

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
HEARING ON RETIREMENT SECURITY:  
WHAT SENIORS NEED TO KNOW ABOUT PROTECTING THEIR FUTURES  
THURSDAY, MAY 15, 2003**

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Mr. Chairman, today we will explore the issues that individuals should consider as they plan for retirement. Because investor protection and financial literacy are top priorities for my work on this panel, I am therefore very pleased that we are meeting to examine matters like annuities, life insurance, and long-term care insurance, among others.

The aging of the American population has made retirement planning an issue of increasing concern for our nation's policymakers, and we should review a number of trends before hearing from our witnesses. Today, 12.4 percent of the population is 65 years old or older. By 2025, according to Census Bureau projections, this statistic will rise to 18.5 percent. Moreover, over the next thirty years as baby boomers reach retirement age, America's elderly population will likely double, rising from 35 million to nearly 75 million individuals.

Life expectancy rates also continue to increase. Someone who lives to age 65 can now expect to live an additional 18 years, up from an extra 13 years in 1940. Although Americans are living longer than ever before, many are retiring earlier. For many of these individuals, retirement will last 20 to 30 years or even longer.

In light of these trends, individuals must plan prudently and early in order to ensure a secure retirement with a steady stream of income to cover expenses. While retirement planning is important for everyone, it is especially important for women. Women, after all, generally live longer and with less income when compared to men.

For many years, we have described retirement planning as a three-legged stool based on Social Security, employer-provided pensions, and personal savings and investments. In reality, it consists of more than these three supports. Genuine retirement planning should also incorporate insurance products, including medical, long-term care, and annuities. Experts also advise that really effective retirement preparations should include either a will or, if appropriate, an estate plan to protect one's loved ones.

With more Americans living longer and retiring earlier, pensions and Social Security benefits will have to be paid over longer periods of time. Personal savings and investments must also be stretched out. The troubles of the stock market over the last three years, however, have resulted unfortunately in significant declines in pension plans and retirement investments. Today, the sagging economy has produced an underfunding of pension plans of more than \$300 billion. It also disturbs me that retirement plan participation rates have recently dropped for full-time employees, standing at just 55.8 percent in 2001.

Saving for retirement is just one step toward achieving financial security. I am therefore pleased that we are examining the issue of annuities. Annuities can help seniors to manage their savings so that they will not outlive their assets. In today's complex financial marketplace, we

also need to ensure that individuals preparing for retirement understand the benefits of receiving a guaranteed stream of payouts via an annuity instead of taking a lump-sum payment.

As the American population continues to age, experts predict that the number of individuals requiring long-term care will greatly rise. At some point, one in five seniors will require nursing home care for at least a year. The costs of such care now average \$55,000 annually, but by 2030, according to at least one estimate, these services could cost \$200,000. To reduce the burden on Medicaid and Medicare, we have worked in recent years to adopt policies aimed at encouraging individuals to purchase long-term care insurance. Today's hearing will help us to understand what else we can do through the private sector to meet this need.

Finally, Mr. Chairman, because we are talking about retirement planning, I feel it important to raise the issue of Social Security, which presently covers about 160 million workers, providing them with a safe, secure and steady stream of income in retirement. As a result of Social Security, the poverty rate among America's elderly has dropped dramatically, and without this vital retirement program the poverty rate among older women would increase from 12 percent to more than 50 percent. Social Security is a success. We should not tinker with this program with proposals to privatize the system. I will be particularly interested to hear what our witnesses have to say about this issue.

In closing, Mr. Chairman, I want to commend you for bringing these matters to our attention. Retirement planning is an issue of the utmost importance. After we learn more about the views of the parties testifying before us today, we should, if necessary, work to further refine and improve the legal structures governing our public policies related to retirement planning. I look forward to working with you in these endeavors.

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