

**Opening Statement
Senator Susan M. Collins
Special Committee on Aging**

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

June 15, 2016

Good afternoon. One of our Committee’s prior hearings on retirement security revealed that the gap between what Americans have actually saved for retirement and what they will need stands at an astonishing \$7.7 trillion.

According to a recent Gallup poll, 60 percent of Americans note their top financial concern is not having enough money to make ends meet after they stop working. Most believe they will have a much more difficult time achieving a secure retirement than their parents did.

The statistics confirm that their concern is warranted. More than half of those between 55 and 64 years of age have little or no retirement savings, and about a third have less than \$25,000 in savings of any kind. Similarly, one-in-three of those on the cusp of retirement could not come up with \$2,000 if they needed to do so.

It is difficult to imagine making ends meet in retirement with just \$25,000 in savings and the typical Social Security benefit of about \$16,000 a year. But for one-in-four retirees, this is the reality.

There are many reasons we face such a worrisome gap, including rising health care costs, the need for long-term care, and longer life expectancy. The shift away from employer-based “defined benefit” plans, or pensions, to “defined contribution” plans, such as 401(k)s, has also played a role.

The importance of workplace retirement plans in improving Americans’ retirement security is worth noting: when full-time workers have access to retirement plans, approximately 80 percent of them contribute.

In contrast, workers without access to employer-based plans are much more likely to lack confidence in their retirement security, according to the Employee Benefit Research Institute or “EBRI.” Furthermore, EBRI has found that fewer than 10 percent of employees without a workplace plan contribute to a retirement savings account on their own.

Given that 30 million full-time private-sector workers lack access to an employer-sponsored retirement plan, one important step that we can take to improve retirement security is to encourage employers to offer these plans. As we do so, we must address the fact that small businesses face challenges in offering retirement benefits to their workers because of the cost and complexity of these plans.

That is why, along with the ranking member Senator McCaskill and Senator Bill Nelson, the former chairman of this committee, I've introduced the "Retirement Security Act." It would make it easier and less expensive for small businesses to establish retirement plans as well as to encourage individuals to save more for retirement.

We also have to acknowledge that the ongoing shift toward workers taking freelance or independent contractor positions, often referred to as the "on-demand" or "gig" economy. Workers who have these jobs typically can't participate in traditional, employer-provided plans and must look elsewhere to save for retirement.

Fortunately, innovative products and services are entering the market that combine new technologies with behavioral economics to improve financial literacy and promote savings.

Other "apps" use a game platform to make financial education entertaining. The informal encouragement people receive can make a big difference in their willingness to save. For example, Staples found that its employees were three times more likely to sign-up for its retirement plan after playing one of these games.

Today's hearing will highlight these and other innovative ideas to improve savings and thereby increase retirement security.

I look forward to the testimony of our witnesses