

State-sponsored retirement plans  
and alternative options



CAPITAL GROUP® | AMERICAN FUNDS®

Choose the retirement plan  
that's best for your business



Some states and cities require, or are considering requiring, private-sector employers to join a state-controlled program if they don't already offer their workers a retirement plan. But that doesn't mean you don't have options.

State-sponsored programs vary in scope and structure, but they all aim to reduce the retirement coverage gap among working Americans.

But although these state-run retirement programs can help more people save for retirement, a one-size-fits-all solution may not always be in participants' best interests.

44% of small-business employees do not have access to a retirement plan to help themselves prepare for the future.\*

## It can pay to shop around

A state-sponsored retirement plan may be a good fit for your business, but it's not your only option. There are **several low-cost and low-maintenance retirement plan alternatives** that are specifically designed to create a comfortable retirement for employees with a minimum amount of employer involvement.

As a leading provider of retirement plan solutions for small businesses, Capital Group, home of American Funds, offers **a range of options** that can be tailored to **fit your company's needs**.

## The advantages of providing a plan

Offering a retirement plan – either your state's program or one from another provider – can help both you and your employees, even if you're not required to provide a plan.



### Help employees achieve financial security

Employees may be more likely to meet their retirement goals with access to a retirement plan through their employer.



### Save for your own future

Some plan types are designed for small business owners, making it easier for you to save.



### Boost your recruitment efforts

A retirement plan – especially with an employer contribution, if the plan type allows – can help you attract and retain employees.



### Take advantage of tax breaks

New federal tax incentives can significantly reduce the cost of offering a plan.

\*As of March 2022. U.S. Bureau of Labor Statistics, National Compensation Survey.



## Is another option better for you and your employees?

Compare retirement plan types below to see which might be the best option for your small business.

	Auto-IRA	SEP IRA	SIMPLE IRA	401(k)
<b>Eligibility</b>	Varies by state	Any employer or sole proprietor	Employers with 100 or fewer employees	Any employer (except governmental entities)
<b>Benefits</b>	There is no cost to enroll employees in a state-run IRA. These IRAs also automatically enroll employees, and many feature automatic escalation of contributions.	These IRA-based plans may offer many of the same tax benefits of a 401(k) plan along with <b>easy setup and administration at a low cost.</b>		With <b>greater flexibility and higher contribution limits</b> , 401(k)s may be attractive to business officers and other highly compensated employees. Many also offer safe harbor features, which can eliminate annual nondiscrimination testing required to ensure the plan doesn't favor business owners or highly paid employees.
<b>Contributions for 2023</b>	<b>Participants</b> \$6,500* \$1,000 catch-up for age 50 or older	<b>Participants</b> None	<b>Participants</b> \$15,500 \$3,500 catch-up for age 50 or older	<b>Participants</b> \$22,500 \$7,500 catch-up for age 50 or older
	<b>Employer</b> Not permitted	<b>Employer</b> Discretionary <sup>†</sup>	<b>Employer</b> Mandatory; either: <ul style="list-style-type: none"> <li>• Dollar-for-dollar match of up to 3% of compensation,<sup>‡</sup> or</li> <li>• Across-the-board contribution of 2% of compensation<sup>§</sup></li> </ul>	<b>Employer</b> Discretionary
	<b>Maximum</b> \$6,500 (\$7,500 with age-based catch-up contribution)	<b>Maximum</b> Lesser of 25% of compensation or \$66,000 <sup>§</sup>	<b>Maximum</b> \$31,000 (\$38,000 with age-based catch-up contribution) <sup>¶</sup>	<b>Maximum</b> Lesser of 100% of compensation or \$66,000 (\$73,500 with age-based catch-up contribution)

\*Income limits apply to Roth IRA contributions and to tax deductions on Traditional IRA contributions.

<sup>†</sup> Employer SEP IRA contributions must be the same percentage for every employee.

<sup>‡</sup> Matching contributions may be reduced to a minimum of 1% for two of every five calendar years.

<sup>§</sup> Compensation on which the employer calculates the maximum contributions is limited to \$330,000 for 2023, except for SIMPLE IRA matching contributions.

<sup>¶</sup> Maximum based on employer matching contributions of 3%, for participants earning at least \$516,667 annually (\$633,333 when the maximum catch-up amount is included).

## Tax credits could lower your costs

Federal tax credits available for small businesses may make offering a retirement plan **more affordable than you think**. The SECURE 2.0 Act passed at the end of 2022 builds on improvements made by the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) by **further reducing costs for startup plans** – in fact, some smaller employers may qualify for a credit of 100% of their plan costs over the plan's first three tax years, up to a maximum of \$5,000 per year.

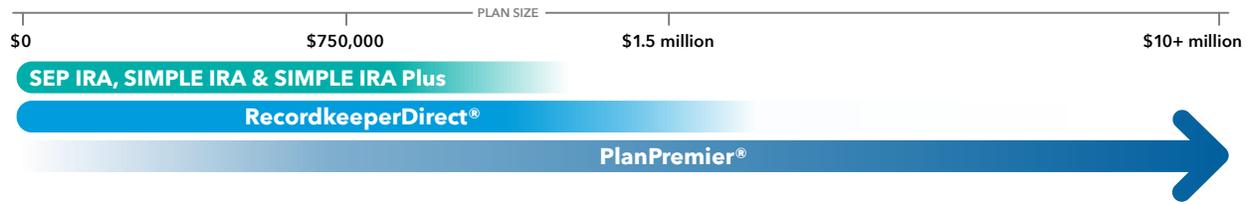
Additionally, a new credit under SECURE 2.0 reimburses small businesses for a portion of the amount of employer contributions made. For smaller plans (those with 50 or fewer employees\*), the tax credit starts at 100% of employer contributions made for each employee earning less than \$100,000 a year, up to \$1,000 annually per employee; the credit phases down over five years from plan adoption. For larger plans (those with 51–100 employees\*), the tax credit also phases down but is subject to additional reductions.

Contact us or ask your financial professional for more details on available tax credits.

\* Employees who received compensation of \$5,000 or more in the preceding year.

## Trust a retirement leader

Capital Group offers **best-in-class service and support** for both plan sponsors and participants,\* with retirement solutions to serve a range of clients. Speak with your financial professional to evaluate your options and choose the retirement plan that's **best for your business**. Capital Group offers the following products, designed with the below plan sizes in mind but with the flexibility to fit plans as they grow:



SEP IRA	SIMPLE IRA	SIMPLE IRA Plus	RecordkeeperDirect 401(k)	PlanPremier 401(k)
Easy employer-funded program for small businesses and sole proprietors	Traditional, low-cost SIMPLE IRA plan solution specifically for businesses with 100 or fewer employees	Flexible 401(k)-style features at a SIMPLE IRA price, exclusively through Capital Group	Designed for smaller plans, a simple and personable 401(k) program – without the sticker shock	Robust, full-featured with hundreds of investment choices for larger plans

## Offer quality investments

Returns matter – even a small increase in returns can improve retirement outcomes. Help your employees reach their retirement goals with the American Funds Target Date Retirement Series®, from the target date fund provider most recommended by retirement plan advisors.\*

**“In all, the [American Funds Target Date Retirement Series] has long delivered excellent results.”**

Morningstar Analyst View, Tom Nations, January 2022.

### Not all plans are created equally

Different retirement plans offer different features for participants and employers. Our solutions offer many of the features below – does your state plan have the options you need?

- ✓ Financial professional support
- ✓ Loans
- ✓ Online enrollment
- ✓ Educational materials and interactive tools
- ✓ Administrative support
- ✓ Payroll integration



### Dedicated to investors

More than **2.6 million** plan participants count on us to pursue their retirement goals.†



### A trusted recordkeeper

More than **370,000** businesses and their employees rely on our retirement plan services.†



### A top asset manager

With nearly **\$2.2 trillion** assets under management, we're one of the world's largest investment management organizations.†

\* Escalent, Cogent Syndicated, Retirement Plan Advisor Trends™, September 2022. Methodology: 538 respondents participated in a web survey conducted August 19-30, 2022. The respondents consisted of financial advisors managing defined contribution (DC) plans. For “Ownership” of Core Brand Attributes – Tier 2, among 385 “established” DC advisors (with at least \$10 million in DC plan assets under management), American Funds was selected most often in response to the question, “Which – if any – of these DC plan providers are described by this statement ... ‘Best-in-class plan sponsor service and support’ and ‘Best-in-class participant service and support’?” American Funds was also selected most often in response to the question, “Which investment manager do you recommend most often for target date funds?” by the total of all respondents, and by every separate channel except registered investment advisors, who use target date funds. Capital Group has provided input on some questions to be included in Cogent surveys over time.

† As of 12/31/22. Participants and businesses in Capital Group 401(k), 403(b), SEP IRA and SIMPLE IRA plans.

## Mandatory programs

A number of states have passed laws requiring employers of a certain size to sign employees up for a state-run individual retirement account if the business does not already provide a qualified retirement plan. These state-run plans are also known as auto-IRAs, as participants are typically automatically enrolled at a default contribution rate.

STATE	Who is affected?	Implementation timeline	Default contribution rate	Penalties for non-compliance
<b>California</b> CalSavers calsavers.com	Employers with at least one employee.	Registration of employers with five or more employees took place in earlier phases. Employers with one to four employees are required to register by 12/31/25.	5% with auto-escalation of 1% per year, capped at 8% of salary.*	Up to \$750 per eligible employee.
<b>Colorado</b> Colorado SecureSavings Program coloradosecure-savings.com	Employers with five or more employees that have been in business for at least two years.	Registration of employers with 50 or more employees took place in an earlier phase. Two phases remain: <ul style="list-style-type: none"> <li>• 15–49 employees: 5/15/23</li> <li>• Five to 14 employees: 6/30/23</li> </ul>	5% with auto-escalation of 1% per year, <sup>†</sup> capped at 8% of salary.*	Up to \$100 per eligible employee per year; not to exceed \$5,000 in a calendar year.
<b>Connecticut</b> MyCTSavings myctsavings.com	Employers with five or more employees.	All employers were required to register in earlier phases.	3%	Employees or state labor commissioner may bring a civil action to enforce enrollment.
<b>Delaware</b> Delaware Expanding Access for Retirement and Necessary Saving (EARNS) Program	Employers with five or more employees that were in business at least six months in the previous calendar year.	Implementation deadline is to be determined; program rollout is targeted for early 2025.	To be determined; must be at least 3% but no more than 6%. Auto-escalation may apply at 1% or 2% per year, capped at 15% or less.*	Up to \$250 per employee per year, to a maximum total penalty of \$5,000 per year.
<b>Hawaii</b> Hawaii Retirement Savings Program	Employers with one or more employees that have not offered a retirement plan in the past two years must notify employees of their right to opt in.	Implementation timeline is to be determined.	5% <sup>‡</sup>	Up to \$500 per violation; not to exceed \$5,000 in a calendar year.
<b>Illinois</b> Illinois Secure Choice ilsecurechoice.com	Employers with five or more employees that have been in business for at least two years.	Registration of employers with 16 or more employees took place in earlier phases. Employers with five to 15 employees must register by 11/1/23.	5% with auto-escalation of 1% per year, <sup>†</sup> capped at 10% of salary.*	Up to \$500 per eligible employee.
<b>Maine</b> Maine Retirement Savings Program	Employers with five or more employees.	Registration began 4/1/23 for 25+ employees. Registration begins: <ul style="list-style-type: none"> <li>• 10/1/23 for 15–24 employees</li> <li>• 4/1/24 for 5–14 employees</li> </ul>	5% with auto-escalation of 1% per year, capped at 8% of salary.*	Up to \$100 per eligible employee per year.
<b>Maryland</b> MarylandSaves marylandsaves.com	Employers that use an automated payroll system and have been in business for at least two calendar years.	Registration is open.	5% with auto-escalation of 1% per year, <sup>†</sup> capped at 10% of salary.*	Employers that do not comply will not qualify for a waiver of the \$300 annual filing fee for Maryland businesses.
<b>New Jersey</b> New Jersey Secure Choice Retirement Savings Program	Employers with 25 or more employees that have been in business for at least two years.	Implementation timeline is to be determined.	3%	Up to \$500 for each unenrolled employee, and up to \$5,000 for unremitted contributions.

Information on state programs compiled as of February 8, 2023.

\*An employee may opt out of auto-escalation and set his or her own rate.

<sup>†</sup> Auto-escalation applies to participants who have been enrolled for at least six months.

<sup>‡</sup> Default contribution rate applies only to employees who opt in to participating in Hawaii's plan.

STATE	Who is affected?	Implementation timeline	Default contribution rate	Penalties for non-compliance
<b>New York</b> New York State Secure Choice Savings Program	Employers with at least 10 employees during the previous calendar year.	Implementation timeline is to be determined.	3%	Enforcement of penalties is to be determined.
<b>Oregon</b> OregonSaves oregonsaves.com	Employers that do not already provide a qualified retirement plan.	Registration of employers with three or more employees took place in earlier phases. Employers with one or two employees must register by 7/1/23.	5% with auto-escalation of 1% per year, <sup>†</sup> capped at 10% of salary.*	Up to \$100 per eligible employee; not to exceed \$5,000 in a calendar year.
<b>Virginia</b> RetirePathVA retirepathva.com	Employers with 25 or more employees that have been in business for at least two years and do not offer a qualified retirement plan.	Registration is expected to start 7/1/23 or soon thereafter.	5% with auto-escalation of 1% per year, capped at 10% of salary.*	To be determined, but not to exceed \$200 per employee annually.

## Voluntary programs

Several states have passed legislation that allows employers to voluntarily participate in a state-run program. These programs are structured as either a Multiple Employer Plan (MEP), voluntary auto-IRA, or a marketplace where employers can select providers and plans from a state-approved list.

STATE	Who is affected?	Type of program	Implementation timeline	Default contribution rate
<b>Massachusetts</b> Massachusetts Defined Contribution CORE Plan ma-employer-core.com	Nonprofits with 20 or fewer employees.	MEP – Defined contribution 401(k) plan.	The program launched in October 2017 and is open for enrollment.	6% with an annual auto-escalation of 1% or 2%, up to 15%.*
<b>New Mexico</b> New Mexico Work and Save Program	Any employer with its primary place of business in New Mexico.	Hybrid – participating employers can either enroll employees in a voluntary state-run auto-IRA, or select a plan from a state-run marketplace of approved providers.	Implementation deadline is to be determined; expected to be on or before 7/1/24.	Not yet specified for auto-IRA.
<b>Vermont</b> Green Mountain Secure Retirement Plan	Self employed individuals and employers with 50 or fewer employees that do not currently offer a retirement plan.	401(k) plan – either a MEP or aggregated single employer plans.	Launch date is to be determined.	Not yet specified.
<b>Washington</b> Washington Small Business Retirement Marketplace retirement-marketplace.com	Employers with fewer than 100 employees.	Marketplace with state-approved plans.	The Marketplace opened in March 2018.	Not specified.

Information on state programs compiled as of February 8, 2023.

# The Capital Advantage<sup>®</sup>

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System<sup>™</sup> – has resulted in superior outcomes.

## Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment industry experience, including 22 years at our company, reflecting a career commitment to our long-term approach.<sup>1</sup>

## The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

## American Funds' superior outcomes

Equity funds have beaten their Lipper peer indexes in 90% of 10-year periods and 99% of 20-year periods.<sup>2</sup> Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.<sup>3</sup> Fund management fees have been among the lowest in the industry.<sup>4</sup>

<sup>1</sup> Investment industry experience as of December 31, 2022.

<sup>2</sup> Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2022. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

<sup>3</sup> Based on Class F-2 share results as of December 31, 2022. Sixteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how two securities move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one security moves, either up or down, the other security will move in "lockstep," in the same direction. A negative correlation close to -1 indicates that the securities have moved in the opposite direction.

<sup>4</sup> On average, our mutual fund management fees were in the lowest quintile 62% of the time, based on the 20-year period ended December 31, 2022, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Refer to [capitalgroup.com](https://www.capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

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