

VITAL SPEECHES

— OF THE DAY —

VOL. LXXII, No. 13

\$4.00 per copy

APRIL 15, 2006

TWICE A MONTH

\$50.00 A YEAR

Hurricanes

LOOKING TOWARD THE FUTURE

Space

SERVING THE NATIONS ESSENTIAL INTEREST

Preparing for the Knowledge-Based Economy

THE LIGHT AT THE END OF THE TUNNEL

Medicine's Challenges in the Post-Katrina Era

INSPIRING BETTER HEALTH HABITS

Challenges and Opportunities In a Globalizing World

THERE IS NO ROOM FOR COMPLACENCY

The Realities and Rewards of Globalism

A VIEW TOWARD CHINA

The Business of Being a Stock Market

WHAT WILL THE NEXT DECADE BRING?

Retirement

LOOKING AT WAYS NOT TO OUTLIVE YOUR ASSETS

Saudi Education in the Global Economy

GIVING OUR CITIZENS THE TOOLS AND KNOWLEDGE TO SUCCEED

Michael Chertoff

Secretary, Homeland Security — Page 386

Michael D. Griffin

Administrator, National Aeronautics and Space Administration — Page 390

John A. Challenger

CEO, Challenger, Gray & Christmas Inc. — Page 394

J. Edwin Hill

President, American Medical Association — Page 397

William B. Harrison, Jr.

Chairman, JP Morgan Chase — Page 400

Jim Owens

CEO, Caterpillar Inc. — Page 404

Bob Grefield

President and CEO,
The NASDAQ Stock Market, Inc — Page 408

Ted Mathas

Executive Vice President & Co-Head, United States Life Insurance Operations, New York Life Insurance Company — Page 411

Prince Turki-al-Faisal

Amabassador of the Kingdom of Saudi Arabia to the United States — Page 414

IMPARTIAL



CONSTRUCTIVE



AUTHENTIC

THE BEST THOUGHT OF THE BEST MINDS ON CURRENT NATIONAL QUESTIONS

Vital Speeches of the Day

REG. U.S. PAT. OFF.

VOL. LXXII

APRIL 15, 2006

No. 13

Retirement

LOOKING AT WAYS NOT TO OUTLIVE YOUR ASSETS

Address by TED MATHAS, *Executive Vice President & Co-Head, United States Life Insurance Operations, New York Life Insurance Company*

Delivered to the AARP Foundation Women's Leadership Circle—Launch Event, Washington, D.C., April 6, 2006

Good afternoon! The AARP thought this would be the right time for you to meet someone who can give you a first-hand, personal account of what it's like to be a woman "of a certain age"...someone who is facing their older years, possibly alone, but with courage...someone who could be your mother or your sister or your best friend.

Well, here I am.

Honestly, I think I was more shocked than anyone when the AARP asked me to wrap up this portion of the conference. I suspect it's obvious - even to the most casual observer - that, as a spokesperson for the financial issues faced by mature women, I am demographically challenged in more ways than you can possibly imagine.

But I can speak to you with some authority about one particular woman - a woman who enormously influenced my attitudes on this subject - and who really helped shape who I am.

In the year 1928, twenty-three year old Penelope Maliaros boarded a steamship in her native Greece to set out for a new life in the United States. In America, she married and raised a family, three daughters in all. Shortly after her 39th birthday, her husband fell ill and died. The young widow took to wearing black clothing, both at home and in public. Throughout her entire life, she never remarried and she never wore anything but black.

After she turned 60, she no longer was able to run the little candy store that provided her modest livelihood. Fortunately, she was invited to come join the household of her middle daughter - my mother. I was born that same year - the year grandma, or Yia Yia as we called her, came to live with us.

No one can ever tell me that the retirement years cannot be as productive, or as fulfilling or as important as all the years that precede them. After she was given this second opportunity to help raise a family, my grandmother lived an entire second lifespan. She was there for me throughout my childhood and virtually all of my adulthood.

We never felt as though bringing her into our midst was an act of charity or obligation. You see, my grandmother

knew how to make herself an essential - maybe even the most essential - part of the household. She was always busy, busy, busy ... getting up at five in the morning to bake bread ...doing yard work that would break the back of a person half her age ... even taking the time to show my brother how to catch fish with hard little balls of dough left over from her pie crusts.

She was always too busy caring for us to spend even a moment feeling regret.

Yia Yia passed away two years ago. She was 98. The years I had with her are precious - and I wouldn't have chosen to grow up any other way.

But later in life, I realized that she really never had another choice. She had no retirement safety net. No way to support herself and live independently. Fortunately, she had children - and grandchildren - who loved her and provided her with a secure, dignified retirement.

Not everyone is so fortunate. As you know, women face far greater financial risk during retirement than men. There are a number of clear reasons for this.

First, there's life expectancy. Women live longer than men. Nearly one-third of all women who are age 65 today will live well into their nineties. Within our lifetimes, the number of American women over age 85 is expected to double and possibly even triple.

And the men? We're beating the odds if we barely survive our seventies. So, even though the majority of adult women are married, 85% of them will spend the last years of retirement alone. In fact, the average age of becoming a widow is 55. That's right, 55 years old.

And that raises another significant challenge: All too often, widowhood spells financial disaster for women. According to the U.S. government, four out of five widows living below the poverty line were not poor before their husbands died. You already know the story. He might have had a decent pension from his job, but now that he's gone, so are the monthly checks. To add insult to injury, even her Social Security benefits will be reduced: they will now reflect the contributions of just one wage earner instead of two.

Now, some might assume, given the greater number of women who entered the workforce over the past forty years, that many of them should now be approaching retirement with nice pensions, well-funded 401k accounts, and all the other financial resources they need. But the fact is, even among baby boomers, women are less likely than men to work for an employer who offers a retirement plan.

And because they are more often the ones to leave jobs to care for children, these women are also less likely to vest in pension plans or contribute as much as men to retirement savings plans.

In fact, women who are currently eligible for pensions receive, on average, only half the pension amounts of their male colleagues.

Here's something you can try next time you're sitting at a computer: Log onto Amazon-dot-com and type in the words, "women and money." That search will turn up more than four hundred books on the subject. Books with titles like, "Prince Charming Isn't Coming — How Women Get Smart About Money."

Now, conduct another book search, this time for "men and money." Guess what? You won't even find half as many volumes. But you'll love the titles: "Men, Money and Power." "The Money Men." "The Wall Street Warriors."

At any rate, there's a good reason why so many more personal finance books are being written for women. These books are filling an information void that has been created, in part, because the financial services industry has not done a better job of working with women.

I spend a good amount of time talking to people about saving for retirement. And it is often true that men and women do have different takes on this subject. Just to give you a few examples:

Remember the saying that was popular a few years back: He who dies with the most toys wins? When it comes to retirement assets, some men really do believe that. Hey - my assets are bigger and badder than your assets. My stock picks are hotter than your stock picks. Investment is a game, and, for many men, the point of the game is racking up the most bragging rights.

Women, on the other hand, tend to focus on the quality of life they hope to achieve in retirement and ask how much it will take to sustain it. In other words, reliability matters. It's about having something you can count on.

Another example: men like to be in the investment driver's seat, making all the decisions and calling all the shots. No wonder some financial planners prefer male clients: they really aren't looking for advice, just lots of affirmation. For women, the issue is not about how much time they spend with their hands on the wheel. It's about getting everyone to the destination safely and securely.

O.K. maybe I'm stereotyping a little...well, maybe I'm stereotyping a lot... but I'm doing this to make a point: the financial services industry needs to understand women better in order to meet their needs... and there definitely is a need here. Financial planning for retirement is - by definition — a women's issue. The numbers don't lie: by age 85, there are twice as many women as men. And they need to be planning well in advance for their economic self-sufficiency.

Everyone is still talking about asset accumulation, which, of course, is what we should all be doing during our working years. But once you retire, it's no longer about accumulating assets; now you need a plan for spending and preserving assets. Along with that plan, we need to be providing much better answers to the four big "what if" questions women are asking about retirement:

- * "What if I outlive my money?"
- * "What if my investments lose money?"
- * "What if I have expensive medical bills?"
- * "What if inflation eats up my savings?"

There are many ways people try to ensure financial solvency throughout retirement, but the most common approach - the one you read about every week in financial advice columns — is one I call the "do-it-yourself plan." I call it that because it gives you full responsibility for figuring how much you need to save before you retire ...determining a suitable investment strategy to reach that goal ...and then, once you retire, disciplining yourself to withdraw only a prudent amount - say, four percent of your nest egg per year - to live on.

This can be a workable plan - and for those who have generous defined benefit pensions and substantial savings, it might even be the preferred plan. But for most of us, the do-it-yourself plan has a few significant shortcomings.

If you live longer than you expected, you could be in serious trouble.

If your investments don't do as well as you expected, you could be in serious trouble.

And if you live to be really old and your investments go really far south, you absolutely are in serious trouble.

The problem is, no matter how skilled you are at managing your finances ...and no matter how smart your investment advisors might be ... the do-it-yourself plan does not come with a lifetime guarantee. And when we are looking at retirements thirty years or longer, people absolutely need a source of guaranteed income that they cannot outlive.

But here's what I find really frustrating:

There are financial products that address this issue.

These products have been available for years.

And yet, less than 15% of the baby boomer generation is using them.

Very few people realize they can convert a portion of

their retirement savings into a guaranteed stream of monthly income for life. We are now seeing the introduction of new financial tools that are built upon the principles of pooled risk and annuitization and which provide a secure buffer against the financial consequences of longevity. These guaranteed lifetime income products offer the tremendous reassurance of knowing that regardless of how long you live ... and regardless of the ups and downs of the markets ... you will continue to receive the monthly income that has been promised you.

This can be a particularly valuable component of a retirement portfolio for women for a couple of reasons:

- * First, it can replace the guaranteed monthly income from pensions and Social Security that's lost when a spouse dies.

- * Second, it has none of the volatility risks of investments, and yet usually yields much greater annual returns.

- * And, third ... let's face it; these guaranteed lifetime income plans provides the greatest benefits to those who live the longest ... in other words, women.

I recently read an interesting observation made by someone who presumably understands more about investing money than anyone on earth: Warren Buffet. What he said was this: "It does not take extraordinary action to achieve extraordinary results."

Fifty years ago, there was nothing extraordinarily difficult about building a sound retirement portfolio. Perhaps you had some money put aside in nice, safe blue chip stocks - say, like TWA or Penn Central or maybe Studebaker. But even if your investments didn't perform quite as well as you expected, you still had the guaranteed income portion of your retirement portfolio: a Company pension and a Social Security account.

Today, too many retirees are regretting their reliance on what they believed were "nice, safe" investments. Unfortunately, the guaranteed income portion of the portfolio is no longer the backstop it used to be. Only two in ten U.S. employees are currently covered by company pension plans.

Thank goodness for Social Security: for some older Americans, this is the only reliable source of income remaining for them.

Clearly, it is time to place a renewed emphasis on the guaranteed income piece of the retirement portfolio.

People need simple, safe ways to protect themselves against outliving their assets. So, why aren't guaranteed income solutions the number one topic in every retirement planning discussion?

Maybe this topic just doesn't push the right buttons for men.

Think about it. When you contribute to Social Security or purchase a lifetime income annuity, you surrender control of a portion of your money. It goes into an enormous pool with lots of other cash, and you no longer have any say in how it's invested. How frustrating is that?

I think some men are also put off by the fact that this is a passive experience. Instead of the thrill of day trading, you only get the satisfaction of watching those checks arrive in your mailbox every month.

And while it's nice to have security, you lose the opportunity to be a hero. Everyone gets the same return. You don't get to brag about outsmarting the market.

Well, maybe it's time for all of us to adopt some new perspectives.

As we plan for our retirements, none of us should be expected to go it alone. The participation of credible, qualified advisors is absolutely essential.

What's more, none of us should be asked to bet our retirements on how well our personal investments might be performing decades from now. Every retirement plan should include guaranteed income that the markets can't erode and that retirees can't outlive.

It all boils down to a very simple truth: By pooling the costs of longevity risks among all of us, we can afford to insure against financial devastation undoing any one of us.

That's what Social Security does and what corporate pension plans, up until recently, delivered.

As a society, we need to agree that there are some promises that should never be broken. A dignified, secure retirement should top the list.

I'm an insurance guy. I certainly don't claim to have all the answers to the public policy issues surrounding retirement. But I do know that there are viable solutions to the challenges of lifelong income security. Solutions that are actuarially sound and that work in the real world.

However, getting people to adopt those solutions...and making them available to greater portions of the population ... is a far larger task.

It will require the cooperation of people in my industry, working together to come up with retirement income products that are more widely accessible. It will require the support of legislators, who can help foster the education and incentives needed to convince more people to plan ahead for their futures. It will require the involvement of all of us who care about what retirement holds in store for our mothers ... our grandmothers ...and ourselves.

We have the understanding, the financial tools and the resources to restore the retirement promise.

Whether this means encouraging people to begin saving a few dollars a week early in their careers ... or building their own personal pensions later in life ... none of this is impossible. None of this is beyond us.

Or as my Greek grandmother might have said to me: "If you give someone a fish, you feed them for a day. But if you show someone how to bait a hook with a scrap of piecrust, then - stin yasou!

- we've all got something we can really celebrate."

Thank you!

DISCLAIMER

New York Life Insurance Company is providing this article as a courtesy. The material is intended for general informational purposes only. Individuals should evaluate their own personal situation and needs before making decisions regarding their retirement income.