



The 401k Scam

Excerpts by FMT Staff on January 29, 2016

Imagine walking into a bank today and the banker giving you \$3,000 and saying that you don't have to pay him back for 30 years. Would you gladly accept the cash and walk out?

Hopefully not, because this story is missing something important... What's missing from this story is we have no idea what interest rate the banker is charging us. We also have no idea what the terms are.

Does it sound familiar to those of you contributing to a 401(k) plan or IRA? This is without a doubt the biggest risk to retirement accounts – you have no idea what the terms will be when you want to start making withdrawals.

In exchange for taking an income tax deduction today, you are using money in which you have no idea how it will be treated in the future. Essentially, you are borrowing money from the IRS in the hopes that they will treat you fairly when it's time to pay the money back.

Ultimately, the 401(k) is a cash cow for Wall Street. During the 1920s boom, just 3% of Americans owned stocks, shortly after WW2 in 1952, 4% of Americans owned stock, and by 1980, it was still at just 13%.

However, after the law for 401(k)s went into effect on January 1, 1980, the participation from the American public soared! And so did the fees Wall Street collected. By 1989, public participation in the stock market reached 32%, and by 2006, it peaked at 64%. Wall St. had truly found the perfect cash cow, who was willing to buy blindly every single month without question.

A 60 Minutes report showed that some 401(k) plans eat up 50% of an individual's retirement income over the course of 30 years. Members from Congress have stated that by just asking questions about 401(k) fees, they have been met with the full fury of the Wall Street lobby.

The law was also written to keep your money trapped on Wall Street, only to be invested in a select group of mutual funds. The only way to get it out is to pay a fee. So you can't use your own savings to invest in a business, rental property, or anything outside of a Wall Street commission!

By giving employers tax credits and deductions for setting up 401(k)s, and even matching contributions, the U.S. government is literally subsidizing the biggest Wall Street banks and investment houses. Currently, there is roughly 3 trillion dollars in 401(k) plans. With an average all-in annual fee of 2%, this equals 60 billion for Wall Street.

The brilliance in this scam is that it has conditioned Americans into believing that Wall Street is where retirement and savings belong. Because when you add up IRAs, 401(k)s, annuities, and other retirement strategies, we are talking about a \$20 trillion industry!

Our advice, reject these manipulative scams and choose your own path.