

Corporate Scandals, Stock Market Plunge Rattle Retirement Security For Millions

Recent events have shaken the retirement security many working families believed they had. Their 401(k) investments in stocks have taken a huge hit this year, on top of substantial losses in 2000 and 2001. Each day brings new disheartening stories of workers forced to delay retirement or retirees forced to work because their 401(k)s fell short and they don't have traditional pensions. For many Americans, Social Security is the only source of guaranteed, lifetime retirement benefits, but this bedrock program is under siege by President George W. Bush and many congressional Republicans who want to privatize all or part of it. Here are the facts:

- The most widely held 401(k) stock funds have lost, on average, nearly 27 percent of their value in 2002 and more than 16 percent over the three months ending in September. A 401(k) account with \$10,000 invested in the typical stock fund at last year's end was worth only \$7,300 by this October. Some widely held stock funds are down even more. Workers face an uphill climb just to recover losses. Even if the typical fund were to get average historical returns, it would take until the end of 2007 for workers to be back to where they were at the end of 2001.
- Workers' retirement security is more dependent than ever on what happens in the stock market. For years, companies have been eliminating or cutting guaranteed (defined-benefit) pensions that pay out fixed monthly benefits for life. Now, most workers with any retirement plan at work have individual accounts like 401(k)s. In 1979, fewer than 16 percent of workers with retirement plans at work had only individual accounts. Today, more than 56 percent have only 401(k)-type plans.
- Workers at companies like Enron and WorldCom are paying dearly for their bosses' sins. At both companies, workers' 401(k) accounts were heavily invested in company stock. Many workers relied on the false promises of executives like Ken Lay and Bernie Ebbers and invested all of their retirement money in the company. Today, they have nothing left but Social Security.
- Nor are Enron and WorldCom isolated cases of excessive concentration in company stock. A December 2001 study found that in many large corporations—Pfizer, Coca-Cola, General Electric, Home Depot, Target, Texas Instruments and MacDonald's, among others—60 percent or more of the companies' 401(k) plan assets are invested in company stock.
- Fortunately, Social Security is still there for working families. Today, more than 32 million workers and their families get guaranteed, lifetime retirement benefits, which don't depend on stock market ups and downs or the state of the economy. The average retired worker receives about \$10,600 per year and the average couple receives \$17,500. These benefits go up every year to protect against inflation.

Working families need and deserve real retirement security. Congress and the president must strengthen and protect Social Security, and they must abandon Bush's privatization plan, which would replace part of Social Security's benefits with private accounts like 401(k)s and makes deep cuts in guaranteed benefits. Working families also need real pension reform that encourages employers to provide guaranteed defined benefits and 401(k) changes that give workers a voice in how corporate executives manage their retirement money and protect them against losses such as those suffered by employees at Enron and WorldCom.

Sources: *DC Plan Investing* (Dec. 12, 2001), *Pensions & Investments*, Social Security Administration, U.S. Department of Labor, www.morningstar.com. (AFL-CIO Public Policy Department, 202-637-5172.)

Working Families Economic Indicators at a Glance

	Jobs Lost/Added (Aug. 2000 to Aug. 2002)		Unemployment (Aug. 2002) (March – Aug. 2002)		Workers Exhausting Unemployment Benefits Coverage*		Poverty, Income and Health Insurance			401(k) Losses and Personal Bankruptcy Filings	
	All Jobs (in thousands)	Manufacturing Jobs (in thousands)	# of Unemployed (in thousands)	Unemp. Rate	# of Workers Exhausting Regular Benefits	# of Workers Exhausting TEUC Benefits	Poverty Rate*	% Change in Median House- hold Income*	Uninsured Rate*	401(k) Losses Dec. 2000-2001 (in billions)	Personal Bankruptcy Filings (2nd Quarter 2002)
US	-631.0	-1,495.3	8,142	5.7	2,333,672	1,120,832	11.7	-2.2	14.6	175.75	390,991
AL	-35.9	-35.3	122.1	5.7	25,165	13,518	14.8	-4.5	13.2	2.69	10,140
AK	9.6	-0.5	24.4	7.3	10,887	3,505	7.9	2.5	17.7	0.37	336
AZ	-0.2	-23	144.1	5.7	26,048	13,199	12.9	4.2	18.4	2.42	7,603
AR	-10.2	-25.7	64.5	5.0	22,574	9,506	16.3	2.9	15.0	1.35	5,592
CA	100.7	-115.4	1,091.1	6.2	346,898	73,727	13.1	1.0	19.2	18.20	37,113
CO	-38.1	-20.3	121	5.1	32,547	16,808	9.0	-1.8	15.1	2.65	5,416
CT	-21.8	-25.5	67.9	4.0	28,013	15,890	7.4	-0.4	9.7	2.52	3,099
DE	-2.3	-5.2	15.8	3.8	4,992	2,348	8.5	0.1	9.5	0.55	816
DC	-3.3	-0.9	15.9	5.9	10,442	4,856	16.1	0.1	13.6		602
FL	107	-44.5	418.1	5.3	88,986	75,045	12.0	-2.1	17.8	7.17	23,534
GA	-107	-65.4	195.7	4.6	57,186	52,090	12.6	0.8	15.3	5.25	17,465
HI	-3.9	0.8	23.6	4.0	7,401	4,041	10.4	0.2	9.7	0.77	1,105
ID	1.3	-4.7	36.9	5.3	11,650	3,140	12.7	0.3	16.5	0.74	2,366
IL	-143.1	-69.6	390.2	6.2	108,938	71,037	10.2	-3.1	13.6	8.66	19,996
IN	-101.6	-69.8	164.6	5.2	47,184	26,057	7.9	-3.5	10.8	4.49	13,839
IA	-18	-18.2	60.5	3.7	17,713	10,096	7.7	-3.1	8.0	2.18	3,100
KS	18.3	-12.8	65.2	4.5	17,007	5,678	10.1	2.1	11.4	1.93	3,970
KY	13.2	-18.8	103.7	5.2	20,668	13,817	12.4	3.6	13.0	2.56	6,800
LA	13.5	-8.8	119.2	5.9	18,127	11,717	17.5	-2.1	19.7	2.23	6,665
ME	5.3	-10.3	27.2	4.0	7,064	3,579	10.3	-5.9	10.7	0.93	1,122
MD	-3.1	-5.7	124.3	4.3	24,947	16,111	7.3	-1.7	11.3	3.80	8,839
MA	-55.4	-32.2	173.9	5.2	72,932	24,890	10.2	5.8	8.7	4.27	4,581
MI	-146.9	-68.8	321.2	6.2	94,692	50,359	9.7	-4.1	9.9	7.67	13,475
MN	-38.5	-32.9	123.9	4.3	37,847	21,161	6.8	2.6	7.8	4.12	4,658
MS	-20.5	-36.5	79.1	6.1	14,968	12,800	16.8	-6.2	15.2	1.48	5,265
MO	-64.2	-38.8	138.8	4.7	37,765	22,336	10.2	-2.9	8.8	4.17	8,325
MT	6.7	-1.3	18.7	4.0	5,627	1,700	14.4	-1.3	16.0	0.52	1,206
NE	-5.1	-4.3	32.2	3.4	9,495	3,607	9.7	3.1	9.6	1.24	1,994
NV	32.9	2.1	53.0	5.1	22,917	11,267	9.0	1.5	17.2	1.08	5,240
NH	3.6	-7.4	33.6	4.7	4,594	1,774	6.2	2.4	9.0	0.94	978
NJ	0.1	-35.7	224.2	5.3	104,310	24,207	7.7	-1.0	12.5	5.56	10,719
NM	14.5	-1.5	52.7	6.1	8,534	3,571	18.8	-2.1	23.2	0.91	2,131
NY	-67.9	-90.9	526.6	5.8	197,698	134,992	14.1	-0.4	15.8	10.78	18,589
NC	-55.8	-70.7	248.6	6.3	71,083	36,531	12.9	-1.8	14.2	5.02	8,735
ND	1.7	1	10.6	3.2	3,233	1,317	12.4	1.5	10.9	0.46	492
OH	-130.4	-80.3	325.2	5.5	66,266	44,385	10.8	-0.2	10.8	8.27	19,787
OK	22.5	-8.2	71.0	4.2	14,870	9,434	14.3	1.3	17.9	1.79	6,215
OR	-29.5	-12.4	127.3	7.0	39,979	1,123	11.8	-2.2	13.1	2.19	6,194
PA	-49	-83.8	327.7	5.3	103,709	48,192	9.2	4.1	8.7	8.65	13,614
RI	5.8	-5.5	24.6	4.8	9,869	5,750	10.0	0.4	7.2	0.70	1,289
SC	-29.6	-26.5	108.6	5.4	32,015	22,128	12.7	-1.3	13.3	2.52	3,708
SD	3.6	-6.3	10.6	2.6	1,055	414	9.0	2.1	10.4	0.52	650
TN	-31.8	-41.3	131.5	4.6	46,361	36,233	13.2	-4.1	10.8	3.37	14,986
TX	-47.7	-82.5	653.1	6.1	191,530	94,212	15.2	-0.3	23.0	11.47	18,606
UT	-14.7	-12.8	56.9	5.0	15,198	7,647	8.0	-1.6	13.6	1.24	5,389
VT	-2.3	-3.8	14.7	4.2	3,285	1,281	9.8	-4.0	9.7	0.43	441
VA	-37.1	-37.2	153.7	4.1	30,496	19,178	8.0	1.8	11.9	4.87	10,937
WA	-76.4	-44.2	218.7	7.2	58,803	7,699	10.4	-6.3	13.5	3.90	9,804
WV	-1.9	-7.7	47.9	5.9	6,325	3,783	15.6	-2.4	14.2	0.97	2,443
WI	-3.5	-45.1	159.6	5.2	51,814	21,982	8.6	-3.3	8.5	4.40	6,677
WY	12.3	-0.2	9.8	3.6	1,933	1,115	10.3	0.2	15.6	0.32	617

Sources: U.S. Department of Labor; Center on Budget and Policy Priorities; Institute for America's Future; America Bankruptcy Institute; National Conference of State Legislatures; U.S. Census Bureau.

* To improve reliability, the Census Bureau uses two-year moving averages and three-year averages for some state data. For state data on health insurance coverage and poverty rates, the Census Bureau uses a three-year average (1999-2001). For changes in median household income by state, the Census Bureau compares a two-year moving average (1999-2000) with another two-year average (2000-2001). For U.S. data on poverty rates and health insurance coverage, the data are for 2001. For changes in U.S. median household income, the comparison years are 2000 and 2001.