

Social Insecurity: 401(k)s and the Retirement Crisis

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How 401(k)s have gutted retirement security, from charging exorbitant hidden fees to failing to replace the income of traditional pensions

Named one of *PW*'s Top 10 for Business & Economics

A retirement crisis is looming. In 2008, as the 401(k) fallout rippled across the country, horrified holders watched 25 percent of their funds evaporate overnight. Average 401(k) balances for those approaching retirement are too small to generate more than \$4,000 in annual retirement income, and experts predict that nearly half of middle-class workers will be poor or near poor in retirement. But long before the recession, signs were mounting that few people would ever be able to accumulate enough wealth on their own to ensure financial security later in life. This hasn't always been the case.

Each generation of workers since the nineteenth century has had more retirement security than the previous generation. That is, until 1981, when shaky 401(k) plans began replacing traditional pensions. For the last thirty years, we've been advised that the best way to build one's nest egg is to heavily invest in 401(k)-type programs, even though such plans were originally designed to be a supplement to rather than the basis for retirement.

This financial experiment, promoted by neoliberals and aggressively peddled by Wall Street, has now come full circle, with tens of millions of Americans discovering that they would have been better off under traditional pension plans long since replaced. As James W. Russell explains, this do-it-yourself retirement system—in which individuals with modest incomes are expected to invest large sums of capital in order to reap the same rewards as high-end money managers—isn't working.

Social Insecurity tells the story of a massive and international retirement robbery—a substantial transfer of wealth from everyday workers to Wall Street financiers via tremendously costly hidden fees. Russell traces what amounts to a perfect swindle, from its ideological origins at Milton Friedman's infamous Chicago School to its implementation in Chile under Pinochet's dictatorship and its adoption in America through Reaganomics. Enraging yet hopeful, Russell offers concrete ideas on how individuals and society can arrest this downward spiral.

Social Insecurity: 401(k)s and the Retirement Crisis Details

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
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From Reader Review Social Insecurity: 401(k)s and the Retirement Crisis for online ebook

Rebeckah Bullock says

Really horrifying, but highly recommended.

Robb Bridson says

DISCLOSURE: I received a free copy of this book from the publisher through Goodreads' first reads program.

In many ways this book is actually about a broader subject. Rather than tackling the broader subject, this book attacks one specific element in a comprehensive manner. At times the book gets a little repetitive, but it takes us on a history of retirement and the policies, programs, and devices built around it, and points out the wrong turn we made in the '80s.

Of course what this really is is a case study of the larger neoliberal movement that came into power in the '80s, favored by elites (sadly, in both parties) for its obvious benefits to their interests. One likes to give the neoliberals the benefit of the doubt and assume they lied to themselves about how policies that conveniently put more and more money in the hands of the financial industry, out of the hands of most working people, were really better for us all. A complete diatribe against this toxic philosophy, a dogmatic approach to free market economics that would make Adam Smith roll in his grave, would appear to abstract for most non-political folk to grasp.

That's where this book comes in. Social Security. Retirement. Things we all worry about, things that impact most of us. And here we see how policies were enacted for the exact purpose of weakening these things while strengthening a runaway financial industry and the elites who benefit most from it.

In the end, there are some decent remedies... but it's still sort of depressing.

The book does remind us over and over again that the neoliberals are not on the same page as most Americans (even most Republicans) on this issue... and yet they still have so much power over the political process and the businesses who make decisions for us where government does not.

Kelly says

A clearly, at times overly so, development of the move to 401k plans and how awful they really are for the retirement years of many employees. Although he presented some interesting options that could save Social Security in the future and make life easier for many people when they retire some of his advice I found wispy. Most people reading this book already have careers and so changing careers or companies, as the author suggests, is not always an option or even a desire. I also found it odd that the author completely ignores the fact that many people retire without pensions and live quite comfortably with money they saved and invested. Eh, it presented a very clear picture of the switch to 401ks but left out any personal responsibility of the individual in planning and preparing for their retirement.

Nancy says

James Russell mixes the history of pensions and 401(k)s in with his personal experiences with various retirement systems. This is a good way to demonstrate how difficult wonky financial decisions can make a huge difference in our lives.

I must admit that at first I thought Mr. Russel was just whining because other people got better pensions than he did. As someone who has self employed most of my life, there was no way I could ever get a defined benefit retirement plan. I knew this and invested my IRA outside of the stock market. So far it has worked OK for me, but this is not an option for an employer sponsored 401(k) plan.

As I got further into the book. I learned who benefits most from 401(k) plans. It is not the employee, but the financial services industry. I also learned that this is a world wide problem, not just one in the US,

A 401(k) is great for your heirs if you politely die a year or two into retirement. If you live to be 80 or 90, there is a huge risk of running out of money. I don't know if the tide can be turned so that the same amount of money earmarked for retirement can be used to give employees a more secure future. There are many issues, especially for people who change jobs. Mr. Russell proposes some solutions, but it sounds like an uphill battle to create a system that really benefits the workers. With this book, he is trying to educate people about preparing for retirement. The books is especially worth reading for employees who have some choice in plan enrollment.

Disclosure: I won this book in a goodreads first-reads contest.

Kate says

Social Insecurity: 401(k)s and the Retirement Crisis was an exceptional read. This is one of the best books I have read that addresses why so many people are inadequately prepared for retirement. I sent a copy of this book to my friend. This is a must read book for young people. Thanks Goodreads for sending me a review copy of this book.

Julie says

This book came in a timely manner, as my husband and I were have anxiety about how we could ever retire. I read this book cover to cover and thought it was thought-provoking and well written. My only complaint is while the author got 'saved' and will be able to eventually retire, most of us will not. I am part of the generation (mid 40s) who went through a lot of schooling for 'white-collar' work. My husband and I both have master's degrees and neither one of us has a defined benefit plan. Although we save the maximum we can for retirement in 401ks, it is simply impossible to save the amount one would need to retire well.

In the meantime, most of my neighbors work for unions, the State of NJ or the federal government. Some have retired in their late 40s (police chief), some are retiring in their early 50s and most will be retired by age 55 with pull pensions. I feel angry that my taxes are going to support 30-40 years of their retirement (which

includes medical benefits), while my husband and I may never retire. Clearly, the system is broken. This is especially true in a state like NJ where the cost of living eats away most of your income. This book outlined all of these problems but what is the solution? The majority of us will not be saved with a defined benefit plan in our lifetimes. Although all of our family is here, my husband and I have come to realize that we will have to move out of NJ when we retire...there is simply no way to do that living here. *Received a free copy through "Goodreads, Firstreads".

Michaela says

401(k)s started out as one thing and ended up being a rigged game. The author believes that their primary, if not only, advantage of portability hardly makes up for their disadvantages (higher cost/lower returns) for retirees.

Steve Peifer says

Early in the forward, the author makes a point of telling you that when he would try to talk to people about their pensions, they would look at their watches and move away. I should have taken the warning. It is dull beyond dull, and while its point is that defined benefits programs are better, it never addressed why they went away. They aren't economically sustainable. I'm interested in the subject, but there are much better books out there.

Roland Clark says

Russell explains how a functioning pension system was abandoned due to pressure from financial speculators on Wall Street and alarmist rhetoric from right-wing economists. He lays out the different options that most Americans have when it comes to retirement plans and indicates in no uncertain terms which ones are better than others.

See my full review here: <http://wordsbecamebooks.com/2014/09/0...>
