

Published September 04, 2011, 12:00 AM

Reader's view: Look to Chile for successful, privatized retirement solution

Thirty years ago, Jose Pintera, the labor minister of Chile, looked for a plan to replace the bankrupt Social Security system of Chile.

By: **Joe Poellinger**, Duluth News Tribune

Thirty years ago, Jose Pintera, the labor minister of Chile, looked for a plan to replace the bankrupt Social Security system of Chile. He consulted with the Cato Institute in the U.S., which provided him a plan from University of Chicago economists to privatize investments of all payroll taxes in selected stock and bond funds. The transition period to the new system was somewhat expensive, but the results have been fantastic! Returns on the accounts have averaged 9 percent above inflation. Our Social Security returns about 1 percent. At death, a U.S. citizen's account is terminated. In Chile, the remainder in the account is returned to heirs.

Why hasn't the U.S. adopted this plan? Either Congress prefers our Ponzi scheme or it wants to control this money for a slush fund to borrow from in return for paper IOUs. Chile's plan protects the individual and leaves him in control of his account. This is like our 401k plans. I had one for only about 20 years but after retirement I converted to annuities and have been getting monthly payments which add enough to double my Social Security for the past 16 years.

If we had Chile's plan, I would have 15.3 percent of FICA taxes deposited in my personal account. It would cover Social Security and at least a portion of Medicare. This would remove the burden from the U.S. Treasury. If my salary over 40 years averaged \$30,000, FICA would amount to \$4,600 per year. Assuming 6 percent interest, this would produce about \$234,000 for my retirement. This capital plus the continuing interest would guarantee a good retirement. It also would reduce the cost of entitlement programs for Congress. Would this reduce the debt reduction problem for the 12-man supercommittee in Congress?

Joe Poellinger