

Committee on Ways and Means

Social Security: Responses to Democratic Myths

DEMOCRATIC MYTH	THE FACTS
<i>“Raiding” Trust Fund</i>	
<p>Republicans spent billions of dollars from the Social Security Trust Funds on tax cuts and other programs.</p>	<ul style="list-style-type: none"> • Seniors will continue to receive every penny of their promised benefits. The trust funds do not contain cash to raid. The trust funds are credited with interest bearing Treasury securities. It is legally impossible to use these Treasury bills for anything other than Social Security benefits or program administration. That’s the law.
<i>Tax Cuts</i>	
<p>For the same cost as the tax cut, Republicans could have saved Social Security.</p>	<ul style="list-style-type: none"> • Raising taxes may be the Democrats’ idea on how best to strengthen Social Security – but it’s not ours. • Tax relief has helped enhance economic growth, which helps us prepare for the wave of baby-boomer retirements. • Democrats’ answer of pumping taxes into Social Security is the Energizer Bunny of tax increases—they would just keep growing and growing. For an average wage worker earning about \$35,000 today those <i>additional</i> taxes would equal about \$1,600 per year in when the trust funds are exhausted in 2042, increasing to about \$2,000 per year in 75 years, and would keep growing after that. Tax increases that large would jeopardize our economy and our standard of living. • Since its inception, Social Security has been self-financed, by workers for workers. Permanently funding up to one-third of benefits with income taxes risks turning Social Security from an earned benefit into a welfare program.
<p>Alan Greenspan, Chairman of the Federal Reserve Board, said that tax cuts for the wealthy are forcing us to cut Social Security benefits.</p>	<ul style="list-style-type: none"> • False. Chairman Greenspan said Social Security faces serious financial challenges because America’s population is aging, <i>not</i> because of tax relief. Modern medicine is enabling people to live longer, and families are having fewer children. Combined, that means the number of retirees is growing much faster than the number of workers supporting Social Security. • Social Security’s trustees were warning us of the program’s impending cash flow deficits for years, even during tax <i>increases</i> enacted during the Clinton Administration, and well before President Bush enacted tax relief. • Seniors and near-retirees will continue to receive every penny of benefits promised to them, which they have earned.
<i>Voluntary Personal Accounts</i>	
<p>Republicans want to “privatize” Social Security.</p>	<ul style="list-style-type: none"> • No Republican proposal “privatizes” Social Security. Such mistruths are intended to scare seniors. Under any plan, the Social Security Administration would continue to serve the public and send out checks, just as it always has.
<p>It will cost \$1 trillion to “privatize” Social Security.</p>	<ul style="list-style-type: none"> • Social Security already faces a multi-trillion cash-flow deficit (\$26 trillion in today’s dollars). Any plan to secure Social Security’s future over the long-run will involve a transition investment. • Establishing personal accounts is not a “cost” any more than when an American worker sets up a savings account for retirement. It is an <u>investment</u> that will: <ul style="list-style-type: none"> -- reduce or eliminate the need to increase taxes or cut benefits; -- save taxpayers’ money in the long run; -- enable workers to own and control their own nest egg for retirement; and -- place Social Security on sound financial footing.

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Privatization means workers' benefits will depend on risky private accounts.	<ul style="list-style-type: none"> • Social Security is at risk today because it WILL NOT have enough money to pay full benefits without benefit cuts or tax increases. • Voluntary personal accounts minimize risk by offering safe, diversified investments, providing a floor of protection for low-wage workers, or even guaranteeing current law benefits regardless of the account's investment performance.
Many Americans won't know how to manage personal accounts.	<ul style="list-style-type: none"> • A nationwide education effort would help workers select among approved investment options, similar to the popular Thrift Savings Plan available to federal government workers and Members of Congress.
Costs of administering personal accounts will only benefit Wall Street, not Social Security beneficiaries.	<ul style="list-style-type: none"> • Administrative costs can be kept to a minimum through centralized recordkeeping and pooling investments.
Women and minorities are hurt by Republican efforts to create private accounts.	<p>WRONG –voluntary personal account proposals would:</p> <ul style="list-style-type: none"> • Protect those features women and minorities rely on most: COLAs, lifetime benefits, progressive benefit formula, survivor and disability benefits; • Increase widows' benefits and provide minimum benefits to protect women and low-wage workers; • Split accounts equally between husband and wife at divorce; • Provide the ability to build inheritable wealth, which is especially important to African Americans who tend to have a lower life expectancy and may not live long enough to collect retirement benefits.
President's Commission	
The Commission's plans cost trillions of dollars, cut benefits, and still leave Social Security insolvent in the long-term.	<ul style="list-style-type: none"> • Plans with personal accounts improve Social Security benefits and financing. • Social Security scorekeepers confirm that plans with personal accounts help save Social Security at a lower cost by utilizing the higher rates of return available from prudent investment in financial markets. These higher rates of return reduce the amount of taxpayer dollars needed to finance Social Security benefits. • The Commission's plans would provide benefits larger than those received by today's retirees and ultimately greater than what is payable under the current system.
The President's Commission offered plans that would cut benefits for disabled individuals and survivors.	<ul style="list-style-type: none"> • The Commission did not recommend cutting disability benefits. The Commission specifically said it was not making recommendations on disability benefits. • The Commission's plans actually improved widows' benefits by allowing widows to collect 75% of the couple's benefit, rather than the 50-67% available under current law.
Using General Revenues to Save Social Security	
We should transfer general revenues into the trust funds to help save Social Security.	<ul style="list-style-type: none"> • Adding more IOUs to Social Security's trust funds will not reduce by one dime the amount of taxes needed to pay benefits when Social Security starts running cash deficits in 2018. • President Franklin Roosevelt said, "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions . . . With those taxes in there, no damn politician can ever scrap my Social Security program." <p>In other words, workers have paid into the system, it's their money, and we must protect and enhance their investment. Social Security has been so successful because it is an earned right. If we start pouring general revenues into the trust funds, we break the critical connection between work and benefits, and risk transforming Social Security from an earned right to a hand-out.</p>