COMMENTS REGARDING THE BILL CONCERNING THE CREATION OF THE COLORADO SECURE SAVINGS PLAN.

First, the much of the Legislative Declarations stated in in Section 1 are true. However, some of those declarations are also debatable.

As a CERTIFIED FINANCIAL PLANNER™ professional for twenty-five (25) years and financial advisor for thirty-two (32) years, I agree people need to save more and be much more proactive in their financial planning and management. There are many reasons people are working longer and delaying retirement that have little to do with not having enough money, including the fact that life expectancies are simply way longer than they used to be. That being said, there are several aspects to this bill that cause me great concern.

This week I have spoken with several of my small business clients, and with others in the industry about the provisions of this bill. There is complete agreement among all of them.

First, it seems this bill is a circular reference. It simultaneously creates a plan, while at the same time directing studies be made to indicate whether the plan created is would self-supporting and whether it will actually make a difference. How many businesses will be affected? How many employees? How many employees will actually participate? How much will it cost the employers to fulfill their legal obligation to make sure everything is set up and employees are enrolled or not?

The small employers with whom I work have one thing in common, expenses. They are continually looking at how they can save money so they can remain viable. The primary reason small businesses do not have qualified retirement plans is the significant cost of administration and compliance. Spending many thousands of dollars is simply too great of a burden, especially with the risk of failing to be fully compliant. The risk outweighs the reward.

For the Simple IRA and 401(k) plans, the cost of administration is less, but there are mandated employer contributions without vesting. I have several clients with Simple IRA plans. The experience is that the employees, even when given the opportunity every year to participate, simply cannot afford to enroll. In fact, convincing the business owners to participate is an even bigger challenge, because they are also facing the financial challenge of keeping their business going. They are hoping one day to sell their business, which will then provide resources for their own retirement. Often, they are not saving on a regular basis. How can the state expect the employees to want to save?

Forcing an affirmative choice by an employee to not enroll can be a very demeaning process. It is always better to choose to save, as opposed to choose not to save. When I work with young clients in developing a prudent savings process, I always ask how much they think they save every month, and then we cut it in half. They typically will increase the amount later as they get used to saving, but invariably, many find the amount challenging, and when forced to stop, they feel worse. It is not pleasant to admit you cannot afford to save for your future and forcing the business owner to engage in that task places an additional burden on them in addition to the burden of keeping their business afloat. There is too much stress already with all of the regulations that cities, states and the federal government place upon those creating the jobs.

Moving into the actual plan itself, not only would each business owner have an additional legal and financial obligation for complying with the plan, the employees are now saddled with the additional expense of the plan itself. It is understood that all investments have an expense. This plan creates additional expenses that may or may not be included with an IRA established outside of the plan. Any individual can open an IRA at a bank, insurance or brokerage firm at any time, some with no minimum amount. They fully control the investment choice, whether or not to invest, and when to invest. It is THEIR choice and responsibility, not some group of political appointees. There are plenty of safeguards in place that put strict guidelines on advisors and investment professionals to safeguard the employee. However, in my experience, I would suggest that people who do not have a plan through their employer and do want to save, are already doing it. Those who cannot afford to save, will not save in the new plan either. Although now the employer is forced to be involved and could be causing additional stress to their employees as well as themselves in the process.

I do not believe this plan will reduce expenses, it will simply move them from one place to another. It will not cause people to be more responsible, it will simply create more expense in compliance costs for business owners. The plan pays for the administrative costs by assessing and assigning costs to the individual accounts of the employees. They might pay an annual fee of $10.00 per year to a bank for that. Or, in some brokerage firms, no fee at all, and, they have someone to talk to about their whole financial picture.

The overall concept of encouraging people to save is good, however forcing them to do so seems presumptuous and counterproductive. Unfortunately, this plan creates more questions than it answers, and it places additional burdens on small businesses that already have too many already. Small business owners work hard to keep their businesses open. That includes finding people to fill the jobs they create. The Individual Retirement Account was created to solve the problem of not having an employer sponsored retirement plan. It is INDIVIDUAL. Those who want one, can get one. Let the small business owners run their businesses. They already have their hands full keeping their employees busy.

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