



INDEPENDENT WOMEN'S FORUM

Position Paper

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Golden Girl Power:

How Social Security Reform Can Make Women More Financially Secure and Independent

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Executive Summary

America's Social Security system has two major flaws. First, it is financially unsustainable: beginning in 2018, money flowing into the program will fall short of what is needed to pay promised benefits. Second, even if the financial imbalances did not exist, it is a poor investment for young workers. The best way to fix these problems is to incorporate personal retirement accounts into Social Security. For women in particular, reform is urgent.

- **Women at Work:** Working women lose more than one in eight dollars to Social Security payroll taxes. A system of personal retirement accounts will help women make the most out of the money they earn. It will also ensure that married women who work receive the full value of their payroll taxes, which few do today.
- **Women at Home:** Most women spend time in and out of the formal workforce. By allowing them to invest a portion of payroll taxes in real assets, like bonds and stocks, a system of personal retirement accounts will enable women to earn interest even when they take time off to care for their families.
- **Divorced Women:** Currently, women whose marriages last less than ten years receive no Social Security benefits from their husband's earnings. With personal retirement accounts, married couples will be equal partners in saving for retirement. Assets accrued during a marriage will be joint property and would be divided fairly in the event of divorce.
- **Retired Women:** Because long-term investment yields higher returns than the existing pay-as-you-go system, women participating in a system of personal retirement accounts could expect higher incomes at retirement than Social Security pays. In addition, women would have greater control over their assets, and unused funds could be passed on to loved ones at death.

As Federal Reserve Chairman Alan Greenspan warned in recent congressional testimony, changes to Social Security *are* coming. Without personal accounts, the only alternative will be to raise payroll taxes and cut benefits. Such "reform" would be a lose-lose proposition for women who would face higher taxes, reduced employment opportunities, and lower retirement incomes. Women should demand reform based on the inclusion of personal accounts. We deserve a program that encourages savings, rewards work, and provides a secure, independent retirement.

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The Social Security system is in serious trouble for two reasons. First, its financing system is unsustainable. Second, the program is inequitable.

Introduction

If there is one point on which all sides in the pension debate agree, it is this: Social Security is critical for women. Women live longer than men and tend to have lower incomes during retirement. Women take more time out of the workforce than men and more often work in jobs without formal retirement savings plans. On average, women depend on Social Security for a larger portion of their retirement income than do men. The actions policymakers take to address Social Security's fundamental flaws will thus have a significant impact on the living standards of America's women.

This paper provides an overview of Social Security's problems and examines two potential paths of reform. The first option is to create within Social Security a system of personal retirement accounts, through which workers can build assets to draw upon during retirement. The second option is to reduce benefits and increase the payroll taxes that fund Social Security. This paper considers the impact of each option on women.

Social Security's Problems

America's current Social Security system is in serious trouble for two reasons. First, its financing is unsustainable. Second, the program is inequitable. The system does not reflect the shape of the modern American family, penalizing some working women and divorcees. It also fails to provide a good investment, particularly for younger workers. Understanding each of these problems is critical to understanding why reform is necessary and to deciding what shape changes should take.

Unsustainable Financing

Over the past 50 years, revolutionary medical breakthroughs have dramatically increased life expectancy. In 1950, average life expectancy at birth was 68 years; today, it is 77. The average woman born today can expect to live close to 80 years.¹

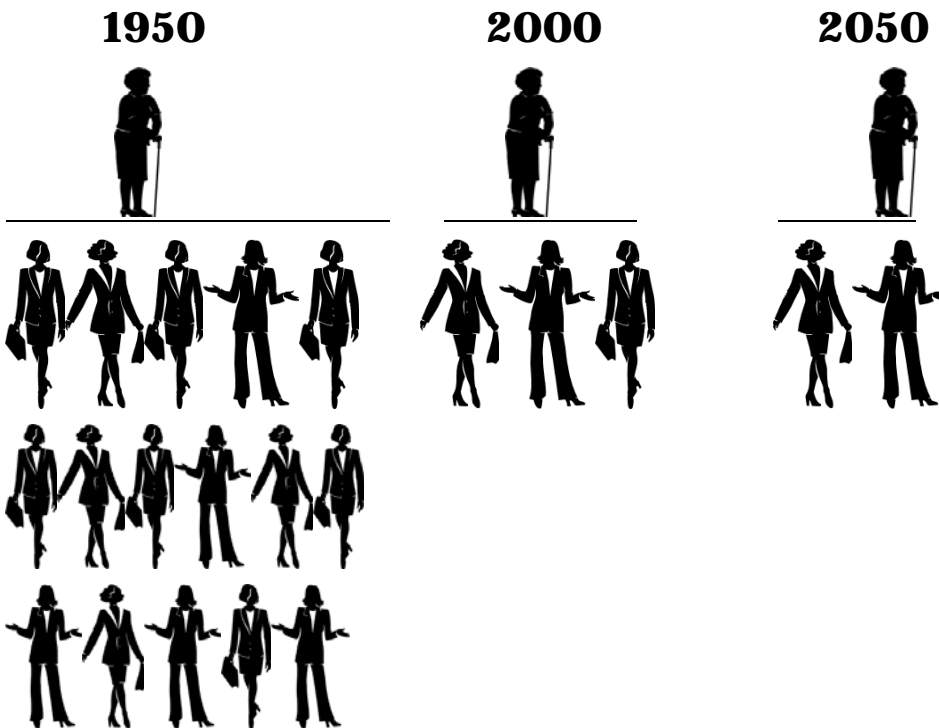
This is good news for Americans who can expect to enjoy many more years of life, but it is bad news for our Social Security system. In 1950, someone reaching age 65 could expect to live about another 14 years. Today, a person turning 65 can expect to live for approximately 18 more years—four years longer than the average retiree in 1950.² That means they will receive about 50 additional payments from Social



Security—about 30 percent more checks than retirees from 1950. The average Social Security check for retirees in 2004 is \$922.³ Social Security will have to pay about \$45,000 more per retiree today than it would have fifty years ago due solely to the increase in life expectancy. As a result, the total costs of the system have been steadily increasing.

In addition to living longer, Americans are having fewer children. Since Social Security's benefits are funded by taxes levied on people currently in the workforce, fewer and fewer workers are being forced to support more and more retirees. What once was a demographic pyramid—with a few seniors at the top and a large pool of young people at the base—is increasingly becoming a narrow tower. (In financing as with architecture, a pyramid with a wide base is more stable than a tower with a narrow base.) In 1950, just 8.5 percent of the population was over age 65. Today, seniors account for 12.4 percent of the population; by 2050, they will be nearly 21 percent.⁴

The Number of Workers Per Retiree Is Shrinking



This demographic shift means that each worker must shoulder a greater portion of the cost of providing for Social Security beneficiaries. In 1950, there were 16 workers paying taxes to support each retiree. Today, there are just over three.⁵ By 2050, when today's teenagers are preparing to retire, there will be just two workers supporting each

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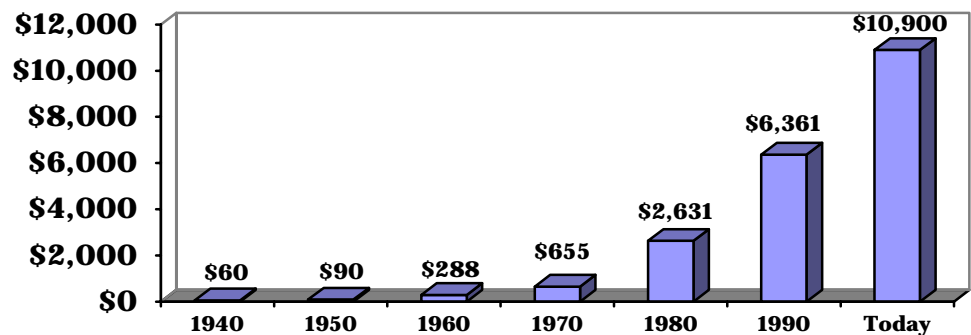
By 2050, if Social Security is not reformed, payroll taxes would have to rise to the point that workers would lose nearly 1 out of every 5 dollars they earn to Social Security.

retiree.⁶ As a result, the amount of money that each worker will be forced to pay to maintain Social Security benefits will skyrocket.

The taxes paid to sustain Social Security have been on an upward trajectory for many years. When Social Security began, tax rates were set at 2 percent of an individual's first \$3,000 of income, meaning that the maximum annual tax payment was \$60. Twenty years later, in 1960, the payroll tax rate had grown to 6 percent of the first \$4,800, so that the annual maximum tax was \$266. By 1980, workers were paying more than 10 percent of the first \$25,900 earned, or more than \$2,600 each year.⁷

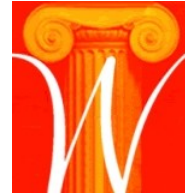
Today, Social Security claims 12.4 percent—or about one out of every eight dollars—of the first \$87,900 an individual earns, putting the maximum payroll tax paid at over \$10,000.⁸ Yet these huge tax increases won't be enough to sustain the system. By 2050, if Social Security is not reformed, payroll taxes would have to rise so that workers would lose 18 percent of their paychecks—nearly one out of every five dollars they earn—to Social Security.⁹

Maximum Social Security Taxes Have Risen Dramatically Since the Program Began



Source: Social Security Administration. Available at: <http://www.ssa.gov/OACT/COLA/cbb.html>; <http://www.ssa.gov/OACT/ProgData/taxRates.html>

The problem created by increased longevity is exacerbated by another demographic reality: the baby boom generation. The first of the 75 million Americans born between 1946 and 1964 will take early retirement and receive Social Security benefits in 2008. As the baby boomers leave the workforce and join the ranks of the retired, the imbalance between what Social Security takes in and what it sends out will grow rapidly.¹⁰



These demographic forces have combined to make Social Security's current structure unsustainable. As Federal Reserve Chairman Alan Greenspan warned: "This dramatic demographic change is certain to place enormous demands on our nation's resources – demands we almost surely will be unable to meet unless action is taken."¹¹

There is, however, a silver lining: because we know these problems are coming, policymakers have a chance to take timely action to stave off disaster and to create a financially sustainable Social Security system. Greenspan also encouraged Congress to act expeditiously: "For a variety of reasons, that action is better taken as soon as possible."¹²

Social Security's Bad Deal for Today's Workers

Even if Social Security were not facing financial difficulty, it would still need reform to make the program fair for young workers. The heart of the problem is this: The benefits that the government has promised young workers in return for a lifetime of tax payments represent an abysmal rate of return.¹³

For example, under current law, a single woman born in 1980 who earns an average wage is promised retirement benefits that represent a return of just 1.4 percent on her contributions. A single male earning average wages will receive even less—a rate of return of less than 1 percent. Married couples fare a bit better, but still can expect far worse than what they could have earned from 40 years of private investments. A medium wage single-earner couple will earn a rate of return of 3.3 percent while a two-earner couple would earn 2.1 percent.¹⁴ And these rates of returns are probably overly optimistic since Social Security's financing problems may result in many workers receiving even less than what is currently promised. In short, many people may ultimately receive *negative* interest, i.e., less in benefits than they paid in taxes.

By contrast, the Social Security Administration's independent actuaries estimate that, over the long-run, investments in private equities can be expected to yield a 6.5 percent real annual rate of return.¹⁵ While critics of reform charge that the stock market volatility makes such investments too risky, historical evidence demonstrates that over long periods equity investments are sound. In fact, over any 20 year period, the stock market as a whole has never lost money. As Andrew Biggs, former Social Security analyst for the Cato Institute,

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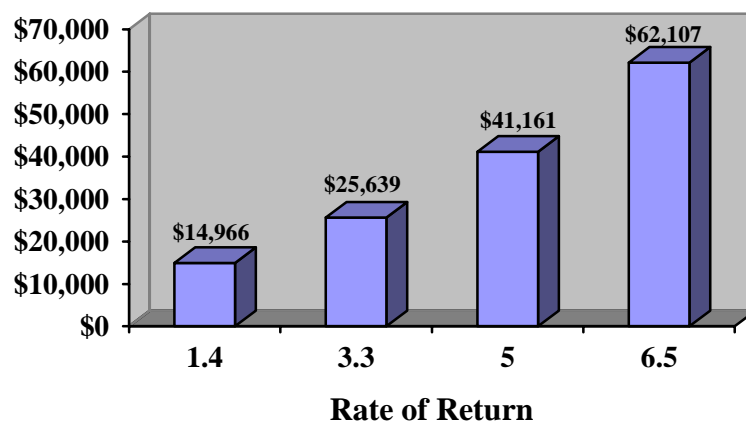
Workers do not own their Social Security contributions and have no legal right to any benefits.

wrote in September 2002 when the S&P 500 was down nearly 40 percent from its peak value: “Even a worker retiring in the Great Depression would have received a 4 percent annual return after inflation; a worker retiring today would do substantially better.”¹⁶ To further reduce risk, most proposals would limit workers to broad investment vehicles, such as mutual funds, and encourage them to hold diversified portfolios that include bonds. Such rules will serve to limit risk for personal retirement account participants.¹⁷

While opponents of personal retirement accounts often discount the importance of rates of return, differences in rates of return can seriously impact the amount of savings generated on an investment. Consider how different rates of returns affect the amount accumulated on an initial investment of \$10,000 after 30 years. A 1.4 percent rate of return—the rate of return that a single woman born in 1980 can expect from Social Security—means that after 30 years that initial investment will grow to less than \$15,000. A rate of return of 3.3 percent—the rate expected for a single-earner married couple—would generate more than \$25,000. But the rates of return that could be expected from the market, such as the 5 percent real rate of return on an mutual fund including bonds and stocks, or the 6.5 percent rate assumed by Social Security Administration actuaries for investments in equities, mean far greater savings of more than \$40,000 and \$60,000 respectively from the initial investment of \$10,000.

The Importance of Rates of Returns

Amount Accrued on a \$10,000 Investment after 30 years



The possibility that policymakers will cut future Social Security benefits or increase taxes highlights another weakness in the existing



system. Contrary to popular myth, workers do not own their Social Security contributions and have no legal right to any benefits. Monthly checks can be reduced by Congress at any time. Moreover, if an individual dies before reaching retirement age, his or her future benefits may be lost entirely. Many people work a lifetime, paying tens of thousands of dollars into Social Security, and are left with nothing to pass on to family and loved ones.

Personal Retirement Accounts

Creating a system of personal retirement accounts within Social Security would begin to address Social Security's critical structural problems. By allowing individuals to divert a portion of their payroll taxes into a personal account, similar to a 401(k) or an IRA, policymakers could start to pre-fund future benefits—an important step in addressing Social Security's fundamental problems.

There are numerous proposals to integrate personal accounts into Social Security. They all share similar principles. Workers would use a portion of the payroll taxes they pay to Social Security to fund an account that they would own. Like participants in corporate 401(k) plans or the federal government's Thrift Savings Plan, workers would choose from several investment options, including government bonds and broadly diversified mutual funds. Contributions would accumulate in these accounts throughout a worker's life. Upon leaving the workforce, the accumulated savings and investment income would provide retirement income.

Most reform proposals envision that the current pay-as-you-go system would continue to exist and would provide a portion of monthly payments to retirees. Retirees would simply supplement regular Social Security payments by drawing on their savings or by using money in their account to purchase an annuity that would pay a fixed income for life. These accounts would begin to address Social Security's long-term financing problems by prefunding a portion of retirement benefits. Instead of relying on taxing workers to pay for retirees, Social Security would start to become a system based on saving and investing in real assets.

A system of personal accounts would also transform Social Security into a valuable program for younger workers. By investing in bonds and stocks, both of which typically deliver a higher rate of return than the pay-as-you-go Social Security system, today's young workers could begin to build real assets.

This account would be owned property. If the account holder dies before reaching retirement, she would be able to pass her wealth on to loved ones.



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A system of personal retirement accounts would also help repair how the current system distorts women's decisions to join the workforce.

Even if workers were allowed to save and invest just 4 percent of their earnings—less than a third of what they are currently paying into Social Security—they would accrue a considerable nest egg by the time they retire. For example, a worker earning \$35,000 who invested 4 percentage points of payroll taxes in a bond portfolio with a real rate of return of 3.5 percent would accumulate more than \$140,000 (in today's dollars) by age 65. Importantly, this account would be owned property. If the account holder died before reaching retirement, she would be able to pass her wealth on to loved ones.

There are undeniable hurdles to making the transition from the current pay-as-you-go system to personal retirement accounts. Allowing workers to use a portion of their current Social Security taxes to fund their future retirement means that the government will have less to spend on benefits for today's retirees. The transition is challenging but manageable. Some proposals would reduce future retirement benefits to high income workers and require the use of general revenue to meet Social Security's obligations during the transition period. Furthermore, personal accounts alone will not cure all of Social Security's financial problems, but they are an important first step to pre-funding future benefits, the foundation for a sustainable system. They are a concrete step we can take *today* to ensure that benefits will be there in the future.

Importantly, over the long-run the benefit reductions and tax increases required for a transition to pre-funded accounts would be less than those needed to maintain the existing pay-as-you-go structure without those accounts. Ultimately, the government's financial picture is significantly improved by putting Social Security on solid footing.

The Alternative: Higher Taxes, Fewer Benefits

There is another option for addressing Social Security's financial problems. By increasing taxes and cutting benefits, policymakers can make incoming taxes match the amount of benefits paid. This is the path that has been taken in the past, prompting Social Security's tax rates to rise more than 30 times since the program began.¹⁸

Peter Diamond, professor at the Massachusetts Institute of Technology, and Peter Orszag, Senior Fellow at the Brookings Institute, recently laid out a Social Security reform plan that relies on this approach. Diamond and Orszag propose increasing payroll taxes and changing the benefit structure to reduce slightly the overall cost of benefits (they make the benefit formula more redistributive, increasing



benefits for some lower income workers while cutting benefits for those with higher incomes resulting in a modest net reduction in total benefits). The portion of gross domestic product (GDP) collected to fund the Social Security system under their proposal would grow from 4.3 percent of GDP today to 6 percent of GDP by 2050. In other words, on average, the taxes funding Social Security would increase by about 20 percent.¹⁹

The Diamond-Orszag proposal is an honest and important contribution to the debate over Social Security's future. It demonstrates the tradeoffs between personal account proposals and attempts to maintain the status quo using the existing financing structure. It exposes the real costs of maintaining the current system that should be considered when evaluating any reform proposal.

However, those who advocate their approach should recognize its substantial drawbacks. The Diamond-Orszag proposal fails to address Social Security's second problem: the need to make it a better value for today's workers. In fact, it would exacerbate the problem by ensuring that most Americans will pay more into Social Security without receiving greater benefits.

Impact on Women

Women take on many different roles in society. Some women work throughout their lives and will draw Social Security benefits based on their own earnings. However, other women spend much of their adult lives at home raising children while their husbands are in the workplace. Many women fill both roles, spending part of their time as a worker, part of their time as a stay-at-home-mom, and part of their time as a secondary earner. It is important to consider how Social Security reforms will affect women in their varied life circumstances.

Women as Workers

About 60 percent of women currently participate in the formal workforce.²⁰ About three-quarters of those are employed full time.²¹ These women often juggle responsibilities to families as well as to careers. As a result, many opt for flexible employment—a choice that contributes to women having lower average earnings than men.

Women are also less likely than men to participate in employer-sponsored retirement savings plans. Men and women working full

Personal retirement accounts would be particularly important to women who are less likely to participate in work-related retirement savings programs.



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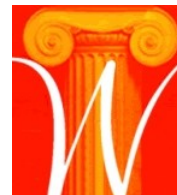
Currently, many married women receive no additional benefit for the payroll taxes they pay. A system of personal accounts would ensure that women who join the workforce would see their retirement savings grow.

time are about equally likely to work for employers that sponsor a retirement plan and about as likely to participate in those retirement plans. In 2002, 54 percent of men who were employed full time participated in a company-sponsored retirement plan, compared to 53 percent of full-time working women.²² However, only 66 percent of working women worked year-round and full time, compared to 81 percent of men. As a result, only 43 percent of working women, compared to 49 percent of men, participated in an employer-sponsored retirement plan.²³

The payroll taxes that fund Social Security consume a significant portion of the average woman's paycheck. After meeting fixed expenses, working women often do not have additional money to put away for retirement. Personal retirement accounts within Social Security would be an important path for women to build wealth. For many of the nearly six out of ten working women who are not participating in an employer-sponsored retirement plan, investing through a personal retirement account would be their first exposure to the power of compound interest. In addition to offering higher living standards at retirement, research has shown that the act of saving positively impacts individual behavior, encouraging long-term health and family stability.²⁴

A system of personal retirement accounts would also help repair the current system which distorts women's decisions to join the workforce. Today, women receive Social Security retirement benefits either based on their own work history or as a result of their husbands' taxes. A woman who stays home receives benefits worth half of her husband's monthly benefit. As a result, a family in which the husband works and the woman stays home will receive benefits 50 percent higher than if the man had been single—even though both families paid the same amount into the system. A married woman who works receives the higher of either half of her husband's benefits or a payment based on her own earnings. Thus married women who join the workforce but whose individual benefit is less than half of their husband's receive no additional benefit whatsoever for the payroll taxes they pay.

This situation is both unfair to working women and distorts the choices faced by women considering joining the workforce. A secondary earner already faces high marginal tax rates since her income is going to be combined with her husband's for tax purposes. If she expects to get no additional retirement benefits from her payroll taxes, they represent a complete loss of income. These high tax rates



discourage some women from entering the workforce, making them more vulnerable to financial hardship if they are widowed or divorce.

Plans that increase Social Security's payroll taxes—such as the Diamond-Orszag proposal—exacerbate this problem. A system of personal accounts, on the other hand, would make the system more equitable. Couples who work more and contribute more to their personal retirement accounts would see their retirement nest egg grow.

Women are also affected by Social Security's impact on the economy. Personal account plans have the potential to help grow the economy by increasing America's low saving rate and providing an opportunity for more people to invest.²⁵ By contrast, an increase in the payroll tax would be a drag on economic growth. Workers' take-home pay would fall, leaving less to save, invest, or spend on current needs. Payroll taxes also increase the cost of hiring workers, reducing the number of jobs available. When payroll taxes are high, employers have an incentive to hire fewer but more productive employees. This disproportionately impacts women, who are more likely to seek out part-time work or be willing to trade compensation for flexibility.

Overall, working women will be better off in a system that encourages saving, investment, boosts economic growth, and results in greater job opportunities.

Women as Homemakers

When women take time out of the workforce, they stop contributing to Social Security. Under the existing system, women may accrue additional benefits based on their husbands' earnings while they are at home, but any benefits based on their own contributions stand still.

Even though most women today choose to work outside the home, the average woman still takes more than a decade out of the formal workforce to raise children or care for elderly parents. An important benefit of personal retirement accounts is that women (and men) who take time off continue to earn income for retirement through the growth of their original investments.

Consider a woman earning \$27,000—roughly the average wage for a full-time working woman. Say this woman works early in her life, between the ages of 21-25, before having children and leaving the workforce. If she is able to contribute just 4 percent of her wages while she is working into a private investment account, and she invests that

Being able to save early in life, and then to have that money grow while taking time out of the workforce, would be a significant benefit to stay-at-home moms.



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Women whose marriages last for less than ten years receive no Social Security benefits from their husband's contributions. With personal retirement accounts, a couple's account would be considered during any divorce settlement.

money so that she earns a real rate of return of 5 percent, that money will grow to be more than \$40,000 in today's dollars by the time she reaches 65. That is a significant return on an initial contribution of just \$5,000, demonstrating the power of compound interest over time. Being able to save and invest early in life, and then to have that money continue to grow while taking time out of the workforce, would be a significant benefit to stay-at-home moms.

Women as Divorcees

As described above, many women receive Social Security benefits based not on their own earnings, but on their husbands'. What happens if the marriage ends before the couple reaches retirement age? If a couple has been married for more than ten years, then the woman will be entitled to benefits from her ex-husband's earnings. Most marriages that end in divorce last less than ten years.²⁶ These women—many of whom have stayed home assisting their husband's careers and raising children—receive no benefits and will be starting from scratch in terms of Social Security.

With personal retirement accounts, however, the savings in a couple's account would be considered during any divorce settlement. In fact, some personal account proposals specify that in the event of divorce the assets in the personal retirement account must be split equally. This would better position divorced women for retirement.

Women as Retirees

Women depend on Social Security for income in retirement. The program accounts for half of non-married women's income during retirement—and 38 percent of non-married female retirees depend on Social Security for more than 90 percent of their income.²⁷ A Social Security system that provides more income at retirement will mean more to women who disproportionately rely on the system.

As the President's bipartisan Commission to Strengthen Social Security found, "Any properly constructed personal account option should increase expected benefits for Social Security participants."²⁸ The reason is that private markets provide greater returns than can the current tax-and-spend, pay-as-you-go system that relies on having enough young workers to tax to pay benefits.



The opportunity to realize these greater rates of return would be particularly importantly to lower-income individuals who are less likely to have the opportunity to invest. Moreover, almost all reform proposals are structured to provide the largest proportional benefit increase to low-income workers and preserve a defined benefit that ensures low-income workers can retire above the poverty line. For example, in the three reform models proposed by the President's Commission to Strengthen Social Security, all workers receive greater benefits during retirement due to the creation of personal accounts than can be paid for under current law. However, in the two reform models that include measures to make the defined benefit system sustainable, low-wage workers see the greatest percentage increase above the benefits that can be paid under current law.²⁹

Finally, a system of personal accounts will give women more control over their retirement. The proposals outlined by President Bush's commission recommend that individuals be required to purchase a minimum annuity—much like Social Security's defined benefit—so that the combined defined Social Security benefit and annuity are greater than the poverty line. Any balances above the amount necessary to purchase such an annuity would be available to the retiree or could be held and passed on to heirs at death.³⁰

Examples of Private Social Security Working Today

Opponents of Social Security personal accounts often characterize reform proposals as “risky” and unproven. In fact, many Americans are today participating and prospering in retirement systems that have replaced Social Security with private accounts.

State and local government workers all remained outside Social Security until 1950, when the law was changed to cover workers outside a public retirement system. At the time, state and local governments were given the option of extending Social Security coverage to their employees. They could also opt out of Social Security until 1983, when the law was changed again to prevent state and local governments from leaving the federal system. Ultimately, about five million state and local government employees were able to remain free of Social Security.³¹

Most of those five million workers are in state defined-benefit plans. In general, these programs pool contributions from employees that are invested by a plan administrator in stocks and bonds much like private sector corporate pension funds and 401ks. The earnings

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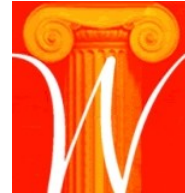
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generated from these investments have allowed those programs to provide members with much more generous benefit packages and a far greater return on their contributions than they would have received from Social Security.³² (This is why proposals that would require all state and local government workers to participate in Social Security are met with staunch resistance.³³)

Some government employees—notably those in three counties in Texas and San Diego, California—are participating in programs where workers contribute to a personal retirement account. The three counties in Texas (Galveston, Brazoria, and Matagorda) created a program so that workers and the city government put in these accounts roughly what they would have paid to Social Security. The funds are then invested in low risk securities such as bonds and government debt. The average rate of return for Galveston plan participants has been more than 7 percent since the program's inception more than 20 years ago.³⁴ One of the architects of Galveston's alternative retirement plan, Judge Ray Holbrook, testified before President Bush's Commission to Strengthen Social Security that workers participating in their plan receive benefits between two and five times greater than the benefits Social Security would have paid.³⁵

The city of San Diego also created a mandatory defined-contribution program in Social Security's place. San Diego city employees are required to contribute 3 percent of their salaries to a "Supplemental Pension Savings Plan" account, which is matched by the city. Employees can contribute up to 4.5 percent of their salaries, depending on their date of hire, which is also matched by the city. According to the plan administrator, the overwhelming majority of employees choose to contribute the maximum. Initially all assets were invested by the city treasurer in low-risk vehicles such as government securities. In 1996, the plan was reformed so that individuals could invest in a variety of mutual funds. As of September 2001, nearly half of all funds remained in the money market and government securities portfolio, which was providing a rate of return of more than 6 percent, far exceeding what Social Security promises.³⁶

These examples of private Social Security programs—along with myriad private savings vehicles, such as IRAs and 401(k)s—confirm that the concept of moving Social Security toward a system based on private investment and individual ownership is neither risky nor untried. It is, rather, a common sense way to modernize an antiquated, unsustainable program that fails to meet the needs of today's workers.



Conclusion

Reforming Social Security to allow workers to place a portion of their payroll taxes in a personal account can address both Social Security's long-term financial crisis and its failure to provide young workers a good deal.

This reform would be particularly important to women who are less likely to participate in work-related retirement savings programs, and who generally have lower earnings while working and during retirement. Making the most of the money they put away for retirement is crucial for women's financial security and standard of living.

A system of personal accounts is also an important step toward true independence. Women would be saving their own money to support their own retirement. Instead of having to rely on the government for a monthly check, women would be using their own resources. Such a system would also be more equitable, since benefits would be based on contributions instead of a formula that rewards some lifestyle choices above others. It would help end distortions in the benefit structure that may deter women from entering the workforce and may penalize women whose marriages end in divorce.

Moving to a system of personal accounts will require tough choices and an initial investment in transitioning from the existing pure pay-as-you-go financing to pre-funded accounts. However, ultimately a pre-funded system that encourages savings and individual responsibility will be a superior system in terms of delivery sustainability and greater retirement security. Policymakers should take steps to put us on a path to that system as soon as possible.

Endnotes

¹ Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System, *Health, United States*, 2003, "Table 27. "Life expectancy at birth, at 65 years of age, and at 75 years of age, according to race and sex: United States, selected years 1900-2001." Available at: <http://www.cdc.gov/nchs/data/hus/tables/2003/03hus027.pdf>.

² Ibid

³ Social Security Administration. Available at: <http://www.ssa.gov> under "What's the average monthly Social Security benefit for a retired worker?"

⁴ President's Commission on Social Security, Interim Report, August 2001, p. 14. Available at: <http://www.csss.gov/reports/Report-Interim.pdf>.

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⁵ Peter J. Ferrara and Michael Tanner, *A New Deal for Social Security*, Cato Institute, 1998, p. 40.

⁶ President's Commission on Social Security, Interim Report, p. 11.

⁷ Peter J. Ferrara and Michael Tanner, p. 45.

⁸ Social Security Administration. Available at: <http://www.ssa.gov> under "Tax and Social Security."

⁹ "The 2004 Annual Report of the Board of the Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds," The Board of Trustees, Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, March 23, 2004, p. 8. Available at: <http://www.socialsecurity.gov/OACT/TR/>.

¹⁰ Paul Hodge, "Baby Boomer Public Policy: A New Vision," *Harvard Generations Policy Journal*, Vol. 2, Winter 2004, p. 1-2.

¹¹ William Branigin, "Greenspan Urges Lawmakers to Consider Entitlement Cuts," *Washington Post*, February 25, 2004.

¹² Ibid.

¹³ For a discussion of calculating rates of return within the Social Security system, see Michael Tanner, "The Better Deal: Estimating Rates of Return under a System of Individual Accounts," Cato Project on Social Security Choice No. 31, Cato Institute, October 28, 2003, pp. 2-8.

¹⁴ President's Commission on Social Security, Interim Report, p. 28, data from May 27, 2001, calculation by the Social Security Office of the Actuary.

¹⁵ Michael Tanner, "The Better Deal," p. 12.

¹⁶ Andrew G. Biggs, "Personal Accounts in a Down Market: How Recent Stock Market Declines Affect the Social Security Reform Debate," Cato Institute Briefing Paper No. 74, Cato Institute, September 10, 2002, p. 2.

¹⁷ For a discussion, see Andrew G. Biggs, "Personal Accounts in a Down Market: How Recent Stock Market Declines Affect the Social Security Reform Debate."

¹⁸ Peter J. Ferrara and Michael Tanner, p. 45.

¹⁹ Jeff Lemieux, "Budgetary Effects on the Diamond-Orszag Social Security Proposal," *Centrists.org*, December 31, 2003.

²⁰ United States Department of Labor, Bureau of Labor Statistics, Table A-1, "Employment status of the civilian population by sex and age." Data for women, age 20 years and over in September 2003. Available at: <http://www.bls.gov/news.release/empsit.t01.htm>.

²¹ "Highlights of Women's earnings in 2001," U.S. Department of Labor Bureau of Labor Statistics, May 2002, Report 960, p. 2.

²² Patrick J. Purcell, "Pensions and Retirement Savings Plans: Sponsorship and Participation," Congressional Research Services, CRS Report for Congress, Order Code RL30122, October 22, 2003, p. 10.

²³ Patrick J. Purcell, p. 16.

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²⁴ For example, Professor Michael Sherraden of Washington University testified before the president's commission: "For the vast majority of households, the pathway out of poverty is not through income and consumption but through saving and accumulation.... When people begin to accumulate assets, their thinking and behavior changes as well. Accumulating assets leads to important psychological and social effects that are not achieved in the same degree by receiving and spending an equivalent amount of regular income." As quoted in: "Strengthening Social Security and Creating Personal Wealth for All Americans," The Final Report of the President's Commission to Strengthen Social Security, December, 2001, p. 28.

²⁵ The Final Report of the President's Commission to Strengthen Social Security, p. 39.

²⁶ Leanne Abdnor, "Social Security Choices for 21st-Century Woman," Cato Institute, Cato Project on Social Security Choice, SSP No. 33, February 24, 2004, p. 6.

²⁷ President's Commission to Strengthen Social Security, Interim Report, p. 24.

²⁸ The Final Report of the President's Commission to Strengthen Social Security, p. 35.

²⁹ The Final Report of the President's Commission to Strengthen Social Security, pp. 19-21.

³⁰ The Final Report of the President's Commission to Strengthen Social Security, p. 56.

³¹ Carrie Lips, "State and Local Government Retirement Programs: Lessons in Alternatives to Social Security," Cato Institute, SSP No. 16, March 17, 1999, p. 2.

³² Carrie Lips, pp. 3-4.

³³ For example, the Coalition to Preserve Retirement Security is a membership organization comprised of state and local organizations that lobby to defeat proposals that require state and local workers to participate in Social Security. Available at: <http://www.retirementsecurity.org>.

³⁴ Judge Ray Holbrook of Sante Fe, Texas, in interview on April 5, 2004.

³⁵ Judge Ray Holbrook, testimony before the President's Commission to Strengthen Social Security, San Diego, California, September 6, 2001.

³⁶ Valerie Vandeweghe, Benefits Administration, City of San Diego, testimony before the President's Commission to Strengthen Social Security, San Diego, California, September 6, 2001.

ABOUT IWF

The Independent Women's Forum, founded in 1992, is a nonprofit, nonpartisan, educational organization. IWF provides a voice for women who believe in individual freedom and personal responsibility, and who embrace common sense over divisive ideology.



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