

STATEMENT OF CHAIRMAN GORDON H. SMITH

U.S. Senate Special Committee on Aging “Managing Retirement Assets: Ensuring Seniors Don’t Outlive Their Savings” June 21, 2006

Good morning, and thank you all for coming.

A lot of attention has been focused lately on the need for Americans to increase their retirement savings. This attention is very important and extremely warranted in light of our nation’s low savings rate.

However, today’s hearing will address the equally important next step – managing assets and preserving your savings throughout retirement. With a huge wave of baby boomers about to enter retirement, it is more important than ever that we educate Americans about the financial risks in retirement.

Individuals face a variety of challenges in managing their assets during retirement. Americans are living longer than ever before. Therefore, we need to stretch our retirement dollars over a longer period of time than in the past.

Retirees also should be concerned that inflation could erode the purchasing power of their income and investments may yield returns that are less than expected or decline in value. Large unplanned expenses, such as those to cover health care or long-term care, also may occur at some point during retirement.

Furthermore, unless the tide turns, more and more individuals will enter retirement with an inadequate nest egg. The personal savings rate in the U.S. has declined dramatically over the last two decades, reaching minus 1.6 percent in April. This is the eleventh consecutive month that the savings rate has been negative. Clearly, it will be very difficult to be financially secure if you begin retirement with insufficient savings.

I’m currently developing legislation with Senators Conrad and Kerry that addresses many of these issues. Although the bill will help all Americans, its focus is on the retirement security of women. This is because women face greater financial risk than men in retirement. Women tend to live longer and women receive significantly less income during retirement than men.

My bill will increase American’s retirement savings. It also will provide tax incentives for lifetime payments to help seniors protect against the risk of exhausting their retirement income. Since one of the keys to effectively managing retirement assets is knowledge, my bill also will improve American’s financial literacy.

I'd like to thank our witnesses for joining us this morning. I am eagerly anticipating your testimony and look forward to a productive dialogue on how best to manage assets during retirement.

With that, I'll turn to my colleague Senator Kohl for his opening remarks.