



CalSavers – What you need to know

CalSavers is California's state-sponsored alternative retirement savings program. By 2022, any employee of a company with five or more employees will be automatically enrolled into CalSavers if their company doesn't already offer a retirement plan.

What should you do as a business owner or the employee of a company without a retirement plan in California? Businesses may either sponsor a retirement plan or register and participate in the CalSavers plan. Employees of a company registered with CalSavers can either "Do Nothing" (automatically enrolled), "Customize their CalSavers options" or "Opt Out" of participating in the plan.

You'll want to make the decision that best fits your situation. But, make that choice with your eyes wide open. Here are some of the pros and cons of CalSavers.

Pros

Provides an alternative-retirement plan using Roth IRA accounts for private sector company employees

It is a state-backed way to get people enrolled when an employer doesn't take the initiative to do so or can't afford to offer retirement benefits.

CalSavers promises to ease some of the administrative burden on companies by taking charge of the educational and enrollment aspects of plans.

Enrolling people in retirement plans is a way to help them stay on the path toward saving for retirement.

Cons

The administrative fees are fairly high for a streamlined plan (ranging from 0.825%-0.95% when factoring in fees to the state, to the administrator and to what is known as an 'underlying fund fee').

If an employer ever wants to match any of the funds an employee contributes, they cannot do so in a CalSavers account. Matching up to a percentage of annual salary is a benefit that can help companies show goodwill toward employees, something common for most company retirement plans.

Companies are still responsible for facilitating the program including processing payroll deferrals and submitting employee contributions and adding new employees or removing employees who have left your company. This may add administrative burden to companies already stretched thin.

The catch-all solution may not provide the resources employees need to make informed decisions about their financial future.

Have questions about how CalSavers impacts you?

We're always here to help. Reach out to us at info@findec.com or call 209.951.8956 and we'll help you make an informed decision about what to do next.



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