**Floor Speech by Senator Elizabeth Warren**
**The Retirement Crisis**
**November 18, 2013**

***As Prepared for Delivery***

[Mr./Madame] President, I rise today to talk about the retirement crisis in this country – a crisis that has received far too little attention, and far too little response, from Washington.

I spent most of my career studying the economic pressures on middle class families – families who worked hard, who played by the rules, but who still found themselves hanging on by their fingernails. Starting in the 1970s, even as workers became more productive, their wages flattened out, while core expenses, things like housing and health care and sending a kid to college, just kept going up.

Working families didn't ask for a bailout. They rolled up their sleeves and sent both parents into the workforce. But that meant higher childcare costs, a second car, and higher taxes. So they tightened their belts more, cutting spending wherever they could. Adjusted for inflation, families today spend less than they did a generation ago on food, clothing, furniture, appliances, and other flexible purchases. When that still wasn't enough to cover rising costs, they took on debt – credit card debt, college debt, debt just to pay for the necessities. As families became increasingly desperate, unscrupulous financial institutions were all too happy to chain them to financial products that got them into even more trouble -- products where fine print and legalese covered up the true costs of credit.

These trends are not new, and there have been warning signs for years about what is happening to our middle class. One major consequence of these increasing pressures on working people – a consequence that receives far too little attention – is that the dream of a secure retirement is slowly slipping away.

A generation ago, middle-class families were able to put away enough money during their working years to make it through their later years with dignity. On average, they saved about 11% of their take home pay while working. Many paid off their homes, got rid of all their debts, and retired with strong pensions from their employers. And where pensions, savings, and investments fell short, they could rely on Social Security to make up the difference.

That was the story a generation ago, but since that time, the retirement landscape has shifted dramatically against our families.

Among working families on the verge of retirement, about a third have no retirement savings of any kind, and another third have total savings that are less than their annual income.[i] Many seniors have seen their housing wealth shrink as well. According to AARP, in 2012, one out of every seven older homeowners was paying down a mortgage that was higher than the value of their house.[ii]

And just as they need to rely more than ever on pensions, employers are withdrawing from their traditional role in helping provide a secure retirement. Two decades ago, more than a third of all private sector workers – 35% – had traditional, defined benefit pensions – pensions that guaranteed a certain monthly payment that retirees knew they could depend on. Today, that number has been cut in half -- only 18% of private sector workers have defined benefit pensions.[iii] Employers have replaced guaranteed retirement income with savings plans, like 401(k) plans, that leave the retiree at the mercy of a market that rises and falls, and, sometimes, at the mercy of dangerous investment products. These plans often fall short of what retirees need, and nearly half of all American workers don't even have access to those limited plans.[iv] This leaves more than 44 million workers without any retirement assistance from their employer.[v]

Add all of this up – the dramatic decline in individual savings and the dramatic decline of guaranteed retirement benefits and employer support in return for a lifetime of work – and we're left with a retirement crisis – a crisis that is as real and as frightening as any policy problem facing the United States today.

With less savings and weaker private retirement protection, retirees depend more than ever on the safety and reliability of Social Security. Social Security works—no one runs out of benefits and the payments don't rise and fall with the stock market. Two-thirds of seniors rely on it for the majority of their income in retirement, and for 14 million seniors – 14 million – this is the safety net that keeps them out of poverty.[vi] God bless Social Security.

And yet even Social Security has been under attack. Monthly payments are modest, averaging about $1,250,[vii] and over time the benefits are shrinking in value.[viii] This puts a terrible squeeze on our seniors.

With tens of millions of people more financially stressed as they approach retirement, with more and more people left out of the private retirement security system, and with the economic security of our families unraveling, Social Security is rapidly becoming the *only* lifeline that millions of seniors have to keep their heads above water. And yet, instead of taking on the retirement crisis, instead of strengthening Social Security, some in Washington are actually fighting to *cut* benefits.

Just this morning, the Washington Post ran an editorial mocking the idea of a looming retirement crisis. To make sure no one missed the point, they even put the words "retirement crisis" in quotation marks. No retirement crisis? Tell that to the millions of Americans who are facing retirement without a pension. Tell that to the millions of Americans who have nothing to fall back on except Social Security. There is a $6.6 trillion gap between what Americans under 65 are currently saving and what they will need to maintain their current standard of living when they hit retirement. $6.6 trillion—and that assumes Social Security benefits aren't cut.[ix] Make no mistake: This is a crisis.

The call to cut Social Security has an uglier side to it, too. The Washington Post framed the choice as more children in poverty versus more seniors in poverty. The suggestion that we have become a country where those living in poverty fight each other for a handful of crumbs tossed off the tables of the very wealthy is fundamentally wrong. This is about our values, and our values tell us that we don't build a future by first deciding who among our most vulnerable will be left to starve.

I hold deep values, and I look at basic facts. Today, Social Security has a $2.7 trillion surplus. If we do nothing, Social Security will be safe for the next 20 years and even after that will continue to pay most benefits. With some modest adjustments, we can keep the system solvent for many more years – and could even *increase* benefits.

The tools to help us build a future are available to us now. We don't start the debate by deciding who gets kicked to the curb. We are Americans. We start the debate by figuring out how to create better efficiencies, how to make small changes that will make the system fairer, how to grow the pool of those who contribute, how to rebuild a system that every single one of us can rely on to make sure that there is a baseline in retirement that no one falls below.

We don't build a future for our children by cutting basic retirement benefits for their grandparents. No, we build a future for our kids by strengthening our economy, by investing in education and infrastructure and research, by rebuilding a strong and robust middle class in which every kid gets a chance—and the most vulnerable have a strong safety net.

The most recent discussion about cutting benefits has focused on something called the Chained-CPI. Supporters of the chained CPI say that it's a more accurate way of measuring cost of living increases for seniors. That statement is simply not true. Chained CPI falls short of the actual increases in costs that seniors face, pure and simple. Chained CPI? It's just a fancy way of saying cut benefits.

The Bureau of Labor Statistics has developed a measure of the *real* impact of inflation on seniors. It's called the CPI-E, and, if we adopted it today, it would generally *increase* benefits for our retirees—not cut them.

Social Security isn't the answer to all of our retirement problems. We need to find ways to tackle the financial squeeze that is crushing our families. We need to help families start saving again. We need to make sure that more workers have access to better pensions. But in the meantime – so long as these problems continue to exist and so long as we are in the midst of a real and growing retirement crisis – a crisis that is shaking the foundations of what was once a vibrant and secure middle class – the absolute *last* thing we should be doing is talking about cutting back on Social Security. The absolute *last* thing we should do in 2013 – at the very moment that Social Security has become the principal lifeline for millions of our seniors -- is allow the program to begin to be dismantled inch by inch.

Over the past generation, working families have been hacked at, chipped, and hammered. If we want a real middle class – a middle class that continues to serve as the backbone of our country – then we must take the retirement crisis seriously. Seniors have worked their entire lives and have paid into the system, but right now, more people than ever are on the edge of financial disaster once they retire—and the numbers continue to get worse. That is why we should be talking about *expanding* Social Security benefits – not cutting them. Senator Harkin from Iowa, Senator Begich from Alaska, Senator Sanders from Vermont, and others have been pushing hard in that direction. Social Security is incredibly effective, it is incredibly popular, and the calls for strengthening it are growing louder every day.

[Mr./Madame] President, the conversation about retirement and Social Security benefits is not just a conversation about math. At its core, this is a conversation about our values. It is a conversation about who we are as a country and who we are as a people. I believe we honor our promises, we make good on a system that millions of people paid into faithfully throughout their working years, and we support the right of every person to retire with dignity.

Thank you, [Mr./Madame] President.

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[i] Nari Rhee, National Institute on Retirement Security, *The Retirement Savings Crisis: Is It Worse Than We Think?*, p. 11, June 2013, http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf.

[ii] Rodney Harrell and Shannon G. Guzman, AARP Public Policy Institute, *Loss of Housing Affordability Threatens Financial Stability for Older Middle-Class Adults*, January 2013, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/security/2013/loss-of-housing-affordability-threatens-financial-stability-for-older-middle-class-AARP-ppi-sec.pdf

[iii] Monique Morrissey, Economic Policy Institute, "Private-sector pension coverage fell by half over two decades," January 11, 2013, http://www.epi.org/blog/private-sector-pension-coverage-decline/.

[iv]Rhee, *The Retirement Savings Crisis*, p. 4

[v]Rhee, *The Retirement Savings Crisis*, p. 3

[vi] Alison Shelton, AARP Public Policy Institute, "Social Security: Still Lifting Many Older Americans Out of Poverty," July 1, 2013, http://blog.aarp.org/2013/07/01/social-security-still-lifting-many-older-americans-out-of-poverty/

and Face the Facts USA, George Washington University, "Social Security keeps seniors out of poverty," November 16, 2012, http://www.facethefactsusa.org/facts/all-that-stands-between-many-seniors-and-poverty.

[vii] Social Security Administration, "Monthly Statistical Snapshot, September 2013," released October 2013, http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/.

[viii] Mark Miller, "Can Expanding Social Security solve the retirement crisis?," Reuters, October 31, 2013, http://www.reuters.com/article/2013/10/31/us-column-miller-social-security-column-idUSBRE99U1CP20131031, and Shelton, "Social Security: Still Lifting Many Older Americans Out of Poverty?," and Face the Facts USA, "Social Security keeps seniors out of poverty."