

# Fast facts about Social Security

## Our Social Security modernization proposal

This report lays out in detail the main reasons why a comprehensive overhaul of Social Security will preserve the system's fiscal strength and update its progressive goals for a new century.

A progressive solution should focus on three goals:

- Protect the basic income guarantees that Social Security now offers
- Modernize benefits in line with demographic and economic changes to improve retirement income security for those who need it the most
- Make Social Security financially viable for the next 75 years

More specifically, our proposal will:

- Protect Social Security's insurance value
- Balance revenue increases and benefit changes in a progressive way
- Protect the principle of intergenerational commitment to the common good
- Modernize benefits to better meet the needs of the most vulnerable
- Strengthen Social Security's insurance protections for women
- Update the program in line with economic insights
- Achieve fiscal balance for the next 75 years.

Our comprehensive Social Security reform plan will ensure a modernized, fiscally sustainable program that can serve today's American working families as it has for past generations by continuing to provide a basic income guarantee to all working Americans. But achieving these goals will require changes to benefits, taxes, and other features of Social Security. We detail the reforms necessary to achieve these goals as well in this paper, but briefly our proposals will:

- Create a minimum benefit level so that no American lives in poverty upon retirement
- Raise benefits by 5 percent for Americans 85 years and older
- Improve survivorship benefits so that surviving spouses do not face large benefit cuts
- Strengthen divorce benefits so that divorcees are eligible for more benefits
- Create a caregiving credit so that workers can temporarily care for ailing family members
- Expand spousal benefits to married same-sex couples
- Gradually phase in progressive changes to benefit formula
- Eliminate the cap on the employer share of the payroll tax to increase contributions
- Treat cafeteria benefit plans like 401(k) plans for purposes of calculating the employer share of the Social Security payroll tax
- Use a more accurate inflation measure to achieve savings in the system
- Allow Social Security to invest some trust fund assets in the stock market to boost returns

Together, these reforms will protect the fundamental insurance function of Social Security, modernize benefits in line with demographic and economic changes over time, and sustain Social Security's finances for the next 75 years. In the pages that follow, we will detail these reforms alongside the reasons why we need to embark on this modernization today. By acting now, we will have a more sustainable Social Security system that will improve the economic security of future generations of beneficiaries.

## The need to modernize Social Security now

There is a real need today to modernize Social Security to account for changes in employment patterns, differences in life expectancies by income, and social changes such as the growth in single households, greater acceptance of same-sex marriages, and

increasing divorce rates. What's more, there are new economic insights that can make the system more efficient. Here are the trends modernization would account for in Social Security

Trend: Persistent old-age poverty	Proposal: New minimum benefit
Trend: Jump in poverty for oldest old	Proposal: Bump up benefit at age 85
Trend: Greater female labor force participation	Proposal: Improved survivorship benefits
Trend: Rise in divorce rates	Proposal: Easier eligibility for divorce benefits
Trend: More caregiving needs	Proposal: New caregiving benefits
Trend: More same-sex marriages	Proposal: Benefit extension
Trend: Increased inequality in life expectancy	Proposal: Phase in of progressive benefit changes
Trend: Shifting income away from workers	Proposal: Eliminate cap on employers
Trend: Shrinking tax base	Proposal: Treat cafeteria benefit plans like 401(k)s
Trend: Better price measures	Proposal: New inflation index
Trend: Better financial management	Proposal: Diversify trust fund portfolio

## The conservative alternative: Privatization

Our comprehensive Social Security reform plan would, if enacted, put Social Security on a path to fiscal sustainability, modernized benefits, and an updated program structure. The conservative alternative—privatization—would achieve exactly the opposite for the program. Specifically, privatization would:

- Make the expected long-term financing shortfall for Social Security much worse by incurring trillions of dollars of new debt to pay for privatization
- Seriously weaken the insurance protections that Social Security offers by cutting benefits by as much as 50 percent to pay for privatization
- Expose future retirees to the vagaries of the financial market for their basic retirement income, creating a potentially massive

problem for individuals since they may retire in the middle of a bear market, when they have a lot less money in their retirement accounts than expected

The bottom line is that privatizing Social Security means workers would lose insurance protection on their Social Security benefits because the entire system would receive less income and because individuals would be exposed to more financial risks. This would leave most Americans in retirement today or nearing retirement in serious jeopardy of their so-called “golden years” becoming anything but golden. And future generations of Americans entering retirement would be counting on a Social Security system hobbled by debt and unable to protect their private accounts from the whip-saw nature of private financial markets.