

Sunday, Oct. 23, 2005

TIME Investigation:

The Great Retirement Rip-off

POLICY DECISIONS BY CONGRESS FAVORING CORPORATE AND SPECIAL INTERESTS WILL DRIVE MILLIONS OF OLDER AMERICANS INTO POVERTY, TIME INVESTIGATION CONCLUDES

New York – A TIME investigation has concluded that long before today's working Americans reach retirement age, policy decisions by Congress favoring corporate and special interests over workers will drive millions of older Americans—a majority of them women—into poverty, push millions more to the brink and turn retirement years into a time of want for everyone but the affluent. The transition is well under way, eroding efforts of the past three decades to eliminate poverty among the aging, TIME's Pulitzer Prize-winning investigative team of Donald L. Barlett and James B. Steele report in this week's cover story (on newsstands Monday, October 24).

From taxes to health care to pensions, Congress has enacted legislation that adds to the cost of retirement and eats away at dollars once earmarked for food and shelter. That reversal of fortunes is staggering, and even those already retired or near retirement will be squeezed by changing economic rules, TIME reports.

Congress's role has been pivotal. Lawmakers wrote bankruptcy regulations to allow corporations to scrap the health insurance they promised employees who retired early—sometimes voluntarily, quite often not. They wrote pension rules that encouraged corporations to underfund their retirement plans or switch to plans less favorable to employees. They denied workers the right to sue to enforce retirement promises. They have refused to overhaul America's health-care system, which has created the world's most expensive medical care without any comparable benefit. One by one, lawmakers have undermined or destroyed policies that once afforded at least the possibility of a livable existence to many seniors, while at the same time encouraging corporations to repudiate lifetime benefit agreements. All this under the guise of ensuring workers that they are in charge of their own destiny—such as it is, TIME reports.

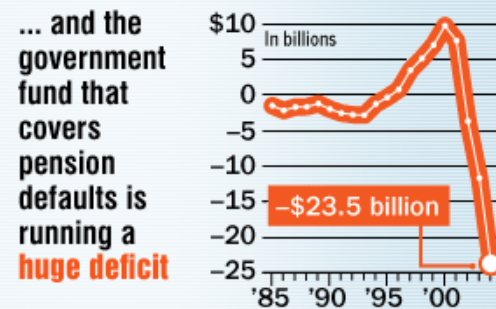
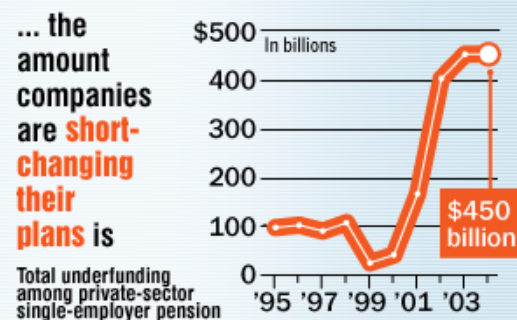
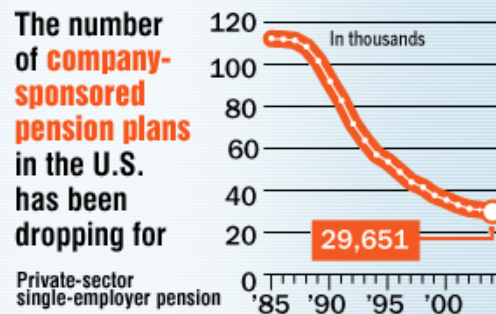
The process has accelerated dramatically this year. Two major U.S. airlines—Delta and Northwest—turned to Bankruptcy Court to cut costs and delay pension-fund contributions. This followed earlier bankruptcy filings by United Airlines and USAirways, both of which jettisoned their guaranteed pension plans. Then on Oct. 8, the largest U.S. auto-parts maker, Delphi Corp., filed for bankruptcy protection, seeking to cut off medical and life-insurance benefits for its retirees.

Delphi's pension funds are short \$11 billion. To Elizabeth Warren, a Harvard law professor who specializes in bankruptcy, this is just going to get worse, as ever more companies see the value to their bottom line of "scraping off" employee obligations. "There's no business in America that isn't going to figure out a way to get rid of (these benefit promises)," TIME reports.

Businesses in one industry after another are revoking long-standing commitments to their workers. It's the equivalent of your bank telling you that it needs the money you put into your savings account more than you do—and then keeping it. Result: a wholesale downsizing of the American Dream. It began in the 1980s with the elimination of middle-class, entry-level jobs in lower-paying industries—apparel, textiles and shoes, among others. More recently it spread to jobs that pay solid middle-class wages, starting with the steel industry, then airlines and now autos—with no end in sight, TIME reports.

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