

CATO SOCIAL SECURITY CONFERENCE

It's a pleasure to be here and participate in this forum on Social Security Reform. My company American Skandia is a specialist in long-term savings for individuals through a variety of investment products such as variable annuities, mutual funds, variable life insurance and 401(k) plans. We have over a million accounts in the USA and are the third largest underwriter of individual variable annuities.

Globally Skandia is number one or number two in the world in the market for individual long-term insurance-based investment products. We have operations in over 25 countries, which specialize in helping individuals invest for their long-term security. We find markets with an aging population, and governments that are straining to meet the ballooning cost of Social Security. These are exactly the markets that can benefit from the product and marketing expertise of Skandia, as individuals look to meet their long-term security needs. Over the past decade, Skandia has successfully expanded its financial services to companies in Switzerland, Germany, Japan, Poland, Italy, Mexico and Chile. In one market after another, the issues and opportunities are similar. Over-committed governments, with baby boomer age waves look to the private sector to develop products and support systems to take some of the strain off the government pension system. Even Sweden, that model of social democracy is introducing individual investment accounts as the next step toward resolving their Social Security burdens.

So the message is simple and it appears to be universal.

People can be trusted to save and invest their own retirement accounts.

We have over three decades of experience with 401(k) plans, IRAs and the like. Most Americans have some form of defined contribution account. The level of investor awareness and savvy is pretty good and getting better every year.

Just look at cable TV. While most people watch C-span, a surprising number are focused on FNN, CNBC, MSNBC, Bloomberg and so on. PBS and CNN offer nightly business news programs. Wall Street Week is an institution.

People get it!

The infrastructure for worker-owned Social Security accounts is in place. We can leverage the 401(k) infrastructure, and the IRA infrastructure to efficiently administer worker accounts. Companies like mine are pros at delivering investment options, education and administration in an extremely competitive marketplace. It's not a big deal to allow workers to invest their own retirement accounts.

Yes, there are certain risks with worker-owned retirement accounts. But people know the risks and the popularity of 401(k) and 457 plans shows that they are willing in large numbers to take those risks, to build up their long-term security.

But the biggest risk today is Political Risk. The Democrats for the past 65 years have used Social Security as a club to beat up Republican. No more. Al Gore's "risky scheme" backfired on him. The politically risky ground is defending the status quo. The winners in the Social Security reform movement will be the party that embraces reform and shapes it to meet the deep sense of fairness that is embedded in the souls of Republicans and Democrats alike. The losers will be the party that is seen to cynically twist reform to benefit its own constituency. And the American people have remarkable x-ray vision in this regard.

So I am very optimistic that we not only see the outcome, but that we reach the wide consensus to enact reform in the current Congress. Time is running out, as the boomers reach age 55 and higher. We need to commit ourselves to work to the broad consensus needed to enact the necessary reforms

If I had all day we could get into the details of managing money, diversification, the benefits of dollar cost averaging on payroll contributions to retirement accounts and so on.

But the bottom line is simple:

People are ready, whenever the politicians eventually get it.

Gordon C. Boronow
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