



EBRI News

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EBRI and ASEC Recommend PBS Retirement Program as an Opportunity for Education and Driver of Increased Savings

WASHINGTON—Dallas Salisbury, president and chief executive officer of the nonpartisan Employee Benefit Research Institute (EBRI) and chairman of the American Savings Education Council (ASEC), urged all Americans to Web-view a recent PBS Frontline documentary on retirement as a valuable opportunity to learn about the need to save. He disputed a statement issued Tuesday by the Profit Sharing/401(k) Council of America calling on workers to disregard the program.

The documentary—entitled “Can You Afford to Retire?”—was broadcast on Frontline on the Public Broadcasting Service May 16, and is posted on the PBS Web site at www.pbs.org/wgbh/pages/frontline/retirement/ along with transcripts, tools and other savings and retirement planning resources.

In a statement issued today, Mr. Salisbury said:

“While the Frontline special stressed points that I would not have chosen in some cases, and did not include others that I would have, it was a strong message to individuals to pay attention, have a retirement plan, watch fees, save a lot, beware of salesmen offering the next sure thing, and be cautious of anyone who says, ‘Trust me—I will take care of everything for you’. The end message—‘the end of retirement’—might have been a bit strong; but the Retirement Confidence Survey[®] and other EBRI research makes it clear that millions of baby boomers and younger generations are living in a dream world thinking they can retire on what they *now* have, or on what they *will* have based upon the savings they are now doing. Years of our surveys and simulation work document that workers have a high level of false confidence and that most need to dramatically increase their rate of savings to just be in a position to meet basic expenses, let alone have adequate retirement income to maintain their pre-retirement lifestyle.

“Work by both the Employee Benefit Research Institute and the Profit Sharing/401(k) Council of America clearly shows that a defined contribution plan may be able to do all that is needed for a focused worker who participates and saves at a high level for a full career, and then is very careful about what he or she does after retirement. That was part of the Frontline broadcast. Research also shows that individuals without a defined benefit plan who join a defined contribution plan late in their working career, save at a low rate, spend lump sums, time the market poorly, retire too early, and spend down too quickly, will wish they had not retired and find themselves poor.

“All of this has always been true for the U.S. population, and is more true today than in the past because of debt, prices, the decline of life income annuities from defined benefit pension plans, the

failure of individuals to choose life income annuities when given the opportunity, and the growing cost of retiree health care. The years 1965–1999 were the closest thing to economic ‘golden years’ ever seen by this nation for those moving into retirement, and they will likely never be matched again for the bulk of the population unless savings behavior changes radically.

“As part of EBRI’s ChoosetoSave[®] public service announcements, we have done viewer testing. Programs that get the best recall and have the most impact are either those with humor and a call to action or those that scare the pants off people with a call to action. Frontline correspondent Rick Smith and his team choose the later course, and our work would suggest that it was on the mark on most issues. It showed employers offering plans, working to educate their workers, putting in money, setting aside work time for seminars, and offering tools that could provide the right number for planning. It showed a retiree who left work with a good nest egg but an out-of-balance personal situation; he still had a lot of debt and made investment and spending decisions that drove him back to work. This was not an employer failure but an individual failure. Many workers do not even have the safety nets described for the families shown on the Frontline broadcast: They have no retirement plan and no employer involvement. They all have the option to contribute to an Individual Retirement Account, but few choose to do so. They are really on the edge of working forever if they do not do something.

“Contrary to the conclusions of the Profit Sharing/401(k) Council, I believe repeated showing of the Frontline program could cause people to wake up to the need to get moving on planning, budgeting, saving, avoiding debt, getting financial education and taking control of their lives so that they do not have to work forever. I hope the Frontline broadcast will serve as an effective wake-up call to all on the absolute necessity for Social Security and Medicare and Medicaid to be kept secure as the programs that still can keep retirement alive for most Americans—at a very basic level—when they must retire. Employers do more than any other segment of our society to make saving possible. Bless them—I hope that more Americans take advantage of retirement plans at work.

“I also hope PBS runs the Frontline program again and again, that it gets into the schools at all levels, that employers distribute Web links to their workers, that employers who watch the program realize that they should create a retirement plan or enhance what they have, and that policy-makers will see how important safety net programs are. The Frontline program was a wake-up call to assure that this is not ‘the end of retirement.’ ChoosetoSave[®] so you don’t have to work forever. Saving rocks!”

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