

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Key Points about the 2013 Social Security Trustees Report

- **The most important take-away from the 2013 Social Security Trustees Report is that our Social Security system continues to work, and work well, for the American people.** In good years and bad, no institution does more to protect the financial security and dignity of Americans in retirement, in disability or when a working parent dies and is survived by their young children and spouse.
- **Our Social Security system has a large and growing surplus.** Unlike the banks, which nearly brought the economy to ruin, Social Security didn't need a bailout. Its surplus has grown year after year, even during the Great Recession. The result of decades of foresight and planning, its cumulative surplus is projected to be \$2.8 trillion in 2013, growing to \$2.9 trillion by 2020.
- **Social Security will take in more money than it pays out, \$28 billion more in 2013.** Social Security has a large surplus in 2013 because it has *more than enough* income from its three sources of revenue—payroll contributions, interest payments on the \$2.8 trillion invested in U.S. Treasury bonds and taxation of benefits—to cover its expenses.
- **Social Security does not, and cannot contribute to the deficit. Social Security is self-financing from its three revenue sources.** By law, it cannot borrow and so it cannot contribute to the federal deficit or debt. Simply put, cutting its modest benefits would not reduce the federal debt by a penny.
- **Our Social Security system must be maintained to keep it strong.** Just like our highway and court systems, Social Security is vital to our nation's well-being. To make sure that it remains so, its trustees each and every year report on its income and outgo for the next three-quarters of a century. When shortfalls are projected, they should be addressed calmly and carefully, just as potholes in our highways are.
- **The 2013 Trustees Report projects that Social Security can continue to pay full old age, survivors, and disability benefits until 2033, and that with modest increases in revenue, Social Security will be able to pay full benefits throughout the century and beyond.**
- **But beware of Wall Street bankers and their allies in Washington spreading baseless fears so they can dismantle Social Security brick by brick. Social Security is not a right vs. left issue. It is a main street vs. elites issue.** Many elites in Washington—Democrats and Republicans—have not yet woken up to the reality that their constituents care far more about retiring in dignity than cutting government spending to give more tax cuts to large corporations and the rich. Maintaining or indeed increasing Social Security's modest benefits represents, not only the will of the American people, but the best policy as well.

- **And beware of those who will try to use the projected shortfall in the disability portion of Social Security to force cuts, a form of hostage taking of the worst kind.** The projected shortfall is nothing new, not a surprise, nor a matter of great concern. In 1994, when Congress took action to address a then-reported shortfall in DI, it knew that it would have to take action again around 2015 or 2016.
- **To address the projected shortfall in the disability trust fund, Congress should, as it has done 11 times before, simply reallocate income across these funds.** Social Security should be addressed as the single entity it is, calmly and deliberately. For that reason, most appropriately attribute greater significance to 2033, the year when the combined Social Security trust funds can no longer pay full benefits, according to the 2013 report. Reallocation makes sense because the DI shortfall is partially the result of the unintended consequence that retirement age increases place on the disability trust fund. By law, the Social Security benefits of people with disabilities are automatically paid for from the old age trust fund when they reach full retirement age. Prior to that, they are paid from the disability trust fund. For no reason other than that Congress increased the full retirement age, funds are flowing more rapidly from the DI trust fund -- resulting, for example, in 400,000 disability beneficiaries between ages 65 and 66 in December 2011 who would have been counted as retirement beneficiaries if the full retirement age were still 65.
- **To address the long-term shortfall in OASDI, Congress should legislate that everyone pay the same Social Security contribution rate on all wages.** The dramatic growth of income inequality, where wages at the top have grown so much faster than average wages, has caused Social Security to lose income. It's time to fix this. Congress could eliminate almost all of the projected shortfall by raising the Social Security payroll tax cap so that the 6 percent of workers who make more than \$113,700 a year contribute on all of their wages just like everyone else.
- **Maintaining our Social Security system is not just a matter of making the arithmetic work; the purpose is to fortify Social Security as a cornerstone of the economic security and dignity of America's working families.** Averaging just \$15,200 for a retiree in April 2013, benefits are as important as they are modest, with two-thirds of senior households relying on Social Security for a majority of their income; over one-third rely on it for 90 percent of their income or more.
- **The retirement income deficit is the real crisis.** The crisis is not in our Social Security system. The crisis is in the rest of the retirement system. Traditional pension protections are greatly diminished, housing is down, health care costs are up, and 401k plans are unreliable. The results are not pretty. Over half (53 percent) of working-age American households will not be able to maintain their standard of living in old age, two-thirds when health and long-term care costs are counted.
- **Social Security is the solution to the retirement income crisis.** Not only is it the most sound, secure way to ensure dignity in old age, it is just about the only retirement security left that we can count on. That's why a growing number of Democrats, Republicans and Independents are saying we should build on what works. Why Red and Purple state senators like Mark Begich (D-AK) and Tom Harkin (D-IA) have introduced bills that would expand Social Security benefits; why the centrist New America Foundation has proposed increasing Social Security benefits by \$11,669 per year. They know it's time to expand, not cut, Social Security!