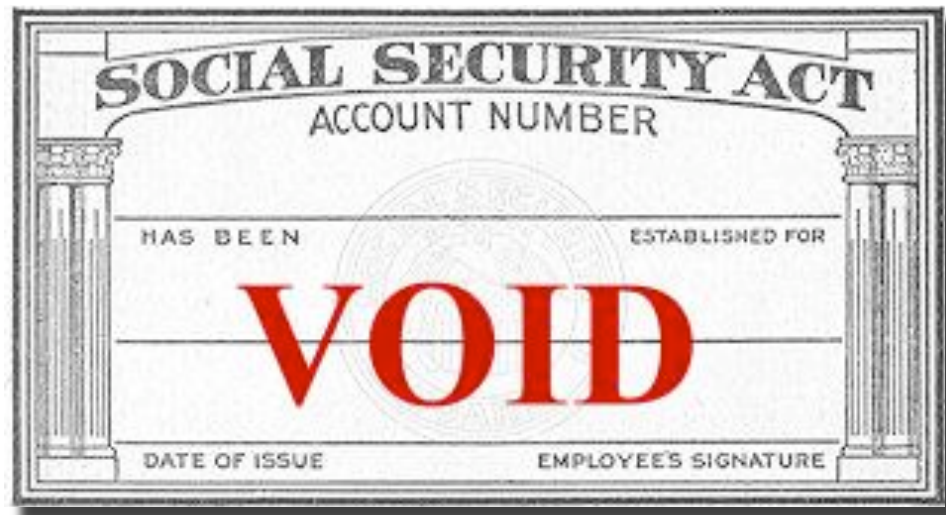


Social Security Is Not Broke Part II

The Bush Plan Weakens Social Security



A Midwest Academy Presentation

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F.D.R.

President Roosevelt on Signing The Social Security and Unemployment Insurance Legislation

"We can never insure one-hundred percent of the population against one-hundred percent of the hazards and vicissitudes of life. But we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age. "

August 14, 1935



How Social Security Works



**Social Security is an insurance system
that covers these people:**

- **People who have already retired**
- **People who are disabled**
- **Survivors of workers who have died**
- **Dependents of beneficiaries.**

About 47 million people get a check every month

What do you get in Social Security Retirement Benefits?

- **On average, 36% of what you used to make.**
- **Low wage earners get more than that, high wage earners get less.**
- **If you retire in '05 that's about \$14,000.**
- **About 20% of all people on Social Security have no other income at all.**



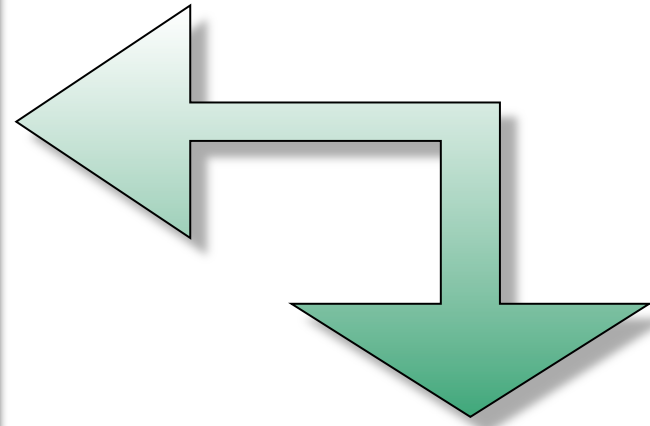
Social Security Finances

- In 2004 it paid out \$493 Billion Dollars.
- It took in \$658 Billion from taxes.
- Its Reserve Fund grew to \$1.7 Trillion.
- By 2025 Reserves will reach 6 Trillion.



Annual Report of Trustees 2005

Current dollars



Social Security Collected taxes from 157 Million of these people in order to give benefits to 48 million of these people.



2005 Trustees Report

Here Is The Point

Even if the Congressional Budget Office is right, and it may not be, that the reserve funds run out in 2052 and the Social Security tax money only covers 80% of costs, this is not a crisis.

Even if Bush is right that the reserve runs out in 2041, it is still not a crisis.

There would be simple ways to fix it if needed.

Social Security Is Not an Investment Fund

- ✘ It doesn't own stock.
- ✘ It doesn't own real estate.
- ✘ It doesn't own corporate bonds.
- ✘ There is no race horse.
- ✱ **The original idea was that everything that came in from workers' taxes went right out to retirees' benefits.**

In 1983 that changed. Congress raised the Social Security tax to create a big reserve fund to be used when the Baby Boomers retire starting around 2011.

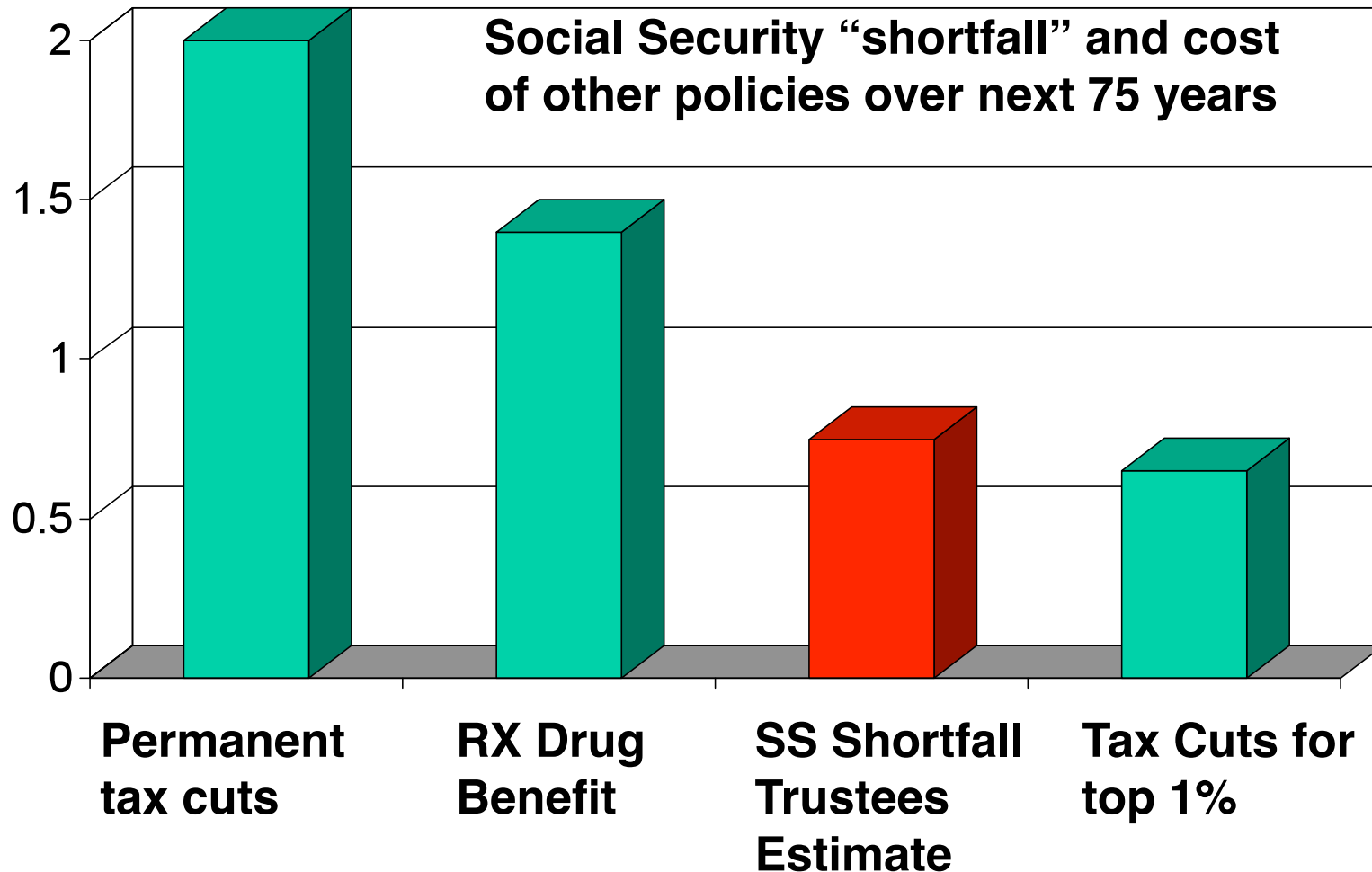


But isn't Social Security a financial wreck caused by Baby Boomer retirement?



Perspective on Bush's claims about the size of the problem

Percent of GDP



There may be no problem. If there is, a combination of the following fix it

End the tax cut for the richest 1%

**Raise the cap on wages taxed for SS to \$140,000.
Wages above \$90,000 are not now taxed .**



**“If your car has a flat tire, you can get the tire fixed.
You don’t have to borrow money to buy a new car.”**

Peter Orszag -- Brookings Institution

The baby boomers won't last forever (unfortunately).

The Baby Boomers were born between 1946 and 1964.

The oldest Boomers will be 106 in2052

The youngest Boomers will be 88 in...2052



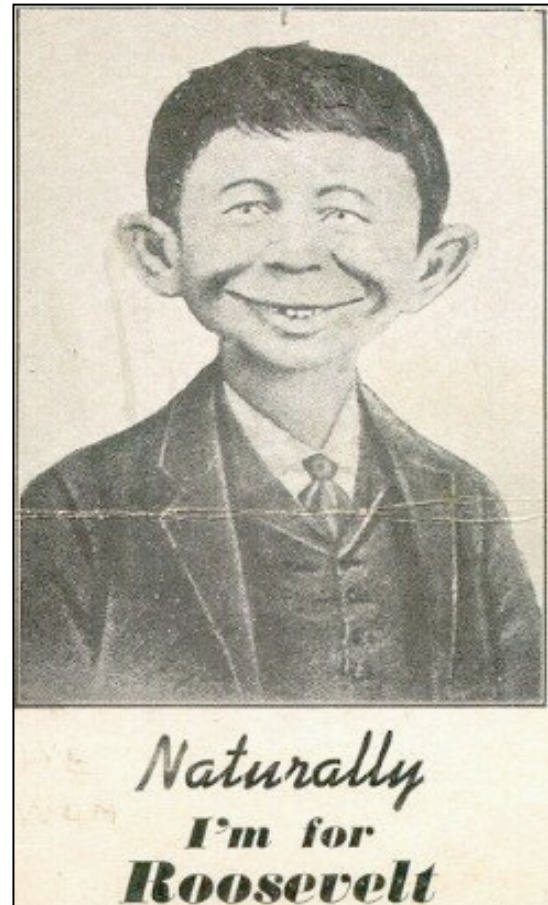
By the time the crisis that was supposedly caused by their retirement hits, they will already be on their way. Sorry friends.

Then why does Bush say it is a crisis and go around telling people that the system is bankrupt?



From the very beginning, 70 years ago, Republicans and the Right have always attacked Social Security.

Oddly, they haven't thought of anything new to say about it since then.



The 1936 Republican Party Platform

“ The so-called reserve fund estimated at forty-seven billion dollars for old age insurance is no reserve at all, because the fund will contain nothing but the government’s promise to pay, while the taxes collected in the guise of premiums will be wasted by the government in reckless and extravagant political schemes.”



And the Beat Goes On

- **Henry Ford said Social Security could cost Americans their basic freedoms, like the right to change jobs or to move from one town to another.**
- **Barry Goldwater wanted to repeal it. (1964)**
- **Ronald Reagan's budget director, David Stockman, called it a "monster" and sought to cut benefits to early retirees by one-third.**

And On

The Social Security Trust Fund, is not truly “solvent” because it is “filled with I.O.U.’s,” The fund “does not hold resources to pay benefits,” and faces a real problem in figuring out how to “translate I.O.U.’s into cash benefits.”

Senator Santorum (R) PA. Feb. 2005

Senator’s Slide Show

And On



Then What is the Bush Plan?

There is none!

Neither is there an Administration bill in Congress.

(as of 06/09/05)



What is he trying to hide?

However, on February 2nd, 2005 a “Senior Administration Official” gave some details at a White House press briefing.

The White House issued an 18 page transcript of his remarks which we are using here.



What we know so far



Your FICA tax will still go to traditional Social Security, but \$1,000 a year of it can go to a private investment account.



Your Social Security benefit will be reduced by the amount that went into the account, plus 3% interest plus inflation*.



If your investments do better than 3% plus inflation*, you you come out ahead. Other-wise you get less than traditional Social Security would have given you.

***3% plus inflation today is 6.5%.**

Your benefits will come from combined investments and Social Security

6% of Your Wages

2% to Social Security

Steady Rate

On Retirement

You get your benefit check

Minus the 4%

Minus another 3% interest

Minus the inflation rate. (3.5%.)

Minus a major benefit cut

4% to investment acct.

Gains or Loses \$\$

On Retirement

Stock is sold to buy you a lifetime annuity at the poverty level.

You keep the rest, if any.



OK, here it is again

- 1 The government collects your SS taxes but lets you put up to \$1,000 a year into an investment account.**
- 2 You retire. They deduct from your benefits what you put in the account plus interest. Your check is reduced.**
- 3 All or part of your account is sold to buy you an annuity which, combined with your benefit check, keeps you at the poverty level. Anything left over is yours.**

Did you say, “Pay interest?”

Yes, the interest rate you will have to pay on the money you put into your private investment account will be 3% plus inflation. It will be deducted from your benefits



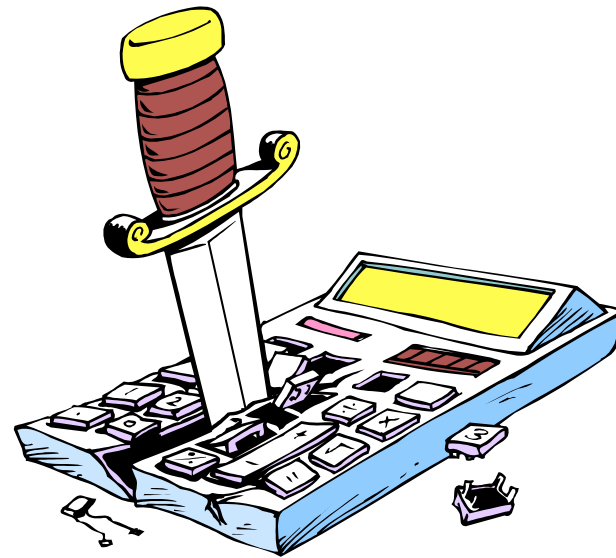
This year inflation is 3.5%

If inflation stayed at 3.5% until you retired, your investments would have to earn 6.5% for you to break even. (3 + 3.5 = 6.5)

Of course inflation could be higher or lower.

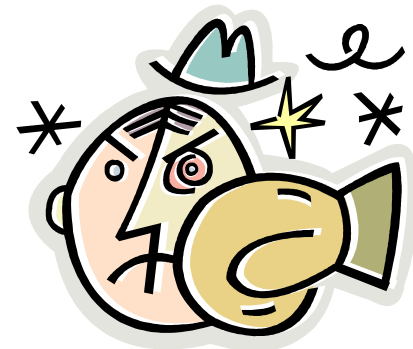
Wait It Gets Worse

Bush also plans to cut overall Social Security Benefits.



Hit by the Double Whammy

- 1** In addition to whatever you did or didn't get from your investment account, you would still have gotten a (reduced) guaranteed benefit from regular Social Security.
- 2** Now, Bush is also proposing drastic cuts in the guaranteed benefit.

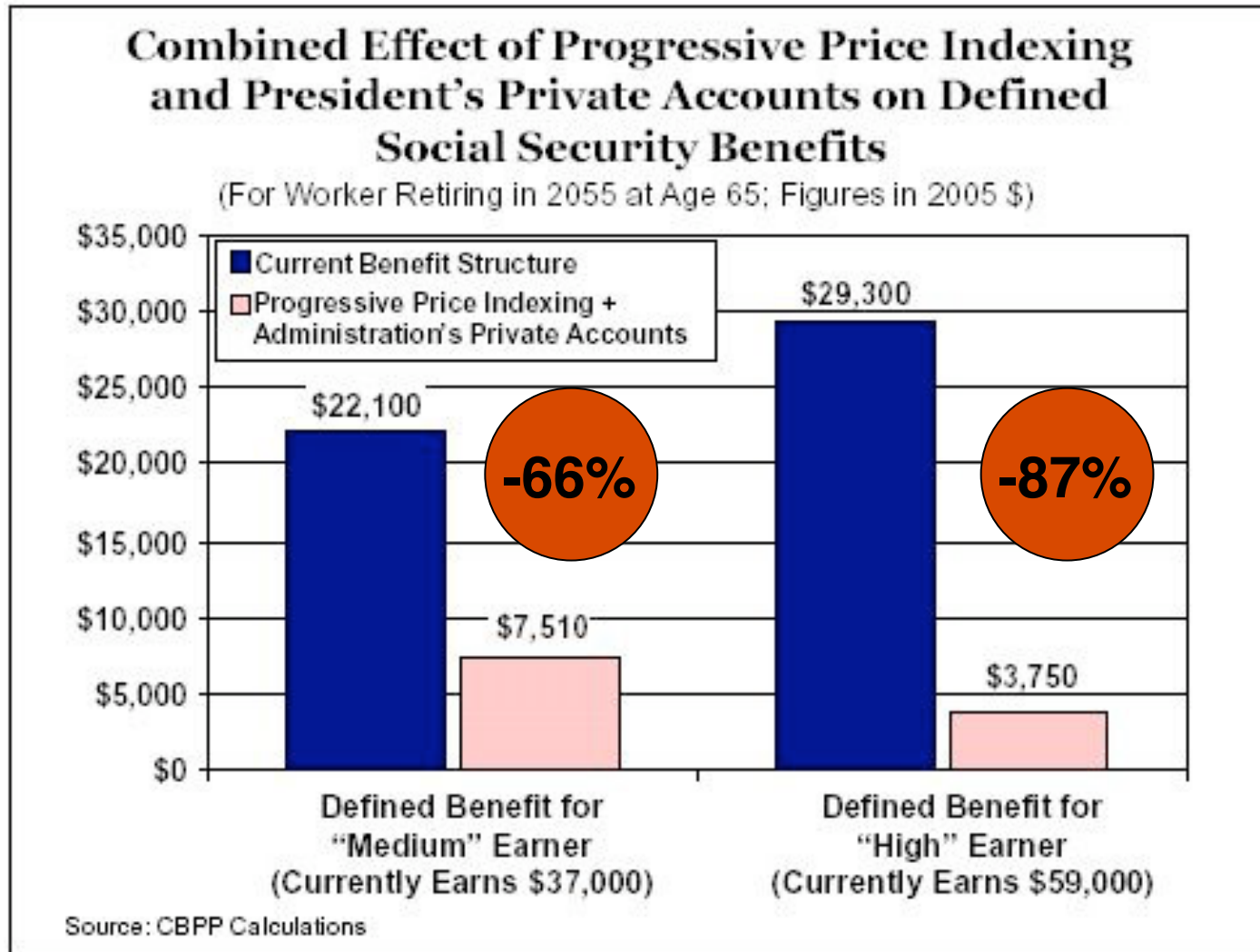


The April 28th Massacre, Bush's New Proposal.

- **If your income is average, (\$36,500 today) by the year 2045 your benefit cut will be 16%.**
- **The cuts will grow each year. By 2075, the average earner will get 38% less.**



The interest charged on your investment account makes the cut worse



**It Gets Even Worse. Enter
Senator Jim DeMint (R -
SC).**



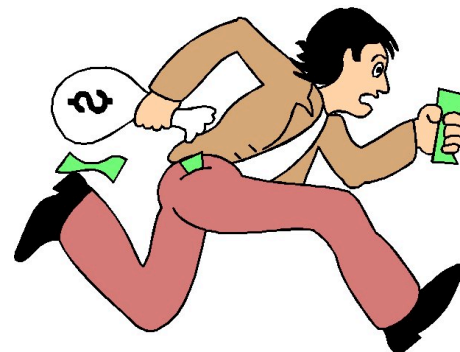
At the end of June 2005, Senator DeMint introduced a bill entitled “Stop The Raid On Social Security”. DeMint’s plan for private investment accounts is essentially the same as Bush’s except that instead of the money coming out of your FICA taxes, it supposedly comes out of the Social Security surplus. Like the Bush plan, when you retire your benefits are reduced to pay back the government for the money it put in your account.

July 8, 2005

DeMint makes even less sense than the Bush Plan

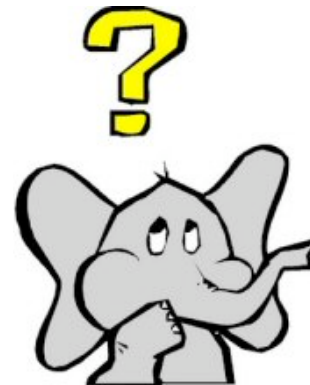
The Social Security surplus has already been set aside to pay for the Baby Boomer's retirement. If it goes into private accounts, how will their benefits be paid?

The government will have to borrow still more, that's how.



You might get \$5 thousand which you will have to pay back

Republicans have said all along that the surpluses, (\$35 billion this year) will run out in 2017. After just eleven years there will be no more money to put into the DeMint accounts. You then pay management fees until you retire and then pay back the \$5 thousand.



Is there a point to this? Yes.

Senator Jim DeMint:

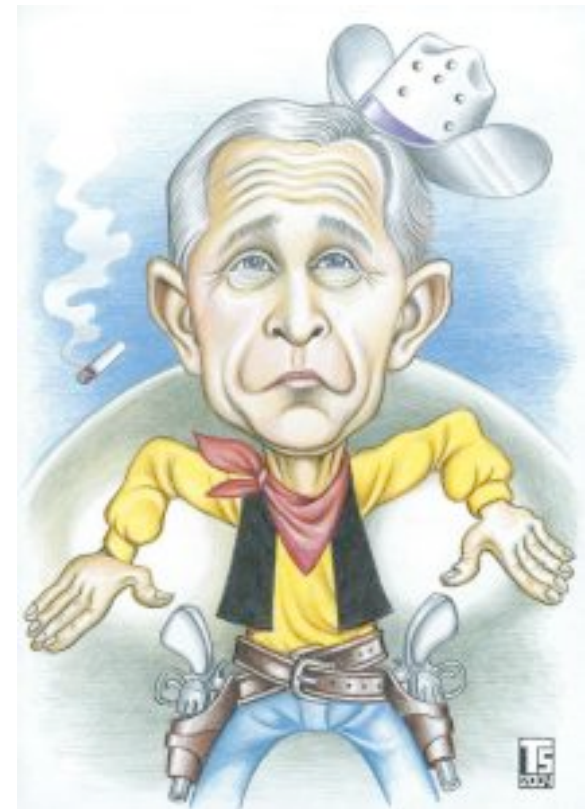
“Our whole intention is to come back...for larger accounts, a permanent solution.” 6/23/05

“This is a political proposal more than a policy proposal, political in the sense that you’ve established the principle of personal accounts,” said the senior GOP aide, who referred to it as a “nose-of-the-camel-under-the-tent proposal.”
6/21/05, Congressional Quarterly

And the point is:



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Stop The Raid?

The Republicans are claiming that the DeMint plan will prevent government from borrowing the Social Security surplus and spending it on something else. So the money is saved. It stays in the SS System. It “stops the raid.”

Actually, DeMint means borrowing the Baby Boomer’s benefits to start investment accounts. Someone still has to make up this money or else cut benefits.

**DeMint Doesn’t Stop The Raid.
It Is The Raid.**

America will have to borrow nearly five trillion dollars to set up Bush private investment accounts.

Other than right wing ideology, there is absolutely no reason for it.



**Why do we say that
There is no Social Security crisis?
See part one of this presentation.**

That's All Folks

