

**Statement of Senator Charles E. Grassley
Chairman, U.S. Senate Special Committee on Aging
Joint Hearing, "Preparing Americans for Retirement:
the Roadblocks to Increased Savings"
June 2, 1998**

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.