



Social Security Works!:
Debunking Some Common Myths about Social Security

Social Security is going bankrupt, going broke, in crisis; young people will never see a penny in benefits.

Fact: Unlike private employers who sponsor pension plans and can go out of business, Social Security's plan sponsor is the federal government, which is permanent, in charge of its own currency and has the power to tax. As long as there are Americans who work, there is simply no way that Social Security can run out of money. As long as there are workers, Social Security will continue to collect billions of dollars in income, week in and week out, for the next seventy-five years and beyond.

Social Security spends more money than it takes in. In technical terms, it is cash negative and is projected to remain so.

Fact: When you count all of Social Security's income, including its investment income, Social Security ran a 32\$ billion surplus in 2013. If Social Security ever were to have insufficient funds, benefits would automatically be reduced to match its income.

Social Security's trust funds are not real, but simply an accounting gimmick...The federal government has already spent the money, so it will have to raise everyone's taxes to pay promised benefits.

Fact: These bonds are legal instruments backed by the full faith and credit of the United States – not casual promises to pay. The charge that the money has already been spent indicates either a misunderstanding of bonds or a desire to deceive. All those who issue bonds, whether they are corporations or government entities, do so to raise funds to be spent. Social Security's bonds have real value and are rock-solid safe. The Social Security trust funds earned \$102.8 billion in interest from these bonds in 2013 alone.

Spending on entitlements—Social Security, Medicare, and Medicaid—is by far the major cause of federal deficits and debt. Left unchecked, this spending will bankrupt the nation.

Fact: Social Security, Medicare, and Medicaid are very different programs, with different structures and purposes. Lumping them together confuses clear analysis. Social Security does not add a penny to the public debt. By law, it cannot pay benefits without sufficient income to cover the costs, and it has no borrowing authority.

Social Security is unsustainable. Just look at the numbers. With ten thousand baby boomers turning 65 every day from 2011 to 2029, there will not be enough working-age people to support them.

Fact: The worker-to-beneficiary ratio, which compares the number of workers contributing Social Security benefits, reveals virtually nothing about the affordability of Social Security, because it sheds no light on how productive those workers are, on whether other burdens on those workers are increasing or decreasing, or on how the 50 percent increase in real compensation that Social Security's trustees project over the next thirty years will be distributed.

Everyone's living longer; it only makes sense to raise the retirement age.

Fact: Many of these statistics are skewed by high infant and child mortality rates and are highly misleading. But leaving that aside, cutting benefits when the nation confronts a retirement income crisis takes us in the wrong direction. We should be expanding benefits.

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A demographic tsunami is on its way, threatening to drown our children and grandchildren. It's not just the growing cost of Social Security we have to worry about, it's all those programs directed at supporting a largely unproductive group—today's old and the roughly ten thousand baby boomers who will turn 65 every day through 2029.

Fact: Yes, more people are reaching old age, and once getting there are, on average, living somewhat longer than in the past. But this only tells part of the story: many people 65 and older work and some adults ages 20 to 64 do not. The failure or success of Social Security depends on much more than simple demographic statistics can encompass, including how investments in education may pay off, and how decisions to invest in infrastructure and the environment will affect worker productivity.

Social Security is unfair to younger Americans. Too much is going to seniors, and not enough to children. When children grow up, they will be burdened with crushing levels of national debt.

Fact: Those making claims of unfairness between generations fail to acknowledge that Social Security is our largest children's program, providing benefits directly or indirectly to about 11 percent of America's children. They also fail to mention that young workers and their families are accruing valuable retirement benefits and that the children of today will be the seniors of tomorrow. Framing the policy discussion in terms of competition and fairness between generations distracts attention from hugely important inequities of income, wealth, race, class, and gender.

Social Security is unfair to African Americans, who on average have shorter life expectancies.

Fact: It is true that African Americans have shorter life expectancies, on average. However, while approximately 13 percent of the population is black, African American children constitute 23 percent of the children receiving Social Security survivor benefits. Moreover, Social Security's benefits are progressively structured. Due to lower median earnings than the average population as a whole, and higher rates of unemployment, African Americans receive benefits that are proportionately higher, as a percentage of wages, than those with higher wages and fewer years of unemployment.

You could do better investing on your own.

Fact: Social Security is insurance, not savings. Everyone should save, but for secure, guaranteed income to replace wages lost in the event of death, disability, and old age, what is needed is wage insurance.

Social Security worked for the twentieth century, but now we have to target benefits to those who truly need them. Rich people should not get Social Security.

Fact: The system works well by keeping administrative costs low – less than a penny of every dollar spent. If there were a means test, this would introduce many new costs. Regardless, Social Security is insurance, not welfare.

Senators and members of Congress make us pay into Social Security, but they don't. They should be forced to participate in Social Security, like everyone else.

Fact: They already do. All federal employees, including senators, members of Congress, and the president of the United States have been covered by Social Security since January 1, 1984.

Illegal aliens get benefits without paying in. They should not get Social Security.

Fact: They don't. Undocumented workers are prohibited by law from receiving Social Security benefits.