Social Security Frequently Asked Questions

I'm too young to care about Social Security, aren't I?

We must protect Social Security for our parents and grandparents

- Many young people have grandparents or parents who are currently or will soon be facing retirement. Many older people are worried that Social Security could face deep cuts or may not even be there for them. With the economy in recession, Social Security benefits are all the more important in keeping people out of poverty.
- If Congress decides to deal with the federal deficit on the backs of middle class seniors and cut Social Security, they will be removing a vital lifeline and throwing millions of people into an uncertain and unsecure future.
- Reinforce the idea that people deserve a secure retirement without having to worry about whether they will be able to make the mortgage or pay their bills.

Social Security is much more than a retirement program and it already protects young people [1]

- Social Security provides benefits to young workers and their families if they become disabled and it provides benefits to the survivors of deceased workers, including their children. About one in six Americans (51.9 million) receives a Social Security benefit and 37 percent of them are not retired workers.
- By the end of 2001, about 3.1 million young people under age 18 were receiving Social Security benefits at the end of 2007 with an average monthly benefit of $477 and about 136,491 students ages 18 and 19 were receiving an average monthly benefit of $610.
- Approximately 794,677 disabled adult children, disabled individuals age 18 and older were receiving an average monthly benefit of $660 at the end of 2007.

Even though you are not a current recipient, Social Security will be there for young workers. [2]

- About 91 percent of persons aged 21-64 who worked in covered employment in 2008 can count on monthly cash benefits if they suffer a severe and prolonged disability.
- About 97 percent of persons aged 20-49 who worked in covered employment in 2008 have acquired survivorship protection for their children under age 18 (and surviving spouses caring for children under age 16).

[1] http://www.ssa.gov/pressoffice/factsheets/young.htm

[2] http://www.ssa.gov/pressoffice/factsheets/young.htm

What does the polling say on Americans' views about what to do about Social Security?

Americans overwhelmingly support preserving and strengthening Social Security over reducing the deficit.

Americans support Social Security because they value it for themselves, for their families and for the security it provides to millions of other people. This strong support is common along party lines (see Table 4).[3]

Table 4. Reason Why I Don't Mind Paying Social Security Taxes

Please tell me if you agree or disagree with the statement:
I don't mind paying Social Security taxes because:

Reason why I don't mind paying Social Security taxes	Total	Democrats	Independents	Republicans
	Percent who strongly or somewhat agree			
I know that I will be receiving the benefits when I retire.	72	84	69	63
I know that if my parents, grandparents, or other family members did not receive Social Security, I would have to support them in their retirement.	75	82	76	68
It provides security and stability to millions of retired Americans, the disabled, and children and widowed spouses of deceased workers.	87	93	85	81

Source: Social Security Survey sponsored by the National Academy of Social Insurance and the Rockefeller Foundation, July-August 2009. N=1488.

Moreover, Americans would rather pay more in Social Security taxes than see benefits cut. In a recent poll, 77 percent of Americans across party lines agree that it is critical to preserve Social Security for future generations, even if it means increasing contributions to Social Security from both the middle class and the wealthy. Agreement comes from all political affiliations.[4]

Table 7. Social Security Options: *America Speaks*

Proposal	Percent Support
Raise full-benefit age to 69	39
Limit Increase in starting benefits	24
Lower measure of inflation	24
Raise FICA contribution rate — total	50
To 13.4%	20
To 14.4%	30
Raise cap to cover 90% of earnings	60
Create personal savings accounts	17
No change	13

Source: *America Speaks*, 2010.

When it comes to solutions, Americans overwhelmingly oppose benefit cuts like raising the retirement age limiting benefits while they support revenue raisers like raising the taxable income cap (See Table 7).[5]

What is the Deficit Commission and what is the status of its discussions?

In the spring of 2010, President Obama created the National Commission on Fiscal Responsibility and Reform, sometimes referred to as the Bowles-Simpson Commission, after its chairmen, Erskine Bowles and Alan Simpson. The Commission was charged with identifying a series of recommendations to Congress and the president to achieve long-term fiscal sustainability.

[3] http://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf
[4] http://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf
[5] http://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf

In November 2010, the Commission voted on and released its deficit reduction report supported by 11 of 18 commission members. It failed to pass and therefore was not put to a vote in Congress.

The report contained numerous proposals to weaken Social Security,[6] and proposed a package consisting largely of benefit cuts. The cuts included:

- Reducing benefits for people whose lifetime earnings are above the median ($37,000 a year in 2010);
- Reducing benefits by raising the early- and full-benefit ages for retirement benefits; and
- Reducing cost of living adjustments.[7]

The report added to the notion that Social Security is the cause of our deficit and it paved the way for other proposals to weaken the program.

What is President Obama's proposal for payroll tax changes and what is the impact?

In December 2010, the Obama Administration attempted to spur job creation and give temporary tax relief by cutting Social Security taxes from 6.2% to 4.2%.[8] The one year "payroll tax holiday" on income is estimated to cost $120 billion and the lost revenue would be paid back from general revenues by the U.S. Treasury.

Not only has this payroll tax change resulted in a year of lost revenue, it will also threaten Social Security's long-range solvency by enacting tax cuts that will be hard to reverse. Restoring the 2% tax a year from now will be viewed as a substantial tax increase and will be difficult to enact. Repaying the Social Security trust fund the $120 billion of cost revenue will be increasingly more difficult every year and if not paid back, could result in a huge revenue drain to Social Security and permanent benefits cuts for the middle class and tax cuts for the rich. Additionally, a 2% unfunded payroll tax cut doubles the 75-year projected shortfall.[9]

A larger shortfall and fewer Social Security benefits will not only undermine the program but will also lead to the erosion of support for the program—and pave the way for privatization..

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[6]http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf

[7]http://www.nasi.org/sites/default/files/research/SS%20Fact%20Sheet%20No.01_Social%20Security%20Across%20Generations.pdf

[8] http://strengthensocialsecurity.org/media/blog/2010/president-obamas-payroll-tax-holiday-could-unravel-social-security

[9] http://strengthensocialsecurity.org/media/press-release/obama-gop-plans-for-payroll-tax-holiday-could-unravel-social-security

I have heard that wages over a certain amount are exempt from the Social Security payroll tax. How would raising the payroll tax cap affect Social Security's finances?

Currently, wages over a certain annual total ($106,800 this year) are exempt from Social Security payroll taxes, meaning income above that level is not taxed. For example, millionaires and billionaires like Donald Trump and Bill Gates only pay Social Security taxes on their first $106,000 of income. The cap means that higher-income individuals pay a smaller share of their income in Social Security taxes than middle-class employees: including Social Security and Medicare taxes, earners in the middle fifth of the income distribution pay an average payroll tax of about 11 percent while the top 1 percent of earners pay just 1.5 percent. [10]

Many progressive advocates and members of Congress have proposed raising or eliminating the cap on taxable earnings and crediting it toward benefits, similar to Medicare which has no cap. This small adjustment in the taxable income cap could make the Social Security system solvent and close the projected shortfall without increasing the tax burden on middle-income families since only 6 percent of people earn more than $106,800 annually.

In February, Rep. Peter DeFazio (D, OR) introduced H.R. 797, which would tax income over $250,000 at 6.2 percent. If passed, millionaires would pay the same percentage of their income into Social Security as the rest of America and the system would remain solvent for at least 75 years.[11]

How can we afford Social Security when people are living longer? Should we raise the retirement age?

We must reinforce the idea of the safety net. The program was set up to let people retire comfortably, not make them work when they are feeble and can't work anymore. Some people are unable to work as long as others, especially those with physically demanding jobs.

Many proposals to raise the requirement age index the retirement age to longevity (the longer people live, the higher the retirement age would go), and it disadvantages the people who die younger--many of whom are lower-income people with physically-demanding jobs.

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[10] http://www.epi.org/analysis_and_opinion/entry/raising_cap_on_social_security_tax_best_way_to_fix_shortfall/

[11] http://defazio.house.gov/index.php?option=com_content&view=article&id=671:defazio-offers-plan-to-protect-and-preserve-social-security&catid=63:2011-news

With the economy in its current state, we should not raise the retirement age. People's 401(k)s have crashed, school loans are increasing and people are losing jobs. We must keep the safety net intact, not weaken it.

Social Security benefits seem too low. Are benefit cuts keeping pace with inflation?

There is currently no cost of living adjustment (COLA) for 2011 and there hasn't been one since 2008.[12] Because of this, benefits are not keeping pace with inflation and the values of those benefits decrease. All the while, people's medicines and other costs are steadily increasing.

Congress is considering a proposal for a COLA for Social Security beneficiaries, which would keep seniors out of poverty.

How does the trust fund work?

The Social Security Trust Funds consist of the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) Trust Funds and are managed by the Department of the Treasury. They provide and track the trust funds and hold the assets that pay benefits. Trust fund expenditures are limited to benefits and administrative costs.

The OASI Trust Fund pays benefits to retired workers and their families and to survivors of deceased workers. The DI Trust Fund pays benefits to disabled workers and their families. More than 98 percent of total expenditures in 2010 were for benefit payments.

By law, income to the trust funds must be invested by the federal government and the revenue is available only to the trust funds. In the past, the trust funds have held marketable Treasury securities, which are available to the general public. Unlike marketable securities, special issues can be redeemed at any time at face value and are not subject to the forces of the open market. Investment in special issues gives the trust funds the same flexibility as holding cash. [13]

Why shouldn't Social Security be part of the deficit solution?

Social Security did not cause the deficit and should not be cut to deal with it. Despite recent claims by deficit hawks, there is not a lack of money to fund benefits.

[12] http://www.ssa.gov/pressoffice/pr/2011cola-pr.htm
[13] http://www.ssa.gov/oact/progdata/fundFAQ.html

Under current law, Social Security is not part of the general budget, has its own revenue stream and is forbidden by law from borrowing. Some proposals free up Social Security for fast-track cuts by turning it into a regular line item in the budget. Additionally, solvency projections change every year; triggers like these could force big changes to Social Security based on short-term financial variations.

During this time of record unemployment and home foreclosures, 77% of Americans agree that the last thing we should do is cut a vital program that keeps millions of people afloat and out of poverty.

What were the major components of the 1983 Social Security compromise and what were their effects?

In 1983, as Social Security faced its first and only immediate funding crisis, the Greenspan Commission, composed of executives and consultants from the private sector, current and former members of Congress, representatives from labor, academic research scholars and a former Social Security commissioner, came up with a series of recommendations on the financial sustainability of Social Security. The Commission's report became the basis for the 1983 Social Security amendments.[14]

The amendments included a six-month delay in the COLA, changing the tax-rate schedules and an income tax on the Social Security benefits of higher-income individuals to generate revenue in the short term.

The tax increases allowed the Social Security system to generate a large short-term surplus of funds ($2 trillion), intended to cover the added retirement costs of the baby boomers. Congress borrowed the surpluses from the Social Security system and invested the surpluses into U.S. Treasury securities held by the Social Security Trust Fund.

The amendments also included a provision that exempted the Social Security trust fund from any general budget cuts beginning in 1993. This change was one way of trying to protect Social Security funds for the future. This was not a good idea because the $2 trillion surplus did not gain interest.

Opponents like to bring up the statistic about the first Social Security recipient getting back much more than they paid. Is that true?

Social insurance is designed to be this way. With a progressive system like Social Security, lower-income people will get more of what they paid in. It is a system whereby money is secure for retirement--guaranteed--and will not be lost due to the whims of the market.

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[14] http://www.ssa.gov/history/reports/gspan.html

Who are the Social Security trustees?

The Board of Trustees is comprised of six members. Four of them have positions with the federal government: Timothy F. Geithner, Secretary of the Treasury and Managing Trustee; Michael J. Astrue, Commissioner of Social Security; Kathleen Sebelius, Secretary of Health and Human Services; and Hilda L. Solis, Secretary of Labor. The two public trustee positions are currently vacant. President Obama nominated two people to serve as public trustees and their confirmations are pending.[15]

The Board of Trustees oversees the financial operations of the trust funds. The Board reports annually to the Congress on the financial status of the trust funds.

[15] http://www.ssa.gov/pressoffice/pr/trustee10-pr.htm