

## VIDEO

September 18, 2015

# Focus on Funds: Global Perspective on the Social Security System in the United States

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## Global Perspective on the Social Security System in the United States

In the September 18, 2015, edition of *Focus on Funds*, ICI Senior Economist Peter Brady compares the retirement savings structure in the United States with other systems around the world.

### Transcript

**Stephanie Ortbals-Tibbs, ICI Director, Media Relations:** Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

What insights from U.S. retirement systems, are most useful to those in the larger global retirement savings dialogue? Well, ICI Senior Economist Pete Brady shared some of his learning on the tax treatment of retirement savings and ICI Global's recent collaborative event with the Organisation for Economic Co-operation and Development. In this report from Paris, Pete shares some highlights.

**Pete Brady, ICI Senior Economist:** The main thing is that you have to look at the systems holistically. Many people analyze one portion of the U.S. retirement system on its own and that gives it an imperfect picture of what it's doing. The U.S. retirement system is really many different layers of...people get resources from many different sources. The most important one for most people is Social Security and what I was trying to relate today, not just to people outside the U.S. but even to people inside the U.S., is the importance of the U.S. Social Security system because it's not really well understood. It's very important for the low-end. It's designed to be a pension system, really, for the bottom 40 percent of the population and it provides significant resources at the top. So when you look at what is...if you do not understand what is being offered by Social Security, and then you just go to the private-sector employer plans and look at what they're providing, you may come to the conclusion that they're not providing enough. What you have to do is figure out what is being provided by the combination of Social Security and the employer plans. And then you

get a better picture of the U.S. retirement system.

The U.S. has a safety net, on top of that they have Social Security, which is not part of the safety net but is really a pension system, and then there are voluntary employer plans. And they often compare to maybe their own countries' experience, which may have a different structure and particularly a lot of countries will have a safety net, which is a flat benefit for everybody that is income tested. They don't have the layer of the Social Security so when they look at employer plans, they're expecting them to do much more than they actually do in the United States.

**Ortbals-Tibbs:** That's this week in funds. See you next week.

## **Additional Resources**

- [ICI Viewpoints: What's Driving Retirement Plan Access?](#)
- [ICI Viewpoints: Unconventional Wisdom on Retirement Preparedness](#)
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