Can We Afford Social Security When Baby Boomers Retire?

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Many Ways to Think About Affordability

Population Ratios
- Payers and recipients
- Workers supporting consumers

Share of the Economy
- Wages of workers v. benefits of retirees
Beneficiaries Per 100 Covered Workers


- 1960: 20 beneficiaries per 100 covered workers
- 1980: 31 beneficiaries per 100 covered workers
- 2000: 29 beneficiaries per 100 covered workers
- 2010: 32 beneficiaries per 100 covered workers
- 2030: 46 beneficiaries per 100 covered workers
- 2050: 50 beneficiaries per 100 covered workers
Consumers Per 100 Workers

Persons supported by each 100 workers

- 1960: 268
- 1980: 225
- 2000: 201
- 2010: 203
- 2030: 214
- 2050: 216

- other adults
- retired
- children
- workers
Social Security as a Share of GDP

Spending As a Percent of GDP

Increase in Social Security Spending as Boomers Retire

Increase in Public Education Spending When Boomers were Children

2005 2030 1950 1975

4.3% 6.1% 1.8% 2.8% 5.3%
Earnings of Workers Will Grow

Gross Wages

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$36,600</td>
<td>$48,766</td>
<td>$60,609</td>
</tr>
<tr>
<td>Increase</td>
<td>+33%</td>
<td>+66%</td>
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</tbody>
</table>

Wages After Employee's & Increase in Employer's PAYGO Social Security Taxes

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$34,331</td>
<td>$44,016</td>
<td>$54,209</td>
</tr>
<tr>
<td>Increase</td>
<td>+28%</td>
<td>+58%</td>
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</table>
Earnings of Workers v. Benefits of Retirees

Workers fare better than retirees from 2003 to 2030 (Thompson, 2005)

- Worker’s net wage up 31%
- Retiree’s net monthly benefit up 10%

If the pay-go cost of Social Security and Medicare were met solely by raising the payroll tax on workers, then by 2030:

- Worker’s net wage up 21%
- Retiree’s net monthly benefit up 10%
GDP and Funds for Social Security

Wages that are taxed for Social Security are just 38% of GDP

What income is *not* taxed for Social Security?

- Wages above the cap, $94,200 in 2006
- Wages of non-covered workers
- Fringe benefits paid by employers
- Asset and investment income
- Increases in property values (capital gains)
- Gifts and bequests
We Have Choices

How will we share the gains of economic growth fully?

What is reasonable to expect of:

- Retirees and other Social Security beneficiaries
- Workers who pay Social Security taxes
- People with significant resources not subject to Social Security taxes

The right question:

How will we allocate national resources to accommodate our aging population?