

American Pension Reform: Beyond the 401(k)



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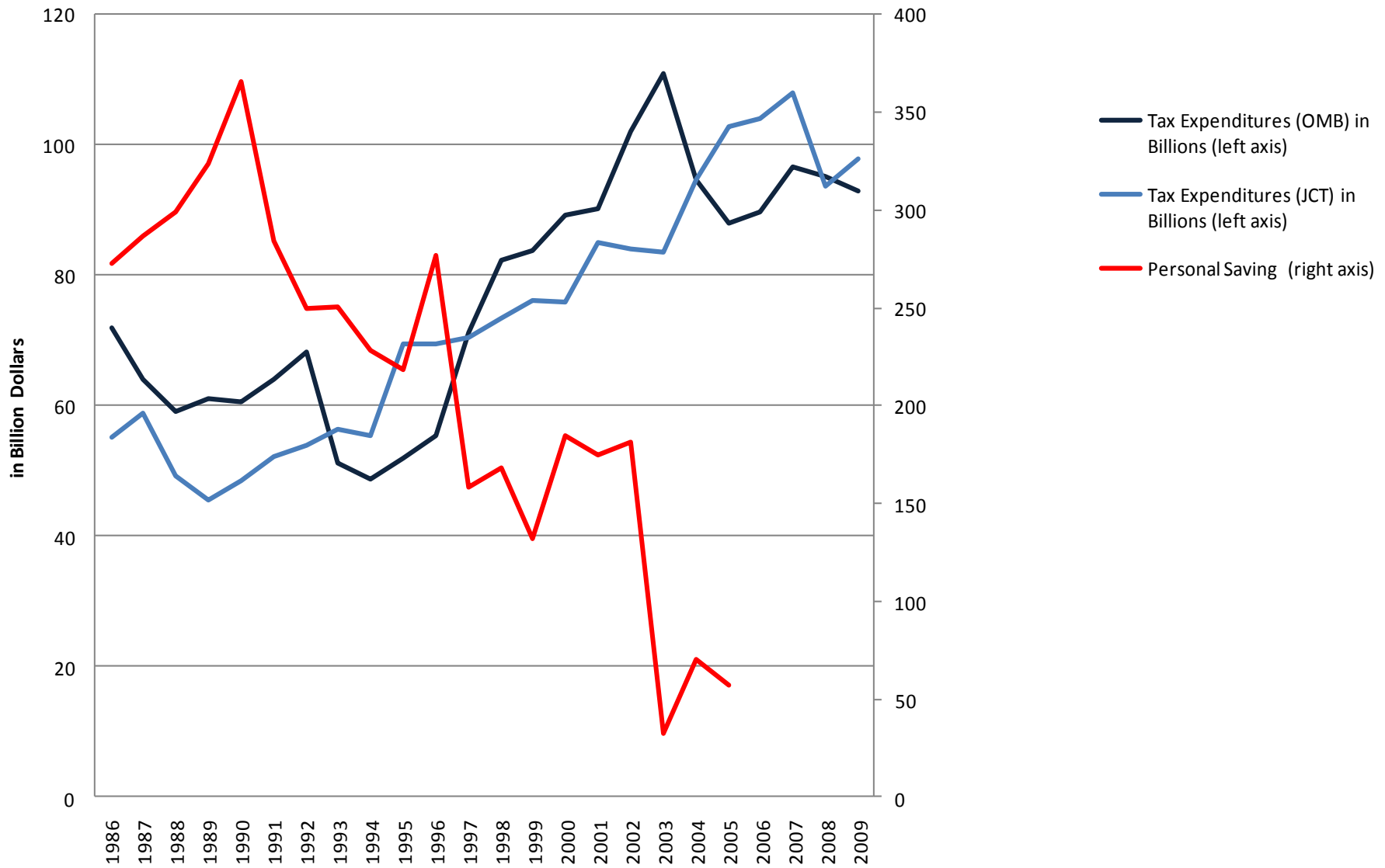
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Employer Pensions are Needed as a Second Layer (Munnell 2006 and Butrica, Iams 2003)

Importance of Sources of Income to the Middle Class Elderly	2003	2023
Social Security	38%	41%
Employer Pensions (DB and DC)	25	18
Earnings	13	18
Assets (not including housing)	13	12

U.S. Tax Expenditures for Employer Plans EXCEED Savings , 1986 - 2009



Tax Expenditures are Ineffective and Inefficient

6% of taxpayers with incomes over \$100,000 per year get 50% of the tax subsidies.

401(k) tax breaks will grow 49% but they exceed the amount of aggregate savings

If we limit tax breaks to contributions under \$5,000 then all can have \$400 per year

Characteristics of a Good Pension System

Universal Coverage

Portable Between Jobs

Pooled Assets

Adequate Pensions

Targeted Government Aid

Annuities not Lump Sums

Payout at retirement, no early withdrawals

Retirement Security Under a Guaranteed Retirement Account

<http://www.sharedprosperity.org/bp204/bp204.pdf>

Characteristics Of Good Pension System	401(K)	Obama' Auto-IRA	GRAs
Universal coverage	No	Almost	Yes
Portable	No	Yes	Yes
Pooled assets, efficiently administered	No	No	Yes
Adequate Pensions	No	No	Yes
Targeted Government Aid	No	Yes	Yes
Annuities	No	No	Yes
Payout at retirement, no withdrawals	No	No	Yes

	Current System	Obama	GRAs
Pension Coverage	50%	85%	100%
Household Savings Rate	1%	2%	5%
Distribution to Bottom 20%	0.10%	20%	20%
Costs 2008 in \$Billions	\$110	\$155	\$110

Public Wants A Retirement Solution

- 83% say govt. should guarantee pensions,
- 81% say govt. should guarantee health care,
- 78% say govt. should raise minimum wage