier for small businesses to establish a basic retirement savings option**

Currently there is Washington state legislation being considered that addresses the issue of retirement by making it easier for self-employed individuals and small businesses to establish a basic retirement savings option. Under this legislation, the self-employed and businesses with up to 100 employees will have the option of creating a simple retirement account managed by the state for themselves or their employees. It is up to each person to decide if they want to contribute, and the account follows workers if they switch employers. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this legislation?



Washington's self-employed individuals also strongly support this bill. Like small business owners in the Evergreen State, the self-employed are very concerned about retirement preparedness for Washington's residents, and a vast 76% agree the state should do more to encourage retirement savings. As such, 69% support the retirement savings bill, with 31% who *strongly support* it.

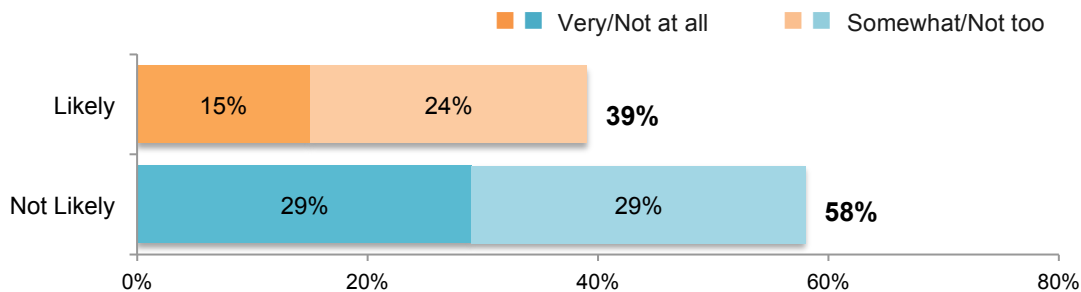
■ **Figure 6: Self-employed also strongly support retirement savings legislation, agree state should do more**



Not only do small business owners and self-employed entrepreneurs support this legislation, but many report they would be likely to benefit from it themselves. Nearly four in 10 (39%) small employers responded they would be likely to use the plan created by the proposed retirement legislation, regardless of whether or not they currently offer a retirement plan.

Figure 7: Four in 10 small business owners would use the retirement plan that would be created by the proposed retirement legislation

Whether or not you offer a retirement plan now, how likely would you say you are to use the plan created by the legislation mentioned earlier in this poll for your employees: very likely, somewhat likely, not too likely, or not likely at all?

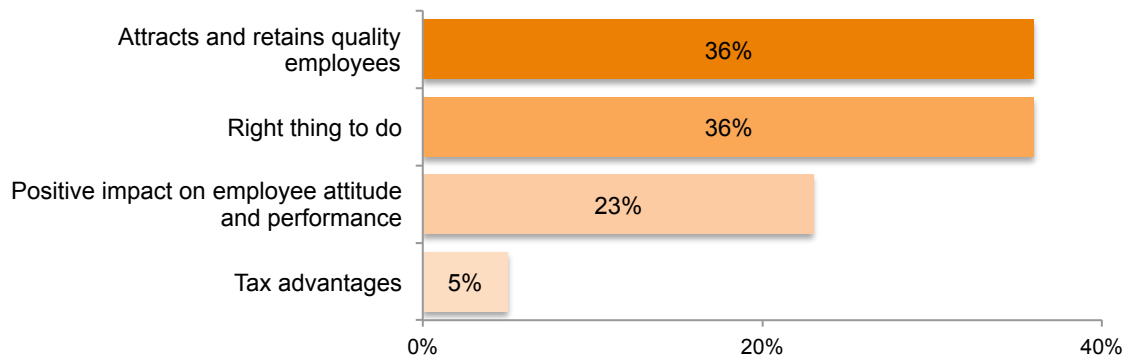


Small Employers Agree Offering a Retirement Plan Helps Attract and Retain Employees

For the 22% of small business owners who do offer a retirement plan, a 59% majority responded they do so because it helps them attract and retain talent, and it has a positive impact on employee attitude and performance. Thirty-six percent responded they offer this benefit simply because they think it's the right thing to do.

Figure 8: Small business owners believe offering a retirement plan helps attract and retain employees and boosts employee morale (Q11)

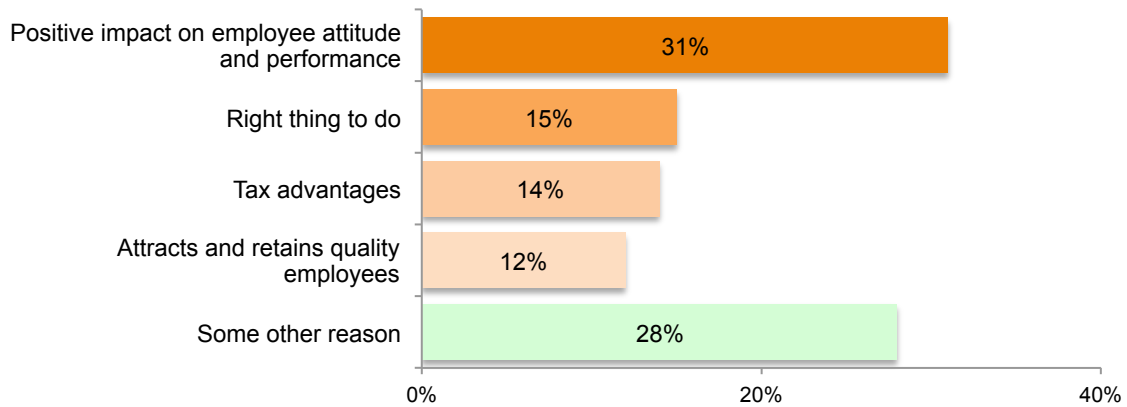
(Asked only of those who offer a plan) What is the main reason you offer a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?



The same opinions hold true for small employers who don't offer a retirement plan. When asked about the most compelling reason to begin offering a retirement plan, one-third responded they would do so because it's the right thing to do, and 27% think it would help them attract and retain quality employees and have a positive impact on employee morale and performance.

■ **Figure 9: Moral reasons, tax advantages, improving employee performance and attracting and retaining quality employees key reasons why small business owners who don't offer a plan would start**

What would be the most compelling reason for you to begin offering a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?



Conclusion

Small employers in the Evergreen State know the vast majority of employees are unprepared for retirement and they're worried. Small businesses are the state's biggest job creators. In fact, Washington's 140,000 small businesses employ 40% of the state's workforce, but less than a quarter of them are able to offer a retirement plan to their employees. Unless Washington does more to help small businesses and their employees prepare for the future, many Washingtonians will not have enough money saved for their golden years, which can put additional pressure on state-financed safety net programs.

In order to address the state's growing problem of retirement security, small businesses need help overcoming the barriers to offering retirement plans. Small employers agree the state needs to do more to help Washingtonians prepare for the future, and as such, they support proposed legislation that would make it easier for them to offer a basic retirement savings plan. As the backbone of our state's economy, Washington legislators should not only take notice of the small business community's support for this legislation, but act on it.

Methodology

This poll reflects a telephone survey of 242 Washington small business owners, conducted by Public Policy Polling for Small Business Majority with a margin of error of +/- 6.0%. The survey was conducted from December 18-19, 2013.

Poll Toplines

December 18 – December 19, 2013

242 Washington small business owners of 100 or less employees

1. Are you the owner of a small business?

Yes.....100%

No0%

2. Do you think Washington state should do a lot more, a little more, not much more, or nothing more to encourage saving for retirement?

A lot more..... 51%

A little more22%

Not much more13%

Nothing more.....11%

Not sure 3%

3. How confident are you that most Washingtonians will have saved enough for retirement: very confident, somewhat confident, not very confident, or not confident at all?

Very confident 3%

Somewhat confident.....11%

Not very confident48%

Not confident at all.....37%

Not sure 2%

4. Do you have a retirement plan for yourself?

Yes 74%

No..... 26%

5. Currently there is Washington state legislation being considered that addresses the issue of retirement by making it easier for self-employed individuals and small businesses to establish a basic retirement savings option. Under this legislation, the self-employed and businesses with up to 100 employees will have the option of creating a simple retirement account managed by the state for themselves or their employees. It is up to each person to decide if they want to contribute, and the account follows workers if they switch employers. Would you strongly support, somewhat support, somewhat oppose or strongly oppose this legislation?

Strongly support..... 25%

Somewhat support..... 38%

Somewhat oppose..... 16%

Strongly oppose.....17%

Not sure.....3%

6. Whether or not you have a retirement plan now, how likely would you say you are to use the plan created by this legislation for yourself: very likely, somewhat likely, not too likely, or not likely at all?

Very likely..... 14%

Somewhat likely28%

Not too likely..... 20%

Not likely at all.....36 %

Not sure..... 2%

7. How many people are directly employed by your business, including yourself? Is it just you, is it between two and five employees, is it between six and 10 employees, is it between 11 and 25 employees, is it between 26 and 50 employees, is it between 51 and 100 employees, or is it more than 100 employees?

Just you..... 24%
2 to 5..... 56%
6 to 10..... 11%
11 to 25..... 4%
26 to 50..... 4%
51 to 100..... 1%
More than 100..... 0%

8. (Q8-15 asked only of those with 2 to 100 employees) Whether or not you offer a retirement plan now, how likely would you say you are to use the plan created by the legislation mentioned earlier in this poll for your employees: very likely, somewhat likely, not too likely, or not likely at all?

Very likely 15%
Somewhat likely..... 24%
Not too likely 29%
Not likely at all..... 29%
Not sure 3%

9. How concerned are you that your employees will not have enough money to cover their living expenses when retired: very concerned, somewhat concerned, not very concerned, or not concerned at all?

Very concerned.....37%
Somewhat concerned 28%
Not very concerned..... 24%
Not concerned at all 11%
Not sure..... 1%

10. Do you offer your employees a retirement savings plan, or not?

Yes..... 22%
No..... 78%

11. (Asked only of those who offer a plan:) What is the main reason you offer a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?

Attracts and retains quality employees 36%
Positive impact on employee attitude and performance.....23%
Right thing to do..... 36%
Tax advantages..... 5%
Some other reason..... 0%

12. Q12-14 asked only of those who don't offer a plan:) Why do you not offer a retirement plan? Is it too expensive to set up, do you not have the human resources capacity to administer such a plan, is your business too new, are you concerned about how to choose a plan provider, or some other reason?

Too expensive 29%
Don't have the HR capacity 23%
Business is too new 11%
Concerned about choosing a provider 4%
Some other reason 34%

13. How likely would you be to offer your employees a retirement plan if an affordable plan was available that fit your business needs: very likely, somewhat likely, not too likely, or not likely at all?

Very likely 26%
Somewhat likely 34%
Not too likely 19%
Not likely at all..... 19%
Not sure 2%

14. What would be the most compelling reason for you to begin offering a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?

Attracts and retains quality employees 12%
Positive impact on employee attitude and performance..... 15%
Right thing to do..... 31%
Tax advantages..... 14%
Some other reason 28%

15. What features of employee retirement plans are most important to you: that the plan has flexibility to match or not match the employee contribution, that the plan has features to reduce administration time to run the plan, that the plan can be offered with low fees for employees, that it's low cost to set up, or something else?

Flexibility to match or not match contributions27%
Reduced administration time 9%
Low fees 22%
Low set-up cost..... 11%
Something else 26%
Not sure..... 6%

16. If you are a woman, press 1. If a man, press 2.

Woman 47%
Man.....53%

17. If you are a Democrat, press 1. If a Republican, press 2. If you are an independent or identify with another party, press 3.

Democrat 22%
Republican 42%
Independent/Other 36%

18. (Asked only of independents:) Do you think of yourself as closer to the Democratic or Republican Party?

Democrat 24%
Republican 41%
Neither 35%

19. If you are Hispanic, press 1. If white, press 2. If African-American, press 3. If other, press 4.

Hispanic 6%
White 82%
African-American..... 1%
Other..... 11%

20. If you are 18 to 29 years old, press 1. If 30 to 45, press 2. If 46 to 65, press 3. If you are older than 65, press 4.

18 to 29..... 3%
30 to 45..... 9%
46 to 65..... 57%
Older than 65 30%