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OPINION

Danger Ahead: Our Disappearing Pensions

The vaunted 401(k) revolution has left few with a nest egg

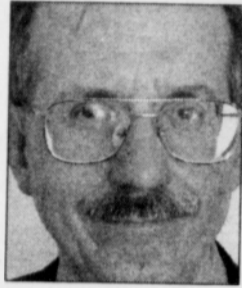
BY SAM PIZZIGATI

How's your 401(k) doing?

Working Americans ask themselves this question — and angst about the answer — a great deal these days. And why not? For most Americans, retirement reality has turned chillingly stark: Either you have a robust set of investments in your 401(k) or you're facing some really rocky happy years.

A generation ago, working Americans didn't have to obsess about retirement savings accounts. Americans had pensions back then, not 401(k)s. These pensions represented a commitment from employers to workers: You work here a set number of years, you can count on a monthly pension at a set amount.

In these traditional pension plans,



the risk rested with employers. They shouldered the responsibility for funding a pension plan's "defined benefits."

With 401(k)s and the like, employees have no promised "defined benefit." Their future retirement income depends on how well their 401(k) investments end up doing, not how long or how diligently they've worked over the course of their careers.

In other words, the retirement risk has shifted, from employer to employee.

Our current 401(k)s actually began in the 1980s as a supplement, not a substitute, to traditional pension plans. But America's top corporate execs quickly came to see these investment vehicles as a cheaper — for employers — alternative. Between 1990 and 2010, the share of America's private-sector

employees in traditional pension plans fell by nearly half, from 42 to 22 percent.

This huge drop-off in traditional pension participation, says a new Economic Policy Institute report, is generating both angst and inequality.

Among America's most affluent 20 percent, 88 percent have savings sitting in a 401(k) or similar retirement savings account. The savings in the accounts of these affluent Americans averaged \$308,674 in 2010, the most recent year with data.

In America's statistical middle class, by contrast, a totally different reality. Only 52 percent of Americans in the middle fifth of the nation's income distribution have savings in retirement accounts, and these accounts average only \$34,981.

And America's poorest fifth has an even bleaker retirement outlook. Only 11 percent of those Americans have any 401(k) savings, and these savings average just \$7,543.

These unequal outcomes should

surprise no one. Participants in 401(k)s and similar plans have to contribute to participate. In an era of shrinking real paychecks, many employees simply can't afford to set aside much, if any, money for their retirement.

Those Americans with comfortable incomes who can afford to set aside the maximum possible savings in their 401(k)s go on, in turn, to benefit from both the standard employer's 401(k) matching contribution and the tax breaks that all 401(k) savings enjoy.

The predictable result: The gap between the affluent and everyone else stretches even wider.

We have moved, in short, from a traditional pension system where "many retirees could count on predictable, constant streams of income," as the new EPI study notes, to a system where most Americans can't afford to retire.

"For a large swath of America," Marketwatch analyst Matthew Heimer adds, Social Security has

become "the only remaining financial crutch for retirement."

In the meantime, many of the same corporate execs who've cut back on traditional worker pension coverage are spearheading the charge for cutbacks in Social Security.

Last fall, my Institute for Policy Studies colleagues looked at the 71 big-time CEOs pushing the "Fix the Debt" campaign to trim Social Security and other major federal "entitlement" programs. These 71 top execs have accumulated, on average, \$9 million each in their own personal company pension plans.

A dozen of these CEOs have over \$20 million in their pension accounts.

If at age 65 these dozen converted their assets to an annuity, the Institute for Policy Studies researchers note, "they would receive a monthly check for at least \$110,000 for life."

OtherWords columnist Sam Pizzigati is an Institute for Policy Studies associate fellow.

History Can Move in Two Directions at Once

My grandma's words have guided me

BY BENJAMIN TODD JEALOUS

In my time as an organizer, I have been guided by the words of many people — activists and authors, colleagues and friends. But the most powerful lesson I ever received about the struggle for civil and human rights came in 1993, when my grandmother taught me that history could move in two directions at once.

I was in college, celebrating a friend's 21st birthday. A round of toasts went up. One friend raised his glass to honor the memory of all those we knew who had been killed or sent to prison before they reached the age of 21. Another friend lifted his cup to toast to the fact that one more of us had lived long enough to reach the quintessential age of adulthood.

I could not raise my glass on that last toast. In fact, it felt as if the motion cut me like a knife.

The notion that a man of any race, of any age, in the world's greatest and wealthiest democracy, could think it an accomplishment to simply breathe past the age of 21 — it cut

me to the core.

After so many historic civil rights victories, how could it be that my generation had grown up just in time to find itself the most murdered generation in the country and the most incarcerated generation on the planet?

So I did what I always did when I am stuck. I went to my grandmother's table and I laid my burdens down.

I said, "Grandma, you told me that my generation was supposed to be the first generation to be judged not by the color of our skin but by the content of our character. Not because of what we are or where we come from — but because of who we are and where we are headed. What happened?"

My grandma got real quiet. She looked at me with sad eyes and then she said, "Son, it's sad but it's simple. We got what we fought for, but we lost what we had."

Those are wise words to remember in times like this.

We got the right to be police officers, but we lost the right to live in safe communities. In Chicago, a culture of poverty-fueled gang violence has reinforced the notion that living until 21 is an accomplishment.

We got the right to send our children to any school, but we lost the right to assume that they would receive a good education at whatever school they attend.

In Philadelphia, the school system is facing a \$300 million budget gap that already delayed the start of the school year and threatens to devastate support staff at schools in the most underserved communities.

We got the right to live in any community, but we lost the right to know that our children would be protected by the police — or the community watch volunteers — who are supposed to serve them. In 2011, before New York City passed a racial profiling ban with teeth, the New York Police Department made more stops of young black men between the ages of 14 and 24 than there were young black men between 14 and 24 in the city.

In her simple way, my grandmother spoke volumes about our history and issued a subtle admonition for the path forward. She reminded us that we must be clear on both what we are fighting for, and how we will protect what we already have.

What are we fighting for? First and foremost, we are fighting for our children: for their futures to be robust, their equality to be affirmed and their lives to be protected. That is why the civil rights community lifts up education over incarceration, and economic liberation over discrimination.

What do we need to protect? If each of us has anything — even

those of us who don't have a house, or a car, or a family to feed, or any earthly possessions at all — as soon as we turn 18, we have the right to vote. This is the right that has been won and expanded through the American Revolution, Civil War, the women's suffrage movement and the civil rights movement — because we have always understood that we are ultimately rendered defenseless when our access to the ballot box is diminished. So while voting rights

may not be the most important issue to any one of us, it needs to be the most important fight for all of us.

My grandma's words have guided me over the years, and they will continue to guide me throughout my career. We should heed her important reminder that history can, and often does, move in two directions at once.

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