

## **Social Security Reform**

Why Our Generation NEEDS to Act Now

Carl Soderberg

Today, we are building the foundation for the rest of our lives. In working towards higher levels of education, it is expected that there will be a higher standard of living. We see ourselves placed in great careers, earning a well deserved salary, and living out the rest of our days comfortably. What about when those careers are over? What will be there to help us live in ease after retirement? In actuality, the overall idea of a relaxed lifestyle after our prime is in jeopardy.

The Social Security system was established in 1935 in the wake of the Great Depression as a means for those beyond their working days to be able to live daily life. Ever since its inception, the money that has been collected by Social Security is given immediately to beneficiaries, who are currently seniors age 65 or older. In 1935, there were about 16 people in the work force paying into the benefits for every one person. Today, there are about 3.3 people paying into every one, and the taxes on Social Security have been raised over 40 times to compensate for the growth and variations in the nations population. Today, everyone in this nation pays 12.4 percent of everything earned into Social Security, which adds up to hundreds of thousands of dollars over the course of a career. Where does all this money go? Towards our post career living, right? You will probably be surprised to hear that it does not. In fact, at the rate trends have been going over the last 70 years, Social Security will begin posting losses in the midst of our promising careers by the year 2017, and be completely bankrupt around the time our generation hits retirement in 2041.

The main issue begins in 1983 when Social Security began to make more money than needed due to the baby boomers hitting the work force. This surplus was then filtered into the Trust Fund where it was intended to sit and collect interest until this mass amount of people hit retirement. Money just sitting around, however, is not how politicians like it, and soon after the Social Security surplus began accumulating funds, congressmen began dipping into the Trust Fund to fund their own "pet projects." In place of our money, they leave IOU's that are supposed to be paid back at a later date with taxes. My question is, how realistic is it that our current tax dollars, that already support countless government projects, will be able to cover the Trust Fund's trillions of dollars in IOU's when we begin to qualify for benefits?

There are other issues. Right now, the Social Security system we pay into is earning, on average, a little more than 1.7% interest on our investment over the course of our lives. People born after 1990 will see an even worse percentage. If one knows anything about long term investing, that's a horrible investment and is not worth the time or the money. Even government Treasury Bonds, the most secure and safe long-term investment an American can make because it is backed and guaranteed by the U.S. Government, pays out over 3% interest. In fact, contrary to popular opinion, Social Security IS NOT guaranteed to us by our government, shown by the 1960 Supreme Court ruling in "Fleming vs. Nestor," where it was decided that the public has "...no legal right to Social Security benefits and benefits are part of government spending programs, no different in the eyes of the law than corporate welfare or farm subsidies". Ridiculous, huh? Apparently with the current system, we must fend for ourselves. If this money is

taken to the stock and bond market, there would be much higher returns, and a more secure future. Since the 1920's, the stock market has not shown less than a 7% return after inflation, and furthermore, has not shown a worse margin over any 20 year period than what Social Security is projecting, and these numbers DO include the Stock Market Crash of 1929 as well as the Great Depression era. Thinking long term, investing in government bonds or into the stock market in the form of mutual funds, groups of stocks that hold a much safer risk factor than individual stocks, seems to be a much more logical investment than Social Security's 1.7% and falling rate.

The solution? There are actually a couple up for discussion currently. Obviously the first idea in everyone's mind would be to raise taxes. The issue here is how much would we have to raise taxes to accommodate the trillions of dollars that are supposed to be in the trust fund? On top of that, do we really expect to keep raising taxes into perpetuity? Not only would this create an even deeper problem in our nations future, imagine doubling the hardships for our children.

Another idea is to cut benefits. The issue here is that this would just create a larger surplus in the Trust Fund, which we already know is being used up as is, and would make living after retirement more difficult. Overall, if you are looking for numbers on this, we would have to raise payroll taxes by over 50% (that's almost 19% in taxes on Social Security alone) or cut benefits by 25% just for our generation to see full benefits. Again, what about future generations who would have to deal with a larger version of this mess? "Sorry kids, your screwed?" I hope not.

The key idea is Personal Retirement Accounts, or PRA's. This is a system where people can choose to invest the money how that they pay into Social Security. The key word here is choice. Not only would one now be able to take that 12.4% and invest it into higher return arenas such as the stock and bond markets, but they would also have the choice to do absolutely nothing and keep paying money into the current Social Security system, and its Trust Fund. This is why it is baffling when Democratic politicians are seen completely bashing the idea of PRA's when they still have the option of keeping the system in place (why not give our nation a choice?), but those are the differences that make this country great I suppose.

The main advantage of this new idea is that if one chooses to create a Personal Retirement Account, the 12.4% that they pay out is locked in and remains theirs. From there, they are free to let it sit and accumulate, or invest it into the low risk, high return stock and bond market, then watch it grow over time. Imagine pulling up your own retirement account online to see how many funds you have gained throughout your life without having to set up a separate account with a private retirement company? I am sure many of us have thought about our future and decided that we would need to set up a retirement account with someone like Nationwide or Charles Schwab in order to have the funds we need when we are done making our difference in the world. Why do we have to pay on top of the 12.4% we shell out every paycheck in order to live comfortably? Why can we not have the choice to use that 12.4% overall in the first place? The way trends are looking now with the current system, that 12.4% is going to waste.

Obviously one question would be; what happens to the funds if I do not make it to retirement age? It's a sad thought, but a necessary one. The current Social Security System will only pay out a percentage to your family based on how much you paid into

it. Personal Retirement Accounts are seen as assets, and therefore, are fully inherited by your family. That's nice isn't it? I thought so too.

Now, don't confuse the system with being able to keep the money in pocket. The funds remain yours, but they are still locked up until you reach the eligible age to receive benefits. The idea here is that no one else can touch it either, and you are in control of its long term opportunities. You still pay out that 12.4% every paycheck, but it goes into your account that you tap at retirement. The system creates a sense of responsibility as well as security.

The opposition on this issue isn't making it easy either. Liberal ideology on this is that we need to leave the system alone since it has worked out alright for the last 70 years. Let me be the first to say, times change, and we can't keep taking money from the people, or cutting their benefits to keep the dying program afloat.

The funny thing here is that the overall idea of PRA's came about back in the mid 1990's within the (that's right) Clinton Administration! Why is it that in 1996, there was a huge buzz from the Democratic Party about the need to privatize Social Security, yet now they are completely against it? If you think back, wasn't the centerpiece of Al Gore's Presidential campaign the Social Security "lockbox?" This was the preceding idea to what is now known as Personal Retirement Accounts. This information shows that PRA's are not just a conservative idea, they are an overall good idea that will be not only be healthy for our nation, but future generations as well. Ignoring the problem now is immature and only causing more damage.

Overall, we as representatives of this nation's future need to step up and take a stand for what is ours. If the liberal side of this issue is so "against it," then they can have their 1.7%, and tell those following in their footsteps why they will have to take extra steps and spend more money to achieve the goals they desire. Why take the advantage away from the rest of us? This issue has been put off long enough, and I know for a fact that none of us want to be left dealing with a much larger version of the problem when we are in our prime. Today we set the foundation for the future, lets make it solid.

For more information on securing our future, visit the Students for Saving Social Security (S4), a non-profit organization based out of Washington, D.C. [www.secureourfuture.org](http://www.secureourfuture.org)