

# Talking Points--Social Security

Author Tex Beauchamp – Social Security Issue Head

## **The 82-Year Old Program is the Most Popular Government Program in History**

Social Security (SS) represents a moral, social contract between the US Government and its citizens. Citizens agree to put a percentage of their earnings (matched by their employers) into a supplemental retirement fund throughout their working careers through payroll deductions. The Government in turn agrees to manage that fund prudently and upon retirement pay the participants a monthly benefit commensurate with their contributions for the rest of their lives. We expect the Government to honor their side of that contract. However, the Republican Party demonizes Social Security by claiming it is a “drain on our economy” and that “entitlements are breaking the bank”! Nothing could be farther from the truth.

- *SS is not a welfare program!* It is a fully self-funded supplemental retirement program similar to a retirement annuity.
- *SS is not paid for with income tax revenue!* It is paid for 100% by program participants and their employers’ through; a) separate SS payroll taxes, b) interest from the SS trust fund and c) taxes imposed on beneficiaries’ SS income.
- *SS is not broke!* It currently has a surplus of over \$2.8 trillion. The SS Trust fund managers invest the surplus in “Special Issue” bonds which earn interest.
- *SS is not a drag on our economy or the government budget!* SS does not contribute a cent to the budget deficit or the national debt. In fact, SS helps fuel the economy since almost every dollar paid out to beneficiaries is spent on necessities and goes back into the economy.
- *SS is the U.S. Government’s biggest lender!* That’s right, lender not borrower! Our \$2.8 trillion loan to the U.S. Government is larger than the next two lenders, China and Japan, combined.

- *SS pays for itself!* The revenue generated by SS payroll tax has always been sufficient to pay all benefits at 100% without touching the surplus or the interest it earns, thus the surplus has grown steadily ... until recently.

## **We Understand the Problems**

- *The \$2.8 trillion is not cash sitting in a vault somewhere!* It has been used by the Treasury to pay day-to-day bills. However, that money is only used after the Treasury issues the “Special Issue” bonds as collateral for the SS Trust fund.
- *The biggest threat to SS is a Republican Congress!* The \$2.8 trillion in U.S. Special Issue bonds, like all Treasury bills and bonds, is backed by the “full faith and credit of the U.S. Government”. However, it seems Republicans don’t want to honor the moral contract they agreed to. Had they addressed this issue years ago, it would not be an issue today. Their only proposed solutions involve cutting benefits.
- *Revenue from SS payroll taxes has decreased in recent years due to a smaller workforce.* Benefit payouts now exceed revenues from payroll taxes. The difference is being made up by using interest earned from the surplus. As a large population of baby boomers starts retiring and retirees live longer, it means both the interest and the surplus will likely be depleted around 2034. Still, in the worst case scenario, benefits from payroll taxes alone could be paid at 75% of normal levels. That 25% deficit is not acceptable and there are ways to eliminate it.

## **Fixing the Problem**

- *Increase the payroll tax!* If the current payroll tax of 12.4% (6.2% from both employee and employer) was increased to 15% (7.5% each) it would increase SS revenue by almost 21%. That alone is almost enough to make up the 25% deficit. Another half of one percent increase would close it entirely .... or

- *Other ways to help fix the problem:* A larger work force paying into the program, higher wages for participants, raise the payroll tax cap and incentivize deferred retirement. Even slight gains from these actions would also close the deficit.
- *It will take bipartisanship to address and fix the problem.* Sadly though, Republicans seem intent on destroying or privatizing the program so they can profit from it. Neither is a solution.

### **Other Actions that Would Help**

- *Change the perception that Social Security is welfare (“entitlement”) paid for with tax money.* SS should be more accurately referred to as Supplemental Retirement Insurance and “payroll taxes” should be called “retirement insurance premiums.”
- *Ideally, SS “retirement insurance premiums” should not be co-mingled with “general fund” money* but kept apart and separate and co-managed by the Social Security Trust managers and Treasury.
- *Ideally, Social Security should never be shown as a “line item“ on the federal budget.* Simply setting it apart from the federal budget would make it crystal clear to everyone that Social Security and Medicare (“entitlements”) are not the Government’s biggest budget items as Republicans claim. That distinction belongs to our defense budget.