
Book on mandatory 'Guaranteed Retirement Accounts' is reissued

By Editorial Staff Thu, Jan 25, 2018

The book is 'Rescuing Retirement,' by economist Teresa Ghilarducci of the New School and Hamilton James of BlackRock. Rush Limbaugh once called Ghilarducci 'the most dangerous woman in America' for her criticism of the 401(k) system.

The second edition of *Rescuing Retirement: A Plan to Guarantee Retirement Security for All Americans*, by economist Teresa Ghilarducci and Blackstone president Hamilton "Tony" James has just been published by Columbia University Press.

The authors elaborate on the concept of "Guaranteed Retirement Accounts" (GRAs) that Ghilarducci has called for in the U.S. GRAs have not attracted interest in Washington, D.C., however, and are unlikely to in the current political environment.

GRAs, as proposed, would be universal, mandatory, contributory (3% of pay, split evenly between employer and employee) notional accounts in a fund that would grow under the care of professional asset managers for 40 years, then become a life annuity.

The tax-deferred plan would not require a new tax expenditure. According to Ghilarducci, it would take the existing \$100 billion tax expenditure for retirement savings in the U.S. (the annual cost of tax deferral on contributions to retirement accounts), and use it to pay for tax deferral on the mandatory contributions of all working Americans. Under the current system, the benefits of tax deferral are concentrated among those with the will, the means and the opportunity to contribute to a qualified plan.

Representatives of the 401(k) industry have been highly critical of the plan, which could replace all or most of the private voluntary defined contribution system with what amounts to a semi-public utility. Asset managers would compete for the opportunity to manage tranches of a collective national savings fund. There would be no leakage or rollovers to IRAs.

Ghilarducci and her allies have argued that the current voluntary tax-deferred defined contribution system falls far short of meeting the retirement savings needs of all Americans, that it's too expensive and that it doesn't offer a route for participants to convert savings to income.

The new edition includes:

- A new forward by former Treasury Secretary Tim Geithner
- Focus group test results
- Feedback on the first edition
- A new chapter on why the plan is effective for employers
- The plan's effects on deficits and taxes, according to the Tax Policy Center at The Urban Institute

The Ghilarducci-Blackstone plan has been endorsed by Michael Bloomberg and Robert Rubin. Bloomberg called the plan, "a smarter, more cost-effective way of securing the retirements of all Americans." Rubin

called the plan a “pragmatic approach to substantially enhancing retirement security for every American.” The book was first published in September 2016.

James is president and COO of Blackstone, the giant asset management firm. Ghilarducci is the Bernard L. and Irene Schwartz Professor of Economics at the New School for Social Research and the director of the Schwartz Center for Economic Policy Analysis and the New School’s Retirement Equity Lab.

Ghilarducci the author of *When I’m Sixty-Four: The Plot Against Pensions and the Plan to Save Them* (2008) and *How to Retire with Enough Money: And How to Know What Enough is* (2015).

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