

SENATE SPECIAL COMMITTEE ON AGING

“Closing the Gap: Innovations to Promote Americans’ Financial Security”

June 15, 2016

Ranking Member Claire McCaskill

Opening Statement

Good afternoon and thank you, Chairman Collins. You have laid out the retirement security crisis in stark terms, and certainly there is growing concern about whether Americans are ready for retirement or are even able to stop working once they reach their golden years. We have shifted from a system in which workers could passively prepare for retirement, where their employers did the bulk of the work for them by putting their money in a defined benefit pension plan and sending Social Security payments to the government.

Today’s workers must be more active in planning for retirement. They must decide to put money aside and how much they should save. They have to figure out the best funds to invest in and stay on top of those funds as they age. Yet we have not done a great job of giving workers the tools to learn how and where to put money aside. Many new employees start a job and get a stack of papers about a 401(k) or other benefits and toss those documents into a drawer, never to be seen again. We need to figure out ways to reach workers on their terms and help guide them to develop a habit of saving.

I am a big fan of technology, and we have a few witnesses here today who will talk about how they are using websites and apps to appeal to workers in novel ways. In the same ways that the Fitbit is prompting people to be more active in managing their health, this technology can prompt more people to do the same for their retirement security. These tools can be connected

directly with a person's accounts or can be played independently, aimed at changing a person's behaviors by forcing them to consider how to prioritize their saving and spending.

And these apps recognize that people are at different levels of the continuum. Some people are just starting out and need to get into the habit of putting money aside and not spending every dollar. Others can manage their entire financial portfolio, from IRAs to 401(k)s.

We welcome Tim Flacke (flak-uh) from Doorways to Dreams, which has been instrumental in bringing one innovation to the United States. Prize-linked savings has been popular internationally, but until 2009, it had not been available stateside. Which is sort of surprising, given how much Americans love lotteries. But this takes all of the upside of a lottery – the hope for a big prize – and eliminates the downside. Even those who don't win a prize still win because they have set more money aside for an emergency or a rainy day. Congress recognized the appeal of these programs in 2014 with the passage of the American Savings Promotion Act, and as of today, more than \$150 million has been saved in the 20 states where the Legislatures have approved the program. I am pleased to share that just this week Missouri became the 21st state to authorize prize-linked savings, and I am thankful that a heavy majority of legislators there and Governor Nixon decided to give Missourians a fun way to get into the habit of saving. Roughly one in three people in my state don't even have a savings account, and the idea that prize-linked savings could play a role in shrinking that number is encouraging.

We obviously have a long way to go until most Americans can feel financially secure in retirement. And I don't want this hearing to underplay a very real crisis out there. But it is worth taking the time today to examine what is working, what is prompting behavioral change and how we can get more Americans on the right track to a solid retirement.