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Act now to lift burden off our children

By Mike Whalen

Yes, the rumors are true. Social Security is going broke.

Each day, 10,000 baby boomers turn 55. Most are enjoying their peak earning power right now and billions of dollars are pouring into the Social Security fund. However, those dollars are flowing into a "pay-as-you-go" system so they're flowing out just as fast as they come in. Nothing is saved.

Ten years from now, those people will move from the "pay in" window to the "pay me now" window. By 2018, Social Security will begin running huge deficits that will soar out of control.

The Social Security Trust Fund doesn't make the problem any easier. The trust fund

doesn't hold cash; the money has all been spent and replaced with government IOUs. And the IOUs must be redeemed before benefits are paid. Between 2018 and 2042 — when the IOUs run out — we taxpayers will have spend about \$2.3 trillion to redeem the bonds. Thus, Social Security will cause serious problems for the economy and taxpayers within the next two decades, not 40 or 50 years down the road. That is why we must

act sooner rather than later.

There are some who say we can fix the program's \$11 trillion debt with modest tax increases or small benefit adjustments. I call this method "tinker, tinker; cut, cut." A little tinker here, a little cut there. Painless, right? But don't be fooled. The program's debts are so large we will have to raise taxes by half, cut benefits for retirees by a third or some combination of the two. Those don't sound like small adjustments to me.

Most importantly, these options place the entire burden on the backs of our children and grandchildren, but offer them nothing in return for making huge sacrifices on our behalf.

There is a better option: Let workers keep some of the payroll taxes they already and invest it in a personal retirement account. This would offset some of what the government would otherwise pay them at retirement, reducing the burden on future taxpayers and giving younger workers a benefit they can own and control.

This isn't a risky idea. In fact, there is a perfect model for reform right here in the United States today. More

than 3 million federal employees — including members of Congress — invest in a program called the Thrift Savings Plan (TSP), which is essentially a 401(k) plan for federal workers. And they have a great deal. TSP participants choose from among five carefully constructed index funds that follow the American stock and bond markets as a whole. As a result, administrative fees are very low and inexperienced investors are well protected.

While younger workers are shouldering the full burden of keeping Social Security afloat, shouldn't they at least let them have the opportunity to make up their losses with a personal retirement account? Without personal accounts, Social Security reform is all pain and no gain.

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