Remarks Prepared for Delivery by
U.S. Secretary of Labor Elaine L. Chao
National Summit on Retirement Savings
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Thank you, Ann *[Ann Combs, Assistant Secretary for Employee Benefits Security Administration]*.

Welcome to the Saver Summit! I know many of you have traveled a long way to come to this conference, so thank you for participating in this important and timely discussion. We have put together a very special program for you — the Vice President of the United States, distinguished members of Congress and many world class experts on retirement and finance will be joining us. I know their presentations will inspire you and illuminate many of the retirement security challenges our country is facing.

The recommendations you make in the next day-and-a-half will have a tremendous impact on the future of millions of American workers. That's because our country is on the verge of a tremendous demographic shift and retirement issues are front and center on the public policy agenda. This year, the first of about 78 million baby boomers turns 60 years old. Workers age 55 and older are projected to grow at four times the rate of the labor force overall — the fastest growth rates of any age group. The number of workers nearing retirement is, quite literally, booming.

Our country is fortunate because we are facing this retirement boom from a position of overall economic strength. Unemployment is at a low 4.7 percent. A record number of Americans are working. Our economy is strong and getting stronger. Home ownership is at an all-time high. Real household net worth is at $51.1 trillion — another all-time high. And Americans are living longer, healthier, and more active lives than ever before.

Yet we all know that many are not prepared for one of life's most important milestones — retirement. Less than half of Americans have even calculated how much retirement savings they will need.

Last year, the national personal savings rate fell to its lowest level in more than 70 years. Some of this is due to economic fluctuations, such as high energy prices. And people are saving for other things than their retirement — such as their children's education and to buy homes. In fact, when housing prices are high, people build up equity in their homes, which contributes to a lower savings rate. But the long term downward trend in savings is still of concern.

Our mission is to help reverse that trend. But there are many challenges. Savings takes time, dedication, and careful planning. Your challenge is to identify the obstacles to savings for four key groups, and then come up with recommendations that will make it easier for working Americans to save.

Congress and the federal government are already taking some very important steps to encourage saving. In fact, you couldn't be here at a more important time. As we meet, members of the House and Senate are preparing to meet on Capitol Hill to come to consensus on a pension reform bill.

Under current law, companies can make pension promises they can't fully pay for. They can also keep workers in the dark about the health of pension plans. It is critical to enact a pension reform bill that strengthens defined benefit pension plans. 44 million Americans depend on them!

The President has urged Congress to keep key protections of this reform from being watered down. That's especially important for industries with under-funded pension plans. He wants to ensure that the promises made to workers will be kept.

The pension reform legislation also contains several provisions to improve the choice, control, and confidence workers have in their retirement saving plans.

The legislation will increase access to professional investment advice for workers in employer sponsored plans. It will clarify standards for automatic enrollment in defined contribution plans. It will protect workers by mandating reasonable diversification rights. And it will improve transparency by requiring quarterly benefits statements. This Administration has long supported these important reforms.

Our country is fortunate to have active champions of these reforms on the Hill. I am hopeful that working with the conferees from the House and Senate, we will be able to advance a proposal that meets all the President's goals.

The pension reform legislation is important for America's workers. It will be a giant leap forward in building more secure retirements. But it will not solve all of the retirement challenges we face. That's why your advice and expertise are so important. You are here to address the obstacles to saving faced by four key groups-new labor market entrants, low-income wage earners, small business owners and their employees, and workers near-retirement. Each of these groups faces its own special challenges.

New entrants to the workforce are preoccupied with gaining experience and building a successful career path. They are so far from retirement that they usually don't think about it at all. They assume they have plenty of time to plan for their golden years later.

What they don't realize is that time is their greatest ally when it comes to saving for retirement. A worker who saves $1,000 a year from age 20 through age 30 and then stops, will have more at retirement than someone that starts at age 30 and saves the same amount for 35 years straight.

For every 10 years of delay, a worker will need to save three times as much each month to catch up. No wonder Albert Einstein said compound interest was the greatest mathematical discovery of all time!

New entrants are also likely to change jobs. In fact, changing jobs has become a way of life in today's workforce. The average American will have had 10 jobs between the ages of 18 and 38.

Every year, about one-third of our workforce changes jobs, largely to take advantage of better opportunities.

Studies have shown, however, that many workers who change jobs are not making the best use of their retirement plans. Only 43 percent of workers changing jobs rolled lump sums from their former retirement plan into an IRA or a new employer's retirement plan.

Low-income workers face many challenges, as well. Low-income workers are faced with balancing today's needs with saving for tomorrow's retirement. The urgency of today's needs often win out.

Outreach and education, along with tools like the Saver's Credit, are important for low-income workers. Regardless of career paths or earning potential, all workers can benefit from the power of compound interest. Saving $100 at age 20 can grow to more than $1,900 by age 65. Starting early even with small amounts can make a real difference.

It is not unusual for something small to make a big difference for American workers. Small businesses have created 70 percent of the 4.8 million net new jobs created in the last two-and-a-half years. Small businesses are a powerful force in job creation. We need to find ways to make them a more powerful force for retirement savings.

Only about two of every 10 small businesses with fewer than 100 employees offer some type of retirement plan. These employers are often intimidated by complex rules and high costs. It is important to identify strategies to overcome these significant barriers.

And finally, the other group requiring special attention is those who are at or near retirement. The Department of Labor recently released a new publication to help those nearing retirement. It is titled "Taking the Mystery out of Retirement Planning." This publication is designed to assist individuals who are within 10 years of retirement. You will receive copies while you are here. And I hope you will help spread the word about the availability of this publication. It can be downloaded from the Labor Department's Web site at www.dol.gov/ebsa. This useful publication contains advice and worksheets to calculate income, savings and common expenses in retirement. With these tools, anyone can learn how much they need to save.

Those nearing retirement have a lot of important decisions before them. Their choices will affect their ability to realize their retirement dreams. By eliminating obstacles in their path, we can help them realize the full potential of their golden years.

As I mentioned earlier, our nation's high standard of living and modern medicine are ensuring that more Americans can look forward to longer, healthier, and more productive lives. And building a diverse savings portfolio is the best way to ensure lasting independence during the retirement years.

So thank you, again, for lending your expertise and advice to this important summit. By working together, we can help ensure that more Americans than ever before will have access to the secure retirement that was once available only to a few.