



**Remarks by Labor Secretary Elaine L. Chao
February 28, 2002**

Thank you for the warm welcome, and thank you for attending this event. Your time here will have tremendous impact and enhance the future for millions of Americans. The issue of retirement security is foremost in all our minds today. The purpose of this Saver Summit is to promote the importance of saving for the future for every American. But even when people know they should save, they are not always acting on that knowledge. Still others are not hearing the message. The result is that the overall retirement savings rate is still too low for far too many Americans. In recent years, the national personal savings rate has dipped as low as one percent. Many people fear they will not have enough for a comfortable retirement. The concern is especially acute for people of color and minorities. And young people, at a time of life when investing can make the biggest long-term impact, are not taking full advantage of their opportunities to save.

Our task, at this Summit and in the months ahead, is to help turn this situation around.

There is good reason to be optimistic. In fact, Americans have a tradition of planning and saving for the future. Half of us now own stock, and two-thirds of us own our homes. We invest in the future when we invest in our children's education. We invest in the future when we retrain for a job, or open a business.

Young Americans and immigrant Americans are working and saving to create new futures. I speak of the immigrant community with great poignancy. My family and I are immigrants to this country. I remember how hard my parents had to work to make a new life in America for their young children. Yet it was a habit for them to save, from our meager weekly budget – there was always some saving for tomorrow.

Americans have an instinct for saving. What is different these days, I suggest, is not the American will, but the retirement landscape: a landscape that has been transformed during our lifetimes by what sometimes feels like an earthquake of change.

For Americans born today, average life expectancy is 77 years, and rising. That's more than a decade longer than the babies of their grandparents' generation were expected to live.

Indeed, for people born before 1940, life expectancy at birth was actually less than the Social Security retirement age of 65. But improving health and social welfare made a new reality. A woman born in 1937, who retires this year, has a life expectancy above 84 years of age.

What's more, every year of our longer lives is bringing new change. Our workplaces and homes have been transformed by technology, from computers to cell phones to the Internet. The 20th century saw 19 business cycles, an explosion in global markets, and the creation of whole new industries and services. Where once people worked a lifetime for one employer, today's 32-

year-olds have already worked for an average of nine different companies. Innovation in the financial world has brought new investment vehicles, from mutual funds to defined contribution plans.

In the economy, in society, in the world – we can expect more change, and rapid change, in the years ahead. All this affects how individuals see and plan their lives.

It's not your parents' retirement any more.

Aging populations, changing demographics, economic shifts – countries around the world share these concerns. Delegates, you have a critical role.

The plain and simple fact is that if Americans are to enjoy a secure retirement tomorrow, they must plan and save today. For most people, this means learning new saving and investment strategies, and having lifelong awareness about their retirement needs. In this changing world, we need to re-learn how to save, in the same way that the changing workplace has required ongoing retraining in new job skills.

Challenge One: Reaching Americans - Our first challenge is to get the message out. In our information age, this means cutting through a lot of noise. Bookstore shelves and best-seller lists are awash with how-to information and opinions. Type "retirement advice" into a leading search engine and you get 743,000 hits. Type "investment help" and the sites number three million plus.

No wonder so many people throw up their hands. They want to know, what does this all mean to me? What's credible? What's useful? What's relevant?

I believe very strongly that to answer these questions, we must reach Americans where they are, in the workplace and in the home, as they cope with the real, competing demands of life. This is exactly what you'll be doing, in this Summit, as you break into teams to create retirement-saving campaigns for four key generations.

Crafting our message to each generation recognizes that at different life-stages, different life-demands affect how people save. Young people are starting careers and families. At mid-life, people find themselves working every hour of the day to manage busy lives and responsibilities. Older Americans are marshalling their resources for retirement.

When we speak to people "where they are" -- in their life-stages – we can speak much more credibly about how to make retirement saving part of their lives. More than that, we can help young and old establish the core savings habit that builds the financial security they need.

It's easy, for example, for young people to assume that retirement is tomorrow's worry. But the magic of compounding means that the earlier we save, the larger our nest egg will be when we retire. Take a 20-year-old who's got \$100 in hand. Maybe she thinks that's too little to save to make a difference. She needs to know that her \$100, invested now, can grow to more than \$1900 by the time she's 65. That's in real, inflation-adjusted dollars, by the way, and it assumes historical rates of growth. In contrast, if she waits until she's 40 to save that \$100, she'll end up with less than half as much at age 65.

Again, studies show that young job-changers, with relatively low balances in their 401(k) plans, are all too often tempted to cash out, instead of rolling their funds over to a tax-deferred IRA

account. I know – I was guilty of that. They think they have plenty of time to make it up. But because of compounding, as well as the impact of taxes, cashing out today will sharply erode tomorrow's nest egg.

Facts like these are part of the “new knowledge” needed for retirement saving. But to act on this knowledge, people need something more. They need access to the instruments to save, they need the information to manage their investments, and they need to be confident that their savings are secure.

Challenge Two: Channeling National Energies - This brings me to our second challenge – to channel our national energies, public and private, to give people the help they need to save.

Let me start with employers. It is at the workplace that Americans can find some of the most important vehicles for personal retirement savings. Yet, today, almost half of all working Americans do not have access to a company retirement plan.

In businesses with 100 or fewer employees, only one worker in four participates in a company retirement plan. And even where employees have access to a plan, all too many fail to participate, or do not contribute as much as they can – especially, minority workers and youths.

The private sector has a huge stake in turning this around. A healthy retirement system supports the strong workforce our globalized economy needs. I know that America's business leaders are concerned about improving retirement security. And I look forward to working with them in the days ahead.

The financial community also has a stake in improving retirement saving. Currently, there are \$2 trillion in 401(k) assets. This represents the hopes and aspirations of 42 million Americans for a secure, decent retirement. It also helps fuel America's capital markets. But whether and how much people save depends on their confidence that their hard-earned money will be honestly and wisely invested.

The fact is, most people simply don't have the time or inclination to become experts in managing financial portfolios, even their own. They have jobs to do, children to take care of, and bills to pay. Especially in less certain economic times, people need help to chart their retirement strategies; strategies that will fit their lives and goals; strategies that respond quickly to new and changing investment options and realities.

So, people will be looking to the financial community. They will want expert, informed explanations of how to invest, the need for diversification and their own risk profiles. And they will want solutions to urgent needs – from cost-effective financial services, to affordable annuities. I know that America's financial leadership is aware of the needs, and I look forward to working with them to respond.

I must also challenge the federal government. It's our responsibility to protect hard-working Americans so they can look to their retirement with confidence and hope. At the Department of Labor, retirement security is our specialty – and my personal commitment.

As a member of the President's Task Force on Retirement Security, I have been actively involved in the Administration's efforts to protect American pensions. Our work has been guided by three principles: choice, control, and confidence.

First, we want to make sure people have the choice of how to invest their retirement savings, in ways that work best for them and their families. I've said it before: It's their money. They earned it, they sacrificed to save it; and they should have the right to decide how to invest it. It is their right.

Second, we want to make sure employees have fair and informed control of their savings. That means complete and timely reports on the status of their investments. It also means having the same degree of control over those investments as any co-worker.

And third, we want people to have confidence about saving and investing, based on reliable, professional advice.

These goals are behind the President's recent proposals for legislative action to strengthen 401(k) plans.

His initiatives will help workers who wish to diversify their portfolios. For most individual investors, that's key to reducing risk over the long term. So, under President Bush's retirement security plan, when an employer contributes company stock to an employee's 401(k), that worker will have the right to sell that stock after a three-year period. This is among the most aggressive of all existing legislative proposals.

Employers would be required to provide quarterly benefit statements about individual pension accounts. They will also have to give workers 30-days notice of blackout periods. And they will be encouraged to give workers greater access to professional investment advice, from advisors required to act solely in the interests of the workers they advise.

President Bush has asked Congress to move quickly to enact these reforms. Meanwhile, we are continuing a wide range of other activities to enable people to save with confidence.

The Administration's proposal will also allow employers to provide employees with new access to the information they need to manage their savings. As you know, during employer-imposed blackout periods, workers cannot trade their 401(k) investments. Under the Bush plan, during blackouts, corporate officers would also be banned from selling or buying company stock, inside or outside a 401(k). What's more, employers will assume full fiduciary responsibility for workers' investments during blackout periods. That's because, during such times, workers are unable to independently control their own investments.

At the Department of Labor, I have personally overseen efforts to monitor pension plans and enforce our pension laws. We were on the ground investigating Enron before it even declared bankruptcy. And just recently, I announced that we will be appointing an independent fiduciary to assume management of Enron's retirement plans on behalf of its workers.

In fact, the ongoing Enron investigation is one of thousands of employee benefit investigations the Labor Department conducts each year. Last year, our civil investigations resulted in the recovering of \$662 million on behalf of aggrieved beneficiaries. Our work also produced 76 indictments and 49 criminal convictions.

Finally, my Department has also spearheaded efforts to catalogue and bring together the many federal programs that impact retirement saving. These programs can offer valuable perspectives and information. Here at this Summit and in the days ahead, we'll be working together to use these resources effectively.

Challenge Three: Independence - Government, employers, other leaders – yes, they can do more to help. But ultimately, the responsibility for personal saving lies with the individual. If people are to protect their retirements, they must take ownership of what it takes to make that retirement secure.

This requires actively participating in our own retirement plans.

Let us also be mindful about what savings means to our lives.

Retirement is a time for new beginnings – doors that open to new horizons – freedom to learn, to do, to achieve, to share life with our children’s children. It’s up to us to build the foundation for that freedom. Our nation’s future, as well as our own, depends on it.

So, today, I’d like to set Independence Day as a yearly marker – a time for American workers to make a promise to themselves – a promise to make their own, life-long independence a priority in the year ahead.

Why link retirement savings to Independence Day? Because it reminds us what retirement savings are all about – independence and security. Because a stronger retirement system is part of a stronger America. When people’s futures are more secure, our nation is more secure.

So this Independence Day, take a moment to think about your independence. Remind yourself to take time out in the days that follow, to review your retirement goals. Don’t wait until those hectic days at the end of the year. Make needed adjustments. Remind yourself to watch those investments. Take pride in all you’ve accomplished – and recommit yourselves to the future you deserve.

Thank you, and good luck to all of you, as you make this Summit a summit of achievement.