

Putting stress on savings

A group sets a week in October to promote worker participation in plans.

By Gene Meyer
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However old you are, you need to be saving more for retirement now, say top executives of a financial organization convening this week in Kansas City.

The group, the National Association of Government Defined Contribution Administrators, used its annual conference, ending today at the Hyatt Regency Crown Center hotel, to formally launch plans for a National Save for Retirement Week Oct. 22-28.

The organization's goal for the week is to encourage state and municipal worker members and other workers to participate more in savings plans meant to supplement their Social Security and traditional pension plan benefits. More than 700 members of the association and **ICMA Retirement Corp.**, a major savings plan provider for public service workers, attended the meeting.

Such observances are not unusual. Stowers Innovations Inc., a Kansas City educational enterprise created by American Century Investments founder James Stowers Jr. to encourage financial self-improvement, is promoting Achieve Financial Independence Week Oct. 15-21.

But the association's campaign week is the first in recent memory to be designated by a formal U.S. Senate resolution passed this month.

"This is a call for action," Joan McCallen, ICMA Retirement Corp.'s president and chief executive said Tuesday.

Retirement costs, particularly for health care, are rising for all workers, and even the traditionally generous pensions that cover many public-service workers do not cover ever-rising retirement living expenses, McCallen said.

Industry statistics show many workers are not prepared to plug the gap, she said. More than half have less than \$25,000 in personal savings and investments, including four in 10 who are in their mid-40s to mid-50s. Four in 10 workers 55 and older have saved less than \$100,000.

Realistically, retirees need savings equal to between eight and 12 times their income to maintain the same standard of living in a secure retirement, according to industry rules of thumb. Having additional assets such as a pension makes a difference, too.

Leading-edge baby boomers — the first of whom are turning 60 this year — seem particularly ill-prepared for retirement, said Della Williamson, the association's president and also program administrator for the Texas Employees Retirement System.

Their total savings, by some calculations, are \$16 trillion below where they should be. Unless individual savers in that group boost their savings considerably, they will be “part of the largest looming crisis since the Great Depression,” Williamson said.

Some additional help is on the way in the form of the pension-reform law approved last month. Among other things, companies offering 401(k) retirement savings plans can now automatically enroll workers in the programs. A proposal unveiled Tuesday by the Department of Labor will make it easier for companies to do that. The department was required to take the action to formally set up the mechanics for automatic enrollment.

The Department of Labor said Tuesday that employers could divert workers' retirement savings into higher-yielding 401(k) investments without facing lawsuits for poor returns.

Until now, only 18 percent of companies automatically enrolled their workers in 401(k)-type plans, Labor Secretary Elaine Chao told Bloomberg News. Those that did invested employee savings in safe but low-yielding money market funds or government securities.