CLOSING THE RETIREMENT COVERAGE GAP

Nearly 83 million Americans lack workplace retirement savings coverage—including independent workers and employees who remain uncovered by an employer-sponsored retirement plan—leaving half the U.S. workforce without a clear path to financial security.[1] Expanding the IRA rules is the most efficient and cost effective way to close this significant retirement coverage gap.

PROPOSAL

Create requirements for business-facilitated automatic IRAs for both independent workers and employees.

Proposal for Auto IRAs

- Current law would be revised to require businesses to automatically enroll certain individuals into IRAs.
  - Businesses engaging 1 or more independent workers (including "app" or "platform" based workers) will facilitate automatic enrollment.
  - Employers with 1 or more employees that sponsor a retirement plan but exclude certain groups of employees from participating will facilitate automatic enrollment for employees that do not participate.
  - Employers with 1 or more employees who do not maintain an employer plan will facilitate automatic enrollment.
- These revisions would apply to individuals who have attained age 18 and are expected to earn at least $10,000 for services provided to a business for the year either as an employee or as an independent worker.
- Automatic enrollment will be based on a 6% default contribution rate with annual increases of 1% up to a maximum contribution rate of 10%.
- Businesses will annually re-enroll independent workers and employees who have previously opted out.
- Contributions would generally be directed to a Roth IRA (traditional IRA when required).
- IRA owners would choose from a wide range of investments or be automatically invested in a qualified investment alternative (QDIA) if no selection is made.

RATIONALE

Addresses a Growing Coverage Gap

- Almost half of U.S. private-sector workers—about 59 million people—lack access to a retirement plan at work.[1]
- Approximately 23.4 million U.S. workers rely on alternative work arrangements as their primary source of employment.[2]
- Approximately 72% of employees save for retirement, compared with only 56% of independent workers.[3]

Increases Participation Rates

- Automatic enrollment provides a 71% improvement in participation rates over standard opt-in programs.[4]

Builds on Existing Frameworks

- Leverages existing public/private-sector infrastructure rather than building a costly new government program.

Protects Taxpayers

- Helps address a projected $334 billion retirement-related state budget gap over the next 20 years.[4]

Empowers Workers

- Participation is voluntary as workers can opt out or adjust contribution amounts at any time.

Supports Companies and Employers

- Companies and employers can easily participate, incurring no or minimal cost and can do so without assuming the fiduciary liability associated with sponsored plans.

Closing Retirement Coverage Gaps for Independent and Uncovered Workers

Expanding Retirement Savings Options for Independent and Uncovered Workers

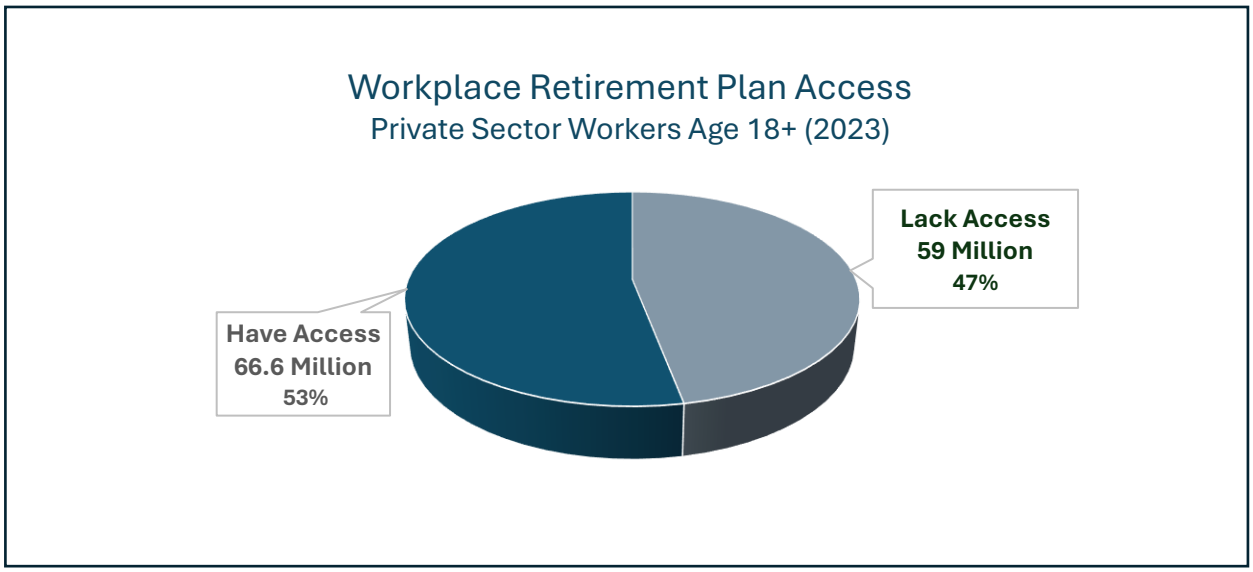
Current State

Nearly 83 million Americans lack access to a workplace retirement savings plan, underscoring the scale of the retirement coverage gap.[1] While 72 percent of traditional employees save for retirement, only 56 percent of independent workers do so, revealing a persistent disparity in retirement savings between these two groups.[3]

Expanding plan availability for private-sector employees remains essential, but fully closing the coverage gap also requires addressing uneven participation among independent workers who operate outside traditional employer-based systems.

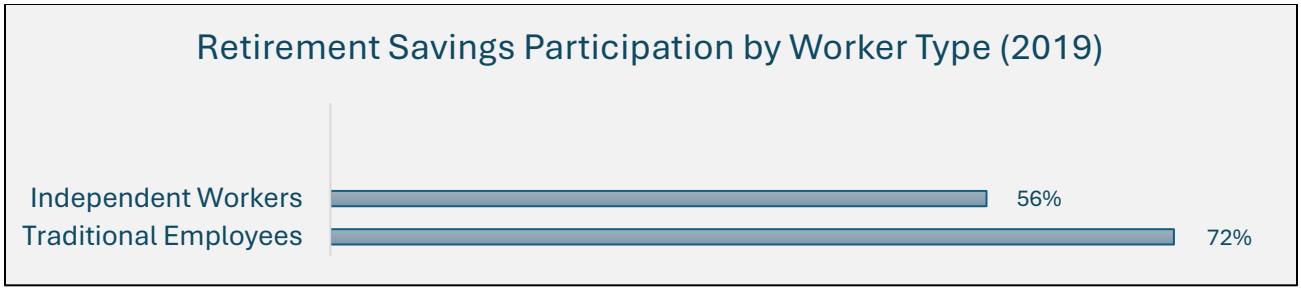
Access to Workplace Retirement Plans

The national retirement system relies heavily on workplace-based savings arrangements. The graphic below illustrates how access to these plans is split across the private-sector workforce, highlighting that a significant portion of workers—about 59 million in 2023—remain outside the employer-facilitated retirement system.[1]



Retirement Savings Participation

Work arrangement plays a significant role in retirement saving behavior. The graphic below illustrates differences in retirement savings participation in 2019 between traditional employees and independent workers.[3]



Defining the Independent Workforce

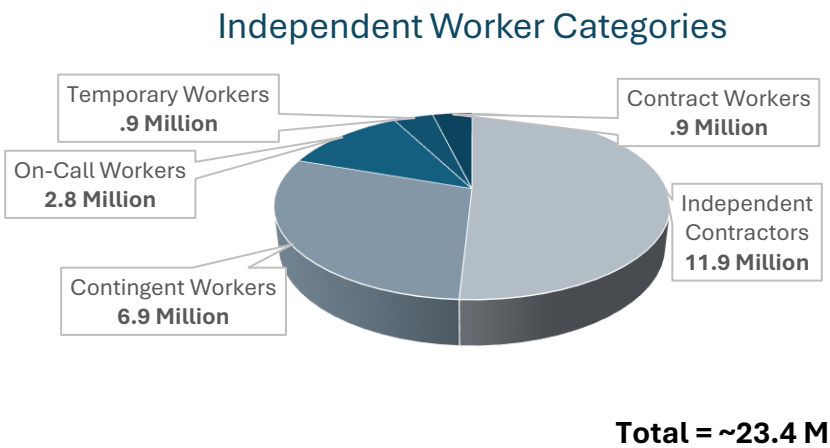
There is no standard definition of "independent worker," and workers often use different terms to describe themselves, such as contractor or freelancer. The U.S. Census Bureau defines "platform workers" as people who use digital platforms to perform services or sell goods in exchange for income.[5] The U.S. Bureau of Labor Statistics (BLS) defines a "contingent worker" as a worker whose job is not expected to last, and who does not have an implicit or explicit contract for ongoing employment.[6] Finally, a "gig worker" is defined by the Government Accountability Office (GAO) as a "self-employed individual providing labor services and completing single projects or tasks on demand for pay".[7]

Generally, the one thing they have in common is that they are earning money from performing labor but do not have a relationship with another party who is considered their employer. And while the term "independent worker" is hard to define, they make up a significant part of the total U.S. workforce.

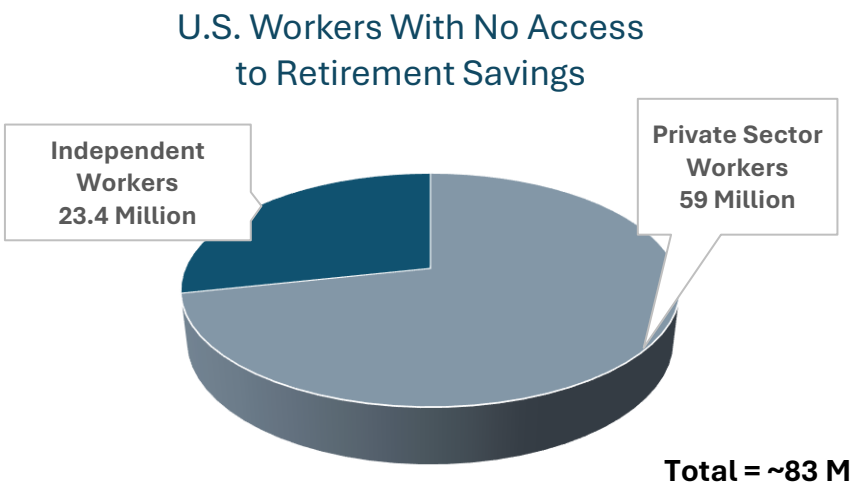
Expanding Independent Workforce

Federal labor data show that independent work represents a meaningful and growing share of the U.S. workforce. While 11.9 million workers (~7.4 percent of U.S. employment) reported independent contracting as their sole or primary job in 2022, that figure captures only one segment of this population and understates the full scope of alternative work.

When other nontraditional arrangements are included, the total independent workforce expands to 23.4 million workers.



Building on the prior breakdowns, this consolidated view shows how the coverage gap spans both private-sector and independent workers.



Additional Considerations

Supplemental Employment

When supplemental employment of individuals with W-2 income is included, estimates of the independent workforce increase substantially. Survey data from 2022 indicate that approximately 58 million private-sector workers engage in some form of independent work, including freelance, contract, temporary, or platform-based work.[8] This figure parallels the estimated 59 million private-sector workers in 2023 who lack access to a retirement plan through their primary employer.

This data highlights the extent to which a large share of the workforce relies on nontraditional income while remaining outside employer-based retirement systems, underscoring the need for solutions that account for both primary and supplemental work arrangements.

Most Small Businesses Are Owner-Only

Small business ownership data further reinforce the scale of non-employer activity in the economy. Owner-only firms account for roughly 80 percent of all U.S. small businesses—about 28.4 million entities—compared with approximately 6.2 million small businesses that employ workers, underscoring the prevalence of self-employment and entrepreneurial activity across the labor market.[9]

Addressing Benefit Gaps Through Federal and State Legislation

Regardless of how workers are classified, they share a common opportunity: the ability to save independently by establishing the same types of retirement plans available to other businesses, such as traditional 401(k) plans or IRA-based plans.

Even those who cannot afford to save larger amounts can currently make contributions to a traditional or Roth IRA to help meet savings needs. Yet, many individuals in this situation do not take full advantage of these existing savings options.

Congress has determined that the benefits gap affecting independent workers extends beyond limited access to retirement savings arrangements. Independent workers also lack access to a broader range of tax-advantaged benefit accounts that are commonly offered to traditional employees through employer-sponsored benefit programs, including health savings accounts (HSAs), flexible spending accounts (FSAs), and education savings accounts, such as qualified tuition programs under section 529 of the Internal Revenue Code. In response to this broader disparity, Congress has increased its focus on evaluating and advancing policy solutions designed to expand independent workers' access to these benefit accounts.[i]

Consistent with this evolving federal perspective, a number of states have also acknowledged the broader benefits gap facing independent workers and have introduced, and in some cases enacted, legislation establishing portable benefit plans or accounts that are owned by workers rather than tied to a single employer. Funds held in these portable benefit arrangements may be used to support a range of benefits, including retirement benefits. These structures are designed to accommodate contributions from multiple income sources and to provide continuity of savings and benefit coverage as workers move between roles, employers, or contract arrangements.[ii]

Proposal

Establish requirements for automatic IRA contributions, including automatic enrollment with opt-out provisions for employees and independent workers.

Proposal for Auto IRAs

Federal law would be amended to support automatic IRAs. This requirement would apply to "covered entities," generally defined as

- businesses engaging 1 or more independent workers (including "app" or platform-based workers);
- employers with 1 or more employees that sponsor a retirement plan but exclude certain groups of employees from participating; and

[i] Recent federal proposals include legislation to expand portable benefits while preserving worker flexibility, alongside broader proposals to require or fund guaranteed retirement coverage for workers without employer-sponsored plans. See U.S. Senate Committee on Health, Education, Labor and Pensions, "Chair Cassidy, Scott, Paul Release Legislative Package Empowering Independent Workers to Access Portable Benefits," July 7, 2025, Chair Cassidy, Scott, Paul Release Legislative Package; U.S. Senate Committee on Health, Education, Labor and Pensions, "NEWS: Sanders Introduces Pensions for All Act to Guarantee Retirement Security for Every American," July 17, 2025, Sanders Introduces Pensions for All Act.

[ii] Georgetown University Center for Retirement Initiatives, *A Guide to State-Facilitated Retirement Savings Legislation* (Washington, DC: Georgetown University, 2022), https://cri.georgetown.edu/states/, notes that since 2012 more than 46 states have considered or enacted legislation to address the retirement savings access gap among private-sector workers.

- employers with 1 or more employees that do not sponsor a retirement plan.

A covered entity would not include

- governmental entities;
- churches;
- any trade or business that has been in existence for less than two years; and
- certain other entities as designated by the Secretary of Treasury.

Covered entities would be required to facilitate automatic enrollment into an IRA for "covered individuals," generally defined as individuals who

- have attained age 18;
- are employed by, or provide services to, a business (including "app" or "platform" based workers); and
- are reasonably expected to earn at least $10,000 (indexed for inflation) from such business during the calendar year.

In the case of an employee, a covered individual excludes those with an ownership or controlling interest in the employer in addition to non-resident aliens.

In the case of an independent worker providing services to a business, a covered individual excludes attorneys providing services to the business.

Automatic enrollment would occur at a default rate of six percent of compensation paid for the performance of services (i.e., income reported on either IRS Form W-2 or Form 1099-NEC or similar form) unless the covered individual selects a different rate (including zero). Contributions would be deposited into a Roth IRA or, when required, a traditional IRA.

The contribution rate would be automatically increased by one percent annually until it reached 10 percent, or more if elected by a covered individual.

Covered individuals who opted out of the program would be reenrolled annually and provided the opportunity to change their default contribution amount, including opting out of contributing entirely.

Upon initial enrollment, covered individuals will be given a 90-day grace period during which penalty-free distributions may be taken from the IRA.

Covered individuals will have the ability to choose to invest contributions in a broad range of investment alternatives and, in the absence of direction, contributions will be invested in a qualified default investment alternative (QDIA) under Department of Labor (DOL) regulations.

This proposal is intended to expand access to retirement savings—not to alter worker classification. Existing rules would continue to govern whether an individual is treated as an employee or an independent contractor. Simply facilitating enrollment into an IRA would not, by itself, change that determination.

Rationale

The standards described above would enhance existing payroll deduction IRA rules and leverage certain aspects of the successful automatic IRA framework that has been implemented in 17 states. It would avoid the costly and unnecessary establishment of a new program and amendments to existing employer-sponsored plans, while virtually eliminating the coverage gap by ensuring that all adults to the extent practicable have access to a business-facilitated retirement savings arrangement.

Automatic enrollment provides a 71 percent improvement in participation rates over standard opt-in programs.[10] In addition to providing a means of saving for retirement, the standards would automatically result in emergency savings for significantly more workers since Roth IRA contributions may be removed tax and penalty free at any time. In short, everyone wins. Workers are empowered by having access to a voluntary opportunity to save, while companies and employers can easily participate, incurring no or minimal cost, and doing so without assuming the fiduciary liability associated with employer-sponsored plans. Finally, taxpayers are protected as the proposal would help address a projected $334 billion retirement related state budget gap over the next 20 years.[4]

Conclusion

An effective solution to close the coverage gap must be simple, straightforward, and most importantly, include automatic features. Ascensus believes this proposal satisfies those requirements and would result in quickly and efficiently closing the coverage gap.

[1] Angela M. Antonelli. *Who Lacks Access to Retirement Savings? A State-Level Analysis and an Examination of the Potential Benefits of State-Facilitated Retirement Savings Programs*, Policy Report no. 25-01 (Washington, DC: Center for Retirement Initiatives, Georgetown University, March 2025), https://cri.georgetown.edu/wp-content/uploads/2025/03/Who-Lacks-Access-to-Retirement-Savings.pdf

[2] U.S. Bureau of Labor Statistics. "Contingent and Alternative Employment Arrangements—July 2023." Economic News Release, November 8, 2024. https://www.bls.gov/news.release/pdf/conemp.pdf

[3] Ted Godbout. "Nearly Half of Gig Workers Feel Financially Ready for Retirement." National Association of Plan Advisors. March 27, 2019. Accessed December 9 ,2025. https://www.napa-net.org/news/2019/3/nearly-half-gig-workers-feel-financially-ready-retirement/

[4] John Scott and Andrew Blevins, "States Face $334.3 Billion Shortfall Over 20 Years Due to Insufficient Retirement Savings," The Pew Charitable Trusts, June 1, 2023, https://www.pew.org/en/research-and-analysis/articles/2023/06/01/states-face-334-billion-shortfall-over-20-years-due-to-insufficient-retirement-savings

[5] "Counting the Hustle: Platform Workers and Digital Entrepreneurship in Federal Household Surveys." U.S. Census Bureau. Accessed December 8, 2025. https://www.census.gov/content/dam/Census/library/working-papers/2023/demo/sehsd-wp2023-13.pdf

[6] "Frequently asked questions about data on contingent and alternative employment arrangements." U.S. Bureau of Labor Statistics. May 2017. Accessed December 8, 2025. https://www.bls.gov/cps/contingent-and-alternative-arrangements-faqs.htm

[7] Government Accountability Office. "401(k) Plans: Effects of Eligibility and Vesting Policies on Workers' Retirement Savings." GAO-17-561. Washington, DC: U.S. Government Accountability Office, August 2017. Accessed December 8, 2025. https://www.gao.gov/products/gao-17-561

[8] McKinsey & Company, *Freelance, Side Hustles, and Gigs: Many More Americans Have Become Independent Workers*, August 23, 2022 (American Opportunity Survey), https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/future-of-merica/freelance-side-hustles-and-gigs-many-more-americans-have-become-independent-workers

[9] U.S. Small Business Administration, Office of Advocacy, *Frequently Asked Questions About Small Business, 2024*, July 23, 2024, https://advocacy.sba.gov/2024/07/23/frequently-asked-questions-about-small-business-2024/

[10] Ascensus Recordkeeping Data (December 2025).

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