



# **The Lessons of the Financial Crisis for Private Pensions**

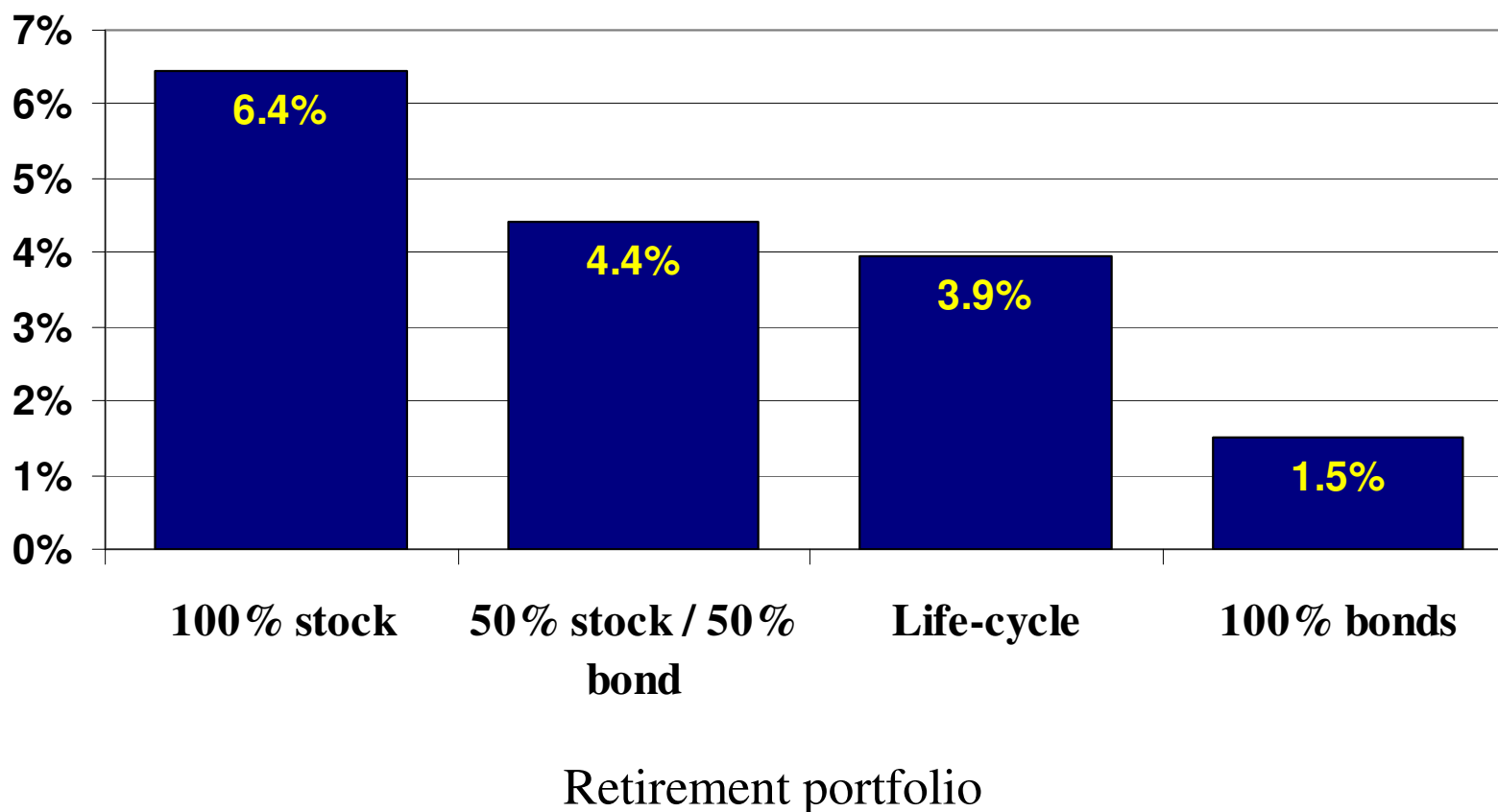
*by*

**Gary Burtless**  
**The Brookings Institution**

*May 6, 2009*

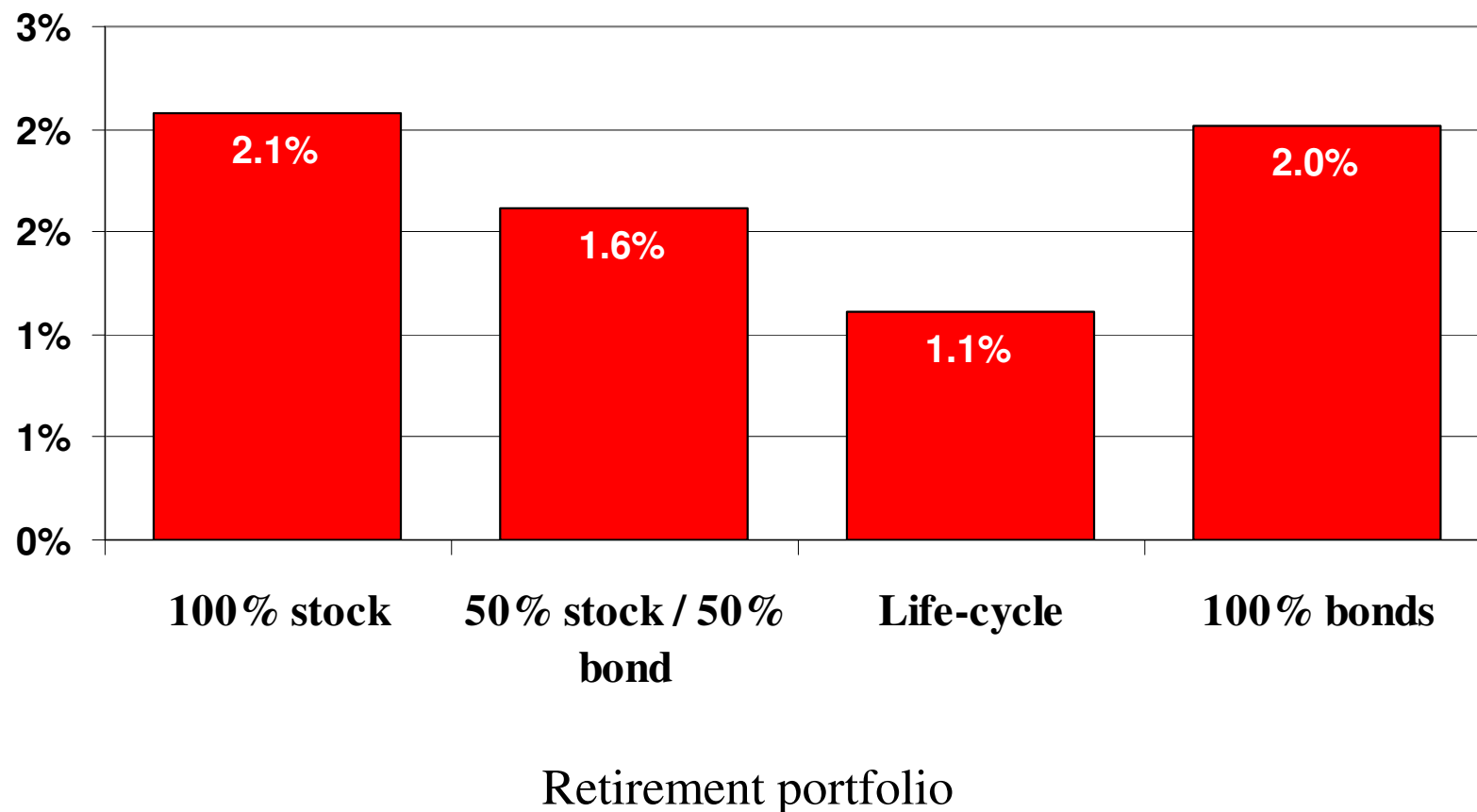
**Real internal rate of return obtained from personal retirement account of worker who contributes 4 percent of his annual salary over a 40-year career:**  
*Averages for workers retiring 1911 – 2008 under alternative portfolios*

Average real  
internal rate of return



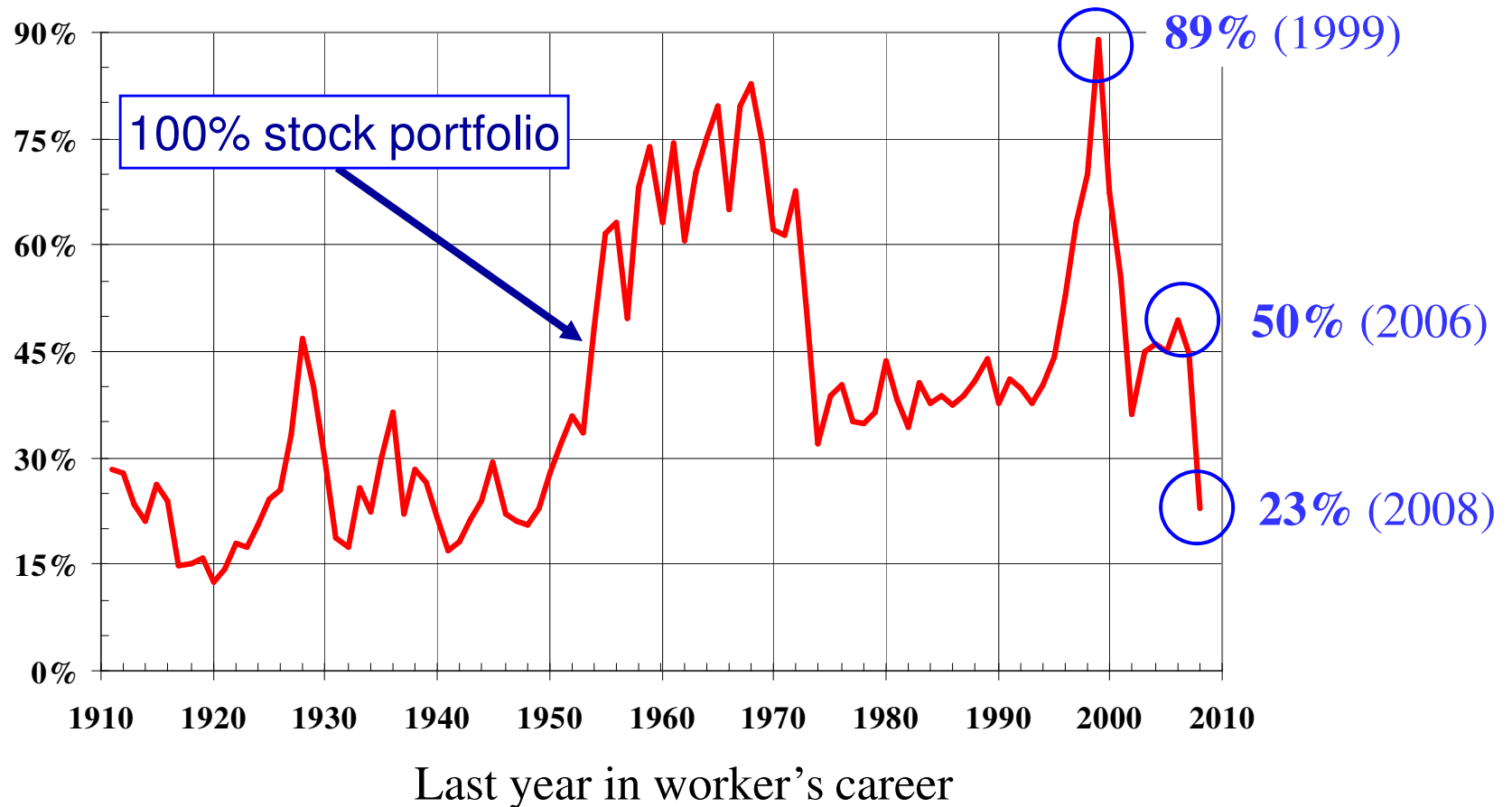
**Real internal rate of return obtained from personal retirement account of worker who contributes 4 percent of his annual salary over a 40-year career:**  
*Std. deviation of returns for workers retiring 1911 – 2008, alternative portfolios*

Standard deviation of  
real rates of return



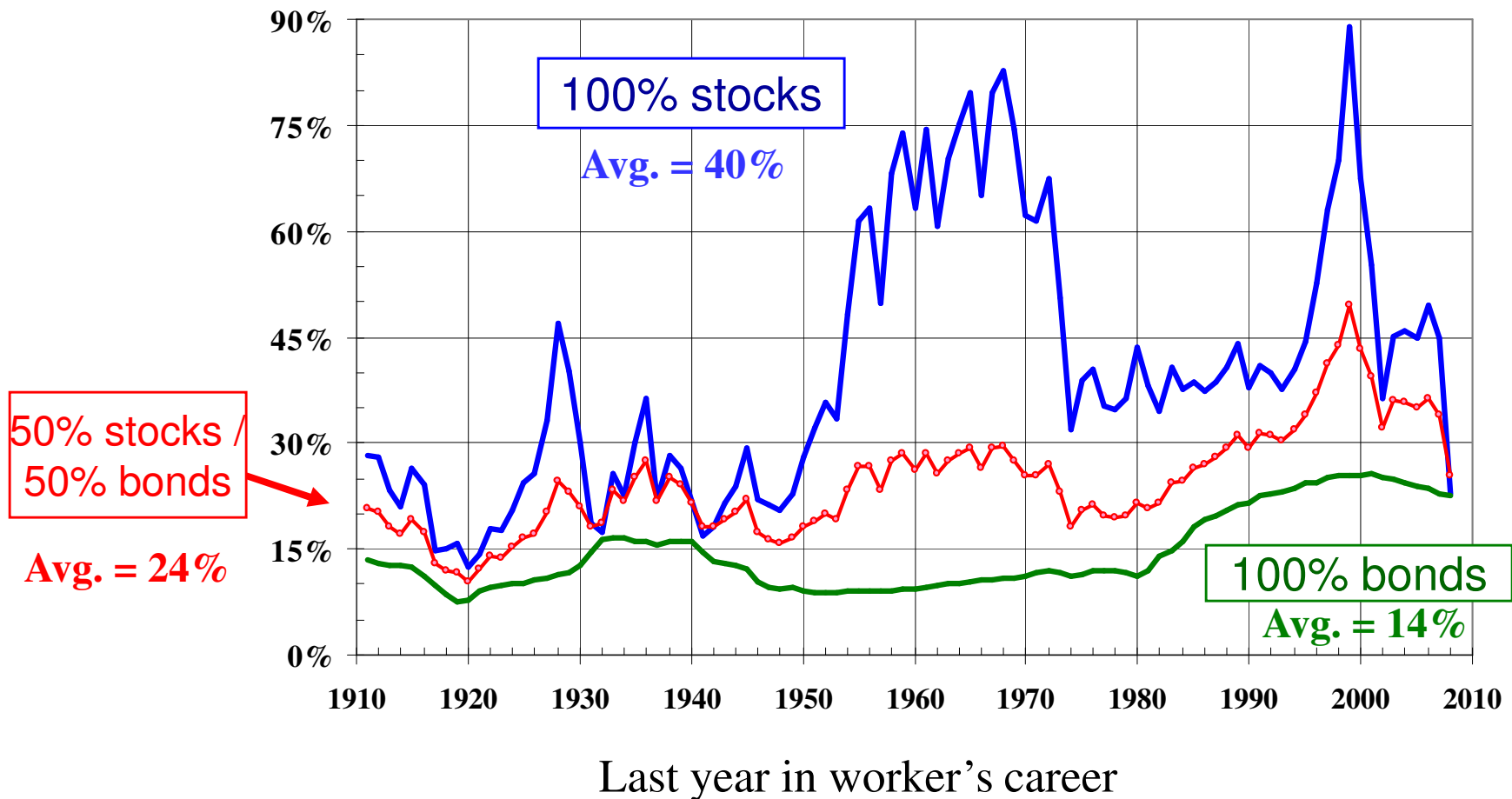
# Replacement rate obtained from personal retirement account of worker who contributes 4 percent of his annual salary over a 40-year career

**Replacement rate**  
(Annuity / Final wage)



# Replacement rate obtained from personal retirement account of worker who contributes 4 percent of his annual salary over a 40-year career

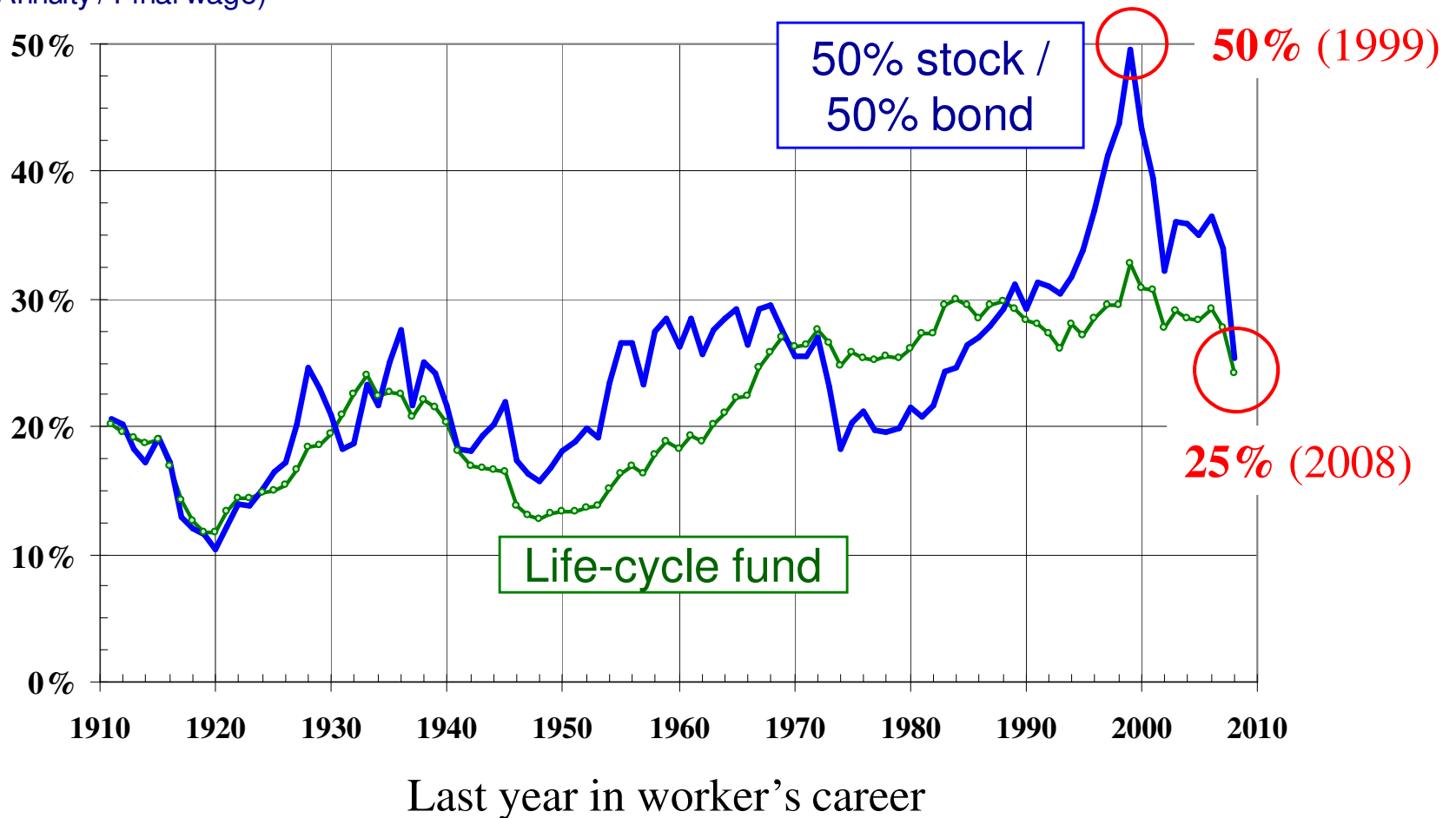
**Replacement rate**  
(Annuity / Final wage)



# Replacement rate obtained from personal retirement account of worker who contributes 4 percent of his annual salary over a 40-year career

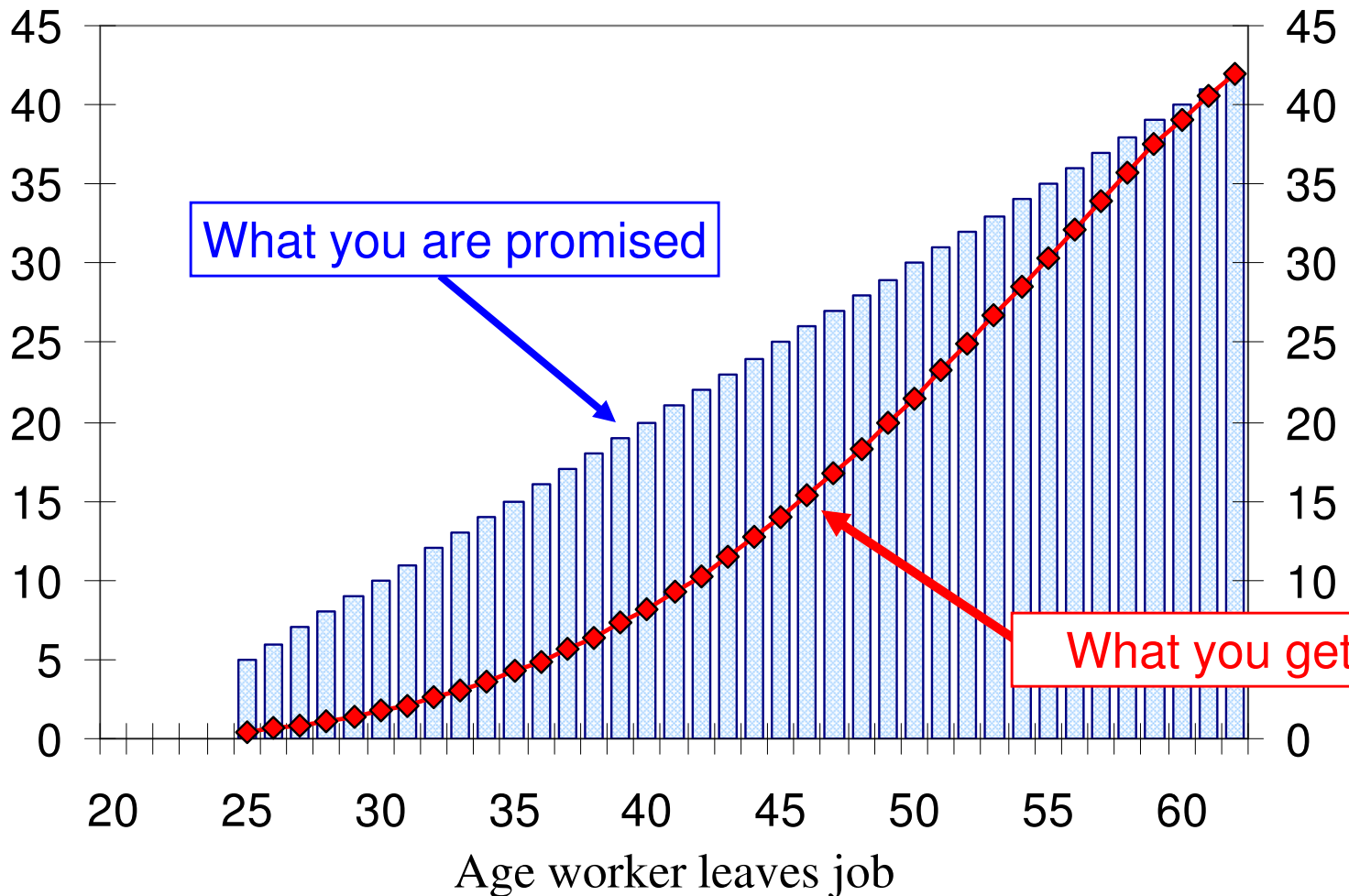
## Replacement rate

(Annuity / Final wage)



# Replacement rate under defined-benefit pension for worker starting job at age 20 and leaving job at the indicated age

Percent of wage



# Employer's required contribution for DB pension: *How is it affected by worker's job start and job leaving age?*

Employer's contribution rate  
(percent of worker's career earnings)

