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**HOW TO SAVE SOCIAL SECURITY:
Private Accounts, Indexing Necessary**

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By Dr. Barry Asmus

I am 63 years old. I could easily argue for maintaining the status quo in Social Security, protecting benefits for me and my contemporaries without regard to our country's future retirees. But I won't, and that's why I'm leading the National Center for Policy Analysis' education effort in Arizona. Over 70 million people not long ago were changing diapers, soon they will be wearing them. Over 70 million people will be going from pushing strollers to pushing walkers. In a few short years 10,000 a day will be going to the Social Security pay-out window rather than the pay-in window, and that will happen every day for the next seventeen years.

With rising age expectancies, and improved health care, Social Security simply cannot sustain itself under the current direct pay-

through system. Though that system worked when there were significant numbers of workers for every retired person, the fast upcoming ratio of 2 or 3 workers per retired person destroys its viability. Waiting to consider reforms until the system starts paying out more in benefits than it receives in taxes, as anticipated in 2017, is irresponsible and smacks of selfishness by my generation and the Boomers.

Yet we already have politicians, pundits and special-interest groups calling President Bush's Social Security reform as "dead on arrival". Their opposition seems to be as much a personal attack on a president they don't like as resistance to making politically demanding choices that will keep the system solvent. If they can get the American public to ignore the

unfunded liabilities of Titanic proportion, then it will just become the younger generations' crisis to solve later.

I have long advocated a two-pronged solution to saving Social Security – creating personal retirement accounts for individual workers and progressively indexing benefits based on a mix of price and wage indices, thus slowing the growth of future benefit payments to higher-wage workers. This combination will give workers stronger ownership in determining their retirement benefits while providing certainty in benefit levels for low-income retirees who might otherwise fall below the poverty line. Studies by the Social Security Administration and other analysts indicate that simply adjusting annual benefits based on the price index, which typically rises about 1 percent slower

annually than the wage index, would save enough money to ensure the system's solvency.

As a consultant to other countries that have instituted personal retirement accounts, such as Chile, I have seen them work successfully. Allowing workers to put up to 4 percent of their income in personal accounts and choose how to invest their savings gives them a more dependable retirement income source. It also provides an asset that can be passed on to their heirs. Americans get to choose what they want in almost every facet of their lives, why not their retirement funds? Interestingly, there is no plan presently discussed that will take anything away from anyone if they choose to stay in the system. AARP and those opposing personal savings accounts are not only blowing smoke, but at the same time are denying lower income Americans the opportunity to participate in the wealth creating engine of the U.S. economy and stock market.

There are few ideas in the last fifty years that better represent the meaning of America than "Ownership Society". More control over one's own life is axiomatically enhanced with personal savings accounts. Imagine the joy of owning, managing, and then passing on a significant retirement account to your loved ones. The current system allows none of that. When you die your money is gone. It disappears. From your perspective, vaporized. Pardon me!

The next time you are discussing saving Social Security through personal savings accounts, ask your friend what it is they have against choice, ownership, inheritance, liberty, and opportunity?

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