



## Obama Administration Plans to Seize 401(k) Retirement Accounts

One aspect of a new and improved federal regulatory scheme is the seizure of 401(k) retirement plans and the subsequent government-administered disbursement of the funds.

In Chapter 3 of the [Annual Report on the Middle Class](#) released in February by Vice President Biden and the White House Task Force on the Middle Class, the Obama administration calls for enhancing the “retirement options” for the middle class by imposing “new regulations to improve the transparency and adequacy of 401(k) retirement savings.”

The plan, as sketched in the 43-page document, calls for the creation of something called “Guaranteed Retirement Accounts” (GRAs). Biden slyly shifts the onus for the idea through weasel words typical of the federal government: “Some have suggested the creation of Guaranteed Retirement Accounts (GRAs), which would give workers a simple way to invest a portion of their retirement savings in an account that was free of inflation and market risk, and in some versions under discussion, would guarantee a specified real return above the rate of inflation.”

These accounts would be “free of inflation and market risk” because they would be under the direct and absolute control of the federal bureaucracy. There would be no risk because the funds would no longer be moored to the free market and subject to the fluctuations thereof. Rather, the retirement funds of every hard-working American dependent on a 401(k) for their retirement security would be nationalized and made subject to the whims and will of the executive branch.

The current administration is practiced in the erection of such straw men to deflect their own socialistic and absolutist intent. The record is clear, however, and since the day of his inauguration, Barack Obama and his congressional co-conspirators have consistently and unapologetically set out to systematically nationalize the economy of the United States: first the banks; then the insurance companies; then the auto industry; then healthcare; and now the piece de resistance, the private savings accounts of millions of middle-class Americans. This is an unlawful usurpation of power unprecedented in the annals of American political history.

Coinciding with the publication of the report described above, the Obama White House, together with the Departments of Labor and Treasury, issued a so-called “Request for Information” calling for a detailed analysis of the pros and cons of the “annuitization” of individual 401(k)s. The scheme was set forth in a set of [Proposed Rules](#) published on February 2, 2010 in the Federal Register.

The document reads in part, “While defined contribution plans have some strengths relative to defined benefit plans, participants in defined contribution plans bear the investment risk because there is no promise by the employer as to the adequacy of the account balance that will be available or the income



Written by [Joe Wolverton, II, J.D.](#) on May 5, 2010

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stream that can be provided after retirement.” And furthermore, “The Agencies are considering whether it would be appropriate for them to take future steps for them to facilitate access to, and use of, lifetime income or other arrangements designed to provide designed to provide a stream of income after retirement.”

The upshot of that clunky prose is that the Obama administration believes that employers cannot be relied upon to adequately manage the 401(k) retirement accounts it provides for their employees, therefore the federal government will relieve them of that responsibility and take sole discretionary control of those funds, thus eliminating the risk of mismanagement. In other words, the Obama administration is planning to divert the “stream of income after retirement” and channel it right through Washington, D.C.

Under the section of the Proposed Rules marked “Background,” the document declares that it is the intent of the agencies considering these changes to further “their efforts to promote retirement security for American workers.” And, to “provide wages that support families, and rise with time and productivity.” Since January 2010, it seems that the only thing rising with time is the likelihood that the economic wealth and might of our once enviable Republic will be methodically eradicated through the exercise by the executive branch of unconstitutional authority over every financial aspect of our nation’s people.

While the time for commenting on these Proposed Rules has passed (May 3, 2010 was the deadline), there is yet time for concerned citizens to contact their elected representatives and voice their opposition to President Obama’s proposed seizure of their 401(k) retirement accounts.

In response to the White House’s pronouncements, many Republicans in the House of Representatives, including GOP leader John Boehner (R-Ohio), have joined together to defend against the federal assault on the financial freedom of the middle class. Boehner and a cadre of colleagues known as the “[House GOP Savings Recovery Solutions Group](#)” (an organization founded by Boehner to, “help Americans protect and rebuild their hard-earned savings as quickly as possible while making sure the federal government does not hinder the process”) have written a memo to the secretaries of Labor and Treasury, imploring them to “take no action” to nationalize the retirement security of millions of Americans, representing trillions of dollars. The text of the letter is reprinted below:

Dear Secretaries Solis and Geithner:

As members of the Republican Savings Solutions Group, we write today to express our strong opposition to any proposal to eliminate or federalize private-sector defined contribution pension plans, such as 401(k)s, or impose burdensome new requirements upon the businesses, large and small, who choose to offer these plans to their employees.

In the Annual Report of the White House Task Force on the Middle Class, Vice President Biden discussed at length the creation of so-called “Guaranteed Retirement Accounts, (GRAs)” which would provide for protection from “inflation and market risk” and potentially “guarantee a specified real return above the rate of inflation” — presumably at taxpayer expense. In the Report, the Vice President recommended “further study of these issues.”

The Vice President’s comments are troubling, insofar as they come on the heels of testimony before Congress from supporters of GRAs proposing to eliminate the favorable tax treatment currently afforded to 401(k) plans, and instead use those dollars to fund government-invested GRAs into which all employees would be required to contribute a portion of their salary — again, with a government



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subsidy. These advocates would, essentially, dismantle the present private-sector 401(k) system, replacing it instead with a government-run investment plan, the size and scope of which remain to be seen. This despite data showing that 90 percent of households have a favorable opinion of the existing 401(k)/IRA system.

In light of these facts, we write today to express our opposition in the strongest terms to any effort to “nationalize” the private 401(k) system, or any proposal that would dismantle or disfavor the private 401(k) system in favor of a government-run retirement security regime.

Similarly, and more recently, the Departments of Labor and Treasury have jointly issued a “Request for Information” regarding the “annuitization” of 401(k) plans through “Lifetime Income Options.” While we appreciate the Departments’ seeking guidance and information from all parties and stakeholders in advance of regulatory activity, we strongly urge that the Departments not proceed with any regulation in this area before they have carefully and thoroughly considered all of the information received.

More specifically, we urge that the Departments take no action to mandate that plan sponsors — often, small businesses — include a “lifetime income” or “annuitization” option if they choose to offer a 401(k) plan to their employees, or that beneficiaries take some or all of their retirement savings in such an option. Data shows that 70 percent of Americans oppose the concept of a mandated annuity or government payout of their 401(k) plan. On a more fundamental level, Congress should not be in the business of choosing “winners” and “losers” among retirement security stakeholders. Instead, we urge the Departments to make it easier for employers to include retirement income solutions in their savings plans and to help workers learn more about the value of their retirement savings as a source of retirement income. Finally, to the extent new mandates and bureaucratic red tape from Washington push small employers out of the business of offering these plans to their employees, we would submit such an effort weakens, rather than strengthens retirement security.

We appreciate your consideration of our views in these important matters and stand ready to work with you and the Administration to promote secure and adequate retirement savings for all Americans.

Sincerely,

House Republican Leader John Boehner (R-OH) ?Rep. John Kline (R-MN) ?Rep. Dave Camp (R-MI) ?Rep. Sam Johnson (R-TX) ?Rep. Dean Heller (R-NV) ?Rep. Brett Guthrie (R-KY) ?Rep. Michele Bachmann (R-MN) ?Rep. Pat Tiberi (R-OH) Rep. Bob Latta (R-OH) Rep. Erik Paulsen (R-MN) Rep. Lynn Jenkins (R-KS) Rep. Ed Royce (R-CA) Rep. Buck McKeon (R-CA)

While the goal of Boehner’s group is noble and laudable, the tactics it uses to resist the administration’s attack on middle-class savings seems somehow to justify them, as well. If Congressman Boehner and his allies are genuinely committed to helping “Americans protect and rebuild their hard-earned savings,” then their interest, as well as that of our Republic and the citizens thereof, would be best served by a bold and relentless campaign to drive all branches of the national government to retreat to a place within the borders of their constitutional authority.



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