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Vice President's Remarks at the 2006 Saver Summit

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THE VICE PRESIDENT: Thank you very much. I appreciate the chance to be here today. And I want to thank Assistant Secretary Combs for her introduction. It's good to be with all of you; and to those visiting from out of town, obviously, we want to welcome you to the Nation's Capital.

I imagine I was invited to speak at this summit on retirement savings for one of two reasons. Either it's because I just turned 65 -- (laughter) -- or because you wanted to bring some charisma to these proceedings. (Laughter.)

The real reason, of course, is that the President is unable to attend, because of his travels to Afghanistan, India and Pakistan. But it's a pleasure to be here on his behalf, and I bring his greetings to all of you, along with his appreciation for your willingness to attend this summit.

And I want to thank the good people of the Department of Labor for organizing the event. My good friend Elaine Chao, my Cabinet colleague, does a superb job. And I know she places great store by the work that all of you do at these conferences.

I also want to thank the members of Congress, and those representing executive departments and agencies for participating in the effort, as well as the men and women who have made presentations. I'm glad you are educating the public about the tremendous value of personal savings for retirement. And by participating this week, all of you have made a very useful contribution to the national interest.

Today, the average American can expect to live well beyond his or her working years. And with the benefits of modern medicine -- and all we've learned about prevention and healthy living -- retirement is increasingly becoming a period of tremendous activity and vigor.

As individuals, we have more and more reasons to consider retirement as something to look forward to. Come to think of it, I know some folks who probably look forward to seeing me retire. (Laughter.) And because we're a nation that always focuses on the future, we want to make sure that as many citizens as possible enjoy independence and financial security in their retirement years -- with personal savings and a nest egg to call their own; a retirement safety net that never breaks down; and reliable pension plans. And these goals set an agenda for our country.

The President and I are strongly committed to building an ownership society in the United States. From the beginning of our administration, we've set out to help more Americans have a chance to own a house, a small business, a health care plan, and a retirement plan. In all of these areas, ownership is the path to opportunity, greater independence, and more control over your own life. Everyone deserves a chance to live the American Dream, to build up wealth of their own, and to have assets for retirement that government can never take away.

The American Dream begins with saving money, and that should begin on the very first day of work. The power of compound interest is even greater when people start saving early. Yet a lot of American families live paycheck to paycheck -- often finding, as the saying goes, "too much month at the end of the money."

And this underscores one of our fundamental obligations in Washington: to be good stewards of the taxpayer's dollar, to keep the federal government's claim on workers' paychecks as low as possible.

This requires, first of all, that we keep a close eye on federal spending. Every year of our administration, we've reduced the growth of non-security discretionary spending. This year the President's budget will reduce it again, and trim or eliminate more than 140 programs that are performing poorly or not fulfilling essential priorities. By passing these reforms, we'll save the American taxpayer another \$14 billion next year -- and stay on track to cut the deficit in half by 2009.

We're pleased as well that members of Congress are working on earmark reform -- because the federal budget forces the American taxpayer to pay for too many expensive special interest projects. And the elected branches of government can resolve this problem together, if Congress does the right thing and passes the line-item veto.

We have a duty, as well, to keep the tax burden under control -- and here again we've made good progress over the last five years. Working with Congress, we reduced taxes for everyone who pays income taxes -- leaving more money in the hands of

workers and families and giving small businesses more resources to expand and to hire. We increased the tax incentives for small businesses to invest in new equipment, and we cut the taxes on dividends and capital gains. And because a lifetime of thrift and hard work should not be penalized at the end, we also began phasing out the federal death tax.

The tax relief of the last several years has had an enormous positive impact on the economy -- making the recession one of the shortest and shallowest ever, and setting the nation on a path of healthy, vigorous economic growth. We've added over 300,000 jobs in the last two months and over 4.7 million jobs since August of '03. The unemployment rate is now 4.7 percent, its lowest level since July of '01, and well below the average unemployment rate for the 1970s, 1980s, and the 1990s. America's economy grew at 3.2 percent in 2005, and it has been growing at a healthy rate for more than two years. Productivity is high, inflation is contained, consumer confidence remains strong. More Americans now own their homes than at any time in our nation's history.

The goal of tax relief was to make this nation more prosperous -- thereby adding new jobs, new opportunities for upward mobility and wealth creation, and, ultimately, higher revenues for the Treasury to support national priorities. And to keep our nation on this hopeful path, Congress should make tax relief permanent instead of raising taxes on American families.

Thanks to the effects of tax relief and a growing economy, real after-tax income in the United States has grown by over 8 percent per person since '01 -- making it easier for working people to put away more money away for retirement. In the same period, we've taken specific steps to encourage personal savings. In our first term, we raised the contribution limits for IRAs and 401(k)'s, changed the law to permit greater catch-up contributions for people age 50 and over, and sped up the vesting process for employer contributions to 401(k)'s.

Still, the tax code has too many provisions that, at worst, discourage savings -- and, at best, confuse the taxpayer about the available incentives to save. So the President is asking Congress to encourage the savings with three simplified tax-free savings accounts for all Americans.

The first, retirement savings accounts, would replace a complicated mix of retirement savings incentives in the code today, and all the varied rules and regulations that go with them. The second, employer retirement savings accounts, simplify the savings opportunities that workers have through their employers. And the third, lifetime savings accounts, would, for the first time, let a person save money tax-free for any purpose -- including job training, college tuition, down payment on a house, a car, or retirement.

There's no question that through sound policies, we can encourage the habit of savings. We can do more to protect savings as well -- including protecting families against the risk of unexpected medical costs. A health crisis should not have to mean a financial crisis, so we must make sure that more working Americans have access to affordable health coverage.

One effective reform, which the President signed into law as part of the Medicare Reform Act, is the health savings account, or HSA. HSA's help control cost by allowing businesses or workers to buy low-cost insurance policies for catastrophic events and then save, tax-free, for their routine, out-of-pocket medical expenses.

Already millions of Americans have signed up for HSA's, and are enjoying the benefit of more affordable health insurance coverage. This year, the President is asking Congress to strengthen HSA's in the context of a broad agenda for health care reform. We want to make all health insurance -- including HSA insurance -- more accessible, by allowing workers to buy health coverage from out-of-state insurers. We'll give extra financial help to low-income Americans so they can buy HSA insurance, and we want to raise the HSA contribution limits for everyone. And we want to do more to make the coverage portable, so workers can switch jobs without having to worry about losing their health insurance.

By their nature, health savings accounts can be a significant help in a person's retirement years. This is because annual contributions, by the employer, the employee, or both -- are allowed to accumulate. With an HSA, the account holder doesn't have to spend all the money by the end of the year; instead, the account can grow, year after year. An HSA is a personal asset and belongs to the account holder all of his or her life -- so the money goes with them when they change jobs or when they retire, and anything not spent can also be passed along to the next generation.

As we work to encourage long-term savings throughout our society, those of us in public office also have a continuing duty to strengthen the foundations of Social Security.

The Social Security system has been in steady service, uninterrupted, for more than 70 years. It has fulfilled the promise announced by President Franklin Roosevelt -- that of providing vital income to millions of seniors, and assuring generations of workers that their retirement years will have some decent measure of security. For today's generation of senior citizens, the system is strong and fiscally sound. But younger workers are understandably concerned about whether Social Security will be around for them when they need it. It's important to remember -- gathered, as we are, at a summit on retirement savings -- that the Social Security trust fund is not a savings system. It is a pay-as-you-go system, in which the benefits of current retirees come directly from the payroll taxes of current workers. The problem is simple to state: With an aging population, and a steadily falling ratio of workers to retirees, the system is on a course to eventual bankruptcy.

At present, Social Security operates with a substantial cash surplus. But very soon, the greatest test of the Social Security system will be upon us. This year, the first of millions of baby boomers turn 60 -- and they look forward to long, active, and healthy lives. And the approaching retirement of the baby boom generation will put unprecedented strains on the federal government -- not just for Social Security outlays, but for other entitlements, as well.

Today, Social Security, Medicare and Medicaid account for 40 percent of the entire federal budget -- but they are growing faster than the economy -- and are putting more and more pressure on the federal budget. In 10 years' time, these programs will account for 50 percent -- and by 2030, spending for Social Security, Medicare, and Medicaid alone -- just those three programs -- will be almost 60 percent of the entire federal budget. If we do nothing future Congresses will face impossible choices -- ruinous tax increases, immense deficits, or deep cuts in every other category of federal spending.

The year 2030 may seem like a long way off, and in politics there is always a temptation to kick the can down the road -- hoping that long-term problems might simply disappear, or leaving them for someone else to worry about. But the budget strain caused by our entitlement problems has already begun and as the President has said many times, he ran for President to confront big challenges, not to pass them along to future Presidents and future Congresses.

There will always be a wagonload of excuses for ignoring the problem of entitlements. But Americans have a right to expect more out of the nation's leaders, especially when it comes to Social Security and other defining national promises. The longer we wait to address the coming crisis, the more excuses that are made for inaction, the more difficult and expensive the job will eventually be.

So the President is asking Congress to join him in creating a commission to examine the full impact of baby boom retirements on Social Security, Medicare, and Medicaid. The commission must be bipartisan, and it must include members of Congress of both parties. All of us -- Republicans and Democrats alike -- owe it to the people we are honored to serve to put aside partisan politics, to work together, and to find a way to solve this problem.

All of our citizens deserve to know that their hard work will always be rewarded, and that the institutions they depend on will always hold up their end of the bargain. That goes not just for Social Security and Medicare, but for traditional pensions in the private sector, as well. Even though our economy is changing, a great many Americans still rely on these pensions for security in their retirement years. The problem today is that the law permits companies to technically follow the pension rules, without actually funding the pledges that have been made to workers. It's a flawed system -- and the result is that American workers' pensions are now under funded by billions of dollars.

Even worse, current law also makes it difficult for workers to know whether their pensions are in trouble. Pension plans have been portrayed as "fully funded" just before they terminate and default on many promised benefits. When that happens, obviously, retirees have found themselves with a lot less money in old age than they expected.

It's important for those of us in Washington making policy to understand the practical, real-world effects of the decisions we make. Imagine that you were about to retire after a lifetime of hard work. Your company had promised you a fixed sum per month from your pension, and you had a plan to meet your expenses in old age with that money. Now imagine that after years of hearing these promises from your employer -- and with no warning at all, just days before you retire -- you see your pension cut drastically, maybe even cut in half. You have little remaining earnings capacity, and the money you thought you could count on is suddenly reduced to a fraction of what you'd expected. You'd be pretty mad about it, and worried, too.

This sort of nightmare has happened to all too many Americans. This is why the President has been crystal clear on the issue of pension reform -- if you put in your hours, and do your part, your company should make -- your promised pension will be there for you when you retire.

The President has asked Congress to address these problems with strong, timely, and sensible reforms. These reforms embrace a fundamental principle: federal law should require that pension promises, once made, are kept. Under the President's proposal, companies would be required to accurately determine and to report the financial status of their pension plans -- both their assets and their liabilities -- and to make sure they will be in a position to fulfill their commitments to their workers. Companies that under-fund their pensions would be given seven years to catch up and get into a position where they can assure employees that they've taken all the necessary steps to safeguard those pensions.

Some have said that the President's proposed reforms are too tough -- and they offer alternatives that would actually weaken the current funding rules. Congress will soon finalize pension legislation, and that legislation must be improved before it goes to the President for his signature. Our experts have studied the Congressional proposals carefully and they are convinced that unless the bills are strengthened, there will be an even greater risk that workers will lose benefits, and that taxpayers will be asked to bail out the pension insurance system. The President has made clear that he will not sign a bill that weakens pension funding for American workers. Citizens who work a lifetime for their pensions deserve to know that their company will meet those promises, and that their elected representatives are on their side.

On all of the issues I've touched upon today -- from tax cut permanence and savings incentives, to effective entitlement reform, to pension protection, the sooner we take action, the better. And the best hope for lasting results is to look past the partisan divide and to find common ground. We're in a political business, and it's no surprise to encounter strong views and

tough arguments. And we should not expect any of the work to be easy. But I hope we will find a spirit of bipartisanship in the months ahead, and the President and I are committed to reaching out and doing everything we can to make consensus possible.

President Kennedy often spoke of the importance of thinking and acting not just for the moment, but for the good of generations to come. He told the story of a man who asked his gardener to plant a tree for him. The gardener protested, saying it was a slow-growing tree and wouldn't mature for a hundred years. The man replied, "In that case there is no time to lose, plant it this afternoon." (Laughter.)

When we speak of matters having a lengthy time horizon -- whether it's entitlement reform, or the future retirement concerns of people still in the prime of life -- it's not always easy to make the case for urgent action. But all of you are here today because you know how vital it really is to think about the long term.

And all of us share the confidence that if we choose wisely, we can have a positive impact on the lives of Americans for many decades to come -- helping millions of seniors, today and tomorrow, find the dignity, the security, and the peace of mind they deserve.

Thank you very much.

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