

Federal rule imposed just before market crash.

Shortly before the first signs of the stock market collapse, the Bush administration made a crucial decision that has propelled an estimated one to two million workers into stock-heavy retirement funds.

The administration's decisions came in response to a congressional mandate to encourage more workers to participate in company-sponsored retirement savings plans. The Bush administration came up with a rule that enabled businesses to automatically enroll their workers in tax-free 401(k) retirement plans.

If the workers failed to specify how they wanted their money invested, the company would be required by law to place their retirement money in investment funds that, for the most part, relied heavily on stocks. The administration specifically rejected calls for a more conservative investment option.

"Everybody was going to win, everybody was going to Disney World, everyone would ride the equity wave" and make profits, said Gina Mitchell, president of the Stable Value Investment Association, which represents some of the companies whose conservative strategy was rejected. "They really underestimated the volatility of the market."

But federal officials who wrote the regulation said it reflects their belief that stock investments would pay off over the course of many years and cannot be evaluated on the basis of a year in which the stock market has collapsed.

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