



## Opinion Poll

Small Businesses Believe Illinois Needs to do More to Help Workers Prepare for Retirement, Support Legislation Doing So

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## Executive Summary

Though the U.S. economy is starting to show signs of recovery after the economic downturn, Illinois small business owners and their employees are facing another financial crisis: retirement security. The U.S. currently suffers from a retirement savings gap of more than \$6 trillion, and more than 38 million households do not have any retirement savings at all.<sup>1</sup> Illinois small business owners and their workers are no exception. A scientific opinion poll conducted for Small Business Majority by Public Policy Polling shows the majority of Illinois entrepreneurs believe most state residents are unprepared for retirement, and that the state should do more to help workers prepare for their golden years. Small business owners support the state creating legislation that will help small firms establish a basic retirement savings option for their employees.

Eight in 10 small business owners believe Illinois residents will not have enough money saved for the future. What's more, nearly two-thirds (64%) are concerned their own employees will not have enough money to cover their basic living expenses when retired, with three in 10 responding that they are *very concerned*. It should come as no surprise then that 63% of respondents agree Illinois should do more to help its residents prepare for retirement, with nearly four in 10 (38%) who *strongly agree*.

Poll findings show small businesses struggle to offer retirement plans and that they're often overlooked by retirement services companies. Seven in 10 Illinois small businesses do not offer their employees a retirement savings plan, and only 35% have spoken with a company that provides retirement services about implementing a plan for their employees. Of the reasons why they don't offer a plan, small employers report they don't have the administrative capacity to administer one (27%), that they're too expensive to set up (14%) or they're concerned about how to choose a plan provider business (10%).

Legislation is currently being considered that addresses the issue of retirement by making it easier for small businesses and the self-employed to establish a basic retirement savings option. Under this legislation, the self-employed and small businesses with up to 25 employees will have the option to participate in a basic retirement account funded by employee payroll deductions that would be managed by an investment company contracted by the state. Businesses with 25 or more employees and no workplace retirement plan would be required to offer this plan, but at no cost to the business, and employees can decline to participate. A majority of small businesses (54%) said they support the bill, with a quarter (24%) who *strongly support* it. What's more, nearly six in 10 (58%) small business owners support implementing a payroll deduction that would allow their employees to automatically save money at no cost to the business.

Of those who currently offer a plan to their employees, the majority of small business owners believe it helps them attract and retain talent and that it has a positive impact on employee attitude and performance. More than four in 10 (41%) say they offer it because it's the right thing to do. Among all poll respondents, flexibility and cost are some of the most important components of a retirement plan. Nearly one-third (32%) say the flexibility to match or not to match in a plan is important and 22% say low fees for employees is the most important feature.

It's important to note that Illinois business owners have not made these decisions based on party lines. The political breakdown of the poll shows that it was a Republican majority, with 64% identifying as Republican, 23% as Democrats and 13% as independent.

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<sup>1</sup> "The Retirement Savings Crisis: Is It Worse Than We Think?" National Institute on Retirement Security, June, 2013; [http://www.nirsonline.org/storage/nirs/documents/Retirement Savings Crisis/retirementsavingscrisis\\_final.pdf](http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf)

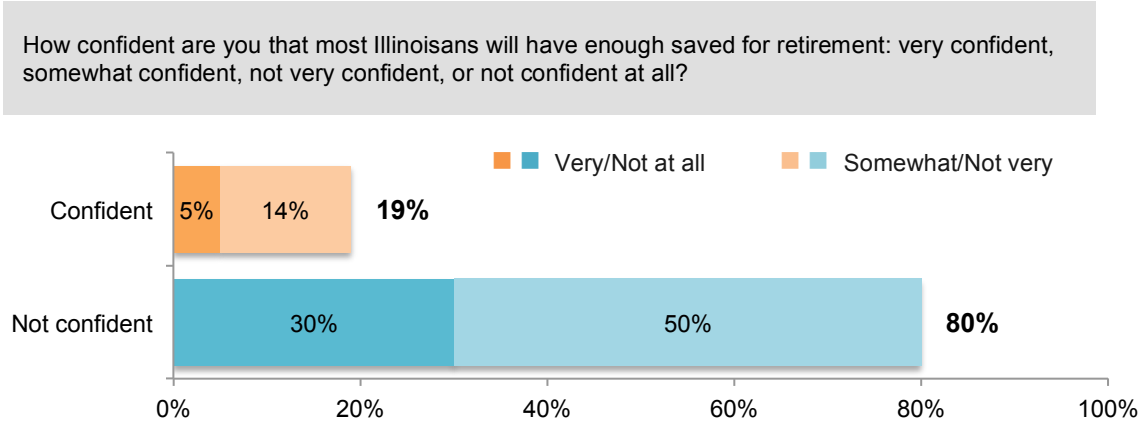
## Main Findings

- **Small employers believe most Illinoisans will not have enough saved for retirement and are concerned their employees are also unprepared for the future:** A vast 80% of small business owners are not confident that Illinois residents will have enough retirement savings, with 30% responding they are *not confident at all*. What's more, nearly two-thirds (64%) are concerned their own employees will not have enough money saved to cover their basic living expenses during retirement. However, 75% of owners say they do have a retirement plan in place for themselves.
- **Small business owners believe Illinois should do more to encourage saving for retirement:** 63% of small businesses agree Illinois should do more to help small businesses prepare for retirement, with nearly four in 10 (38%) who *strongly agree*.
- **Small business owners support state legislation that would make it easier for self-employed individuals and small businesses to establish a basic retirement savings option:** 54% of small business owners support proposed state legislation that would give the self-employed and small businesses with up to 25 employees the option to participate in a basic retirement account funded by employee payroll deductions, which would be managed by an investment company contracted by the state. Businesses with 25 or more employees and no workplace retirement plan would be required to offer this plan, but at no cost to the business, and employees can decline to participate. A quarter (24%) of entrepreneurs responded they *strongly support* this legislation.
- **Small business owners struggle to offer retirement plans; often overlooked by retirement services companies:** Seven in 10 Illinois small businesses do not offer their employees a retirement savings plan and only 35% have spoken with a company that provides retirement services about setting up a plan for employees. Of the reasons why they don't offer one, small employers report they don't have the administrative capacity to administer a plan (27%), that they are too expensive to set up (14%) or that they're concerned about how to choose a plan provider business (10%).
- **Small businesses support a payroll deduction that would allow their employees to save money for retirement:** 58% of small business owners support instituting a payroll deduction that would allow their employees to automatically save money at no cost to the business.
- **For those who do offer a retirement plan, the majority report they do so because it helps them attract and retain talent and is the right thing to do:** Nearly one in four (23%) small business owners say they offer a retirement plan to their employees because it helps them attract and retain talent; 27% say they offer because it has a positive impact on employee attitude and performance; and 41% say it's the right thing to do. Small employers who don't offer a plan also cite these as being some of the most compelling reasons to begin offering a retirement savings plan in the future.
- **Flexibility and cost are some of the most important components of a retirement plan for small business owners:** Nearly one-third (32%) of respondents say the flexibility to match or not to match in a plan is important, and 22% say low fees for employees is the most important feature; 12% say reduced administration time; 8% report low set-up costs are the most important feature and 25% report it's something else or they're not sure what features are most important.
- **Respondents were politically diverse:** 64% identified as Republican, 23% as Democrat and 13% as independent.

# Owners Concerned Residents and Their Employees Are Unprepared for Retirement

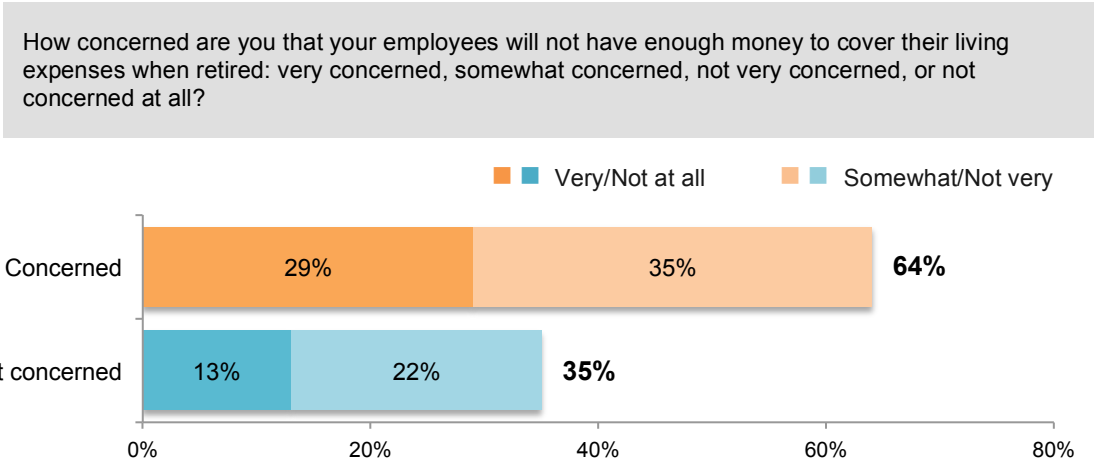
A vast 80% of small business owners are not confident that Illinoisans will have enough money saved for retirement, with three in 10 responding they *not confident at all*. A mere 5% of small business owners are very confident residents of the state will have enough retirement savings.

**Figure 1: Small businesses believe Illinoisans will not have enough saved for retirement**



What’s more, 64% of Illinois small employers are concerned their employees are also unprepared for retirement and that they won’t have enough money saved to cover their basic living expenses during their golden years. However, 75% of owners say they have a retirement plan in place for themselves.

**Figure 2: Small employers are concerned their employees will not have enough money saved for their golden years**



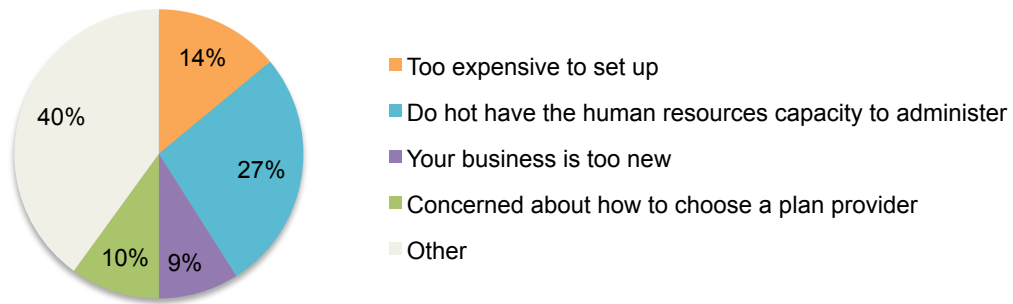
# Small Businesses Struggle to Offer Retirement Plans; Believe the State of Illinois Should Do More

Small businesses are struggling to offer retirement plans and report several barriers to helping their employees prepare for the future. Seven in 10 Illinois small businesses don’t offer their employees a retirement savings plan, based on a variety of barriers such as the plans being too expensive to set up, not having the HR capacity, concern about how to choose a plan provider and more. Poll findings also

indicate they're often overlooked by retirement services companies; only 35% of Illinois small businesses have spoken with a company that offers retirement services about setting up a plan for their employees.

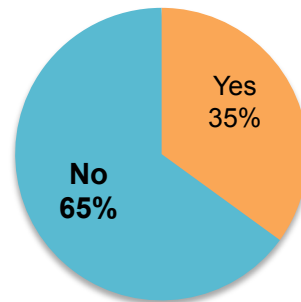
**Figure 3: Seven in 10 small employers don't offer a retirement plan, based on a variety of barriers**

Why do you not offer a retirement plan? Is it too expensive to set up, do you not have the human resources capacity to administer such a plan, is your business too new, are you concerned about how to choose a plan provider, or some other reason?



**Figure 4: Majority of employers have not spoken with a financial services company about setting up a retirement savings plan**

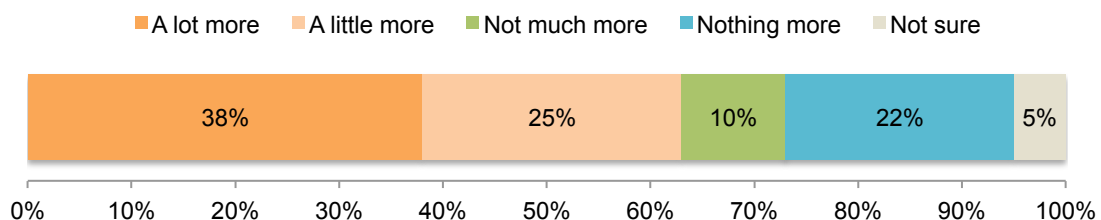
Have you spoken with a company that provides retirement services about setting up a retirement system for your employees?



In order to help workers prepare for the future, small business owners believe Illinois should take steps to encourage residents to save more for retirement. In fact, 63% of small businesses agree Illinois should do more to help the state prepare for retirement, with nearly four in 10 (38%) who *strongly agree*.

**Figure 5: Small employers believe Illinois should do more to help prepare residents for retirement**

Do you think the state of Illinois should do a lot more, a little more, or nothing more to encourage saving for retirement?

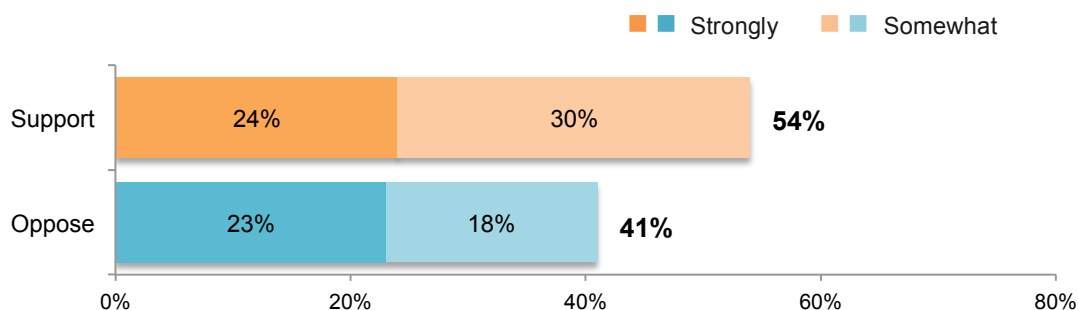


## Small Employers Support State Legislation Creating Basic Retirement Savings Program

Poll results reveal support from small businesses for proposed state legislation that addresses the issue of retirement preparedness by making it easier for small businesses to establish a basic retirement plan. This legislation would allow the self-employed and small businesses with up to 25 employees the option to participate in a basic retirement account funded by employee payroll deductions that would be managed by an investment company contracted by the state. Businesses with 25 or more employees and no workplace retirement plan would be required to offer this plan, but at no cost to the business, and employees can decline to participate. The majority (54%) of small business owners responded they support the legislation, with nearly one in four who *strongly support* the bill.

■ **Figure 6: *Entrepreneurs support proposed state legislation that would make it easier for small businesses to establish a basic retirement savings option***

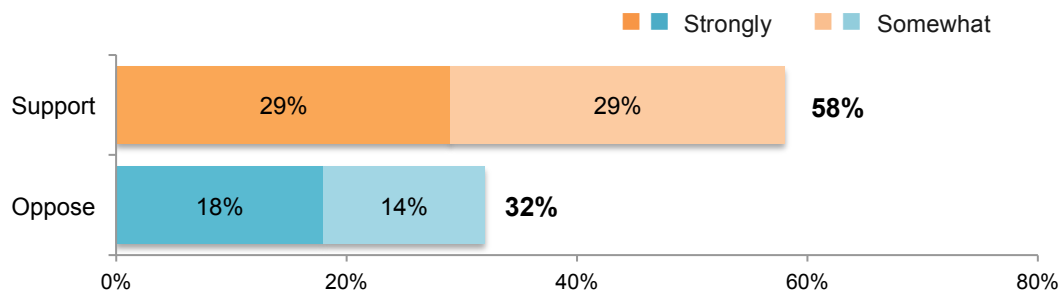
Currently there is Illinois state legislation being considered that would give self-employed individuals and businesses with up to 25 employees the option to participate in a basic retirement account funded by employee payroll deductions and managed by an investment company contracted by the state. It is up to each person to decide if they want to contribute, and the account follows workers if they switch employers. Businesses with 25 or more employees and no workplace retirement plan will be required to offer this plan to employees, but at no cost to the business, and employees can decline to participate. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this legislation?



Nearly six in 10 (58%) small businesses also support a payroll deduction that would allow their employees to automatically save money at no cost to the business.

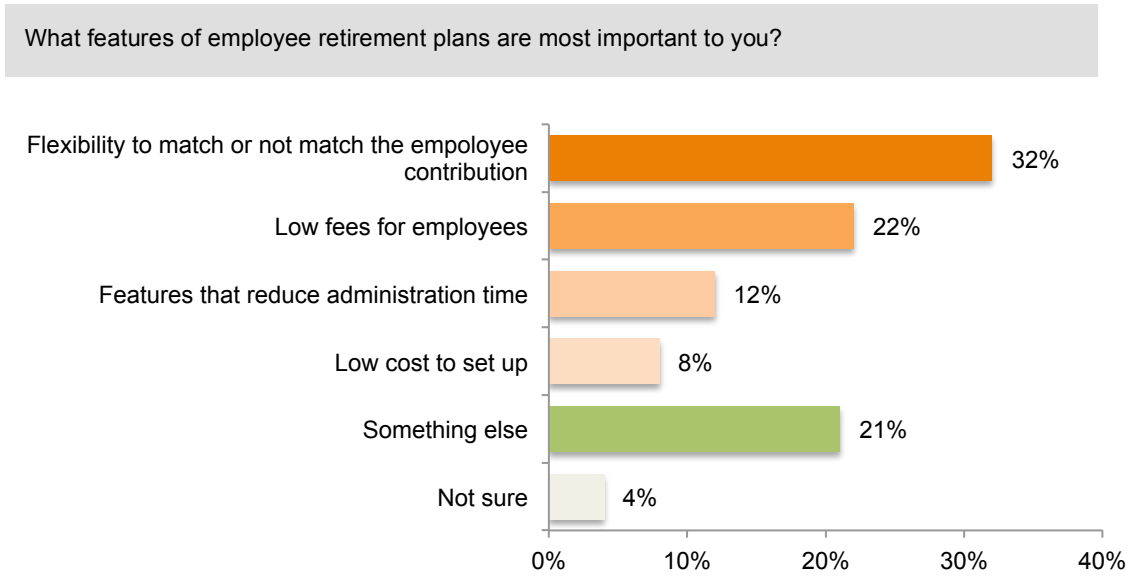
■ **Figure 7: *Small businesses support automatic employee payroll deductions***

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the institution of a payroll deduction so your employees can save their own money at no cost to you?



Flexibility and cost are some of the most important components of a retirement plan for small business owners. Nearly one-third (32%) of small businesses say the flexibility to match or not to match in a plan is important, and 22% say low fees for employees is the most important feature; 12% say reduced administrative time; 8% report low set-up costs are the most important feature and 25% say it's something else or they're not sure what features are most important.

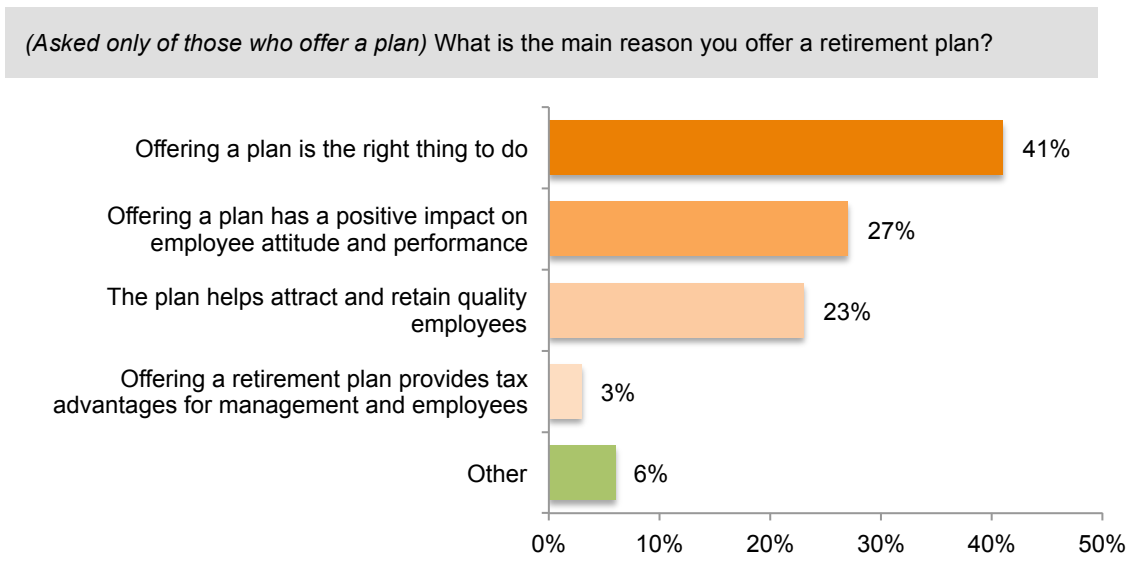
■ **Figure 8: Flexibility and cost are important to small businesses**



## Small Employers Agree Offering a Retirement Plan Helps Attract and Retain Employees

For the 30% of small business owners who do offer a retirement plan, 50% responded they do so because it helps them attract and retain talent, and it has a positive impact on employee attitude and performance. Forty-one percent responded they offer this benefit simply because they think it's the right thing to do.

■ **Figure 9: Small business owners believe offering a retirement plan helps attract and retain employees and boosts employee morale**





The same opinions hold true for small employers who don't offer a retirement plan. When asked about the most compelling reason to begin offering a retirement plan, nearly one-third responded they would do so because they think it would help them attract and retain quality employees and have a positive impact on employee morale and performance.

■ **Figure 10: Moral reasons, tax advantages, improving employee performance and attracting and retaining quality employees key reasons why small business owners who don't offer a plan would start**



## Conclusion

Small employers in the Prairie State know the vast majority of employees are unprepared for retirement and they're worried. Small businesses are the state's biggest job creators. In fact, Illinois small businesses employ half of the state's workforce, but only three in 10 of them are able to offer a retirement plan to their employees. Unless Illinois does more to help small businesses and their employees prepare for the future, many Illinoisans will not have enough money saved for their golden years, which can put additional pressure on state-financed safety net programs.

In order to address the state's growing problem of retirement security, small businesses need help overcoming the barriers to offering retirement plans. Small employers agree the state needs to do more to help Illinoisans prepare for the future, and as such, they support proposed legislation that would make it easier for them to offer a basic retirement savings plan.

## Methodology

This poll reflects a telephone survey of 298 Illinois small business owners, conducted by Public Policy Polling for Small Business Majority with a margin of error of +/- 5.7%. The survey was conducted from November 11-12, 2014.

## Poll Toplines

November 11-12, 2014

298 Illinois small business owners

Q1: Are you the owner of a small business?

Yes .....	100%
No .....	0%

Q2: How confident are you that most Illinoisans will have saved enough for retirement: very confident, somewhat confident, not very confident, or not confident at all?

Very confident .....	5%
Somewhat confident .....	14%
Not very confident .....	50%
Not confident at all .....	30%
Not sure .....	1%

Q3: Do you have a retirement plan for yourself?

Yes .....	75%
No .....	25%

Q4: How many people are directly employed by your business, including yourself? Is it just you, is it between two and five employees, is it between six and 10 employees, is it between 11 and 25 employees, is it between 26 and 50 employees, is it between 51 and 100 employees, or is it more than 100 employees?

Just you .....	25%
2 to 5 .....	55%
6 to 10 .....	9%
11 to 25 .....	3%
26 to 50 .....	5%
51 to 100 .....	3%
Over 100 .....	0%

Q5: (Asked of those who have employees) How concerned are you that your employees will not have enough money to cover their living expenses when retired: very concerned, somewhat concerned, not very concerned, or not concerned at all?

Very concerned .....	29%
Somewhat concerned .....	35%
Not very concerned .....	22%
Not concerned at all .....	13%
Not sure .....	0%

Q6: (Asked of those who have employees) Would you strongly support, somewhat support, somewhat oppose or strongly oppose the institution of a payroll deduction so your employees can save their own money automatically at no cost to you?

Strongly support .....	29%
Somewhat support .....	29%
Somewhat oppose .....	14%
Strongly oppose .....	18%
Not sure .....	10%

Q7: (Asked of those who have employees) Have you spoken with a company that provides retirement services about setting up a retirement system for your employees?

Yes ..... 35%  
 No ..... 65%

Q8: (Asked of those who have employees) What features of employee retirement plans are most important to you: that the plan has flexibility to match or not match the employee contribution, that the plan has features to reduce administration time to run the plan, that the plan can be offered with low fees for employees, that it's low cost to set up, or something else?

Flexibility to match or not match the  
 employee contribution..... 32%  
 Features that reduce administration time..... 12%  
 Low fees for employees ..... 22%  
 Low cost to set up..... 8%  
 Something else ..... 21%  
 Not sure..... 4%

Q9: (Asked of those who have employees) Do you offer your employees a retirement savings plan, or not?

Yes ..... 30%  
 No ..... 70%

Q10: (Asked of those who offer retirement plans) What is the main reason you offer a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?

The plan helps attract and retain quality employees ..... 23%  
 Offering a plan has a positive impact on employee  
 attitude and performance ..... 27%  
 Offering a plan is the right thing to do ..... 41%  
 Offering a retirement plan provides tax advantages  
 for management and employees..... 3%  
 Other ..... 6%

Q11: (Asked of those who do not offer retirement plans) Why do you NOT offer a retirement plan: is it too expensive to set up, do you not have the human resources capacity to administer such a plan, is your business too new, are you concerned about how to choose a plan provider, or some other reason?

Too expensive to set up..... 14%  
 Do not have the human resources capacity to administer such a plan ..... 27%  
 Your business is too new..... 9%  
 Concerned about how to choose a plan provider ..... 10%  
 Other ..... 40%

Q12: (Asked of those who do not offer retirement plans) What would be the most compelling reason for you to begin offering a retirement plan: you think it helps attract and retain quality employees, you think it has a positive impact on employee attitude and performance, you think offering a plan is the right thing to do, you think it provides tax advantages for management and employees, or some other reason?

Attracting and retaining quality employees ..... 10%  
 Positive impact on employee attitude and performance ..... 17%  
 Offering a plan is the right thing to do ..... 17%  
 Tax advantages for management and employees ..... 17%  
 Other ..... 40%

Q13: Currently there is Illinois state legislation being considered that would give self-employed individuals and businesses with up to 25 employees the option to participate in a basic retirement account funded by employee payroll deductions and managed by an investment company contracted by the state. It is up to each person to decide if they want to contribute, and the account follows workers if they switch employers. Businesses with 25 or more employees and no workplace retirement plan will be required to offer this plan to employees, but at no cost to the business, and employees can decline to participate. Would you strongly support, somewhat support, somewhat oppose or strongly oppose this legislation?

Strongly support .....	24%
Somewhat support .....	30%
Somewhat oppose .....	18%
Strongly oppose.....	23%
Not sure.....	5%

Q14: Do you think the state of Illinois should do a lot more, a little more, not much more, or nothing more to encourage saving for retirement?

A lot more.....	38%
A little more .....	25%
Not much more .....	10%
Nothing more .....	22%
Not sure.....	5%

Q15: If you are a woman, press 1. If a man, press 2.

Woman .....	44%
Man .....	56%

Q16: If you are a Democrat, press 1. If a Republican, press 2. If an independent, press 3.

Democrat.....	19%
Republican .....	49%
Independent.....	32%
Something else .....	0%

Q17: (Asked only of independents) Do you think of yourself as closer to the Republican or Democratic Party?

Democrat.....	14%
Republican .....	46%
Neither .....	40%

Q18: If you are Hispanic, press 1. If white, press 2. If African-American, press 3. If other, press 4.

Hispanic .....	8%
White.....	82%
African-American.....	4%
Other .....	6%

Q19: If you are 18-29 years old, press 1. If 30-45, press 2. If 46-65, press 3. If older than 65, press 4.

18 to 29.....	2%
30 to 45 .....	7%
46 to 65.....	56%
Older than 65 .....	35%