

Bush's Plan Threatens Social Security Benefits



AP / Wide World Photos

Retirees, who will lose a lot under President Bush's plan to privatize Social Security, voice their opinion during the President's visit to Fargo, ND.

Center on Budget and Policy Priorities. "Individuals who choose these accounts also would get a large, automatic reduction in their Social Security benefit," which Furman calculates will cost an average future retiree about \$152,000.

"President Bush's plan for Social Security certainly will bring American families closer together," said IAM President Tom Buffenbarger. "Moms and Dads used to worry about the kids moving back home after college. Now the kids will have to worry about Mom and Dad moving back in with them after retirement."

President Bush wants to make Social Security reform the centerpiece of his new "ownership" society. Behind the smiling facade of private accounts, however, the President's plan drastically cuts Social Security benefits and leaves retirees worse off.

The President's promise of private accounts masks changes that will slash future benefits. His plan will convert the current "wage indexing" to a "price indexing" benefit formula. This will cause a ten per-

cent benefit reduction by 2022 and will grow to a 46 percent reduction by 2075, according to Century Foundation analyst Greg Anrig.

"Today's young workers would be far worse off than if no changes were implemented," said Anrig. Those drastic reductions will apply to every retiree, whether or not they choose private accounts.

For retirees who opt for private accounts, there's a further reduction. President Bush "did not mention a critical fact," said Jason Furman of the

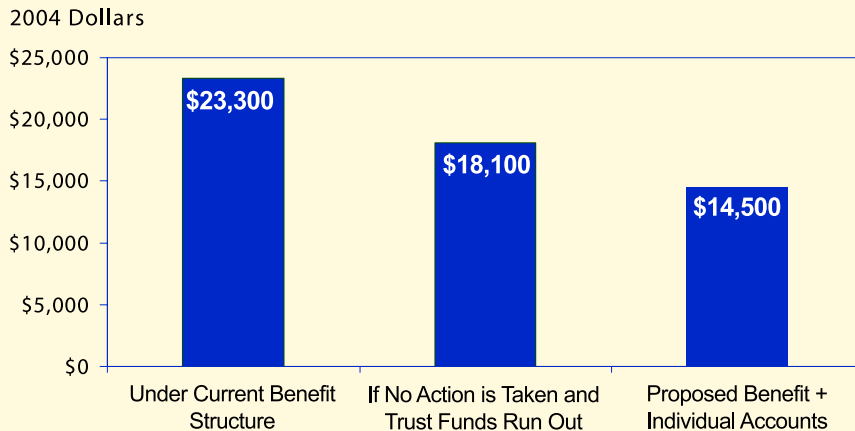
More to Lose

There is more fine print in the President's plan, too. Privatization will undermine Social Security's safety net of disability and survivors' benefits for the families of workers who become disabled or die before they retire.

The President's switch to a "price indexing" formula will also reduce future survivor and disability benefits, which today are the same as having \$353,000 worth of disability insurance and \$403,000 of life

Future Retirees Will Lose the Most Income in President's Social Security Reform Plan

(Average Annual Benefit for Median Wage Earner Born in the 1990s, Retiring at 65)



Source: Congressional Budget Office, "Long-Term Analysis of Plan 2 of the President's Commission to Strengthen Social Security," July 21, 2004.

insurance, according to the Century Foundation.

Don't plan on living too long if you opt for a private account, you run the risk of outliving your savings. By opting for a private account, more of your traditional Social Security benefits, which are paid as long as you live and increased to keep up with inflation, are reduced.

Ownership doesn't always mean control, either. Account investment options will be limited and managed by Wall Street firms, who hope to reap billions in administrative fees. And, there are restrictions on withdrawing your savings when your reach retirement age.

Not Bankrupt

The President hopes to persuade American's to back his drastic reforms by saying Social Security will be "exhausted and bankrupt by 2042." But that is a manufactured crisis. The Social Security

Trustees, which include members of Bush's own cabinet, project the system can pay full benefits until 2042 and about 70 percent of benefits afterward if no changes are made.

Since the 1980's, Social Security has been building a surplus, the Social Security Trust Fund, by taking in more in payroll taxes than it pays out in benefits.

Around the year 2018, as more baby boomers retire, the amount of benefits paid will

equal and then gradually exceed the amount of payroll tax income.

Trust Fund assets will cover the income shortfall until 2042 when the Trust Fund is used up and few boomers are left. Even the Social Security Trustees admit that the payroll taxes Social Security will still collect can pay for about 70 percent of today's promised benefits after 2042.

Don't Risk a Faulty Fix

Social Security faces future challenges, but President Bush's cure is much worse than the ailment.

"Social Security is too important to America's retirees to risk privatization," said Buffenbarger.

"Workers have endured plummeting 401(k) balances and now corporations want to run away from their pension plan obligations," said Buffenbarger. "Social Security benefits are more important than ever. We can easily fix Social Security by taking a second look at the President's tax cuts for the wealthy."

SOCIAL SECURITY

**Find out how much
President Bush's Plan
will cost you.**

**Use the Social Security calculator at:
www.goiam.org**

Fix it, Don't Risk it!