
Mad About 401(k) Annuities

By Kerry Pechter *Wed, May 12, 2010*

Part I: 'Keep Your Hands Off My 401(k).' Based on their recent e-mails to the Labor Department's RFI, some Americans think Uncle Sam wants to confiscate private savings.

Scores of blunt, angry e-mails warning the government to “keep its hands off my hard-earned money” began arriving in the Department of Labor’s email box last February after the DoL issued its Request for Information (RFI) about encouraging the inclusion of annuities as distribution options in 401(k) plans.

Here’s [one example from the DoL’s comment page](#), which might serve as a focus group for officials and executives who want to test Americans’ hunger for in-plan annuities.

“To whom it may concern: If, in fact, the goal of this plan is to convert, by forced regulation, an existing 401(k) type retirement account into some type of mandatory, government sponsored retirement plan, I am firmly AGAINST IT.

“I do not need the Federal government taking control of my money or retirement plan. I DO NOT need the federal government using my money or controlling how or where my money is invested.”

There are about 500 protest letters—a number large enough to suggest a semi-coordinated rally but probably too small to reflect an orchestrated AstroTurf campaign designed to create the appearance of a grassroots groundswell.

As Part II of this story shows, the ever-provocative Newt Gingrich may have helped ignite the protest with an op-ed piece in the financial newspaper, *Investor’s Business Daily*, and, six weeks later, an appearance on a Fox News television show.

“This is really a secular socialist machine that wants to take over your life,” Gingrich said on Fox News. Radio hosts Rush Limbaugh and Bob Brinker raised the possibility that, if the worst was true, a misappropriation of private wealth was afoot.

Many of the letter-writers reacted negatively to Question 13 of the RFI, which asked if 401(k) plans should offer a default lifetime income distribution option for all or part of a participant’s assets.

The general feeling is that the average citizen knows how to save, budget and invest his or her own money with much greater skill and prudence than the federal government manages, or rather mismanages, its own finances.

“Americans are SMART enough to figure out how and when to spend their hard earned cash, and DO NOT want the government telling them how they can utilize their own savings!” Lorraine Ebel wrote.

Others suggested that the government had squandered all of its own resources, exhausted its borrowing power, and was now eyeing the last reservoir of American wealth: private retirement savings.

Quite a few warned of a U.S. government conspiracy, modeled on the president of Argentina's nationalization of defined contribution savings last fall, to confiscate 401(k) assets and replace them with U.S. bonds or a Treasury bond-backed life annuity.

"The U.S. government has screwed up its own finances to the point where it is the largest debtor nation on the planet and in the history of the world. Trillion dollar deficits are forecast for years. Unfunded liabilities of Medicare and Social Security dwarf the acknowledged national debt," one Jack Spurlock wrote.

Although the federal government was often accused in the letters of having a Socialist agenda, some writers were prepared to blow the whistle on a broader conspiracy by politicians and corporations against the common man:

"DoL, Treasury, and the entire U.S. federal government, are in bed with the Financial Industry, led by Goldman Sachs et al, and all are owned by an elite group of powerful individuals and families, the primary shareholders of the privately held Federal Reserve banks.

"Treasury is especially filled with financial terrorists whose sole purpose is to consolidate wealth and power into the hands of the elites. The United States is bankrupt by design, its imminent collapse having been engineered by the elite, and no amount looting and no power on earth can reverse it or stop it."

In Part III of this story, we'll show that many of the responses to the RFI were well-reasoned contributions to the debate over America's expected retirement income shortfall. They came from members of the retirement income industry, and represent the top-down response to the DoL RFI, as opposed to the bottom-up voices of individuals.

It's impossible to tell whether or not the anger behind the RFI protest letters was limited to a vocal few, or if it represented the frustration and suspicions of a large segment of the U.S. population. But in the wake of the financial crisis and the bailout, the letters seem to confirm that many Americans don't trust either the financial industry or the government. And a handful of letters came from people who are apparently beyond mistrust:

"You want to see anger? People will be in the streets with blood in their eyes if you try to impose this massive government seizure of private assets."