Straight Facts on Social Security

Social Security is a great American success story:

- In 2006 Social Security provided $546 billion in benefits to 49 million people.
- With lifetime retirement benefits, annual cost of living increases, and family benefits, Social Security has come close to eliminating poverty among the elderly.
- While we often think of Social Security as a retirement program, 31% of beneficiaries collect survivors or disability insurance.
- 3.1 million children under age 18 are direct Social Security beneficiaries themselves; another 2.2 million children have an immediate family member on Social Security.
- Social Security benefits are progressive, replacing half the earnings of a low wage worker, one third the income of median wage earners, and a quarter of the earnings of high wage workers.

Social Security is financially healthy, now and in the future:

- Social Security has been collecting extra payroll taxes for the past 20 years to prepare for the retirement of the baby boom generation. In 2006 Social Security took in $74 billion more in payroll taxes and $92 billion more in interest and other income than it paid out in benefits and expenses.
- Because wages and benefits go up a little faster than inflation, the Social Security Trustees project that each generation of workers and retirees will be better off than their parents.

Projected Average Wages and Benefits for Average Earner, In 2007 Dollars, Under Intermediate” Economic Scenario

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. Wages</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$39,430</td>
<td>$16,361</td>
</tr>
<tr>
<td>2040</td>
<td>$57,650</td>
<td>$23,627</td>
</tr>
<tr>
<td>2080</td>
<td>$88,718</td>
<td>$36,360</td>
</tr>
</tbody>
</table>

Source: Social Security Trustees Annual Report 2007, p. 186

- If our economy’s long-term growth rate falls to half the level of the past 50 years, the Trust Fund may be depleted after 2041, but Social Security payroll taxes alone at that time would still cover benefits worth at least $1,000 more than today’s seniors receive.
- If the U.S. economy continues to grow at the same rate it did during the last century, then Social Security will be able to fully fund promised benefits throughout the 21st century.
America can easily afford Social Security as our population ages:

- The expected costs of Social Security will only grow by about 2% of our total economy as measured by our gross domestic product over the course of the next 75 years, from 4.3% to 6.3%. Changes of that magnitude in our federal budget are commonplace.

  **Federal Spending as a Percent of Gross Domestic Product**

  ![Federal Spending as a Percent of Gross Domestic Product](chart.png)

  *Source: Congressional Budget Office*

- Some fear the government is spending the trust fund instead of saving it. The reality is that the Trust Fund is invested. It is invested in U.S. Treasury bonds, generally considered the safest investment in the world. Those bonds pay for government programs such as education, basic research, and transportation. The future workforce benefits from these investments and Social Security finances increase through this safe investment.

- *If* Social Security needs additional funds, we can remove the “cap.” Workers pay into the program only on earnings under $102,000 (in 2008). Applying Social Security taxes to all earnings, like we already do for Medicare, would fill much of the Trustees’ projected gap.

**In fact, America can’t afford to lose Social Security:**

Privatizing Social Security would reduce everyone’s guaranteed benefit. Millions more elderly, disabled workers, and children would live in poverty in future generations.

- Social Security guarantees that everyone who works will have enough to live in dignity, through progressive benefits, annual COLAs, family benefits, and lifetime retirement benefits. In contrast, with individual investments the more you earn, the more you accumulate. People who suffer early disability, spend time caring for children, earn low wages, live longer, or have larger families would be worse off with private accounts.

- Women, who typically earn less, live longer, and spend more time caring for family, as well as African Americans and other minorities who often earn less and rely disproportionately on the disability and survivors programs, are especially likely to fare worse under a system of private accounts than with Social Security.

- Half the workforce continues to have no workplace retirement plan. Most workers who do have retirement plans now have programs like 401(k)s, which make retirement incomes highly dependent on the ups and downs of the stock market. The stable base of Social Security’s guaranteed, inflation-adjusted benefit will be all the more crucial in the future.

- The transition from the current pay-as-you-go system to a partially privatized system would cost $1 trillion to $3 trillion in new tax dollars.

For more information, see [http://www.eoionline.org/Policy-SocialSecurity.htm](http://www.eoionline.org/Policy-SocialSecurity.htm).