Social Security
Poverty Prevention & Modernization

University of Michigan, NASI Event
November 7, 2018
4 GOALS

• Financial sustainability
• Original purpose ➔ poverty prevention
• Workers’ autonomy
• Recognize unsustainable gov’t spending
<table>
<thead>
<tr>
<th><strong>MARC PÉREZ</strong></th>
<th></th>
<th><strong>ANNUAL INCOME</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGE</strong></td>
<td><strong>23</strong></td>
<td><strong>$60,006</strong></td>
</tr>
</tbody>
</table>

### Lifetime Payments in Social Security Taxes

- **$547,088**

### Personal Retirement Account vs. Social Security

<table>
<thead>
<tr>
<th><strong>PERSONAL RETIREMENT ACCOUNT</strong></th>
<th></th>
<th><strong>SOCIAL SECURITY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$6,185</strong> Monthly Annuity*</td>
<td></td>
<td><strong>$2,209</strong> Monthly Benefit</td>
</tr>
<tr>
<td><strong>OR</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>$1,563,820</strong> Value at Retirement</td>
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</tbody>
</table>

*If investing in a personal retirement account instead of paying taxes for social security, and purchasing a monthly annuity at retirement age (67) with the account value.

[DailySignal.com](https://www.dailysignal.com)
What Went Wrong?

- All the wrong incentives to overpromise, underfund
- Easy to do when promises come due decades in the future
- Questionable/illegal actions (Teamsters and mafia)
- Lax funding rules per unions' requests:
  - Unreasonable discount rates to reduce contributions
  - Little enforcement of required contributions
  - Once in red zone, rules don't apply

$119,426 Lifetime Payments in Social Security Taxes

<table>
<thead>
<tr>
<th>Personal Retirement Account</th>
<th>VS. Social Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,262 Monthly Annuity*</td>
<td>$902 Monthly Benefit</td>
</tr>
<tr>
<td>OR</td>
<td></td>
</tr>
<tr>
<td>$354,731 Value at Retirement</td>
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</table>

*If investing in a personal retirement account instead of paying taxes for Social Security, and purchasing a monthly annuity at retirement age (67) with the account value. |
Around 2025: large plan bankruptcies begin
- Receive pension insurance from PBGC
- PBGC becomes insolvent
- PBGC Not taxpayer-financed: benefits limited to revenue (~ $300 million revenue, $3 billion claims)
- PBGC Deficit = $65 B 10 year, $101 B 20 year
- Joint Select Committee Insolvency of Multiemployer Pensions: issues report Nov. 30, needs 5 of 8 members from both sides for senate vote

What's Happening Now?
• Flat, anti-poverty benefit
• Raise and index retirement age
• Modernize spousal benefit, add childcare credit
• Eventually lower payroll taxes