

Chairman Deborah Pryce
Subcommittee on Domestic and International Monetary Policy,
Trade and Technology
B-304 RHOB

Statement for the Record
Hearing on Social Security and Financial Literacy
April 20, 2005

Thank you, Chairman Oxley.

Welcome, and thank you for taking the time to discuss with us today the state of our Social Security system and this nation's need for greater financial education.

As you know, Social Security, if addressed today, could safeguard the futures of millions of young people. If ignored, it could become the biggest shortcoming of our generation. Any plan to reform Social Security will require a concentrated effort by Congress to craft a program that will remain solvent long after we are gone. It is in open discussions like the one we are having today where we can highlight what I believe is the concern of our entire nation, Republicans and Democrats alike — to ensure that our future generations have a dynamic and sustainable retirement system.

As the debate over Social Security unfolds, we have an opportunity to broaden the discussion to include a range of retirement security issues and educate American's on the choices of personal savings plans provided in the financial services industry today.

We also must educate Americans about the need to plan and save for retirements that may last 20 or 30 years, or longer. A focus on long-term savings for retirement should be included in any national strategy to improve financial literacy. Financial literacy helps families guarantee financial security now and in retirement.

In today's society, the average American high school senior lacks a basic knowledge of personal financial affairs. Nationally, personal financial literacy among students in America has increased only slightly over the last ten years, while personal debt has increased exponentially.

Federal Reserve Chairman Alan Greenspan testified before this committee and stated the need for Congress to address our country's dwindling savings rate. While just last year we had a 6% personal savings rate, this year's figures are showing an astonishing 1% personal savings rate. I believe we need to reverse this trend and get America saving again—and I know you agree.

I believe Congress can and should play a greater role in increasing an awareness of the importance of saving for our future and demonstrating increased aptitude and ability to manage financial resources such as credit cards, insurance, retirement funds and savings

accounts.

Many of our children—our nation’s future retirees—are unable to balance a checkbook or have no insight into the basic survival principles involved with earning, spending, saving and investing. Failing to manage their first consumer credit experience leads to establishing bad credit at an early age and hindrance of financial opportunities for years to come.

Just last month, I joined Congresswoman Judy Biggert as a member of the Financial and Economic Literacy Caucus, designed to increase public awareness of poor financial literacy rates across the country and to work towards improving those rates. Financial literacy empowers individuals to manage money, credit, and debt and become responsible workers, heads of households, investors, entrepreneurs, and business leaders.

The link between social security, personal retirement savings accounts and the need for increased financial literacy in America is closer than you think. While Congress can make laws and provide savings vehicles for Americans retirement through social security or personal retirement accounts, only with an overall understanding of financial services can a person truly benefit from the investment in their future. We must continue to do more- to reach out to more people.

Only by building a smarter consumer and a smarter saver do we secure the retirement of our future generations.

I thank Chairman Oxley for setting up this hearing and look forward to hearing the thoughts of our witnesses and the Members of the committee today.

With that, I yield back the balance of my time.