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The Lewis Letter

By U.S. Representative Ron Lewis

Financial Literacy Month

The U.S. House of Representatives passed a resolution last week to designate April as Financial Literacy Month. The resolution, sponsored by Rep. Judy Biggert (R-IL), raises public awareness about the importance of financial education and calls on the President to issue a proclamation of support for Financial Literacy Month.

Financial literacy is an issue that should command our attention because many Americans are not adequately organizing finances for their education, healthcare and retirement. Studies indicate that most of young adults struggle to grasp even the most basic financial principles that will allow them to manage money and prepare for their future. This is a problem that can be solved through increased economic education and public awareness about the importance of financial responsibility and the serious consequences that can result from poorly managed personal finances.

Increased awareness and education could be a great help toward improving spending and saving habits and increasing participation and contribution levels to retirement plans. It is never too early to encourage long-term savings. Whether you are just entering the workforce or nearing retirement age, planning for the future is critical.

A Retirement Confidence Survey conducted in 2004 found that only 42 percent of workers surveyed have calculated how much money they will need to save for retirement and four in 10 workers say that they are not currently saving for retirement. Those of us in Congress often use the term "three-legged stool" to describe the necessary elements for a financially secure retirement: a combination of Social Security, employer pension, and personal savings. While Social Security has traditionally formed a foundation for retirement savings, it is only one leg of the stool. Americans must also take advantage of corporate savings vehicles like 401(k)'s and personal savings.

Employer contribution pension plans have become increasingly popular throughout the past two decades. More than 42 million workers currently participate in a defined contribution plan. But many of these people are not saving enough. Congress is moving forward with comprehensive legislation to update the rules that govern pension systems; providing funding reforms for single and multiemployer pension plans, new disclosure provisions that will allow employees to be able to find out the exact status of their plans, and measures to prevent employers from using bankruptcy to walk away from their pension obligations.

Without significant reform, the Social Security Administration will be legally and financially unable to pay full promised benefits within a generation. Since Social Security faces a large gap between what it promises younger workers and what it can afford to pay them, private savings will likely need to play a larger role in retirement planning for younger workers. Though Congress continues to explore possible solutions to ensure social security solvency, everyone must take personal responsibility to prepare their own retirement savings accordingly.

Earlier this month, The Financial Literacy and Education Commission unveiled a new national strategy in their report "Taking Ownership of the Future: The National Strategy for Financial Literacy." The report outlines a series of outreach and education goals for the public and private sectors aimed to help Americans improve their understanding of financial issues such as credit management, savings, and homeownership. It is my great hope that this report, along with the House-passed resolution, will elevate national attention to the important educational and public awareness goals of Financial Literacy Month. It is incumbent upon each of us to improve spending and savings practices to ensure our own individual financial security and preserve the collective economic well-being of our great society.