

The Truth about Social Security



Social Security is one of America's most effective and efficient intergenerational social insurance programs. Yet Social Security has always had its detractors, and many of them are using today's deficits as justification for forcing very large cuts in the Social Security program.

Americans earn the right to participate in Social Security by working and contributing to the program throughout their working lives. Social Security is not just a retirement program. It was designed to provide a modest guaranteed income to families when the breadwinner can no longer stay in the workforce due to retirement, disability or death. In fact, one-third of Social Security's benefits today go to the disabled, survivors of deceased workers and their families. And unlike most other income replacement programs, Social Security lasts a lifetime and provides a modest Cost-of-Living Adjustment to help keep up with inflation.

Some of the claims against Social Security may seem persuasive at first, but they can be easily disproved with a little research into the facts. That's why the National Committee has assembled the following seven simple rebuttals to many common and misleading claims being spread by Social Security's opponents. That way you'll be able to present *truthful, counterarguments based on facts* the next time you hear someone making false claims against Social Security.

When they say, "Social Security will soon go bankrupt,"

The truth is ... If Congress does nothing — makes no changes at all — Social Security is projected to deliver full guaranteed benefits until at least 2033. Even after 2033, again without any changes, Social Security will be able to pay about 75% of promised benefits out of the payroll contributions that will continue coming into the system.

Social Security has paid benefits in full and on time since its creation over 76 years ago. If Congress enacts modest changes, Social Security will be able to meet 100% of its benefit

obligations indefinitely. As one of the most successful government programs ever, the administrative costs to run it — less than 2% — are far below what Wall Street will ever charge investors for private retirement accounts. ■

When they say, "America can't afford Social Security,"

The truth is ... America can't afford *not* to have a strong Social Security program. An advanced nation such as ours cannot return to a time when old age or disability often resulted in poverty. The amount of money it would take to fully fund promised benefits is relatively small when compared with the size of our economy — less

than 1.6% of Gross Domestic Product (GDP). Finding these resources is simply a matter of priorities. When the economy went into steep decline in 2009, pensions and other retirement savings such as 401(k)s lost as much as half of their worth. Housing values plummeted and food, health care and energy costs rose. Social Security has remained the only financial security in these chaotic economic times for millions of seniors.

Social Security was created in just such economic times. In the midst of the Great Depression, Franklin D. Roosevelt signed the Social Security Act to provide a foundation of financial security for America's retirees. Social Security

spreads the risk of economic loss over large groups of people and long periods of time. Tomorrow's retirees will need this protection just as much as — if not more than — today's retirees. Almost half the people under the age of 40 give themselves a failing grade for their ability to save money for retirement. ■

When they say, “The Social Security Trust Fund is full of worthless IOUs,”

The truth is ... Social Security's surplus is invested in American government securities. Like other government bonds, they are backed by the full faith and credit of the United States (U.S.). That means that as long as the government is around, it is obligated to pay both principal and interest on its securities. The federal government has never defaulted on its bonds, and they are considered one of the safest choices in an investment portfolio. ■

When they say, “America needs to cut Social Security,”

The truth is ... Social Security benefits are modest. The average benefit for today's retiree is only about \$14,000 per year — or about \$1,200 per month. Two out of three Social Security beneficiaries age 65 and older depend on Social Security for at least half of their total income. One in three seniors receiving benefits relies on Social Security for 90% or more of their total income. Without their monthly Social Security checks, it's very likely that half of today's seniors would be living in poverty — about the same amount that were living in poverty before Social Security was created. ■

When they say, “The government is raiding the Social Security Trust Fund,”

The truth is ... Because Social Security's income exceeds the

amount it spends in benefits, it has a current surplus of nearly \$2.7 trillion invested in bonds. A bond is like a loan to the federal government that earns interest. These bonds are, by law, backed by the full faith and credit of the U.S. and, just as with other holders of U.S. securities, the government is legally obligated to repay the holder when the bond comes due. There has not been one case of the U.S. government failing to pay a bond holder. ■

When they say, “The cost of Social Security is a burden to our grandchildren,”

The truth is ... Social Security costs are expected to grow only slightly as a share of the U.S. economy and will remain quite manageable. As a proportion of the GDP, Social Security costs are projected to rise from 5% in 2012 to about 6.4% in 2035 and then drop back down to only 6.1% by 2055.

The cost of fixing Social Security is only slightly greater than the cost of making permanent the 2001 and 2003 tax cuts for the wealthiest 1% of Americans. In fact, the long-term cost of all the tax cuts enacted by President Bush in those years is twice the cost of saving Social Security.

Traditional pension plans have all but disappeared. Only about one half of all Americans have access to a retirement plan, such as a 401(k), at work. And those who are saving have a median account balance of \$17,686 in their plans. It is clear our children and grandchildren will need Social Security more than ever when they are ready to retire. They can't afford not to have a Social Security program. ■

When they say, “Too few workers will be supporting too many elderly baby boomers,”

The truth is ... This country has a proven record of accommodating the population “bulge” of the Baby Boomer generation from the time they were born. When Boomers needed schools, we built them. When they needed housing, the government helped finance them. As with every age, the work and sweat of one generation helps to build the economy for the next. While some would have us focus on the declining ratio of workers to retirees, the more correct measure is the ratio of workers to the total number of dependents of all ages. That ratio remains the same as it was in the 1960s when the Baby Boomers were in school. ■

Conclusion: Social Security is in good shape.

Unfortunately, the opponents of Social Security have spent millions of dollars promoting the illusion that Social Security is in severe financial trouble and will not be there when the next generation retires.

Nothing could be further from reality. That is why the National Committee to Preserve Social Security and Medicare is spreading the truth, through educational materials like the one you are reading now.

Social Security is a strong and effective retirement program that provides millions of Americans the financial protection they need when they most need it. Implementing a few balanced, modest changes will ensure that Social Security remains stable for generations to come. ■

For more information contact the
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