

STRATEGY 1

Help More North Carolinians Plan and Save for Retirement

- a. The North Carolina Office of State Human Resources should identify opportunities to assist state employees with comprehensive pre-retirement education and planning related to finances, housing, and transportation needs for aging.
- b. The North Carolina General Assembly should establish a state-facilitated program to help businesses offer paycheck deductions for retirement savings if they are currently not offering a retirement plan.

Desired Result - Increase access to, knowledge about, and participation in retirement savings to improve the financial well-being of North Carolinians as they age.

Why does the task force recommend this strategy? -

While retirement savings is an issue that applies to all North Carolinians, there are limited levers for statewide action and policy. One opportunity for direct state action is to increase opportunities for pre-retirement education and planning for state employees, including planning for housing and transportation needs. At the policy level, implementation of a state-facilitated paycheck deduction retirement savings program would provide better access to retirement savings for employees of businesses that do not currently offer that option.

Context - A 2018 report from the National Institute on Retirement Security found that the average American worker has no retirement savings, and even those with some savings were typically not on track to maintain their standard of living for retirement.³⁹ Those who do not have adequate retirement savings often have to rely on Social Security for a large portion of their income. In North Carolina, over a quarter of beneficiaries receive 90% or more of their income from Social Security.²¹ However, Social Security may be strained in coming years with fewer workers contributing to the system per retiree, possibly requiring future policy changes related to benefits.

Helping state employees plan for retirement - There are over 74,000 current state agency and university employees in North Carolina, representing thousands of individual family members.⁴⁰ The average age of a North Carolina state employee is 46 years and average income is slightly over \$57,000.⁴⁰ Currently, the Office of State Human Resources provides financial retirement planning services in conjunction with North Carolina Retirement Systems, a division of the Department of State Treasurer. This educational service could be used to increase awareness and knowledge about other needs as we age, such as housing and transportation, and how to include those needs in planning for retirement. Beyond cost of living, this education can encourage people to think about their ability to get around safely in their home and community as they age and develop strategies to plan for those needs.

Increasing the proportion of North Carolinians with retirement savings can provide substantial economic benefits to the state. A University of North Carolina-Wilmington study found that if low- and middle-income workers raised their retirement savings by 3% of their income, North Carolina would save \$448 million in state expenditures between 2018 and 2030, and \$20 million in combined state and county expenditures on special assistance for adults during that time period.⁴¹ This study does not consider the boost that higher savings would yield to the economy via increased spending and

tax revenue and the financial padding that older adults would have given projected low worker-to-beneficiary Social Security ratios.^{42,43}

“ Over 48 percent of North Carolina private sector workers ages 18 to 64 in 2020 were employed by businesses that do not offer any type of retirement plan. ”

- AARP Fact Sheet – North Carolina. <https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/north-carolina.doi.10.26419-2Fppi.00164.035.pdf>

Paycheck deductions for retirement savings –

Access to direct payroll deduction programs can make people up to 15 times more likely to save for retirement. Yet, over 1.8 million people in North Carolina are not covered by a workplace retirement plan. People of color, those with lower incomes, and those who work for smaller businesses are less likely to be covered by a retirement plan through their employer:

NORTH CAROLINIANS NOT COVERED BY SMALL BUSINESS RETIREMENT PLAN:

BY RACE & ETHNICITY	Hispanic	67%
	Asian	54%
	Black (Non-Hispanic)	53%
	White (Non-Hispanic)	42%
BY INCOME	\$18,001 to \$31,000 (per year)	65%
	\$31,001 to \$50,000 (per year)	44%
	\$50,001 to \$78,000 (per year)	29%
BY BUSINESS SIZE	Less than 10 employees	79%
	10–24 employees	67%
	25–99 employees	55%
	1,000 or more employees	34%

Source: AARP Fact Sheet: North Carolina. Payroll Deduction Retirement Programs Build Economic Security. <https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/north-carolina.doi.10.26419-2Fppi.00164.035.pdf>



In December 2020, the Joint Legislative Study Committee on Small Business Retirement Options published its findings and recommendations on options for small businesses in North Carolina to offer payroll deduction retirement savings options for employees. The Study Committee concluded that “the simplest and most effective program would be a state-facilitated Auto IRA program using Individual Retirement Accounts, developed and operated in partnership with private sector partners for administration and investments.”⁴⁴ In 2023, 16 states and two cities had implemented Auto IRA programs, including Virginia, Maryland, Delaware, and Illinois.⁴⁶

How would this impact the health of older adults?



Planning for the cost and type of housing needed in older age can help reduce the risk of falls by encouraging consideration of home environments with fewer hazards.



Planning for future housing needs in older age can help improve access to transportation and opportunities for physical activity.



Having more income in retirement will improve older adults’ ability to purchase enough nutritious foods to maintain our health.



Planning for where to live in retirement can have a direct impact on access to and ability to maintain social connections.



James worked most of his life as a mechanic and was proud to use his minimal savings to help his daughter attend college. He relies on his monthly Social Security check of \$914 to cover most of his living expenses. He has several chronic health conditions and does not have access to a car, so he uses ridesharing services for his transportation to doctor’s appointments and exercise classes at the local senior center. Any increase in food prices, housing costs, or other unexpected expenses means that James must decide what he needs to eliminate. This can mean hard choices that impact his health – like purchasing less food, skipping doctor’s appointments or medications, or forgoing trips to the senior center for exercise and socialization.

**Note – This is a composite story based on the experiences highlighted in the article by ABC News, ‘I would have nothing’: Low-income older people fear debt default that stops Social Security, <https://abcnews.go.com/US/low-income-older-people-fear-debt-default-stops/story?id=99626529>*