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## Social Security sure to sag swiftly

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Ten thousand baby boomers turn 60 every day. In just two years, 77 million boomers will begin reaching early retirement age and will become eligible for Social Security benefits.

When that happens, they will stop paying into Social Security and begin drawing money from it. As the boomers transition into retirement, the number of retirees in America will double and Social Security's costs will soar out of control.

There are some who want us to believe Social Security won't cause any problems for four or five decades, until after the last of the U.S. Treasury bonds in the Social Security trust fund run out.

In reality, the problems for taxpayers begin much sooner. In just 13 years, Congress will have to start making difficult decisions about which taxes to raise or which programs to cut to redeem the bonds in the Social Security trust fund.

Between 2018 and 2041, Congress will have to find an extra \$2.3 trillion, in addition to what will already be collected by the Social Security payroll tax. And even after taking the extra \$2.3 trillion, the program can only afford to pay 74 percent of benefits.

President Bush has proposed a way to shore up the Social Security system. That changes nothing for anyone

age 55 and older --- benefits will be awarded as promised under the current system.

But for younger workers, benefits cannot be fully paid as promised under current law.

Thus, the president recommends:

- \* Gradually constraining the growth in traditional, government-funded Social Security benefits for today's younger workers.

- \* Allowing younger workers to open a personal retirement account.

When combined, the two reforms eliminate the program's long-term debt while still providing benefits approximate to what the current system promises.

According to a Social Security Administration analysis of the president's approach, even if workers invest their money in an ultra-safe mix of 50 percent stock/50 percent bonds and earn a meager 4.6 percent return, they will earn benefits close to what the current system promises and will beat what the current system can actually afford to pay them.

Many have raised concerns about the plight of inexperienced investors, the prospect of unscrupulous investment firms and the danger of high administrative fees. I share

them.

Fortunately, there is a perfect model operating successfully in the United States today that shows how these concerns can be addressed.

More than 3 million federal employees --- including members of Congress --- invest in a program called the Thrift Savings Plan, which is essentially a 401(k) plan for federal workers.

TSP participants choose from among five carefully constructed index funds with different degrees of risk and reward. The government signs a contract with a single institutional investor who must manage the money under strict guidelines. 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 have the opportunity to make up their losses? Without personal accounts, Social Security reform is all pain and no gain.

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