Ex-official calls for a ‘universal 401(k)’

By Editorial Staff *Thu, Jul 24, 2014*

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The federal government should create a national 401(k) plan, with a matching contribution, for all U.S. workers, according to an opinion piece in today’s New York Times by a former director of the National Economic Council.

Gene B. Sperling, who served an economic adviser in the Clinton and Obama administrations, suggested the creation of a

> government-funded universal 401(k) [that] would give lower- and moderate-income Americans a dollar-for-dollar matching credit for up to $4,000 saved annually per household. Upper-middle-class Americans could get at least a 60 percent match — doubling the incentive they get today. The match would be open to workers even if their employers were already matching, which would encourage employers to keep contributing to savings. The match would also be available through IRA contributions for those who were self-employed or who wanted to keep saving even while they were temporarily not working.
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> Employers would have to provide automatic payroll deductions for their employees (while allowing those who still wanted to opt out to do so). Setting the default at “opting in” would ensure that workers did not miss out on the match provided by a universal 401(k). The government could set requirements for low fees, transparency and safety to allow for vigorous competition in the private sector while allowing individual savers access to a version of the plan that members of Congress use for their own retirement savings.

Echoing the sentiments of the Obama administration, Sperling criticized the effectiveness and efficiency of what he called the “upside-down” tax incentives for retirement saving, which rewarded high-income savers—who need no incentive to save, he said—much more than low and middle-income savers.

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Comments appended to the essay by readers appeared largely negative, with several readers noting that low- and middle-income workers fail to save because they can’t afford to. A few countered that most people can save but choose to consume instead. Several readers suggested that Social Security, the Saver’s Credit and individual IRAs, already give Americans adequate means to save.

Sperling suggested that employees be auto-enrolled into the program, but not that the program should be mandatory. He didn’t address the question of leakage from the program, or whether employee savings should be centrally managed or self-managed.

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