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STATEMENT OF VIKKI NUNN

BEFORE THE US SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS SUBCOMMITTEE ON PRIMARY HEALTH AND RETIREMENT SECURITY
ON
EXPLORING THE "GIG ECONOMY" AND THE FUTURE OF RETIREMENT SAVINGS

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I would like to thank Chairman Enzi and Ranking Member Sanders, and members of the Committee for the opportunity to participate in today's roundtable discussion on Exploring the Gig Economy and the Future of Retirement Savings

I am Vikki Nunn, I am a CPA and one of the owners of Porter, Muirhead, Cornia & Howard a CPA firm in Casper, Wyoming. As a small business owner and a consultant to small business owners, saving for retirement is an important topic for me. In fact our firm, last month, purchased a small wealth management practice for the primary purpose of being able to help our clients start single participant 401(k) plans, Solo(k)s.

While Wyoming does not have the same exposure to certain elements of the gig economy that other locations may face, we have our own experience of the gig economy. With the hit to coal production in our state and the decrease in oil and gas prices, we have witnessed many mid-level managers being laid off only to be brought back as consultants on a project by project basis.

These individuals for the most part, are at the height of their earning years and at an age where retirement is no longer a concept for the distant future. Commonly, they have participated in their employer's sponsored 401(k) plans, and have arrived at a time when catch-up contributions would be allowed only to find themselves with no access to those plans and with a much more volatile income stream. For most, a Solo(k) is a great vehicle to help them meet their retirement needs. It is particularly helpful since income may fluctuate a great deal from year to year. With a Solo(k), they can put more away in a high earnings year and can end up funding more for retirement than their employer and personal contributions were providing before.

We have noticed these very capable people can still find the process of finding a provider and starting a Solo(k) plan daunting. Most providers rely on web based applications, and while technically the plans are not subject to Title 1 of ERISA, much of the same wording is used for the plans and applications. It is common for the application to be 20 pages or more and about the same number of pages explaining the plan, options and administrative requirements. In addition, since the fee potential on these plans is fairly low, plan providers may not showcase the Solo(k) option to the same extent that they do other options, like IRAs. After seeing the growth in our sole proprietor client base, particularly the contingent service providers work force, our firm decided to purchase a small wealth management business hoping to remove some of the obstacles for our clients by providing a live person on site to help guide our clients in setting up and maximizing their Solo(k)s.

Another growing element in our client base, are the number of full-time employed clients that have one or more businesses on the side. They may be work all week for the County and operate a food truck on the weekend. We are actually seeing a strong increase in young people who are using this as a way to grow their business with limited upfront capital. Many of these people can maximize their retirement savings through adding Solo(k)s to their sole proprietorship type businesses as well.

One unusual circumstance that we have noted is when given the opportunity to put up to $60,000 into retirement savings, many people over 50, with volatile income streams, will make that choice, or at least they frequently chose to put in more than $24,000. These are not people who are bringing in gross revenues of over $250,000; in fact the norm would be closer to $150,000. It is also interesting that they may choose to fund all or part as a Roth Solo(k), so it is not just about tax deductions. For many, they are at a place where tuition costs for children are over, houses are paid-off or close, and medical related costs are still manageable. With a volatile income stream, they also realize that there is no guarantee that they will be able to maximize or possibly even make a contribution each year. This has shown me that if we want to encourage savings for retirement, especially for a contingent work force, significantly raising the catch-up limits or removing them for Roth contributions could be very effective.

Solo(k)s are only one answer and they are by necessity limited to businesses with no employees, other than perhaps a spouse. However, those are the businesses that seem to be expanding in our current economy.

Another change that could help many owners of small businesses increase retirement savings would be to remove the top heavy rules for small plans. Our CPA firm has approximately 45 employees and we are committed to being a good employer. We are proud to have 100% participation in our 401(k) plan. As an employer, we make a profit sharing contribution for each participating employee. Last year that was 3% of their wages. We believe this helps some of our lower paid staff to still build retirement savings even at a young age and even if they only contribute five or ten dollars a month. Every year we analyze our business to see if we are able to increase that to 4% or 5%. Since we have nine CPAs that own our business, we would all like to make full contributions for ourselves as well. In many years, like last year, our personal contributions ended up limited to approximately $12,000 each, well under the maximum individual contribution we would like to make. While there are safe harbor options available, they limit our ability to be responsive to the needs of our business and our employees, so we have chosen to continue on the path of our current plan even though our personal contributions end up limited.

As a last point I would like to ask the members of this committee do everything possible to encourage the availability and use of Roth retirement options. As a CPA, I have always been a big proponent of deferring taxes and only recently have started to understand how important Roth retirement options are. My wakeup call on this issue came from working with my parents. My dad was a full-time draftsman and a part-time preacher and my mom had seven children and a small millinery business in California. Neither of them earned enough in their life to receive maximum social security benefits. They are very thankful for the benefits they receive and their benefits last year were not taxable to them. However, they worry each year that a distributions from my dad's small 401(k) savings could push their social security payments into being taxable. A specific dollar of income that cost them much more in taxes. If they had been able to put more of their retirement into Roth options, they would certainly have more control over their current financial outcomes.

In conclusion, thank you for the opportunity to make this statement. I look forward to working with this Committee to consider ideas that will encourage further plan sponsorship and participation by small businesses in particular. Thank you for your consideration of this statement.