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Your guide to the Washington Saves retirement program

LAST REVIEWED APR 30 2024 ▪ 5 MIN READ ▪ EDITORIAL POLICY

By Trenton Reed

KEY TAKEAWAYS

- Without intervention, older households in Washington will face an alarming income shortfall of $4,810 per year by 2040
- Washington Saves is a state-sponsored program designed to help employees save for retirement through an auto-IRA payroll deduction
- As an alternative, employers can offer qualified plans such as 401(k) to satisfy the state mandate

When deciding what retirement plan to offer your employees, it's critical to understand how state-sponsored plans work so you can weigh the pros and cons for you and your employees. If you're a business owner in Washington State, you may have heard of the Washington Saves program.

After launching the **Washington Simplifies Savings Plan in 2018**, Washington is the latest state to offer a **state-facilitated** automatic individual retirement account (IRA) program. Both the Senate and House passed **SB 6069** in early 2024, creating the Washington Saves program. Governor Jay Inslee signed the bill into law on March 28, 2024 to officially establish the Washington Saves Program.

Washington Saves functions as an auto-IRA initiative similar to mandated **state-sponsored retirement programs** seen in various states. It requires employers to offer employees a chance to contribute to retirement savings via automatic payroll deduction if they don't already provide a retirement plan. As an alternative, employers can offer qualified plans such as 401(k) to satisfy the mandate.

Are you wondering how this program may affect your business? Keep reading to learn about Washington Saves and how it compares to other retirement savings options.

The state of retirement in Washington

Washington State legislators have been concerned about their aging population, and with good reason. According to **The Pew Charitable Trusts**, 1.2 million workers (43% of Washington's private-sector workforce) currently do not have access to retirement savings through their jobs. This deficiency could lead to a **$3.9 billion** increase in state spending. By 2040, older households face an alarming income shortfall of **$4,810 per year** without intervention.

In short, the state of retirement in Washington is dire for many individuals. The ratio of older households to working-age households in Washington is projected to increase by 36% between 2021 and 2040. However, Washington Saves **aims** to help provide more workers with a **retirement savings** option.

What employers need to know about the Washington Saves auto-IRA program

Washington Saves is an auto-IRA (**not to be confused with a 401(k) with automatic enrollment**). Under the program, employers must allow employees an opportunity to contribute to an IRA through an automatic payroll deduction.

- **Qualified employers are businesses located in Washington State for at least two years.** These companies have employees working a combined minimum of 10,400 hours during the previous calendar year. Additionally, they do not already offer employees a qualified retirement plan.
- **Employers are responsible for notifying employees** by providing program information, including specific disclosures. They also must provide information on making contributions, investment selections, transfers, rollovers, withdrawals, and other distributions from the employee's IRA.

Though qualified employers are required to offer the auto-IRA, they cannot contribute to IRAs through the Washington Saves program. Additionally, employers are not considered fiduciaries and have no liability for the program. Covered employees who do not opt out of the program are automatically enrolled at the default rate, and individual accounts are portable.

Default contribution rates:	Automatic escalation rates must:
Is not less than 3% of wages	Not exceed 1% per year
Is not more than 7% of wages	Not exceed maximum contribution rates of 10%

Employee automatic default rates under Washington Saves

Goals of Washington Saves for employers

It's no secret that a retirement savings benefit can help small businesses attract and retain workers. Washington Saves is a no-cost program for employers with a simple setup: enroll workers and process payroll deductions. Since businesses are not plan sponsors, they are not legally liable for the accounts. Additionally, employers can **switch to their own qualified plan, including 401(k)**, at any time to replace the state program.

Deadlines for the Washington Saves auto-IRA program

No deadlines are currently associated with Washington's state retirement program. **Sources** report that the governing board will begin meeting in 2025, and a final legislative report on program design and implementation recommendations is due Dec. 1, 2026.

Still unclear about which retirement benefits to offer?

If you're a business owner interested in offering a workplace retirement savings plan, it's important to figure out what options are available. Human Interest can help you navigate the latest information about state programs and available customizable plans that can allow you and your employees to save more money each year.

Learn **how to choose the best 401(k) provider** for your business.

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