



# Social Security Talk

Committee on Ways and Means  
Subcommittee on Social Security  
Rep. E. Clay Shaw, Chairman

## Keeping the Record Straight- Fast Facts on Social Security

### Social Security's Trust Funds...

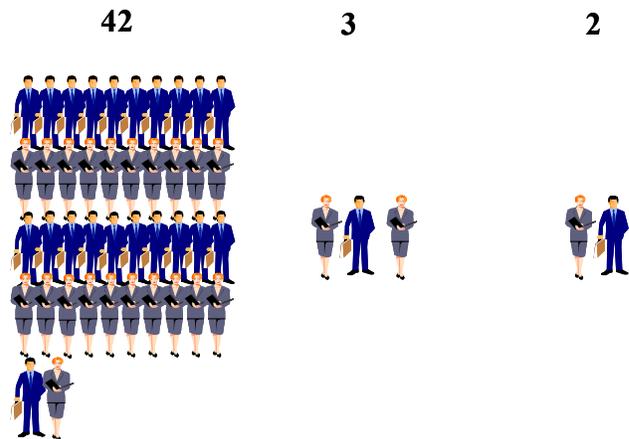
- Costs exceed its tax revenue: 2017
- Trust funds are exhausted: 2041
- Social Security's growing cash shortfall (in today's dollars):
  - \$9 billion in 2017;
  - \$360 billion in 2041;
  - over \$800 billion in 2076.
- Total shortfall 2017-2076: \$25 trillion (in today's dollars).
- Treasury Securities in Trust Fund end of 2001: \$1.2 trillion.

### Social Security's Demographics...

People are living longer and having fewer children. The result is fewer workers to support retirees in the future.

- Workers per retiree in 1945: 42
- Workers per retiree in 2002: 3.3
- Workers per retiree in 2030: 2.1
- Number receiving Social Security in June 2002: 46 million.
- Number of Social Security recipients by 2030: 85 million.

### Social Security's Financial Challenge Driven by Demographics



## Options to Strengthen Social Security: Proposals That Don't Work

Some people propose debt reduction, tax increases, or government investment of the trust funds to strengthen Social Security. These don't work, and here's why:

### Pay Down National Debt

- Freeing money now used for debt service could help pay benefits after Social Security's cash shortfall begins in 2017. However, the growing deficit would exceed this additional source of income after a few short years.

### Tax Increases

- Hurt economic growth.
- Translate into more IOUs for the trust funds, and that's not the answer.
- Eliminating the cap on wages subject to payroll tax (\$84,900 in 2002) would constitute one of the largest tax increases in U.S. history. The higher marginal tax rate for some workers would confiscate half of each additional dollar they earn.

### Government Investment of Trust Funds in Stock Market

- Do we really want government ownership of businesses? America should remain a free-market economy.
- Individuals, not the government, should own and control their retirement investment--a nest egg that for the first time could be passed along to children and grandchildren.

## Making Sense of the Social Security Trust Funds

### Where Do Payroll Taxes Go?

Contrary to popular belief, Social Security payroll taxes are not deposited in the trust funds; they are sent to the U.S. Treasury.

### What Is The Purpose Of The Trust Funds?

Like a bank account balance, the trust fund balance represents a promise to provide cash for Social Security benefits when needed.

When the government issues Treasury securities to the trust funds, it is like writing an IOU to yourself.

When Social Security needs to redeem its securities to pay benefits, Treasury will have to come up with the cash. Where will this cash come from? increased taxes? reduced spending?

more borrowing? Regardless, the taxpayer pays.

### What's In The Trust Funds?

As required by law, Social Security's revenue is fully credited to the trust funds in the form of interest-bearing Treasury securities. Treasury then uses the cash to pay Social Security benefits. Cash not needed to pay benefits (the surplus) is used to finance other government operations or pay down the public debt.

### Are The Trust Funds Being Looted?

No. Regardless of whether the Treasury uses Social Security's surplus to pay down the debt or finance government operations, Social Security is credited with the full amount it's due.

The trust funds do not hold cash, and Treasury securities can be re-

deemed only for paying Social Security benefits or administering the program.

### Is There A Way To Truly Save Social Security Surpluses?

To save Social Security's future, we need to save real assets, not IOUs, to pay future benefits.

Both parties support increasing Social Security's returns through market investment. However, Democrats support government directly investing Social Security dollars in the stock market.

In contrast, Republicans believe workers should own and control their assets, not the government. Voluntary personal accounts enable workers to pass wealth to their children and grandchildren.

## Why Social Security is Important

### ...To All Americans

- Social Security provides over 1/3 of income for retirees, on average.
- About 9 out of 10 persons aged 21-64 who worked at a job covered by Social Security in 2001 can count on monthly benefits if they suffer a severe and prolonged disability.

### ...To Women

- Cost-of-living-adjustments help all seniors, particularly women since they live longer and are more likely to exhaust other sources of income.
- Over 60% of senior women receiving Social Security receive spouse, widow, or other dependents' benefits.

### ...To Minorities

- Statistics show that African Americans and Hispanics tend to have lower earnings and less pension coverage; therefore, they rely more heavily on Social Security benefits.

## Straight Talk on the President's Commission

- The President's Commission offered three plans for strengthening Social Security, and all three include voluntary personal accounts.
- Benefits would be larger than those of today's retirees, and the plans preserve survivor and disability benefits.
- None of the plans reduce benefits for today's seniors or near-retirees.
- None of the plans increase the retirement age.
- Two of the plans improve widows' benefits and provide a minimum benefit for low-wage workers.

## Social Security Information Resources

Committee on Ways and Means  
[www.waysandmeans.house.gov/fullcomm/107cong/ssresourcekit/ssresourcekit.htm](http://www.waysandmeans.house.gov/fullcomm/107cong/ssresourcekit/ssresourcekit.htm)

Rep. Shaw's website  
[www.house.gov/shaw](http://www.house.gov/shaw)

Soc. Sec. Admin. [www.ssa.gov](http://www.ssa.gov)

Congressional Research Service  
[www.congress.gov/brbk/html/ebssc1.shtmlssresourcekit.htm](http://www.congress.gov/brbk/html/ebssc1.shtmlssresourcekit.htm)