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Job-Changing 401(k) Savers Must See All Their Eggs in One Basket-- and Add More Eggs

Executive Summary

The Department of Labor is encouraging vital communication to 401(k) participants by proposing a requirement that plan sponsors communicate the future income stream generated by participants' retirement savings. However, there will be significant shortcomings in the calculation approach that should be addressed by taking the following steps:

- The communication must take into account assets in participants' rollover accounts and at previous employers, not just the balance at the current employer. This consolidation is needed in order to provide an accurate assessment, since most Americans change jobs frequently.
- The projected income stream should be based on the assumption of a long lifespan and modest investment returns; otherwise the projections could be overly optimistic.
- Another reason why it's difficult to forecast future investment returns is that too many target date funds, investment products that are supposed to reduce exposure to stocks for those nearing retirement, have a too-high allocation in stocks for that demographic, resulting in investment losses. Many of these funds also have significant holdings in junk bonds. Funds that take these risks should be required to issue a warning that losses may occur as a result of this investment strategy.
- *Since the vast majority of Americans don't choose the Roth 401(k), in which income taxes on contributions are paid up front, the projection should deduct estimated taxes that will be owed when people take distributions.

- The communication should include a disclaimer that while the assumptions are that the participant will work for a company that offers a plan throughout their career, many employers do not. What's more, even those employers who do offer a plan may limit contributions by requiring a year of service before employer contributions start and one to six years before they are "owned," along with suspending contributions during economic downturns or eliminating them entirely. In addition, many workers reduce their nest eggs by "cashing out," or spending, some of their retirement savings when changing jobs.
- The Department of Labor's expectations that wages will increase by 3% a year leads to overly optimistic expectations when it comes to employer contributions; in reality wage growth has been stagnant in the U.S. since 2000.
- *Most importantly, the vast majority of participants would benefit from software that not only takes the "big picture" of all of their retirement savings but advises them on how much to save to achieve retirement security based on their current savings and how many years until they are scheduled to retire. The software would also advise users on the risks of receiving matching contributions in company stock and why workers should diversify these contributions as quickly as possible. In addition, it should inform them that "catch-up" contributions for those over age 50 will not be sufficient to enable them to retire comfortably and most of them should save outside of the plan.

American Workers Need to Take the "Big Picture" of Their Pension Poverty--and Reverse It

The Department of Labor is tackling a vital need: communicating the income stream that workers who are covered only by 401(k) plans can expect at retirement from their account balances. As the DOL observes, when participants "see that \$100,000 may only

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generate \$700 of monthly income for life, the participant may be incented to save more aggressively.”¹

Unfortunately, if the communication requirement is limited to the participant’s account balance at his/her current employer, the projected stream will be so low people may react by saying “Why bother to save?” Why? The vast majority of Americans work for multiple employers during a lifetime; as the Bureau of Labor Statistics has pointed out, Baby Boomers born between 1957 and 1964 changed jobs more than 11 times between the ages of 18 and 46 alone-- or every two or three years. ² Unless American workers can take the “big picture” of all of their savings the income stream picture will be misleading.

What’s more, even if they could see all their eggs in one basket, very few Americans have accumulated a \$100,000 nest egg unless they are nearing retirement. And even if they have, this total is less than one fifth of most of them need, given the actuarial rule of thumb that workers should accumulate at least 10 times their “final pay,” or salary nearing retirement. Today that goal would be around \$650,000, given that the median wage for those nearing retirement is about \$65,000. According to the Federal Reserve Board’s 2010 SCF (Survey of Consumer Finances) Chartbook, the median amount saved in 401(k) accounts and other savings for those age 55 to 64 was **\$100,000 in 2010**. For those age 35 to 44 the median value was only \$31,200 and only \$60,000 for those age 45 to 54.³

Bottom line: most Americans are facing pension poverty. According to the Employee Benefit Research Institute’s 2013 Retirement Confidence Survey, 57% of households reported that they had less than \$25,000 in retirement savings, including 28% with less than \$1,000. (The author fits into the latter category, having accumulated no retirement savings despite spending 20 years in the workforce; if I were single I’d have no assets

other than Social Security). Forty percent of those surveyed think they need to accumulate at least \$500,000 by the time they retire; 21% think they need between \$250,000 and \$499,000.⁴

The second limitation with the DOL's assumptions is it appears to use the life annuity equivalent approach to calculating benefits, which results in overly optimistic monthly income projections. While the life annuity approach uses a more conservative investment approach than the 4% annual withdrawal rule favored by many pension actuaries and financial planners—100% fixed income versus 50% stocks/50% fixed income--the DOL's longevity expectations are dangerously low--assuming that the worker only faces an "average" life expectancy, or living to around age 79, as opposed to age 95 for the users of the 4% rule.

This author would propose a new retirement estimation rule that combines a low-risk money management approach with longer life expectations.

- The investment assumption would be that all assets would be invested in money market funds rather than stocks to ensure that stock market slumps won't reduce savings. The "lost decade" stock market slump during 1999-2008 was not only harmful to those people still in the workforce, but those market losses of -1.38% were worse than the -.05% returns for the Great Depression⁵. What's more, currently even safe investments such as money market funds yield negative returns when you take inflation into account: -.02%⁶ as of July 2013 minus a 1.8% inflation rate⁷ or -1.82%.
- Life expectancy would be age 95, taking into account longer longevity expectations for Boomers than their Greatest Generation parents.

Bottom line: Today's retirement environment must factor in the "new normal" of retirement in the 21st century: the vast majority of Boomers have fewer assets and

more liabilities than their Greatest Generation parents. Even if the retiree doesn't live to age 95 his/her spouse may and still needs that money to pay bills. So dividing \$100,000 by 360 months results in a mere \$278 a month, compared to the \$700 figure estimated by the DOL. The expectation of zero investment returns reflects the current meager investment returns on money market funds.

Stock Market Investing Must Be "Age-Appropriate:" Risky Target-Date Funds Will Lower Assets

Another reason why it's difficult to project account balances at retirement is that the majority of mutual funds managing 401(k) assets who offer target date funds, which are designed to shift away from stocks as participants approach retirement age, keep more than half of their assets in stocks for those only a few years away from retirement, increasing the risk of loss. Despite Vanguard Group founder John Bogle's rule of thumb that investors should "hold your age in bonds" and the rest in equities⁸--which would mean only a 35% exposure to stocks at age 65—a 50%-plus allocation in stocks in many target-date funds for those workers scheduled to retire in 2010 resulted in a loss of 23% in the typical target date fund in 2008.⁹

Fidelity Investments, Vanguard Group and T Rowe Price, who controlled 76% of the target-date market as of 2011,¹⁰ all have more than 50% of assets invested in stocks for investors scheduled to retire in 2015: the stock allocation is 51.01% for Fidelity's Freedom 2015 Fund, 54.4% for Vanguard's Target Retirement 2015 Fund and 60.7% for T Rowe Price's Retirement 2015 Fund.¹¹ More than likely the too-high stock allocation approach is focused more on achieving short-term market gains--and more customers. As Bogle put it, stock allocations are being "driven more by marketing considerations" than a prudent investment approach.¹²

What's more, the fact that the Pension Protection Act permits employees who are

“automatically enrolled” in a 401(k) plan at a default contribution rate of 3% of pay to be “automatically invested” in a target-date mutual fund potentially subjects that money to unnecessary investment loss.

It's not just slumping stock values for those nearing retirement that may affect investors in target date funds but investments in junk bonds. Fidelity's Freedom 2010 Fund had more than 17% of its assets in junk bonds and T Rowe Price's Retirement 2010 Fund had more than 13% invested in them.¹³

There's a reason why interest rates are higher on junk bonds than on regular bonds; while they produce high investment returns if the bond is repaid they're worthless if the issuer goes under. Holding such "toxic" assets led to the demise of several [investment banks](#) such as [Lehman Brothers](#) during the [subprime mortgage crisis](#) of 2007-09. While many [pension funds](#) are prohibited in their [by-laws](#) from investing in bonds with ratings below a particular level, apparently similar by-laws don't apply to 401(k) plans.¹⁴ For this reason, target-date funds that have a too-high allocation in stocks for those nearing retirement or ANY investments in junk bonds should be required to communicate a warning that this strategy may lead to investment losses.

As a Result of Tax Deductions, 401(k) Savers Will Owe Taxes, Shrinking Nest Eggs

The fourth limitation with the DOL income stream approach is that it appears not to have factored owed income taxes into the equation. Unless employees choose a Roth 401(k) and pay taxes up front on contributions to their accounts, the employee will owe taxes on income distributions. So someone with a nest egg of \$100,000 who is in the 15% tax bracket—e.g. married households filing jointly with incomes between \$17,850 and \$72,500---would only “own” \$85,000 of that nest egg, generating monthly income of around \$236.¹⁵ The vast majority of Americans don't invest in the Roth option. According

to the Vanguard Group's How America Saves 2012, at year-end 2011 only 46% of Vanguard plans offered the Roth option and only 9% of participants within these plans selected it.¹⁶

Most Americans Aren't Covered by a Retirement Plan

Not only do nearly 60% of Americans work for a company that offers no retirement plan at all¹⁷ but even the majority of the wealthiest companies don't offer a traditional pension to new hires: only 11 of the Fortune 100 do.¹⁸ What's more, even if workers are "covered" by a 401(k) plan, the employer contribution rate is typically only 3% of pay compared to 8% of payroll for a typical pension so employees have to foot most of the cost of their retirement.

Employer Contributions Are Inconsistent, Unpredictable And Likely To Disappear

One of the difficulties in forecasting future 401(k) benefits is not only the inability to predict whether individuals will be covered but how soon employees are entitled to "own" employer contributions after they start working for a new employer. While vesting rules for 401(k) plans aren't as strict as they are for regular pensions, they're often restrictive enough to "punish" millions of job-changing, ambitious Americans. According to The Vanguard Group's How America Saves 2012, as of 2011 25% of Vanguard clients required employees to have one year of service before the employer matching contribution starts in order to "minimize compensation costs."¹⁹ What's even worse, 55% of Vanguard's clients make their employees wait between one to six years before they are completely vested in employer contributions.²⁰ So folks who change jobs every two or three years may only benefit from employer contributions for about half of the time they worked or even less—and that's assuming that each employer offered a plan. This trend is likely to get worse. The recently released [12th Annual 401\(k\) Benchmarking](#)

[Survey](#) found the percentage of employers that offer immediate eligibility declined significantly over a one-year period--from two-thirds in 2011 to 56% in 2012. ²¹

Not only are economic downturns causing employers to “suspend” matching contributions--in eight of the first 14 years of this century thousands of employers have done so--but increasing numbers have decided they can’t be bothered to offer matches at all. ²² The Benchmarking Survey found that 21% of employers are considering making contributions discretionary and the number of companies offering a match has decreased by almost 7%, according to [American Investment Planners LLC](#), with the most dramatic decline occurring in 2010 when nearly 14,000 companies stopped their matches. ²³

Many 401(k) Participants “Cash Out” of Their Account Balances When Changing Jobs

Finally, another reason why it’s difficult to forecast future benefits is that a significant portion of participants “cash out” of their account balances when changing jobs. A 2005 survey by Hewitt Associates of nearly 200,000 participants found that 45 percent elected to take a cash distribution when they left their jobs. ²⁴ This money is most likely used to meet current expenses, not put away for retirement, especially among those who have lost their jobs. The remainder either kept their savings in their current employer's 401(k) plan (32 percent) or rolled the money over to a qualified IRA or other retirement plan (23 percent).

Wages Are Probably Not Increasing by 3% a Year

While the Department of Labor is assuming 3% annual wage increases to calculate future benefits, it's likely that wage growth will remain slower or stagnant. While inflation-adjusted ("real") household income increased almost every year from 1945 to 1999, it has since been flat and even decreased recently--U.S. median household income actually fell from \$51,144 in 2010 to \$50,502 in 2011.²⁵ When you factor in inflation, the average weekly earning for Americans decreased from more than \$325 in the early 1970s to about \$280 in 2005 (in 1982 dollars.)²⁶

Fewer Household Assets Minus Higher Liabilities = Pension Poverty

In addition to its too-high allocation in stocks for retirees, the 4% rule's expectations that retirees will be able to preserve some of their nest egg flies in the face of economic realities facing Baby Boomers. Boomers not only experienced lower wage growth and less generous retirement plans than their Greatest Generation parents but are facing higher expenses. More than 50% of Boomers between the ages of 55 and 65 were still making mortgage payments in 2007 -- on average owing more than \$140,000, according to the Survey of Consumer Finances. That amount is nearly three times what was owed by that age group a mere 18 years earlier, when only 34% were still making mortgage payments.²⁷ Boomers aren't just still paying mortgages on recently purchased homes but repaying home equity loans. A 2008 study by the Center for Retirement Research found that Americans between the ages of 50 to 62 in 2004 borrowed \$380 billion in home equity loans during the 2001-2006 housing boom.²⁸

Boomers are also likely to be helping paying off college loans for their kids, an expense that wasn't faced to the same degree by their parents. According to a 2007 Ameriprise survey of 1,000 Boomers, 71% said they were helping adult children with college loans.²⁹

Finally, along with shifting the cost of meeting retirement expenses to employees, employers have also shifted the burden of health care costs not covered by Medicare. While more than 80% of large employers surveyed in 1985 provided health care coverage to retirees, different surveys in subsequent years showed that figure dropping to 46% in 1996, 39% in 2000 and 16% in 2010--a whopping 80% drop over a 25-year period.³⁰ As a result, millions of retirees are likely on the hook for more than \$6,000 a year in Medicare and Medigap premiums, as this author knows first-hand.

So a typical Boomer could be paying \$8393 a year in mortgage payments, \$6200 in Medigap and Medicare premiums and more than \$1,000 a year in student loans, or a total of \$15,593 a year. That's a huge chunk of the \$23,000 a year in Social Security income received by those earning around \$60,000 right before they retire, assuming that they start taking Social Security at age 65. To make matters worse, older Americans now have higher overall credit card debt than younger people, according to a study by Demos. Americans age 50+ had an average combined balance of nearly \$8,300 on all of their cards in 2012, compared with about \$6,260 for the under-50 population.³¹

Some may argue that people in their 60s can always consider delaying taking Social Security benefits in order to increase them. For example, those whose "full retirement age" is 66 who delay taking payments until age 70 will increase those benefits by 8% a year.³² However, while delaying taking Social Security is an option for those who are able to stay at their current job or find a different well-paying job, those who can only find low-wage employment may NEED to collect current Social Security benefits as soon as possible in order to pay their bills.

**Americans Deserve Software That Lets Them See All Eggs In One Basket,
Along with Advice on How Much to Save**

Workers must have access to software that allows them to drag in account balances from previous employers and IRA rollovers, among other savings, along with benefiting from yearly workplace Give Yourself a Wealth Checkup seminars. Such software is commercially available. Full View is provided to 401(k) participants whose funds are managed by Fidelity and to its retail customers and Financial Engines offers software to Vanguard customers. Those whose retirement savings aren't managed by Vanguard or Fidelity can also turn to Quicken, software that is offered by Intuit, the maker of TurboTax.

As an example of what's currently available, Full View not only enables participants to "see all of their eggs in one basket" -- including home equity, a vital retirement asset--but helps them understand "what they own versus what they owe," such as balances on student loans, mortgages and home equity loans.

Americans Don't Just Need Tools to Save More, They Need Guidance

. Along with making the software available, the mutual fund managers who oversee employee retirement assets should be required to hold annual seminars--either in person, online or both--at which participants would learn them how to activate and use the software. Why is this interaction necessary? Currently only 6% of Fidelity's participants take advantage of the Full View software and only 5% of Vanguard's participants use the software provided by Financial Engines.³³

"Nudging" employees to save more has impressive results. As Fidelity Investments has found, participants who engage in an online retirement planning session increase their deferrals by an average of 5 percentage points and those participating in a session with a telephone representative increased their deferral rate by an average of 6 percentage points.³⁴

Part II: The Most Important Investment Advice 99% of Workers Aren't Getting: Defining a Retirement Goal and Contribution Rate Needed to Reach the Goal

Incredibly, despite the fact that the Employee Retirement Income Security Act has been amended at least 40 times since it was enacted in 1974, there is no requirement that the mutual fund industry managing 401(k) assets communicate to workers how much to contribute to enable their 401(k) accounts to function like a real pension. This is analogous to not requiring doctors to tell patients the dose and frequency of medicine needed to restore their health. If managers of 401(k) assets are not delegated the task of "calculating the (employee's) liability...and determining contributions to be made,"--as is the role of actuaries overseeing defined benefit pensions--then who is?

Among the few people in the 401(k) plan sponsor community who has communicated a rule of thumb for retirement security as a multiple of your salary right before retirement is David Wray, the president of the Plan Sponsor Council of America, who put it this way: "Ten times final pay gets it done. The issue is the 40 years (of participation). You've got to start at 25 to retire at 65."³⁵ Fidelity concludes that folks need to aim for eight times their final salary while Aon Hewitt pegs the number at 11 times final pay.³⁶

Thought leaders at these institutions may disagree on the final pay formula but at least they know there is one. A spokesman for Financial Engines, which provides software for participants investing in Vanguard funds, says that it doesn't communicate a savings goal to participants.³⁷ Many other consulting firms simply give a vague goal of shooting for "80% of your current income," without communicating the multiple of "final pay" that will generate 80% of that income for two decades or more.

Software Must Advise Participants On Their Necessary Savings Rate Depending On Their Investment Time Horizon

Not only do many asset managers fail to communicate a savings goal but they either don't advise participants on the savings rate needed to achieve retirement adequacy or offer a one-size-fits-all savings rate. Vanguard's "How America Saves" has a one-size formula of 12 to 15 percent of salaries--including employer contributions--so that reduces the rate to 9 to 12%, given that the employer contribution rate is typically only 3% of pay, even at rich companies such as Google. ³⁸

In reality an individual's savings rate depends on how many years he or she is from retirement, along with how soon he/she started to save. This is the case when reaching any financial goal that involves a deadline, whether it's a 7-year-old saving an allowance to see a movie or a 27-year-old saving for a down-payment on a home. With the input of pension actuary James Turpin of the Turpin Consulting Group the author provided recommended contribution rates when testifying before the Department of Labor's ERISA Advisory Council's Working Group on Financial Literacy and the Role of the Employer in 2007. My testimony disclosed that even workers who start contributing at age 25 must save 10% of their salary, increasing to 17 percent if they wait until age 35, 23 percent at age 40 and a whopping 48 percent of pay if they wait until age 50. (As a result, the Working Group recommended to the DOL that employers communicate to employees how much 401(k) participants need to contribute to achieve a multiple of their salary nearing retirement.)

Participants “Automatically Enrolled” At A 3% Contribution Need To Be Told To Boost That Contribution Rate ASAP

The current practice sanctioned by the Pension Protection Act of “automatically enrolling” new employees in their plan at a savings rate that is lower than what participants typically contribute on their own--3% versus 5%--is drastically lower than the rate that’s needed. What’s more, the practice of “automatic escalation,” which typically increases the contribution rate by only a percentage point each year, flies in the face of the actual brute-force ratcheting up that’s needed when you postpone saving.

The problem with a 3% starting contribution rate is that it’s less than one-third of the rate required at a starting age of 25 and less than one-seventh for a starting age of 40--and these scenarios assume an employer match. Second, auto-enrollment keeps the default rate at the artificially low 3% rate for job changers. For example, workers who changed jobs every seven years who were automatically enrolled at a 3% rate would accumulate only 40% of what they’d need--and that’s assuming an employer match at each job.

Ronald O’Hanley, Fidelity Investments’ President of Asset Management, has proposed that lawmakers increase the default automatic enrollment savings rate to at least 6%. Speaking April 10th before the U.S. Chamber of Commerce, O’Hanley said the United States needs to act now “to avert the looming catastrophe America faces if we don’t get serious about addressing the inadequacy in our retirement savings system.”³⁹

Workers Should Be Advised That A Company Stock Match Could Be Worthless

Workers who are employed at a company whose 401(k) matching contribution is exclusively in company stock should be also be advised that if they fail to diversify they could wind up with the same fate as Enron employees. Currently 11 million of the nation's more than 52 million 401(k) participants have more than 20% of their balances in company stock.⁴⁰ Unlike a traditional pension, in which no more than 10% of plan assets can be in any stock, the Pension Protection Act doesn't place any restrictions on company stock but simply requires that employees be sent a warning that their savings "may not be diversified" once more than 20% of their assets are in it.

Workers Over 50 Need To Be Advised That "Catch-Up Contributions Don't Cut The Mustard" AND Be Allowed To Contribute More, As Australians Can

The notion that a mere \$5,500 additional contribution for those over the age of 50 (the catch-up limits for 2013) will enable anyone to "catch-up" is a cruel joke--especially for those workers who have waited until their 40s to start contributing--or even the majority of those who wait until their 30s.

The political leadership in Australia understands that Boomers need to dramatically boost their nest eggs to make up for lost time in order to retire from its version of our 401(k) plan--despite the fact that every Australian employer must contribute the equivalent of 9% of pay to their version of our accounts, called Superannuation Guarantee. Because Superannuation was only introduced in 1992 Boomers needed to take brute-force action to attain nest eggs comparable to those of workers between the ages of 30 and 34, who are looking forward to \$500,000-plus nest eggs. As a result, Boomers may sell a home or other asset and add the proceeds to their accounts,

making after-tax contributions of \$150,000 a year or \$450,000 over three years. This opportunity resulted in Australians actually contributing more to their accounts than employers did in the second quarter of 2007--\$22.4 billion, compared to \$18.9 billion in employer contributions.⁴⁰

Americans have less than twice the retirement savings than that of Australians, despite having a population 14 times the size

Since its introduction in 1992, assets in Australia's Superannuation program have grown to \$1.52 trillion, more than the country's gross domestic product, with more than 90 percent of workers putting money into the system. By comparison, Americans have less than twice that amount, \$2.8 trillion, in their 401(k) accounts, despite having a population that's 14 times the size of Australia's.⁴¹

When it comes to government pensions the United Kingdom's state pension and our Social Security system are among the least generous, offering only around two-thirds of the average benefit for OECD countries.⁴²

The UK may not be tackling its inadequate state pension but at least its leadership takes its private sector pension shortfall seriously and is requiring its employers to contribute more to their version of our 401(k) plans—along with requiring most employers to offer them. As of 2018 virtually every UK employer that doesn't currently offer a pension is required to enroll employees in a 401(k) style plan that features a minimum employer contribution of 3% of pay and 3% from the employee (smaller employers are phased in). Only the lowest earners are excluded, presumably because the state pension replaces most of their income.⁴³

In Denial About Our Pension Poverty

Interestingly enough, NBCnews.com has a feature on its website called “In Plain Sight: Poverty in America,” which they describe as “a special report on a problem many people overlook or choose to ignore.” At the same time the website features an upbeat series entitled Road to Retirement which includes “resources for your financial future”--with the assumption that pension poverty ISN'T in plain sight. Among other things, the website's retirement calculator assumes that a 30-year-old has likely accumulated \$100,000 for retirement--and then the calculator doesn't work when a user attempts to input the more likely amount of \$20,000.⁴⁴

In reality, scores of elderly Americans appear to have ALREADY run out of money and gone back to work. More than 1 million Americans age 75 or older still work, according to a 2007 report by the Department of Labor--including 318,000 who are 80 or older.

⁴⁵Unfortunately, it appears that the concept of retirement has already been retired in the U.S.

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William Bernstein is a neurologist, co-founder of Efficient Frontier Advisors, an investment management firm, and an author of three finance books, *The Intelligent Asset Allocator*, *The Four Pillars of Investing*, and *The Investor's Manifesto*.

Donald Fuerst, senior pension fellow, American Academy of Actuaries, was previously senior partner and consulting actuary with Mercer's Denver office, where he advised corporate clients for more than 30 years on design, funding and compliance issues related to retirement programs. **Ken Steiner**, retired resource actuary from Towers Watson, runs a website that helps visitors figure out how much they can spend in retirement: <http://howmuchcaniaffordtospendinretirement.webs.com/>. Steiner has testified before the House Committee on Education and the Workforce regarding pension security and defined benefit plans and has served on several committees at the American Academy of Actuaries. **James Turpin**, President, Turpin Consulting Group, was Vice President-Pensions and a member of the Executive Committee for the American Academy of Actuaries and a member of the Academy Board of Directors from 1998 through 2001. As Academy Vice President for Pensions, Turpin was Chair of the Academy Pension Practice Council. Prior to becoming Vice President, he was a member of the Academy Pension Committee from 1986 through 1999 and served as its Vice-Chair from 1996 through 1999. He has represented the pension profession in testimony before Congress and various federal regulatory agencies and is well known for his litigation support and expert testimony on actuarial and pension matters.

About Jane White, President, Retirement Solutions, LLC

Retirement Solutions LLC is an advocacy and educational organization dedicated to the retirement adequacy of 401(k) participants. Retirement Solutions president and founder Jane White is a regular blogger on retirement and other personal finance issue for the Huffington Post and has appeared on Fox Business News, CNN and CNBC, and is the author of "America, Welcome to the Poorhouse," (FT Press, 2010), which has been favorably reviewed by the New York Times, Newsday and other publications.

With the input of pension actuary James E. Turpin of the Turpin Consulting Group, White developed formulas for contribution rates required based on the current typical employer match of 3%. At the invitation of the US Department of Labor's (DOL) ERISA Advisory Council White offered recommended contribution rates based on participant starting ages in the fall of 2007. As a result, the Working Group recommended to the DOL that employers communicate to employees how much 401(k) participants need to contribute to achieve a multiple of their salary nearing retirement.

A Congressionally appointed delegate to the 2002 National Summit on Retirement Savings, White first observed the 401(k) crisis in 1993 as the associate editor of Standard & Poor's "Your Financial Future," distributed to half a million 401(k) participants at Fortune 500 firms. Previously she was a syndicated personal finance columnist for Gannett News Service and her articles have appeared in The New York Times, Barron's, Working Woman, Newsday, Employee Benefit News, Contingencies and The ASPPA Journal.

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Endnotes

- ¹ Quote on potential participant reaction to \$100,000 balance is from:
<http://www.regulations.gov/#!documentDetail;D=EBSA-2013-0007-0001>
- ² The vast majority of Americans is from press release: "Number of Jobs Held, Labor Market Activity and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey," Bureau of Labor Statistics, July 25, 2012.
- ³ Retirement savings for those age 55 to 64, 35 to 44 and 45 to 54 are from the 2010 SCF Chartbook, published July 19, 2012, page 441.
- ⁴ Retirement Confidence Survey is from 2013 RCS Fact Sheet #3, "Preparing for Retirement in America: Reported Savings, Amount of Savings Needed," Employee Benefit Research Institute.
- ⁵ Investment returns for "Lost Decade versus Depression Decade is from " Ibbotson SBBI 2013 Classic Yearbook, Morningstar Inc., Chicago, page 42.
- ⁶ Money market rates are from Vanguard Prime Money Market Fund: (VMMXX):
<https://personal.vanguard.com/us/funds/snapshot?FundId=0030&FundIntExt=INT>
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- ¹¹ Stock allocations for T Rowe Price, Vanguard Group and Fidelity 2015 target-date funds are from:
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- ¹² John Bogle quote: "driven more by market considerations" is from "One-stop investing marks turning point," Chicago Tribune, 10/9/2006.
- ¹³ Target date and junk bonds is from Target-Date Retirement Funds Use Junk Bonds for Yield," Bloomberg, Dec. 16, 2009.
- ¹⁴ Lehman Brothers, pension funds are from http://en.wikipedia.org/wiki/High-yield_debt
- ¹⁵ Tax brackets are from http://en.wikipedia.org/wiki/Tax_bracket
- ¹⁶ Percentage of employees using the Roth option is from "How America Saves 2012," Vanguard Group, p 3.
- ¹⁷ Nearly 60% of Americans is from email exchange between author and Nevin Adams of EBRI.
- ¹⁸ Number of Fortune 100 companies offering a pension is from "Retirement Plan Types of Fortune 100 Companies in 2012," Towers Watson, October 2012 <http://www.towerswatson.com/en-US/Insights/Newsletters/Americas/insider/2012/retirement-plan-type-of-fortune-100-companies-in-2012>
- ¹⁹ Data on companies requiring one year of service is from How America Saves, p 13.

²⁰ Vesting rules, *Ibid* p 14.

²¹ Data on immediate eligibility from 12th Annual Benchmarking Survey is from "Are 401(k) Matches an Endangered Species?", *Business Finance*, May 7, 2013 <http://businessfinancemag.com/hr/are-401k-matches-endangered-species>

²² Companies suspending matches is from author research.

²³ Companies who stopped matching contributions and those who are considering making matches discretionary are from "Are 401(k) Matches an Endangered Species?"

²⁴ Cash distribution data is from "Hewitt Study Shows Nearly Half of U.S. Workers Cash Out of 401(k) Plans When Leaving Jobs," July 23, 2005.

²⁵ Median household income is from: http://en.wikipedia.org/wiki/Household_income_in_the_United_States

²⁶ Average weekly earnings is from National Center for Education and the Economy, "Tough Choices for Tough Times," New York, New York, John Wiley & Sons, Inc., 2007, p 5.

²⁷ More than 50% of Boomers is from <http://www.money-zine.com/Financial-Planning/Retirement/Retiring-With-a-Mortgage/>.

²⁸ Center for Retirement Research Study on Boomers with home equity loans is from "Home Equity Borrowing Could Haunt Retirees, Study Says," *Retirement Income Reporter*, Dec 2008.

²⁹ Ameriprise survey of Boomers helping adult children with college loans is from "Money Across Generations Study," *Ameriprise Financial*, 2013, p 5.

³⁰ Drop in employer-sponsored health care coverage for retirees: 1985 figure is from "Majority of Employers Offer Post-Employment Health Benefits," *Journal of Accountancy*, May 1985; 1996 and 2000 figures are from "Employer-Sponsored Health Insurance And Prescription Drug Coverage For New Retirees: Dramatic Declines In Five Years," *Health Affairs*; Jul/Aug2003 Supplement; and 2010 figure is from "Retirement Planning," *Tax Management Financial Planning Journal*, November 20, 2012.

³¹ Study on credit card debt for Americans over 50 is from "In the Red: Older Americans and Credit Card Debt," *AARP Public Policy Institute*, January, 2013, p. 5.

³² Effect of delaying receiving Social Security payments on benefits is from "For Retirees, A Million-Dollar Illusion," *New York Times*, June 8, 2013 http://www.nytimes.com/2013/06/09/your-money/why-many-retirees-could-outlive-a-1-million-nest-egg.html?pagewanted=all&_r=0

³³ Percentage of Vanguard and Fidelity employees who use software is from author correspondence with firms.

³⁴ ³⁴ Data on "nudging" is from testimony of Julia McCarthy, Executive Vice-President, Fidelity Investments before a hearing of the Senate Committee on Health, Education, Labor and Pensions on January 31, 2013 in Washington DC., according to author correspondence with Fidelity spokesman.

³⁵ David Wray quote is from "Survey Raises Retirement Worries," *Seattle Times*, January 30, 2005. http://seattletimes.nwsourc.com/html/businesstechnology/2002164599_pfiretirement30.html

³⁶ Final pay" estimates from Fidelity and Aon Hewitt are from "Road to Retirement Easier With Signposts," *Daily Press*, Oct 8, 2012.

³⁷ Financial Engines reference is from email correspondence to author from a company spokesman.

³⁸ Vanguard's recommended contribution rate is from "How America Saves," page 36.

³⁹ Ronald O' Hanley quote is from "Looming catastrophe seen in retirement system," *New Hampshire Business Review*, April 19-May 2, 2013

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⁴⁰ Superannuation Boomer contributions is from "Welcome to the Poorhouse, " by Jane White, Upper Saddle River, N.J. Financial Times Press, p 10,

⁴¹ Superannuation assets compared to the U.S. is from "In Australia, Retirement Savings Done Right," Bloomberg Businessweek, May 30, 2013, <http://www.businessweek.com/articles/2013-05-30/in-australia-retirement-saving-done-right>

⁴² Narrative on U.S. government pension generosity versus other countries is from "Pensions at a Glance: Public Policies Across OECD Countries," Paris, France, OECD, 2007, p 8.

⁴³ UK Pension Reform is from "The Pension Revolution," Daily Mail, Oct 2, 2012.

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