

Time to fight back: Industry rails against new claims that the 401(k) should be 'retired'

By **Jessica Toonkel Marquez**
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Providers of 401(k) plans have jumped to action over the past several days lambasting a critical article published Oct. 9 in [Time magazine denouncing the 401\(k\) system](#).

In "Why It's Time to Retire the 401(k)," author Stephen Gandel argued that the 401(k) system isn't a sufficient vehicle to replace defined-benefit plans as the only way for employees to save for retirement.

"The ugly truth ... is that the 401(k) is a lousy idea, a financial flop, a rotten repository for our retirement reserves," he wrote in the article. "In a system in which one year's gains build on the next, the disaster of 2008 will dent retirement savings long after the recession ends."

Mr. Gandel didn't return an e-mail seeking comment on his piece.

But retirement system advocates, however, have been letting their own comments fly in the last several days. The Profit Sharing/401k Council of America, for one, took to the web the day after the article was published, disputing many of the points brought up in the story.

In a blog post, "[Time Magazine 401\(k\) Article: Advocacy Dressed up in Journalism](#)," 401(k) PSCA president David Wray argued that the article is filled with misrepresentations.

Among them, he wrote that the article's claim that the average 401(k) account balance is \$45,519 is misleading because it fails to point out that the "typical 401(k) participant has only eight or nine years of participation with their current employer."

The Time piece also didn't take into account the billions of dollars rolled into individual retirement accounts from 401(k) plans, Mr. Wray wrote.

The PSCA also wrote a letter to Time disputing several points in the article.

Putnam Investments' president and CEO, Robert L. Reynolds, also wrote a letter to Time arguing similar points.

"What really surprised us was how out-of-date the article was," Mr. Reynolds said in an interview with InvestmentNews. "It failed to mention the Pension Protection Act of 2006, which brought to the forefront so many things. Any article that fails to mention that really misses the boat."

In an Oct. 14 [blog post](#), Stephen Utkus, principal at the Center for Retirement Research at The Vanguard Group Inc., also disputed several points brought up in the article. In his post, "Bad facts, bad story," Mr. Utkus took issue with Mr. Gandel's portrayal of the defined-benefit system as a good solution. "Even in their heyday, the mid-1970s, traditional pensions covered only 40% of private workers. Benefits varied widely — from meager plans paying little to very generous ones."

Advisers and consultants had mixed views of the article. While Don Stone, president of Plan Sponsor Advisors, a 401(k) plan consultant, said he felt that the article was "just trying to be sensational," some advisers thought it could provide good fodder to convince employers to talk more to employees about their retirement savings.

Marcia A. Mantel, principal at Mantell Retirement Consulting Inc., said she plans to use the article as part of her talking points with

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employers about the importance of educating plan participants.

"Employers need to do more," she said. "I'm not advocating restarting your pension plan, but they need to bring in more education and get employees to go these sessions"

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