

Welcome

Implications of a Change in Retirement Savings in Arkansas

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Abstract

In an effort to increase the availability of retirement plans to small firms employees, a variety of states have implemented policies aiming improvement retirement contribution efforts. Most recently such issue has received national support with an executive order targeting on reducing barriers faced by small businesses. The state of Arkansas is one of the states that currently do not have a program focused on small businesses employee retirement programs. Based on current economic conditions, the purpose of this research is to identify potential impacts of enacting a private statewide tax deferred savings program for small businesses, including how such a program would affect a participant's lifetime savings in retirement.

ARKANSANS' POVERTY STATUS IN THE PAST 12 MONTHS BY AGE

Numuber of Arkansans	2010	2011	2012	2013	2014	2015	2016	
Total	2,839,798	2,856,663	2,865,098	2,873,340	2,882,856	2,887,337	2,898,630	
Number of Arkansans in past 12 months below poverty line	2010	2011	2012	2013	2014	2015	2016	Annual Average
Under 18 years	193,081	196,538	199,617	202,456	183,830	187,693	165,100	189,759
18 to 34 years	154,568	153,309	158,327	155,083	150,206	149,031	132,449	150,425
35 to 44 years	56,102	59,574	59,108	59,160	58,950	56,770	49,238	56,986
45 to 54 years	50,591	58,817	60,552	55,241	55,859	54,270	49,960	55,041
55 to 64 years	39,180	44,487	44,202	47,455	47,624	55,461	52,904	47,330
65 years and over	41,376	43,151	46,259	46,074	47,413	47,283	49,574	45,876
Total Number of Arkansans In Poverty	534,898	555,876	568,065	565,469	543,882	550,508	499,225	545,418
Percent of Arkansans in past 12 months below poverty line	2010	2011	2012	2013	2014	2015	2016	Annual Average
Under 18 years	6.8%	6.9%	7.0%	7.0%	6.4%	6.5%	5.7%	6.6%
18 to 34 years	5.4%	5.4%	5.5%	5.4%	5.2%	5.2%	4.6%	5.2%
35 to 44 years	2.0%	2.1%	2.1%	2.1%	2.0%	2.0%	1.7%	2.0%
45 to 54 years	1.8%	2.1%	2.1%	1.9%	1.9%	1.9%	1.7%	1.9%
55 to 64 years	1.4%	1.6%	1.5%	1.7%	1.7%	1.9%	1.8%	1.6%
65 years and over	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%
Total Percent of Arkansans in Poverty	18.8%	19.5%	19.8%	19.7%	18.9%	19.1%	17.2%	19.0%
Age Distribution of Arkansans Below Poverty Line in Past 12 months	2010	2011	2012	2013	2014	2015	2016	Annual Average
Under 18 years	36.1%	35.4%	35.1%	35.8%	33.8%	34.1%	33.1%	34.8%
18 to 34 years	28.9%	27.6%	27.9%	27.4%	27.6%	27.1%	26.5%	27.6%
35 to 44 years	10.5%	10.7%	10.4%	10.5%	10.8%	10.3%	9.9%	10.4%
45 to 54 years	9.5%	10.6%	10.7%	9.8%	10.3%	9.9%	10.0%	10.1%
55 to 64 years	7.3%	8.0%	7.8%	8.4%	8.8%	10.1%	10.6%	8.7%
65 years and over	7.7%	7.8%	8.1%	8.1%	8.7%	8.6%	9.9%	8.4%

Source: U.S. Census Bureau, 2010, 2011, 2012, 2013, 2014, 2015, and 2016 American Community Survey 1-Year Estimates



(All workers = 100 percent)			
Characteristics (percent)	Retirement benefits ¹		
	Access	Participation	Take-up rate ²
All workers	70	54	77
Average wage within the following categories:			
Lowest 25 percent	45	25	55
Lowest 10 percent	34	15	44
Second 25 percent	70	52	74
Third 25 percent	82	68	83
Highest 25 percent	90	80	89
Highest 10 percent	91	81	89
Establishment characteristics			
1 to 99 workers	55	40	73
1 to 49 workers	50	36	72
50 to 99 workers	68	50	73
100 workers or more	85	68	80
100 to 499 workers	80	61	76
500 workers or more	91	77	85
Geographic areas			
Northeast	72	58	82
New England	73	57	78
Middle Atlantic	71	59	83
South	71	53	74
South Atlantic	71	54	76
East South Central	72	50	70
West South Central	70	52	74
Midwest	73	56	77
East North Central	72	55	76
West North Central	75	58	77
West	64	51	79
Mountain	66	52	78
Pacific	63	50	80

1. Includes defined benefit pension plans and defined contribution retirement plans. Workers are considered as having access or as participating if they have access to or are participating in at least one of these plan types.

2. The take-up rate is an estimate of the percentage of workers with access to a plan who participate in the plan, rounded for presentation.

Source: Bureau of Labor Statistics, National Compensation Survey, March 2017.

Variables of Interest

- Consumption pre-retirement
- Additional Savings
- Retirement Savings Depletion



Consumption

Pre-Retirement

- Consumption reduction
- Savings level set at as 5% of original consumption
 - Age group separation
 - Group percentage increase

Post-Retirement

- Consumption increase due to depletion of Savings



Additional Savings

Savings accumulation separated by age group

- Interest rate (3 scenarios)
- Growth of age group



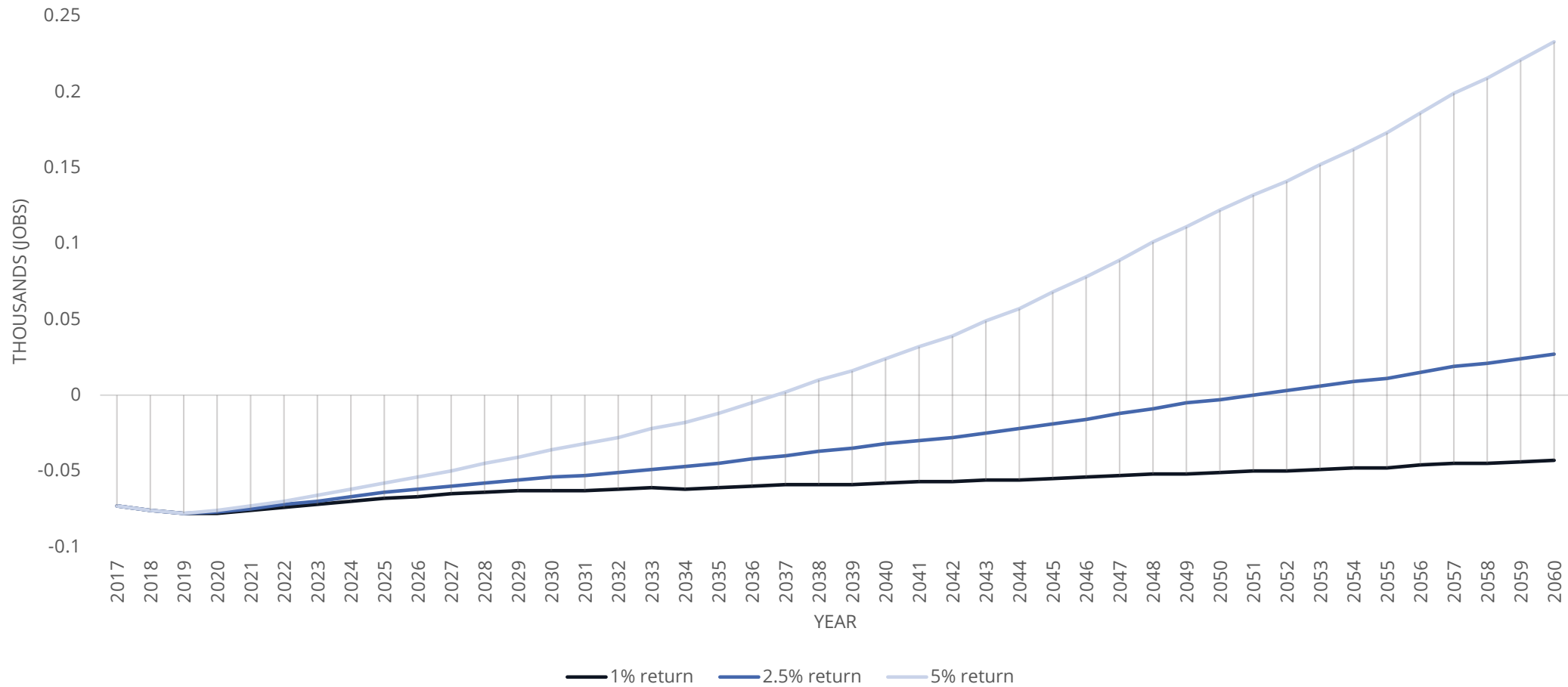
Assumptions

- Individuals would contribute to the plan up until retirement (i.e. age 65)
- No lapse on savings contribution
- No reallocation of Consumption Bundle
- Consistent withdrawal levels
- Economic Migration indifferent from control scenario

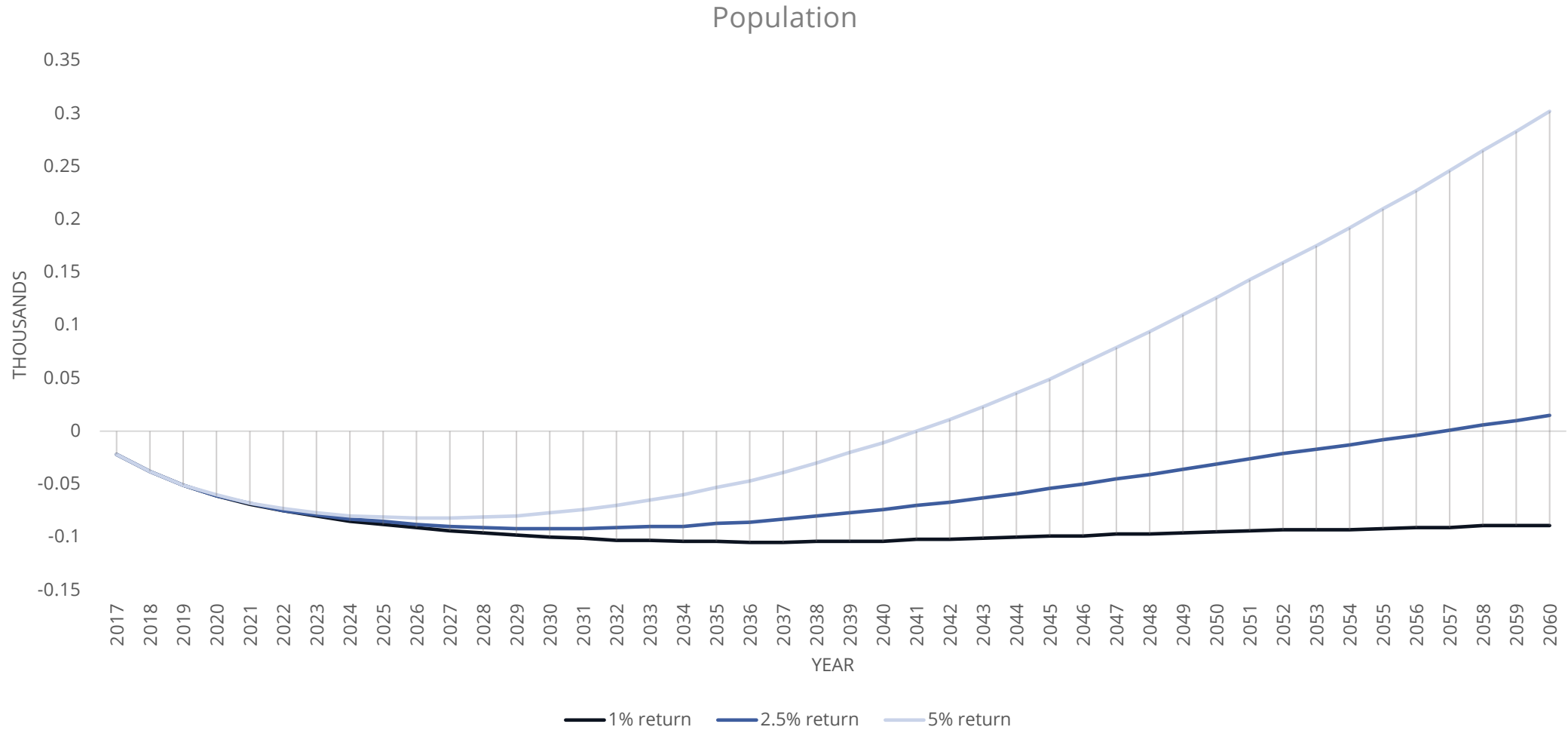


Employment

Total Employment

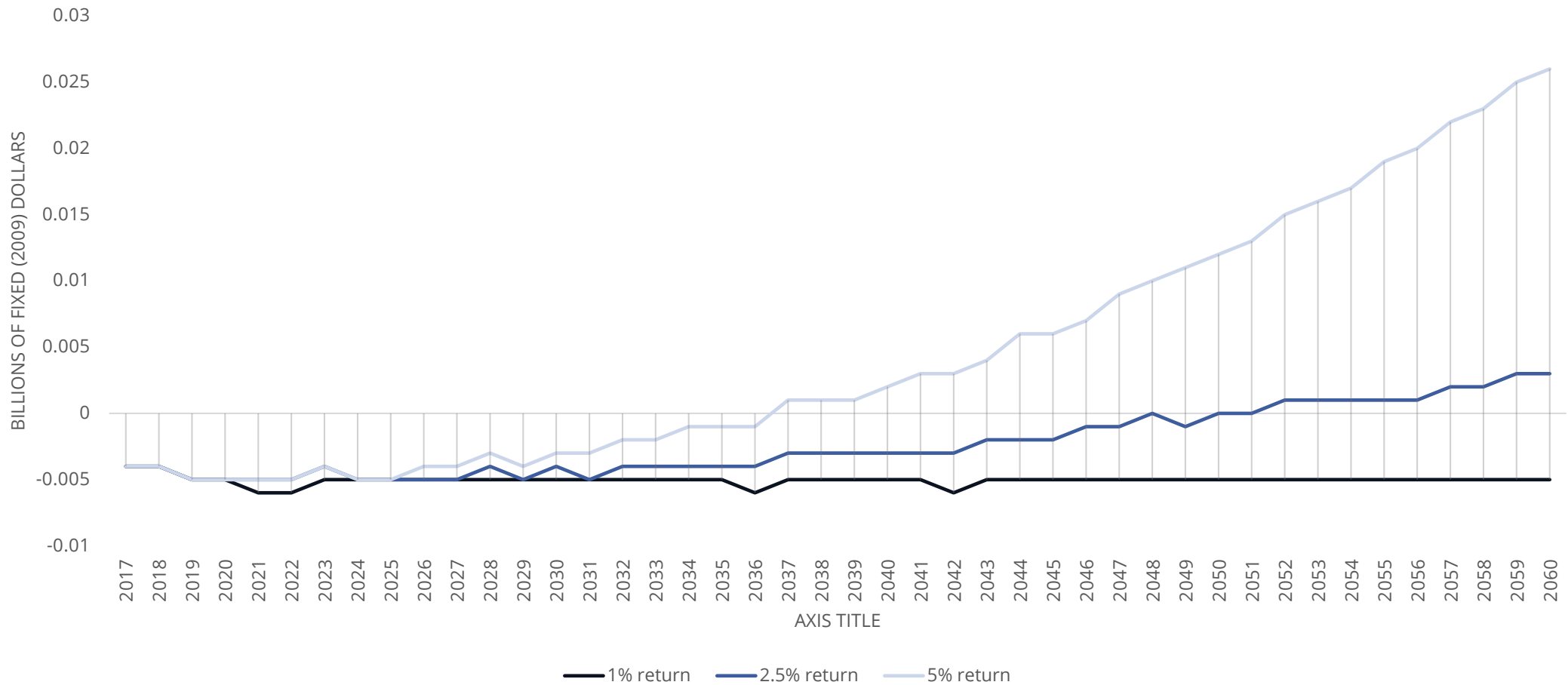


Population



Arkansas GDP

State-Level GDP (Arkansas)

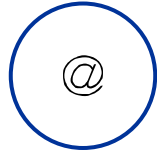


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