



## WHAT YOU NEED TO KNOW ABOUT SOCIAL SECURITY

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### SOCIAL SECURITY PROVIDES GUARANTEED BENEFITS TO AMERICA'S SENIORS & FAMILIES EARNED AFTER A LIFETIME OF HARD WORK

#### Social Security helps all Americans

- 53 million Americans receive Social Security benefits, including more than 90% of America's seniors.
  - In Los Angeles County, over 1.4 million residents rely on Social Security benefits, including 50,000 in Rep. Becerra's district (CA-31).
- 1 in 3 beneficiaries is not a senior citizen, but instead a surviving spouse or child of a deceased breadwinner, a dependent spouse or child, or a person with disabilities.
- About 6.5 million children under 18 - nearly 9 percent of all U.S. children – received part of their family income from Social Security in 2005.

#### Social Security's benefits are essential to Americans' economic security

- Six in ten seniors rely on Social Security for more than half of their income.
- The average Social Security benefit for a retiree is \$14,000 a year.
- The median income for senior households is a mere \$24,000 - reflecting just how much Social Security means to most American seniors.
- One in three seniors rely on Social Security for more than 90 percent of their income. Among elderly widows and unmarried women, half have little to live on other than Social Security.
- Social Security lifted 1.3 million children out of poverty and reduced the depth of poverty for another 1.5 million children.
- Social Security provides secure income to workers, their families, and survivors. For a 30 year old, married worker with two children, Social Security provides the equivalent of a life insurance policy worth \$476,000 and a disability insurance policy worth about \$465,000.
- More than one-third of young men and nearly one-third of young women will either become disabled or die before reaching retirement age.

#### Social Security cannot be matched by private accounts and pensions

- Only half of the workforce has a retirement plan (pension or savings) at work.
- Employer-sponsored defined benefit pension plans, which provide a guaranteed monthly income, are quickly being replaced by riskier employee savings plans, which do not.
- Social Security has no investment risk and its retirement benefits cannot be outlived, unlike private savings.
- Unlike private savings and most pensions, Social Security's purchasing power is protected against inflation.
- 401(k)s and IRAs lost \$2.8 trillion (32 percent of their value) in the financial collapse during 2008.
- Home equity values, which many believed were reliable as investment income, lost \$6.8 trillion since 2006.

## SOCIAL SECURITY IS SUSTAINABLE AND AFFORDABLE

### **Social Security is self financing and does not contribute to the deficit.**

Social Security is a self-financed program. It is funded directly by payroll contributions that are used to purchase interest-earning government bonds backed by the full faith and credit of the United States. Any income that is not needed immediately to pay benefits is held in a trust fund that can only be used to pay for Social Security benefits. Social Security cannot borrow funds from any other source.

The trust fund is currently valued at \$2.6 trillion, and will grow to \$4 trillion before being used as designed to help pay for benefits for the large Baby Boom generation.

The trust fund belongs to the American people. Anyone who says we need to cut benefits to reduce the budget deficit means they want the government to avoid having to pay back the American people who own the bonds in the trust fund. They would never say we should not pay back the government's other creditors.

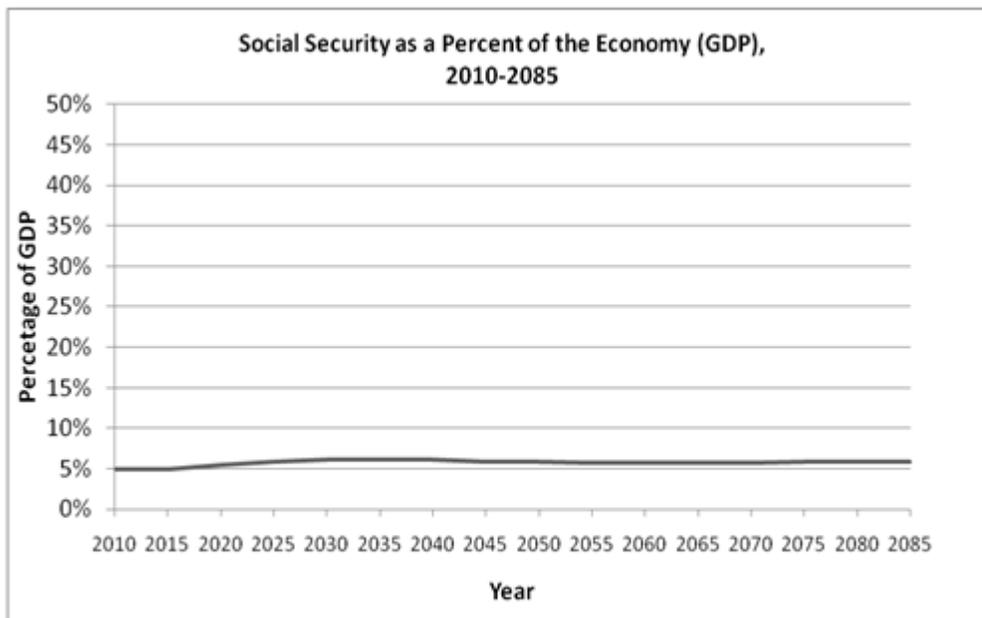
### **Social Security can pay full benefits for nearly 30 years and will never "go bankrupt."**

The trust fund is large enough to pay full benefits until 2037, after which payroll contributions will be sufficient to pay about 75 percent of scheduled benefits.

Congress will need to make adjustments to Social Security financing to ensure that benefits can be paid in full after 2037, but this does not necessitate radical changes or dismantling the structure of Social Security, which has worked well for Americans for 75 years.

### **Social Security is affordable now and in future generations.**

Contrary to myths promoted by opponents of Social Security, the cost of the program is a very small share of our national economy. As a proportion of the Gross Domestic Product (GDP), Social Security costs are only 4.9 percent. As Baby Boomers retire, the cost will rise only slightly to 6.2 percent of GDP by 2035, and then drop back down at a stable 5.8 percent of GDP by 2050 and thereafter.



Source: Board of Trustees. (2009). *Annual report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Washington, DC: U.S. Social Security Administration: Table VI.F4, page 184.