Fast and Frumious

By Editorial Staff *Thu, Aug 8, 2019*

'Fast and Frumious' is a new feature in Retirement Income Journal. It contains short items that caught our eye or raised our eyebrows during the past week--ranging from the serious to the humorous.

Allegations of a quid pro quo between MIT and Fidelity

Three years ago, a startling lawsuit was filed against the prestigious Massachusetts Institute of Technology (MIT), accusing it of including high-cost Fidelity mutual funds in its employee retirement plan in return for millions of dollars in donations from Fidelity-controlled charities.

That slow-moving lawsuit was back in the news this week. Attorneys for the MIT plan participants filed a memorandum opposing MIT's motion to dismiss the case. The plaintiff's counsel, Schlichter, Bogard & Denton of St. Louis, has sued many plan sponsors since 2006, often alleging failure to eliminate high-cost funds from their plans' investment line-ups.

The plaintiffs claim that MIT and Fidelity cooperated in a quid pro quo as plan sponsor and full-service plan provider, respectively. The suit alleges that MIT's retirement plan paid some $45 million in unnecessarily high fees for Fidelity investments and that Fidelity directed some $23 million in donations to MIT in return. Fidelity co-owner Abigail Johnson is a lifetime member of MIT's board of trustees, the suit said.

An aging society might pay women to have children

Here's a novel cure for high dependency ratios in an aging society: Pay couples to have children. In Greece, deputy labor—as in work, not in natal delivery—minister Domna Michaelidou has **proposed** paying 2,000 euros to parents of every newborn child in Greece starting January 1, 2020. She revised her statement from the beginning of the week that the labor benefit will be given to mothers below 30 years old.

"Everybody will receive 2,000 euros, as expenses for a child birth are dissuasive for the family," she said. In a previous announcement, she promised an incentive of 1,000 euros per child for women under 30 and means-testing for the well-to-do.

Let clients 'rehearse' their income plan before they retire

Perhaps you have a 60-something client in the "green zone" (i.e., fully funded for retirement) who keeps going to work every day even though he or she can afford to stop. If groundless financial insecurity holds such clients back, the well-known advisor Jonathan Guyton has a solution. He calls it the “as-if retirement.”

In the August issue of the *Journal of Financial Planning*, Guyton suggests re-arranging a client’s finances on paper (not with actual trades) to preview his cash flows in retirement. In his example, a 64-year-old client wants to claim Social Security at age 70 but feels nervous about giving up his paycheck.

The solution: Show the client his cash flow “as if” he retired today. Guyton divided the client’s assets into a “bridge” account (enough to fund living expenses until the Social Security claiming date); a “core” account (the two-thirds of his savings that will generate income each year from age 70); and a discretionary account for the rest of his money.

The next step is to “turn on” distributions from the bridge and core income, as if the client were retired. Those distributions, plus his income from working, flow into his discretionary account. He gets a report every quarter, modeling the flow of funds as they will occur in retirement. “By seeing the mechanics of his retirement income in operation, an aspect of any ‘not enough money’ fear is eliminated,” Guyton wrote.

Legal marijuana workers can join OregonSaves

OregonSaves, the state-sponsored Roth IRA program which allows workers without employer-sponsored retirement plans to save through payroll deferrals, has welcomed cannabis (marijuana) businesses and their employees to join the program since last February.

It’s a “move toward inclusivity for an industry that has typically been excluded from other program,” according to an OregonSaves release this week.

Two years after its launch, OregonSaves, the statewide retirement program, has reached $25 million in retirement savings by over 100,000 participants. Five states and two cities are following Oregon’s lead in creating savings opportunities for the roughly half of American workers with no employer-sponsored plan.

OregonSaves began with a pilot in July 2017 and is expanding statewide in waves, having started with the largest employers. The rollout is currently for those with 10 or more employees and will conclude in 2020.

More than 7 in 10 workers auto-enrolled into the plan have elected to stay in it; workers are savings an average of $11 per month, and millions of dollars has been saved by workers who were not saving before, the release said.

"I'm 30 and now just thinking about my future," said John Malott, Data Entry professional for McMinnville-based nonprofit Provoking Hope. "For the first time in my life, I'm thinking ahead. Where I'm at today is a 180 turn—I never even had a bank account before. I'm grateful these types of programs are available to get people on the right track."

Since last year, OregonSaves has been open to the self-employed and to itinerant "gig" workers as well as full-time employees. Hundreds of individuals have self-enrolled.

Nicholas Cage's profit on a comic book: $1.85 million

The comic/dramatic/action actor Nicholas Cage in his own words, from an interview in the August 6, 2019 edition of the *New York Times*:

"You have good investments and bad investments. The good investments came from personal interest and my honest enjoyment of the history. For example, Action Comics No. 1: I bought that for $150,000. Then it was stolen. I got it back and sold it for $2 million. But that was a good thing to have, because I had an interest that was sincere. The funny thing is, my real estate buying spree was what the real problem was. It wasn't these other things like shrunken heads that the media liked to talk about."*

[*Action Comics No. 1 features the first appearance of Superman. Cage has a son named Kal-El, which is Superman's birth name. At one point, Cage owned properties in Malibu, New Orleans, the Caribbean and other locales, as well as one castle each in Germany and England.]