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From Access to Adequacy: Modeling Universal Automated Savings

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Executive Summary

This analysis evaluates the potential impact of a universal automated savings proposal on retirement-income adequacy among Generation Z, millennial, and Generation X households. We incorporate several new policy features into our microsimulation framework, the Morningstar Model of US Retirement Outcomes. The first is a new federal retirement savings program that would automatically enroll workers without access to an employer-sponsored plan or state auto-IRA, with contributions made on a Roth basis and subject to existing IRA limits. The second is a requirement for all private employer-sponsored defined-contribution plans to adopt automatic enrollment, including existing plans that currently use a voluntary enrollment design. Third, we model a periodic automatic reenrollment feature across federal, state, and private plans. Fourth, we include enhancements to the Saver's Match program that would substantially expand income eligibility for the federal matching contributions. These features do not reflect a specific legislative proposal but have featured prominently in recent policy discussions.

Overall, we find that the universal automated savings proposal would increase the share of households achieving retirement-income adequacy (defined as projected retirement income covering at least 100% of retirement expenses) from approximately 59% under the status quo to 67%, an 8-percentage-point improvement. The gains would extend across household types, with improvements of 7 percentage points among couples and 9 percentage points among both single men and single women.

The largest improvements would occur among households with little or no expected future retirement plan participation under the status quo (due to factors such as limited access to retirement plans or not participating when eligible). Among households with no expected future years of participation, the share achieving retirement-income adequacy increases from 37% to 48%, an 11-percentage-point improvement. The effect is even more pronounced among millennials in this group, for whom the share increases from 32% to 51%, a 19-percentage-point improvement. The proposal would also produce larger improvements among younger generations, lower- and middle-income households, and Hispanic and non-Hispanic Black households, although substantial disparities in retirement outcomes would remain. Moreover, the proposal would provide a larger financial cushion for households already projected to cover their retirement expenses, particularly among younger generations.

Finally, our sensitivity testing suggests that the estimated improvements are relatively robust to changes in key behavioral assumptions, including higher opt-out rates and increased preretirement withdrawals. Increasing the federal program's default contribution rate from 3% to 5% would produce additional improvements in retirement-income adequacy.

Introduction

Expanding access to retirement savings remains a central challenge for the US retirement system. In our earlier paper, "Access, Auto-Enrollment, and Accumulation: A Simulation of Universal Retirement Plan Coverage," we examined how expanding retirement-plan access to workers without an employer-sponsored plan could affect participation and retirement wealth under a range of enrollment and contribution designs. That analysis also reviewed the broader evidence on retirement-plan access, automatic enrollment, and savings behavior. Readers interested in that background should refer to Look & VanDerhei (2026).[1]

This paper extends that work by asking a related question: How would a universal automated savings system affect US working-age households' ability to generate adequate income in retirement? Rather than focusing primarily on participation and wealth accumulation, we use our microsimulation framework, the Morningstar Model of US Retirement Outcomes, to evaluate changes in retirement-income adequacy among the Gen X, millennial, and Gen Z age cohorts.

We first estimate the overall effect of the policy on retirement-income adequacy and then examine how those effects vary based on workers' expected future access to retirement plans and across generations, income levels, family status, and race and ethnicity. We also test how sensitive the results are to key policy and behavioral assumptions, including contribution defaults, opt-out rates, and preretirement withdrawal behavior.

Together with our earlier analysis, this study is intended to inform policymakers evaluating approaches to expanding retirement-plan access and strengthening retirement security. We begin by describing the policy changes analyzed in this study, followed by a brief overview of the modeling framework and study methodology before presenting the results.

Overview of Policy Changes Studied

We consider several policy changes aimed at increasing retirement plan participation, both by expanding access among uncovered workers and by increasing participation among workers with access. We also study potential enhancements to the Saver's Match program. As with our previous paper, the policy changes are not representative of a specific legislative design. Rather, they encompass different levers that have featured prominently in recent policy-focused discussions.

Federal Auto-Enrollment Plan

The first policy change that we model is a federally administered retirement savings program with automatic enrollment for workers without access to an employer-sponsored retirement plan or a state auto-IRA. Eligible workers would be defaulted into a Roth-style account at a 3% contribution rate, subject to existing IRA contribution limits. Workers can opt out of the program, which we account for in

1 Look, S., & VanDerhei, J., 2026, "Access, Auto-Enrollment, and Accumulation: A Simulation of Universal Retirement Plan Coverage." Morningstar Center for Retirement & Policy Studies. https://www.morningstar.com/business/insights/research/federal-auto-enrollment-retirement-coverage

our modeling. While most of our analysis assumes a 3% default contribution rate, we conduct sensitivity testing using a 5% default.

Auto-Enrollment Plan Requirement

The second change would require auto-enrollment among all private employer-sponsored retirement plans. Note that Secure 2.0 already generally requires auto-enrollment for new 401(k) and 403(b) plans. The key difference with this policy feature is that it would apply to existing plans too, including those that currently employ a voluntary enrollment structure.

Auto-Reenrollment Requirement

The third change would require plans to automatically reenroll eligible workers who previously opted out every three years. This requirement would apply to state-based auto-IRA programs, the federal plan analyzed here, and private employer-sponsored retirement plans. Workers would retain the ability to opt out each time they are automatically reenrolled.

Saver's Match Enhancements

The fourth change would expand the existing Saver's Match program, which provides eligible workers with a federal matching contribution. Under the policy modeled herein, the match would remain 50% up to the first $2,000 contributed, but eligibility would expand considerably. Namely, the match would begin phasing out at a modified adjusted gross income of $44,000 for single filers and $88,000 for married couples filing jointly, with eligibility extending up to $64,000 and $128,000, respectively.[2] These thresholds are illustrative and intended to represent a substantial expansion in eligibility. We also restrict access to accumulated match funds until age 62. The changes modeled here would broaden the program's reach and strengthen its savings incentives for lower- and moderate-income workers.

How These Changes Compare With Existing Policy Proposals

There are parallels between the policy package analyzed here and recent federal policy discussions. Proposals such as the Automatic IRA Act and the Retirement Savings for Americans Act have sought to expand retirement savings access among workers without employer-sponsored plans, while other proposals have sought to further enhance the Saver's Match. Our analysis combines elements of these approaches with broader automatic enrollment and reenrollment requirements to evaluate their potential effects on retirement-income adequacy.

Background on the Morningstar Model of US Retirement Outcomes[3]

The Morningstar Model of US Retirement Outcomes, or the Model, is a sophisticated tool used to predict the financial outcomes of American households in retirement. By using detailed data from a variety of

2 Under current law, beginning in 2027, the Saver's Match will provide eligible taxpayers with a 50% match on the first $2,000 of qualified retirement savings contributions, with eligibility phasing out between a modified adjusted gross income of $20,500 and $35,500 for single filers and between a MAGI of $41,000 and $71,000 for joint filers. For head-of-household filers, the match phases out between $30,750 and $53,250.

3 The Morningstar Model of US Retirement Outcomes is a nationally representative, household-level model that simulates retirement-income adequacy for all US workers. The Center's other simulation framework, the Defined Contribution Outcomes Model, shares many of the same components but is specifically designed to analyze retirement outcomes for defined-contribution plan participants.

sources, including the Survey of Consumer Finances, the Model simulates various factors such as income, expenses, investments, and health to project retirement-income adequacy.

Key features of the Model include:

- Comprehensive data input: Incorporates a wide range of household characteristics and financial information.
- Stochastic modeling: Uses probability-based simulations for both the accumulation and decumulation periods.
- Realistic behavior: Models household behavior, including savings rates, withdrawal patterns, job turnover, and cashouts.
- Longevity and health risks: Accounts for the impact of long-term-care expenses on retirement finances.
- Tax implications: Calculates federal and state income taxes on retirement income.
- Housing wealth: Considers the role of home equity in retirement planning.

Note that the framework estimates Social Security benefits for all household members included in the projection. While we do not reflect any potential future reductions to benefits in this analysis, we will revisit this assumption in a later analysis.

The Model uses a retirement-funded ratio metric to assess financial sufficiency in retirement. This is calculated for each of the 1,000 simulated life paths for each household. The numerator is the sum of real (that is, inflation-adjusted) income across all retirement years plus any remaining assets at the time of death, if applicable. The denominator is the sum of real expenses (also across all retirement years). This metric shows the magnitude of the shortfalls, with retirement-funded ratios that are well below 1, indicating significant shortfalls. The Model also calculates the amount of wealth that a household has at retirement age (assumed to be 65). We use the former metric in the analysis herein, focusing on changes in retirement-income adequacy between scenarios. Please refer to the Technical Appendix for more information on the Model.[4]

Study Methodology

To conduct the analysis, we modify our simulation framework to incorporate the policy changes described above.

Federal Auto-Enrollment Plan

To model the federal retirement plan, we first transfer Roth IRA balances to pretax accounts within the account information file. This adjustment is necessary to accommodate the new federal retirement account-modeling process.

Next, we built the functionality to automatically enroll workers who are simulated to not have access to an employer-sponsored defined-contribution, or DC, plan or a state auto-IRA into the new federal

4 Technical Appendix.

retirement plan. Our baseline assumption is that workers auto-enrolled into this new plan are defaulted at a 3% contribution rate. All contributions to the new federal plan are treated as Roth and capped at existing IRA limits.

As with our prior work, we simulate opt-outs when a worker is defaulted into the new federal plan. We use an opt-out rate of 30% as the baseline assumption in this analysis, which is generally based on state auto-IRA data (Georgetown University Center for Retirement Initiatives, 2026). Sensitivity testing on this assumption is presented later in the paper.

Preretirement withdrawals are modeled using the same logic we use to model preretirement withdrawals from DC accounts, which are primarily pretax accounts. Because Roth accounts have smaller early withdrawal penalties, this assumption may understate the frequency and severity of preretirement withdrawals from the new federal retirement account. We test the sensitivity of our results to higher rates of preretirement withdrawals later in the paper. We also simulate the possibility of cashouts for those participating in the new federal retirement plan, based on the existing logic we apply to DC accounts upon job change. Cashout rates vary by age and size of balance. In general, cashout rates are higher for smaller balances.

Automatic Enrollment Requirement

We also modify the simulation program to eliminate voluntary enrollment designs among private employer-sponsored DC retirement plans. Under the policy scenario, workers who would otherwise have access to a voluntary enrollment plan are instead assumed to have access to an auto-enrollment plan.

For workers who would have participated under the status quo, we maintain their previously simulated contribution rates. This approach avoids reducing the contribution rates of workers who would have participated under voluntary enrollment because their plan is converted to an auto-enrollment design. Applying the contribution behavior observed among auto-enrolled participants to these workers would generally result in lower contribution rates and, consequently, somewhat smaller estimated improvements in retirement-income adequacy.

For workers who would not have participated under the voluntary enrollment structure, we simulate participation and contribution behavior using the auto-enrollment plan designs observed in our proprietary dataset.[5] These workers are allocated across auto-enrollment plan prototypes with and without automatic escalation, each with a 3% default contribution rate. Actual contribution rates are then simulated using plan-type-specific behavioral models based on observed participant characteristics and behavior.

We also simulate the possibility that these workers opt out of participation using our existing auto-enrollment opt-out assumptions for private employer-sponsored plans.

5 The Morningstar Center for Retirement & Policy Studies maintains a proprietary dataset which includes millions of plan participant-level observations across thousands of defined-contribution plans.

Auto-Reenrollment Requirement

We also added functionality to automatically reenroll workers who previously opted out of participation. Workers are reenrolled every three years, provided they remain eligible for the plan and are not already participating. This logic applies to the new federal retirement plan, state auto-IRA programs, and private employer-sponsored retirement plans. If a worker changes jobs, we treat the first auto-enrollment event at the new employer as a new enrollment decision rather than a reenrollment event.

We assume that workers who previously opted out are more likely to opt out again when reenrolled. In particular, across the state, federal, and private retirement plans, we assume an opt-out probability of 45% upon subsequent reenrollment. For context, the baseline opt-out probability for a new enrollment decision is 30% for the federal and state plans. For private employer-sponsored plans, our existing auto-enrollment logic produces an opt-out rate of approximately 7%. Although the increase is considerably larger for private plans, this assumption has a negligible effect on the overall results because comparatively few workers in these plans initially opt out and are therefore subject to reenrollment.

The higher reenrollment opt-out rate reflects evidence that workers who have previously opted out are more likely to do so again.[6]

Saver's Match Enhancements

We also modify the simulation to reflect the enhanced Saver's Match described above. We apply the expanded income eligibility thresholds and calculate the match as 50% of eligible contributions up to $2,000. Saver's Match contributions are deposited into a pretax account and are assumed to be unavailable for withdrawal until age 62.[7] Exhibit 1 summarizes the key differences between current law and the enhancement modeled in our analysis.

Exhibit 1 Saver's Match Design Variations

Design Element	Current Law (2027 Values)	Enhancement
Match Rate	50%	50%
Maximum Annual Match	$1,000	$1,000
Single Modified Adjusted Gross Income Limit	$20,500 (full) / $35,500 (cap)	$44,000 (full) / $64,000 (cap)
Joint Modified Adjusted Gross Income Limit	$41,000 (full) / $71,000 (cap)	$88,000 (full) / $128,000 (cap)
Withdrawal Rules	Standard IRA withdrawal rules	Match funds locked until age 62

Notes: The maximum contribution eligible for the match ($2,000) is not indexed to inflation, consistent with current law. The MAGI thresholds, however, are indexed to inflation in our modeling.

Asset Allocation and Fees

We apply a consistent asset-allocation framework across retirement plan types. Investments are modeled using a consensus glide path based on the strategic asset allocations of major target-date

6 Refer to the Employers' Pension Provision Survey 2019

7 We assume all eligible savers claim the Saver's Match, which may overstate its impact given that some may not claim it in practice.

funds. This approach is applied to private employer-sponsored DC plans, state auto-IRA programs, and the new federal retirement plan.

We assume fees of 40 basis points for private plans, which is generally consistent with Mitchell (2026). For the policy proposal, we assume annual fees of 10 basis points for both state auto-IRA accounts and the new federal retirement plan, reflecting potential cost efficiencies at scale. We retain our original 20-basis-point assumption for state auto-IRA accounts under the status quo. Note that reducing it to 10 basis points would not materially affect the results.

Measuring Outcomes

For this analysis, we report the share of households projected to achieve retirement-income adequacy under both the policy scenario and the status quo. We use the Model's retirement-funded ratio metric which is a comprehensive measure of retirement outcomes that accounts for both income and expenses throughout retirement. Our primary measure of adequacy is the share of households with a funded ratio of at least 100%.[8] We also examine changes across the funded-ratio distribution to assess how the policy affects households above and below this threshold. In addition to the retirement-income adequacy results, we report changes in projected wealth at age 65 and the projected future value of wealth added to the system 10 years into the future in the Appendix.

Our status quo results are based on Look & VanDerhei (2024a, 2024b, 2025a, 2025b), with one key exception. Namely, we incorporate state auto-IRA participation into the baseline, as we did in Look & VanDerhei (2026).[9]

Note that we limit our analysis to Gen Z, millennial, and Gen X workers, as baby boomers have less time before retirement to accumulate meaningful additional savings under the proposal analyzed.

Lastly, we do not estimate the fiscal or administrative costs associated with the policy changes modeled here, although these costs are an important consideration when evaluating such proposals.

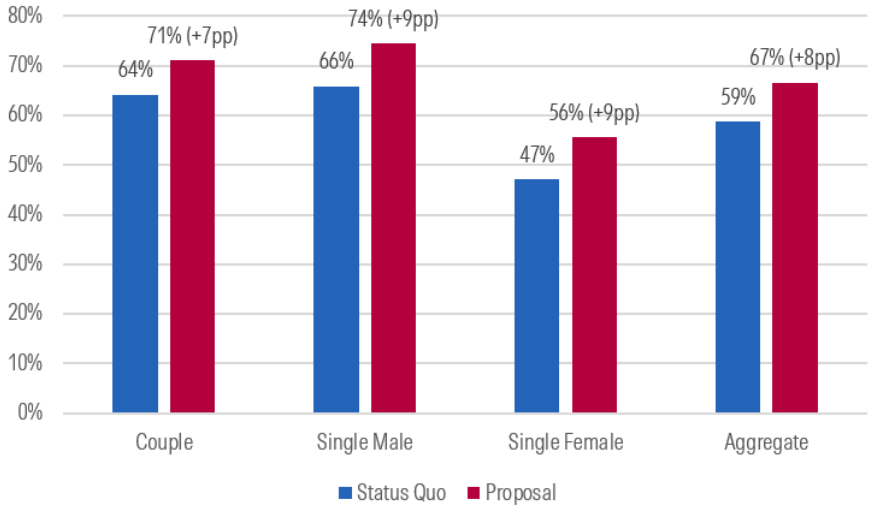
8 While our retirement expense projections incorporate potential long-term-care shocks, expenses generally decline over the course of retirement, and sometimes by a substantial margin. This is an important consideration when interpreting the 100% funded-ratio threshold.

9 We assume that 40% of workers could be defaulted into a state auto-IRA program, based on Bureau of Labor Statistics labor force estimates and Georgetown University Center for Retirement Initiatives (2026) data.

Finding 1: Universal Automated Savings Would Significantly Increase Retirement-Income Adequacy

We find that the universal automated savings proposal would significantly increase the share of Gen X, millennial, and Gen Z households projected to achieve retirement-income adequacy.[10] Approximately 59% of households are projected to achieve a retirement-funded ratio of at least 100% under the status quo, as shown in Exhibit 2. Under the proposal, that share increases to 67%, an 8-percentage-point improvement. The gains are evident across family types, with the share achieving retirement-income adequacy increasing by 7 percentage points among couples and by 9 percentage points among both single men and single women.

Exhibit 2 Share of Households Achieving Retirement-Income Adequacy by Family Status



Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement-funded ratio of at least 100%. Differences are expressed in percentage points. Due to rounding, the sum of the status quo and the difference may not equal the proposal result.

The improvements are somewhat larger for single households than for couples, as couples generally have higher account balances. While the proposal meaningfully improves outcomes for single women, the gender gap in retirement-income adequacy remains substantial.

A leave-one-out sensitivity analysis suggests that the improvements in retirement-income adequacy are driven by multiple components of the proposal and their interactions. Removing the Saver's Match enhancements reduces the aggregate improvement from 7.9 percentage points to 5.7 percentage points, while removing the federal savings program and automatic reenrollment in the federal and state programs[11] reduces it to 4.7 percentage points. These effects are not additive, as the provisions interact.

10 While an 8-percentage-point increase may not appear large, recall that we are quantifying the impact of the proposal on retirement-income adequacy. The proposal studied here results in substantially larger percentage changes in wealth, which we detail in the Appendix.

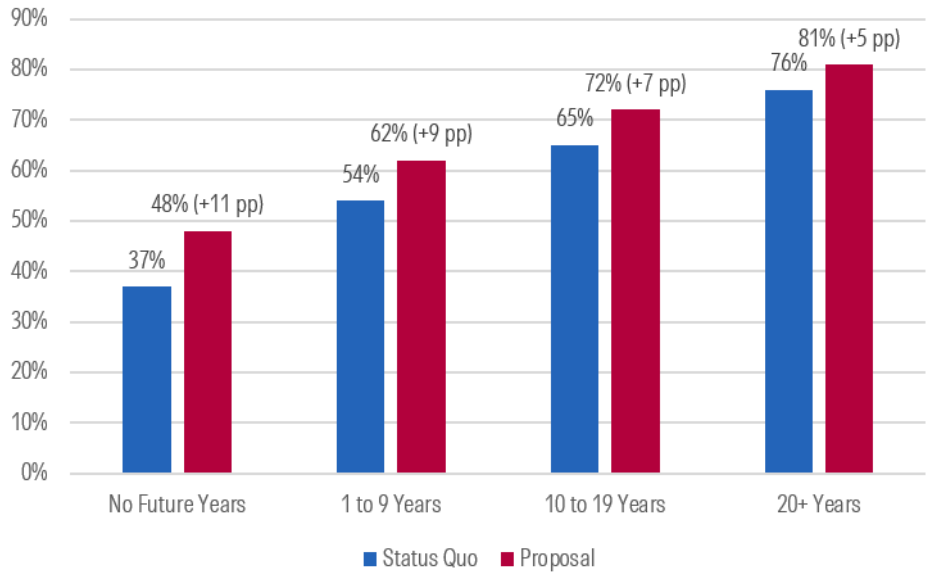
11 In this analysis, we excluded automatic reenrollment in both the federal and state auto-IRA programs. We did this because both are public savings channels for workers without access to an employer plan. Moreover, excluding only state auto reenrollment would very likely have a negligible effect.

Moreover, approximately 44% of the overall improvement in retirement-income adequacy accrues to households with 10 or more years of additional participation in a state or federal retirement plan under the proposal. Taken together, these results highlight how the proposal's impact is not driven by a single feature. Rather, the impact is driven by multiple policy features that tend to affect different groups of workers through expanded access, increased participation in private plans, and enhanced savings incentives.

Finding 2: Workers With the Least Expected Future Plan Participation Would See the Largest Improvements

We note that the proposal would have the largest impact on households with the least expected future retirement-plan participation under the status quo. As shown in Exhibit 3, the share of households achieving retirement-income adequacy with no future years in a plan jumps from 37% to 48%, an 11 percentage-point increase. On the other hand, the impact of the proposal on households with 20 or more years of expected future participation is only about 5 percentage points.

Exhibit 3 Share of Households Achieving Retirement-Income Adequacy by Projected Future Years of Retirement Plan Participation Under the Status Quo



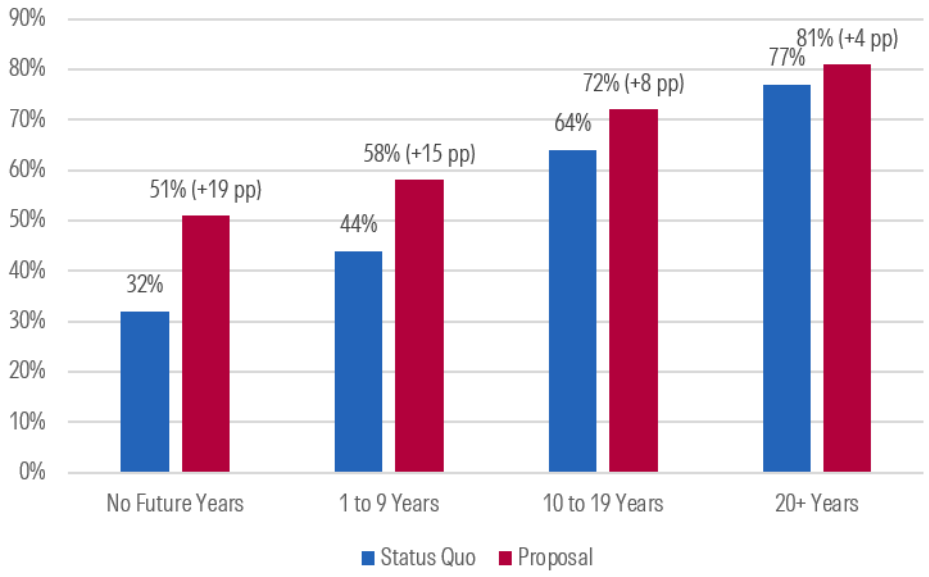
Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement-funded ratio of at least 100%. Differences are expressed in percentage points. Due to rounding, the sum of the status quo and the difference may not equal the proposal result.

The larger improvements among households with little or no expected future plan participation are intuitive, given that these households have the most to gain from expanded access. Importantly, the participation categories in the exhibit are defined under the status quo. Under the proposal, many workers who would otherwise have no future retirement-plan participation instead begin saving

through the new federal program or through automatic enrollment in private employer-sponsored plans.

We also note that the gradient in the exhibit is muted by the demographic composition of the sample, as the households with no expected future participation overwhelmingly belong to the Gen X age cohort. They have a shorter time horizon before retirement relative to Gen Z and millennials, meaning there is less time for the proposal's impact to accumulate. The gradient is much more pronounced in Exhibit 4, which only includes results for millennial households.

Exhibit 4 Share of Millennial Households Achieving Retirement-Income Adequacy by Future Years of Retirement Plan Participation Under the Status Quo



Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results only include millennial age cohorts. Retirement-income adequacy is defined as a retirement funded ratio of at least 100%. Differences are expressed in percentage points. Due to rounding, the sum of the status quo and the difference may not equal the proposal result.

The results for millennials clearly demonstrate the potential impact of the proposal. For younger cohorts with a longer runway before retirement, the proposal could substantially improve retirement-income adequacy, particularly among households with little or no expected future retirement-plan participation.

One caveat worth noting is that the analysis preserves the modeled contribution rates of existing participants in voluntary-enrollment plans. This is an important assumption, as applying the contribution-rate patterns observed in automatic-enrollment plans to these participants would, in many cases, result in lower predicted contribution rates. We intend to explore this assumption further in future research.

Finding 3: Younger Generations Would Experience the Largest Shifts Across the Retirement-Adequacy Distribution

The proposal would have a substantially larger impact on retirement-income adequacy among younger generations, particularly at higher funded-ratio thresholds. This is consistent with the results in Finding 2, which highlighted the importance of a longer savings horizon. The exhibit below details the share of households achieving retirement-income adequacy by age cohort and by funded ratio. The share of Gen Z households achieving a funded ratio of at least 100% increases by 12 percentage points, compared with 10 percentage points for millennials and 5 percentage points for Gen X. The differences become much more pronounced at a funded ratio of 120%, where the improvements are 23, 18, and 8 percentage points, respectively.

Exhibit 5 Share of Households Achieving Retirement-Income Adequacy Across Funded-Ratio Thresholds Under the Status Quo and the Impact of the Proposal by Age Cohort

Funded Ratio	Gen Z	Millennials	Gen X	Aggregate
0.8	73% (+7 pp)	74% (+6 pp)	76% (+2 pp)	75% (+5 pp)
0.9	67% (+9 pp)	67% (+7 pp)	68% (+3 pp)	68% (+6 pp)
1	60% (+12 pp)	59% (+10 pp)	58% (+5 pp)	59% (+8 pp)
1.1	46% (+21 pp)	43% (+18 pp)	41% (+9 pp)	43% (+15 pp)
1.2	38% (+23 pp)	33% (+18 pp)	29% (+8 pp)	32% (+15 pp)

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Each funded-ratio row represents the share of households with a funded ratio greater than or equal to the displayed value. We use the following definitions for generations. Gen Z: people in the labor force born in 1996 or later. Millennials: people born between 1980 and 1995. Gen X: people born between 1964 and 1979.

The larger improvements among younger generations reflect, in large part, their longer time horizons before retirement. The proposal would increase retirement-plan participation and savings rates, with Gen Z households having several decades for these additional savings to accumulate. In contrast, Gen X households have considerably less time before retirement, although the improvements in retirement-income adequacy remain meaningful given their shorter savings horizon.

The larger improvements at higher funded-ratio thresholds are also noteworthy. Under the status quo, many households already have funded ratios slightly above 100%, meaning that additional retirement savings may not change whether they achieve retirement-income adequacy but can provide a greater cushion above that threshold. This helps explain why the proposal produces substantially larger shifts at funded ratios of 110% and 120% than at 100%.

Finding 4: Improvements Would Be Concentrated Among Lower- and Middle-Income Households

We find that the proposal would lead to larger improvements in retirement-income adequacy among lower- and middle-income households compared with higher-income households. As shown in the exhibit below, this pattern holds across all three generations, although the improvements are substantially larger for Gen Z and millennials than for Gen X.

Exhibit 6 Share of Households Achieving Retirement-Income Adequacy by Income Quartile

Panel A: Gen Z

Scenario	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Status Quo	30%	53%	72%	86%
Proposal	45%	68%	83%	91%
Impact	+14 pp	+16 pp	+11 pp	+5 pp

Panel B: Millennial

Scenario	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Status Quo	24%	50%	71%	89%
Proposal	36%	64%	80%	93%
Impact	+12 pp	+15 pp	+9 pp	+4 pp

Panel C: Gen X

Scenario	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Status Quo	19%	53%	68%	91%
Proposal	24%	59%	73%	93%
Impact	+5 pp	+7 pp	+4 pp	+2 pp

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Retirement-income adequacy is defined as a retirement funded ratio of at least 100%. Differences are expressed in percentage points. Income quartiles are generation-specific and are based on our average indexed monthly earnings calculations, which we use in our estimation of Social Security benefits. We use the following definitions for generations. Gen Z: people in the labor force born in 1996 or later. Millennials: people born between 1980 and 1995. Gen X: people born between 1964 and 1979. Due to rounding, the sum of the status quo and the difference may not equal the proposal result.

The larger improvements among lower- and middle-income households are intuitive, given that the Model incorporates lower retirement-plan access rates for lower-income workers across industries. Furthermore, the proposal's expanded Saver's Match eligibility would allow more lower- and middle-income workers to qualify for matching contributions.

In contrast, households in the highest income quartile already have relatively high rates of retirement-income adequacy under the status quo, leaving less room for improvement. For example, among Gen Z households in the highest income quartile, 86% already achieve retirement-income adequacy under the status quo.

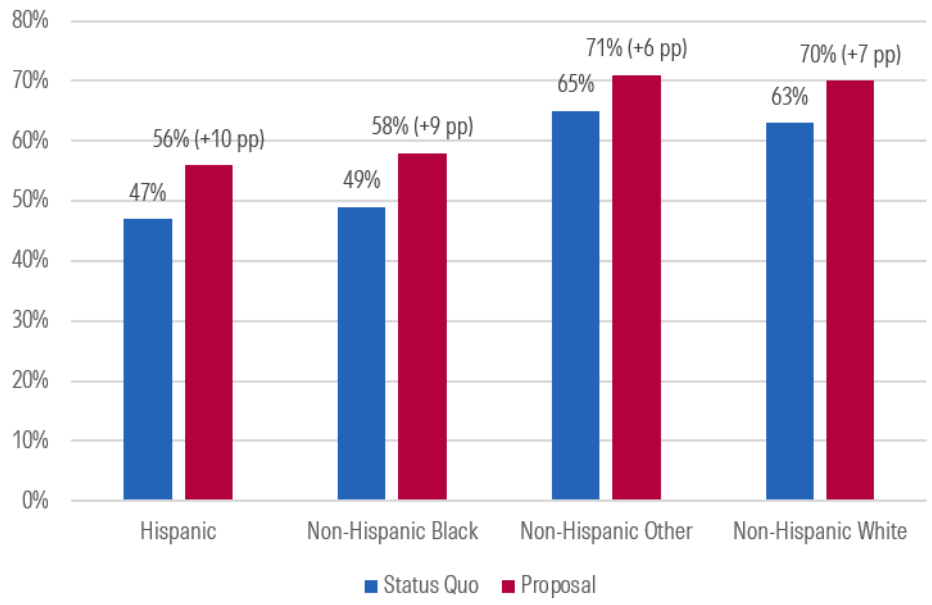
Interestingly, households in the second income quartile consistently experience the largest percentage-point improvements, rather than those in the lowest quartile. One explanation is that lowest-quartile households are more likely to participate in federal or state auto-IRA programs. In the Model, program

participants save at the 3% default contribution rate, while contribution rates in private DC plans are based on observed participant savings behavior and are generally higher. As a result, participants in federal and state programs are less likely to contribute enough to receive the full Saver's Match. Private DC plans also often provide employer matching contributions, further increasing the potential benefits of participation.

Finding 5: Universal Automated Savings Would Help Mitigate Race and Ethnic Disparities in Retirement-Income Adequacy

Our projections show that the proposal would help narrow racial and ethnic disparities in retirement-income adequacy, with Hispanic and non-Hispanic Black households experiencing larger improvements than non-Hispanic white households, as shown in Exhibit 7.

Exhibit 7 Share of Households Achieving Retirement-Income Adequacy by Race and Ethnicity



Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement-funded ratio of at least 100%. Differences are expressed in percentage points. Due to rounding, the sum of the status quo and the difference may not equal the proposal result.

Despite the larger relative improvements among Hispanic and non-Hispanic Black households, substantial differences in retirement-income adequacy across race and ethnicity groups would remain. As discussed in our earlier research (Look & VanDerhei, 2024a), these persistent disparities partly reflect substantial differences in accumulated retirement savings that remain even after accounting for income.

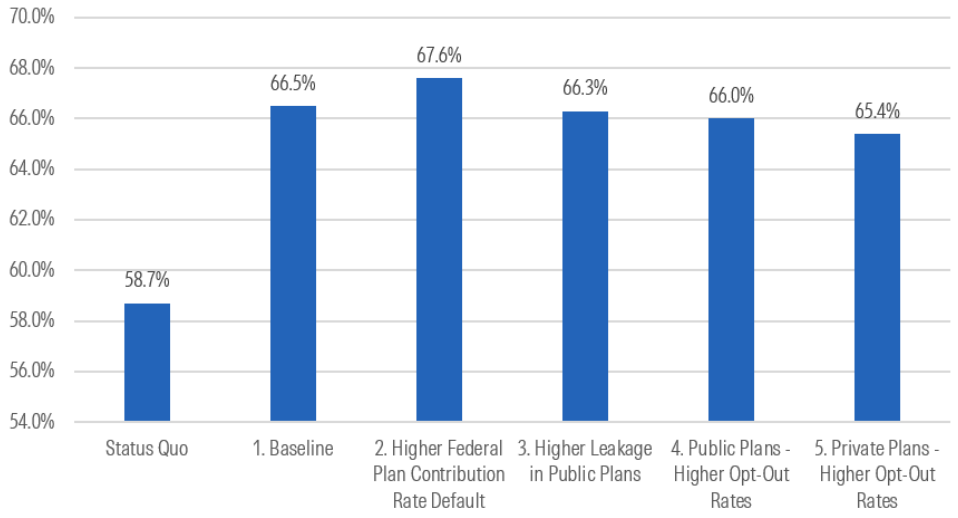
Finding 6: Our Findings Remain Robust Across Key Behavioral Assumptions

Lastly, we conduct sensitivity testing on the key assumptions in the analysis. Specifically, we examine how retirement-income adequacy outcomes change under the following scenarios:

- **Higher federal contribution default**: Increase the default contribution rate in the federal program from 3% to 5%.
- **Higher preretirement withdrawals**: Increase the modeled likelihood of preretirement withdrawals from federal and state program accounts by a multiplicative factor of 1.25.
- **Higher opt-out rates in federal and state programs**: Increase the initial federal program opt-out rate to 50% and the opt-out rate upon automatic reenrollment to 60% for both federal and state program participants. We hold the initial state program opt-out rate constant because these programs already exist and our opt-out rate assumption is based on observed data.
- **Higher opt-out rates in private DC plans**: Increase the assumed opt-out rate for workers newly subject to automatic enrollment in private DC plans to 14.5%. Because the Model applies a single opt-out rate across these plans, we use a weighted average of 20% for workers converted from voluntary enrollment (58% of covered workers) and 7% for workers already in automatic-enrollment plans (42% of covered workers). We also increase the opt-out rate upon automatic reenrollment to 60% for private DC plan participants.

The results of the sensitivity tests in aggregate are presented in Exhibit 8. Unlike in earlier sections, we report results to one decimal place to better illustrate the differences across scenarios.

Exhibit 8 Share of Households Achieving Retirement-Income Adequacy (Aggregate)



Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement funded ratio of at least 100%.

We next report the sensitivity results by family status in Exhibit 9.

Exhibit 9 Share of Households Achieving Retirement-Income Adequacy by Family Status Across Sensitivity Scenarios

Model Scenario	Couple	Single Male	Single Female
Status Quo	64.1%	65.9%	47.1%
1. Baseline	71.0%	74.5%	55.6%
2. Higher Federal Plan Contribution Rate Default	72.0%	75.6%	56.9%
3. Higher Leakage in Public Plans	70.9%	74.2%	55.4%
4. Public Plans - Higher Opt-Out Rates	70.6%	74.0%	55.1%
5. Private Plans - Higher Opt-Out Rates	69.8%	73.4%	54.6%

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement-funded ratio of at least 100%.

Lastly, we report the results by age cohort across the sensitivity scenarios.

Exhibit 10 Share of Households Achieving Retirement-Income Adequacy by Age Cohort Across Sensitivity Scenarios

Model Scenario	Gen Z	Millennials	Gen X
Status Quo	60.3%	58.7%	57.6%
1. Baseline	71.8%	68.5%	62.1%
2. Higher Federal Plan Contribution Rate Default	73.0%	69.9%	62.9%
3. Higher Leakage in Public Plans	71.4%	68.2%	62.0%
4. Public Plans - Higher Opt-Out Rates	71.2%	67.9%	61.7%
5. Private Plans - Higher Opt-Out Rates	70.5%	67.2%	61.2%

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes. Results include Gen Z, millennial, and Gen X age cohorts. Retirement-income adequacy is defined as a retirement-funded ratio of at least 100%.

The first takeaway is that increasing the federal program's default contribution rate from 3% to 5% would meaningfully improve retirement-income adequacy. Intuitively, a higher default would increase contributions among newly enrolled workers, allowing additional savings to accumulate over time. The higher default would also increase Saver's Match contributions.

The second takeaway is that the results remain relatively stable under the alternative assumptions for preretirement withdrawals and opt-out rates. While these changes generally reduce the estimated improvements in retirement-income adequacy, the effects are modest when considered individually.

Conclusion

In this analysis, we simulated the potential impact of a universal automated savings proposal on retirement-income adequacy. We found that the proposal would increase the share of Gen Z, millennial, and Gen X households achieving retirement-income adequacy from 59% to 67%, an 8-percentage-point increase. The largest improvements would occur among younger households and those with little or no expected future retirement-plan participation under the status quo. Lower- and middle-income households, as well as Hispanic and non-Hispanic Black households, would also experience larger improvements, although substantial disparities in retirement outcomes would remain. Our sensitivity testing further suggests that these improvements are relatively robust to changes in key behavioral assumptions, while a higher federal contribution default would produce additional gains.

Implications for Policymakers

The most important takeaway for policymakers is that the improvements are not driven by any single policy feature. Rather, the provisions complement one another as workers move between jobs and different retirement savings arrangements over their careers. The federal program would provide access when workers are not covered by an employer-sponsored plan (or a state plan), while automatic enrollment in private DC plans would increase participation when workers have access to one. Periodic reenrollment would provide additional opportunities to begin saving across the federal, state, and private programs, while the enhanced Saver's Match would encourage additional savings regardless of the type of program in which workers participate.

While estimating the fiscal and administrative costs of the proposed policy changes is beyond the scope of this analysis, these costs represent an important consideration for policymakers and an area for future research. Nevertheless, the analysis highlights the potential for a coordinated set of retirement savings policies to meaningfully improve retirement-income adequacy over the long term, particularly for younger workers who have more time to accumulate additional savings before retirement.

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Appendix

The table below contains the average percent change in wealth at age 65 by family status.

Exhibit A1: Average Percent Change in Wealth at Age 65 by Family Status

Single Male	Single Female	Married	Aggregate
78%	91%	55%	73%

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at 65. Results presented include Gen Z, millennial, and Gen X age cohorts. Wealth includes balances from DC plans, IRAs, post-tax accounts, state accounts, and the new federal plan.

The next table includes the average percent change in wealth at age 65 by age cohort.

Exhibit A2: Average Percent Change in Wealth at Age 65 by Age Cohort

Gen Z	Millennial	Gen X
101%	83%	50%

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at 65. Wealth includes balances from DC plans, IRAs, post-tax accounts, state accounts, and the new federal plan.

The next table includes the average percent change in wealth at age 65 by generation-specific income quartile.

Exhibit A3: Average Percent Change in Wealth at Age 65 by Age Cohort and Income Quartile

Income Quartile	Gen Z	Millennial	Gen X
1st Quartile	153%	127%	64%
2nd Quartile	120%	96%	54%
3rd Quartile	80%	67%	50%
4th Quartile	58%	48%	39%

Source: Authors' calculations using v1.3 of the Morningstar Model of US Retirement Outcomes under the assumption that household members retire at 65. Income quartiles are based on model average indexed monthly earning (AIME) estimates, which are used for Social Security benefit calculations. Income quartiles are generation-specific. Wealth includes balances from DC plans, IRAs, post-tax accounts, state accounts, and the new federal plan.

Lastly, we estimate that the future value of wealth 10 years from now added to the system from the baseline proposal would be approximately $3.593 trillion.

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