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Trend Toward Personal Pensions Seen

A TREND may be developing for workers to plan and manage their own old age pensions, as some did before development of employer retirement plans, labor union pensions, and Social Security.

Congress opened the way for all workers to set up their own individual retirement accounts (IRAs) in January 1982. Latest reports say they are running 50 per cent ahead of expectations. Total deposits were close to $100 billion before last-minute additions were made this month to beat tax deadlines.

That tax angle is important. By depositing $2,000 a year in IRAs, workers can defer the tax until it is withdrawn and that means a tax saving off the top percentage bracket currently.

In the year ended Oct. 30, 1983, it was estimated that IRAs deprived the IRS of $8.9 billion in potential revenues and the estimate went to $9.2 billion this fiscal year. If the IRS doesn't get it, that is cash in the workers' bank accounts.

Besides, workers may enjoy a sense of proprietorship with IRAs in their own names, instead of being names of lists of workers eligible for pensions from funds controlled by others.

They can count the money and see their funds grow through interest or investment income. Competition among financial institutions for IRA accounts is making them very attractive.

There also may be instances where workers are apprehensive about the possiblity that other pension funds won't adequately provide for their retirement years as well as they would like.

Social Security has been shored up somewhat, but workers can figure that it isn't going to build much of a surplus in spite of substantial increases in taxes they are paying.

A worker who retired in 1970 paid in less than $4,000 over his working years and probably receives more than that in benefits every year of his retirement. It takes three taxpaying workers to pay Social Security benefits for one retiree, on the average.

A financial expert says the largest pool of private capital anywhere in the world is the pension funds of American workers. It is growing at the rate of $300 million a day and total assets are expected to reach $3 trillion by 1995.

However, there are drawbacks in spite of laws and precautions designed to protect individual interests. Businesses may, under limitations, take excess assets from overfunded employee pension plans to use in company endeavors, expansion, etc.

In a few cases, corporations have gone bankrupt, taking employees' pension funds down the drain with them. In other instances, union officials have been accused of mismanagement of pension funds, which workers usually lack data to prove.

People who never had substantial savings accounts are among those establishing IRAs. They seem to enjoy security and pride in having accounts invested in their own names and in which they have a direct voice in management.