

Bond-based public program would save retirement, Ric Edelman says

The RISE accounts Edelman is proposing would be funded initially by \$5,884, and people would be able to begin receiving retirement income checks starting at age 70.

By Emile Hallez | February 12, 2021

InvestmentNews

A proposal from Edelman Financial Engines co-founder Ric Edelman seeks to solve the retirement savings crisis through a savings bond program for newborns.

The idea, Retirement Income Security for Everyone, or [RISE](#), could increase income levels in retirement by 250%, Edelman said. With accounts funded initially by \$5,884, people would be able to begin receiving retirement income checks starting at age 70 that augment what they get from Social Security and their 401(k) plan.

The program would be managed like a defined-benefit pension plan and could be overseen by a commission, a government-sponsored entity or a private group.

The concept is different from the [“baby bonds” legislation](#) pursued by Sen. Cory Booker, D-N.J., and Rep. Ayanna Pressley, D-Mass., who last week reintroduced bills they initially floated last year. That proposal for a federally funded program would provide newborns’ accounts with \$1,000 and make annual contributions of up to \$2,000, with the goal of reducing the racial wealth gap by providing young people with funds for education or housing.

By contrast, “the RISE proposal does not cost the government or taxpayers anything,” Edelman said.

It would rely on people buying the bonds, similar in concept to government bonds issued during World War II, he said. Investors would get their money back, plus interest, when the bonds mature 20 years later.

The funding would not be a problem, “because people aren’t so selfish or self-centered. Americans in particular are the most generous in the world,” the RISE website states. But because the bonds would be more of an investment than charity, “it is more likely that demand for the RISE bonds will exceed the supply.”

If the program started next year, “the U.S. Treasury Department would issue approximately \$23.4 billion in RISE Savings Bonds, or \$5,884 for each of the approximately 4 million children born each year. This figure represents 0.1% of the value of the federal government’s marketable securities,” the site states.

The success of the program would be tied to compounding — and 70 years is a long time for the initial investments to grow. RISE would assign a “personal income band” to babies, based on their family’s average income over the past five years.

It would provide more income to those in needier families and less to those in wealthier ones, according to the program’s site, which says those in the lowest income band would get more than \$35,000 a year, while those in the highest band would get more than \$1,000.

The proposal assumes an average annual return of 7.27%, which is the average projection used by public pensions. It would charge an annual fee of 0.4%.

Congress has not pursued such an idea before, Edelman said. With less onus on employers to provide retirement plans and contributions, companies could shift their benefits focus to helping workers pay down student loans, giving them stock options or funding their reserves, he said.

“This will relieve pressure on employers who are struggling to provide their workforce with necessary and desired employee benefit programs,” he said. “We have a retirement crisis in this country, and RISE is an innovative proposal that offers a solution that no one has introduced before.”

A typical worker who starts contributing 13.5% of their pay to a 401(k) at age 37 might be able to have retirement income of about \$105,000 by age 70, with half coming from their plan and half from Social Security, according to Edelman. In that scenario, a worker would have contributed \$470,000 in plan contributions and taxes.

Under the RISE plan, Edelman says the median retirement income would be \$120,000.