

Good economic questions case study example

[Business](#), [Marketing](#)



Question 1

Given the chance to change the 401k pension plans, I would do the following three things.

- Delink the contribution from employers i. e. commoditize it. This means opening the plan to anyone willing whether one is under formal employment or not.
- Define the contributions such that one cannot withdraw the money for any other purpose other than after retirement.
- Open up the amount one can save any given moment

How would these suggestions work to improve the current state of 401k?

The first one separates employers from the 401k contribution by ensuring that it is open to more people. Such would ensure that more people would benefit from the overall programme other than limiting it to employed people. Moreover, such a move would increase the amount of money the scheme collects for investments. The more the capital, the better the scheme can invests increasing the overall returns to the contributors.

The fact that people can withdrawal cash deposited for the scheme without first retiring on any grounds make the whole scheme lose its main focus.

Withdraw of the money through loans, change of employer, or hardship is a major drawback in that the people do not benefit fully from the amount saved since the amount usually has lower interest. In addition, to do is just like withdrawing the money from ones bank making no difference with the scheme. Limiting the contributions to strictly retirements would ensure that the money gets the highest interest.

Thirdly, fixed amount from the contributors' salaries is limiting to the amount one can save. Opening the amount that one can save is critical to make sure than one can save as much a possible. Although this may be available, it needs to have better incentives to encourage more people to increase the amount of money they save.

On the contrary, such step might be countered in the following arguments.

First, opening the system to more people may not have any direct benefits to the people. Those with nor regular employment may not have the capability to save any meaningful amount. On top of this, denying people the money while they are facing serious economic loose the whole meaning of saving. Once someone faces an economic challenge that may not wait, it is morally right to give the person his contribution to continue with his life. The person does not lose the controls of his contribution once he or she makes them. However, this is subject to lawful interpretation. Opening the limits for savings does not guarantee better contribution. It is important for a base contribution to be set.

Question 2

I agree with statement. Retail investors are at a high risk of losing most of the investments in the stocks. For successful investment in the stocks, predicting the future is critical. Factors such as political, financial or economic have great impacts on the prices of stocks in the market, high frequent investors have the ability to forecast the future trends in the market and hence make the best decision The same case applies with the institutionalized investors who have the inside knowledge on the aspects

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mentioned above. Once the institutionalized investors get this information, they do not share the information with the retailers. For this reasons, the retailers are technically rigged off and end up getting the information too late while the stock markets have changed. By the time the retailer investors makes the necessary amendments, the market change again keeping the retailer in perpetual losses. Retailers may not have the capability to study the market trends in details.