

PARADE

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IntelligenceReport®

RETHINKING RETIREMENT

In the last year, many Americans have seen the value of their 401(k)s drop by more than 50%. The economist **Teresa Ghilarducci** recently testified before Congress in favor of an alternative—"guaranteed retirement accounts."

What is a guaranteed retirement account?

If we switched to a national system of GRAs, employees would put at least 5% of their income each year into a government-backed savings account. Employers could pay part of that, if they wanted. The money would earn an annual 3% interest after inflation and could be taken out only upon retirement. It would be a safe place for people to save money, similar to what's already available for members of Congress and federal employees.

How do you respond to claims that our current system of pensions and 401(k)s is working?

As we've seen, 401(k)s are not guaranteed, and pensions were designed when people worked for a single employer that was around for a lifetime, without bankruptcies. GRAs also would help low-wage workers and the self-employed in a way that the current system doesn't.

Why make this a government program? Why not reform the private pension system?

Only the U.S. government could invest worldwide in a diversified fund that pays a 3% return. GRAs would rearrange government subsidies to let everyone participate in saving for retirement.

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