Social Security Crisis? **March 2005**

Q: Is Social Security going bankrupt?

A: No. The official story from the Social Security Administration is that the program today is taking in more money than it pays out in benefits. The surplus is put into the program's trust funds. Today there are large "reserves" in the trust funds, but fourteen years from now, benefits owed to retirees will begin to be greater than payroll taxes collected from workers. Thirty eight years from now, if no adjustments are made, the Trust Funds will be depleted. At that point, Social Security would not be able to meet all of its obligations.

Today there are 52 million Americans getting Social Security. Two-thirds of them are age 65 or older, but one-third (17.5 million people) are younger disabled people, early retirees, or young survivors. Social Security is called "America's Family Protection Plan", because if a worker becomes disabled or dies, Social Security is a form of disability and survivors insurance. Social Security was never meant to be a person's sole form of retirement income (the average retiree today only gets $11,127 a year), but one in three Older Americans rely on Social Security for 90% of their income. Still, Social Security makes a big financial difference in a person's life. A 35-year-old worker who earns $40,000 a year and who has a spouse and children could get about $1,800 a month from Social Security if he or she became disabled. If that same worker were to die, his or her family could receive about $2,300 a month from Social Security in survivors benefits.

The Social Security Administration admits "there is disagreement over what should be done" to protect the program. If Congress takes no action at all between today and the next 38 years, benefits would have to be cut by 25% thereafter. To extend the Trust Funds into the 22nd century would require additional revenues equal to less than 3% of federal spending—which happens to be less than what we're currently spending on the war in Iraq. Some analysts say to secure Social Security, all we have to do is recapture about 25% of the revenue lost each year as part of President George Bush's tax cuts that go to people with incomes over $500,000 a year.

The White House has proposed that younger workers should be allowed to set up Personal Savings Accounts, which could be invested in stocks and bonds. But critics of this plan say that such retirement accounts mean higher financial risks for workers, a shifting of the burden from employers to employees, and a windfall for the stock brokerage industry.

Congress does not have to respond with a "crisis mentality." The last major changes to Social Security came in 1983. Adjustments made 20 years ago raising the payroll tax rate and delaying the retirement age, have made today's need for more adjustments that much easier. Lawmakers shouldn't fix Social Security by breaking it.

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