

Social Security Benefits Should Not Be Cut

Social Security is the federal government's most successful and most appreciated program, providing benefits to over 53 million Americans, including retirees, workers with disabilities, spouses and children. Yet, politicians and pundits claim that Social Security is in crisis, a major cause of the federal deficit and unsustainable as currently structured. They insist that Social Security has to be brought under control – mainly by cutting benefits – and unless that is done, it will go bankrupt or federal debt will continue to skyrocket.

Social Security did not cause the federal deficit

- Social Security has not contributed one dime to the federal deficit. In fact, Social Security has a \$2.6 trillion surplus today that is projected to be \$4.2 trillion in 2025.
- The primary causes of the nation's recent large deficits have been President Bush's tax cuts in 2001 and 2003, the economic downturn, the costs of the Iraq and Afghanistan wars, the economic stimulus and recovery spending, and the Wall Street bank bailout.
- The government's long-term deficit challenge comes primarily from health care costs. Medicare and Medicaid are projected to grow from about 5.3% to 17.2% of GDP from 2009 to 2081, according to the Congressional Budget Office. Social Security costs are projected by the Social Security actuaries to grow only from about 4.8% to 6.1% by 2035, and then decline to 5.9% of GDP in 2050 and remain there after that.

Social Security is not in crisis

- Claims that Social Security cannot pay its bills in 2010 are false. Social Security outlays will exceed tax revenues for the next two years, an unremarkable event that has occurred 15 times since 1956. Social Security will still run a \$76.7 billion surplus in 2010 due to its investment income.
- Social Security can pay all its bills in full through 2037. Even if Congress takes no action to close the long-range funding gap, Social Security will still be able to pay at least 75% of promised benefits after 2037.

Social Security's long-range funding gap is solvable if the wealthy pay their fair share

- Social Security actuaries have projected that an increase in revenues equal to just 0.6% of GDP will be sufficient to cover promised benefits over the 75-year planning period. This modest shortfall is the size of extending the Bush tax cuts for the richest 2% of Americans.
- Eliminating the cap on wages subject to the payroll tax (currently \$106,800) would eliminate 95% of the shortfall even if higher benefits were paid due to those higher contributions.
- Restoring the payroll tax cap on employers and employees over 25-to-30 years to cover 90% of wages – the target set by Congress in 1977 – would eliminate 28% of the projected shortfall, and amount to just one additional week of withholding a year – or \$133 in 2010. Today, just 84% of earnings are covered by the payroll tax because salaries of the highest paid grew so much faster than average wages in recent decades.
- Eliminating the cap on employers only and restoring the cap to 90% on employee wages, as described in the preceding bullet, would eliminate 72% of the shortfall.
- Reinstating the estate tax to the 2009 level and dedicating the proceeds to Social Security would eliminate 26% of the projected long-range shortfall.

For more information and to endorse the New Jersey Strengthen Social Security Campaign contact Adam Sherman at 732-246-4772 or adam@njcitizenaction.org.

- Establishing a Wall Street speculation tax of just 0.5% on transfers of credit swaps, derivatives, stocks and other financial instruments and dedicating the proceeds to Social Security would eliminate the shortfall and finance a 5% across-the-board benefit increase.

Recent polls show strong public support for Social Security and progressive revenue options

- The public **opposes** cutting Social Security benefits by 70% to 80%.
- Two-thirds of voters **oppose** raising the retirement age.
- Up to two-thirds **support** raising the payroll tax to cover income above \$106,800 a year and support other measures taxing wealthier Americans to close Social Security’s financial gap.

Social Security needs to be strengthened, not weakened

- The average Social Security benefit is around \$13,000 a year (\$14,000 for retirees), which is less than the minimum wage.
- Despite these modest benefits, Social Security lifts 20 million Americans out of poverty.
- After Medicare premiums are taken out, Social Security replaces about 39% of the wages of a median-wage earner retiring at age 65. This effective replacement rate will drop to just 31% over the next two decades. Meanwhile, other retirement sources are either non-existent for most workers, in decline (private pensions) or collapsing (home values).
- Raising the retirement age is a substantial benefit cut. Social Security’s full retirement age is already gradually increasing from age 65 to 67. This equals a 13% cut in benefits, according to the Social Security Administration, when the retirement age is 67 in 2022. Increasing the retirement age from 67 to 70, as some in Congress have proposed, would cut monthly benefits another 20%. These cuts are especially burdensome to African American, Latino and low-income workers; to women; and to older workers with health problems and limited employment opportunities.
- Life expectancy is not increasing for everyone. In the past 25 years, life expectancy among men in the lower half of the income distribution increased by only one year (as the retirement age increased a year). Among lower-income women, life expectancy *declined*.

Social Security is a promise to all Americans that has withstood the test of time. It represents the best of American values – rewarding hard work, honoring our parents and caring for our neighbors. Congress must maintain and improve on this promise.

Sources for data in this fact sheet are available [here](#), or at <http://bit.ly/chrr5X>

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