

Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
The Retirement Challenge: Making Savings Last a Lifetime
June 16, 2010

Good afternoon, and thank you all for being here. Our hearing today is the start of a legislative debate about how we can help Americans make their retirement savings last a lifetime. So far, the focus of most of our education efforts have been on encouraging people to save, but we have done little to help the average retiree make the difficult choices about how to make their savings last. Our goal is to find ways to ensure retirees have access to lifetime income options that provide adequate consumer protections at a reasonable cost.

It goes without saying that the most important source of retirement income is Social Security. This committee has long been an ardent supporter of the program, and we recently released a report on the various ways it can be fortified for coming generations. With modest tweaks, we will be able to improve solvency and strengthen benefits for those who rely on them most.

The pension landscape has changed considerably over the past several decades, with defined contribution savings plans replacing defined benefit plans which provided individuals a payment throughout their retirement. While individuals have more control of their finances under this new system, they face complicated investment choices. Now when individuals retire they have a pot of savings and must choose how to use it over time. With Americans living longer, the stakes are high for not adequately managing one's savings.

Unfortunately, the vast majority of people have to make these difficult decisions on their own as few employers provide their retirees with lifetime income options. According to Hewitt Associates, only 14 percent of defined contribution plans offer annuities and only 1 percent of the covered participants invest in them. We need to provide employers with more guidance, more tools, and more protection to encourage them to offer a range of options to their employees.

We also need to better educate workers to understand their choices. Senators Bingaman, Isakson, and I recently introduced the Lifetime Income Disclosure Act, which would require 401(k) statements to show accountholders how much their balance would pay out if it were annuitized.

However, while annuities may be the right fit for some, they can also be highly complex and, in the retail market, they have often been associated with aggressive sales tactics. I am pleased to have worked with the National Association of Insurance Commission on improving the suitability standards and the use of professional titles in selling annuities. As with other retirement instruments, we are dedicated to ensuring that all fees associated with annuities are disclosed, that they are competitively priced, and that consumers are fully educated about the risks and opportunities of these products.

I am also encouraged by the recent innovations in the financial services industry to develop new products that will help retirees manage their savings. This is a rapidly developing area and we want to encourage employers to consider offering such products to meet their worker's needs. However, we must also ensure that these products have adequate regulation that provides consumer protections and fosters a competitive, low-fee market.

With all the talk today about encouraging options, I want to be clear that **no one should be forced to purchase a lifetime income product**. I will not support any kind of mandate for consumers, because we recognize there is a wide range of circumstance and need. When it comes to retirement, there is no one-size-fits-all. Instead our aim with this hearing and through legislation is to create an environment where participants have the option of investing in a stable product best fits their needs and at a fair price.

Thank you once again to today's witnesses. I will now turn to Ranking Member Corker for his opening statement.