
Biden's Retirement Policy

By Kerry Pechter *Fri, Nov 6, 2020*

Biden has made strong promises about fixing Social Security, strengthening labor unions, and helping to finance a green economy. Will he be able to keep those promises? Does he understand that the country isn't 'broke'?



As we “go to press” on the morning of Nov. 6, Joe Biden appears to have been elected the 46th president of the United States. If so, his lead of four million votes nationally should remove any doubt of the legitimacy of his victory. Whether he can push the Democratic policy agenda through Congress remains to be seen.

What kind of retirement policies will we see from a Biden administration?

The Social Security funding challenge

Biden has already published a Social Security plan. He would presumably try to prevent the 25% across-the-board cut in benefits that might occur if no remedial action is taken. His plan raises taxes on those earning \$400,000 per year, but it doesn't close the program's funding gap. I expect him to come up with a plan that does.

DOL and annuities

Biden would appoint a new Labor Secretary. He is not likely to nominate a fox to guard the DOL poultry. That is the situation today, where an attorney known for helping corporations frustrate the intent of labor laws has been Secretary for over a year. Biden could appoint Bernie Sanders. That would be newsworthy.

Here's a guess: A blue Labor secretary would take issue with some of the elements of the SECURE Act. The Obama DOL was skeptical of the consumer-friendliness of both variable and fixed index annuities. As it stands, the SECURE Act does not restrict plan sponsors or life insurers from offering those products in 401(k) plans.

A Biden appointee might feel differently. But Biden has represented Delaware for decades. The tiny coastal state is a famously corporation-friendly space. On the other hand, Biden has promised to help labor unions. The post-1980 US economy has been built on the diminution of trade union clout; that trend helped turn the Rust Belt red. If Biden keeps his promise to

workers, Democrats might succeed in weakening the Republican's near-monopoly on the loyalty of white men without college degrees.

Financial literacy at the top

Ideally, Biden will surround himself with advisors who understand how the financial system in the US actually works. I expect his opponents to revert to the false mantra that US fiscal policy is hopelessly hobbled by the national debt and by the massive budget deficits that his predecessors—Democrat and Republican—left behind. He shouldn't allow that to happen.

Trillion-dollar bailouts of the financial sector in 2008 and 2020 have awakened many Americans to the reality that Uncle Sam has virtually unlimited *credit*. To a degree that no other sovereign country enjoys, our government's IOUs (dollars and bonds) are accepted as money, not only domestically but throughout the world.

We need a president who can persuade skeptics that, in the reality, the government—and the country—is never “broke.” Biden might point out that Americans earn about \$18 trillion a year and spend about \$13 trillion per quarter on goods and services. Americans have saved about \$32 trillion for retirement. US financial professionals manage \$51.5 trillion in assets (2019), according to Cerulli Associates.

If you counted up all of the assets that can be bought for US money in the US—not just financial assets but everything from land and minerals to intellectual property and college educations—it becomes obvious that we have virtually infinite resources to bank on. Whether we apply the word “trillion” to assets or liabilities, the T-word should no longer scare us. We're bigger than that.

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