

Opening Statement
Chairman Michael G. Oxley
Financial Services Committee

Generations Working Together:
Financial Literacy and Social Security Reform
April 20, 2005

Our hearing today begins our Committee's discussion of Social Security reform, initially focusing on the intersection with financial literacy, and I want to welcome all of our witnesses today. We have before us a panel of distinguished former Members, and we look forward to their insights as we begin the Committee's initiative in this area. Senator Simpson, Representative Penny, Representative Kennelly, welcome to the Financial Services Committee, it's good to see all of you again. Later, on panel two, we will hear from financial literacy professionals who will share with us their perspectives on this topic.

If we want Social Security to successfully provide for future generations, the program must be reformed. The program would continue just as it is now for current seniors and Social Security recipients—but their children and grandchildren surely will benefit if we move forward with a permanent fix. If changes are not made in the future, Social Security will not be there in its current form for today's young people. I am looking forward to working with the Members of this Committee on a bipartisan basis as we move ahead in this great and important debate.

Social Security was created in a different America. In 1950, there were 16 workers for every retiree. Today, there are just over three workers for every retiree, and when the Baby Boom generation retires, there will be only two workers for every retiree. It's time to face these facts, and President Bush has been courageous in doing just that.

Without reform, Social Security will become Social Insecurity in the future. Waiting is not an option, and band-aid reforms will not solve the structural problems. The longer we put off structural reform of Social Security the more expensive it will be to fix. That is why we must act now. Waiting will cost us an additional \$600 billion every year.

As the nation discusses Social Security reform, individual Americans are also thinking about their retirement security. I think we can all agree that we should continue to emphasize financial literacy. To succeed financially, to make the most of

Oxley, page two
April 20, 2005

their money, our citizens must be prepared to manage their finances and attend to their savings and investment decisions. People need information on saving and investing. They need to know about the benefits of compound interest, dollar-cost averaging, and diversifying their investments.

Americans are successfully accomplishing financial goals—raising children, which everybody knows is an expensive proposition; financing college educations; purchasing homes and eventually paying off mortgages; as well as financing retirement. But we need to bring along those who have not made as much progress and encourage everyone to maximize their money's potential.

This Committee has been working hard to promote financial literacy since 2001. We worked with the Department of the Treasury in the creation of the Office of Financial Education, which promotes access to financial education tools that encourage personal financial management, planning, and saving. We also worked together on Title V of the FACT Act, establishing a Financial Literacy and Education Commission with the purpose of improving financial literacy and promoting financial knowledge of all Americans. We need to continue to build the financial literacy foundation and incorporate financial literacy into the lives of our citizens.

This Committee needs to work in bipartisan fashion to help people take control of their financial future and to help the nation take control of its future. One of the most important principles of financial literacy is to review the situation, make what are sometimes hard choices, because you know that's the best thing for the future. That's also what we need to do as a nation.

Personal accounts are an important part of the answer. It's not fair that people pay into the system their whole lives but yet have nothing to call their own. Instead of banking on government promises and IOUs, Americans should have the option of voluntarily counting on their own investment returns in addition to the traditional Social Security System.

If they choose to participate, younger workers will own the money in their accounts. They will be able to watch it grow, and Congress can't spend it. People will be able to build their own personal nest eggs within the Social Security program, and that will give people a better chance to enjoy a more secure retirement.

Americans have always wanted to live their own lives and direct their own affairs. When given the choice between renting a home and owning one, the American Dream is to call something our own. I think the same desire is there for owning retirement security, and I look forward to this debate.

###