**So what specifically does Statman want?**

 **Well, Australia’s superannuation plan is one model.**

 **Employers there currently withhold and contribute on behalf of their employees 9% of wages or salaries (it’s scheduled to rise to 12% by 2019) and employees can voluntarily contribute even more. (Voluntary contributions currently average 3%.)**

**In other words, Australians are or will be saving 15% of earned income. By way of background, two-thirds of middle-income (those making $40,000 to $99,999) American workers are saving less than 5% of their annual income for retirement—with nearly a quarter saving nothing at all, according to a LIMRA study. (See this chart.)**

 **To be fair, there are drawbacks to Australia’s plan.**

**For one, costs are high and “the interests of beneficiaries are not always paramount,” Statman wrote. And Australian employees aren't necessarily engaged in their retirement program, especially when retirement is far in the future and because the money for it comes from employers and employees cannot withdraw it before retirement.**

 **The other and perhaps model to introduce in the U.S. is the British National Employment Savings Trust (NEST), a mandatory defined contribution savings plan introduced in October 2012 and aimed squarely at non-savers, according to Statman.**

 **NEST calls for mandatory contributions from both employers and employees, Statman wrote. Employers are mandated to pay into NEST at least 2% of employee earnings in the 2012/13 tax-year and employees are mandated to pay at least 1%. Mandatory contributions are scheduled to reach a total of 8% by 2018, composed of 3% from employers, 4% from employees, and 1% from the government.**

 **See details about NEST at this website.**

 **According to Statman, the NEST plans have some features worth adopting in the U.S. For instance, NEST prohibits borrowing and withdrawals. What’s more, British employees cannot withdraw retirement savings before they reach the age of 55. Plus, the default investment options are 46 target-date funds set at one-year intervals. (In the U.S., the intervals are usually set at five years.)**

**The NEST target-date funds tend to own less or no stocks compared with U.S. target-date funds. Plus, there’s centralized investment management so fees are low, on the order of 0.3%. The British plan is good, he said, because it limits costs unlike the plan in Australia.**

 **Now Statman is, for the record, a bit of realist. He knows that efforts to create, for instance, an automatic IRA in the U.S. have largely failed to date. And efforts to create a mandatory defined contribution plan would fail even more so, he said.**

 **(The most recent version of the Auto-IRA plan, which has been kicking around since 2009, “would require employers in business for at least two years that have more than 10 employees to offer an automatic IRA option to employees, under which regular contributions would be made to an IRA on a payroll-deduction basis.”)**

 **Still, Statman believes the British NEST mandatory retirement plan can serve as a good model for an American plan.**

 **For the record, Statman said his plan is different from the guaranteed retirement account proposed by Teresa Ghilarducci, a professor at the New School. Ghilarducci’s plan calls for mandatory savings and a guaranteed return, or what Statman said is an expansion of Social Security, a defined benefit plan.**

 **Statman’s plan, by contrast, calls for mandatory savings with investment returns dictated by the account owner’s investment decisions, exactly how it happens with traditional 401(k) plans. “People should see the relationship between what they do and what comes out of it,” he said.**

 **Read “Time to rescue America’s retirement plans.”**

 **To be fair, Statman says the NEST plan is no panacea. For instance, people with no income will continue to have no source for savings, and stock market crashes and raging inflation can decimate accumulated savings, he wrote.**

 **“But the problem of retirement income is severe, and solutions must be identified, debated and implemented,” he said. “We don’t have to force people to eat spinach, but this is really important to leave to just people’s taste and education about financial nutrition.”**

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