Comments on:
What Can 401(k) Plans Produce for Retirement Income? New Results
By Sarah Holden and Jack VanDerhei
Why Replacement Rates Might be *Higher*

- 401(k) participants/eligibles might earn other kinds of pensions as well.
- Annuity prices are likely to be lower than assumed.
- Auto enrollment, and its cousins, can help.
Why Replacement Rates Might be *Lower*

- 401(k) savings might not be new saving.
- Auto-enrollment may come with less generous matching.
- Post-retirement inflation will erode the real replacement rate.
Real Replacement Rates
Lowest Income Quartile

At age 65 (V&H)
52% 51%

At age 75, inflation=3.3%
52% 37%

At age 75, "funded"
39% 37%

SS
401(k)
Why Replacement Rates Might be *Scarier*

- Careening careers
- Clustering contribution rates
- Bulls and Bears
- Medical miracles
Replacement Rates: Inter-Quartile Distribution

Income Quartiles

- 1st
- 2nd
- 3rd
- 4th

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25%?
25%
25%?