



Savings: The Socialism Antidote

Throughout an improbable rise to national prominence over the past two years, Senator Bernie Sanders (D-Vt.) railed against “millionaires and billionaires” and called for a sweeping expansion of government programs and services. Among his myriad exhortations were calls for a single-payer healthcare system, free college, and a doubling of the federal minimum wage. If enacted, these and other similar proposals would have ushered in European-style socialism to the United States, economic policies that the nonpartisan Urban-Brookings Tax Policy Center and the Urban Institute Health Policy Center jointly projected would [add \\$18 trillion](#) to the already massive national debt.

Proponents argue these steps are necessary because private-sector costs are too high, and the average family simply cannot afford them. In-state public college, for example, is estimated to run [nearly \\$25,000 per year](#) when all expenses are included. With U.S. median family income in 2015 of \$55,775, a four-year cost of \$100,000 would, at first glance, seem virtually impossible to pay. That’s one of the main reasons why [student loan debt levels have exploded](#).

But is it really? As with all arguments, the devil is in the details.

Americans Are Notoriously Poor Savers

In 2015, the Organization for Economic Cooperation and Development (OECD) released data that indicated the [average family savings rate for 25 Western nations](#) was 6.5 percent. The Eurozone, coincidentally, posted the same rate. While savings over the next two years were projected to remain stable or rise slightly for the group as a whole, the percentage of household income tucked away by Americans — already significantly below average at 4.87 percent — was expected to decline to 3.13 percent by the end of this year.

That’s an embarrassingly low number. If the projections hold true, the United States will rank among the bottom five of the countries on the list when the calendar turns to 2018. Caught in the throes of rampant consumerism, American savings patterns are clearly heading in the wrong direction. It’s little wonder why millions of people are throwing their hands in the air, demanding any form of change, leading to the rise of Donald Trump and Bernie Sanders. To a large degree, they simply don’t know



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what else to do.

A Little Planning Goes a Long Way

One of the biggest failures of an [ineffective public-school system](#) is the lack of personal financial literacy. Just 17 states [mandate taking a class in personal finances](#), a shocking failure to prepare students to make informed economic decisions that will in all likelihood impact their entire lives.

The facts back up that assertion. [According to a GoBankingRates survey](#), one-third of Americans have no retirement savings whatsoever, and 56 percent have less than \$10,000 set aside. At that rate, the majority will be forced to rely upon a teetering Social Security system for their retirement, which can't provide more than subsistence-level income even in a best-case scenario.

One of the common arguments against saving money is the current low interest rate environment. Although artificially low interest rates are clearly a deleterious influence, they should never be a deterrent. Positive returns, even if below the rate of inflation, are far preferable to suffering credit card interest rates when emergencies arise.

The Power of Discipline

As motivational speaker Allen Klein once wrote, "A little perspective, like a little humor, goes a long way." Many Americans fail to save money because they do not believe they can afford to do so. In time, this overarching belief becomes a self-fulfilling prophecy, leading to a paycheck-to-paycheck existence and very little savings in the bank.

It doesn't have to be that way. Consider the following scenario for a typical American family:

- • \$56,000 household income
- • Income rising two percent annually
- • Saving 10 percent of annual income for 20 years: half earmarked for retirement and half for college-related expenses
- • Average annual retirement returns of five percent and non-retirement returns of two percent

Using the above assumptions, retirement savings would rise to over \$160,000 in 20 years without even considering the potential of employer matching funds, while the family college fund would swell to approximately \$83,000. Suddenly, a subsistence-level retirement is no longer inevitable and the \$100,000 college price tag is largely covered without using up home equity or taking on a massive amount of student debt. Add another percent or two along the way (many investment counselors recommend increasing the savings percentage by one percent annually) and both numbers jump in concert.

College can be paid for without government handouts or massive levels of debt. For all the subjects covered in school, you'd think that would be covered on day one.

Living Below One's Means

Naturally, the counterargument will be that there just isn't room in the family budget to save that much money. A close look at how money is spent is bound to show otherwise. The typical vacation for a family of four [costs \\$4,580](#), while the average person [spends \\$1,092 on coffee](#). Voila, we've just found 10 percent, and we've barely even scratched the surface. A little here and a little more there will get the family where it needs to be, and before long, it becomes the new normal.



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Other countries manage to figure it all out. Germans saved an average of 9.55 percent in 2015, while denizens of Hungary saved 9.02 percent. In Switzerland, the savings rate was an incredible 17.82 percent, with the savings percentages in Luxembourg and Sweden 17.34 and 15.83, respectively.

The high savings rates seen in a number of European countries, paradoxically, appear to be due in part to collective debt aversion because of higher taxes and a lower standard of living. Germany and Switzerland, for example, possess some of the [lowest home ownership rates in the Western world](#).

The Socialism Antidote

The point of the preceding exercise is to show that free college, socialized medicine, and the other tax-draining, budget-busting platforms of the far Left aren't the answer. Personal responsibility, achieved through financial discipline and dedication of purpose, will absolutely help every American reach their financial goals.

Is it worth living slightly below one's means now to guarantee the future for you and your children? Even Bernie Sanders couldn't disagree with that statement.



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