

# Tennessee Workplace Savings Program Would Help 1,200,451 Workers Save for a More Secure Financial Future

If retirement savings stay at current low levels, cost to Tennessee taxpayers will be nearly \$7.3 billion in additional state spending by 2040

## Overview

Retirement security depends on individuals saving for their future, but millions of Americans lack access to an employer-provided savings plan that might help them do so. Research shows that workers are [15 times more likely to save for retirement](#) if they can set aside money through payroll deductions. But many small businesses cannot offer retirement benefits because of high startup costs and a lack of administrative capacity.

Nationally, [56 million workers—nearly half of the private sector workforce](#)—don't have retirement benefits at their workplaces, which affects the ability of working families to plan for their financial future. The lack of access to workplace savings also affects taxpayers, as shown in a recent study by The Pew Charitable Trusts that quantified [the costs of insufficient retirement savings](#) both nationally and in Tennessee. Pew found that insufficient savings results in decreased household spending and increased demand for social assistance programs, placing a greater burden on a shrinking tax base.

## Retirement in Tennessee by the numbers

- [1,200,451 workers—49%](#) of the Volunteer State's private sector workforce—do not have access to a retirement savings plan through their jobs.
- If the situation in Tennessee doesn't change, Pew estimated the total cost to the state of inadequate retirement savings at nearly \$7.3 billion in additional spending through 2040.
- By 2040, older households without adequate retirement savings in Tennessee will face an average income shortfall of [\\$5,180 per year](#).
- From 2021 to 2040, the ratio of older households to working-age households will increase by 41%, exacerbating the burden on Tennessee taxpayers.

## Why state automated savings programs matter

But there's good news: Even small savings now could help offset the impact of this projected taxpayer burden of almost \$7.3 billion. If Tennessee households saved an average of an additional \$1,240 a year—about \$105 a month—they could erase the taxpayer burden while ensuring themselves a decent standard of living in retirement.

To spur such savings, lawmakers in 17 states have passed legislation to create automated savings programs designed to make it easier for businesses to help workers save for retirement. In these programs—variously known as “secure choice,” “auto-IRA,” or “work and save”—employees who don't have access to employer-

based retirement benefits are automatically enrolled and begin saving in an individual retirement account (IRA) overseen by a state-approved financial services firm. Workers control their contribution level and can opt out at any time; no one is required to participate. Businesses incur no costs; they simply enroll workers and process payroll deductions. In addition, businesses can stop participating in the program at any time by adopting an employer-sponsored plan, such as a 401(k).

If Tennessee were to enact similar legislation, it would join California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Minnesota, Nevada, New Jersey, New York, Oregon, Rhode Island, Vermont, Virginia, and Washington in expanding retirement security for its residents. Although some of those state programs are relatively new, as of December 2024, more than 965,000 funded accounts across eight states had already amassed more than [\\$1.8 billion in assets](#). These workers are saving \$166 per month, on average.

## Benefits of a Tennessee automated savings program

### For employees:

- Workers are automatically enrolled to start saving for their future via payroll deductions—they don't have to do anything to sign up. But they can opt out of the program or change their contributions at any time.
- Contributions are deposited into a post-tax Roth IRA owned by the worker, who can access that money at any time with no penalty for any reason, including unexpected financial emergencies.
- The IRA moves with the worker if the person changes jobs.

### For employers:

- The program is provided at no cost to employers, and setup is simple.
- Businesses enroll their workers and process payroll deductions; they are not plan sponsors and are not legally liable for the accounts. A financial services firm hired and overseen by the state handles all administration and reporting.
- Offering a retirement savings benefit helps small businesses recruit and retain workers, putting these employers on a more level playing field with larger businesses.
- An employer can start its own plan, such as a 401(k), at any time, replacing the state program. In fact, data from the first states to adopt automated savings programs shows that more employers have started their own plans since the state programs were established.

### For taxpayers:

- Like the rest of the country, Tennessee faces the fiscal strain of an aging population. Making it easier for people to set aside even modest levels of savings during their working years will pay dividends for workers and taxpayers in the long run—and help reduce the anticipated increase in state spending of almost \$7.3 billion.

## The Pew Charitable Trusts

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