

LETTERS TO THE EDITOR & RESPONSES

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Comment, Salon: Ignoring the Facts of American Retirement System's Success

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Lynn Stuart Parramore's [many claims](#) ignore the facts and the research on the American retirement system. The 401(k) is an effective component of an overall system that has successfully provided adequate retirement resources to generations of Americans—and continues to do so.

[As a recent ICI white paper shows](#), retirement resources should be viewed as a pyramid with five basic components: Social Security, homeownership, employer-sponsored retirement plans (defined benefit and defined contribution), individual retirement accounts (IRAs), and other personal savings. Social Security is the foundation for all working Americans' retirements and it is a progressive program—meaning it provides more income to lower-wage earners. Employer-sponsored retirement plans provide more benefits for higher-income workers because workers with higher earnings have more need to supplement Social Security benefits.

The study [cites academic research](#) finding that successive generations of Americans have reached retirement wealthier than previous generations. The poverty rate among individuals aged 65 or older has declined from nearly 30 percent in 1966 to 9 percent in 2011. And at almost \$21 trillion, [assets specifically earmarked for retirement are now at record levels](#). Adjusted for inflation and population growth, retirement assets in this country have increased nearly six-fold since 1975.

401(k) plans are helping today's workers save enough for retirement. [Studies conducted by ICI and the Employee Benefit Research Institute](#) show that these workers can replace a substantial portion of their working income in retirement from their 401(k) accumulations. And despite concerns about the shift toward greater reliance on defined contribution (DC) plans like 401(k)s, [other research has found](#) that the share of retirees receiving income from private-sector retirement plans and the amount of income that those retirees receive has gone up over time, not down.

A recent Dartmouth College study that compared typical defined benefit (DB) plans with typical 401(k) plans, using data from the Federal Reserve's Survey of Consumer Finances, concluded that "generally, 401(k) plans ... are as good or better than [defined benefit] plans in providing for retirement."

And the 401(k) system is vibrant and flexible. Competition has consistently [driven down](#)

[costs](#), while innovation has simplified and helped to increased participation (through such features as auto-enrollment) and investing (through such choices as target-date funds).

Perhaps the most important point is that the vast majority of Americans disagree with Parramore's views on this issue. [Research consistently shows](#) that overwhelming majorities of U.S. households strongly support the 401(k) system, the choice and control it offers, and the nation's current tax incentives for retirement savings.

For more information about the 401(k) and its place in America's retirement system, visit <http://www.ici.org/401k>.

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