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## Deniers of retirement savings crisis strike again

By Editorial Staff    Thu, Oct 2, 2014

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*In their recent Wall Street Journal article, Andrew Biggs and Sylvester Schieber cite a study showing that the average U.S. retiree has an income equal to 92% of the average American income. The averages mask large disparities in preparation for retirement, however.*

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Statistics indicating that 53% to 92% of Americans are under-saved for retirement “are vast overstatements, generated by methods that range from flawed to bogus,” according to Andrew Biggs and Sylvester Schieber, writing in the [Wall Street Journal](#) this week.

The authors accuse the sources of these estimates—whom they identify as “progressives” like Sen. Maria Cantwell (D-WA), the New America Foundation and unidentified “special interests”—of exaggerating or inventing an alleged savings shortage as part of a broader campaign to increase Social Security benefits and/or curtail the tax incentives for private retirement plans.

Denying that a retirement savings crisis exists, Biggs and Schieber cite a 2013 Organization for Economic Cooperation and Development (OECD) study showing that the average U.S. retiree has an income equal to 92% of the average American income. In the past, both authors have written that Social Security benefits replace a significantly higher percentage of pre-retirement income than is commonly believed or warranted.

The OECD data doesn’t exactly support the writers’ argument, however. It shows that an average of only 37.6% of the average U.S. retiree income comes from government transfers like Social Security. In other words, Social Security replaces only about 40% of the average U.S. wage—a proportion that Social Security data has long shown.

The authors agree that “Social Security does need reform, both to ensure solvency and to better serve low-income retirees. And we should improve access to and the use of private saving plans.”

But they suggest, without offering evidence, that any increase in Social Security benefits, for any portion of the population, would discourage savings and job creation. They do not appear to regard payroll taxes as a legitimate form of forced saving, or to distinguish between social insurance and pure government transfers.

The article cites figures for all current retirees, but people who claim that a large number of

Americans are underprepared for retirement are referring to the situation for future retirees, not current retirees. The authors also use averages, and averages can mask wide disparities between actual experiences.

Other, widely-accepted data has shown that about 20% of Americans are well-prepared for retirement, about 30% will get by, and about 50% have almost no savings and will rely on Social Security for most or all of their retirement income.

Although U.S. financial markets are demonstrably awash in retirement savings, about 96% of the assets are held by half the population and only 4% are held by the other half, according to figures cited during a recent meeting of the ERISA Advisory Council. Therein lies the retirement savings crisis.

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