



ILLINOIS VOLUNTARY ACCOUNTS

A proposal to provide opportunities for Illinois workers to save for retirement through portable accounts

The uncertainty for Illinois workers over their retirement benefits has never been greater. Companies are terminating defined benefit pension plans in record numbers. The future of Social Security and other public retirement systems is also in peril. These trends are especially troubling for low and middle-income workers in Illinois, whose employers may not offer retirement plans due to the administrative costs and other complexities of maintaining such plans. The Sargent Shriver National Center on Poverty Law is responding to this challenge with a proposal for the creation of “Illinois Voluntary Accounts” or “IVAs”.

WHAT ARE IVAs?

IVAs are portable individual retirement accounts (“IRAs”) offered to Illinois workers by participating financial institutions and endorsed by the State of Illinois. IVAs would be funded entirely by the worker’s own contributions. The State of Illinois would support the program with a targeted communications campaign that would encourage Illinois workers—particularly low and middle-income workers—to open IVAs and to make regular contributions to them. The IRA products offered under the program would not charge the individual any set-up or initiation fees. The ongoing administrative costs associated with IVAs would be similar to other IRA products offered in the marketplace.

WHY DO ILLINOIS WORKERS NEED IVAs?

Currently, less than 50% of Illinois workers (primarily low and middle-income workers) have access to a retirement plan sponsored by their employer. Workers who contribute to IVAs will be able to save significant amounts toward their future retirement needs. Even a few dollars a week, compounded with interest over many years, can grow to tens of thousands of dollars in retirement savings. These retirement savings will provide benefits in addition to (and not in place of) any Social Security or other retirement benefits workers might receive.

WHAT ARE THE KEY FEATURES OF IVAs?

- The State of Illinois would work with banks and other financial institutions to offer low-cost and easy-to-understand IRA products to workers under the IVA program.
- IVAs would be funded entirely by the worker’s own contributions. Using easy and low-cost communications (e.g., newsletters, State’s website), the State of Illinois would encourage Illinois workers to make regular contributions to their IVA accounts.
- Unions and employer associations would also be encouraged to support the IVA program, which could help employers in Illinois.

For more information, contact Dory Rand at doryrand@povertylaw.org or 312.368.2007.