Can You Afford to Retire?
Teacher's Guide
May 2006
Ellen Greenblatt

ABOUT THE FILM:
Can You Afford to Retire? reports that the past quarter century has seen a massive shift in the cost and responsibility for retirement saving from corporations to employees. One major driver behind this shift is a corporate bankruptcy strategy that enables companies to terminate lifetime pension programs. FRONTLINE takes viewers inside the story of United Airlines, whose bankruptcy left tens of thousands of workers with reduced pensions. The documentary reveals problems both with lifetime corporate pensions and employee contribution plans such as 401(k)s that are projected to leave baby boomers without sufficient retirement income. FRONTLINE correspondent Hedrick Smith (*The Wall Street Fix*, *Is Wal-Mart Good for America?*) investigates this looming financial crisis, and the outlook for middle class Americans.

WATCHING THE FILM:
Can You Afford to Retire? is 60 minutes long. If time permits, teachers can use the film in class or assign it as homework. Discussion questions and appropriate classroom activities provided in this guide can be used with or without the film.

A NOTE TO TEACHERS:
For classes in Social Studies, American Government, Current Events, Language Arts, Economics. Grade level 9 – 12.

DISCUSSION QUESTIONS:
A list of questions for students to discuss before and immediately after viewing.

PRE-VIEWING LESSON PLAN:
"Concession: The Game"
Students will engage in a game that explores, from Workers' and a Company's point of view, what each is willing to give up in order for the Company to stay in business and for the Workers to keep their jobs.

FEATURED LESSON PLAN:
"How Much Will You Have When You Retire?"
Students will become familiar with:
- How a 401(k) defined contribution retirement plan works
- The ramifications of early versus late planning for retirement.
- The risk factor in 401(k) retirement plans

ADDITIONAL LESSON IDEA:
Letter to the CEO
Students will write a letter to Glenn Tilton, CEO of United Airlines, evaluating his actions in bringing United through Chapter 11 bankruptcy.

ADDITIONAL RESOURCES:
An annotated list of relevant Web sites

PURCHASING THE FILM:
Can You Afford to Retire? can be purchased from **Shop PBS for Teachers** [http://teacher.shop.pbs.org/home/index.jsp]. Teachers and students can watch the film streamed in its entirety on FRONTLINE's Web site [link][http://www.pbs.org/frontline/retirement]

CREDITS:
This teacher's guide was developed by Simone Bloom Nathan of Media Education Consultants. It was written by Ellen Greenblatt of San Francisco University High School. Educational consultant Patricia Grimmer and Joshua Weiner of Benson Polytechnic High School, Portland Oregon served as advisers.

DISCUSSION QUESTIONS

Before seeing the film:

1. What do you think *retirement* means?
2. From what sources do people get income when they retire?
3. Who pays for the health insurance of retired people?
4. Who should be responsible for planning for retirement? What roles should individuals, businesses, and the government play in planning?

After seeing the film:

5. In 1974, 89 percent of contributions to retirement plans came from businesses, while 11 percent came from workers. In 2000, the percentages had changed. What percentage of retirement contributions came from businesses in 2000? What percentage came from workers? Why did the percentages change?
6. What happens if people's planning for retirement does not provide enough income?
7. When a business enters bankruptcy (Chapter 11), which gets paid first -- workers' pensions or debts owed to banks? Why is this the case?
8. According to the film, are people with high incomes or people with low incomes more successful in investing their retirement incomes? What are the implications of this finding?
9. Many people's retirement plans last seven to eight years after they stop working. But studies show that people live 17 or 18 years after retirement. What options are there for people in the United States who outlive their savings?
10. What factors do you think might keep people from saving enough money for retirement?

PRE-VIEWING LESSON PLAN:
"Concession: The Game":
This game, based on the United Airlines bankruptcy case, starts when a Company discovers that it cannot or does not wish to honor the commitments it has made to its Workers. The object of the game depends upon which team you belong to:

- If you are the Company, the object is to push your Workers to concede wages, health benefits and pension rights. The danger is that if you push them too hard, the Workers will strike or quit, and without Workers, you cannot run your company.
- If you are the Workers, the object is to retain wages, health benefits, and pension rights without leading the Company to bankruptcy.

BUT a complicating factor, called Chapter 11, is a kind of bankruptcy that only the Company can choose. Chapter 11 allows businesses to reorganize, giving them an opportunity to restructure debt and free themselves from what they see as burdensome leases and contracts. Typically a business is allowed to continue to operate while it is in Chapter 11, although it does so under the supervision of the Bankruptcy Court. Source:[http://bankruptcy-law.freeadvice.com/eleventh_chapter.htm]

For background to the United Airlines Chapter 11 bankruptcy, see:

- **Flight attendants at United OK pay cut** [link] [http://www.chicagotribune.com/business/chi-0301090276jan09,0,6554465.story]
- **United Airlines' Unions to Vote on Contract Concessions** [link] [http://www.chicagotribune.com/business/chi-0304290196apr29,0,4780410.story]
- **United Airlines Emerges from Bankruptcy** [link] [http://www.foxnews.com/story/0,2933,183478,00.html]
- **United Airlines to Outline Restructuring Plan** [link] [http://www.npr.org/templates/story/story.php?storyId=5161515]

Lesson Objectives:
Students will become familiar with:

- The strengths and weaknesses of Workers and the Company in labor negotiations.
- Strategies for labor negotiation.
- The unpredictability factor in labor negotiation.

Materials Needed:
Internet Access
Index cards

Time Needed:

- 10 minutes to introduce the activity.
- 15 minutes for students to make the index cards and talk about options.
- 30 minutes to play the game.
- 30 minutes for follow-up discussion.

Procedure:

1. Divide the class into teams of four students each. (If the number of students in your class does not divide equally by four, make the groups slightly larger or smaller as needed.)
2. Assign each team to be either the Company or the Workers. If you have 32 students in the class, for example, you will have four teams of Workers and four teams of the Company.
    - Without letting the Workers' teams hear, tell the Company teams that their objective is to push Workers to concede wages, health benefits and pension rights without them going on strike or quitting.
    - Without letting the Company teams hear, tell the Workers' teams that their objectives are to retain wages, health benefits, and pension rights without leading the Company to declare bankruptcy.
3. Each team will work independently of other teams, so that everyone must think and participate.
4. Each team starts with one of the following sets of index cards. They keep their cards secret from the other team until they choose to display one or more cards. Each team starts with 10 cards.

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Give the Worker teams index cards, and tell them to copy one of each of the following bullet points onto a separate card. Tell them to write in large, easy-to-read print:

I retain my $40,000 salary.
I retain Company-paid health benefits worth $500 per month.
I retain Company-paid pension benefits guaranteeing a pension of 70 percent of salary after 35 years of employment.
I propose a shorter workweek.
I propose some Worker contribution to my health benefits if I get a 5 percent raise.
I accept a 5 percent wage decrease.
I accept a 10 percent wage decrease.
I accept a 20 percent wage decrease.
I'm going on strike.
I quit.

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Give the Company teams index cards, and tell them to copy one of each of the following bullet points onto a separate card. Tell them to write in large, easy-to-read print:

I propose retention of $40,000 salary with some worker layoffs.
I propose a 5 percent wage decrease.
I propose a 10 percent wage decrease.
I propose a 20 percent wage decrease.
I propose a $50 per month Worker contribution to health benefits.
I propose a $100 per month Worker contribution to health benefits.
I propose a $150 per month Worker contribution to health benefits.
I propose dropping the Company-paid pension plan.
I propose a Company contribution to a (401(k)) plan to which the employee will also contribute and that the employee will manage.
I declare Chapter 11 Bankruptcy.

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5. Pair up a Worker team and a Company team. Have each team keep all its index cards hidden from the other teams.
6. The Company begins the conversation by saying, "We've called this meeting because the Company needs to rethink its financial obligations, particularly health and pension benefits."
7. The Worker team then puts one or more cards on the table.
8. The Company team, after discussion amongst themselves, then plays a card.
9. The Game continues, with each team playing a card in turn and discussing their moves with the opposing team. Continue for at least two or three turns.
10. If the Workers immediately use the "I quit" card, the game is over, but so are their jobs. So the Workers must discuss among themselves what they are willing to give up to keep their jobs.
11. The Game has only three possible endings:
    - agreement between the two sides.
    - the Workers saying "I quit."
    - the Company declaring Chapter 11 bankruptcy.
12. There is no predetermined outcome to this game.

Follow-up:

- All Workers teams will sit on one side of the room, while all Company teams will sit on the other side.
- The teacher writes the following sentences on the board: "One team had a built-in advantage from the start, so the Game was never fair. Agree or disagree with this statement."
- Students will free-write for five minutes.
- Students will engage in a whole-class, likely heated discussion, with the teacher as moderator.

FEATURED LESSON PLAN
"How Much Will You Have When You Retire?"

Lesson Objectives:
Students will become familiar with:

- How a 401(k) defined contribution retirement plan works.
- The ramifications of early versus late planning for retirement.
- The unpredictability factor in 401(k) Retirement Plans.

Materials Needed:
Internet Access
Student Handout: *Viewer's Guide* [link]
Student Handout: *How Much Will You Have When You Retire?* [link]

Time Needed:

- 10–20 minutes for students to familiarize themselves with the terms introduced in Part One of the *Viewer's Guide* and to look over the questions posed in Part Two.
- 60 minutes to watch the documentary.
- 10–20 minutes for discussion of the questions in Part Two of the *Viewer's Guide.*
- 45 minutes for small group work on the two charts in *How Much Will You Have When You Retire?*
- 30–45 minutes for class discussion.

Procedure:

1. Discuss Discussion Questions one through four.
2. Review all the definitions on Part One of the *Viewer's Guide* with your students.
3. View the documentary.
4. Go over the five questions in Part Two of the *Viewer's Guide.* (If you wish, divide the class into five groups, and have each group answer only one of the questions.)
5. Give students the Student Handout: *How Much Will You Have When You Retire?*
6. Divide students into groups of two or three to work on the charts in *How Much Will You Have When You Retire?*
7. Conduct a large group discussion based on student responses to the questions at the end of *How Much Will You Have When You Retire?*
8. Discuss the remaining Discussion Questions.

Methods of Assessment:
Participation in class discussion
Completion of the charts
Written answers to questions

STUDENT HANDOUT: Viewer's Guide

Introductory note: Until recently, most workers expected to retire with a pension that would provide them with a fixed source of income for the rest of their lives. The pension, combined with some income and health benefits from the government's Social Security and Medicare programs would, they reasoned, allow them to have sufficient income to retire. Familiarize yourself with the terms below to help you understand the major shift that has occurred in retirement planning and benefits.

Part One Directions:
Review the following terms prior to watching the documentary.

Pension: A sum of money paid regularly as a retirement benefit; money paid under given conditions to a person following retirement or to surviving dependents. Source: //dictionary.reference.com/search?q=pension

Defined Benefit Plan: A pension plan in which the amount of benefits paid to an employee after retirement is fixed in advance in accordance with a formula given in the plan. Source: http://dictionary.reference.com/search?db=mwlaw&q=defined%20benefit%20plan
Note: The amount contributed is fixed, and so is the benefit.

Defined Contribution Plan: A pension plan wherein a certain amount or percentage of money is set aside each year (by either the company and/or the employee) for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. Source: http://www.investopedia.com/terms/d/definedcontributionplan.asp
Note: There is no way to know how much the plan will ultimately give the employee upon retiring, because only the contribution, not the benefit, is defined.

401(k): A type of defined contribution retirement account funded through pre-tax payroll deductions. The funds in the account can be invested in a number of different stocks, bonds, mutual funds or other assets, and are not taxed until they are withdrawn. The retirement savings vehicle gets its name from the section of the Internal Revenue Code that describes it: Section 401(k).
Source: http://beginnersinvest.about.com/od/401(k)/a/aa122104a.htm

Health Benefits: Benefits (compensation in addition to salary) that may be provided to employees for sickness, accidental injury, or accidental death. These benefits generally include payment of hospital and medical expenses. Source: http://www.investopedia.com/terms/a/accidentandhealthbenefits.asp
Employers are not obligated to provide health benefits to their workers. When employers do not provide health benefits, increasing numbers of people either cannot afford or choose not to purchase them.
Source: http://sfgate.com/cgi-bin/article.cgi?file=/c/a/2006/04/26/MNGFEIFEGT1.DTL

Social Security: A federal benefits program developed in 1935, Social Security is funded through a tax levied on employers and employees. The program includes retirement benefits, disability income, veteran's pension, public housing, and even the food stamp program. Source: http://dictionary.reference.com/search?q=social%20security

Medicare: A federal program that provides some level of health benefits for people over age 65 or who collect Social Security for [OR INSTEAD OF FOR?] disability. Source: http://www.investopedia.com/terms/m/medicare.asp

IRA (Individual Retirement Account): A special type of account that allows investors to make tax-deductible contributions. The money can be invested in stocks, bonds, mutual funds, etc., and the earnings grow tax-free until the account's owner turns 59 1/2 years old. At this time, the account holder is allowed to begin withdrawing money from the account to fund their retirement.
Note: Eventual withdrawals are treated as ordinary income and may be subjected to income tax. However, since income is likely less once you retire, you may be taxed at a lower rate. Sources: http://www.investopedia.com/terms/t/traditionalira.asp
http://beginnersinvest.about.com/cs/iras/f/traditionalira.htm

Roth IRA: Roth IRAs allow investors who do not exceed a specific income level to contribute a limited amount of money toward retirement annually. Unlike the traditional IRA, the contributions are not tax deductible. However, Roth IRA account holders are not taxed when they begin withdrawing money at or before retirement (subject to certain rules and regulations).
Source: http://beginnersinvest.about.com/cs/rothira/f/rothira.htm

Part Two Directions:
Review the questions below before watching the film and be prepared to answer them after you view the documentary. Take notes as you watch to help you in the discussion that will follow.

1. 401(k) plans were authorized by Congress in 1978 and became popular in the 1980s.
   - What was the original purpose of 401(k)s?
   - What is their role now?
2. Discuss what Harvard law professor Elizabeth Warren means when she says in the documentary: "Bankruptcy is a way to take legal promises and burn them."
3. After United Airlines declared Chapter 11 bankruptcy, one person in the documentary says, "Everyone lost except Tilton [United's CEO] and the banks." Based on what you saw in the film, explain what this statement means.
4. Name three specific ways that the life of United Airlines flight attendant Robin Gilinger changed after United Airlines restructured.
5. All workers do not participate in 401(k) programs.
   - Give one reason why some workers do not participate.
   - Give one factor that correlates to which workers will be successful with their 401(k) investments.

STUDENT HANDOUT: How Much Will You Have When You Retire?

Part One

When you are young, it's almost impossible to think ahead to next month, much less to retirement. But the following exercise will show you how saving each month will grow to a large sum.

1. Go to [link]: [http://www.bankrate.com/brm/calc/401k.asp]
2. Working with a partner, and consulting the link, calculate what you might have in your 401(k) retirement account if you start working at age 25 and finish at 65.

Note: The chart below gives a projection of what a 401(k) *might* be worth at retirement. It allows you to see the impact of increases in the amount contributed and the dramatic difference in accumulation when you save for 20 rather than 40 years. (The chart does *not* take into account the taxes you will eventually pay as you withdraw funds from your account.)
IMPORTANT NOTE: Be sure to click "clear all" after you finish one calculation and before you start another.

401(k) Growth Chart

Monthly Salary	**Percent of Salary You Contribute to Your 401(k) each month** (tax-deferred)	**Percent of Salary Your Employer Contributes to Your 401(k)**	**Rate of Return You Expect**	**Number of Years to Retirement**	**PROJECTED AMOUNT IN YOUR 401(k) AT RETIREMENT** (before taxes)
$2000	**3%** ($60)	**0%**	**6%**	**40**	
$2000	**7%** ($140)	**3%**	**6%**	**40**	
$3000	**7%** ($210)	**0%**	**6%**	**20****	
$3000	**7%** ($210)	**0%**	**6%**	**40**	
$3000	**7%** ($210)	**7%**	**6%**	**40**	
$4000	**7%** ($280)	**7%**	**6%**	**40**	
$4000	**7%** ($280)	**7%**	**6%**	**20****	

**** Note especially what happens when you save for 20 rather than 40 years.**

Part Two
The 401(k) Growth Chart provides a long-term plan with results based on a fixed rate of interest. But what if you have been saving and financial markets become unstable just before or just after you retire? How would that affect the return on your investment?

1. Look at the Retirement Danger Zone chart.
2. Go to [link] [http://www.retirementredzone.com/retirementredzone/game_plan.html] and click on "Retirement Red Zone Calculator."
3. Working with a partner, calculate what would happen to the projected accumulation in your 401(k) account if financial markets fluctuate around the time you retire. For this simulation, assume that the markets go up the first two years and down the second two years.
4. Write your findings in the chart below.

Retirement Danger Zone Chart

Portfolio Value Five Years Before Retirement	First Year: Positive return 6%	Second Year: Positive return 6%	Third Year: Negative return 15%	Fourth Year: Negative return 8%	**Ending Portfolio Value**
$85,000					
$238,000					
$358,000					
$955,000					

Part Three
After you have completed both charts, write answers to the following questions. Be prepared to share your answers in class discussion.

1. Were you surprised by your findings? Why or why not? What was most surprising?
2. What did you discover was the effect of saving for 20 years rather than for 40 years?
3. Do your findings make you more or less secure with the idea that, at the moment, it looks as if most of your retirement income will come from 401(k)s or retirement accounts of this sort? Why or why not?
4. Is it necessary to plan for possible fluctuations in financial markets?
5. What do you think you will need to learn and/or do to maximize your retirement income?

ADDITIONAL LESSON IDEA: [link]

Letter to the CEO

Using what they learned from watching the documentary, completing the activities, and participating in discussion, students will compose a letter to Glenn Tilton, CEO of United Airlines, evaluating his actions in bringing United through Chapter 11 bankruptcy. Students might consider the effect on the company, its chief officers, and its workers in their analysis.

ADDITIONAL RESOURCES [link]

Media Literacy Note: Students must learn to be savvy and discriminating readers when learning about topical issues. No Web site can provide all the information a student needs to know, and teachers should encourage students to "interrogate" Web sites even as they are reading. Students should ask themselves: What did I learn from this source? What didn't I learn from this source? Who sponsors this source? What bias might the sponsor have? How current is the site?

Can You Afford to Retire? [link]
[http://www.pbs.org/frontline/retirement]
The companion Web site to the FRONTLINE film provides: answers to frequently asked questions about pension plans; expert opinions on how much to save for retirement; links to retirement calculators and other resources online; Web-exclusive video on corporate bankruptcy in the steel industry; and extended interviews with industry insiders and retirement specialists explaining the many challenges facing retirees today.

Investing for Beginners: Traditional IRA and Roth IRA Contribution Limits [link]
[http://beginnersinvest.about.com/cs/iras/a/iracontribution.htm]
A clear introduction to the two most common types of IRA plans.

Yahoo Finance: Retirement Special Edition [link]
[http://finance.yahoo.com/retirement]
This site includes retirement calculators and resources, as well as the following brief articles about retirement issues:

- *Is Your Pension Retiring Before You Do?* This article gives a clear alert for consumers, with succinct advice on warning signs but no large policy analysis. [link] [http://biz.yahoo.com/bizwk/060421/pi20060421275355.html?.v=1]
- A series of articles about retirment. [link] [http://finance.yahoo.com/education/retirement]
- Everything to know About Retirement Accounts. [link] [http://biz.yahoo.com/brn/060420/18074.html?.v=1]

First Day Orders [link]
[https://d2d.ali-aba.org/index.cfm?fuseAction=displayArticle&COMPONENT=4896&NAVMODE=periodicals&NAVSUBMODE=21]
A brief description followed by a more extended free excerpt (PDF file) of the legal tactic that protects the interests of banks during Chapter 11 bankruptcies. (Note: you may have to paste this URL into the search line of your browser.)