

MONEY MATTERS



Social Security Problem Requires Attention, Say Financial Experts ㊦

(NAPSA)—Privatization of Social Security was one of many topics discussed recently by a panel hosted by Boston-based asset manager Eaton Vance. The panel of behavioral finance, economic, tax, and capital markets experts discussed a range of issues facing investors, including tax reform, social security, the national deficit, single stock concentration, capital markets performance, inflation, retirement readiness and other personal finance issues.

According to the sixth annual investor survey commissioned by Eaton Vance, nearly 6 in 10 investors (59 percent) say they are not confident that Social Security will be solvent when they retire. The majority of investors (56 percent) support privatization of Social Security.

Terry Odean, an associate professor of finance at the Haas School of Business at the University of California, Berkeley, said of Social Security: "At the moment, this fund is not set up to pay all the benefits that have been promised. The political system is not going to let Social Security go bankrupt, but there is a problem. If we could reduce benefits a bit in the future and/or increase the tax flow into the fund, we would have solved the problem. The magnitude of this problem is such that if all of the benefits promised under Social Security are paid after the baby-boomers retire, Social Security's share of GDP will increase by only about two percent. After

the boomers retire, things kind of level off. This is not an ever-growing problem."

Mark A. Weinberger, former U.S. Assistant Secretary of Treasury for Tax Policy and current vice chair of Ernst & Young, made it clear that Social Security will be reformed. He stated, "clearly, we'll fix the Social Security problem. By 2025, the demographic changes in this country will be so profound that the entire United States will have the same demographics as the state of Florida today. We will see an incredible shift in this century in the population of workers versus retirees, and it's a problem with which we must and will grapple."

Other panel members acknowledged that the problem goes beyond Social Security. "Social Security is not in crisis, but saving is. Americans just don't save enough. Instead, we are consuming beyond our means, running up huge debts to foreign nations and endangering our economic future. To fix this problem, we need to cut the federal deficit, add individual accounts on top of Social Security, and shift more of the tax burden onto consumption," declared Alice Rivlin, a visiting professor at the Public Policy Institute in Georgetown University and a senior fellow in the economic studies program at the Brookings Institution.

The dialogue was based on the results and implications of Eaton Vance's sixth annual survey, a detailed study of attitudes and practices about investing. The poll

was conducted among 1,000 U.S. residents who have invested in both qualified retirement plans and investments outside of qualified retirement plans (stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities and money market funds). This study was conducted by Penn, Schoen & Berland Associates, Inc. for Eaton Vance Corp. during the third week of November 2004.

Eaton Vance Corp. is a Boston-based investment management firm whose stock trades on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates managed over \$98 billion in assets as of January 31, 2005, for more than 100 investment companies, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based full-service strategic polling and market research firm.

Before investing in any Eaton Vance Fund, prospective investors should consider carefully the Fund's investment objectives, risks, and charges and expenses. The Fund's current prospectus contains this and other information about the Fund and is available through your financial advisor. Read the prospectus carefully before you invest or send money.

Eaton Vance Distributors, Inc., The Eaton Vance Building, 255 State Street, Boston, MA 02109.