

## Social Security

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Social Security is an insurance plan coupled with a retirement benefit. It's not intended to make recipients wealthy but to serve as a safety net when they are financially vulnerable due to disability, retirement, or the death of a spouse. Most Americans, including federal employees and all Members of Congress, participate in it.

Social Security provides retirement benefits to more than 30 million Americans, as well as the following:

- Disability Insurance benefits for 8.3 million disabled workers and their families;
- Survivor benefits for 6.7 million children in families in which a worker dies before reaching retirement;
- A progressive formula to ensure the poorest beneficiaries have an adequate benefit, helping lift more than 13 million Americans out of poverty; and
- An annual cost of living adjustment to guarantee that benefits keep pace with inflation.

These benefits are unmatched in the private sector and must be retained.

In more than 70 years, Social Security has never defaulted on its obligations, but according to the nonpartisan Congressional Budget Office (CBO), Social Security will face a financial shortfall beginning in 2052. At that time, CBO estimates that the Social Security Trust Fund will still be able to pay about 70% to 80% of promised benefits. (According to the Social Security Administration, this shortfall will occur even sooner, in 2041.) We must take steps to lengthen and strengthen the current system for future generations, but we shouldn't dismantle it by privatizing it.

The President has proposed dramatic changes in Social Security for everyone under the age of 55. He has called for establishing private accounts and reducing benefits for everyone who earns an average of more than \$20,000 per year. Here are some consequences of his plan:

- It will require borrowing \$5 trillion to finance private accounts without helping Social Security meet obligations to pay future retiree benefits. By 2030, Social Security would not be able to pay full benefits -- that's 11 to 22 years sooner than if nothing is done, according to independent experts.

- Benefits for most middle income beneficiaries will be cut by 20% to over 50% whether or not they choose to invest in private accounts.

- With private accounts, beneficiaries will absorb the risks of fluctuations in the stock market.

- On average, for every dollar a beneficiary has a private account, approximately 70 cents will be deducted from his or her Social Security check.

There is a better way.

More than 20 years ago, Social Security faced a funding crisis that left it months away from being unable to pay benefits. A bipartisan commission appointed by President Reagan crafted solutions to keep the program fully funded. Under the leadership of Sens. Robert Dole, R-Kan., and Daniel Patrick Moynihan, D-N.Y., Congress compromised on a host of issues while retaining the fundamental structure of the program.

Using the same model, there are many ideas that should be considered to keep the program solvent and extend the life of the Trust Fund. Everything should be on the table including raising the cap on wages subject to the payroll tax, investing a portion of the Social Security Trust Fund in equities, and finding a new source of revenue, such as a consumption tax, to replace the current payroll tax.

One thing we should not consider is diverting the Social Security Trust Fund revenue into individual private accounts. That would only make the solvency problems facing the program worse.

- [Social Security Cost of Living Adjustments for 2007](#)

- [Social Security Cost of Living Adjustments for 2007: Fact Sheet](#)

- [Impact of President Bush's Social Security Proposal on California's 14th District](#)

- [Social Security Resource Kit](#)

- [Warning: Social Security Phishing Scam \(November 2006\)](#)

Additional Resources:

- The Retirement Security Project
- The Century Foundation: Retirement Security
- Social Security Administration

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