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PREPARING AMERICANS FOR RETIREMENT: THE ROADBLOCKS TO INCREASED SAVINGS

JOINT HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING

AND THE

HOUSE SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS

UNITED STATES SENATE

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PREPARING AMERICANS FOR RETIREMENT: THE ROADBLOCKS TO INCREASED SAVINGS

TUESDAY, JUNE 2, 1998

U.S. SENATE, SPECIAL COMMITTEE ON AGING, AND U.S. HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS, OF THE COMMITTEE ON EDUCATION AND THE WORKFORCE,

Washington, DC.

The joint hearing was convened, pursuant to notice, at 11:07 a.m., in room SH–216, Hart Senate Office Building, Hon. Charles E. Grassley, chairman of the Special Committee on Aging, presiding.

Present: Senators Grassley and Reed; Representatives Fawell and Payne.

OPENING STATEMENT OF SENATOR CHARLES E. GRASSLEY, CHAIRMAN

The CHAIRMAN. Good morning, everybody. I am Senator Chuck Grassley, chairman of the Senate Special Committee on Aging, and I am happy to have with me at the podium—and other members may come and go occasionally through the meeting—the chairman, on my left, and the ranking member, on my right, of the House Subcommittee on Employer-Employee Relations. I thank Mr. Fawell and Mr. Payne for their leadership in authoring legislation that created the National Summit on Retirement Savings.

I welcome each of our witnesses already at the table and, of course, our audience as well. Thank you very much not only for participating and bringing more significance to our day and our purpose for gathering, but also because of your interest in the issue.

If the people who are in this hearing room were to represent a cross-section of our population, it is likely that only 4 in 10 of us have calculated how much we need to save for retirement. How much income will I need when I retire? Of course, this is a question that you would think most people would be asking themselves on a fairly regular basis, especially when we see surveys which show that many people don't want to work until the age of 65.

Unfortunately, workers have not been asking themselves this question often enough. The same people who do not ask themselves about how much money they will need for retirement are probably thinking of other issues like how much money will it take to buy a brand new Ford pickup truck, or where should I go on my vacation, and spend several weeks planning for that vacation, or does my daughter plan to go to college and how can I help her out.

So many workers are, of course, thinking near term. They are not thinking about the long term. This behavior has led to a situation where many people will have a shortfall in their retirement incomes. Retirement income promises are under fire from a number of different directions. Social Security benefits for many people may not be paid out at the same level we see today. We know that to be a fact after the year 2032 if Congress doesn't do something about it.

Workers with pensions are borrowing from their 401(k) plans and are not knowledgeable about how their pensions work. 401(k) plan participants need to have some financial know-how to determine how best to allocate their contributions in these plans. While defined contribution plans like 401(k)s have benefits like increased portability, they do not guarantee income for life, as in a defined benefit plan. This means that participants in 401(k) plans must ensure that the assets of the 401(k) are high enough to keep up with inflation and the increased life expectancy projected for citizens in America.

These are some very significant roadblocks confronting families who want to retire comfortably. To make some headway on removing these roadblocks, I joined Chairman Fawell and Congressman Payne in their effort to enact the SAVER legislation. I want to thank them for their leadership in the drafting of this legislation and getting it through last year because this legislation is an important first step to help close the shortfalls that many families will face in retirement.

The legislation maps out the three areas where we need to focus our energy: first and foremost, motivating and educating individuals to take steps to help secure their own retirement; second, helping the small employer understand the pension coverage options that are now available and to build consensus on government-created barriers which discourage employers from offering pension benefits.

Finally, for those individuals that are especially at risk—and that could be women, minorities, and those who simply cannot afford to save, and maybe all the above and some others—the SAVER legislation provides an avenue for the government and the private sector to collaborate to help workers prepare for retirement.

This Thursday, our congressional and White House leadership will convene the first National Summit on Retirement Savings. It is a bipartisan effort to identify the barriers and to evaluate ways to remove those barriers confronting our workers. This hearing today is an important reminder for those of us participating in the Summit as to the need for the SAVER legislation. Government and the private sector can work together to improve the retirement outlook for millions of people, but we must be ready to take action now.

In closing, I would like to extend my thanks to all of our witnesses for appearing today. I also want to thank everyone who helped our witnesses prepare for today's hearing. We know it is a very busy time for you folks in this community. Your efforts are greatly appreciated. I also want to especially thank two of the five witnesses at the table because they are from my own State of Iowa.

You will be making an important contribution by being here, and I look forward to hearing the witnesses' testimony.

[The prepared statement of Senator Grassley follows:]

PREPARED STATEMENT OF SENATOR CHARLES E. GRASSLEY, CHAIRMAN

If the people in our hearing room represent a cross section of the population, it is likely that only 4 in 10 of us have calculated how much we need to save for retirement. How much income will I need when I retire? This is a question that you'd think most people would be asking themselves—especially when we see surveys which show that many people don't want to work until the age of 65. Unfortunately, workers have not been asking themselves this question. The same people who do not ask themselves about how much money they will need for retirement are probably thinking about other issues like: How much money will it take to buy that new Ford pick-up truck? Where should I go on my vacation? Does my daughter plan to go to college and how can I help her?

So many workers are thinking about the near term. They are not thinking about the long term. This behavior has led to a situation where many people will have a shortfall in their retirement incomes.

Retirement income promises are under fire from a number of different directions. Social Security benefits for many people may not be paid out at the same levels we see today. Workers with pensions are borrowing from their 401(k) plans, and are not knowledgeable about how their pensions work. 401(k) plan participants need to have some financial know-how to determine how best to allocate their contributions in these plans. While defined contribution plans like the 401(k) have benefits like increased portability, they do not guarantee income for life as in a defined benefit plan. This means that participants in 401(k) plans must ensure that the assets in the 401(k) are high enough to keep up with inflation and the increased life expectancies projected for our citizens.

These are some significant roadblocks confronting families who want to retire comfortably. To make some headway on removing these roadblocks, I joined Chairman Fawell and Congressman Payne in their effort to enact the SAVER legislation. I want to thank them for their leadership in drafting this legislation.

SAVER was an important first step to help close the shortfalls that many families will face in retirement. It maps out the three areas where we need to focus our energy. First and foremost, motivating and educating individuals to take steps to help secure their own retirements. Second, helping the small employer understand the pension coverage options that are now available and build consensus on government-created barriers which discourage employers from offering a pension benefit. Finally, for those individuals who are especially at-risk—women, minorities, and those who simply cannot afford to save—SAVER provides an avenue for the government and the private sector to collaborate to help workers prepare for retirement.

On Thursday, our Congressional and White House leadership will convene the first National Summit on Retirement Savings. It is a bipartisan effort to identify the barriers and evaluate ways to remove those barriers confronting workers. This hearing is an important reminder for those of us participating in the Summit as to the need for the SAVER legislation. Government and the private sector can work together to improve the retirement outlook for millions of people but we must be ready to take action now.

In closing I would like to extend my thanks to all of our witnesses for appearing here today. I also want to thank everyone who helped our witnesses prepare for today's hearing. We know it is a very busy time for folks in this community. Your efforts are greatly appreciated. I also want to thank our two witnesses from Iowa. You will be making an important contribution by being here. I look forward to hearing our witnesses' testimony.

The CHAIRMAN. I would like to describe how today's format will work because this is a little unusual because the hearing is a joint House and Senate hearing. With two committees, we have two chairmen, and I am going to kick things off and then turn over the gavel to Congressman Fawell after our first two witnesses complete their testimony.

I would now like to ask Chairman Fawell of the House Subcommittee on Employer-Employee Relations to make his opening statement, and when he completes I would like to have Congressman Payne proceed with his statement.

Congressman Fawell.

OPENING STATEMENT OF HON. HARRIS W. FAWELL, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS, CHAIRMAN OF THE SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS, THE COMMITTEE ON EDUCATION AND THE WORKFORCE

Mr. FAWELL. Well, I thank you, Senator. As indicated, today we are undertaking a review of the state of the Nation's retirement savings as a prelude to the National Summit on Retirement Savings that will occur later this week.

The National Summit is convened pursuant to the Savings Are Vital to Everyone's Retirement Act, which was carefully constructed when we worked on this legislation in the House with the acronym of SAVER, which was sponsored by Senator Grassley here in the Senate and by myself, whose lead cosponsors were Congressman Payne in the House and Senator Breaux in the Senate.

I do want to say some kind words, also, about Congressman Payne because when we were first constructing this idea, I wanted it to be very bipartisan and so I sat down with Don. He is a good man who comes from New Jersey, and we discussed this as we discussed in the past the idea of the need for education for the workers of America. He was delighted to be a part of that and has helped in the initial drafting and the bipartisan flavor that I think has been a part of this legislation all the while that it has gone through the House and through the Senate, and then back, and ultimately approved by both bodies. So I just wanted to make that very clear.

I noticed, Don, there was an article in the Washington Post today where a lot of people were quoted and you and I weren't there. Yogi Berra even made it. That bothered me some. But I do want to make it clear that Don was certainly very instrumental in getting this legislation off.

The National Summit is intended to facilitate the development of a broad-based public educational program and develop specific recommendations for actions by both the public and private sectors to promote retirement savings among American workers. The SAVER Act also initiates a public-private partnership to educate American workers about retirement savings and directs the Department of Labor to maintain an ongoing program of public information and outreach, one which, by the way, they had preceded us, to be very fair and honest, in doing. I am pleased, as I have indicated, that it is truly a bipartisan effort.

This hearing and the National Summit will seek to find ways to better protect and expand the retirement nest eggs of millions of hard-working Americans. It has become clear that a leading obstacle to this goal is the simple fact that far too few Americans, particularly the young, have either the knowledge or the resources necessary to take advantage of the extensive benefits offered by our retirement savings system.

We are in the midst of a kind of financial literacy crisis. We have to raise public awareness of the need to, and the ways of, ensuring long-term financial security in retirement. In a recent nationwide poll by Public Agenda, nearly half the respondents, 46 percent, said they have squirreled away less than $10,000 for their retirement. As one who is going into retirement, I would quiver at that statement, those facts.

That included 30 percent of those closest to retirement, now aged 51 to 61, and 40 percent of the baby-boomers, 33 to 50. I guess there are going to be, what, 77 million baby-boomers commencing to come into retirement about 12 or 13 years from now? So the virtue of saving appears to have escaped a lot of Americans, while the "just charge it" mentality is thriving.

Step one in Congress should be to do all we can to help change the way Americans think about saving. They need to know the importance of saving for the future and of saving as soon as possible. They also have to be confident and comfortable with the retirement savings strategy they choose. There is a lot of work to do in this regard.

A survey conducted by the Employee Benefit Research Institute found that less than a third of workers have even tried to calculate how much they need to have saved by retirement. Less than 20 percent are very confident that they will have enough money to live comfortably throughout their retirement. The magnitude of the dilemma will only increase as the baby-boomers, to which I have made reference, reach retirement age. One in five Americans will be over 65 within a few decades, and the failure of Americans to save for retirement represents a kind of ticking demographic time bomb.

Those that know the benefits of retirement planning and saving have, I think, a moral imperative to inform others to get involved as early as possible. But increased education is only part of the equation. In order to ensure that increased savings actually results in increased retirement security, certain changes in retirement law should be seriously considered.

Retirement plan accounts should not be glorified savings accounts, or there may be no money left in them at retirement time. There should be no withdrawals, or at least we should consider this, for retirement accounts or Social Security until age 65 or unless a person becomes disabled. That is the hallmark of Social Security and I think it is one that we certainly have to look at.

In addition, we must encourage pension creation and protection. Congress should continue to examine ways to simplify pension regulation that is a leading impediment to the start-up of new plans, especially by small businesses. This should include a reconsideration of some of the convoluted contribution limits. Moreover, I believe that workers should not be permitted to take lump-sum distributions of pensions when they change jobs. At least I would like to have this considered here today, and also at the Summit. Such a distribution is permitted today, with a significant tax penalty, and an estimated 75 percent of departing employees, I am told, choose to nevertheless take the lump sum or a good portion of it.

These people are robbing their own retirement accounts. Workers should be required, I think, to roll over pension distributions to another plan or an IRA when they leave a job and keep the money for retirement. Otherwise, in today's mobile workforce, even the benefits of increased pension coverage will be frustrated in providing retirement security.

Both the government and employers have a role to play in better preparing workers for retirement before the baby-boomers overwhelm the system. Workers, especially the young, have to start to understand how necessary it is to begin a responsible savings strategy as early as possible, and even small sacrifices now turn into large, comfortable nest eggs later.

We are grateful to have the opportunity today to explore ways to achieve this goal by calling upon a group of witnesses who understand both the benefits of the current retirement system and the barriers to savings that still remain. So I look forward to that discussion. Let us all work together to help to defuse that retirement time bomb that is ticking away.

Thank you.

[The prepared statement of Harris Fawell follows:]

PREPARED STATEMENT OF HON. HARRIS W. FAWELL, CHAIRMAN, SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS

PREPARING AMERICANS FOR RETIREMENT: THE ROADBLOCKS TO INCREASED SAVINGS

Today, we undertake a review of the state of the nation's retirement savings, as a prelude to the National Summit on Retirement Savings that will occur later this week. The National Summit is convened pursuant to the Savings Are Vital to Everyone's Retirement Act, the SAVER Act (P.L. 105–92), which was sponsored by Senator Grassley and myself and whose lead cosponsors were Congressman Payne and Senator Breaux. The National Summit is intended to facilitate the development of a broad-based, public education program and develop specific recommendations for actions by both the public and private sectors to promote retirement savings among American workers. The SAVER Act also initiates a public-private partnership to educate American workers about retirement savings and directs the Department of Labor to maintain an ongoing program of public information and outreach. I am pleased that his has been a truly bipartisan initiative.

This hearing and the National Summit will seek to find ways to better protect and expand the retirement nest eggs of millions of hardworking Americans. It has become clear that a leading obstacle to this goal is the simple fact that far too few Americans—particularly the young—have either the knowledge or the resources necessary to take advantage of the extensive benefits offered by our retirement savings system.

We are in the midst of a financial literacy crisis. We must raise public awareness of the need to—and ways of—insuring long-term financial security in retirement. In a recent nation-wide poll by Public Agenda, nearly half the respondents (46 percent) said they have squirreled away less than $10,000 for retirement. That included 30 percent of those closest to retirement, now aged 51 and 61, and 40 percent of baby boomers 33 to 50. The virtue of saving appears to have escaped most Americans, while the "just charge it" mentality is thriving.

Step one in Congress should be to do all we can to help change the way Americans think about saving. They need to know the importance of saving for the future, and of saving as soon as possible. They also must be confident and comfortable with the retirement savings strategy they choose. There is a lot of work to do in this regard. A survey conducted by the Employee Benefits Research Institute found that less than a third of workers have even tried to calculate how much they need to have saved by retirement. Less than 20 percent are very confident they will have enough money to live comfortably throughout their retirement. The magnitude of the dilemma will only increase as the baby boomers reach retirement age; one in five Americans will be over 65 within a few decades. The failure of Americans to save for retirement represents a ticking demographic time bomb.

Far too few Americans—particularly the young—have either the knowledge or the resources necessary to take advantage of the extensive benefits offered by our retirement savings system. Those that know the benefits of retirement planning and savings have a moral imperative to inform others to get involved as early as possible.

But increased education is only part of the equation. In order to ensure that increased savings actually results in increased retirement security, certain changes in retirement law should also be seriously considered. Retirement plan accounts should not be glorified savings accounts, or there may be no money left in them at retirement time. There should be no withdrawals from retirement accounts or social security until age 65, unless a person becomes disabled. (Unfortunately, Congress has been moving in the opposite direction by permitting penalty free distributions from IRAs for medical and education expenses).

In addition, we must encourage pension creation and protection. Congress should continue to examine ways to simplify pension regulation that is a leading impediment to the start-up of new plans, especially by small business. This should include a reconsideration of some of the convoluted contribution limits. Moreover, I believe that workers should not be permitted to take lump sum distributions of pensions when they change jobs. Such a distribution is permitted today—with a significant tax penalty—and an estimated 75 percent of departing employees choose to take one. These individuals are robbing their own retirement accounts. Workers should be required to roll over pension distributions to another plan or IRA when they leave a job, and keep the money for retirement. Otherwise, in today's mobile workforce, even the benefits of increased pension coverage will be frustrated in providing retirement security.

Both the government and employers have a role to play in better preparing workers for retirement, before the baby boomers overwhelm the system. Workers, especially the young, must start to understand how necessary it is to begin a responsible savings strategy as early as possible, and that even small sacrifices now turn into large nest eggs later. We are grateful to have the opportunity today to explore ways to achieve this goal, by calling upon a group of witnesses who understand both the benefits of the current retirement system and the barriers to savings that still remain. I look forward to that discussion. Let us all work together to help defuse the retirement time bomb.

The CHAIRMAN. Congressman Payne.

OPENING STATEMENT OF HON. DONALD M. PAYNE, A REPRESENTATIVE IN CONGRESS FROM NEW JERSEY

Mr. PAYNE. Thank you very much, Mr. Chairman, and let me take this opportunity to speak on this very important issue.

First of all, let me compliment my colleague, Chairman Fawell, for his leadership in convening this hearing with you today for calling for a national dialog on this very important issue of retirement savings. I have certainly enjoyed working with Chairman Fawell in a very bipartisan manner, and it proves that if the parties work together for the benefit of the people, we certainly can do what we are charged to do better when we attempt to put the people first. It has been a pleasure working with the chairman and the cooperation that we have had in this process.

I also want to express my appreciation to Chairman Grassley for giving us the opportunity to bring this very critical issue that affects millions of Americans to light. Additionally, I would like to commend Senator Breaux as a leading voice on the National Commission on Retirement Policy for his continued efforts to highlight the importance of improving retirement savings during the SAVER Summit.

Finally, let me acknowledge the contributions of the Secretary of Labor, Alexis Herman, who was so instrumental in moving this issue forward. I want to extend my gratitude to her for her personal leadership in advancing this important measure so that we were able to convene the first ever National Summit on Retirement Savings. We did not necessarily have the tremendous cooperation previously, but she opened the door and made our process much more fluid.

This discussion comes at a particularly crucial and pivotal point in our Nation's history. We are finding that after a lifetime of hard work and contributing to and building our society, millions of older Americans have retired and cannot afford to pay their bills. Many of them live in my district, but they just don't live there; they live in the chairman's district, in your hometowns. They live throughout America. They may even be your friends or members of your family.

Half of all older Americans have incomes of less than $11,300. This is because their incomes are drawn primarily from Social Security which, on average, pays $8,400 to retired workers. That is less than today's minimum wage. Very little of their income comes from individual savings.

While the nature of this problem touches everyone, a very alarming picture painted by the statistics is that many of the people we need to reach out to are women and minorities. We know that less than half of all working women are covered by a pension plan. As you know, there is a direct correlation between pension adequacy and the wages that workers receive. This is because many employers base their pension benefits on workers' wages. This is true with respect to defined contribution and defined benefit plans, including 401(k) plans.

A very disturbing image forms when you consider how this affects the retirement security of low-wage workers, particularly women and minorities. Many of these workers will never receive a pension. Those who are fortunate enough to be covered by a plan can expect to receive lower benefits in retirement because their wages were lower while they were working.

Additionally, a recent study noted a current trend in private pension coverage among African-Americans and Latinos that suggests that many minority workers will become strictly dependent on Social Security and have a shrinking chance to enjoy a financially comfortable retirement. The percentage of blacks covered by private pension plans of all types plummeted from 41.1 percent in 1979 to 33.8 percent in 1993, while coverage of Latinos fell from 37.7 percent to a low of 24.6 percent during this same period.

What gravely concerns me is that in an era when the economy is as strong as it is today and profits are skyrocketing, this study finds that pension protection may actually be diminishing for minorities. As a matter of fact, during the month of April personal income, wages and salaries were raised by .4 percent. Spending, though, grew at a faster rate than the increase in wages and salaries.

But more disturbing is that the savings rate declined to an all-time low of 3.5 percent, which is just unbelievably low. Some nations have 20-percent savings rates, 25 percent, and we are at 3.5 percent. So this is a real, real dilemma that we are faced with. So I hope that our witnesses today may be able to shed some light on why this very strange dichotomy is occurring and what is attributing to these facts.

I have read a number of proposals that are aimed to address the problem of expanding pension coverage and participation rates, and they raise a number of concerns for me. But I expect that if we consider the actual goal of improving retirement security for individual retirees by encouraging savings, I have to wonder if any will significantly or even modestly impact the percentage of the workforce that will opt to participate in a pension plan. Will it actually increase the number of workers who will be able to and choose to participate in the system?

There are some real issues confronting retirees today. I think what is key in our deliberations is what can we do to increase the number of workers who will be able to set aside for their retirement. Today, I hope that we will look at issues that affect real people, and maybe discuss solutions that will make real improvements in expanding pension coverage and portability to provide greater retirement security for all Americans.

Chairman Fawell, Chairman Grassley, I want to let you know that I stand ready and willing to work with you to strengthen the safety and security of retirement savings. Americans who have worked hard all their lives deserve a safe and secure retirement.

Thank you.

[The prepared statement of Donald Payne follows:]

PREPARED STATEMENT OF HON. DONALD M. PAYNE, RANKING DEMOCRATIC MEMBER, SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS, HOUSE EDUCATION AND THE WORKFORCE

Mr. Chairman, thank you for this opportunity to speak to this important issue.

I want to commend my colleague, Chairman Fawell for his leadership in convening this hearing today and for calling for a national dialog on the very important issue of retirement savings. I also want to express my appreciation to Chairman Grassley for giving us the opportunity to bring attention to this critical issue that affects millions of Americans. Additionally, I would like to commend Senator Breaux, as a leading voice on the National Commission on Retirement Policy, for his continued efforts to highlight the importance of improving retirement savings during the SAVER Summit.

Finally, I would like to acknowledge the contributions of the Secretary of Labor, Alexis Herman, who was so instrumental in moving this issue forward. I want to extend my gratitude to her for her personal leadership in advancing this important measure, so that we were able to convene the first-ever National Summit on Retirement Savings.

This discussion comes at a particularly crucial and pivotal point in our nation's history. We're finding that after a lifetime of hard work and contributing to and building our society, millions of older Americans have retired and cannot afford to pay their bills. Many of them live in my district. But they just don't live there, they live in the Chairman's district, in your hometowns. They may even be your friends or members of your families.

Half of all older Americans have incomes of less than $11,300. This is because their incomes are drawn primarily from Social Security, which on average pays $8,460 to retired workers. That's less than today's minimum wage! Very little of their income comes from individual savings.

While the nature of this problem touches everyone, a very alarming picture painted by the statistics is that many of the people we need to reach out to are women and minorities. We know that less than half of all working women are covered by a pension plan. As you know, there is a direct correlation between pension adequacy and the wages that workers receive. This is because many employers base their pension benefits on workers' wages. This is true with respect to defined contribution and defined benefit plans, including 401(k) plans. A very disturbing image forms when you consider how this affects the retirement security of low wage workers, particularly women and minorities. Many of these workers will never receive a pension. Those who are fortunate enough to be covered by a plan, can expect to receive lower benefits in retirement because their wages were lower while they were working.

Additionally, a recent study noted that a current trend in private pension coverage among African American and Latinos that suggests that many minority workers will become strictly dependent on Social Security and have a shrinking chance to enjoy a financially comfortable retirement. The percentage of blacks covered by private pensions of all types plummeted from 45.1 percent in 1979 to 33.8 percent in 1993, while coverage of Latinos fell from 37.7 percent to 24.6 percent during the same period. What gravely concerns me is that in an era when the economy is as strong as it is today and profits are skyrocketing, this study finds that pension protection may actually be diminishing for minorities. I hope that our witnesses may be able to shed some light on why this very strange dichotomy is occurring and what may it be attributed to.

I've read a number of proposals that are aimed to address the problem of expanding pension coverage and participation rates, and they raise a number of concerns for me. But I expect that if we consider the actual goal of improving retirement security for individual retirees—by encouraging savings—I have to wonder if any will significantly, or even modestly, impact the percentage of the workforce that will opt to participate in a pension plan. Will it actually increase the number of workers who will be able to and choose to participate in the system?

There are some real issues confronting retirees today. I think what is key in our deliberations is what can we do to increase the number of workers who will be able to set aside for their retirement.

Today, I hope that we will look at issues that affect real people, and maybe discuss solutions that will make real improvements in expanding pension coverage and portability to provide greater retirement security for all Americans.

Chairman Fawell, Chairman Grassley, and Senator Breaux, I want you to know that I stand ready to work with you to strengthen the safety and security of retirement savings. Americans who have worked hard all their lives deserve a safe and secure retirement.

The CHAIRMAN. Thank you to both of my colleagues.

Senator Breaux, the ranking Democrat on the Senate committee, is generally able to be here. He can't be here today. He is chairman of the Medicare Commission and that keeps him very busy, but he has been very interested in this issue and I want to acknowledge his leadership in this area and explain why he is not here. He does have a statement for the record and we will include it at this point.

[The prepared statement of Senator Breaux follows:]

PREPARED STATEMENT OF SENATOR JOHN BREAUX

Can America Afford to Retire? At first glance, it doesn't seem so. On almost all fronts, the retirement security of America is under a severe threat. It's time to look at retirement issues with a 21st Century attitude.

The three-legged stool of retirement security—personal savings, pensions and Social Security—is now obsolete. The three-legged stool has instead become multiple pillars of retirement planning, including Social Security, Medicare, private pensions, private health plans, personal savings and investments, and full or part-time work. The bad news is that several of these pillars are on shaky ground.

Looming over all retirement security is America's ticking demographic time bomb that could explode unless we find ways to help Americans save for their retirement. Smaller families, longer life spans and fewer workers are the ingredients of the potential financial crises facing both Social Security and Medicare.

The news on the personal savings pillar is equally disturbing. The "miracle of compounding" should be a household phase. Instead, few individuals take advantage of this investment "phenomenon."

For example, a 25-year-old saving just $50 per week could accumulate more than $750,000 by age 65. If that same 25-year-old waits only ten years, the savings would go down to just $323,000—134 percent less. The result for Americans in their late fifties is median savings of less than $10,000.

Today, fewer than one-third of all Americans have even tried to calculate how much they need to save by the time they retire. And fewer than 20 percent of all Americans are confident they will have enough money to live comfortably after they retire. For millions of families who live paycheck to paycheck, it's difficult to even think about what might happen 30 or 40 years down the road.

In many ways, our employment-based private pension system has been very successful—for those who have private pensions. About 50 million Americans—or nearly 50 percent of the private sector workforce—are not covered by employer-provided plans. Only two-thirds of workers who are eligible actually participate in a 401(k) plan.

So, can America afford to retire? Yes, if America wakes up and the Congress acts quickly and smartly. Americans should expect a coordinated and comprehensive national strategy for retirement security. The coming months should see a welcome flurry of activity as we move to repair and strengthen all the pillars of retirement security.

First and foremost, a national summit will be held this week to address personal and private retirement savings. There's probably no better way to highlight the importance of a national issue. That's why Senator Chuck Grassley, chairman of the Aging Committee, and I called for three national summits in our Savings Are Vital to Everyone's Retirement (SAVER) legislation passed last fall. The first national saver summit is June 4 and 5. That is where SAVER's massive public education plan begins.

A significant obstacle to increasing our personal savings is the lack of knowledge, resources and incentives to take advantage of the extensive benefits offered by our current retirement savings system. SAVER creates an education project to raise public awareness about personal savings and directs the Department of Labor to maintain an ongoing program of public education and outreach.

A significant feature of SAVER is its emphasis on providing information to small businesses on how to set up pension programs. The proposed information includes a "plain English" description of retirement savings arrangements; a way to calculate estimated retirement savings; and an explanation of how to establish different savings arrangements for workers.

These national summits will bring the urgency of our nation's extremely low personal savings rate to the top of the public agenda. They are designed to produce recommendations for the White House and the Congress on how to best increase personal retirement savings as well as accessibility and participation in pension plans.

This week's summit will bring together delegates from all over the country to identify barriers that prevent many Americans from setting aside enough money for their retirement and barriers that discourage employers—especially small business—from helping their employees accumulate more savings for their retirement.

Our SAVER efforts not only raises awareness of the responsibility individuals have to plan for their future—it focuses on giving Americans the tools they need to determine how much personal savings they need to supplement their Social Security benefits.

All generations—Generation Xers, baby boomers and retirees—have a stake in this debate over retirement security. We owe it to ourselves to work together for a financially secure future.

We've made phenomenal strides on the budget deficit in just a few short years. It's time to focus that same kind of energy and determination on retirement security.

The retirement of the baby boomers and graying of America give us a tremendous opportunity to bring all generations of Americans together to address not only the financial solvency of cherished and successful programs like Social Security and Medicare, but also our overall retirement system.

Moving beyond the scope of the SAVER Summit, the issue of Social Security cannot be forgotten. On that front, we seem to be moving in the right direction. The President placed it at the top of the national agenda in his last State of the Union speech. Once the third rail of politics, it has become almost irresponsible for politicians not to be out front leading this country in the Social Security reform debate.

On May 19, the National Commission on Retirement Policy, which I co-chair along with Sen. Judd Gregg and Congressmen Jim Kolbe and Charlie Stenholm, unveiled the 21st Century Retirement Security Plan. It contains serious recommendations to improve Social Security, private pensions and personal savings.

This proposal is the direct result of work done over the last year by 24 experts who represent some of the best and diverse thinking from the public, private and academic sectors. We plan to introduce implementing legislation shortly.

In short, our bill will strengthen the Social Security safety net and ensure protection for our most vulnerable citizens, while at the same time give all Americans more opportunities to increase their retirement investments and wealth.

We don't have all the necessary answers yet. But if we join forces, agree on what the problems are, and create the public consensus to make changes, we can continue "affording to retire" even as our society changes and matures in ways we've never seen before.

Senator GRASSLEY. Second, I normally, in my leadership of the Aging Committee, would let every member make a statement when they arrive. But I think today, since we have a joint hearing and we have five people on the panel and we got started an hour-and-a-half later than we would normally start, I am going to ask my colleagues who come late to put their statements in the record.

I would go now to our first two witnesses, the ones from my State. I am going to introduce those and, as I said, Chairman Fawell will introduce the other three witnesses.

Our first witness this morning is Jan Owens Bruene from Des Moines, IA. She is here with us today to provide insight into what challenges individuals face when planning and saving for their own retirement. Ms. Bruene is a senior business trainer for the Institute for Social and Economic Development, a non-profit organization that helps low-income individuals, women and minorities to write business plans and access funding to start a business.

Her husband Daniel, whom I know well, is here. He is a farmer near Gladbrook, IA. I know him not only as a fellow farmer, but also as a person who is a recognized leader in soil conservation in my State and nationally. I welcome both of you here.

I would also then ask Dennis Stone to speak when Ms. Bruene is done. Dennis Stone has worked at Western Manufacturing for more than 25 years, and that is in Marshalltown, and for the last 7 years he has served as managing owner. Mr. Stone served in the U.S. Army and is a graduate of Marshalltown Community College. He has lived in Iowa his entire life.

I thank both of you for being here to testify and we will move to you now for your testimony and then Congressman Fawell will introduce the other three.

Would you start, Jan.

STATEMENT OF JAN OWENS BRUENE, DES MOINES, IA

Ms. BRUENE. Senator Grassley, Congressman Fawell, and members of the committee, thank you for inviting me to testify at today's hearing.

Preparing for retirement is a vital issue for people of my generation and our children. Women are especially affected by this issue, as we earn lower wages and oftentimes take time out of our careers to be the caregivers of our children and our parents.

Let me tell you a little bit about myself. I am 54 years old. I am married. I work outside the home for an organization which focuses on assisting low-income individuals, minorities and women on how to start their businesses. I have been employed at the Institute for Social and Economic Development for over 8 years. My work history includes having had my own business, a janitorial service, for 17 years, as well as working in the office of IDS Financial Services and the bookkeeping department of Dean Witter and Company.

I have had 3 years out of the workforce for child care and I was a divorced single mother for 17 of my working years. I do have the benefit of a cafeteria plan offered by my employer. I receive 12 percent in cafeteria plan with TIAA–CREF and my employer contributes 3 percent in addition to that. However, my health insurance must come out of the contribution first, so that leaves a considerably lesser amount for either annuities or stock funds. It actually only leaves about one-half of the allocation for investing.

I would prefer that the health insurance be individualized rather than be a part of the benefits of the job. If that were the case, I could tailor my plan to my needs and choose how much I wanted to spend on health care and how much I would be able to spend on other benefits, such as retirement savings.

It has been difficult to be able to buy and fix up a house and still put away money in an IRA. When I attended a Business and Professional Women's USA Policies in Action Conference this past February here in Washington, DC., the main focus was on retirement and on economic equity. This began a reevaluation of my own circumstances and a concern about how much all of the potential changes to Social Security might be affecting me.

I learned that many women are still concentrated in low-wage service and small-firm jobs, as well as self-employed individuals where pension plans are infrequent. More than 50 percent of the men and 60 percent of the women in our country don't even have a pension plan. I felt very fortunate to have a pension plan and I felt I was doing a very good job of putting away money for my retirement.

Then this spring, I attended a seminar in Des Moines on evaluating your own personal retirement gap that was offered through Senator Grassley at Drake University in Des Moines. The results seemed too challenging to face to even complete the survey. I could project without finalizing all of the graphs that the financial adviser was showing us that I had a tremendous gap between what I was saving and what I will need to maintain a reasonable standard of living in retirement.

Our situation is that while I have a plan with my employer which allows me to save money for my retirement, my husband, who is a self-employed farmer, has no pension plan. He is very reliant on Social Security and any money that he can save on his own. With low corn and bean prices, high health care insurance premiums and no employer-provided benefit plan, this has been very hard to do.

When we sat down to look at how prepared we were for retirement, we could see a large gap between where we will be and where we need to be. We see that we are not prepared. We saw some ways that we could start to be more frugal, some ways to rearrange debt and extend payments so that more money could be put aside for retirement. It is still not resolved and we do not see a really good solution.

I can look at the example of my 87-year-old mother, who is very dependent on Social Security. I am concerned about my being that dependent on Social Security. Her pension plan, along with small spousal benefits from my deceased father's pension plan, are so small that her main income is Social Security. She worked until she was 74 years old to be able to retire and to earn enough benefits.

I am grateful that she can stay in her home. My son Jordan, who lives with her, helps to make that possible. We are all grateful that she is well enough to stay in her home. I fear Social Security would not be enough to cover expenses if she were not able to stay home.

Some of the barriers that I have faced in accumulating retirement income include lack of income and other demands on my income, such as buying and renovating an older house. I also find that it is hard to filter some of the financial information that is available. I am the treasurer of an investment club where I invest $25 a month, but I still feel that I need additional information to make wise decisions with regard to annuities and retirement. Maybe I just need more money to invest.

I think Congress and the President need to work on increasing how much money people can put away tax-free, especially the self-employed. I would like to see more educational programs to help people plan for retirement, to stress economic education in schools and teach about investing and the stock market in the curriculum at all grade levels. We need to find ways to assist self-employed individuals in accumulating retirement dollars. We need to continue to work to create pay equity for women.

I would like to see the Congress and the President explore ways in which the portability of pension benefits would help workers avoid losing benefits when they switch jobs. Allowing more workers to contribute to their pensions from the very first day of a new job would also help us put away money for the future. I would also like to see Congress and the President explore ways that pensions might be individualized and not tied to a workplace.

It is important that we as individuals be responsible for ourselves. If I could tell workers something about retirement planning, it would be to start investing in stocks and annuities on a consistent basis at a younger age. We need to keep Social Security as a supplemental source of retirement income, but we need to have some kind of individual account that we put aside for ourselves as a main source of retirement income.

Thank you.

The CHAIRMAN. Thank you, Jan.

[The prepared statement of Ms. Bruene follows:]

Statement

Before the

Senate Special Committee on Aging

and the

Subcommittee on Employer-Employee Relations of the House Committee on Education and the Workforce

by

Jan Owens Bruene
Des Moines, IA

June 2, 1998

Senator Grassley, Congressman Fawell and Members of the Committee:

Thank you for inviting me to testify at today's hearing. Preparing for retirement is a vital issue for people of my generation and our children. Women are especially affected by this issue as we earn lower wages and often take time out of our careers to be the care givers for our children and our families.

Let me tell you more about myself. I am 54 years old, married, and work outside the home for an organization which focuses on assisting low-income individuals, minorities and women on how to start their own businesses. I have been employed at the Institute for Social and Economic Development for 8 years. My work history includes having my own business, a janitorial service, for 17 years, as well as working in the office for IDS Financial Services and the bookkeeping department of Dean Witter and Company. I have had three years out of the workforce for child care. I was a single mother for 17 of those working years.

I do have the benefit of a cafeteria plan offered by my employer. I receive a 12% cafeteria plan with TIAA-CREF and my employer contributes 3% in addition to that. However, my health insurance must come out of the contribution first so that leaves a considerably lesser amount for either annuities or stock funds. It actually leaves only about one-half of the allocation for investing. I would prefer that the health insurance be individualized, rather than part of the benefits of the job. If that were the case, I could tailor the plan to my needs and choose how much I want to spend on health care and how much I would spend on other benefits, such as retirement savings. It has been difficult to be able to buy and fix up a house and still put away money in an IRA.

When I attended a Business and Professional Women's/USA Policies in Action Conference this past February here in Washington, D. C., the main focus was on retirement and economic equity. This began a re-evaluation of my own circumstances and a concern about how all of the potential changes to Social Security might be affecting me. I learned that many women are concentrated in low-wage, service and small firm jobs, as well as self-employed, where pension plans are infrequent. More than 50% of the men and 60% of the women in our country do not even have pension plans. I felt very fortunate to have a pension plan; I felt I was doing a fairly good job of putting away money for retirement.

Then this spring, I attended a seminar in Des Moines on evaluating your own personal retirement "gap" that was offered through Senator Grassley at Drake University in Des Moines. The results seemed too challenging to face to even complete the survey. I could project, without finalizing all of the graphs that the financial advisor was showing us, that I had a tremendous gap between what I was saving and what I will need to maintain a reasonable standard of living in retirement.

Our situation is that while I have a plan with my employer which allows me to save some money for retirement, my husband, who is a self-employed farmer, has no pension plan. He is very reliant on Social Security and any money he can save on his own. With low corn and bean prices, high health care insurance premiums and no employer-provided benefit plan this has been very hard to do.

When we sat down to look at how prepared we were for retirement, we could see a large gap between where we will be and where we need to be. We see that we are not prepared. We saw some ways that we could start to be more frugal; some ways to re-arrange debt to extend the payments, so that more money could be set aside for retirement. It is still not resolved; we did not see a solution.

I can look at the example of my 87-year-old mother who is very dependent on Social Security, and I am concerned about my being that dependent on those benefits. Her pension plan along with the small spousal benefits of my deceased father's pension plan are so small that her main income is Social Security. She worked until she was 74 years old, to earn enough benefits to retire. I am grateful that she can stay in her home. My son, Jordan, who lives with her, helps to make that possible. We are all grateful that she is well enough to stay in her home. I fear Social Security would not be enough to cover expenses if she were unable to stay home.

Some of the barriers I have faced in accumulating retirement income include a lack of income, and other demands on my income, such as buying and renovating an older house. I also find that it is hard to filter all of the information available. I am the treasurer of an investment club, where I invest $25 a month, but I still feel that I need additional information to make wise decisions; or maybe I just need more money to invest.

I think Congress and the President need to work on increasing how much money people can put away tax free, especially the self-employed. I would like to see more educational programs to help people plan for retirement; to stress economic education in schools and teach about investing and the stock market in the curriculum at all grade levels. We need to find ways to assist self-employed individuals in accumulating retirement dollars. We need to continue to work to create pay equity for women.

I would like to see the Congress and the President explore ways in which the portability of pension benefits would help workers avoid losing benefits when they switch jobs. Allowing more workers to contribute to their pensions from their first day at a new job would also help workers provide for their futures. I would like to see Congress and the President explore ways that pensions might be individualized and not tied to a workplace.

It is important that we, as individuals, be responsible for ourselves. If I could tell workers something about retirement planning, it would be to start investing in stocks and annuities on a consistent basis. We need to keep Social Security as a supplemental source of retirement income, but we need to have some kind of individual account that we put aside for ourselves as a main source of retirement income. Thank you.

The CHAIRMAN. Dennis.

STATEMENT OF DENNIS L. STONE, OWNER, WESTERN MANUFACTURING CORP., MARSHALLTOWN, IA

Mr. STONE. Senator Grassley, Congressman Fawell and Congressman Payne, good morning. My name is Dennis Stone. Thank you for inviting me to this hearing. I reside with my family in Marshalltown, which is located in central Iowa. We have lived there since 1968. I am a partner in Western Manufacturing Corporation, which has been in business since 1964.

Western Manufacturing Corporation is a metal fabricator and manufactures products that sell through dealers and factory-direct throughout the United States. Exports amount to about 5 percent. Some of our major products are portable power washers, shop lifts, portable gas containers, and louvered tailgates. We have been in the same location for 35 years. We fluctuate between 75 and 80 employees. Factory employment is about 55.

As a company, we believe in our employees saving for retirement and have participated for some time in providing matching funds. For many years, Western had a payroll deduction for employees who had an IRA. We began our present 401(k) program in January 1994. Employees can contribute up to 15 percent of their gross earnings and Western will match the first 4 percent.

In order for the employees to have the confidence that the money will always be theirs, our plan calls for 100-percent vesting immediately. Our employees are eligible to sign up on January 1 and July 1 after their first anniversary of their employment.

In our plan, there are seven different investment accounts, ranging from low-risk money markets to high-risk international funds. Participants can change the percentage they contribute at any time, and then they can also change the funds they invest in at any time. Western pays all administrative costs of the plan. This amounts to approximately $8,000 a year, plus the comptroller time. Participants receive detailed reports of their individual accounts semi-annually.

We currently have 68 employees eligible for our plans and 65 are participating, saving an average of 6 percent of their wages. Western is matching the first 4 percent of their contribution. We feel our participation rate is high because of meetings held with employees and spouses prior to the plan taking place.

We feel that it should not be easy for an individual to take money out of a retirement account. The funds should be earmarked for the future and hopefully a comfortable retirement. Therefore, our plan only allows removal of funds for extreme financial hardship, usually high medical bills, purchase of a first home, and for payment of tuition. The plan does not allow any borrowing.

Some of our concerns with the 401(k) and those that may be keeping other small companies from starting a program are as follows. The private sector retirement accounts are becoming more common and larger. Therefore, perhaps a government advocate responsible for compliance and support might work better than being regulated by the Department of Labor.

The highly compensated limits of $10,000 in contributions and $160,000 in earnings eligible should be reviewed and raised for employers. To start and keep retirement programs, it must be attractive to them also.

We believe audits should be required on a periodic basis, but not every year. This is very expensive for small companies and adds tremendously to the cost of the plan. Without this cost, perhaps more companies would begin a program.

The plans themselves should be simplified for smaller companies. Amendments are very costly and cumbersome. Anything that makes a plan more difficult to write and administer is going to prevent small business from starting a program.

Compliance issues need to be simplified. It is difficult to determine if your plan is in compliance through the year. There should be a simplified formula that smaller companies can use. The penalties for some forms on non-compliance are very stiff. There should be a grace period possibly to bring the plan into compliance with lower penalties.

As employers, we fully support the fact that we all need to do a better job in educating people to save for the future. This needs to be done by responsible government leaders, in our schools, and in our businesses. It is important to point out, however, that as employers we must be very careful not to become a financial adviser instead of an information provider.

I believe to keep small businesses involved with retirement programs, it is essential to look for ways to make it easier for them by cutting red tape, unnecessary reports and expensive audits. Do not make the employer look stupid to the employee by inventing new taxes to take away money we have encouraged them to save. Make certain that the agencies, whoever they might be, have the vested interest in the U.S. citizen at heart, not just an opportunity to write more regulations.

Also, you must make the aging public as confident as possible that the money in any retirement program is theirs and that the current taxation money being withdrawn is the only way that they will lose it, other than bad investment. The current plan of not taxing 401(k) earnings until withdrawal should absolutely not be changed. Do not tax earnings on an annual basis. Watching their money grow is a strong incentive for people to save.

The statistics we read on the small amount of money the majority of our fellow citizens have put away for retirement is disturbing. Please do not allow anyone to change this. As an individual, this has always been a concern of mine and many people that I have talked to. We are afraid we are going to be financially responsible for many years, planning for a comfortable retirement, only to have it taken away in some manner in future years to cover the expenses of those who did not.

I would end sharing with you just a few statistics that I have recently become aware of. In 1994, a study was done by Public Agenda of 1,200 non-retired citizens between the ages of 22 and 61. The study determined, along with many other things, that people are skeptical about Social Security and worry about retirement, but many do nothing about it.

At that time, nearly 50 percent of Americans had saved less than $10,000 for retirement. Only 29 percent had saved more than $100,000. Other sources tell me that less than 20 percent of small business has a qualified retirement plan in place. Hopefully, with streamlined regulation and reduced administrative costs, small business could help improve all of these numbers by participating in preparing the public for retirement.

Thank you.

[The prepared statement of Mr. Stone follows:]

STATEMENT

BEFORE THE

SENATE SPECIAL COMMITTEE ON AGING

And The

SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS OF THE HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE

By

Dennis L. Stone
Marshalltown, Iowa

June 2, 1998

Senator Grassley, Congressman Fawell & Members of the Committee

My name is Dennis Stone. Thank you for inviting me to this hearing. I reside with my family in Marhalltown which is located in central Iowa. We have lived there since 1968. I am a partner in Western Manufacturing Corp. which has been in business since 1964.

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Some of our concerns with the 401K and those that may be keeping other small companies from starting a program now are as follows:

The private sector retirement accounts are becoming more common and larger, therefore, perhaps a government advocate responsible for compliance and support might work better than being regulated by the Department of Labor.

The highly compensated limits of $10,000 in contributions and $160,000 in earnings eligible should be reviewed and raised for employers. To start and keep retirement programs it must be attractive to them also.

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I believe to keep small businesses involved with retirement programs it is essential to look for ways to make it easier for them by cutting red tape, unnecessary reports and expensive audits. Do not make the employer look stupid to the employee by inventing new taxes to take away money we have encouraged them to save; make certain that the agencies, whoever they might be, have the vested interest of the US citizen at heart, not just an opportunity to write more regulations. Also, you must make the aging public as confident as possible that the money in any retirement program is theirs and that other than current taxation of money being withdrawn, the only way they will ever lose it is through bad investment.

The current plan of not taxing 401K earnings until withdrawal should absolutely not be changed. Do not tax earnings on an annual basis. Watching their money grow is a strong incentive for people to save. The statistics we read on the small amount of money the majority of our fellow citizens have put away for retirement is disturbing. Please do not allow anyone to change this. As an individual this has always been a concern of mine and many people that I have talked with. We are afraid we are going to be financially responsible for many years, planning for a comfortable retirement ,only to have it taken away in some manor in future years to cover the expenses of those who did not save.

I would end sharing with you just a few statistics that I have recently become aware. In 1994 a study was done by Public Agenda of 1200 non-retired citizens between the ages of 22 and 61. This study determined along with many other things, that people are skeptical about social security and worry about retirement, but many do nothing about it. At that time nearly 50% of Americans had saved less than $10,000 for retirement. Only 29% had saved more than $100,000. Other sources tell me that less than 20% of small business has a qualified retirement plan in place. Hopefully with streamlined regulation and reduced administrative costs, small business could help improve all of these numbers by participating in preparing the public for retirement. Thank you.

The CHAIRMAN. Thank you, Dennis. Would you two stay at the table because when the next three are done, then we will have questions by each of us?

Congressman Fawell.

Mr. FAWELL. Thank you, Senator. I do want to, by the way, reiterate that I much appreciate your leadership. You took that legislation in the Senate, and I think you have had more ups and downs than we had in the House and straightened it out and did just a brilliant job and I do very much appreciate the leadership that you have taken in this area.

The CHAIRMAN. We don't have rules and you do have rules, and it makes it very difficult to get things done.

Mr. FAWELL. OK. We have three witnesses here who have not yet testified. Dallas Salisbury is the President of the Employee Benefit Research Institute and has testified on a number of occasions before House and Senate committees. He is also Chairman and CEO of the American Savings Education Council, the private sector organization responsible for helping plan the First National Summit on Retirement Savings.

I may say that Council has been tremendously helpful to our office as we initially discussed our ideas, gave complete encouragement and backing, and you are just a mainstay. I don't think we would have the Summit, obviously, without the tremendous support that you folks have given even in terms of half the financial support. So I think you deserve a lot of praise.

Sharon Robinson is Dean of the Center for Retirement Education of the Variable Annuity Life Insurance Company. Ms. Robinson is a certified financial planner and has worked in the field of retirement planning for more than a decade. We welcome you, Ms. Robinson.

The CHAIRMAN. Sharon conducted that Drake University seminar that Jan was talking about.

Mr. FAWELL. All right, all right.

Olena Berg is a very well-respected Assistant Secretary of Labor for the Pension and Welfare Benefits Administration. She is responsible for government-related oversight of pension plans and health and welfare plans. And, alas, we are losing her talents because she has announced her sort-of retirement. She is too young for retirement, but she has the good sense to head for the Midwest. Milwaukee, WI, is where I think she will be settling, and so we are sad to see you go, yet rejoice and all that you have planning ahead of you, including a marriage, so the best of luck to you and welcome you.

I guess we would commence with Mr. Salisbury.

STATEMENT OF DALLAS L. SALISBURY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, EMPLOYEE BENEFIT RESEARCH INSTITUTE, WASHINGTON, DC

Mr. SALISBURY. Mr. Chairman and members of the committee, thank you. I would ask that my full statement and a set of graphs on the small employer retirement survey provided to staff last evening be included in the hearing record.

Mr. FAWELL. Without objection, it certainly will be.

Mr. SALISBURY. Thank you. I am accompanied today by Matthew Greenwald, President of Matthew Greenwald and Associates, the cosponsoring organization with the Employee Benefit Research Institute and the American Savings Education Council of our eighth annual retirement confidence survey, and two components of the survey which were added this year explicitly in response to your passage of the SAVER Act and in preparation for the National Summit; first, a substantial over-sampling of minority populations to help us better understand the special needs of all segments of the population, and in what I would like to be officially releasing, the full survey of today, the Small Employer Survey specifically called for, in essence, by the SAVER Act statutorily.

Small employers, as shown in Chart 1, contrary to the perception of some, do sponsor employee benefit programs in many realms. The most commonly offered benefits, as this chart shows, tend to be those that help individuals meet near-term expenses, namely paid time off and health insurance.

Benefits whose receipt is further in the future and whose use is subject to a greater degree of uncertainty are less commonly offered. For example, according to the Small Employer Survey, among those employers that do offer retirement plans, 99 percent also offer paid vacation, 97 percent also offer health insurance, 79 percent life insurance, 72 percent paid sick leave, and 62 percent disability coverage. Among small employers without retirement plans, 88 percent offered paid vacations, 70 percent health insurance, 47 percent paid sick leave, and 38 percent disability coverage.

Retirement plan sponsorship does lag among small employers. Twenty-nine percent of workers with under 100 employees are covered under a retirement plan at work, and 21 percent actually participate in a plan at work, leaving a tremendous coverage challenge. This means that out of 35 million employees at small firms, 25 million do not currently have access to a retirement plan at work. They have what the first witness referred to, the opportunity outside of an employer to save with individual retirement accounts, and most recently the Roth IRA. This means that, by comparison, employers with 100 or more employees, 83 percent of workers are covered by a plan and 64 percent actually participate in a plan.

Chart 2 deals with why more small employers don't sponsor retirement plans. The knee-jerk response of why they don't is sometimes administrative costs and burdens. But as Chart 2 indicates, that is an important reason, but the picture is more complex. The three main reasons cited by small employers for not offering a retirement plan are, first, employee preferences for higher wages and/or other benefits, such as health insurance, that help them meet current economic security needs. Retirement is tomorrow; those expenditures may be today.

Administrative costs comes up second to that and is a very important issue. But a third, which is one that deals with the economy more generally, is a statement about uncertain revenue making it difficult to commit to a plan. And with 95 percent of small firms being gone within 5 years of creation, it underlines the challenge of getting them to help at these early stages. So administrative costs clearly matter and other factors are very important in attempting to understand how we can help small employers more broadly to create plans.

In addition, it appears there is a fair amount of misunderstanding among small employers about retirement plans, and specifically those that do not sponsor them, especially regarding expenses. Sponsoring a plan does not have to be expensive. SEP IRAs and simple plans can allow employers to create plans for well less than $2,000 in total expense.

But many employers believe that it is far more expensive than that. Most assume that they are always legally required to match employee contributions to a plan, which they are not, and many do not know that they can share plan administrative costs with their employees in order to give them the opportunity to have a plan. All of this underlines the emphasis of the SAVER Act and the educational needs of the small employers, and emphasizes this is education of employers that is needed as readily as education of individuals.

Chart 3 shows why small employers that do sponsor a retirement plan for their employees do so. What do they see as the real benefits for themselves and for their workers? Thirty-five percent report a major impact on their ability to hire and retain good employees, and 30 percent report a major impact on employee attitude and performance. In addition, over half, 54 percent, report a major impact on their employees' ability to prepare for retirement as something that they are concerned about and take action on. So it indicates that in a tight labor market and an economy that is continuing to create tremendous numbers of jobs that small employers may, in fact, continue to expand their sponsorship.

Chart 4, in fact, shows that there are reasons to be optimistic about prospects for increased plan sponsorship among small employers. First of all, two-thirds, or 68 percent of those without a plan do not think their employees are well-prepared for retirement. Second, one-half of those without a plan have seriously considered offering a plan in the past, and 17 percent say they are very likely to start a plan in the next 2 years, with an additional 25 percent saying they are somewhat likely to do so. Additional efforts at education and encouragement and, frankly, marketing by institutions should bring these new plans to reality.

Chart 5 shows that when we asked small employers without plans what changes in the law would lead them to seriously considering offering a plan, they reported increased business profits and potentially a business tax credit for starting plan which, as all of you know, has been proposed by some legislatively; reduced administrative requirements; demand from employees, just employees asking them, won't you allow us to do something through a payroll deduction; and as was noted by the prior witness, allowing key executives to save more in the plan so that the employer has a commitment to doing the program.

The findings of the first-ever Small Employer Retirement Survey indicate that effective public policy must educate American workers regarding the need to make retirement planning and saving a priority, in addition to addressing employer concerns about offering plans.

There appears to be a need to educate many small employers about the true costs of offering a retirement plan and about the potential benefits for them as well as for their workers. Unless small employers feel that a retirement plan is something that their workers want and value, they are unlikely to take advantage of whatever simplified vehicles are made available.

In conclusion, I want to congratulate this committee and you as the sponsors of the SAVER Act. It led EBRI and ASEC to undertake our Choose to Save campaign, as well as these surveys. It led the Bonneville radio stations, Channel 7 and Channel 8, to commit major resources in the first 6 months of this year to take the savings message to those within the Washington, DC, media market. It will culminate with a one-hour special broadcast in prime time here in Washington called "The Savings Game: Planning for Your Future," following the National Summit, to attempt to help those in this community move additional steps.

I would also like to particularly congratulate the Department of Labor, under the leadership of Olena Berg, in creating the National Savings Campaign that is providing many, many brochures and guidance to small employers across this Nation, attempting to build that educational effort that, in partnership with these committees, with the Congress through the SAVER Act and hopefully through the action agenda, we will build under your direction and with your cooperation coming out of the National Summit so that by a year from now, and most particularly by the second summit in 2001, we will have a tremendous amount of good news to report to the American people.

Thank you for having me.

Mr. FAWELL. Thank you.

[The prepared statement of Mr. Salisbury follows:]

T-114

Statement

Before the

Senate Special Committee on Aging

and the

Subcommittee on Employer-Employee Relations of the House Committee on Education and the Workforce

by

Dallas L. Salisbury
President and CEO, Employee Benefit Research Institute
Chairman and CEO, American Savings Education Council

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Washington, DC 20037
Voice: 202/775-6322
Fax: 202/775-6312
Internet: http://www.ebri.org

2 June 1998

Mr. Chairmen and members of the Committees: I am Dallas L. Salisbury, President and CEO of the Employee Benefit Research Institute (EBRI), a nonprofit research and education organization in Washington, DC. I also serve as Chairman and CEO of the American Savings Education Council (ASEC), a coalition of private- and public-sector organizations that aims to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC is an affiliate of the EBRI Education and Research Fund. I am accompanied by Mathew Greenwald, President of Mathew Greenwald & Associates (MGA), a survey research firm in Washington, DC. EBRI, ASEC, and MGA sponsor the annual Retirement Confidence Survey, and this year, for the first time, sponsored the Small Employer Retirement Survey. It is our pleasure to be here today to release to the Congress these full surveys. In the interest of time, we will concentrate on the Small Employer Retirement Survey. I ask that my full statement and attachments be entered into the written record.

Small Employers and Retirement Plans

Contrary to the perception of some, small employers do sponsor employee benefit programs for their workers (figure 1). The most commonly offered benefits tend to cover near-term worker needs, namely paid time off and health insurance. Benefits whose receipt is further in the future and/or whose use is subject to a greater degree of uncertainty are less commonly offered. For example, according to the 1998 Small Employer Retirement Survey, among small employers that do offer retirement plans, 99 percent also offer paid vacation, 97 percent offer health insurance, 79 percent offer life insurance, 72 percent offer paid sick leave, and 62 percent offer disability insurance. Among small employers without a retirement plan, 88 percent offer paid vacations, 70 percent offer health insurance, 47 percent offer paid sick leave, and 38 percent offer disability insurance.

Retirement plan sponsorship does lag among small employers. Twenty-nine percent of workers at employers with under 100 employees are covered by a retirement plan at work, and 21 percent actually participate in a plan at work. This means that out of 35 million employees at small employers, 25 million do not have access to a retirement plan at work. By comparison, at employers with 100 or more employees, 83 percent of workers are covered by a plan and 64 percent actually participate in a retirement plan.

Why don't more small employers sponsor retirement plans? The knee-jerk response is typically "administrative costs and burdens." While this is an important reason, the actual picture is more complex (figure 2). The three main reasons cited by small employers for not offering a retirement plan are:

- employee preferences for wages and/or other benefits over retirement benefits,
- administrative costs, and
- uncertain revenue, making it difficult to commit to a plan.

So, while administrative issues matter, other factors that are just as important are also at work, and these also need to be taken into account when discussing policy options.

In addition, it appears that there is a fair amount of misunderstanding about retirement plans among small employers who do not sponsor one, especially as regards expenses. Sponsoring a plan does not have to be as expensive and administratively burdensome as many small employers apparently assume. For example, many do not know that they could establish a retirement plan for less than $2,000. Many assume that they are always legally required to match employee contributions to a plan. And many do not know that they can share plan administrative costs with their employees.

On the other side, small employers that do sponsor a retirement plan for their workers see real benefits, both for themselves and for their workers, in doing so (figure 3). Thirty-five percent report a major impact on their ability to hire and retain good employees, and 30 percent report a major impact on employee attitude and performance. In addition, over one-half (54 percent) report a major impact on their employees' ability to prepare for retirement.

There are reasons to be optimistic about prospects for increased plan sponsorship among small employers. First of all, two-thirds (68 percent) of those without a plan do not think their employees are well prepared for retirement. Second, one-half of those without a plan have seriously considered offering one in the past. Finally, 17 percent say they are very likely to start a plan in the next two years, and an additional 25 percent say they are somewhat likely (figure 4).

In fact, we asked small employers without plans what changes would lead them to seriously consider offering a retirement plan (figure 5). In order of reported importance, they reported:

- increased business profits and a business tax credit for starting a plan, followed by
- reduced administrative requirements, demand from employees, and allowing key executives to save more in the plan.

Implications

The findings of the first ever Small Employer Retirement Survey indicate that effective public policy must educate American workers regarding the need to make retirement planning and saving a priority, in addition to addressing employer concerns about offering plans. In fact, there appears to be a need to educate many small employers about the true costs of offering a retirement plan and about the potential benefits for them as well as for their workers. But unless small employers feel that a retirement plan is something that their workers want and value, they are unlikely to take advantage of whatever "simplified" vehicles are made available.

Individuals and Retirement Savings

The 1998 Retirement Confidence Survey (RCS) provides further evidence of the need to educate Americans regarding the need to make retirement planning and saving a priority. Sixty-three percent of Americans have begun to save on their own for retirement (figure 6). While this is good news in that most Americans are saving for retirement, it also means that one-third are not. Furthermore, these figures have remained essentially unchanged since the question was first asked in 1994.

Even among those who are saving, it is fair to say that most have absolutely no idea how much it is that they need to save by the time they retire to fund their retirement. Less than one-half (45 percent) of all workers have tried to figure out how much they need to save (figure 7). Among retirement savers, the figure is somewhat higher at 57 percent. Therefore, even with most Americans saving for retirement, they are in a sense flying blind and hoping that things work out in the end. In addition, less than one-half of retirement savers are very confident that they are investing their retirement savings wisely (46 percent) (figure 8). Forty-seven percent are somewhat confident. It appears that many retirement savers think that they are investing their funds wisely, but they are not really sure. Therefore, many are saving but they do not know if they are saving enough, and many think they are doing a good job of investing their money but are not really sure.

What motivates workers to begin saving for retirement? The 1998 RCS asked savers just this question (figure 9). The number one motivator was having seen people not prepare and then struggle in retirement. Almost one-half (48 percent) said this provided a lot of motivation, and an additional 36 percent said it provided some motivation. The second biggest motivator was realizing that time was running out. Thirty-seven percent said this provided a lot of motivation, and 42 percent said it provided some motivation. Therefore, the two biggest motivators were in some sense negative events, indicating a need for more proactive efforts designed to get through to workers earlier with the retirement savings message. It should be noted that the third ranked motivator was the availability of a retirement plan at work.

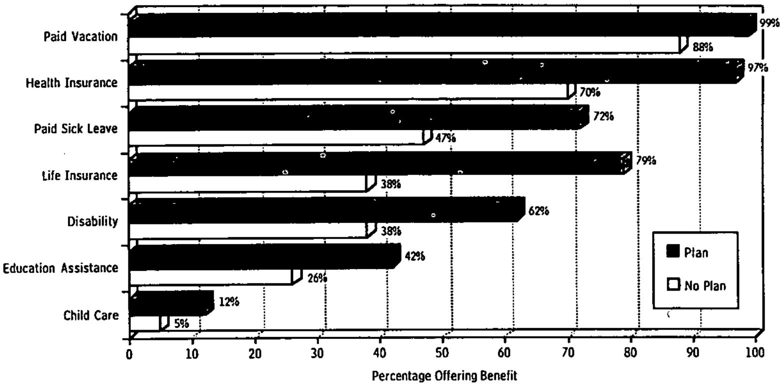
The good news in the 1998 RCS is the evidence that education can have a real impact at the individual level (figure 10). Among workers who had received educational material or attended seminars about retirement planning and savings in the past year, 43 percent reported that the material led them to change the amount they contributed to a retirement savings plan, and 43 percent changed the allocation of their money in a retirement savings plan as a result. In addition, 41 percent said it was such information that led them to begin contributing to a retirement savings plan.

The 1998 RCS also reveals that most working Americans could do more in terms of saving for retirement (figure 11). Fifty-seven percent of workers who have begun to save for their retirement say that it is reasonably possible for them to save $20 per week more than they are currently saving. Among non-savers, 55 percent say it is reasonably possible for them to save $20 per week for retirement. While $20 per week may not seem like a lot of money, it is over $1,000 per year, and over the years this savings could make a real difference. The power of compound interest will help a 25-year-old saving $20 a week, assuming a 5 percent annual return over 40 years, build a $132,000 nest egg. With a 10 percent annual rate of return, $20 per week for 40 years will compound into over $500,000.

Implications

Americans appear to be more focused on retirement than they have been previously, but this focus has not translated into increased confidence. This increased focus has likely resulted in a cold slap in the face with reality for many. Now is the time to reach Americans with more and better information about planning and saving for retirement. While many are saving, most have no idea how much they need to save, and many are not very confident in how they are investing their money. The majority of all workers, whether already saving or not, admits they could do more. These findings indicate the time is right for the National SAVER Summit.

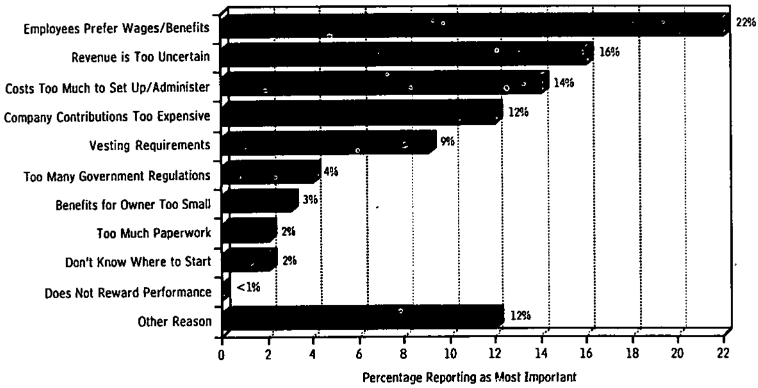
Figure 1
BENEFITS OFFERED TO EMPLOYEES BY SMALL EMPLOYERS



Source: 1998 Small Employer Retirement Survey.

Figure 2
MOST IMPORTANT REASON FOR NOT OFFERING A RETIREMENT PLAN

Among small employers without a retirement plan

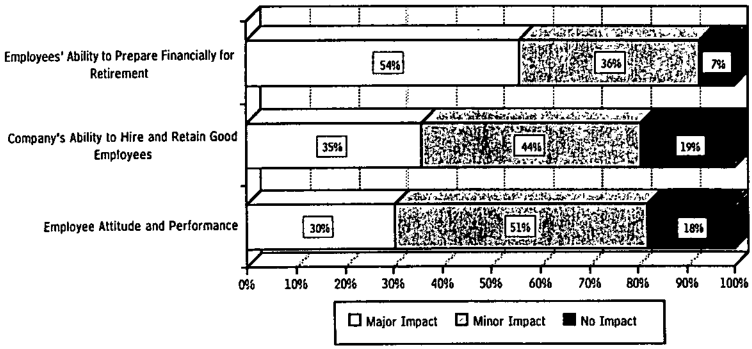


Source: 1998 Small Employer Retirement Survey.

Figure 3

IMPACT OF OFFERING A RETIREMENT PLAN TO EMPLOYEES

Among small employers with a retirement plan



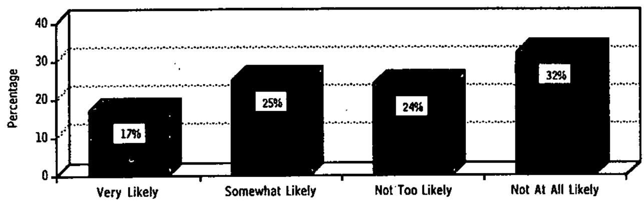
Source: 1998 Small Employer Retirement Survey.

Figure 4

LIKELIHOOD OF BUSINESS STARTING A RETIREMENT PLAN

Among small employers without a retirement plan

How likely is it that your business will start a retirement plan for employees in the next two years?



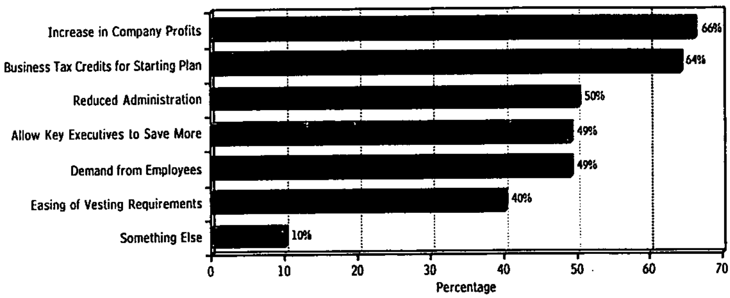
Source: 1998 Small Employer Retirement Survey.

Figure 5

WHAT MIGHT LEAD TO RETIREMENT PLAN SPONSORSHIP

Among small employers without a retirement plan

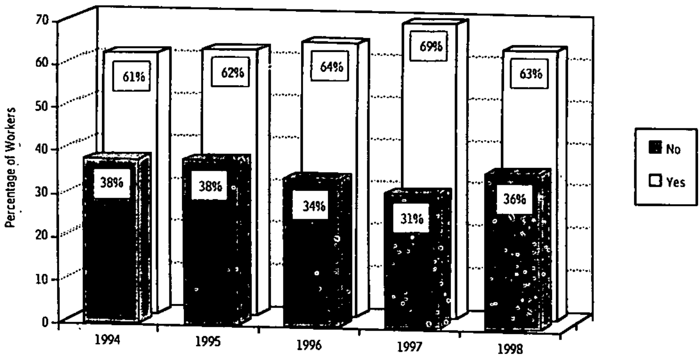
Things that would make business seriously consider offering a plan to employees



Source: 1998 Small Employer Retirement Survey.

Figure 6
WORKERS PERSONALLY SAVING FOR RETIREMENT

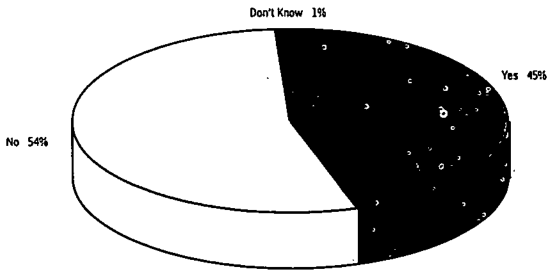
Have you personally saved any money for retirement, not including Social Security taxes or employer-provided money?



Source: 1998 Retirement Confidence Survey.

Figure 7
RETIREMENT NEEDS CALCULATION—WORKERS

Have you tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?

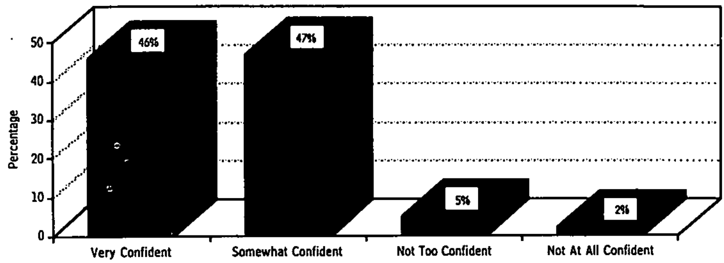


Source: 1998 Retirement Confidence Survey.

Figure 8

WORKERS' CONFIDENCE IN INVESTING RETIREMENT SAVINGS WISELY

Among those who have saved for retirement

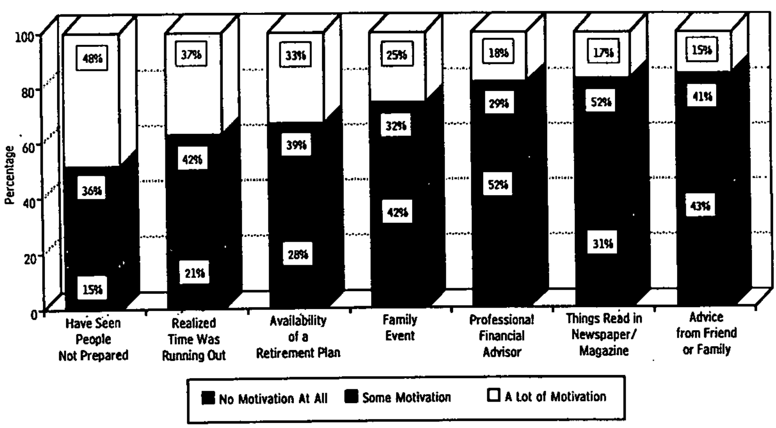


Source: 1998 Retirement Confidence Survey.

Figure 9

MOTIVATIONAL FACTORS IN SAVING FOR RETIREMENT—WORKERS

Among workers who have saved for retirement

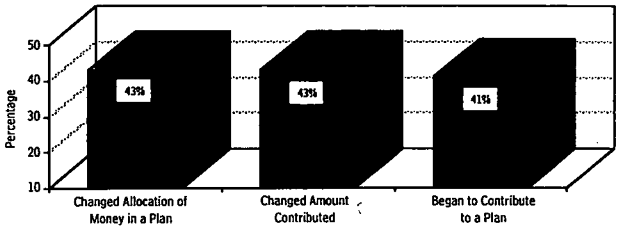


Source: 1998 Retirement Confidence Survey.

Figure 10

ACTIONS RESULTING FROM EMPLOYER-PROVIDED INFORMATION ON RETIREMENT SAVING AND PLANNING

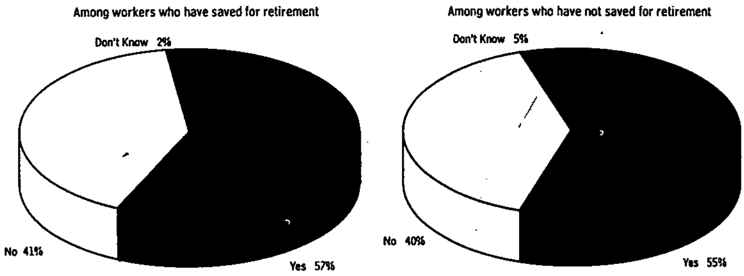
Among workers who were provided information



Source: 1998 Retirement Confidence Survey.

Figure 11

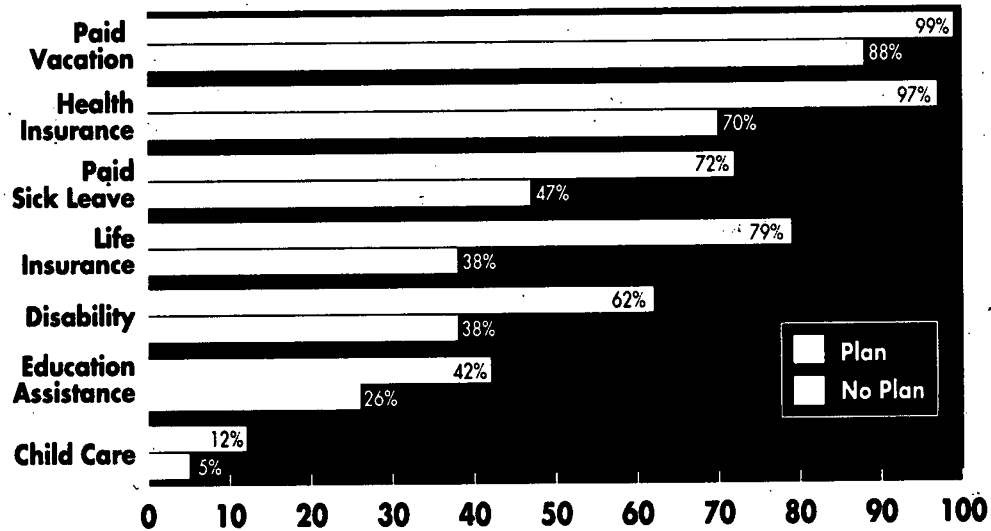
COULD YOU SAVE $20 PER WEEK MORE FOR RETIREMENT?



Source: 1998 Retirement Confidence Survey.

Figure 1

Benefits Offered to Employees by Small Employers

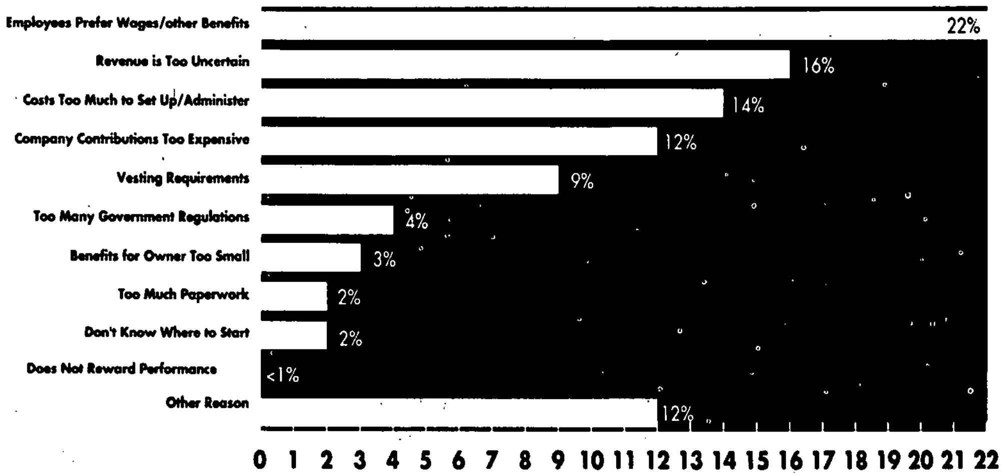


Source. 1998 Small Employer Retirement Survey

Figure 2

Most Important Reason for NOT Offering a Retirement Plan

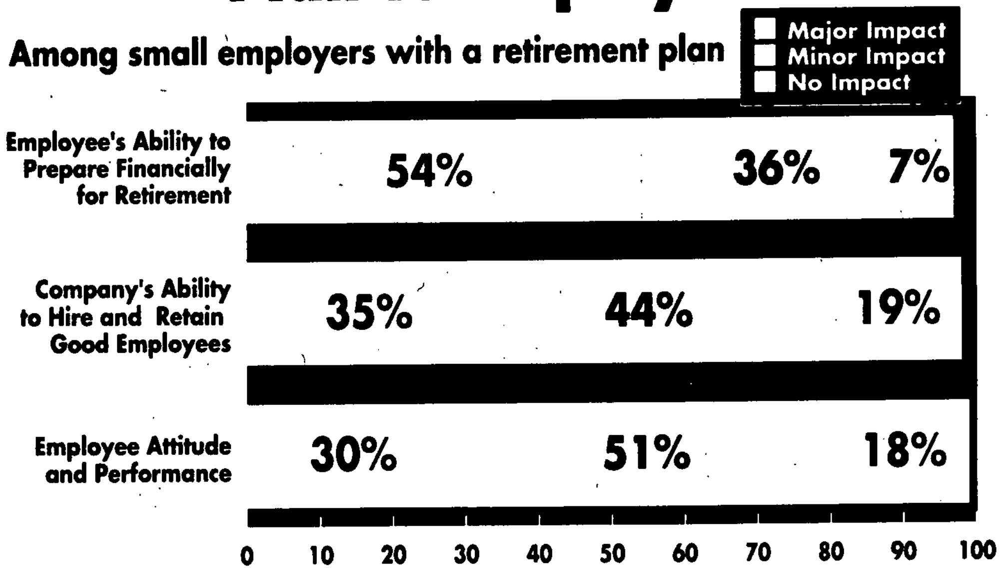
Among small employers without a retirement plan



Source: 1998 Small Employer Retirement Survey

Figure 3

Impact of Offering A Retirement Plan to Employees

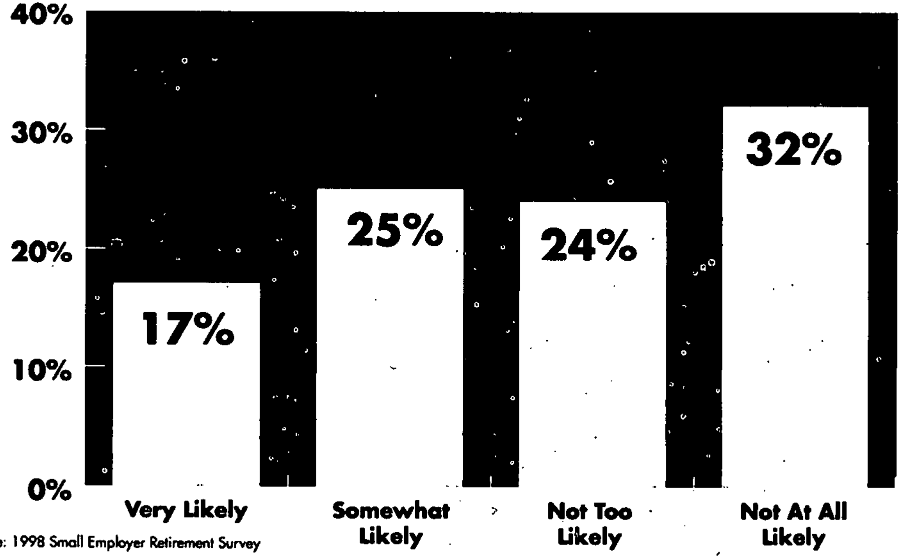


Source: 1998 Small Employer Retirement Survey

Figure 4

Likelihood of Business Starting a Retirement Plan

Among small employers without a retirement plan

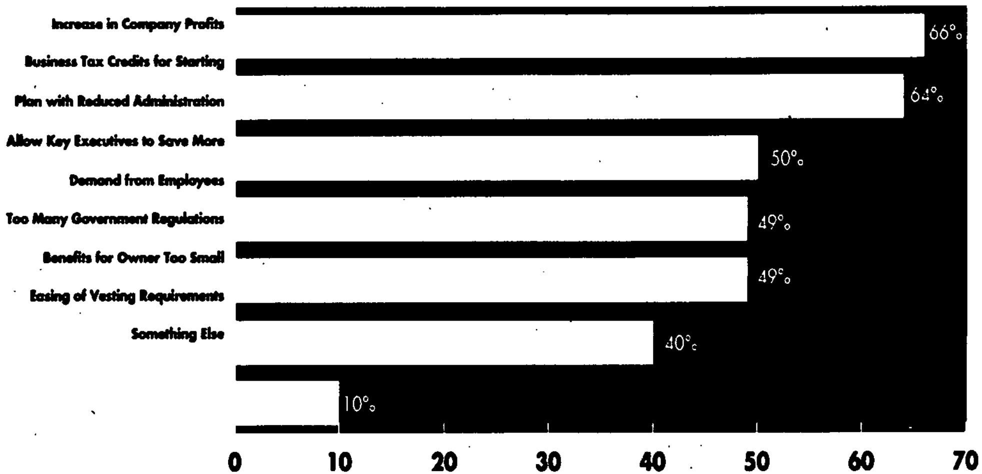


Source: 1998 Small Employer Retirement Survey

Figure 5

What Might Lead to Retirement Plan Sponsorship

Among small employers without a retirement plan



Source: 1998 Small Employer Retirement Survey

Mr. FAWELL. Ms. Robinson.

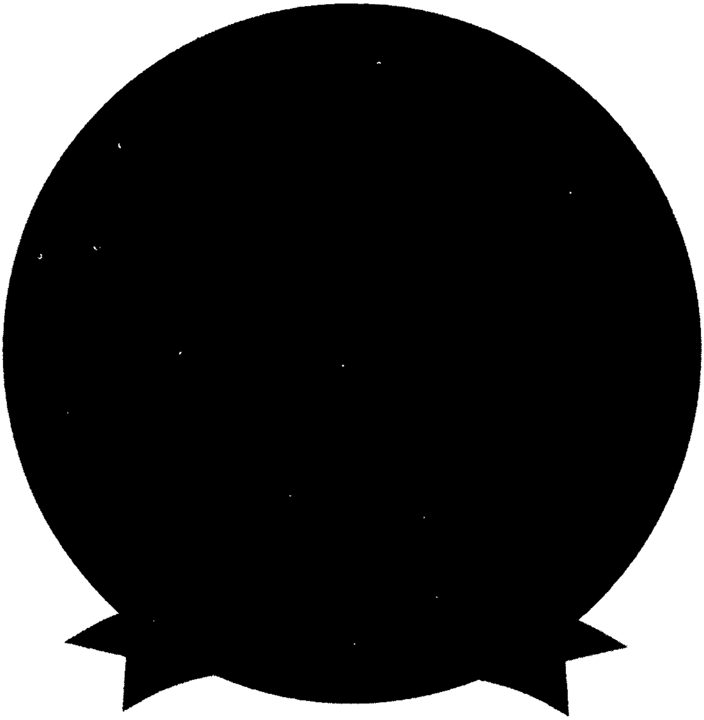
STATEMENT OF SHARON DILLON ROBINSON, DEAN, CENTER FOR RETIREMENT EDUCATION, VARIABLE ANNUITY LIFE INSURANCE COMPANY, HOUSTON, TX

Ms. ROBINSON. Thank you, Chairman Grassley and Chairman Fawell and distinguished members. When it comes to retirement education, are people do-it-yourselfers? Historically, the answer has been no, especially regarding saving and investing for the future.

What exactly is retirement education? It is the effort to provide people with financial tools and sufficient information about the amount of money they will need to acquire in personal savings. This is necessary to supplement their Social Security and pension plans in order to assure dignity and independence during retirement.

For consumers, what is their motivation to action? Our company felt that retirement education was so critically important that in 1995 it established the Center for Retirement Education. The Center is concerned with the financial education of our current clients utilizing the counsel of our retirement planning specialists throughout the Nation and with giving retirement planning seminars.

The Center for Retirement Education

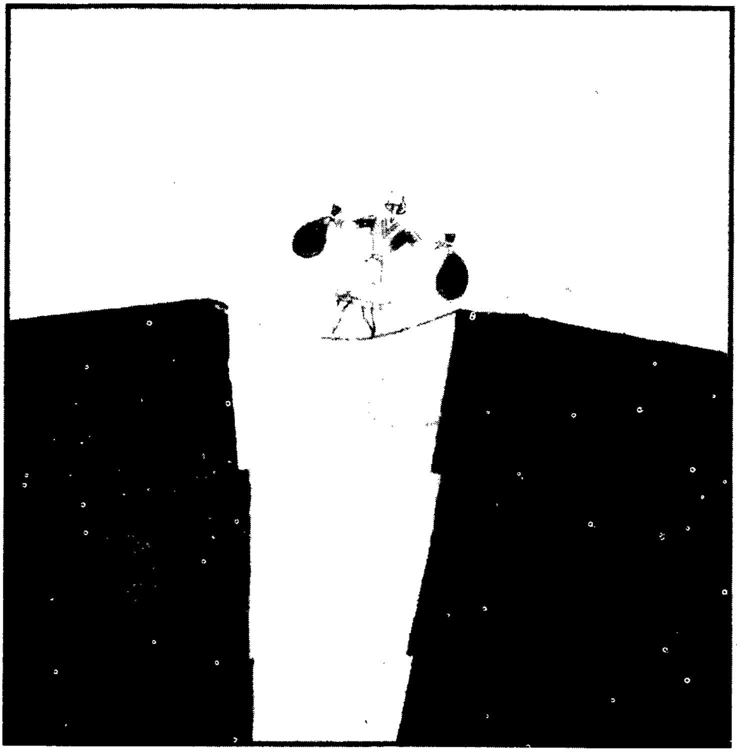


Individual counseling creates better savings and investment decisions, as well as higher participation rates. By determining one's retirement income gap, calculating the paycheck comparison, comparing alternative ways to save, and understanding the benefit of employer thrift plans, people are motivated into action for their future golden years.

What is the retirement income gap? The gap is the shortfall between the amount of retirement income generated and the retirement expenses. This gap serves as a wake-up call to people as they realize they may not have planned adequately for their retirement years. Once the retirement income gap is determined, then the question is how much do I need to save monthly?

The Retirement Income Gap

The Center for Retirement Education



Projected Income - Projected Expenses =

Retirement Income Gap

This paycheck analysis in Chart 3 illustrates the benefits of pre-tax, tax-deferred savings compared to conventional savings. Assume the following information: $1,000 gross paycheck, $100 savings, and 28-percent tax bracket. Taxes of $280 are paid immediately. The resulting $720, minus $100 for conventional savings, leaves a net pay of $620.

Paycheck Comparison: $100 Monthly Investment

The Center for Retirement Education

Gross salary per paycheck	$1,000
Desired savings per paycheck	$100
Tax bracket (example only)	28%

Conventional Savings

$1,000	$ 280	$ 720	$ 100	$ 620

Tax-Deferred Savings

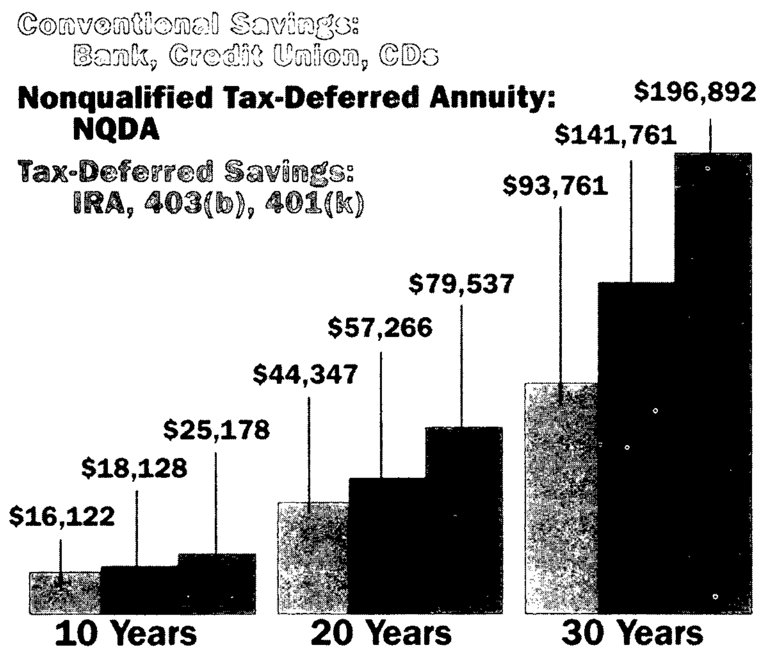
$1,000	$ 100	$ 900	$ 252	$ 648
$1,000	$ 139	$ 861	$ 241	$ 620

Tax-deferred savings may be subject to withdrawal restrictions and federal tax penalties. For illustrative purposes only.

One of two things happens when saving in a pre-tax, tax-deferred program such as an IRA, 401(k), and 403(b). If the same amount is saved as in a conventional manner, the individual will have more take-home pay. Or pay yourself first; the individual will save more money on a pre-tax basis and the net pay will be the same as in the conventional plan. Therefore, pre-tax tax deferral is a prudent way to allow money to accumulate and compound more quickly. Clearly, the paycheck comparison is a powerful tool that helps motivate people not only to save, but usually to save more for their retirement income. Assuming an 8-percent fixed interest rate over a 30-year period, Chart 4 illustrates that a tax-deferred savings plan accumulates twice as much as a conventional plan. Taxes must be paid when the money is withdrawn, but the individual chooses when to withdraw the money, typically in retirement. People are in a lower tax bracket.

Paycheck Comparison: $100 Monthly Investment

The Center for Retirement Education



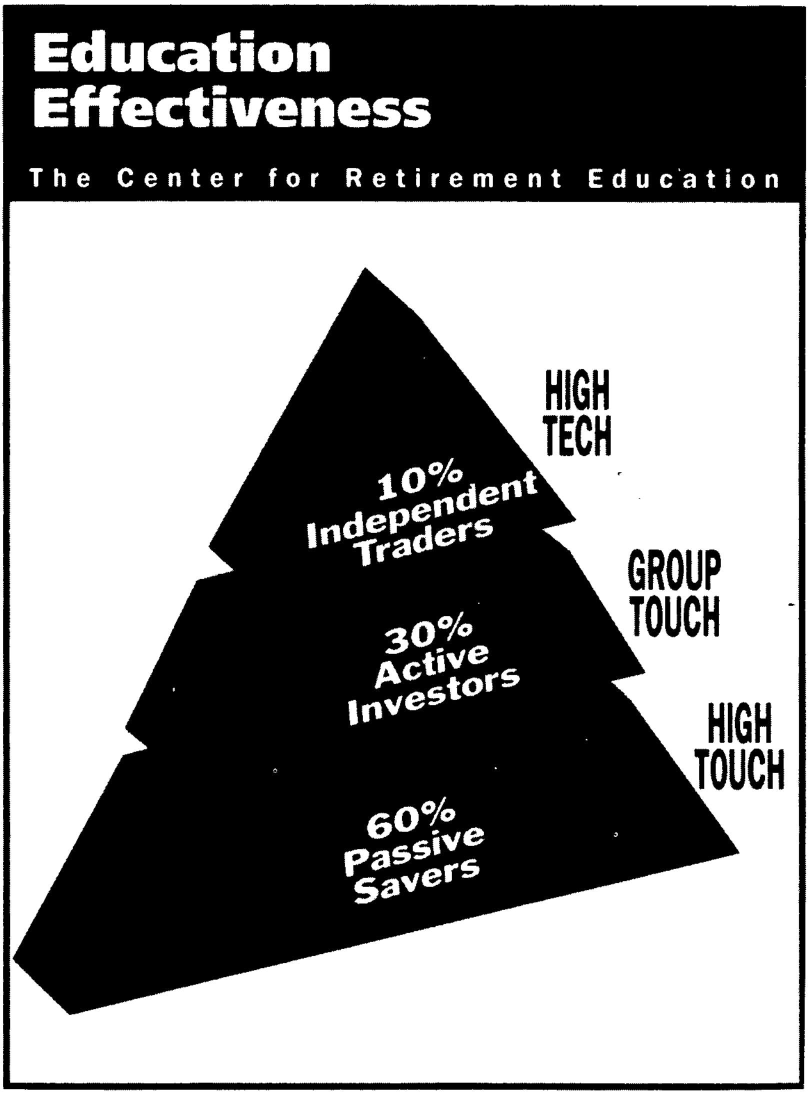
Gross salary per paycheck	$1,000
Desired savings per paycheck ($138.89 for tax-deferred savings since contributions are made before tax)	$100
Tax bracket (example only)	28%
Interest rate	8%

Income taxes are payable upon withdrawal, and an additional 10% tax penalty may apply to withdrawals before age 59 1/2. This information is for illustrative purposes only and is not a guarantee of future results.

Now, what about the person who is not saving anything toward retirement? Education is the key to assist them in eliminating the roadblocks. Painless ways that could save up to $100 per month are eliminate one beverage or snack each day, rent movies occasionally rather than go to the theater, dine out one less time a week, pack a lunch, or carpool.

Some ways to save a larger amount of money include drive the car for another year instead of purchasing a new one, or combine homeowners and auto insurance under the same carrier for reduced rates. If invested in a pre-tax, tax-deferred plan, this newly found money can be used to reduce the retirement income gap.

No single approach to education will work, since consumers are not a homogeneous population. They tend to break down into three different types. Independent traders, about 10 percent of employees, profit from a high-tech approach. They don't need a lot of personal education because they are very knowledgeable.


Education
Effectiveness
The Center for Retirement Education
HIGH
TECH
10%
Independent
Traders
GROUP
TOUCH
30%
Active
Investors
HIGH
TOUCH
60%
Passive
Savers

Approximately 30 percent of the population are active investors. Access to investment seminars, 800 numbers, and investment education, "group touch," will allow these people to manage their investment programs. The vast majority of employees, 60 percent of the people, are either ones who don't have the time or the interest to track their investment. Passive savers need a "high touch" approach to investing on an individual basis.

Another tool we use to educate the public is our Web site which offers several newsletters online to help educate Americans. As the last chart illustrates, colleges and universities have the highest participation rate because they offer matching plans, as well as targeted education for all three investment styles. In contrast, State and local governments have largely voluntary plans with no savings match and their employee participation rate is the lowest of any group in this chart.

Education Effectiveness

The Center for Retirement Education

Employer	Plan Type	Participation Rates
Colleges & universities	401(a) 403(b)	80-85%
Corporate sector	401(k)	78%
K-12	403(b)	30-35%
State & local governments	457	20%

Source: Access Research, Windsor, CT, Focus Group/Market Research

In conclusion, we urge Congress to consider ways to encourage all American employers to establish a matching savings plan; inform employers about the need for education geared toward the different styles of investing; extend tax-deferred IRA availability to all taxpayers, raise the bar; and motivate consumers to action. They need to start early, save more, and save now.

Thank you very much.

Mr. FAWELL. Thank you.

[The prepared statement of Ms. Robinson follows:]

Educating Americans about Retirement Savings
By Sharon Dillon Robinson, Dean
June 2, 1998

The Center for Retirement Education

When it comes to retirement education, are people "do-it-yourselfers?"

Historically, the answer has been "no" – especially regarding saving and investing for the future. What exactly is "retirement education?" It is the effort to provide people with financial tools and sufficient information about the amount of money they will need to acquire in personal savings. This is necessary to supplement their Social Security and pension plans in order to assure dignity and independence during retirement.

For consumers, what is their motivation to action?

Our company felt that retirement education was so critically important that, in 1995, it established The Center for Retirement Education. As part of its mission, The Center is concerned with the financial education of our current clients utilizing the counsel of our Retirement Planning Specialists throughout the nation and with giving retirement planning seminars. Individual counseling creates better savings and investment decisions as well as higher participation rates.

By determining one's Retirement Income Gap, calculating the paycheck comparison, comparing alternative ways to save, and understanding the benefit of employer thrift plans, people are motivated into action for their future "Golden Years."

Retirement Income Gap

The Retirement Income Gap is the shortfall between the amount of retirement income generated and retirement expenses. This gap serves as a wake-up call to people as they realize they may not have planned adequately for their retirement years.

Since changes in marital status, family growth, and employment can affect benefits, VALIC encourages people to investigate their Social Security and pension benefits at least every three years.

Paycheck Comparison

Once the Retirement Income Gap is determined, then the question is "how much do I need to save monthly?" This paycheck analysis illustrates the benefits of pre-tax, tax-deferred savings compared to conventional savings.

Assume the following information:

- $1000 gross paycheck,
- $100 savings, and
- 28% tax bracket.

Taxes of $280 are paid immediately. The resulting $720 minus $100 for conventional savings leaves a final net pay of $620. One of two things happens when saving in a pre-tax, tax-deferred program such as IRA, 401(k), and 403(b):

1. If the same amount is saved as in a conventional manner, the individual will have more take-home pay; or
2. The individual will save more money on a pre-tax basis, and the net pay will be the same as in the conventional plan.

Therefore, pre-tax, tax-deferral is a prudent way to allow money to accumulate and compound more quickly. Clearly, the paycheck comparison is a powerful tool that helps motivate a person to not only save, but usually to save MORE, for their retirement needs.

Power of Tax-Deferred Growth

Assuming an 8% fixed rate over a 30-year period: $93,761 accumulates in conventional savings, $141,761 accumulates in a nonqualified plan, and $196,892 accumulates in a tax-deferred program. Taxes must be paid when the money is withdrawn, but the individual chooses when to withdraw the money. Typically, in retirement, people are in a lower tax bracket.

Now, what about the person who is not saving anything toward retirement? Education is the key to assist them in eliminating the roadblocks. During many financial seminars delivered throughout the country, people have suggested the following painless ways that could save up to $100 per month:

- Eliminate one beverage or snack each day,
- Rent movies occasionally rather than go to the theater,
- Dine out one less time a week,
- Pack a lunch, or
- Carpool.

Some ways to save a larger amount of money include:

- Drive the car another year instead of purchasing a new one, and/or
- Combine homeowners and auto insurance under the same carrier for reduced rates.

If invested in a pre-tax, tax-deferred plan, this "newly found" money can be used to reduce the Retirement Income Gap.

Different Styles of Investing

No single approach to education will work since consumers are not a homogeneous population. They tend to break down into three different types:

1. Independent traders: About 10% of employees profit from a "high tech" approach. They don't need a lot of personal education because they are very knowledgeable.
2. Active Investors: Approximately 30% of the population are active investors. Access to investment seminars, 800 numbers, and investment education materials ("group touch") will allow these people to manage their investment program.
3. Passive Savers: The vast majority of employees (60%) are people who either don't have the time or the interest to track their investments. They need a "high touch" approach to investing on an individual basis.

RetireNet

Another tool we use to educate the public is our website, which offers several newsletters on-line to help educate Americans.

Conclusion/Recommendations:

As the chart illustrates, colleges and universities have the highest participation rate because they offer matching plans as well as targeted education for all three investment styles. In contrast, state and local governments have largely voluntary plans with no savings match, and their employee participation rate is the lowest of any group in this chart.

In conclusion, we urge Congress to consider ways to:

1. Encourage all American employers to establish a matching savings plan,
2. Inform employers about the need for education geared toward the different styles of investing,
3. Extend tax-deferred IRA availability to all taxpayers, and
4. Motivate consumers to action: Save Early, Save More, and Save Now!

Mr. FAWELL. Ms. Berg.

STATEMENT OF OLENA BERG, ASSISTANT SECRETARY, PENSION AND WELFARE BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC

Ms. BERG. Well, thank you, Chairman Grassley, Chairman Fawell, and other distinguished members of both the committee and the subcommittee. I thank you for inviting me here today, and I would like to be very personal about this for a moment. I am completing my tenure here at the Department of Labor and I am pleased to be here in front of this group of Members of Congress because I can't think of another group that has done as much to advance the issue of retirement security during my tenure here. So this gives me an opportunity to say thank you for that.

I have to say from the beginning of this administration, we have been committed to doing everything that we can to ensure that American workers have a comfortable retirement, that people get the dignity that they deserve after a lifetime of work. We have been working in these 5 years with you, and again I thank you for that, for the bipartisan effort in this area. I guess you could describe it as putting together a tool kit to help people have the retirement dignity that they deserve.

I think when I look over those 5 years, there is a solid record of accomplishment here. We have made pensions safer with the passage of the Retirement Protection Act in 1994; with the initiatives that we have undertaken in the Department of Labor to protect pension assets, restoring almost 2 billion to pension plans in the last 5 years, cracking down on 401(k) fraud.

We have made pensions simpler to administer with the Small Business Job Protection Act and other measures that we have undertaken to try and reduce the complexity in plans. We have made pension plans easier to offer with extending 401(k) plans to non-profits, eliminating things like the family aggregation rules so family members in small businesses can be accruing pension benefits as well. We have made 401(k) plans more portable to help people move their retirement savings with them as they move from job to job, and we have expanded the availability of IRAs.

I think we all agree we need to do more, and we all have proposals. So I am sure that even without my being here, we will continue this record of accomplishment that really has, I think, distinguished this group.

But part of it, too, in addition to these changes that we have made and will continue to make, is education, as the other speakers here have already noted. We are convinced, as well, that there is a need for education, and again SAVER has been so important in making sure that the program that we have undertaken in the Department of Labor will be ongoing.

Now, the reasons that we are convinced that there is a need for education—some of them have already been alluded to, but I think they are worth repeating. First of all, about half of people retire expecting to have nothing but Social Security to support them in retirement, and only about 25 percent of people are confident that they will have what they need in retirement.

Our savings rate is very low, 3.8 percent; the latest figure, 3.5 percent. And we know that people do not take advantage of the retirement savings vehicles already available to them. For instance, one-third of people who work in a company where they are offered the opportunity to participate in a 401(k) plan—and in many of these companies there is also a match—one-third of people don't even put anything in. They leave money on the table; they put no money in.

We also know that only a fraction of the people who could contribute to IRAs do so. The latest numbers we are aware of—this was before the Roth IRA, so it may change somewhat, but it was less than 10 percent contributing to an IRA; again, people not taking advantage of those tax-exempt vehicles.

Chairman Fawell as you have already pointed out, we also know that as people move from job to job, instead of leaving the money in for retirement savings, they are far too apt to take some or all of it out and spend it rather than conserve it for retirement.

Finally, again, as has already been mentioned, the shift that we are seeing in the pension world to more reliance on the 401(k)-type plan, which, if you really think about it, requires people to become their own investment managers—that, too, underscores the need for education.

So these are all the reasons that we undertook the savings education campaign, and our goal in doing this wasn't because there isn't a lot of information out there. In some ways, there is almost too much information. As we talked to people, we found that a lot of people felt intimidated, so we wanted to try and provide some simple tools to get people started, to make them ask the first questions that they needed to get on the right road. That really has been the focus of the materials that we have been putting together.

So we have targeted a number of different groups in our campaign. For many of the reasons that you have already mentioned, we have targeted women, we have targeted minorities, and we have targeted small businesses, women and minorities because they are underrepresented in the private pension system. Their wages are lower. They tend to be concentrated in jobs that lack pension and benefit coverage. So, clearly, there is a need to do everything that we can to help these groups be informed about the vehicles that are available to them.

So we have done a number of things. We are doing public service announcements, both on television and printed materials, that are geared toward the communities that we are talking about that will have people who are recognizable, people like, you know, you and me, if you will, talking about their retirement savings issues.

We have targeted special brochures, for instance, for women, a women's checklist on all the things that they need to know about pensions. We have taken a number of our brochures and translated them into Spanish, because you can imagine the difficulty of dealing with a lot of these issues what it is like if English isn't necessarily your first language. You still have the same issues of savings before you and additional complexity, so we have done those translations.

We have partnered with many different organizations. We have partnered with the National Council of Negro Women, with the National Association of Women Business Owners, and others to try and help us get this message out.

Now, small business. Again, it is clear why we have made this a target community—32 million American workers in small businesses without pensions. As Dallas Salisbury's survey points out, a part of this is simply small business owners and employees not being aware of some of the very simple instruments that are already available to them to help them set up programs for their employees.

So, again, we have targeted print materials for small businesses. These materials are on our Web site, and I am particularly pleased because today we are able to unveil our Small Business Retirement Savings Adviser, which is an interactive site on the Web where small business owners or employees can get on to the site and they can put in answers to questions about themselves, the size of their company, and other information like that, what they are interested in doing; for instance, whether the employer wants to contribute to the plan or wants to set up something that allows the employees to save, or a combination of both.

So we go through this set of interactive questions and then the different alternatives that suit the answers that have been given by the employer or employee will be shown with all the information on that—what the employer's responsibilities are, the employee's responsibilities, what are the limits in terms of amounts that could be contributed, how do things work, all of that information.

In fact, if, at the end of this, with a couple of the plans where they are available, someone says, well, I am interested in setting up something like that, you can even access the one-page IRS form that sets up the plan for you and get it right off the Net and do it right then. So we are very, very exciting about this as an educational tool.

Again, this is an ongoing campaign. We welcome your ideas for other things that we can be doing. In particular, we are looking forward to the SAVER Summit at the end of the week, where we will get some great and truly creative thinking on what more we can do with our efforts in this area.

So, with that, I would be happy to answer any questions that you have. Thank you very much.

Mr. FAWELL. I thank you. Now, I turn the Chair back to the real chairman here, Chairman Grassley.

The CHAIRMAN. Thank you very much. I think we will take 5-minute rounds for questioning. That is the way we do it in the Senate. Is that OK?

Mr. FAWELL. Yes, that is fine, that is fine.

The CHAIRMAN. OK, and they will put the lights on now so that I won't abuse it.

Before I start out, if I could, I would like to give some consumer tips that take off on the word "SAVER," a summation just in case I am not able to stay through the entire meeting. I think it is important that we use the "S" to set goals for retirement and development of a written plan; "A," to allocate savings to decide how best to invest your savings based on your age, retirement goals, and your comfort with risk; "V," to verify the information about you and your employer's records and with the Social Security Administration to ensure it is correct, and particularly in the case of the employer's records—that was the issue of a hearing that we had last year—to make sure that people not just 4 or 5 months before retirement, but throughout their work history consider your retirement plan part of your compensation plan.

You are very interested in your weekly or monthly paycheck to make sure that it is accurate. You can tell to a penny if your employer has done it right. You should become as familiar with your pension because we have had some statistics that show that there are mistakes in pensions. You should feel as conversant with your pension as you do with your paycheck.

The "E" is to educate yourself on that issue, and the "R" is to review your plan once a year so that you are up on it like you are with your weekly, twice-a-month, or monthly paycheck.

Jan, would you answer for me, because you focused your testimony on the special needs for women—you talked about your work with women as part of your responsibilities. What recommendations would you have us keep in mind as we consider ways to motivate more women to educate themselves about retirement planning?

Ms. BRUENE. Well, many of the women that I work with are moving from welfare to self-employment and they are just beginning to head toward self-sufficiency. It is a very challenging time for all of them financially. Frankly, at this point they aren't looking at retirement at all. They are really looking at becoming self-sufficient.

Because of this conversation that we have had with regard to the education, I think that we probably will introduce the subject of retirement so that we can kind of share a longer view. Right now, we are looking at 3 to 5 years as we are mapping out our business plans, and I think that we need to include retirement in there so that they can kind of look to see whether or not in starting a business it would include enough money to be able to put money away.

With my businesswoman friends, we have found that if we—well, we were working with our clients. We have started savings clubs in the past, and we have also started investment clubs. With my business friends, we also have an investment club and I have found that that is a very good way to get people educated with regard to investing. That is to do investing in a group. It makes it a little bit more fun and it takes away some of the fear of financial planning with regard to the stock market. We found that the women that I work with both as coworkers and as clients, were not very knowledgeable about the stock market. So we have found that this has been a fun way to get educated.

The CHAIRMAN. Mr. Stone, you and Mr. Salisbury testified about the barriers which concern small employers about offering pension benefits. You expressed a desire for the Department of Labor to play more of an advocate role for small employers. Do you think of the Department of Labor as an adversary or do you simply believe that they need to be doing more to help small employers?

Mr. STONE. Well, Senator Grassley, actually that suggestion that I entered into my statement came from another source. It is, I don't think, an adversarial position against the Department of Labor, but instead a suggestion of a way it might be done better.

The Department of Labor, as I understand it, is in charge of ERISA compliance, which was passed back when there were not many individual retirement plans—1974 or whatever it was. As I understand it, they suggest perhaps an advocate agency might better be able to look out for the best interests of business and the employee citizen.

We as a company are not really privy to any problems between the Department of Labor and retirement planners or insurance companies or any organization that runs qualified retirement programs. But I must say as an individual sitting here this morning and listening to the statements from the Department of Labor it certainly sounds like they have done a lot here toward working toward better citizen participation.

The CHAIRMAN. Congressman Fawell.

Mr. FAWELL. Thank you. One question that interests me—as I indicated, I am leaving Congress and I guess going into sort of retirement. I have always taken the view that there are perhaps too many people when they start saving for retirement—and I can recall a number of years back in a small law firm in Napersville, IL, when the ABA, the American Bar Association, introduced the concept of a retirement plan that was sponsored by them, an association kind of plan which I think has got a lot of merit when you talk about portability.

If an association handles this, then as long as you stay within your profession or trade, you can wander from employer to employer and not lose the continuity. That is awfully important and it is something that I think probably at the Summit we will be discussing that potential.

But I think there is a proclivity in Congress to treat retirement plans perhaps more like savings accounts because Congress has increasingly said, well, you can invade the corpus of this savings plan for educational purposes for the children or if there is a serious illness or the first home. You know, these look like awfully good things for the people and we think as politicians we are doing a lot of favors for people when we do that, but is it a smart idea?

I have in my own record—I have always been very conservative, I mean generically speaking—I am not talking about politics—in saving. If it goes into a savings account for retirement, I do everything possible not to invade that. I drove my wife nuts about this at times when she said, don't you think we can afford it, and so forth and so on.

But it seems to me that Congress should take a good, long look, and the Department of Labor also, about following the precepts of Social Security. It doesn't set good precepts completely, but it does in the sense that you don't touch the corpus of that money unless you hit 65 or you are disabled. What about adopting that concept for our private retirement plans so that when you change jobs, if you are not in an association plan, you know, you simply don't—it is a mandate; you roll it over and you don't invade the corpus unless you get to that age 65, or people are retiring later nowadays.

What about that, anybody that would like to dive into that one? I would hope that the Summit will really look at that and come up with some good bipartisan views on it because I think Congress could use some guidance.

Mr. SALISBURY. Mr. Chairman, I think that the issue you are raising is one of having to clarify objectives, and to a very large degree in the last 15 years one would have to describe retirement policy as moving more in the direction of feeling good about savings versus necessarily targeting retirement savings.

The Unemployment Act Amendments of 1993, which introduced an excise tax in withholding, particularly 20-percent withholding on lump-sum distributions if they were not rolled over, actually served to substantially increase preservation in rollover activity because it required people to make a decision at the point they would otherwise be given that check. Congress, as you know, also acted in the last 2 years to make it easier, and has now legislative proposals before it to make it easier for money to move from one type of plan to another so that money can stay within the system.

So are there many things that Congress could still do in order to make it easier for people to preserve? Absolutely. Are there things they could do process-wise to make it more likely that people would, in fact, preserve the money? That is clear, too.

About the step of mandating that money be rolled over, from the most recent data we have, 72 percent of those that get lump-sum distributions upon job change do not roll the money over. That accounts for 48 percent of the assets distributed in lump-sum distributions. That adds up to well over 100 billion a year that is not staying within the retirement income system during pre-retirement years.

That brings into question much of the data we publish, the Labor Department publishes, and others, frankly, as we look at the money in these programs and attempt to say, well, this is retirement savings, which it may or may not be. We just flat out don't know.

So I think the issue Congress needs to deal with is do they want to have a restrictive framework that basically says, even if it means some money doesn't get put in, we at least know that all the money there is, in fact, retirement money. Or do we not want to risk that by allowing people access to the funds, as the law currently does? That is a tough judgment.

Mr. FAWELL. My time has run out, but I would like to have a recommendation, if possible. How do you feel? I will perhaps have a later opportunity to discuss that more.

Mr. SALISBURY. Against the retirement objective, I think preservation is highly desirable.

Ms. BERG. Congressman Fawell, what this really underscores for me is we need to continue thinking of the notion of retirement as that three-legged stool of Social Security, private pensions, and savings plans, because the pressures that you are talking about on families, and particularly young families, are enormous.

You know, we are not talking about profligacy necessarily. We are talking about people who have children to raise and to educate and want to own a home, and all of those goals that are important for families in this country. But what we see is there is this temptation to take assets that have been presumably put away for the long term and use them to meet those other goals as well.

I have to tell you, for us in the Department of Labor, when we take calls and questions from people, the human face on this is really compelling, and issues for families, like we get calls and people would say, I have been laid off my job, I have exhausted my unemployment money, my 401(k) balance is the only money that we are going to have to keep food on the table for a while. Can you help us because the company hasn't gotten it to us yet? Things like that where it becomes very, very difficult to make those judgments on behalf of people.

So it is a complex issue, but what it really does underscore for me is that need to make sure that those other two legs of the stool where there can't be this temptation—Social Security is that safety net, and the encouragement of a defined benefit plan where you don't have to make any decisions. If you have put in your time at work and earned that benefit, it is going to be there for you. It is important that we pay attention to those segments of the stool as well, and to the extent that we are shifting toward more individual control that we keep in mind this enormous pressure.

Mr. FAWELL. My time has gone by. There are so many inquiries one can make.

The CHAIRMAN. Congressman Payne.

Mr. PAYNE. Thank you very much, and I am sorry to see that you are leaving, too.

See, Mr. Chairman, now someone has got the time on you, you know. When we have our hearings, you know, you can just go on and I have to listen, but it is a little discipline on your way out here, but we are in the big house here.

Let me just say that—and we have worked very closely with the Department of Labor over the past 4 years and we certainly have seen great improvements in information that has been getting out to women and minorities. But, of course, still my real concern is the approximately 12 million women working for small firms. Only 39 percent of them are covered by pension plans. As I mentioned in my opening statement, the large number of African American and Latino workers suggests that many minority workers would be strictly dependent on Social Security and that certainly is not going to be adequate.

So I just wondered, could you outline the activities that the Department is involved in to try to expand pension coverage, the outreach that it is doing—I know you mentioned the National Council of Negro Women—but particularly with women and minorities?

Ms. BERG. Congressman, it is kind of a two-pronged effort. One is educating the individuals, the employees, on what is available for them. As I mentioned, we have produced different materials—women and pensions; the checklist, which is a very simple document that says, you know, check off here, yes, or no, have I asked this question, have I looked into this, so that women can be informed about everything that they need to know and do to ensure their retirement security, and places to go to get the information. We have put together brochures on the kinds of savings plans available, and again translated some of our materials into Spanish.

But in terms of expanded coverage, the second prong of this is really focusing on those businesses that don't now offer a program at work. As you mentioned, 12 million women in small businesses, so that is why the other piece of our campaign is to try and get the information out to the owners of those businesses and the employees, as well, that there really are very simple kinds of plans, inexpensive plans, plans without administrative complexity, that they can set up so that we can get people more access to the opportunity to save here.

Mr. PAYNE. Thank you very much. As a matter of fact, years ago when I was a school teacher in junior high, we had a savings program for students. If you had 100 percent savings, they would put your homeroom on the attendance form. We setup a system where you could save at least a nickel a week, $.05, usually pennies. It was a very poor area. This was back in the 1950s.

We had 141 students and we had 100 percent participation, 3 years straight, of each child saving a minimum of a nickel. I have run into some of those folks who learned about savings that even though you have very little, there is a little you can put away. I think that is the concept that we really have to try to get across. Even though you are doing poorly, there is a little bit that you can do. Of course, it wasn't mandatory, but I made sure they all banked something. I just wonder if we could somehow encourage people more strongly.

Let me just ask Ms. Robinson, you know, I think a lot of people would agree that one of the biggest barriers to preparing for retirement is the dearth of information available in layman's language. What do you find the most effective means of getting information and educating the public on preparing for retirement?

Ms. ROBINSON. Well, Congressman Payne, there are different ways that people learn best. Some learn from hearing, some learn from reading, and some learn from actually doing it and participating in a program. So what we try to do is to get out there with seminars, one-to-one counseling, Internet, publications that are available to all Americans where they can access the information regarding finding out if they have a retirement income gap.

Our publications show ways to start saving a small amount and how it can accumulate, similar to the chart over there and the paycheck comparison; also, encouraging people to change the way they are saving, if they already are currently saving in a conventional means. While people have to have the bases covered in a secure investment, they also can then move forward toward retirement and take more aggressive steps and allocate their investments differently. So it is a combination of both getting in front of the people, getting materials to them, and hopefully having them be involved with the programs.

Mr. PAYNE. Thank you.

The CHAIRMAN. Thank you.

I am going to ask a couple of questions and then I am going to have to leave because of another appointment and Congressman Fawell will adjourn the meeting. I want to once again thank all of you for your participation and, Ms. Berg, compliment you for helping to get the legislation operative, and hopefully a very successful week we have as a result of your hard work.

Ms. BERG. Thank you.

The CHAIRMAN. First, to Dennis Stone, regarding your illustration of your own 401(k) plan. It seems to me to be kind of a model plan for employers. Employees who take advantage of it have an opportunity to accumulate substantial retirement savings. My question is more about the knowledge of the employees.

Do you believe that your employees are allocating their investments effectively? The reason I ask that question is there is some research to indicate that there are not enough people in America taking advantage of equities, maybe playing it just a little bit safer than it needs to be played.

Mr. STONE. Senator Grassley, that is certainly a valid question. I can only report our circumstances, and I am happy to report that our employees do a very good job investing and putting their money in a good balance of funds. In our particular plan, we have like seven different areas they can invest in and it ranges from the high- to the low-risk, and a good portion of it does include equity funds. I might add that several of them did better than at least one of the partners did with his.

But I think it is a valid concern, however, and I think it is important that the plan administrator spend time at least once a year with the employees and provide information to them throughout the year via mail or payroll-stuffers. This is an area we are going to spend more time on. Particularly after being on the 401(k) plan for 5 years, employees are starting to accumulate a substantial amount of money and it becomes more and more important each year.

The CHAIRMAN. Now, for Sharon and for Dallas, this is in regard to the fact that we have had some surveys showing that 25 percent of the population are unable to save because they are living from paycheck to paycheck. At least that is what the responders say is their problem.

Could you give us an idea of how many people you work with to educate them about retirement planning who lack opportunities to save, how many just can't afford it compared to those who just need to make some lifestyle changes?

Mr. SALISBURY. Well, I will point to a personality typing that we did with the retirement confidence survey. Ten percent of the respondents are what we classify as deniers who just say retirement is so far away and I am just not going to think about it. Nine percent classified as strugglers, individuals who say I don't even have $5 left after paying bills. There is just no way. I know I should be saving, but I can't do it.

Twenty percent are basically classed, and class themselves as impulsives. While I have enough money that I could save a lot, but, you know, I wanted that dinner and I saw that new suit and I wanted that new car. I just never quite manage to fill my needs, so I don't get around to saving.

A full 44 percent are saving of the current workers, 21 percent on a cautious basis, meaning they say I know I am not saving enough. I have done my plan and I am not living up to it, but I am trying. And 23 percent have done the plan and are living up to it.

Against the issue of opportunity, I think I would underline individual retirement accounts and now Roth IRAs are essentially available to nearly all Americans, and particularly other than the highest-income Americans for saving. Employer plans are not available to everybody, but the individual opportunity outside the employer is very much there.

I think part of what the SAVER Summit hopefully will begin to do, and follow on steps of the Labor campaign and other things, is to begin getting more and more Americans to focus on the fact that there is ultimately a price to pay for being an impulsive denier, even if you are struggling, and that ultimately if you don't want to work forever, you had better start thinking about these issues along the lines of your SAVER objectives.

The CHAIRMAN. Sharon, perhaps the people I ask about don't come to your conferences. I don't know, but the extent to which you have had experience in that area, I would appreciate your response if you have one.

Ms. ROBINSON. Mr. Chairman, I think people need to get motivated, and some people are going to be motivated from a negative perspective, as was pointed out in the retirement confidence survey results. People sometimes act because they see other people who don't have enough and they don't want to be like that. They are experiencing their parents who are now currently living on Social Security and seeing that they have to do without.

So sometimes it comes from a negative motivation rather than from a positive motivation where we encourage people to look toward the future, look to the golf resorts, the cruises they may want to take. Somehow, for some people that don't quite get it. They prefer to be motivated from a negative standpoint. Whichever way we can help get them motivated, I think we need to get information out there in both respects, and maybe approaching it from both sides of the spectrum will hopefully be able to get all people's attention.

The CHAIRMAN. I thank you very much.

I call on Congressman Fawell.

Mr. FAWELL [presiding]. Well, I would like to just pursue what we were discussing before. Ms. Berg, you have sort of indicated that as far as Social Security is concerned, there is a big fat "no." We know that no matter who the recipient is, the law is clear. Thou shalt not invade the corpus, whatever the tragedy may be at home or anything of this sort—very, very hard-hearted, I guess, one might in some instances describe that viewpoint.

But, yet, with defined contributions which seem to be growing and seem to be taking over, I am not sure if defined benefits are salvageable. With the large corporations, yes, but mid-sized and small ones, I guess not. But are you saying that defined contributions which do—that is where women are saving, that is where the small business people are, that is where people who don't have a great deal of salary are. We would say, well, you can invade, and Congress is giving all kinds of rights of invasion now.

I don't mean to put you on the spot, and yet I think it is something I hope someone will wrestle with because if you lose 100 billion, as Mr. Salisbury said, for those who need it the most, are we doing the right thing?

Ms. BERG. Congressman Fawell, by saying the issue was complicated, I certainly didn't mean to say it is not something we should be thinking about. We should be talking about measures that will help to preserve more of those funds for retirement.

But I guess the basic point that I am trying to make is when people see this individual account, that is one of the things people like about 401(k)'s. They not unexpectedly tend to think of that as their money and want to have some control over how that money is used.

In the context of Social Security, one of the issues under discussion is should we have some separable account for individual people. As we discuss the pros and cons of that, I think one of the issues we need to keep in mind is people are likely to view that kind of account the same way. I would suspect that you as people in Congress will be the first to feel those pressures if people feel that they are unduly restricted from accessing what they see as their money for what they see as important needs for their families. I think we just have to keep that in mind as we talk about the kinds of vehicles that are important. Now, if there are ways that we can better protect this money for retirement, we certainly should pursue those.

Mr. SALISBURY. Congressman, I would note that your challenge is even slightly greater than Assistant Secretary Berg has noted, in that most defined benefit plans that existed in 1974 in terms of the people covered are still with us today. But they are being redesigned rather dramatically and individual accounts are being introduced into defined benefit plans.

Lump-sum distributions are becoming increasingly common out of defined benefit plans. Congress itself acted this last year to increase from $3,500 to $5,000 the amount that a defined benefit or defined contribution plan can essentially force the individual to take as a lump-sum distribution, which increases to the vast majority of those leaving a defined benefit plan the guarantee that they will be given their benefit in that distribution rather than later.

All of that is causing the preservation rollover issue to become an increasingly important challenge out of both defined benefit and defined contribution plans. So if you are looking for a crusade upon retirement, this is one you may wish to take on.

Mr. FAWELL. I am really not.

Mr. Stone, in your testimony you had indicated that you felt that employees should not be delving into the trust fund, although you did say, well, in cases of severe sickness, et cetera, you would countenance it.

Mr. STONE. Yes. They are underneath extreme hardships. Probably the most loose one would be toward the purchase of tuition or a new home.

Mr. FAWELL. Do you think that is a good idea? Would you prefer to have something like Social Security that just says once you start this, understand that this is for the long term or if you become disabled?

Mr. STONE. I think you have to, yes, because otherwise you are never going to get off the Social Security system. If our goal is to gradually do that, then it has to absolutely be a circumstance where—you know, it has been my feeling for some years that if a person could prove financial responsibility, he shouldn't have to pay into Social Security. But that would have to be a situation where it was 100-percent guarded from no removal for any circumstance.

Mr. FAWELL. Ms. Bruene, what is your view on that?

Ms. BRUENE. I truly feel that you have to have two separate accounts. One is for the house and for the tuition, medical, things that come up. But you have to have some percentage somehow that you can't get a hold of because I think that we would get a hold of it. I think that we would absolutely find—I mean, there are always going to be things that we need and we are going to have some pretty solid reasons for actually needing it. A home is very important, medical is very big, but retirement is going to come if you survive all of those things. So I think that perhaps a percentage needs to stay untouchable.

Mr. FAWELL. All right, thank you very much.

Congressman Payne.

Mr. PAYNE. Thank you very much. As a matter of fact, that was going to be my question. Do you think that a plan could be designed that would have a certain amount that would have to remain in savings, in other words, to allow people to borrow against their accrued savings, maybe something like that chart, you know? Maybe the green part could be borrowed, but the yellow and the pink could not.

What is your feeling, maybe the panel, could respond on some sort of a stipulation that maybe you can borrow on a limited basis for the first 10 years or something; at least let some equity build up? Would you think any kind of instrument like that would work?

Mr. SALISBURY. Mr. Chairman, I will note that I am a small employer and we do have a 401(k) plan and it does not have loan provisions and it does not allow hardship withdrawals, and we still have 100-percent participation and they participate fully up to the match. It is communicated purely as a retirement plan.

My view is a very simple one as an employer. If you want to save for those other emergencies, save in an IRA, save in a Roth IRA, do what you wish. But what the employer role, in my view, is as an employer is providing a retirement plan. We also have a money purchase pension plan to which we as the employer contribute all of the money, and again that does not have any ability to borrow or to take loans.

But going to Congressman Fawell's point, when people leave the Institute they have the option under the law of taking a lump-sum distribution. At that point, I can attempt to educate them, as we do on a one-on-one basis, to roll that over and to preserve it. But the way the law is currently written, as an employer it allows me to meet what you are describing while people are employed at the Institute paternalistically, if you will.

But, clearly, the option for them to then spend the money on other things at the point that they change jobs is very much within the law. So I am not as sure that if you basically—because of that, if the law continues to allow that at the point of job change, then you could argue that the law almost has to allow for some flexibility while people are still with an employer in design. Otherwise, you would start to create, frankly, a very strong incentive literally for people, if they got into financial difficulties, to potentially quit a job and move to another job just to get access to the money, which the law currently would allow them to do. You essentially create an incentive for job turnover if you did not provide some access in between.

I think ultimately Congress has to almost deal first with the issue of what happens upon job change, and then follow dealing with design questions of what happens when somebody is working and what the design can be of the plan.

Mr. PAYNE. Would anyone else like to comment on that?

Ms. BRUENE. Yes, I would. I would like to say that when I say that we would spend it, if we had an account that wasn't called an IRA which is an individual retirement account or a 401—we know both are for retirement. If we were allowed to put money away in a savings account that was specifically for homes, specifically for education for our children, and we knew we were going to be tapping it, in addition to the IRA and the other accounts, is what I was trying to indicate.

Mr. PAYNE. The problem would be I guess if you had an account like that, it couldn't be tax-deductible. Maybe we need to give people a tax break for saving, you know. That might be a little something to do, to provide an incentive but I am sure that won't happen.

I don't know whether to ask the next question. That bell is going to ring.

You did mention, though, that small businesses would be more inclined to provide coverage, Mr. Salisbury, if they received tax credits. What other kinds of incentives do you think would help a company make these available?

Mr. SALISBURY. I think if we are speaking specifically to small businesses, what Assistant Secretary Berg was mentioning is really the most important step. It is not additional incentives; it is making small employers readily aware of some of the extraordinarily, if you will, simple options that Congress has now, in fact, made available.

What the survey clearly shows is that most small business owners are not aware of what you have done in recent Congresses. They are not aware of the opportunities that they could be taking, and I think the interactive Web site that has been set up by the Department of Labor, combined with efforts of the Small Business Administration and private groups like the Chamber of Commerce, the National Association of Manufacturers, the National Federation of Independent Business—if all of those types of entities are urged on by the National Summit this week to massively take out to small enterprises educational material on this extraordinarily cheap, easy, simple ways to allow people through payroll deduction to pay themselves first, we could see a substantial increase in coverage and activity among small businesses.

They at this point believe that it is extraordinarily complex and expensive to do this and there are clearly plans out there—our money purchase plan—that fit that criteria. But if my sole objective was doing it at a de minimis cost, there now within the law are clearly ways for me to achieve that. I haven't had a chance to look at the Labor Department site, but I think it is a tremendously valuable and positive type of thing to be getting out there.

Mr. PAYNE. Thank you.

Mr. FAWELL. I would think we will leave it at that. We urge people to pay themselves first. I like that.

Again, thank you. On behalf of Senator Grassley, I appreciate your taking the time from your busy lives to be here, and we will probably be seeing you at the Summit.

Mr. SALISBURY. Thank you.

Mr. PAYNE. Mr. Chairman, could I just ask one quick question? Just before you leave, if the baby-boomers are there and when they all retire at the same time, is that in effect going to have an impact on cashing in stocks, selling houses, collecting money? Has anyone thought about that?

Mr. SALISBURY. Well, they are going to end up with life expectancy now—I mean, there was a mention here of, I think, an 88-year-old parent. My father is about to turn 85. My mother is about to turn 83. There are a lot of we boomers that are living through our parents' experiences that, you know, you may be around a whole lot longer than you planned on.

The issue of that is more and more of the advice that I think the retirement college and others are beginning to give is that people should be looking at their investment and savings time horizons such that you are still saving and adding money to your net worth through about the age of 75; that you are contemplating a relatively aggressively asset allocation until at least 70.

If my parents are still here in their 80s and they were supposed to be gone, according to the tables, on average, before 65, then by my tables I am going to still be coming and testifying here about my 99th birthday. So I think the impact on the financial markets—we have done studies. It has been thought about, but people literally are not going to be in a position to instantly liquidate what they have.

Ms. ROBINSON. One of the things that happens in investing is that you are dollar cost averaging while you are putting the money in, and we explain to people that you are going to be dollar cost averaging on the way out. On the day of retirement—and, Chairman Fawell, I am sure you will attest to this. The day that you retire, you are not going to take 100 percent of your retirement monies out. You are going to dollar cost average them out.

So there should be different allocations of money, and you don't necessarily want to go totally conservative just because you are retired. At the day of retirement, you still look toward your longest vacation of 30 to 40 years into the horizon.

Mr. PAYNE. Thank you. Thank you, Mr. Chairman.

Mr. FAWELL. I may have to reconsider whether I——

[Laughter.]

Mr. SALISBURY. Welcome back, Congressman.

Mr. FAWELL. Thank you very much. The meeting is adjourned.

[Whereupon, at 12:53 p.m., the joint hearing was adjourned.]

APPENDIX

EFFORTS TO INCREASE RETIREMENT SAVINGS: ISSUES FOR HISPANIC AMERICANS

SUBMITTED TO:

SENATE SPECIAL AGING COMMITTEE AND
EMPLOYER-EMPLOYEE RELATIONS SUBCOMMITTEE
OF THE WORKFORCE COMMITTEE,
U.S. HOUSE OF REPRESENTATIVES

Submitted by:

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Raúl Yzaguirre
President

June 10, 1998

I. INTRODUCTION

My name is Sonia M. Pérez, and I direct the National Council of La Raza's (NCLR) projects on Poverty and Employment policy. NCLR appreciates the opportunity to submit this statement which outlines important issues that should be considered as the nation examines efforts to increase retirement savings among Americans.

NCLR is the largest constituency-based national Hispanic organization; it exists to improve life opportunities for the more than 30 million Americans of Hispanic descent. NCLR acts as an umbrella for over 220 affiliated Hispanic community-based organizations which together serve 39 states, Puerto Rico, and the District of Columbia, and reach more than three million Hispanics annually through a range of services.

The statement that follows provides relevant demographic information on the U.S. Hispanic population, highlights research findings regarding Hispanics and retirement savings, outlines noteworthy policy implications, and concludes by presenting issues that policy makers should consider as they begin to shape strategies to improve retirement savings. As a point of clarification, the terms "Hispanic" and "Latino" are used interchangeably throughout this statement. In addition, all data presented below are for the Hispanic population in the 50 states, and do not reflect the status of Puerto Rico island residents.

II. SOCIO-DEMOGRAPHIC OVERVIEW OF THE U.S. HISPANIC POPULATION

The demographic characteristics of the Hispanic population overall, and the Hispanic elderly population in particular, are especially relevant to the discussion of Americans and retirement security.

The Hispanic population was estimated to total 30.1 million in April 1998, which constituted 11.2% of the nation's total population. Hispanics are the fastest-growing major racial/ethnic group in the country, having increased their population by one-third (33.6%) since 1990, and are projected to be the largest U.S. minority group by 2005. By 2050, almost one-fourth of the total U.S. population is expected to be of Hispanic origin.

Because Hispanics are a growing proportion of the total U.S. population, and a growing proportion of the total U.S. elderly and working-age populations, respectively, Hispanics are likely to play a pivotal role in the nation's future. For example, between 1997 and 2007, the Hispanic elderly population is predicted to increase 50.2%, and from 1997 to 2020 the number of Hispanics 65 years and over is projected nearly to double (increase of 185.1%). In addition, while Hispanics over age 65 represented 5.7% of the total Latino population in 1997, that proportion is expected to increase to 6.6% in 2007 and 9.0% in 2020. In addition, Hispanic elderly are also projected to make up a larger share, and White elderly a smaller share, of the total U.S. population 65 years and over in the near future. In 1997, Latinos comprised 4.9% of the U.S. elderly population, compared to

84.7% for non-Hispanic Whites and 8.0% for non-Hispanic Blacks. These proportions are expected to change in the next couple of decades, with Hispanics, Whites, and Blacks projected to constitute 8.9%, 77.9%, and 8.7%, of the total elderly population, respectively, in 2020. Furthermore, Hispanics are and will continue to be a significant segment of the American work force whose productivity, savings, and investments help to ensure the continued economic prosperity of the nation. For example, in 1997 10.1% of the U.S. workforce was Latino, a proportion that is expected to increase sharply in the coming decades.

However, several demographic trends may have implications for improving the Hispanic savings rate, and, correspondingly, the overall U.S. retirement savings rate.

First, the Latino population consists largely of youth and young adults – who, in general, tend to be the least likely to be thinking about retirement security. The median age for Hispanics was estimated at 26.5 years in 1997, while the median age estimates for non-Hispanic Whites and Blacks were 37.3 years and 29.8 years, respectively. Moreover, more than one-third (35.1%) of Hispanics were estimated to be under age 18 in 1997, compared to almost one-quarter (23.6%) of Whites and just under one-third (31.5%) of Blacks. Thus, a significant proportion of the Hispanic population is just entering its prime working years.

Second, educational attainment levels – the most significant predictor of economic prosperity and the ability to save and invest – have remained substantially lower for Latinos than for other Americans. While the number of Latino high school and college graduates has increased over the past decade, especially among young adult Hispanics, the proportion of the total Hispanic population that has graduated from either high school or college is far short of national averages. About three in five (59.9%) Hispanics between the ages of 18 and 34 had graduated from high school in 1996, compared to four in five Whites (83.6%) and Blacks (79.0%). Similarly, while 9.3% of Latinos had graduated from college in 1996, by contrast, 24.3% of Whites and 13.6% of Blacks had completed college that year.

Finally, despite the growing presence of the Hispanic elderly, both within the Latino population and among all seniors, their socioeconomic status has not kept pace with that of their White and Black counterparts. In 1996, the median income for Hispanics 65 years and over was $8,036, compared to $12,921 for Whites and $8,656 for Blacks. Furthermore, that same year, 24.4% of Hispanics 65 years and over lived below the poverty level, compared to 9.4% of comparable Whites and 25.3% of comparable Blacks. From 1990 to 1996, the poverty rate for Hispanics 65 years and over increased 1.9 percentage points, while rates for White and Black elderly decreased 0.7 and 8.5 percentage points, respectively.

III. NOTEWORTHY RESEARCH AND DATA

Efforts to increase retirement savings among Americans – and among Latinos in particular – can best be developed by understanding demographic and labor force trends, and other issues such as barriers and expectations associated with retirement. While research on Latinos and retirement savings and investment is limited, below are highlights from available studies and data that underscore retirement planning and savings concerns of significance to Hispanics:

A. **NCLR.** A 1991 NCLR report entitled, "On the Sidelines: Hispanic Elderly and The Continuum of Care," revealed that:

- A large portion of Hispanic elderly lack the adequate financial protection against the high cost of medical care.
- Out-of-pocket medical expenses are a substantial burden for poor elderly Hispanics.
- Although many Americans are choosing to retire at or before age 65, many Hispanic elderly cannot count on a financially secure retirement and need to continue working during their later years to survive.
- Lack of decent affordable housing is a major problem for Hispanic elderly.
- Older Hispanics rely heavily on informal sources of support – family, friends, and Hispanic organizations.
- Because economic well-being during old age is based on the degree to which the elderly were able to meet their needs throughout adult years and thus save and invest for old age, those who have been poor during their lives tend to continue to be poor during old age.

B. Employee Benefits Research Institute (EBRI). Recently released data from the 1998 Retirement Confidence Survey show that Latinos are the least likely of all Americans to have personally saved for retirement. Fewer than half of Hispanics (45%) have been able to put funds aside specifically for retirement, compared to three-quarters (75%) of Whites and Asian Americans, and slightly more than half of African Americans (52%). In addition, relative to other Americans, Latinos are much more likely to cite macro-economic events, like inflation and unemployment, as being a key reason for not having begun to save. Moreover, far fewer individuals (including Latino savers and non-savers) have tried to figure out how much money they will need to have saved by the time they retire. Only one in five Hispanic Americans (22%), compared to 45% of Whites, and 37% of Asian Americans and African Americans have tried to make a savings needs calculation.

Some additional key findings:

<u>Confidence</u>

- Thirty-seven percent of Hispanic Americans are not "confident" that they will have enough money to take care of basic expenses in retirement. African Americans were somewhat more confident, but still, one quarter (26%) are "not confident." Asian Americans and Whites hold similar confidence levels (14% and 13% are "not confident," respectively).

- Among all groups, Hispanics are the most likely to say that they are "very confident" about their ability to invest but, according to survey findings, Hispanics are more likely than other groups to say that they cannot find investment information that is easy to understand.

<u>Sources of Retirement Income</u>

- A slightly higher proportion of Latinos than Whites or Blacks expect support from children or other family to be available to them in their retirement years.
- Hispanics are significantly less likely than other American workers to view an employer pension as a source of income during their retirement.
- A sizable segment of Latinos expects to rely on Social Security income during their retirement. One-quarter of Hispanic (and White) workers expect Social Security to be their principal source of retirement income, compared to almost one-third of Blacks (32%) and one in seven Asians.
- More than one in six (17%) Latinos expect part- or full-time employment to be their most important source of retirement income.
- A higher proportion of Hispanic respondents than any other group say they are "not comfortable" with banks and other financial institutions.

C. **Heritage Foundation.** In March 1998, the Heritage Foundation released a study entitled, *Social Security's Rate of Return for Hispanic Americans.* The Heritage Foundation contended that Hispanics would achieve a higher rate of return and a greater level of retirement security if they placed their payroll tax contributions in private investment accounts. The Heritage Foundation asserts that a higher rate of return from tax contributions is important, not only for a person's own financial well-being, but also for her/his family, the succeeding generation, and the community in which s/he lives. The study principally focused on rates of return and did not include analysis of transition costs, nor did it weigh Hispanic socio-economic status concerns, or discuss Hispanics' lack of experience with investing.

D. **Data on Hispanic Participation in Federal Health Care Programs.** In 1995, a comparable proportion of Hispanic, White, and Black elderly (91.9%, 96.9%, and 93.6%, respectively) were covered by Medicare, the primary federal health care program for elderly Americans. In addition, a larger percentage of Hispanics 65 years of age and over were also covered by Medicaid (the primary federal health care program for poor Americans) 30.2%, in contrast to Whites (7.3%) and Blacks (21.3%). However, despite the existence of these federal health insurance programs, 4.3% of Hispanic elderly lacked health insurance coverage, compared to 0.7% of White elderly and 2.1% of Black elderly.

E. **Data on Hispanic Participation in Federal Retirement and Employee Pension Plans.** The Social Security system is designed, in part, to help alleviate poverty among elderly Americans and help meet the retirement needs of workers (especially those who do not have access to, or are unable to participate in, employee pension plans). Hispanics 65 years and over received a larger share of income from Social Security than Whites in 1996, 46.9% compared to 41.8% (Blacks' share was similar to that of Hispanics, 46.7%). This is especially important for Latinos because they received much less income from pensions that year, 13.5%, compared to 18.3% for Whites and 18.1% for Blacks.

Furthermore, according to Department of Labor (DOL) employee pension coverage data, while there were about 12.3 million Hispanic Americans in the workplace in 1997, only 32% participated in employee pension plans, compared to 44% of other minorities and 51% of Whites. In fact, DOL reported that between 1979 and 1993 the rate of pension participation for Hispanics declined five percentage points, compared to a one percentage point increase for Whites.

IV. IMPLICATIONS

For Hispanics in particular, the lower rates of income from savings and investment tend to mean that fewer Latino families will be adequately prepared for retirement, and also that Latinos will benefit relatively less from a rising stock market and surging economy. For the nation overall, with fewer Hispanics saving and investing, the economic inequality between Americans promises to widen as other Americans increase their investment portfolios and exponentially improve their retirement security outlooks. Given that the prosperity and economic growth of the nation is largely dependent on the skills, productivity, economic security, and capital of its workforce, and given that Hispanic Americans are projected to grow both as a proportion of the workforce and a proportion of elderly Americans, the savings and investment patterns of Hispanics have become increasingly critical to the nation.

However, taken together, the data and research cited herein suggest that while Hispanics are a "good bet" for savings and investment programs, they face several socio-economic challenges and obstacles that may preclude them from adequately planning and saving for retirement. The net effect of these factors makes it more likely that future elderly Hispanics will need to work beyond retirement, will continue to rely on friends and family for retirement support, and will continue to depend heavily on Social Security for financial support. The result is that Hispanics will continue to be relatively poorer than other groups throughout their retirement years. For example:

- **Work and Jobs.** While Hispanics tend to enter and be in the work force at a higher rate than other groups, Latinos tend to be concentrated in low-wage jobs that typically do not offer retirement savings vehicles or pension plans. These occupations also maintain higher rates of worker dislocation and above-average rates of unemployment relative to other American industries. Therefore, Hispanics have both less access to pensions as a group, and less tenure in stable jobs that allow for retirement planning.

- **Homeownership and Housing.** While homeownership rates for Latinos continue to rise, illustrating the desire to build assets and own property, housing discrimination, lack of access to information about homeownership, and the lack of affordable housing for both Hispanic workers and elderly retirees ensures that a greater portion of income is spent on rent instead of invested in a home, or building a retirement "nest egg."
- **Savings and Financial Literacy.** While anecdotal evidence suggests that savings and investment for retirement are becoming increasingly important considerations for Hispanics, NCLR's experience, both from a data analysis and a community-based perspective, suggests that a significant segment of the Hispanic population has a low level of "financial literacy." This is demonstrated by the fact that many Hispanics acknowledge that they do not feel comfortable with banks and other financial institutions. Moreover, research suggests that a significant proportion of Hispanics do not have access to the information that they need. Taken together, this information demonstrates that Latinos are not planning and saving for retirement, in part, because they lack both the information and the skills/tools needed to make investment decisions.
- **Family Income Support and Family Structure.** Evidence shows that Hispanic retirees traditionally have expected to rely on their children for financial support, and that workers expect to provide for their parents during retirement years. While this type of support is both admirable and critical to ensuring that Hispanic elderly are not destitute, it increases the economic burden on Hispanic workers, limiting their own ability to save for retirement. This informal retirement support system may also have serious implications for future retirees given demographic changes in Hispanic family structure (such as the growing number of Hispanic single-female-headed families) which may limit the income security that Hispanic children will be able to provide their parents in future years.
- **Health Insurance Coverage.** While eligible for most federal health programs, Hispanics continue to be the least likely to have health insurance and spend a greater share of their income on out-of-pocket health care costs, both as workers and as elderly retirees. In this sense, Hispanic workers often have to choose between meeting the health care needs of their families or saving for their future economic stability.
- **Discrimination.** There is substantial evidence that unlawful discrimination inhibits improved relationships between many financial institutions and Latinos. With respect to mortgage lending, for example, Home Mortgage Disclosure Act data reveal that Hispanics are denied mortgage loans at twice the rate of non-Hispanics with similar income profiles. Paired testing studies have also demonstrated disparate treatment of customers seeking other types of financial services based on national origin. A number of studies have documented that Latinos face substantial "redlining" in the insurance market, which may also inhibit their access to related savings vehicles, such as annuities and life insurance products. These studies strongly suggest that discrimination, combined with other factors – lack of information about and lack of trust in financial institutions – severely inhibits access of many Latinos to mainstream financial institutions.

Finally, the discussion above also suggests that the nation's future economic prosperity and competitiveness are, in large part, tied to the economic position of Latino workers. The majority of Latinos are in their prime working years, the Hispanic population is expected to increase significantly, and Hispanics are a source of tremendous economic potential. As a result, policy makers would be negligent if they did not fully include or consider the perspectives of the Latino community in discussions on retirement savings and security.

V. CONCLUSIONS

In summary, policy makers should consider the following as they develop strategies to encourage Americans to plan and save for retirement:

1. **Facilitate savings for low-income earners.** Based on NCLR's understanding of and experience with the low-income Latino population, increasing savings via reshuffling current household spending priorities is probably not a realistic option for the poor and near-poor, given the competing – and essential – demands for their limited resources. Nevertheless, there may be some other approaches which could begin to encourage savings among such families, including lifeline bank accounts and the use of strategies, such as properly implemented Individual Development Accounts (IDA). A variation of these strategies could create both programmatic and monetary incentives for low-income families to engage banks and open accounts. In addition, the implementation of the Electronic Funds Transfer program (EFT '99), while posing some challenges, may also help to further relationships between low-income earners, retirees, and banks and other financial institutions.

2. **Promote "financial literacy" among all Americans.** Given that Hispanics cite a lack of understandable information as a key reason for not planning and saving for retirement, policy makers should seek ways to ensure that all Americans have both the information available to them regarding savings alternatives and the skills/tools necessary to make informed decisions about investments. In particular, financial institutions should be key partners with policy makers in demonstrating more foresight in encouraging the financial literacy of the nation's Hispanic community, especially given its valuable contributions to the economy through work, business growth, and buying power. In addition to conducting outreach and dissemination, such promotion efforts should also include practical, experience-based programmatic strategies that directly expose individuals to these institutions. For example, low-income earners may need an account to be opened on their behalf, or walked-through the process of opening a savings account at a local bank. Meanwhile, Hispanic middle-income earners might benefit from investment-related information concerning homeownership, stocks, bonds, etc. Promotion should also involve a school-based component, especially for low-income children who may not have the benefit of having bank accounts opened for them by their parents or grandparents, as most middle- and upper-income children do.

3. **Support Latino institutions that promote financial literacy, facilitate savings, and encourage access to financial institutions.** A number of NCLR affiliates and other Hispanic community-based organizations actively promote savings and financial literacy. For example, more than 30 NCLR affiliates operate housing counseling programs, which promote homeownership among Hispanics and also work with families to prevent mortgage delinquency and foreclosure and to otherwise promote financial literacy; many of these efforts are funded, in part, by the Housing Counseling program of the Department of Housing and Urban Development (HUD). The Phoenix-based NCLR affiliate Chicanos Por La Causa operates a community development credit union, which both encourages savings among, and provides access to, capital for Arizona's Hispanic community. The San Diego-based NCLR affiliate MAAC project is involved in the formation of a community development bank funded by the Community Development Financial Institutions (CDFI) program. A number of Hispanic civic and community groups are involved in fair housing and fair lending outreach and enforcement programs, many of them supported by HUD's Fair Housing Initiatives Program (FHIP). These and other efforts advance the national interest by increasing access of Hispanics to the financial system, and deserve full Congressional support.

4. **Develop savings vehicles that follow the employee.** Given that American workers are expected to have several jobs over their working lifetimes, and considering the employment profile of Hispanics, who tend to experience high rates of worker dislocation and unemployment, policy makers and businesses must develop opportunities for such workers to save for their retirement through vehicles that are portable. Although Individual Retirement Accounts (IRA) and 401(k) plans are supposed to fill this niche, they are of relatively little use to low-income workers in marginal industries.

5. **Shape retirement savings proposals that also address the socio- economic issues that workers and the elderly face.** Because the economic well-being of retirees is largely dependent on their economic status during adult working years, strategies to increase retirement savings should also address the socio-economic issues that affect current adult workers. For example, strategies that include increasing health care coverage, homeownership, and access to affordable housing for Hispanics will go a long way to increasing the capacity of Hispanics to save and invest.

6. **Include a retirement savings promotion strategy for employers.** Evidence suggests that employers are also unclear about the benefits and costs associated with creating and developing pension programs. Results of the EBRI study reflect some confusion regarding pension coverage, particularly among small business employers. Given that a significant number of small business owners and employees of small businesses are Hispanic, a targeted promotion campaign may prove useful.

7. **Invest in education and workforce development efforts to increase the capacity of Hispanics to save toward their own retirement and support current retirees through social insurance contributions.** Although NCLR supports and carries out a wide variety of efforts encouraging Latinos to save, purchase homes, and participate in the mainstream financial system, the single greatest barrier to increased savings rates among Hispanics is socioeconomic status. In addition to educational efforts to promote savings, NCLR strongly supports increased investments in education and worker training that can increase the earning power – and thus the savings capacity – of Hispanic workers and families. A recent RAND Corporation study, for example, estimated that increasing the college completion rate of Latinos who are currently 18 years old by as little as three percentage points would increase this cohort's projected social insurance contributions by $600 billion. The Clinton Administration has proposed an Hispanic Education Initiative – a series of educational investments designed to improve educational opportunities of Hispanic Americans; Congress should fully fund these investments in FY 1999 appropriations bills.

In conclusion, I would like to thank Congress for bringing attention to this important issue and hope you will consider these views. Thank you.

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Written Statement Of

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Commissioner, Texas Securities Board

Submitted to the
Senate Special Aging Committee and House Employer-Employee Relations Subcommittee

JOINT HEARING ON WAYS TO INCREASE RETIREMENT SAVINGS

June 2, 1998

I appreciate the opportunity to submit a written statement on behalf of the North American Securities Administrators Association, Inc. ("NASAA")[1] for the record of this Joint Hearing on *Ways to Increase Retirement Savings.* I have previously testified before the Senate Special Aging Committee on other consumer related issues, and I am pleased you are now focusing on the topic of retirement savings.

Despite all the hype and media coverage of Wall Street these days, America faces a financial literacy crisis. More and more Americans are turning to investments to meet their financial goals, yet studies and surveys show that Americans don't understand the financial basics. Many don't understand how our securities markets work, how to assess the risks and rewards of investments or how to figure what they will need to save for retirement. Three out of four American workers have no idea how much they need to save and accumulate for retirement.[2]

Chairman Grassley was aware of this gap when he sponsored the "Savings are Vital To Everyone's Retirement Act of 1997." That law mandated a summit on retirement savings that the White House is hosting on June 4 – 5 in Washington. Congress found that "a

[1] The oldest international organization devoted to investor protection, the North American Securities Administrators Association, Inc. was organized in 1919. It is a voluntary association with a membership consisting of the 65 state, provincial and territorial securities administrators in the 500 states, the District of Columbia, Canada, Mexico and Puerto Rico. In the United States, NASAA is the voice of the 50 state securities agencies responsible for grass-roots investor protection and efficient capital formation.

[2] Paul Yakoboski & Jennifer Dickemper, *Increased Saving But Little Planning: Results of 1997 Retirement Confidence Survey*, Employee Benefit Research Institute Brief, 1 (Nov. 1997).

leading obstacle to expanding retirement savings is the simple fact that far too many Americans–particularly the young–are either unaware of, or don't have the knowledge and resources necessary to take advantage of the extensive benefits offered by our retirement savings system."

In the United States, NASAA members license stockbrokers and brokerage firms, we regulate small investment advisers (those with less than $25 million under management), we review certain securities offerings and put securities con artists in jail.

One of our most important jobs is investor education. This is especially true today, with record numbers of Americans participating in the stock market.

Today individuals must make financial decisions. In the past, planning for the future fell on external forces--government (through Social Security and Medicare) and employers (pension plans directed by the employer). Today, responsibility has shifted to the individual. Many Americans no longer expect Social Security to be their major source of retirement income and now find themselves in a precarious and challenging position.

The trend has shifted from saving to investing. In generations past, Americans put their money in savings accounts. They viewed the stock market as a pastime of the rich. Today, investing in the market is serious business, a necessity for accumulating the money essential for retirement or other financial goals. In 1989, 31.7 percent of U.S. families owned stock. In 1995, 41.1 percent owned stock. Assets of mutual funds, now more than $4.4 trillion have surpassed the $2.7 trillion on deposit in U.S. commercial banks.

The fact is, what Americans don't know about saving and investing can hurt them and their financial futures. That's why this spring NASAA and the Securities and Exchange Commission ("SEC") joined forces on an unprecedented investor education effort. Nearly 40 states took part in the "Facts on Saving and Investing Campaign." The campaign brought together regulators, securities industry groups, consumer advocates and others for a week of events, from March 30 - April 4.

Over 35 states took part in the Campaign week and NASAA and its members worked hard to reach and inform investors through a series of events.

Thirty-two cities in twenty states linked-up to the televised National Investors' Town Meeting on April 4. Many states incorporated the national town hall meeting with their own town meetings.

In the state of Arizona, speakers focused on explaining the functions of the Securities Division, how the financial markets work, the ethics of the securities business and how investors can avoid fraud.

Elsewhere, regulators made an unprecedented effort to reach out to new audiences. In New York, for example, an investor education seminar was given, in Spanish, to an overflow audience in New York City's Harlem neighborhood.

Similar seminars were held in Nevada, Nebraska, Kansas, and Maine, to name just a few states.

Investor education materials were distributed to libraries; senior centers and state buildings. Indiana Secretary of State Sue Ann Gilroy unveiled a new Senior Citizens Investors Packet that was distributed by the securities division to senior centers across the state.

NASAA and its members worked hard and succeeded in getting media coverage of the week's events. *USA Today* devoted an entire page to the Campaign, including a state-by-state list of activities. The *New York Post* and *Los Angeles Times* ran stories, as did the major news wire services--Associated Press and Bloomberg News. Locally, fifteen NASAA members were featured in more than thirty newspaper articles. Maine, Kansas and New York securities commissioners appeared on television talk shows across their state. Several other NASAA members were featured on radio call-in shows.

April 2 was Teach Our Children Day and the kick off of "Financial Literacy 2001," a program developed in Texas and aimed at teaching the fundamentals of personal finance to every high school senior in the country. The program is a joint effort of NASAA, the NASD and the non-profit Investor Protection Trust. As I told reporters: "Think about it--in our high schools, we teach phys-ed, sex-ed, and drivers-ed—it's time to teach investor-ed." Financial Literacy 2001 will be rolled out beginning this fall. A brochure is attached to this statement.

Also on Teach Our Children Day, across the United States, financial industry professionals and regulators spoke to high school students about careers in the financial services industry. SEC Chairman Arthur Levitt and I visited the Academy of Finance at New York's High School of Economics & Finance to educate students on career opportunities in the financial services industry. Also in New York, a select group of inner city students got a personal tour of the floor of the New York Stock Exchange, escorted by NYSE Chairman Richard Grasso and New York Attorney General Dennis Vacco. Many state securities staff took their message to students, and in Vermont the securities staff gave presentations to high school and college students.

One goal of the Campaign was to encourage Americans to save more. The Ballpark Estimate, a simple one-page worksheet to help investors determine what they need to save for retirement, was distributed in Indiana, Michigan, Montana, Nebraska, Nevada, New Jersey, New York, and Ohio. A copy of the Ballpark Estimate is attached to this statement. Ten states also promoted the Money 2000 program, which encourages Americans to save $2,000 by the year 2000.

50-251 - 98 - 4

After the week was over I followed up on two ideas to encourage more Americans to become financially literate and to save and invest wisely. I contacted MTV to encourage the network to produce and air a regular program on financial issues, like the very successful Rock The Vote campaign. And I wrote the head of the Internal Revenue Service about including the Ballpark Estimate with next year's income tax forms.

In conclusion...the old saying that a journey of a thousand miles begins with a single step certainly applies to this investor education campaign. We face a financial literacy crisis. It won't be solved in a week, a month or a year. It will take many, many small steps—by regulators, industry groups, consumer activists, the media and others. But we can and must make progress. And with the leadership and involvement of Members of Congress like you, we will.

Chairman Grassley, Chairman Fawell and Members of these two Committees, thank you for allowing me to submit this statement, and I welcome the opportunity to work with you to better prepare this nation's workers on how to save and invest for their retirements and future financial security.

Thank you.

ASEC
AMERICAN SAVINGS EDUCATION COUNCIL

Get a Ballpark Estimate of Your Retirement Needs

The American Savings Education Council's Planning and Saving Tool

Forget, for a few moments, the anxiety and complexities of planning and saving for a comfortable retirement. The American Savings Education Council (ASEC) has a savings tool to make this exercise a lot easier—the ***Ballpark Estimate*** worksheet. This easy-to-use, one-page form tackles a subject many Americans avoid because they find it too scary and intimidating: determining how much they need to save for retirement.

By simplifying some issues that seem complicated, such as projected Social Security benefits and earnings assumptions on savings, ***Ballpark*** offers users a way to take a first step to obtain an estimate of what Americans need for retirement. The worksheet assumes you'll need 70% of current income, that you'll live to age 87, and you'll realize a constant real rate of return of 3% after inflation.

For example, let's say Jane is a 35-year-old working woman with two children, earning $30,000 per year. Seventy percent of Jane's current annual income ($30,000) is $21,000. Jane would then subtract the income she expects to receive from Social Security ($12,000 in her case) from $21,000, equaling $9,000. This is how much Jane needs to make up for each retirement year. Jane expects to retire at age 65, so she multiplies $9,000 x 16.4 equaling $147,600. Jane has already saved $2,000 in her 401(k) plan. She plans to retire in 30 years so she multiplies $2,000 x 2.4 equaling $4,800. She subtracts that from her total, making her projected total savings needed at retirement $142,800. Jane then multiplies $142,800 x .020 = $2,856. This is the amount Jane will need to save annually for her retirement (see reverse side). The ***Ballpark Estimate*** worksheet demonstrates how easy it is to take the first step—broadly estimating how much you need in total, and how much you need to save.

According to the seventh annual Retirement Confidence Survey (RCS), co-sponsored by ASEC, the Employee Benefit Research Institute (EBRI), and Matthew Greenwald & Associates (MGA), only one-third (36%) of workers surveyed have tried to determine how much they'll need to save for a comfortable retirement. Of those workers who have tried, 24% still didn't know how much they'd need to be secure.

Helping Americans learn about savings and retirement planning is ASEC's primary mission. A coalition of more than 200 private- and public-sector organizations, ASEC undertakes initiatives to raise public awareness about what is needed to successfully ensure long-term personal financial independence. ASEC's goal is to make saving and planning a vital concern of Americans and in the economic interests of employers. In addition to ***Ballpark Estimate***, ASEC has developed other savings education brochures, including ***The Power to Choose*** and ***How Do I Get There From Here?*** and has helped to distribute several million copies of the ***Top 10 Ways to Beat the Clock and Prepare for Retirement*** brochure, developed by the U.S. Department of Labor.

Copies of the ***Ballpark Estimate*** worksheet, ***The Power to Choose, How Do I Get There From Here?*** and other saving and planning tools such as information on upcoming events, glossaries, electronic links to ASEC partners' "home pages," etc., are available on ASEC's Web site <www.asec.org>.

Individuals may obtain printed copies of ASEC brochures by sending a self-addressed, stamped (78¢ postage), business-sized envelope to: ASEC Savings Education Brochures, American Savings Education Council, Suite 600, 2121 K Street NW, Washington, DC 20037-1896

ASEC is part of the Employee Benefit Research Institute Education and Research Fund, a 501(c)(3) nonprofit, educational association.

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Winter 1998

BALLPARK E$TIMATE

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire.
So let's play ball!

1. How much annual income will you want in retirement? (Figure 70% of your current annual gross income just to maintain your current standard of living. Really.) — $ 21,000

2. Subtract the income you expect to receive annually from:
   - Social Security—If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 — -$ 12,000
   - Traditional Employer Pension - a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) — -$ ______
   - Part-time income — -$ ______
   - Other — -$ ______

This is how much you need to make up for each retirement year: =$ 9,000

Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below. — $ 147,600

Age you expect to retire:	Your factor is:
55	21.0
60	18.9
→ 65	16.4 ←
70	13.8

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. — +$ ______

Age you expect to retire:	Your factor is:
55	8.8
60	4.7

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). — -$ 4,800

If you want to retire in:	Your factor is:
10 years	1.3
15 years	1.6
20 years	1.8
25 years	2.1
→ 30 years	2.4 ←
35 years	2.8
40 years	3.3

Total savings needed at retirement: =$ 142,800

Don't panic. Those same accountants devised another formula to show you how much to save each year in order to reach your goal amount. They factor in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below. — =$ 2,856

If you want to retire in:	Your factor is:
10 years	.085
15 years	.052
20 years	.036
25 years	.027
→ 30 years	.020 ←
35 years	.016
40 years	.013

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www.asec.org
www.ebri.org

See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It also reflects today's dollars; therefore you will need to re-calculate your retirement needs annually and as your salary and circumstances change. You may want to consider doing further analysis, either by yourself using a more detailed worksheet or computer software or with the assistance of a financial professional.

1/98

BALLPARK E$TIMATE

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire.
So let's play ball!

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2. Subtract the income you expect to receive annually from:
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   - Traditional Employer Pension – a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) -$ ________
   - Part-time income -$ ________
   - Other -$ ________

This is how much you need to make up for each retirement year: =$ ________

Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65.

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Total savings needed at retirement: =$ ________

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If you want to retire in:		Your factor is:
	10 years	.085
	15 years	.052
	20 years	.036
	25 years	.027
	30 years	.020
	35 years	.016
	40 years	.013

See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

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1998 Small Employer Retirement Survey

Background Slide Presentation for Joint Senate Aging Committee and House Subcommittee on Employer-Employee Relations Hearing
June 2, 1998

SERS Sponsored by:
Employee Benefit Research Institute,
American Savings Education Council, and
Mathew Greenwald & Associates

METHODOLOGY

- Survey of Small Employers Regarding Retirement Benefits
- Phone Interviews With Employee Benefit Decision-Makers
- National Sample of Businesses with 5 to 100 Employees
- Interviews Conducted March 1998
- Two Questionnaire Versions:
  - 301 Interviews With Companies That Have A Plan
  - 300 Interviews With Companies Without A Plan
- The Margin of Error for Each Version is Approximately +/- 6%

COMPANY PROFILE

	Have Plan (n=301)	No Plan (n=300)
Full-time Employees	%	%
5 to 10	15	40
11 to 20	18	27
21 to 50	33	26
51 to 100	34	7
Part-time Employees		
None	24	29
1 to 2	29	21
3 to 10	27	28
11 or More	20	22
Business Owners		
Yes	33	56
No	66	44
Respondent's Decision-Making Role		
Owner/Sole Decision-Maker	16	36
Make Decisions With Some Input	20	20
Part of Decision-Making Group	64	44

COMPANY PROFILE

	Have Plan (n=301) %	No Plan (n=300) %
Age of Business		
Less Than 5 Years	6	18
5 to 14 Years	22	33
15 to 29 Years	31	27
30 Years or More	39	19
Family-Owned Business		
Yes	47	64
No	52	36
Franchise		
Yes	7	12
No	92	87
Gender of Owners	(n=232)	(n=267)
All Male	63	62
All Female	8	6
Mix of Gender	28	31

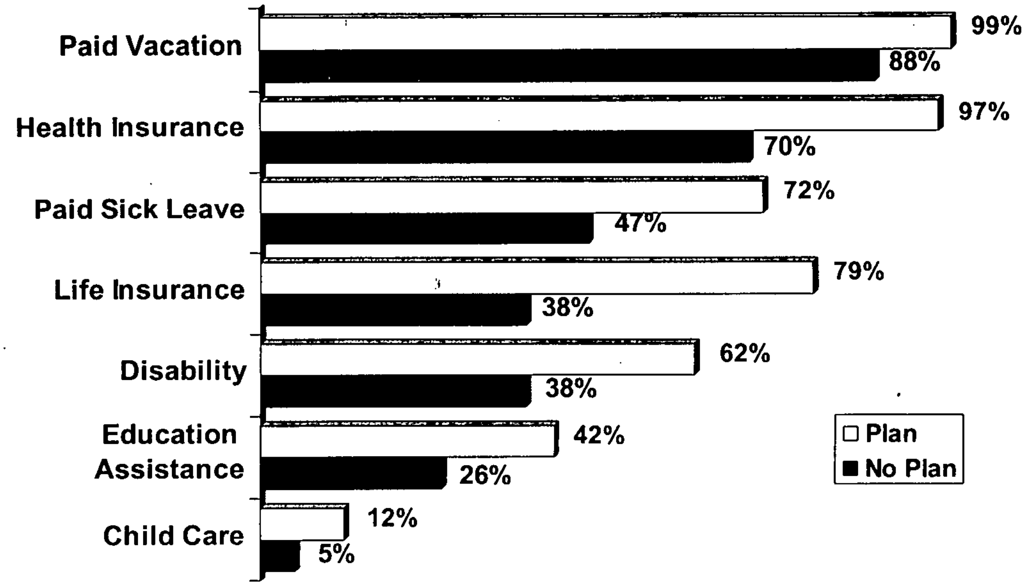
COMPANY PROFILE

	Have Plan (n=301) %	No Plan (n=300) %
Age of Most Employees		
Under 30	16	30
30 to 49	78	65
50 or Older	4	3
Length of Employment for Most Employees		
Less Than 3 Years	10	26
3 to 10 Years	57	50
More Than 10 Years	31	16
Salary for Most Employees		
Less Than $20,000	16	34
$20,000 to $50,000	73	60
Over $50,000	5	2
Education Level for Most Employees		
HS Degree or Less	43	62
Some College	29	25
College Graduate	27	10

COMPANY PROFILE

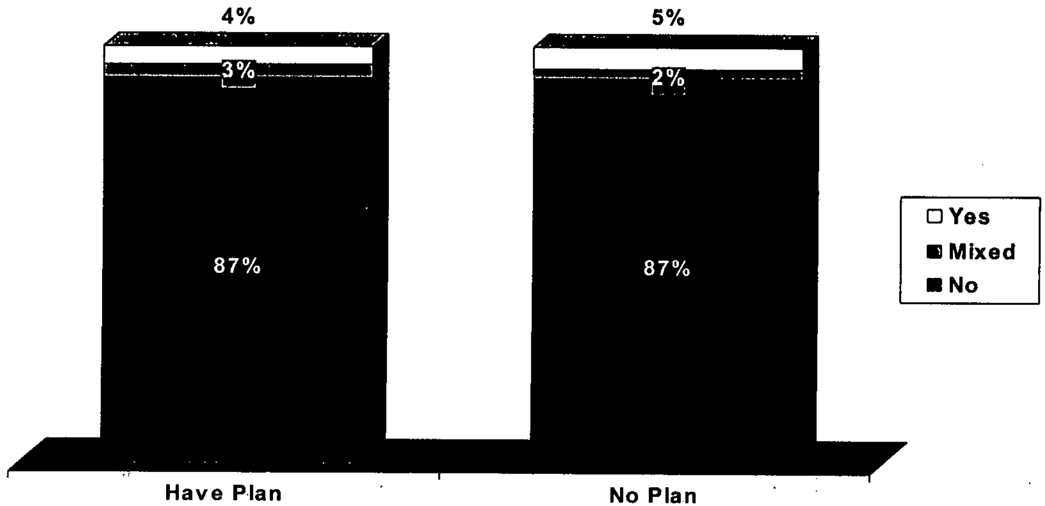
	Have Plan (n=301) %	No Plan (n=300) %
1997 Yearly Gross Revenue		
Less Than $500,000	9	22
$500,000 to $1,000,000	10	19
$1,000,000 to $2,500,000	18	22
$2,500,000 or More	35	14
Gross Revenue Compared to 1996		
Higher	73	66
Lower	14	22
Same	5	5
Increase in Gross in 1997	(n=219)	(n=198)
Less Than 2%	10	7
2% to 5%	25	29
6% to 10%	20	18
11% or More	26	27
Don't know/Refused	20	19

BENEFITS OFFERED TO EMPLOYEES



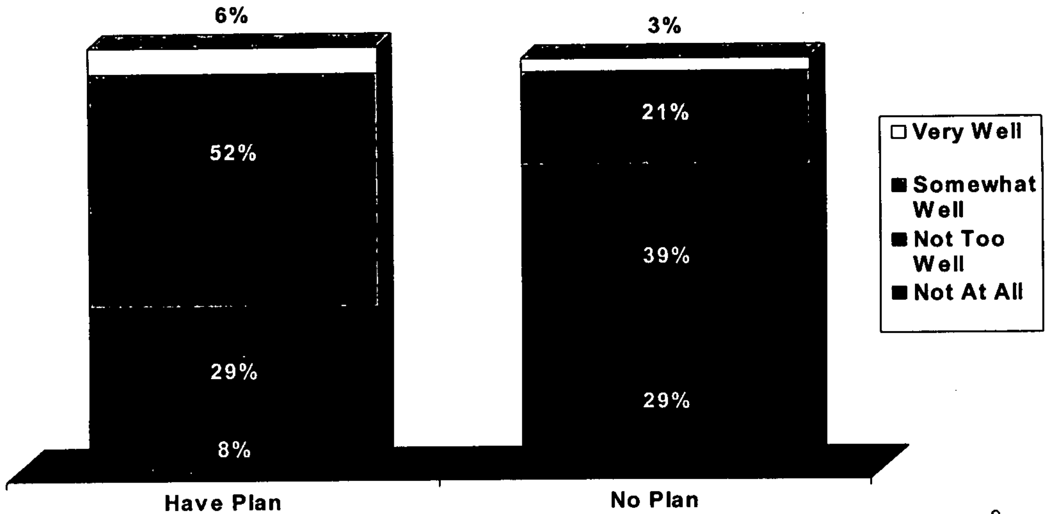
RETIREMENT SAVING

In general, do you think people in the United States save enough money to live comfortably throughout their retirement years?



EMPLOYEE PREPARATION FOR RETIREMENT

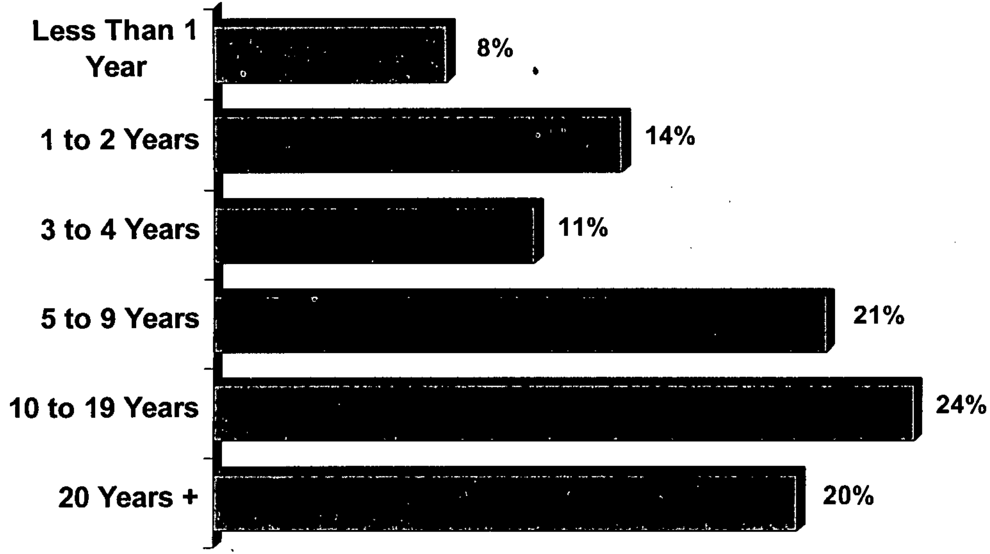
In general, how well prepared do you think your employees are for retirement?



COMPANIES WITH A PLAN

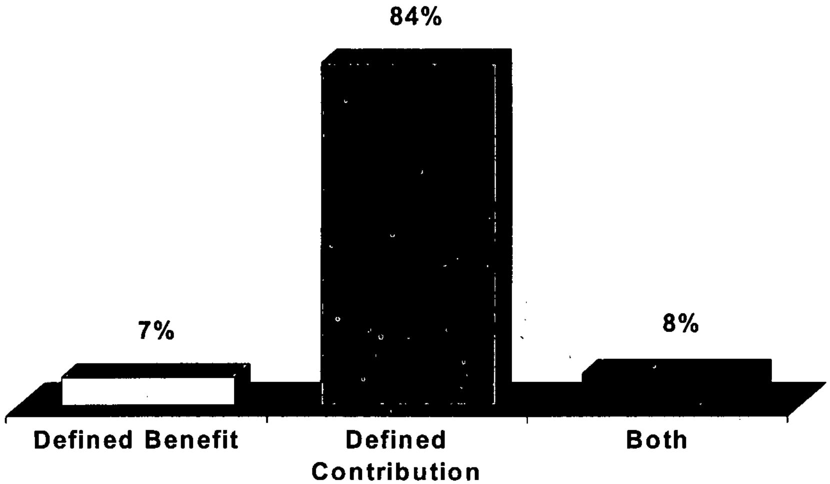
HOW LONG PLAN HAS BEEN OFFERED

Among Companies With A Retirement Plan



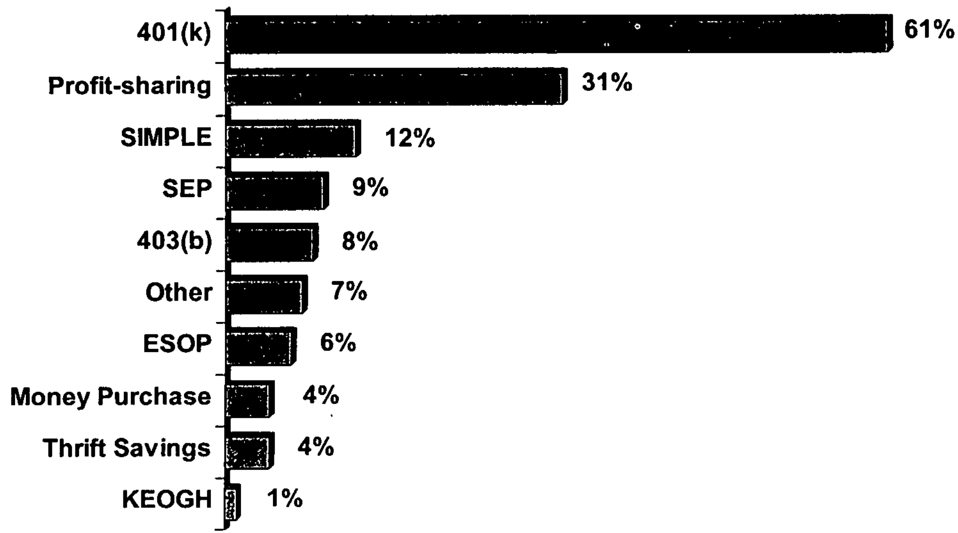
TYPE OF PLAN OFFERED

Among Companies With A Retirement Plan



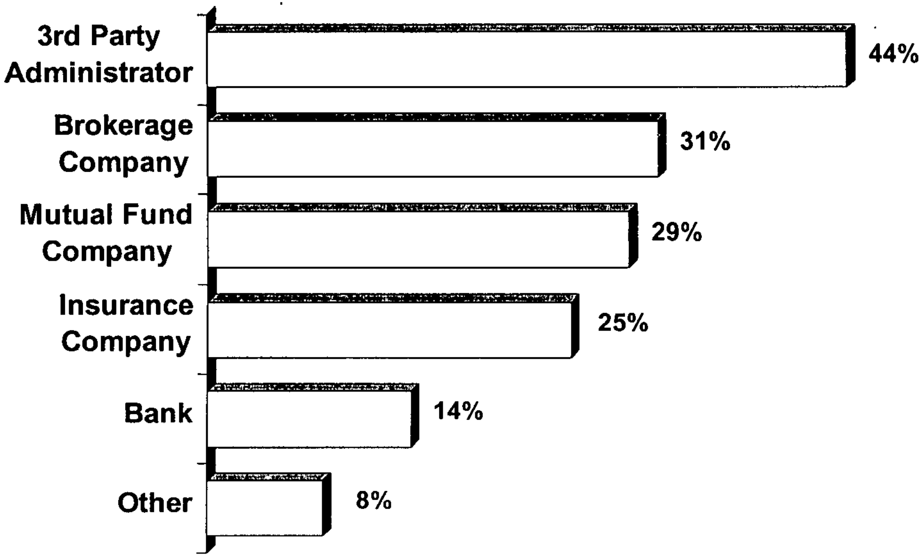
TYPES OF DEFINED CONTRIBUTION PLANS OFFERED

Among Companies That Offer a Defined Contribution Retirement Plan (n=281)



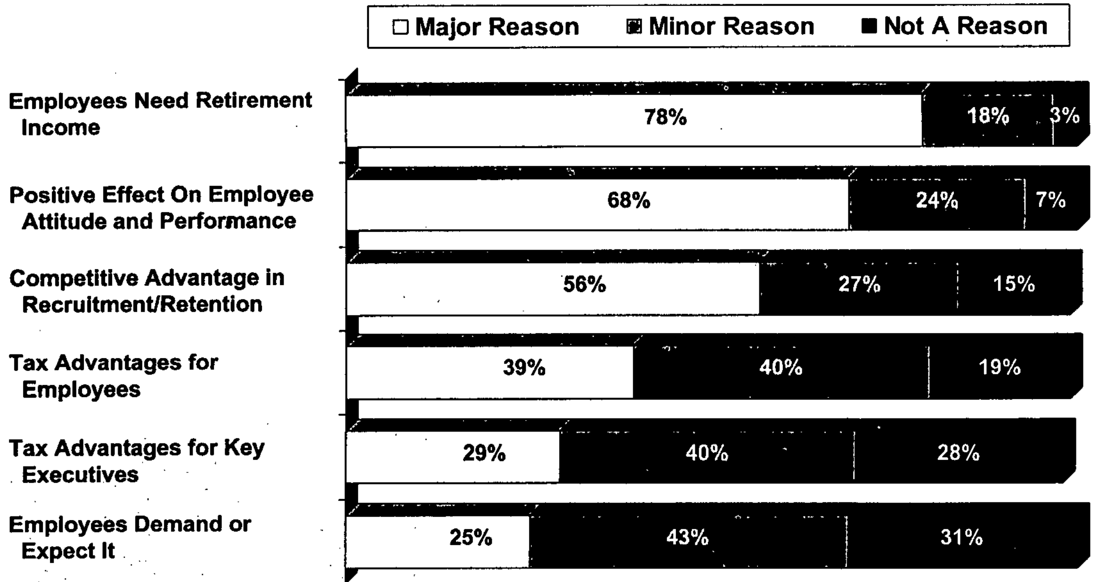
PROVIDER SERVICES USED

Among Companies With A Retirement Plan



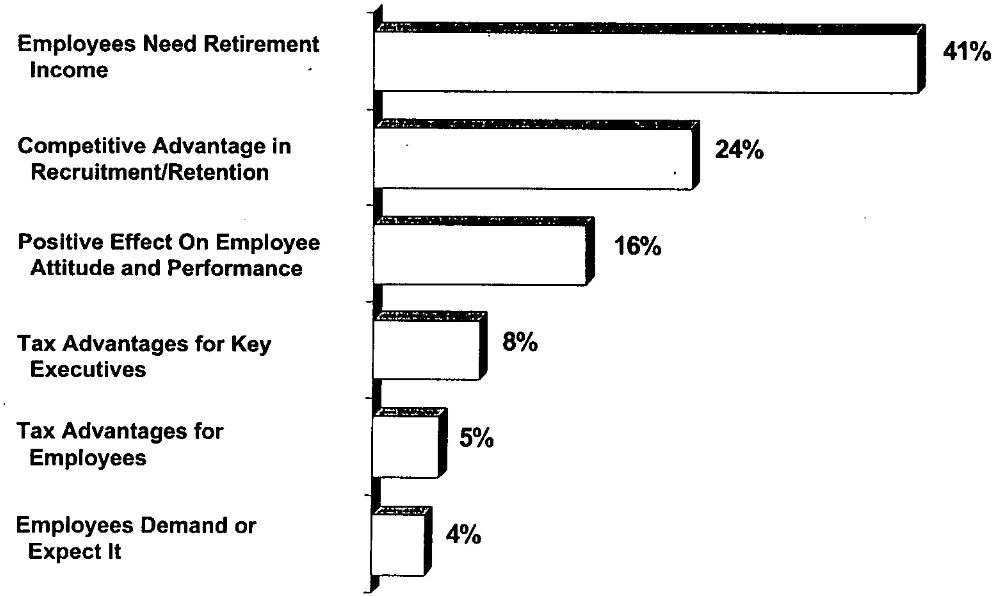
REASONS FOR OFFERING A PLAN TO EMPLOYEES

Among Companies With A Retirement Plan



MOST IMPORTANT REASON FOR OFFERING PLAN

Among Companies With A Retirement Plan



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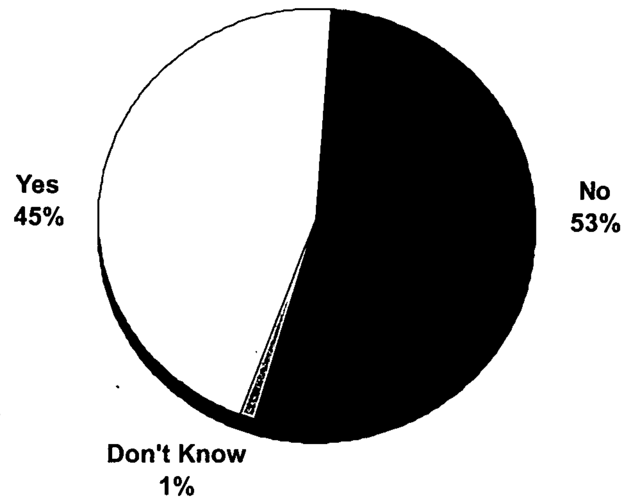
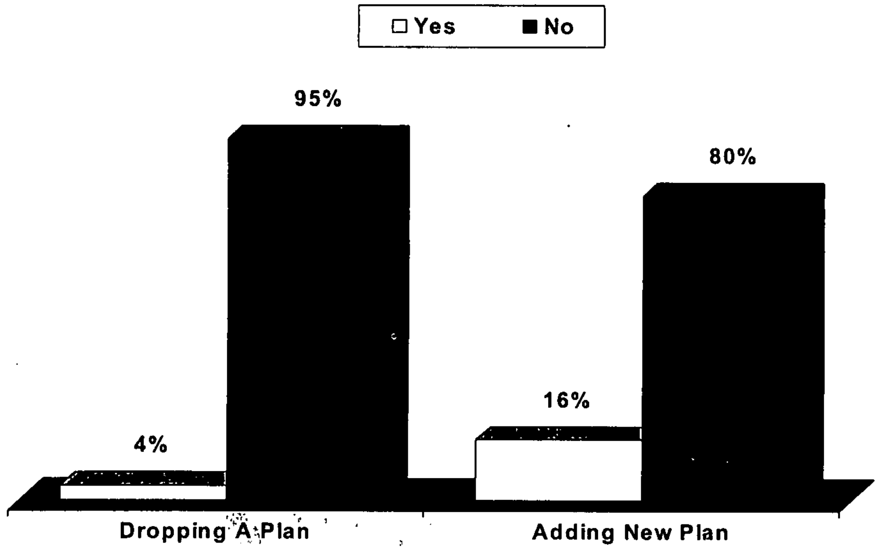
EMPLOYERS OFFERING RETIREMENT SAVINGS EDUCATION ON AN ON-GOING BASIS

Among Companies With A Retirement Plan



ANTICIPATED PLAN CHANGES WITHIN NEXT 2 YEARS

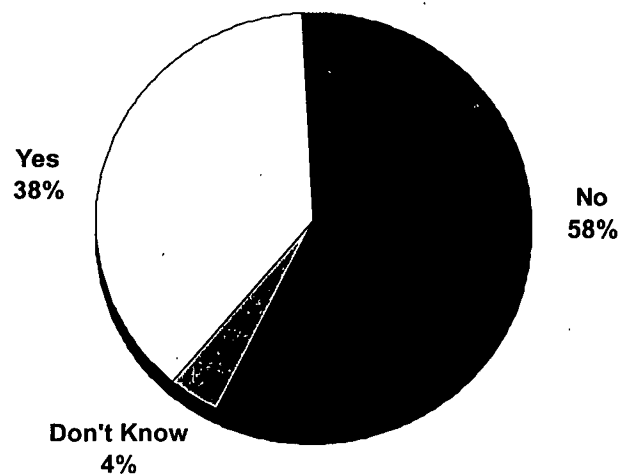
Among Companies With A Retirement Plan



INTEREST IN SIMPLIFIED DEFINED BENEFIT PLAN

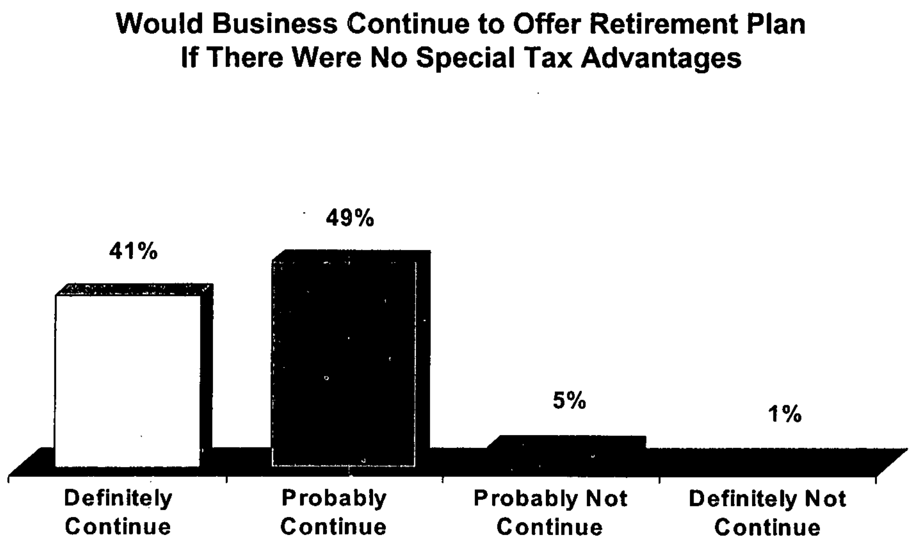
Among Companies With A Retirement Plan

If there were a simplified version of the traditional defined benefit plan, with minimal administrative costs, would you be interested in learning more about it?



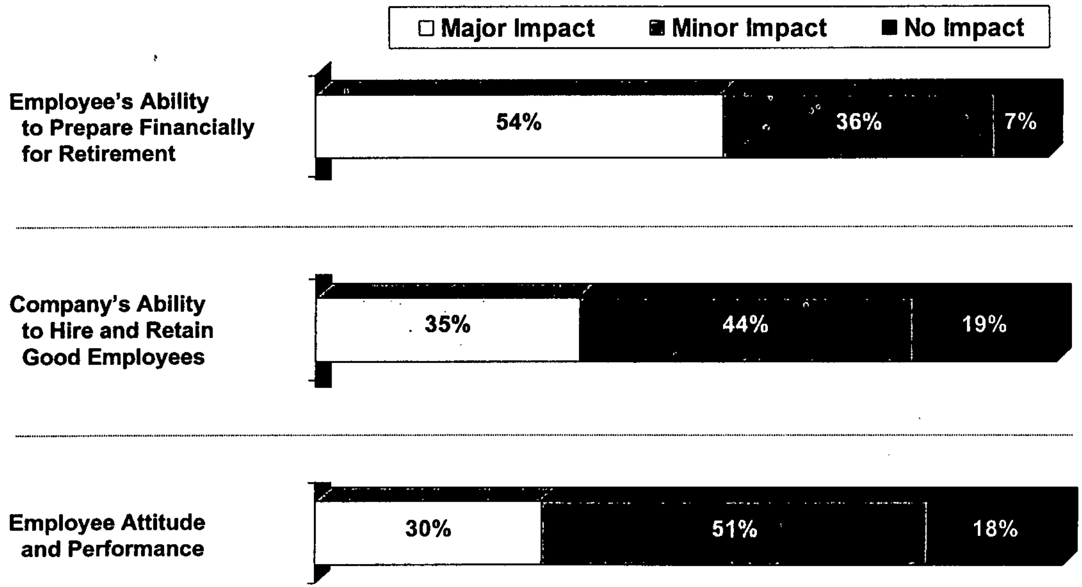
IMPACT OF TAX ADVANTAGES

Among Companies With A Retirement Plan



IMPACT OF OFFERING A PLAN TO EMPLOYEES

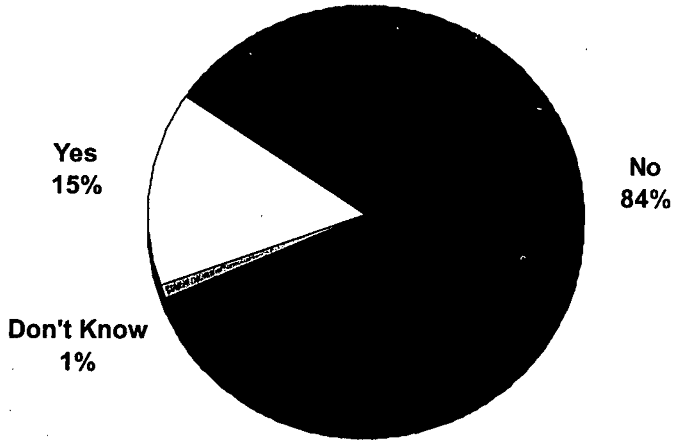
Among Companies With A Retirement Plan



COMPANIES WITHOUT A PLAN

HAS COMPANY EVER OFFERED A PLAN?

Among Companies Without A Retirement Plan



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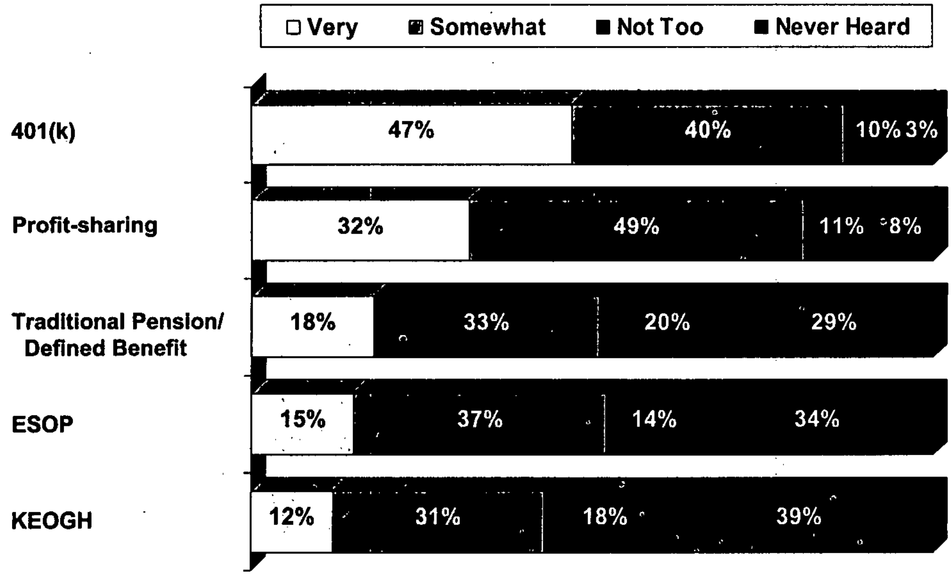
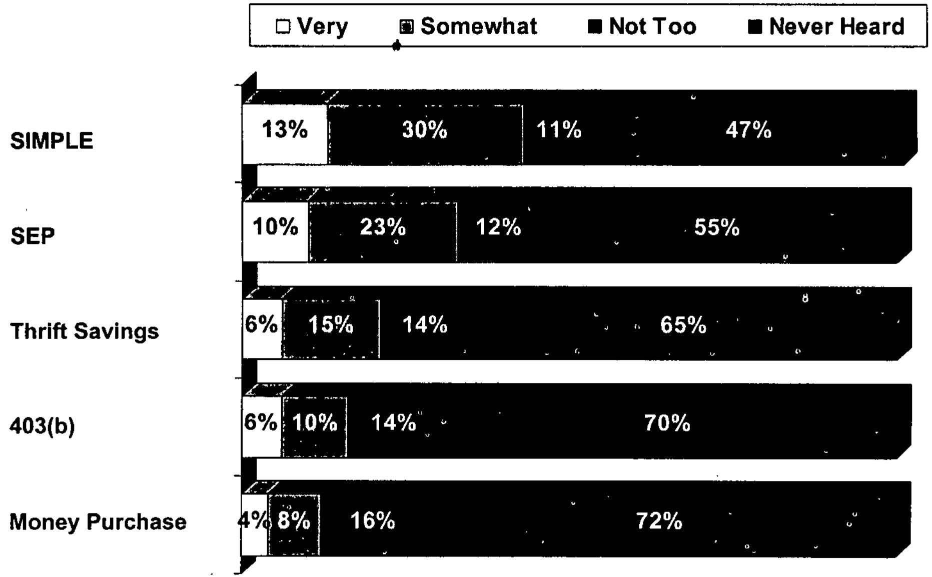
FAMILIARITY WITH DIFFERENT PLAN TYPES

Among Companies Without A Retirement Plan



FAMILIARITY WITH DIFFERENT PLAN TYPES, CONTINUED

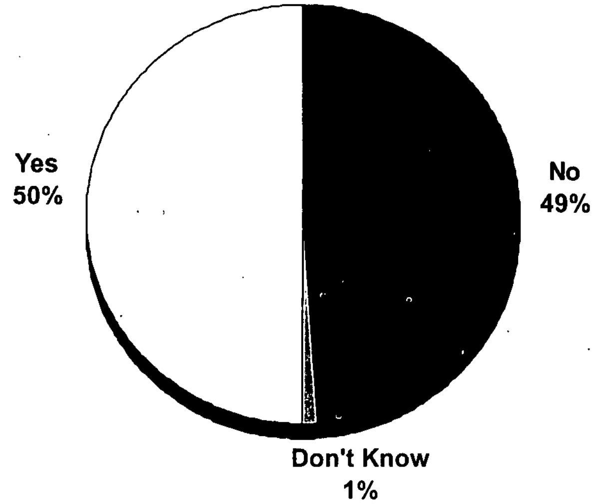
Among Companies Without A Retirement Plan



SOLICITATION BY RETIREMENT PLAN PROVIDERS

Among Companies Without A Retirement Plan

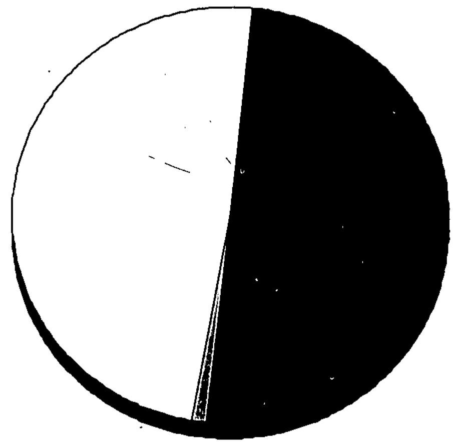
In the last two years, has your business been solicited by retirement plan providers who provide retirement plans for employees?



THOUGHT ABOUT OFFERING A RETIREMENT PLAN

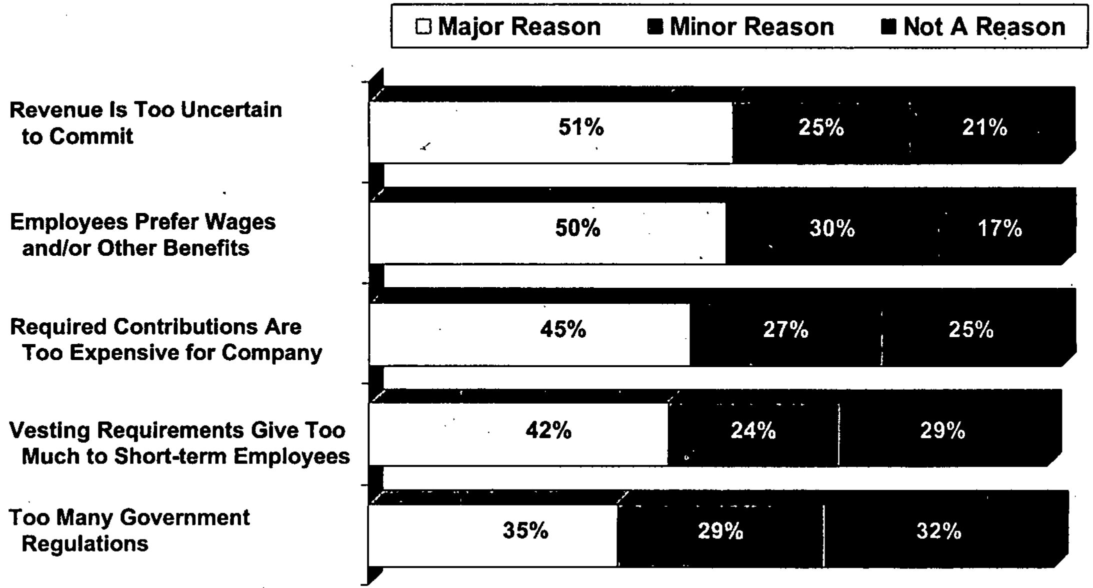
Among Companies Without A Retirement Plan

Has your business ever seriously considered offering a retirement plan for employees?



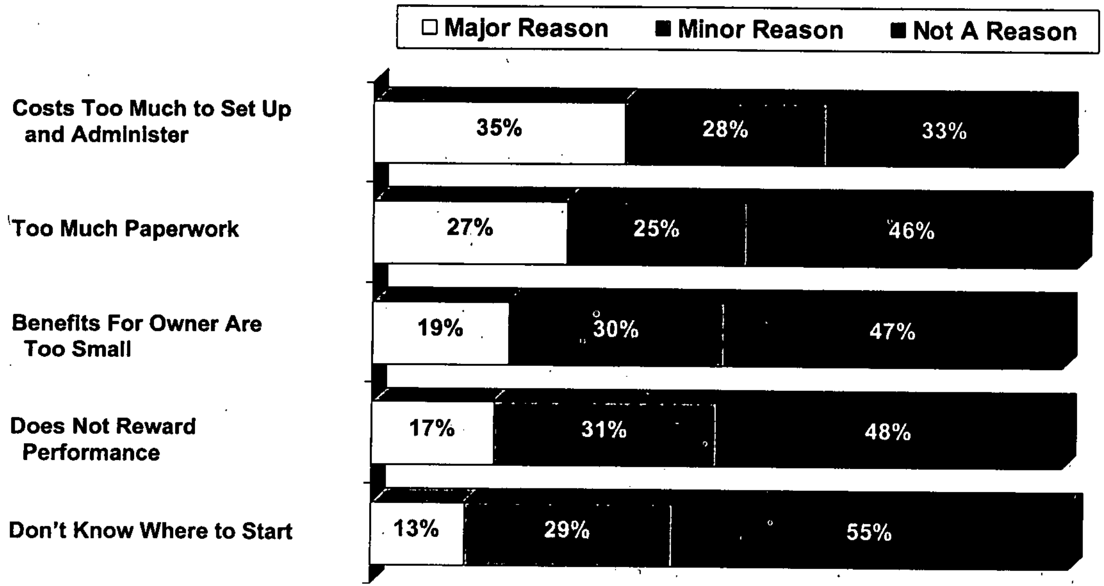
REASONS FOR NOT OFFERING A PLAN

Among Companies Without A Retirement Plan



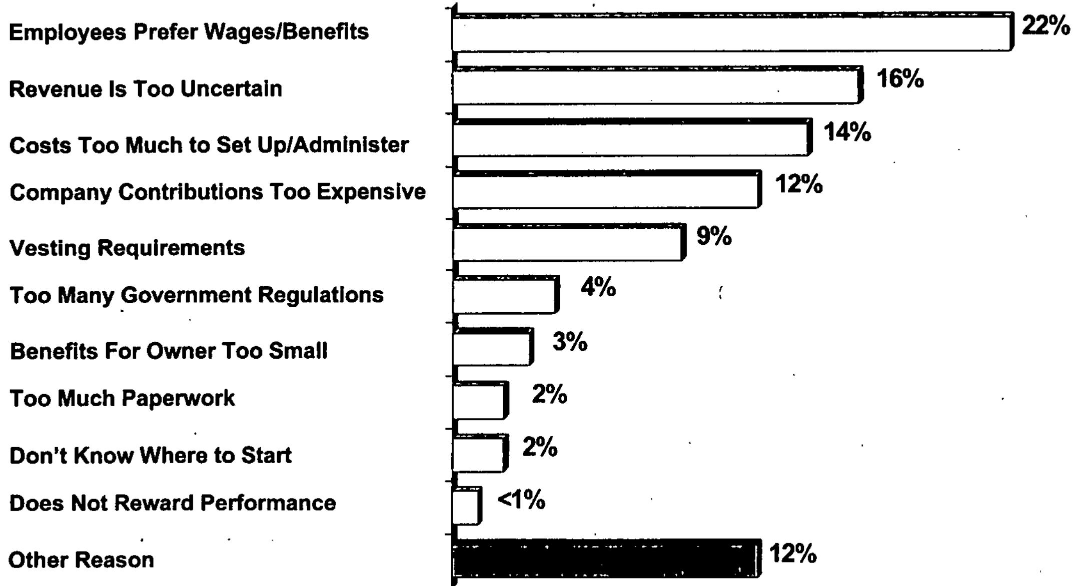
REASONS FOR NOT OFFERING A PLAN, CONTINUED

Among Companies Without A Retirement Plan



MOST IMPORTANT REASON FOR NOT OFFERING PLAN

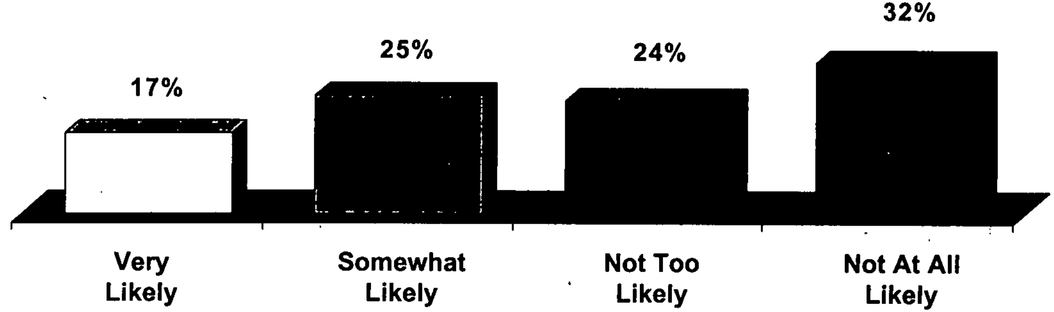
Among Companies Without A Retirement Plan



LIKELIHOOD OF BUSINESS STARTING A PLAN

Among Companies Without A Retirement Plan

How likely is it that your business will start a retirement plan for employees in the next two years?



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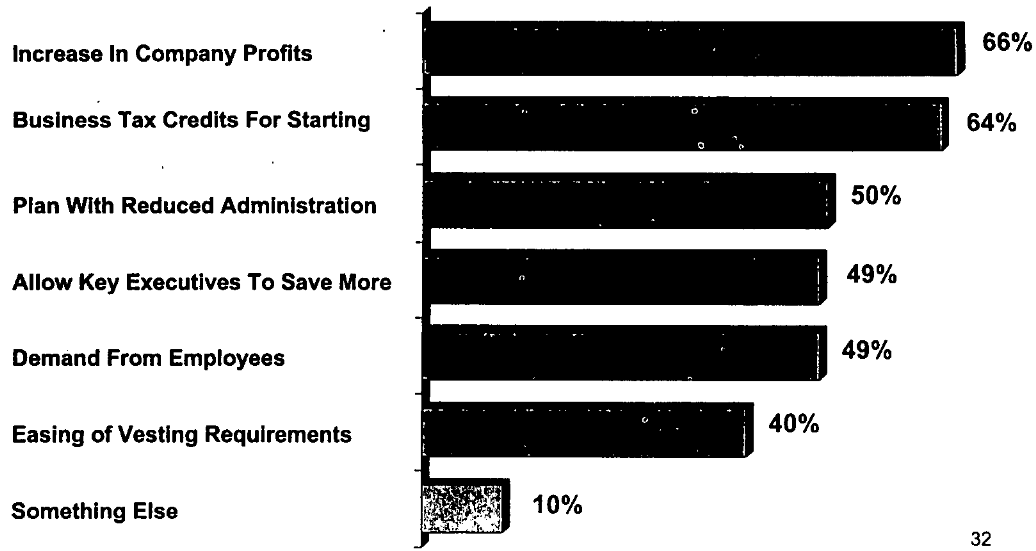
WHAT MIGHT LEAD TO PLAN SPONSORSHIP

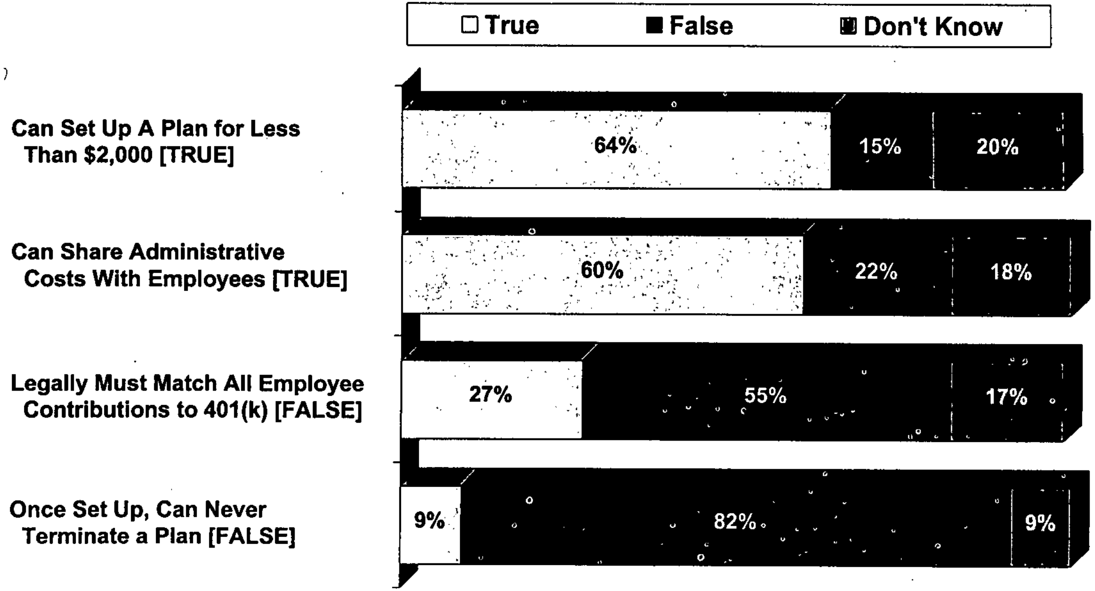
Among Companies Without A Retirement Plan

Things That Would Make Business Seriously Consider Offering a Plan to Employees



BELIEFS ABOUT RETIREMENT PLAN RULES

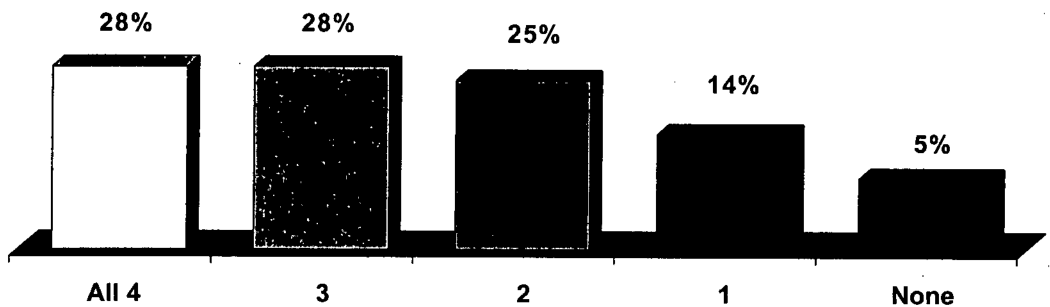
Among Companies Without A Retirement Plan



BELIEFS ABOUT RETIREMENT PLAN RULES

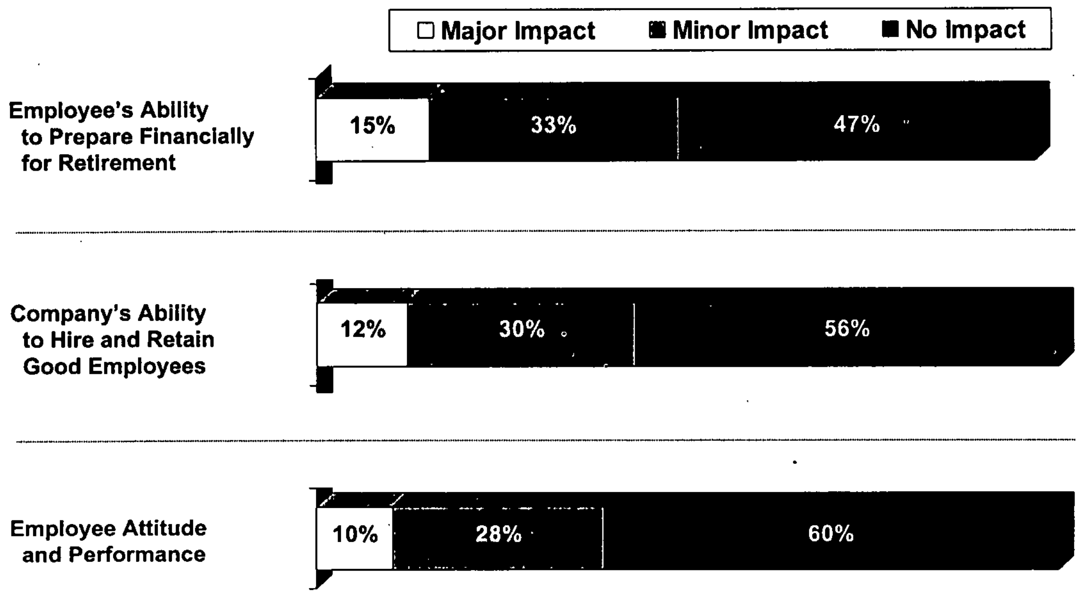
Among Companies Without A Retirement Plan

Number of Correct Responses to True/False Statements About Retirement Savings Plans

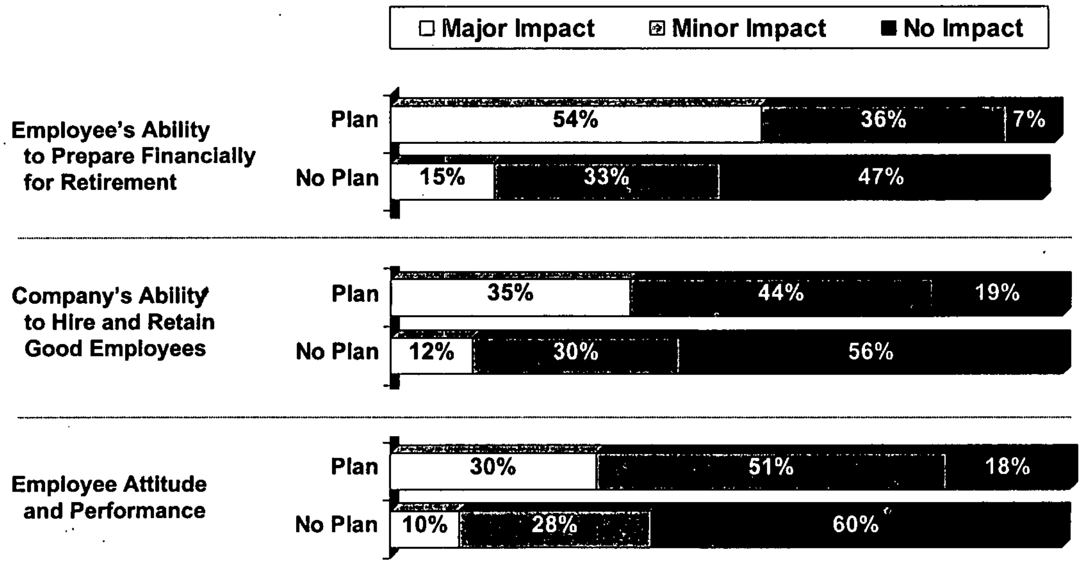


IMPACT OF NOT OFFERING A PLAN TO EMPLOYEES

Among Companies Without A Retirement Plan



IMPACT OF OFFERING / NOT OFFERING A PLAN TO EMPLOYEES



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