



Highlights of [GAO-08-890T](#), a testimony before the Subcommittee on Select Revenue Measures, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Congress created individual retirement accounts (IRAs) with two goals: (1) to provide a retirement savings vehicle for workers without employer-sponsored retirement plans, and (2) to preserve individuals' savings in employer-sponsored retirement plans when they change jobs or retire. Questions remain about IRAs' effectiveness as a vehicle to facilitate new, or additional, retirement savings. GAO was asked to report on (1) the role of IRAs in retirement savings, (2) the prevalence of employer-sponsored and payroll-deduction IRAs and barriers discouraging employers from offering these IRAs, and (3) changes that are needed to improve IRA information and oversight. GAO reviewed published reports from government and financial industry sources and interviewed retirement and savings experts, small business representatives, IRA providers, and federal agency officials.

What GAO Recommends

GAO is not making recommendations at this time.

INDIVIDUAL RETIREMENT ACCOUNTS

Government Actions Could Encourage More Employers to Offer IRAs to Employees

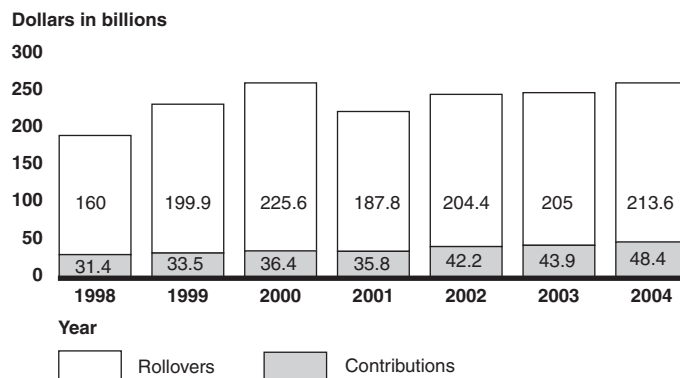
What GAO Found

Although Congress created IRAs to allow individuals to build and preserve their retirement savings, IRAs are primarily used to preserve savings through rollovers rather than build savings through contributions. Over 80 percent of assets that flow into IRAs come from assets rolled over, or transferred, from other accounts and not from direct contributions. Assets in IRAs now exceed assets in the most common employer-sponsored retirement plans: defined contribution plans, including 401(k) plans, and defined benefit, or pension plans.

Payroll-deduction IRA programs, which allow employees to contribute to IRAs through deductions from their paychecks, and employer-sponsored IRAs, in which an employer establishes and contributes to IRAs for employees, were established to provide more options for retirement savings in the workplace. Experts GAO interviewed said that several factors may discourage employers from offering these IRAs to employees, including administrative costs and concerns about employer fiduciary responsibilities. Information is lacking on how many employers offer employer-sponsored and payroll-deduction IRAs and the actual costs to employers for administering payroll-deduction IRAs.

Earlier this month, GAO reported on the role that federal agencies can have in helping employers provide IRAs to employees and in improving oversight of these savings vehicles. GAO made several recommendations to the Department of Labor (Labor) and the Internal Revenue Service to provide better information and oversight, but in the course of the review, GAO found that Labor does not have jurisdiction over payroll-deduction IRAs. Consequently, GAO also suggested that Congress may wish to consider whether payroll-deduction IRAs should have some direct oversight. A clear oversight structure could be critical if payroll-deduction IRAs become a more important means to provide a retirement savings vehicle for workers who lack an employer-sponsored retirement plan.

IRA Contributions and Rollovers, 1998 to 2004



Source: Investment Company Institute.

To view the full product, including the scope and methodology, click on [GAO-08-890T](#). For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjerg@gao.gov.