

PIPE DREAM:

A Fantastical Notion or Story



opium pipes.

opium. Lewis Carroll, although not known to be an opium user himself, makes clear allusions to drug use in *Alice's Adventures in Wonderland*. Sir Arthur Conan Doyle has his hero Sherlock Holmes visit an opium den – although that was for research rather than consumption. It's strange then that 'pipe dream' comes from none of these sources but has an American origin. The early references to the phrase all originate from in or around Chicago. The earliest I have found is from *The Chicago Daily Tribune*, December

The first printed piece that associates the phrase with opium smoking is from *The* Fort Wayne Gazette, September 1895: "There are things taking place every day in Chicago which are are devoid of rational explanation as the mysterious coinings of the novelist's brain. Newspaper

men hear of them, but in the rush for cold, hard facts, the 'pipe stories', as queer and unexplainable stories are called, are at a discount. Were it not for this the following incident, which can be verified by the word of several reputable men, would have long ago received the space and attention it merits instead of being

consigned to the waste-basket as the 'pipe dream' of an opium devotee." [The piece goes on to describe an incredible story, apparently believed by the reporter, of a mystic incident in which a man foretells in detail the suicide of another man. It rather makes one wonder what the reporter had been smoking] A few months ago, a regular reader (an ERISA attorney) of mine suggested that I should acknowledge the 50th Anniversary of ERISA (EMPLOYEE RETIREMENT SECURITY ACT OF 1974) and offer my "Pearls of Wisdom" on the subject. For better or worse, I have accepted his advice. For one who has toiled in the retirement plan trenches for lo these many years (25 to be exact), I definitely

have a good handle on "THE GOOD, THE BAD, AND THE UGLY" of my

particular sector of ERISA plans (401(k0/403(b)/401(a)/457/Cash Balance). As I

gave the subject more thought, I felt the way to address my "neck of the woods" would be to break it out into three distinct categories using the classic Spaghetti Western of all time" The Good, The Bad, and The Ugly." THE GOOD, AND THE UCLY



Illinois and a two-year stint in the Army Air Force, Lt. Weiss began as a copy editor in the advertising department at Sears Roebuck and rose to the head buyer for Asian manufacturing. After 39 ½ years at Sears, he retired at 59 ½ with a company-paid pension and lived comfortably for another 30 years without working another day. That was the "Bond" between employee and employer back in the day. Those were the days! Slowly but surely, the promise of lifetime employment with a secure retirement was "eaten away" by the management class being focused on short-term profit/loss, earnings per share, and daily stock prices. The workers realized the need to "Fend For Themselves" as loyalty became a thing of the past. Leveraged-Buyouts that place tremendous debt burden on the acquired entities required massive layoffs deemed as "Restructuring." Manufacturing plants closed as the race to produce products cheaper overseas accelerated. Someone with a high school education could no longer become middle-class by working at the local Cadillac factory. The symbiotic relationship between owners and the "worker bees" had been ripped apart. THE BAD Now, I am **NOT** saying that all employees have suffered under the Defined Contribution scenario (i.e. 401(k)/403(b)/457/401(a)) A minuscule portion of the working population have amassed millions of dollars in tax-deferred/Roth accounts which is way better than anything a traditional pension plan would have

earn 10% per year to double your money in a little over seven years. If you invested \$100 in the S&P 500 at the beginning of 1982, you would have about \$12,792.58 at the end of 2024, assuming you reinvested all dividends. This is a return on investment of 12,692.58%, or 12.12% per year. With the above numbers in mind, one would "think" that all is "Hunky Dory" for our senior citizens. Quite the contrary, as Nerdwallet published (11.22.24) the following "MEAN AVERAGES" AGE GROUP. MEAN ACCOUNT BALANCE **25-34** \$14,933

Before we throw our proverbial "Hands Up" in defeat, I ran across this

article which gives us some hope of "Retirement Redemption"

countries offer higher contribution limits and more flexibility to workers. The United States ranks 29th out of 48 countries Mercer and the CFA Institute evaluated for their global pension index published this week. That equates to a C-plus letter grade, with a peer group of the United Arab Emirates, Kazakhstan, Hong Kong, Spain, Colombia, and Saudi Arabia. All

vesting of benefits for all plan members and maintaining the real value of retained benefits through to retirement," the report stated. But there are other steps that would likely be less politically popular, such as reducing access to plan assets before retirement and requiring that some benefits be taken as "an income stream," such as an annuity.

of those countries have systems with "some good features but also

ha[ving] major risks and/or shortcomings that should be addressed," the

report stated. "Without these improvements, its efficacy and/or long-term

Many of those with very high retirement scores have requirements that some retirement assets be used to purchase annuities, for example. Countries with the highest marks are the Netherlands, Iceland, Denmark, and Israel. "What the Nordic countries do well is they offer a really wide variety of options for retirees," both for the accumulation and decumulation phases, said Ryan Munson, research manager at the CFA Institute. The countries generally have higher contribution limits than the US allows for its workers,

and "on the decumulation phase they have annuities that are built in that

are low cost, and they can help provide some stability during that

Nordic countries score particularly highly, in part because of systems that

require or strongly encourage greater participation and offer better stronger

Security system, whose trusts are on track to be depleted in less than 10 years. In short, more money needs to go into the system or less needs to come out of it, and the most basic ways of addressing that are by increasing taxes or raising the retirement age. The future of Social Security is of high concern to many Baby Boomers and older Gen Xers who were born too late to participate in private defined

benefit pensions and never contributed enough to defined contribution

with atypical career paths, including those who take time out of the

the norm, and even where they do exist, they can be hampered by

The country could also do more to provide savings opportunities for people

workforce, have gig jobs, or work part time, he said. Numerous states have

launched or prepped programs that require or at least encourage workers to

save, such as through automatic IRAs. However, those programs are not yet

plans like 401(k)s or 403(b)s, Munson noted.

contribution limits that are less than those of 401(k) plans. Retirement security is a widespread concern among workers in the US. A paper published last week by the National Institute for Retirement Security found that it's one of the rare topics that Americans can agree on across political ideologies. About 80 percent of Republicans, Democrats, and independents said they concur that the country faces a retirement crisis, according to the survey data from NIRS. Over half of those in each party or affiliation said they are concerned about their own financial security in retirement. About 80 percent of people in each group also said they like the concept of

ensure that individuals and households receive the best possible financial support during their retirement years." https://www.investmentnews.com/retirement-planning/why-the-us-lags-globally-inretirement-security/257732

offset the employer financial burden. Thus, the lure of a "Pension Plan" became the sole purview of governmental agencies, large, established corporations, and legacy not-for-profits. Recently, Boeing union members in Seattle went on strike for better pay and a return of their "Frozen Pension Plan" (Boeing stopped contributing to the plan 10 years ago). Ultimately, Boeing agreed to a significant wage increase and "upped" their 401)k)

match, but emphatically decline to reinstate the pension plan on the

grounds of it being "Too Damn Expensive." The message to the working

IF YOU WANT A FINANCIALLY COMFORTABLE RETIREMENT, YOU BEST

BE "FUNDING IT" BY YOUR LONESOME. SO, START TAKING YOUR "HARD

EARNED MONEY" OUT OF YOUR PAYCHECK, SEND IT TO SOME 401K

RECORD KEEPER, PICK YOUR MUTUAL FUNDS (EVEN THOUGH YOU

HAVEN'T A CLUE WHAT A MUTUAL FUND, EQUITY OR BOND IS) AND

WATCH IT MAGICALLY GROW TO A MILLION DOLLAR\$. OH, AND BTW,

YOUR EMPLOYER, MAY OR MAY NOT, CONTRIBUTE TO YOUR GOLDEN

Your contribution rate: A little extra can help

\$250,000 ALANCE 5% of \$50,000 annual salary \$227,547 \$200,000 6% of \$50,000 annual salary ACCOUNT \$150,000 \$100,000 \$50,000 20 25 30 10 YEARS Note: assumes a 7.8% return Investing in securities involves risks, and there is always the potential of losing

money when you invest in securities.

Source: Bankrate, 401k Retirement Calculator. Example is based on a 7.8% rate of return. This example is hypothetical and does not represent the performance of a particular investment. Your results will vary. Actual investing includes fees and other expenses that may result in lower returns

We, at The Prizant Group, understand the daunting task of "Self-Funding"

your retirement nest egg. Per Fidelity (9.6.24), there are 497,000 people in

the U.S. with at least a million dollars in their 401(k) account. That number

represents a mere .07% of the total number of retirement plan participants

inundated with about the "Ease" it is to achieve \$1 million in savings, the

hard truth is the opposite. The "Contribution Chart" above is a better and

more truthful presentation of retirement plan savings. We all want to "Make

(70 Million). So, despite all the retirement plan marketing propaganda one is

As it has become our tradition, especially in this socially fraught time and world upheaval, we will end with the inspiring version of "Hallelujah" sung by the great troubadour Leonard Cohen.

> holiday at this time of the year) and a Happy, Healthy, Prosperous New Year! **Sanford Prizant (President) The Prizant Group, Ltd.** sanford@prizantgroup.com/847-208-7618 www.prizantgroup.com/@prizantgroup Call, Email, Twitter, LinkedIn, Carrier Pigeon, Smoke Signals, Naval Flags

Lest we forget: Merry Christmas, Happy Hanukkah, Joyous Kwanzaa,

Happy Diwali (my sincerest apologies if I have forgotten your religious

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difficult to claim that the imagery in surreal works like Kubla Khan owed nothing to 1890: "It [aerial navigation] has been regarded as a pipe-dream for a good many years."

rewarded with a steady income providing upward financial/career mobility. My father-in-law (James Weiss) after graduating from the University of

your loyalty to the employer and (barring financial disaster) you were

Benefit Pension Plan) were provided and paid for by the company. You gave

provided. Furthermore, the financial markets along with the financial services sector, have enormously benefited from the steady inflows of investable money every payroll. In turn, this industry created hundreds of thousands of good-paying jobs whose sole purpose was to service these defined contribution plans. Based on the S&P 500 returns below, a person invested in that index more than "DOUBLED" their money in less than 10 years Rule 72-All you do is divide 72 by the fixed rate of return to get the number of years it will take for your initial investment to double. You would need to

WHY THE US LAGS GLOBALLY IN RETIREMENT SECURITY It's not just about the shift from pensions to 401(k)s, as highly rated

\$35,537

\$60,763

\$87,571

\$88,488

35-44

45-54

55-64

65+

sustainability can be questioned." In the case of the US, the system could be improved by raising minimum retirement benefits for low-income retirees as well as by "improving the

benefits and greater flexibility to participants.

drawdown time."

Of course, annuities are widely available in the US, and more work has been done in recent years to increase access to them in 401(k)s, such as pairing them alongside target-date funds. However, private annuities available here tend to be more expensive and come with more limits than those in countries with mandatory annuities allocations, Munson said. Adding more retirement income options would be a longer-term benefit to the US system. A shorter-term improvement would be to fix the Social

traditional defined-benefit pension plans, according to NIRS. Still, DC plans are the option most US workers have, and they are also

becoming more common globally – even among the highest-ranked

countries for retirement security. For DC plans to do the most for retirees,

they should be accompanied by a focus on regular income in retirement,

the Mercer and CFA Institute paper noted. That includes providing some

level of long-term protection for retirees against future risks, as well as

addressing cognitive decline, which affects so many late in life. Retirement

plans also "must play a critical role," giving retirees guidance and advice,

expectancies, falling fertility rates, increasing individualism, and changing

expectations from better-informed members," the paper read. "They should

"Our pension systems need to change in the face of increasing life

the authors noted.

Deferred Arrangements)

class was:

YEARS BUCKET.

make a big difference

than this hypothetical example.

THE UGLY Revenue Act of 1978 which said that employees can choose to receive a portion of income as deferred compensation, and created tax structures around it. Section 401 was originally intended by lawmakers to limit companies creating tax-advantaged profit-sharing plans that mostly benefited executives, according to the ICI. Thanks to the interpretation of the section by businessman Ted Benna, the language evolved into the basis of the

modern 401(k), as it enabled profit-sharing plans to adopt CODAs. (Cash or

With the advent Section 401, employers realized that the tremendous cost-

savings in "offloading" their retirement plan obligations on to the backs of

Deduction" as employer-sponsored health insurance for both sides. Less

we forgot, 100% company-paid health insurance was also going the way of

the Do-Do bird. As advances in medical science forged ahead, the cost of

medical care rapidly rose and so did the premiums for health insurance.

Once again, to improve the bottom-line, paychecks were "dinged" to help

the "Great Unwashed." The new 40(k) plans offered the same "Tax

How much you contribute to your retirement plan account today can make a big difference in how much you have when you're ready to retire. Just increasing your contribution rate from 4% to 6% could add more than \$110,000 to your nest egg over 30 years, assuming a \$50,000 salary. \$350,000 \$341,313 \$300,000 4% of \$50,000 annual salary \$284,423

It Big Fast," but (the ever pregnant "But), the path to a reasonable retirement sum is painstakingly laborious. Is a financial secure retirement a 'PIPE DREAM?" In many ways "YES," as we are living longer, desire a higher standard of living than generations past and are captive to the everincreasing costs of medical care, housing, insurance, transportation, and the daily cost of living. However, if one has a game plan, sticks to it, annually increases their retirement plan contributions, tries to live on a "reasonable" budget, works the system to offset the spiraling cost of higher education, and foregoes expensive non-essentials; the goal can be reached with the assistance of your Social Security monthly check (And NO Social

Security is NOT going bankrupt or going to cut your payments) and part-

physical/mental/emotional issues). You may be unable to retire to a "Place

in the Sun" or some exotic destination, nonetheless you certainly can live

time work (barring the inability to be employed based on

out your latter years in relative comfort.

LEONARD COHEN "HALLELUJAH"

Opiates were widely used by the English literati in the 18th and 19th centuries. Samuel Taylor Coleridge was one of the best known users, and it would be