

Hawaii Retirement Savings Program Would Help 179,000 Workers Save for a More Secure Financial Future

If retirement savings stay at current low levels, cost to Hawaii taxpayers will be more than \$1.1 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 Hawaii. 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 Hawaii by the numbers

- 179,000 workers—42% of the Aloha State's private sector workforce—do not have access to a retirement savings plan through their jobs.
- If the situation in Hawaii doesn't change, Pew estimated the total cost to the state of inadequate retirement savings at more than \$1.1 billion in additional spending through 2040.
- By 2040, older households without adequate retirement savings in Hawaii will face an average income shortfall of \$3,340 per year.
- From 2021 to 2040, the ratio of older households to working-age households will increase by 43%, exacerbating the burden on Hawaii 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 more than \$1.1 billion. If Hawaii households saved an average of an additional \$800 a year—about \$65 a month—they could erase the taxpayer burden while ensuring themselves a decent standard of living in retirement.

To spur such savings, lawmakers in 16 other 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).

With the passage of Act 296 in 2022, Hawaii created its own Retirement Savings Program for workers who don't have access to an employer-sponsored savings plan. California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Minnesota, Nevada, New Jersey, New York, Oregon, Rhode Island, Vermont, Virginia, and Washington are the other states that have established savings programs to improve retirement security for such workers.

Hawaii's Retirement Savings Program isn't in operation yet, but the experience of other states demonstrates how powerful automated savings programs can be. Although some of those state programs are relatively new, more than 971,000 funded accounts across nine states had already amassed nearly \$1.9 billion in assets as of January 2025. These workers are saving \$125 to \$213 per month, on average.

Benefits of the Hawaii Retirement Savings Program

For employees:

- When Hawaii's Retirement Savings Program is in place, it will be easy for workers to start saving for their future via payroll deductions—they simply sign up through their employer. They can opt out of the program later 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. Data from the first states to adopt automated savings programs show that more employers have started their own plans since the state programs were established.

For taxpayers:

- Like the rest of the country, Hawaii 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 \$1.1 billion increase in state spending.

Fully implementing the Hawaii Retirement Savings Program would be a crucial step toward ensuring financial stability for the state's workers while alleviating future taxpayer burdens.

The Pew Charitable Trusts

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