

RETIREMENT RAID

MARCH 2010

What if foreign entities stop buying our debt?

Most of our nation's debt is in short-term instruments that need to be rolled over on regular basis. We have just witnessed what happened when the nation of Greece had a hard time borrowing to finance their socialist entitlement programs.

What would our government do if the Chinese and many others take away our credit card so we could not pay for ours?

Uncle Sam has a plan...and you are not going to like it.

Two years ago we first reported on an idea being pushed in left-wing circles by Teresa Ghilarducci. She was proposing eliminating the tax breaks for 401k and replacing them with **guaranteed government retirement accounts**. Her plan which she outlines in her book, *When I'm Sixty-Four: The Plot Against Pensions and the Plan to Save Them*, all workers who do not have a traditional pension plan would be mandated by law to contribute 2.5% of their income to a **government account** with a 2.5% employer match. Uncle Sam would then guarantee a 3% return above inflation.

The U.S. Treasury and Labor Departments have started public discussions with sights on slowly but surely forcing people to convert their retirement accounts (401k, IRA, etc) into government annuities and other forms of guaranteed income streams. Deputy Assistant treasury Secretary Mark Iwry stated, ***"The question is how to encourage it, and whether the government can and should be helpful in that regard."***

Does anyone really trust the government with your money? The United States would be technically insolvent if they used the same accounting standards you and I use. Do you want a government that is behind the financial albatross' Fannie Mae and Freddie Mac; a country that is behind an unfunded pay as you go ponzi-scheme retirement plan known as Social Security to manage your money?

I am not the conspiracy theory type. However with this story, I most certainly smell one. I am not buying into the, ***"We are looking for the little people"*** nonsense. I believe that the government sees an opportunity in the trillions of dollars that are housed in retirement accounts, and they just might want to get their dirty hands on your funds.

We just witnessed a sovereign debt crisis in Greece. The Greek government had a difficult time rolling over their debt to finance their out of control government spending. This led to Greece having to make severe cuts in government spending which in turn led to riots in the streets. Unions are very powerful in Greece and both major political parties bend over-backwards for them. The retirement system is completely unsustainable as well. ***The New York Times*** reported that Greece has promised early retirement to 700,000 people which are 14% of its entire workforce. The average retirement age in Greece is the lowest in Europe at 61. 580 jobs in Greece are categorized as ***"dangerous."*** If you happen to have one of these jobs, you may retire at 50 if you are female and 55 if you are male. Some of 580 jobs are dangerous including bomb disposal or mining.

But others...

Vasia Veremi may be only 28, but as a hairdresser in Athens, she is keenly aware that under a current law that treats her job as hazardous to her health, she has the right to retire with a full pension at age 50. ***“I use a hundred different chemicals every day, dyes ammonia, you name it. You think there’s no risk in that? People should be able to retire at a decent age.”*** Another job that is categorized as dangerous is none other than radio and television broadcasting due to ***germs on microphones***.

I realize that this might sound somewhat ridiculous to Americans, but in reality we are not that far off. For example: New York City has ***“rubber rooms.”*** Rubber rooms are for teachers that have been banished from the classroom but due to union rules cannot be fired. These rubber rooms cost taxpayers \$65 million a year. Banished teachers report to these rooms for seven hours a day, play cards, read, do puzzles, and get paid.

Eventually all these ridiculous utopian ideas weigh on a nation’s creditors, whereas they begin to pull away, which is exactly what happened with Greece. The United States currently has according to the Investment Company Institute approximately \$8 trillion in retirement accounts that carry tax-deferred benefits. It would not take much for the tax-code to take away that deferment and push people into government-run annuity products. The ruse is that Uncle Sam will be telling you what great and wonderful investments U.S. Treasuries are; the reality is that the money will be used to fund trillions of dollars in budget deficits.

Al Gore’s lock box has been broken into.

The file cabinet located in federal facility in West Virginia (Thank You Senator Byrd) filled with \$2.5 trillion in IOU’s has been broken into and the IOU’s are starting to be cashed in. Much like the IOU’s stuck into the suitcase that was once filled with money by Harry and Lloyd in the film ***Dumb and Dumber***, are not worth the paper they are printed on. For the first time since the 1980’s when Congress last overhauled Social Security, the ponzi scheme will pay out more in benefits than it collects in taxes, \$29 billion to be exact. Time to tap the lock box! Whoops, sorry kids, our fearless leaders never saved a dime. All surpluses over the years were spent on other things that were deemed more important than being an honest steward of the public’s money. What good is an IOU, if the person writing it has no money? The U.S. Treasury has no money. They will have to go borrow more from foreign creditors, which is a lot like using one credit card to pay off another.

Taking over private retirement accounts has a recent precedent. On October 22, 2008, when a majority of the United States was drunk on the Hope and Change kool-aide cocktail, far-left President of Argentina Cristina Kirchner took over the private pension system under the cloak of “protecting investors from losses due to global market turmoil.” The average return of the Argentine private pension system since its inception in 1994 was 13.4%. The reality is that Argentina raided the accounts to fund short-term debt coming due over the next few years that funded their default in 2001. It turns out that seizing the private pension accounts wasn’t enough because this past February Kirchner went ahead and also seized their central bank.

29 CFR Parts 2509, 2520 and 2550

Department of Labor-Employee Benefits Security Administration

Department of the Treasury-Internal Revenue Service

The Department of Labor and the Department of the Treasury are currently reviewing the rules under the Employee Retirement Income Security Act (ERISA) and the plan qualification rules under the Internal Revenue Code to determine whether, and if so how the Agencies could or should enhance, by regulation or otherwise, the retirement security of participants in employer-sponsored retirement plans and in individual retirement arrangements (IRA's) by facilitating access to, and use of, lifetime income or other arrangements designed to provide a lifetime stream of income after retirement.

Look it up. This is not fantasy, this is in the works. It will start out as an option. It will be all about investing in the United States sold with pictures of babies and the Statue of Liberty, but the reality is that this is all about funding deficit spending. I don't believe that Uncle Sam has anywhere near the clout to get this through anytime soon, however I do believe that they will present this as a **"choice"** as early as 2011 when the President will be presenting a new retirement option. Newt Gingrich cited Karl Denninger in an op-ed in the *Investor's Business Daily*, **"Choices have a funny way of turning into mandates and this looks to me like a raw admission that Treasury knows it will not be able to sell its debts in the open market so they will effectively tax you by forcing your retirement money to buy them."**

Are Canned Goods Safer Than U.S. Government Debt? A headline from *Reuters* asks the question of whether or not blue chip companies such as Campbell Soup, Microsoft, or Intel are better investments than U.S. Debt. Derivatives traders are slowly signaling that they are. The cost to insure debt of the United States with credit default swaps for five years was higher than the three blue chip companies listed. According to Moody's Investor Service, the U.S. has **"moved substantially closer to losing their AAA credit ratings."** China is making waves saying they are going to start backing away from purchasing our debt.

Where or where will Uncle Sam get the money?

I don't know for sure, but I know where they are looking!

Source Material:

O'Grady Mary A. [Argentina Seizes the Central Bank](#) *Wall Street Journal* 2/8/10

29 CFR Parts 2509, 2520, 2550 [Department of Labor & Department of Treasury](#)

Gingrich Newt, Ferrara Peter [Class Warfare's Next Target: 401\(k\) Savings](#) *Investor's Business Daily* 2/17/10

Moffett Matt [Argentina Makes Grab for Pensions Amid Crisis](#) *Wall Street Journal* 10/22/08

[Patchwork Pension Plan Adds to Greek Debt Woes](#) *New York Times* 3/12/10

Einhorn Erin [Teachers in Trouble Spending Years in Rubber Room Limbo That Costs \\$65M](#) *Daily News* 5/4/08

Regnier Pat [The Plan To Save Early Retirement](#) *Money* 4/2/08

Brandon Emily [The 401\(k\) Retirement System Has Failed](#) *US News* 1/20/09

Aubin Dena, Parry John [Are Canned Goods Safer Than U.S. Government Bonds?](#) *Reuters* 6/8/09

Brown Matthew [U.S., U.K. Move Closer to Losing, Rating, Moody's Says](#) *Bloomberg* 3/15/10