

**CWA Local 4250 RMC**  
**Steve Tisza, President**



November 6, 2011

**STRENGTHEN SOCIAL SECURITY..... DON'T CUT IT!**

*Social Security belongs to the workers and their families who have worked hard, paid taxes in, and earned its benefits. Social Security did not cause the federal deficit, and its benefits should not be cut to reduce the deficit. The federal government found the money to bail out Wall Street; it must find the money to pay what it owes to Social Security. Today's and tomorrow's beneficiaries – children, people with disabilities, widows, widowers, and retired workers – deserve no less.*

In this, Social Security's 75th Anniversary year, we are united in support of the following principles:

1. Social Security has a surplus of \$2.6 trillion, which it has loaned to the federal government. Social Security did not cause the federal deficit. Its benefits should not be cut to reduce the deficit.
2. Social Security, which has stood the test of time, should not be privatized in whole or in part.
3. Social Security is insurance and should not be means-tested. Because workers pay for it, they should receive it regardless of their income or savings.
4. Social Security is fully funded for more than 25 years; thereafter it has sufficient funds to meet 75 percent of promised benefits. To reassure Americans that Social Security will be there for them, Congress should act in the coming few years outside the context of deficit reduction to close this funding gap by requiring those who are most able to afford it to pay somewhat more.
5. Social Security's retirement age, already scheduled to increase from 65 to 67, should not be raised further. That would be a benefit cut that places the greatest hardship on older Americans who are in physically demanding jobs, or are otherwise unable to find or keep employment.
6. Social Security, whose average benefit is \$13,000 in 2010, provides vital protection against the loss of wages as the result of disability, death, or old age. Those benefits should not be reduced, including by changes to the cost of living adjustment or the benefit formula.
7. Social Security's benefits should be increased for those who are most disadvantaged. The benefits, which are very important to virtually all workers and their families, are particularly crucial to those who are disadvantaged.

In Unity-Strength & Solidarity:

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**FREQUENTLY ASKED QUESTIONS ABOUT SOCIAL SECURITY**

**Why is Social Security so important?**

Social Security works for all Americans, and it has never been more important to our economic security. Fifty-four million depend on Social Security – 1 out of every 6 people. About 2 out of 3 seniors depend on Social Security for most of their income, and one-third of seniors rely on it for at least 90% of their income. Social Security's benefits are modest, but vital. The average benefit is about \$13,000 a year—less than full-time, minimum-wage work.

Yet, it is the single most important way the nation protects working Americans and their families against lost wages, when a working person is severely disabled or retires; and when a parent or spouse dies or is severely disabled. Social Security lifts 20 million people out of poverty. Without it, the poverty rate of our seniors would be 45%; instead it is 10%. Social Security does all of this with administrative costs of less than a penny on the dollar.

**What types of benefits does Social Security provide?**

Social Security provides a guaranteed lifetime income. The best part about these benefits is they never run out (until surviving children become adults), are fully portable between jobs, and keep pace with inflation – something that 401K plans and many pension plans don't even do. You get benefits if any of the following happen to you and your family:

- **Retirement:** When you retire, Social Security provides a monthly benefit that replaces a significant portion of pre-retirement earnings – roughly 55% for a low-income person earning about \$19,000; 41% for a medium-income person earning about \$43,000; 34% for a high-income person earning about \$69,000; and 28% for a very high-income person earning about \$107,000. Social Security also provides monthly benefits to spouses and divorced spouses (if married at least 10 years).
- **Disability:** If you become severely disabled and can no longer work, Social Security provides you and your family members with monthly benefits.
- **Survivors:** Social Security is, by far, the nation's most important life insurance, providing benefits to older persons (i.e., widow and widowers) whose spouse has died, to many younger spouses caring for dependent children, and to children whose parent has died.

The life insurance and disability protections are extremely important, estimated to have a present value between \$450,000 and \$500,000 for a married worker who has average earnings and two children under 5 years old.

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**Is Social Security just for retirees?**

Not at all. In fact, about one in three of all Social Security beneficiaries are receiving disability or survivor benefits. Social Security is the nation's largest and most generous program for disabled workers, providing 8.3 million with benefits. It is also the nation's largest and most generous children's program serving 4.4 million children.

**How much money do I need in order to retire comfortably?**

Retirement experts say that for someone to preserve their standard of living in retirement, they need to have about 70% to 85% of their pre-retirement earnings available to them. Higher-income persons need a smaller percentage because they will no longer be paying as large a proportion of their income in taxes and will probably have more savings, pension benefits and housing equity.

**How important is Social Security for retirement?**

For most Americans, Social Security is essential for retirement. Two out of 3 seniors rely on Social Security benefits for most of their income. And Social Security's importance is increasing. Americans have traditionally relied on the "three-legged stool" of Social Security, personal savings and employer pensions to have sufficient income for retirement. But savings rates have dropped, housing values have plummeted and the availability and value of employer pension plans have rapidly declined. For many, Social Security is the only stable leg of the "three-legged stool."

**How is Social Security funded?**

Social Security's revenue was about \$800 billion in 2010. The program has three sources of income. The largest source comes from workers and employers who contribute 6.2% each on wages up to \$106,800 a year; this raises about 80% of the total. The second source is investment income from Social Security's reserves, which are held in Trust and invested in interest-bearing U.S. treasury bonds; this raises about 15% of total revenue. Finally, Social Security gets about 5% of its revenue from the taxes that beneficiaries pay on their Social Security benefits.

**Isn't Social Security the cause of our large federal deficit?**

Not even close. Social Security does not contribute a penny to the federal deficit. In fact it currently enjoys a \$2.6 trillion surplus that will grow to \$4.3 trillion by 2025. Social Security has its own dedicated revenue stream described above. And Social Security is forbidden by law from borrowing, so it cannot deficit spend.

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**Where does Social Security's surplus go?**

Social Security's surplus is in a trust fund that is invested in interest bearing government bonds, backed by the full faith and credit of the United States.

**Isn't the trust fund just a bunch of IOUs?**

No, unless you consider U.S. savings bonds mere "IOUs" or the green stuff in your wallet worthless because it, too, only has value because it is backed by the full faith and credit of the United States of America. The Social Security trust fund is invested in U.S. treasury bonds, which are backed by the full faith and credit of the federal government. The government is just as obligated to pay back Social Security as it is to pay back Wall Street investors, to pay off those U.S. savings bonds we buy as gifts for newborns and those notes purchased by China and other foreign countries that invest in U.S. treasury bonds.

**Is Social Security going bankrupt?**

Social Security will never go bankrupt. Its major source of income comes from the contributions of workers and employers; as long as there are workers, Social Security will have income. Even if Congress took no action, Social Security can pay 100% of promised benefits for the next 25 years and more than three-quarters of benefits after that. Around 2037 there is a modest funding gap requiring modest increases in revenues to guarantee everyone 100% of promised benefits. Social Security has faced far worse financial problems in the past, but Congress has never failed to act to ensure full funding of benefits.

**Are there enough workers to pay for the growing number of retirees? Weren't there 16 workers supporting every one retiree in 1950, and only three workers for every retiree now?**

Yes and yes. The worker-retiree ratio in 1950 has no bearing on whether there are enough workers to pay for today's retirees. There were, in fact, 16 workers for every retiree in 1950, but it was and is inconsequential. It has never been a part of the assessment of Social Security's affordability. At the time, there were an outsize number of workers paying into Social Security, because millions of farm and domestic workers had just been brought into the program, and none of these workers had yet to begin collecting benefits. To demonstrate how meaningless the 16-to-1 number is, consider this: Only ten years later (in 1960), the worker-to-beneficiary ratio was halved to 5-to-1, and by 1975 it was down to what it is today. What's more, increases in Social Security's tax rate and tax base have far outpaced reductions in the worker-to-retiree ratio. Since 1960, the Social Security tax rate has more than doubled from 3 percent for employer and employee, to 6.2 percent for employer and employee today. The program's tax base also grew during that period, going from \$30,000 (in 2010 dollars) in 1961 to \$106,800 today.

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The truth is that as the economy grows and technological innovation increases fewer workers are needed to generate the same and higher levels of economic productivity. So long as the economy is growing, having even a 2-to-1 ratio of workers to retirees is sustainable. The worker-to-retiree ratio has been stable for almost forty years and has not failed to supply adequate levels of benefits. Nor will it, provided our economy continues to recover at a reasonable rate.

**What's the best way to solve Social Security's long-range funding gap?**

The cost of closing Social Security's 75-year shortfall is equal to the revenue lost from the Bush tax cuts for the richest 2% of Americans. We can close Social Security's entire funding gap and then some by scrapping the payroll tax cap. Currently, millionaires and billionaires only make payroll tax contributions on the first \$106,800 they make in annual wages. Most people pay taxes on all of their wages. If the payroll tax cap was scrapped, which would affect just 6% of taxpayers, the modest funding gap could be closed.

**Why don't we privatize Social Security? Why shouldn't I get to invest my own money?**

Social Security is so valuable because it provides a guaranteed benefit. Privatizing Social Security by allowing people to divert their Social Security contributions into private accounts, would remove this guarantee and let people gamble their retirement savings in the casinos of Wall Street. If the recent financial crisis taught us anything, Wall Street is the last place where our money is safe. In 2008 alone, Americans' private pension and 401(k) plans lost 37% of their value. Can you imagine what life would be like for seniors today if George W. Bush had succeeded in turning Social Security into a private 401(k) plan? Bottom line, Wall Street would benefit but Americans would be left at risk.

**Why shouldn't the retirement age be raised?**

A few reasons. The first thing to understand is that raising Social Security's full retirement age from 67 to 69 amounts to a 13% across-the-board benefit cut, no matter what age an eligible worker retires. What's more, raising the retirement age would be especially unfair to low-income workers and minorities, who are more likely to work in physically demanding jobs. In fact, it could make many low-income workers, who have seen few or no gains in life expectancy in recent decades, work until they die. Finally, raising the retirement age discriminates against the growing number of elderly unemployed, who have a much harder time finding new work after being laid off. A more detailed fact sheet is available [here](#).

**Should rich people continue to collect Social Security, or should it be "means-tested"?**

A very small portion of Social Security benefits go to the wealthy, so excluding them from the program would save little. In order to save big bucks Social Security would have to means-test away some or all of the benefits of many middle-class retirees with household incomes over \$50,000. There is little public

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support for cutting the benefits of the middle-class, which is barely keeping its head above water. Social Security's strong popularity and broad support is because everyone who contributes gets it. If the program changes so that some people have to keep paying but get little in return, Social Security will become more like a welfare program and broad support for it will collapse. A more detailed fact sheet is available [here](#).

**Some politicians say that Social Security's COLA is too generous. Should it be reduced?**

Social Security benefits are adjusted automatically each year to keep pace with inflation. This cost-of-living adjustment (COLA) is very important so that benefits maintain their purchasing power. The COLA formula is not overly generous; in fact it should be increased because the COLA does not currently keep pace with rising medical costs. Because health care costs have been rising faster than inflation for many years and because seniors and people with disabilities spend the most on health care, today's COLA understates the effects of inflation on the vast majority of beneficiaries.

**If all these things are true, what is the debate all about?**

Some people really care about Social Security, but they believe that to close the program's long-range funding gap revenues have to be raised and benefits cut, including raising the retirement age. This is an honest disagreement. We believe benefits are already inadequate, many people cannot work into their late sixties and the wealthy should pay their fair share. There are others who do not like the idea of the government running an insurance program – no matter how successful and efficient. Finally, there are special interests that stand to benefit handsomely if Social Security was privatized – the big banks and investment firms on Wall Street.

**If Social Security is for protecting Americans, why aren't we talking about how to do that?**

Now, that's a good question! We should be talking more about it. Today's debate is indeed upside-down. A discussion of how to better realize Social Security's "ends" – providing widespread protection to the American people – has been overtaken by a hyper-focus on the "means" – how to provide the financing that achieves the program's core purposes. A discussion of the values our nation wants to achieve through Social Security are all but forgotten – that we have obligations to our families and neighbors; Americans should live in dignity when retired, disabled or as a survivor; and Americans should work hard and, in turn, have a right to a fair return on their hard work.

Important questions about the kind of protections Americans need in a changing and challenging economy are not being discussed. The presumption that benefits must be cut fails to acknowledge the serious retirement savings shortfalls facing most Americans. A discussion about Social Security that focuses more on, well, social security, would allow for a more serious debate about increasing Social Security's benefits for adequacy, rather than needlessly cutting them.