

ICI VIEWPOINTS

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## CAP Claims About the 401(k) System Are Misguided

By Paul Schott Stevens

The concerns of the Center for American Progress about the 401(k) system (covered August 20 in "[A Better Way to Save for Retirement?](#)") are mistaken. Simply put, America's retirement system is working for most Americans.

Academic research summarized in a recent ICI [white paper](#) finds that most households are able to maintain their standard of living when they retire. To date, successive generations of retirees have been better off than previous generations.

401(k) plans also can help today's workers save enough for retirement. Studies conducted by ICI and the Employee Benefit Research Institute show that these workers can replace a substantial portion of their working income in retirement from their 401(k) accumulations. Academic research concludes that, generally, defined contribution plans are as good as, or better than, defined benefit plans in providing for retirement.

Despite CAP's claims, the 401(k) system is vibrant and flexible. Competition has consistently driven down [costs](#), while innovation simplifies participation (through such features as auto-enrollment) and investing (through such choices as target date and target risk funds).

Finally, [research](#) consistently shows that overwhelming majorities of U.S. households strongly support the 401(k) system, the choice and control it offers, and the nation's current tax incentives for retirement savings.

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