

Re: Bush and O'Reilly, in denial.

Source: <http://sci.tech--archive.net/Archive/sci.econ/2005-12/msg00013.html>

- *From:* "Jim Blair" <jeb@xxxxxxx>
 - *Date:* Thu, 1 Dec 2005 12:33:59 -0600
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"tonyp" <tonyp@xxxxxxxxxxxx> wrote in message
news:-YudnUBd7skqeRDenZ2dnUVZ_tednZ2d@xxxxxxxxxxx

>

> "Jim Blair" <jeb@xxxxxxx> wrote

>

>> It would be for some people. When I was a young college
>> professor and paying 5% of my salary to TIAA/CREF,
>> the fall in stock prices during the 1970's was good for me.
>> My constant dollar monthly purchases bought ever more
>> shares.

>

>

> And when you're a retired college professor, and selling a constant
> dollar
> amount of your portfolio every month, you will be at exactly the other end
> of the stick.

Hi,

No. I never intend to sell any of that CREF stock. I'll collect only the dividends when I retire. The more shares I bought because of the lower price during the 1970's just means that I collect more in dividends in the future.

While working, use the dividends to buy more shares. The lower the share price, the better. When you retire, collect and spend the dividends. And the price per share does not matter, just the dividend per share.

(OK, so I sold some of the stock to buy bonds so I can collect interest as well a dividends—ie converted CREF to TIAA. That mostly to have a more predictable income.)

>> The difference between stocks and a house is that
>> you can live in a house.
>> You should buy one whatever the price, but the less it costs,
>> the more money you have for other things.

>

>

Re: Bush and O'Reilly, in denial.

- > You can live in a big, luxurious house, or you can live in a small,
> practical one.

Yes. 60 Minutes last week has a story on how more people are building houses that were considered to be HUGE just a decade ago. Even tearing down smaller houses to replace them with huge ones. I wonder if they are considering the property tax and the heating bills?

- >...To the extent that your retirement plan includes selling the
> former and buying the latter, as a way to raise cash, then to _that_
extent
> houses are similar to stocks.

There is an "investment" aspect to a house, I agree. But I think it foolish to expect to retire on the increased value of your house.

Sure my mother sold a house in Missouri and used some (most) of the gain to buy into a retirement home in California. So she came out a little ahead, but fortunately she had not planned on that as the basis of her retirement.

- >>> Why would a "retirement system like US Social Security"
>>> have any problem at all in a steady-state (ZPG) environment?
>>
>> Because it is based on an ever expanding population.
>> ZPG would mean an ever falling birth rate
>> if people continue to live ever longer.
>
>
> Wait a minute: SS is _not_ "based on an ever expanding population".

???

If there are not more workers in each generation, the retired cannot receive expanding benefits except by FICA collecting more from each worker. And just living longer means receiving more in SS payments.

- >.... It
> works just fine if you have steady-state demographics. But, you say, we do
> _not_ have steady-state demographics because of this longevity thing.

You claim that SS workd just fine in a "Steady State"? But we have never had a Steady State, and there is no prospect that we ever will.

- >
> Okay, but let's be clear about your model:
> 1. people keep producing children at roughly 1:1 in their 20s and 30s,
> 2. they keep retiring in their 60s,
> 3. but they linger into their 90s, 100s, and more, thus overlapping with
> multiple generations of their descendants.
> Is that what you're saying?

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Yes. As a mathematical model. The reality is closer to "birth rates are dropping BELOW the replacement rate (see Europe) while ever more people live ever longer".

>

> Or, do you believe that medical advances will prolong vitality as well as
> longevity, so that people destined to live to 120 feel way too young to
> retire at 65?

I hope so.

But with a retirement based on investment in the global economy, you can work 40 years and then retire on the same income you had while working, even if you live "forever".

>

> In either case, do you postulate a literally "ever-increasing" longevity,
or
> are we merely in transition to some higher, but finite, steady-state
length
> of lifespan?

I don't know. But with an investment based retirement, it does not matter.

>

>

>> I think most people think (mistakenly it would seem)
>> that Social Security is for their retirement.
>> Whatever SS is supposed to "insure" you against
>> could be handled by an insurance policy.
>> (and what does Social Security insure me against?)

>

>

> Utter poverty in your old age.

How is that different from "a retirement plan"?

But 2 points:

A- Even Bush did not propose that workers put ALL of their FICA into private investments, only a fraction of it. SS would continue to exist; and with means testing it would remain as a "back up" for the impoverished elderly.

B- Keeping the same current SS system, the FICA will provide the retired with benefits which are ever lower relative to wages.

>...."Income mobility" works both ways despite
> your resolute denial of the fact.

Sure it flows "both ways". But people are much more likely to move "up the quintiles" as they get older. The "up" and "down" flows are not equal.

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- >.....You may think it's unlikely that your
- > private investments will go bust. But it's equally unlikely that the
- > Chinese Army will invade Wisconsin, and yet we collectively fund an
- > insurance program against _that_ possibility.

I am all for "insurance" against poverty in old age. That would mean a "means test" for benefits. Not like the current SS where the rich and well off receive most of the benefits.

- >
- >> The concept of "collective insurance against _disease_" sound fine.
- >> The devil is in the details, and especially when politicians want to
- >> restrict MY medicine and treatments to those which THEY consider
- >> to be morally acceptable to THEM.
- >
- >
- > The only politicians who want to restrict your medical options are the
- > Bible-thumpers who value embryos more than human beings.

Unfortunately they seem to be a majority.
And of course they claim that embryos (and even single cells) ARE human beings.

- >...The nasty ol'
- > liberals may put limits on what collective health insurance would _pay_
- for,
- > but not on what _you_ can pay for.
- >
- > -- TP
- >

Again, the details. Hillary wanted patients to have ONLY the medical care that the government provides. To avoid a 2 tier treatment system where the rich get the best and the poor get the leftovers.

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jim blair (jeblair@xxxxxxx) Madison Wisconsin USA.
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Re: Bush and O'Reilly, in denial.

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 - ◆ *Re: Bush and O'Reilly, in denial.*
 - ◇ *From:* tonyp

- *References:*
 - ◆ *Re: Bush and O'Reilly, in denial.*
 - ◇ *From:* tonyp

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