ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Retirement Plan Proposals in the President's Budget

In mid-April, President Barack Obama unveiled his budget for the upcoming year. Although the budget is essentially a "wish-list" for the President and most of its proposals and recommendations are likely to fall by the wayside at some point, the number of retirement related items in this year's budget caused many clients, advisors and the media, to take notice.

All told, there were six proposals included in this year's budget that *directly* relate to retirement accounts. Below we break down each of the six proposals so that you can answer the questions clients are continuing to ask. For each, we'll give you the proposal "in a nutshell," the reason behind its inclusion, and its potential benefits and drawbacks.

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1) Mandatory Auto-Enrollment IRAs for Certain Small Businesses

The Proposal – Employers in business for at least two years that have more than 10 employees would be required to have auto-enrollment IRAs for their employees. Contributions to employees' IRAs would be made on a payroll-deduction basis. Employees would be able to elect how much of their salary they wish to contribute to their IRA (up to the annual IRA contribution limit), including opting out entirely. In the absence of any election, 3% of an employee's salary would be contributed to their IRA.

The Reason – For nearly 15 years, Congress, along with the Treasury Department and IRS, have been taking steps to increase Americans' retirement savings contributions by making it easier for employers to establish auto-enrollment in company plans. However, many small businesses choose not to adopt a retirement plan due to the potential costs and/or compliance burden. Many small employers also do not take low-cost steps to make retirement savings easier for employees, such as payroll-deduction IRAs.

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