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The Future of Social Security COM/156 December 5, 2010 Karen Williams The Future of Social Security In the United States, many people believe that Social Security will be enough to support them upon retirement and have not prepared themselves adequately by establishing pensions, retirement plans and savings accounts. Believing this way can get many people into trouble once they reach an age that they would like to retire. These people are finding out that Social Security is just not enough by itself. Many people are discovering that they need other means of income along with Social Security to survive and pay the bills.

If this has not been planned for ahead of time, many people find themselves working past retirement age, or moving in with family as a means to get by. When Social Security was created, the idea was that it would support a person upon retirement. However, at that time, people were not living as long as they do now and the standard of living was much lower. In 1930, the Census, which is a count of all of the people in the United States, found that 58% of men over 65 were still working; by 2002, the number had declined to 18% (New York Times, Nov. 1, 2010). A fact such as this is something that could put a significant strain on the Social Security Administration making many wonder if it will be around for much longer, considering Social Security did not make adjustments for inflation, it pays more than just the retired worker, and the baby boomer generation was not expected when it was created, with little solutions to resolve these issues. Originally, the Social Security Act, signed into effect in 1935 by President Roosevelt, did not include any adjustment for inflation.

In 1950, Congress increased benefits and then continued to do so here and there. In 1972, President Nixon introduced the COLA (Cost of Living Adjustment). "COLA is an adjustment made to a salary structure to account for the change to an index. COLA adjustments are then made to individual salaries based on company policy and are typically granted to employees as "general salary increases". COLAs have historically been a part of bargaining agreements and related to manufacturing operations and labor employees" (hrVillage. com, labor relations, hr FAQ's).

Apparently, according to the Obama administration and the Congressional Budget Office, Social Security beneficiaries will not receive any COLA increase in 2010 or 2011. Part of the reasoning behind this decision could be because in 2011, the system will pay out more in benefits than it receives in payroll taxes. This was not expected to happen until 2016. As far as the Cost of Living Adjustment, some retirees may find interesting the fact that whether or not they receive a "raise" is not even based on their own spending patterns.

It is based on the buying habits of working people. It would seem more fair if the Cost of Living Adjustments for retirees were based on figures that actually represented the spending patterns of retirees. Social Security not only pays retired workers, it pays for retired worker's dependents, under-age survivors of deceased workers, and the disabled, among others. The money to pay for the huge endeavor of Social Security comes from payroll taxes on current workers and on their employers. When Social Security was created in 1935, it was not a popular idea.

Many people thought that it would actually cause a loss of jobs and many people were opposed to it. It has become a lifeline, though, for many elderly people. Many elderly also have to depend on family to take care of them because Social Security is not enough. Medicare, which is a program for the elderly, and receives a portion of the Social Security payroll tax, was extended to cover disabled people in 1972. Social Security Disability Insurance comes from Social Security. Many people are under the impression that it does not come out of the same fund, however, this is not true.

Anyone who is collecting money for disability is collecting money from the Social Security Fund (WWW. SocialSecurity. gov, News Release, SSA Attacks Disability backlogs, Oct. 9, 2007). Another drain on the fund has been the fact that many people are living longer and healthier lives, promoting some speculation as to whether or not to raise the retirement age. The argument against this, is that all it will do is create more disability claims. Raising the retirement age has been something that has been discussed as people are working longer and living longer.

Unfortunately, according to a report prepared for Senator Herb Kohl, a Democrat for Wisconsin, " Raising the retirement ages would likely increase the number of workers applying for and receiving disability insurance benefits," which also comes out of Social Security. The report also presented a view of the health conditions of the near-age retirement population. About one quarter of Americans aged 60-61, have a work-limiting health condition and two thirds of the ones still working state the job is " physically demanding", even though the report also states that fewer Americans are working physically demanding jobs these days.

When the report looked at those individuals near the retirement age, it found that those reporting good or excellent health were twice as likely to have some college education, twice as likely to be working full-time, had twice the income and four times the wealth of those reporting poor or fair health. In other words, those who need Social Security the most are the ones who are most likely to have to collect disability if they are denied their retirement benefits early.

The argument here is that if we raise the retirement age, it could have a negative impact on Social Security because of the disability claims that would be filed. When all of the money comes from the same place, this “solution” does not seem like much of a solution at all. Types of problems such as refugees collecting Social Security benefits because they are elderly or disabled have had a huge impact on the Social Security Administration. It allowed them to receive benefits for seven years. After seven years if they could not pass the citizenship test, they were cut off from their benefits.

Even with this being in effect, George W. Bush extended these benefits for two more years. Another problem that Social Security faces is people claiming to be disabled. Nationally, applications were up 17% from 2007-2009 (New York Times). For the worst off and the most disabled, or blind, the other program authorized by Social Security is the Supplemental Security Act. As of December, 2008, it has paid 7.5 million out in benefits to people (New York Times). However, this is financed with general revenue, not with money from the Social Security fund.

All of these factors put strains on the system that was not originally designed to support as many different people as it does. Not only is it paying out to retirees, but to the spouses and children of retirees, the disabled and refugees as well. Within the next few years, the baby-boomers will be retiring. This means there will be more people collecting Social Security than are paying into it. So far, it has not been determined what will be done about this situation. With nearly 80 million baby boomers nearing retirement age, this is a huge problem.

The baby-boomers have not produced enough children to pay into Social Security to support themselves. Also, they are getting somewhat of a bargain as they only paid 6.5% of their earnings into Social Security, while the “generation X-ers” have paid 12.4%. “Generation X-ers” are the generation born after the WWII babyboom ended. They are the children that were born somewhere between 1965 and 1980, although there is no universally agreed upon time frame (Wikipedia and About.com by Sally Kane). They tend to be the kids who grew up with technology.

As technology grew, so did they. They are basically, the children of the babyboomers. Soon the “Generation X-ers” will be faced with the decision to either support their parents, or their children. If someone has not taken all of these factors discussed into consideration and planned adequately for retirement by creating a savings plan, or investing in an employer retirement offer, they may be in trouble when they need to retire. The “three-legged stool” concept is something to take into consideration for these people.

One leg being Social Security, one being pensions, and the last being 401K plans and savings. Unfortunately, not everyone gets a pension and not everyone can save enough money before they retire. This still does not mean that Social Security can pick up the slack for what many of us have neglected to plan for. Social Security may not be around, or the benefits that it still offers could be even less than they are now. As Senator Tom Coburn stated, " Social Security is not a welfare program. The benefits retirees receive were earned.

I believe it is up to Congress to reform the current failing system. " Without some sort of intervention from Congress or somewhere else, the Social Security system that is in place now, is surely doomed to fail at some point. Whether it is sooner, or later, that is to be determined. Will it fail at the rate it is going now, yes. It most certainly will. Will it fail if there is some sort of intervention on someone's part? No, maybe not. It may have a fighting chance if there is some change integrated and some programs that Social Security supports, redefined.

Change certainly must come for Social Security if it is going to survive, along with the people it supports, and that is the bottom line. References About.com, Sally Kane hrVillage. com, labor relations, hr FAQ's Ohio History Central, An Online Encyclopedia of Ohio History, Social Security Act Social Security Benefits, Adam Crisp The New York Times, Times Topics, Social Security, October 30, 2010 Times Free Press, timesfreepress. com, Chattanooga Times Free Press Unemployed turn to Social Security Benefits, Adam Crisp Wikipedia www. SocialSecurity. gov, News Release, Social Security Attacks Disability Backlog, Tues, October 9, 2007

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