

**Statement by Mellody Hobson, President, Ariel Investments, LLC and Chairman, Ariel Mutual Funds Board of Trustees**

**For the Hearing on “Strengthening Worker Retirement Security”**

**House Committee on Education and Labor**

**February 24, 2009, 10:00 a.m., 2175 Rayburn House Office Building**

Chairman Miller, Ranking Member McKeon, distinguished Members, thank you for the opportunity to submit this statement for the hearing “Strengthening Worker Retirement Security.” My name is Mellody Hobson and I am the President of Ariel Investments, LLC, a privately owned Chicago-based money management firm with more than \$4.4 billion in assets under management, founded in 1983 by John W. Rogers, Jr. In addition to managing separate accounts for corporate, public, union and non-profit organizations, Ariel Investments also serves as the investment adviser to the publicly-traded, no-load Ariel Mutual Funds.

Patience serves as the core of our investment philosophy. Ariel Investments was built around the belief that patient investors will be rewarded—that wealth can be created by investing in great companies, selling at excellent prices whose true value would be realized over time. As such, we believe our long-term performance is driven by our disciplined and focused approach, our stock selection across industries where Ariel has proven expertise, our exhaustive investigative research process and our commitment to investing in quality businesses that are typically undervalued or ignored.

With the largest generation in American history set to begin retiring, the country is facing a retirement crisis. Almost half of Americans today have little or nothing saved. The vast majority have far short of what they will need. Fewer and fewer Americans today have jobs offering guaranteed pensions and many public and private pension systems are underfunded. Many pensions affiliated with financially troubled companies are also at risk of collapse, and the federal agency set up to insure them is severely underfunded.

By most estimates, Social Security is in need of supplement and even under the best of circumstances is inadequate to funding a secure retirement for working Americans. The typical retiree lives for 17 years after retiring at 65. The typical retired couple spends more than \$200,000 on health care in their old age. Defined contribution plans (401(k), 403(b), and 453) were never intended to replace traditional pensions (defined benefit plans) but for more and more people today, they are the only way of saving for retirement. The problem, however, is that most people do not save nearly enough and do not manage well the money they have.

These problems are even more extreme among minorities, who have less first-hand experience with money management than society as a whole. I have provided the results of the 2008 Ariel-Schwab Black Investor Survey and the Ariel-Schwab Black Paper. At Ariel we have learned that for middle-class African-Americans, the march toward financial security has been an uphill journey marked by half steps, pauses and, for some, retreat. Over the last decade, Ariel

Investments and The Charles Schwab Corporation have commissioned annual research comparing the saving and investing habits of middle- and upper-income Black and White Americans. The results consistently reveal that Blacks save less than Whites of similar income levels and are less comfortable with stock investing which impedes wealth building across generations and contributes to the growing retirement crisis.

The 11th Annual Black Investor Survey shows White Americans have more than twice as much saved for retirement as Blacks, but finds employers well positioned to make a difference. African-Americans are on equal footing with Whites when it comes to accessing and enrolling in employer-sponsored defined contribution plans, but save far less each month and have a considerably smaller nest egg than their White counterparts, according to the 11th annual Ariel/Schwab Black Investor Survey. The survey also found that with some help from employers, all employees, but particularly African-Americans, would be likely to ramp up their monthly 401(k) savings

This year's survey found that for many younger African-Americans, saving for retirement is more of a dream than a priority. Both Ariel and Schwab have made a major investment in financial education for youth. Through Ariel's foundation, the Ariel Education Initiative, the company supports the Ariel Community Academy, a Chicago public school that integrates financial literacy into the school's curriculum. Charles Schwab Foundation funds *Money Matters: Make it Count*, an after-school financial literacy program with Boys & Girls Clubs of America.

I thank the Committee again for taking up this important issue, and welcome any questions or comments you may have.