PBS Frontline's "The Retirement Gamble"

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"Frontline," the long-running newsmagazine on US public television, aired a program last week dealing with the retirement crisis that has been deepening for decades. "The Retirement Gamble" focused primarily on the crisis facing millions of working people whose hopes of retirement are completely bound up with defined contribution 401(k) accounts and are rapidly evaporating.

This is not a new story. (See: "The 401(k) scam: How American workers have been robbed of their retirement benefits") However, conditions have drastically worsened even in the past ten years, both as a result of the financial collapse of 2008 and also the more and more brazen schemes to attack workers' retirement accounts via hidden fees and other techniques.

Frontline presented some of the grim statistics: half of the working population cannot now afford to add anything to retirement accounts, and one-third of the population has virtually nothing put away. Millions have been forced to borrow from or deplete their existing 401(k) accounts because of long-term unemployment, cuts in wages, medical expenses and other emergencies.

The documentary interviewed a number of US households to present a picture of the current situation, five years into the slump precipitated by the 2008 collapse. Crystal Mendez, for instance, 32 years old and a schoolteacher, explained that, although she was many years away from retirement and was making a fairly decent salary of $70,000 annually, she had been unable to save as much as needed and she "had no Plan B except to keep working."

Mark and Laura Featherston, 54 and 48 years old respectively, "will definitely be working till our mid-70s," Laura explained. Mark has lost his job as a truck driver and remains unemployed. Laura works as an office manager and the couple are living on her salary and looking nervously at their current savings of about $80,000.

Dan Robertson and Steve Schullo, a same-sex couple who are both retired teachers, recalled the days of the 1990s boom, when their stock portfolio reached $1 million on November 11, 1999. The following spring, however, the dot-com bubble burst. Their savings rapidly tumbled to $460,000, and has not recovered.

These stories, and several others profiled in the documentary, are only partly illustrative of the depth of the crisis. For the most part those interviewed, while having to recalculate and reconsider their plans for the rest of their working lives, are still better off than millions of the poor, working poor and unemployed.

Of course their stories are also important, and they are a serious symptom of the social crisis. The predicaments described are the result of investments that in many cases were the result of high-pressure tactics on the part of financial services companies that are household names. Families who have virtually no way of deciphering the complex language of mutual fund prospectuses have been convinced to sink their hopes into the riskiest stock plans.

This is essentially what happened to Debbie Skoczynski, a computer leasing agent. She had close to $500,000 in a 401(k), but it was all in her employer's stock. When the company filed for Chapter 11 bankruptcy, she lost it all. "The day I got laid off, I lost it," she explains, choking up. "I thought, 'Oh, my God, I'm a single parent. I have no job. I have a house. I have a house payment. What do I do,' you know? And I was scared, really scared. I didn't have much of a retirement left. I couldn't even borrow against it. And it was just something that I never foresaw, ever, you know, losing my job, ever. Never."

The program describes the way mutual fund fees eat up the accounts without the client's awareness, unless they bother to investigate and translate the opaque language of the 401(k) plan. Some studies have shown that for someone investing in a plan with annual fees of 2 percent, a balance of $100,000 would be reduced by $63,000 over the course of 50 years of employment.

Some funds charge fees of as much as 5 percent. One of those on the program, an economist, had the training to research the 22 mutual funds offered in his own 401(k) plan, although the task took him an enormous amount of times. He found a dozen different types of fees, including asset management fees, trading fees, record-keeping fees, management fees and marketing fees.

Financial services companies like Prudential and Fidelity and banks like Wells Fargo and JP Morgan Chase have no legal fiduciary obligation to their clients, as the Frontline program explains. They are not required to provide advice based on the interests of those who come to them for advice. Instead, they can proceed in the same fashion as a used car salesman. For the worker saving for retirement, “caveat emptor” applies—except that the worker cannot be expected to understand the stock market as he or she would an automobile.

It is somewhat amusing to see representatives of Well Fargo and JP Morgan tie themselves into knots as they attempt on camera to explain away the obvious conflicts of interest and tout the virtues of a system that allows them to fleece their customers. However, the main issues raised by the crisis still remain hidden in the Frontline documentary.

In fact, to call this program a pale reflection of the retirement crisis would not go far enough. The report carefully avoids the heart of the matter—the crisis of the profit system itself.

Instead, John Bogle, the 84-year-old founder and former CEO of the Vanguard Group of mutual funds, is provided a platform to expound at length on the importance of lower fees in the mutual fund industry, as well as the virtue of indexed funds, which are funds representing the entire stock market, rather than actively-managed mutual funds, which are designed to “beat the market.” Bogle explains that those planning for retirement should become “creatures of the market and not of the casino.”

Of course this still leaves workers chained to the capitalist stock market, which is itself a casino, if not as extreme a casino as the high-risk funds. What Bogle calls for would have meant little difference to workers after the 2008 crash. The Frontline documentary ignores this issue, undoubtedly consciously.

401(k)s, as distinct from defined benefit pension plans which guaranteed workers a pension for as long as they lived, only began to spread 40 years ago. As recently as 1980 they were not widely used. It was in the 1990s that they became nearly universal among major employers, at the same time as defined-benefit pension plans rapidly declined. Forty-two percent of the workforce had pensions as of 1970. Today pensions are rapidly becoming confined to public employees, and they are also under vicious and sustained attack. 401(k) accounts are a means of forcing workers to have their own small and self-defeating stake in this crisis-ridden system.

The closest that Frontline comes to examining these historical issues is a brief reference to the fact that American employers, beginning in the 1970s, could no longer afford the pension plans of the past. The reasons are not explored.

The roots go back to the collapse of the post-World War II boom, the deepening world crisis, capitalist globalization and the relative decline of US capitalism. The retirement crisis is a by-product of these major shifts.

The social contract that most American workers assumed would extend into the future, following the struggles and hard-won gains of the 1930s and of the 1960s, has been virtually destroyed. The impact of the social counterrevolution was partly obscured by the collapse of the Soviet Union, the historic betrayals of the trade unions, and the boom of the 1990s. Today, however, in the aftermath of the financial collapse of 2008, the “new reality” facing workers thinking of their retirement years can no longer be ignored, nor can the tinkering that the Frontline program suggests make any dent in this crisis.