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## Proposed Legislation Aims to Help Young Workers Put Time on Their Side



Retirement planning often directs attention toward mid-career 401(k) participants and those nearing retirement — and understandably so, given their tighter timeline to secure post-retirement financial stability. But what about the youngest members of the workforce — the 18- to 20-year-olds, or those even younger? This demographic faces a potentially more challenging economic outlook than their older

counterparts, with factors such as increasing student debt hampering traditional financial milestones like purchasing a home.

According to a recent Bank of America Institute study<sup>1</sup>, higher rent inflation disproportionately affects younger consumers, with median rent payments soaring by 16% year over year in July, compared to just 3% for Baby Boomers. Additionally, the research shows Gen Zers fall short in several areas of financial preparedness, including emergency savings (56%), investing (29%), and saving for retirement (43%). Financial planning is essential for this age group, as early contributions could prove most valuable due to the compounding returns of reinvested earnings.

In response to such challenges, a new bipartisan bill in Congress proposes to help young workers take advantage of the additional time on their side. Introduced by Senators Bill Cassidy (R-Louisiana) and Tim Kaine (D-Virginia), the Helping Young Americans Save for Retirement Act aims to decrease the age at which individuals can participate in ERISA-covered defined contribution plans to 18 years old in certain situations. The change would grant eligible workers aged 18 to 20 access to retirement savings plans, even if their employers do not extend participation to this age group. However, covered plans would still have the flexibility to establish a minimum age threshold, using 18 years old as the minimum. The proposed legislation also provides an exemption for employees aged 18 to 20 from testing related to retirement funds, which would otherwise escalate the administrative costs of managing retirement plans for participants in this age bracket.

If signed into law, the act could encourage retirement plan sponsors to give workers an opportunity to begin saving for retirement earlier and gain additional, valuable years of compounding returns. Moreover, it could help encourage the development of good savings habits among the youngest members of the workforce, potentially leading to increased long-

term financial security when they reach retirement age. It could also enhance the company's

<sup>1</sup> [Bank of America Study](#)



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ability to attract and retain young talent by demonstrating a commitment to their long-term financial planning and stability.

Fostering an early savings discipline in younger workers holds the promise of more than mere personal gain. Early savings can turn the financial tides for an entire generation and enhance their retirement readiness.

Sources:

<https://www.help.senate.gov/ranking/newsroom/press/ranking-member-cassidy-kaine-introduce-legislation-improving-retirement-savings-for-working-americans>

<https://newsroom.bankofamerica.com/content/newsroom/press-releases/2022/09/73--of-gen-z-say-economic-environment-has-made-it-more-challengi.html>

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