

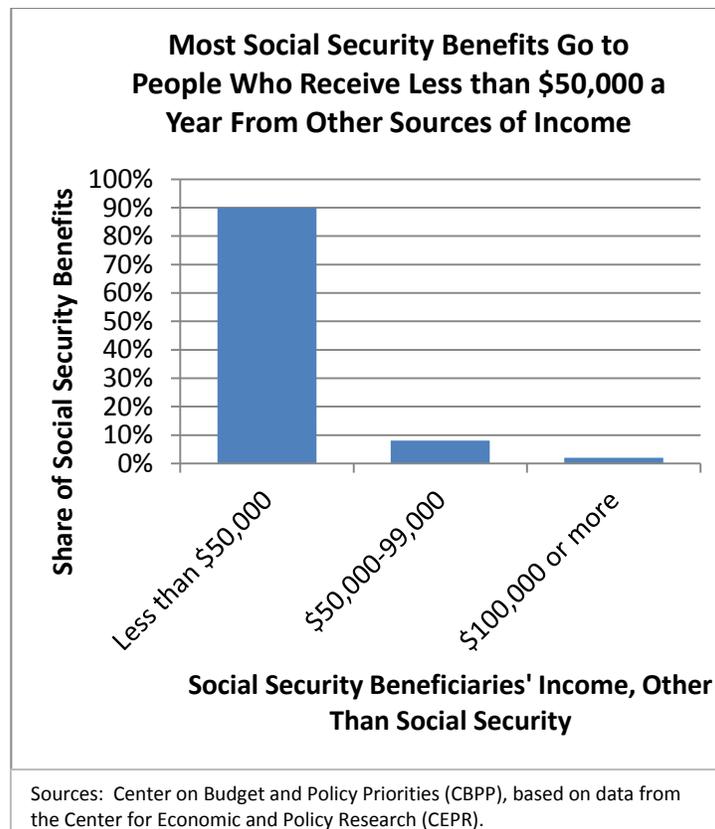
# STRENGTHEN SOCIAL SECURITY

## ...don't cut it.

### Means Testing Betrays the Universal Promise of Social Security

Means testing Social Security, a proposal advanced over the years by the opponents of a universal Social Security program, will reduce and in some cases eliminate Social Security benefits for those defined as “affluent.” Currently, as long as workers have achieved insured status by contributing for the requisite number of years, they and their families are entitled to Social Security in the event of disability, death, or old age.

- **Means testing will not produce any significant savings unless middle-class benefits are cut.**
  - More than 90% of all benefits go to individuals who receive less than \$50,000 a year from sources of income from sources other than Social Security. Only 2% of benefits go to individuals with earnings over \$100,000 (see chart below).<sup>1</sup> Limiting or eliminating benefits for the small number of people who fall above this threshold would do little to help the overall solvency of the program.
  - Social Security benefits are modest for the average beneficiary (about \$13,000/year), and are limited for those of high-income. The maximum benefit, even for the super-rich, is relatively modest: about \$28,400/year for a 66 year-old retiree in 2011.<sup>2</sup> This limits the potential savings of taking their benefits away. Although some rich people *get* Social Security, nobody gets rich *from* Social Security.



- **Means testing will greatly undermine public support for Social Security by changing it from a universal insurance system to a government welfare program.**
  - Social Security provides larger benefits to workers who earn and contribute more. With a means test, those who earn and contribute the most would receive nothing, thus destroying the link between earnings and benefits that has sustained the program for 75 years.
  - Under an insurance program, policyholders are entitled to benefits irrespective of their wealth. Similarly, workers who pay for Social Security's life insurance, disability insurance and old age annuity protections should receive their benefits as a matter of right, as they always have.
- **Means testing will punish hard work and thrift.** If someone has too much in income and assets they would risk losing some or all of their Social Security benefits. Government policy should encourage accumulation of a nest egg, not discourage it.
- **Means testing will increase government intrusion into personal financial records, while multiplying Social Security's small administrative costs.**
  - Currently, Social Security's administrative expenses are less than 1% of total benefits paid.<sup>3</sup> They are low because in order to qualify, all that a person needs to do is provide a Social Security number and birth date.
  - **These costs would likely double if the program were means tested**, since potential beneficiaries would likely have to produce bank account statements, value of assets (such as houses and cars), tax returns, gifts to children, etc., to show that they are below the government-approved level to receive benefits.<sup>4</sup>
- **Means testing will undermine the dignity of beneficiaries.** Americans prefer and take pride in earning their benefits, not having them given as taxpayer largess.
- **Means-testing contradicts the essential nature and spirit of the program.** We are "all in it together," as President Obama often emphasizes. We don't means-test fire and police protection or access to public libraries and public schools. Segmenting the nation into those who need Social Security and those who do not undercuts the moral basis of providing widespread protection for everyone, and the responsibility we all have to share risks we all face.
- **There are better ways to make the rich pay more without fundamentally damaging the program.** If we scrapped the cap on taxable payroll, so that the wealthy contributed Payroll taxes on all of their income, Social Security's entire funding gap would be closed.<sup>5</sup>

<sup>1</sup> Data and chart adapted from a chart by Center on Budget and Policy Priorities (CBPP), Kathy Ruffing, "Means-Testing No Answer for Social Security," March 10, 2011. Available at: <http://www.offthechartsblog.org/means-testing-no-answer-for-social-security/> Based on data from report by Center for Economic and Policy Research (CEPR), Dean Baker and Hye Jin Rho, "The Potential Savings to Social Security from Means Testing," March 2011. Available at <http://www.cepr.net/documents/publications/ss-2011-03.pdf> Tabulations reflect all people 62 or older in the March 2010 Current Population Survey who reported receiving Social Security in 2009. For married couples, CEPR divided income equally between spouses.

<sup>2</sup> Social Security Administration, "Frequently Asked Questions: Maximum Social Security Retirement Benefit." Available at [http://ssa-custhelp.ssa.gov/app/answers/detail/a\\_id/5/related/1/session/L2F2LzEvdGltZS8xMzAwMjA0NjMwL3NpZC9sKktZF9vaw%3D%3D](http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/5/related/1/session/L2F2LzEvdGltZS8xMzAwMjA0NjMwL3NpZC9sKktZF9vaw%3D%3D) For every year that a worker retires over the Normal Retirement Age, however, benefits increase by 8%. Thus, the absolute maximum benefit, for a maximum earner retiring at age 70, is \$3,123 a month, and \$37,477 a year.

<sup>3</sup> Social Security Trustees, "The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," 2010, p. 6 and Table VI.C6, p. 161. Available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>.

<sup>4</sup> Assuming that eligibility review costs would equal the current disability program's costs, which requires the same extensive review as a means test. See Dean Baker and Hye Jin Rho, "The Potential Savings to Social Security from Means Testing," Center for Economic and Policy Research, March 2011. <http://www.cepr.net/documents/publications/ss-2011-03.pdf>, p. 12.

<sup>5</sup> National Academy of Social Insurance, "Table 2. Option to Increase Trust Fund Revenue for Solvency," *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009, p. 29. Available at [http://ssa-custhelp.ssa.gov/app/answers/detail/a\\_id/5/related/1/session/L2F2LzEvdGltZS8xMzAwMjA0NjMwL3NpZC9sKktZF9vaw%3D%3D](http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/5/related/1/session/L2F2LzEvdGltZS8xMzAwMjA0NjMwL3NpZC9sKktZF9vaw%3D%3D)