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Retirement dreams and reality

If a pension-fund salesman knocked on the door promising an 8% annual return, a wise person would send the charlatan packing. Interest rates are so low that Czech pension funds, according to today's HN, want to be allowed to park their money at the CNB for a measly 0.05%. Yet public pension plans run by city and state governments in the U.S. are assuming an average future rate of return of 7.6%. By doing this, they're able to disguise their future obligations to retirees. By one estimate in the Financial Times, these pension plans have unfunded liabilities of $5-6 trillion. That's roughly 25 times the size of Czech GDP. Economist Pavel Kohout wrote in LN on Mon. that how to pay for future pensions is Europe's most pressing economic problem. Bigger than the Italian banking crisis, he said, and much bigger than Greek's financial problems. As Czech politicians bicker about capping retirement at 65 or 67, they're missing the big picture entirely.

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