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Social Security is a bum deal for many

Ida Mae Fuller made history when she retired in November 1939. After paying a total of \$24.75 in Social Security taxes over a three-year period, she received the first Social Security check of \$22.54.

By the time she died in 1975, Fuller had collected \$22,888 from Social Security.

It worked that way for decades, but as the Associated Press asked recently, "Social Security: Good deal?"

Good question.

In 1960, a married couple that earned average wages had paid \$36,000 into Social Security by age 65. But they stood to collect \$259,000 in benefits during their retirement years.

Today, the average person cannot expect to get in benefits even what he paid in.

A two-income couple that earned average wages over the years before retiring last year had paid \$598,000 in Social Security taxes. That was more than \$10,000 a year in Social Security taxes.

If they reach the average life expectancy - 82 for the man and 85 for the woman - they will collect just \$556,000 from Social Security.

That is a loss of \$42,000.

Michael Tanner, director of the conservative Cato Institute's Project on Social Security Choice, suggested in February 2004 that people be allowed to split their Social Security taxes.

Instead of paying a hypothetical \$10,000 a year to Social Security, the couple could invest \$5,000 a year for 40 years with the rest going to the government to pay benefits to existing retirees.

At 65 they would have a nest egg of:

* \$332,562.79, if invested in government bonds, which averaged a return of 2.44 percent over the last 40 years.

* \$418,860.23, if invested in corporate bonds, which averaged a return of 3.46 percent over the last 40 years.

* \$960,388.35, if invested in stocks, which based on the Standard & Poor's 500 Index averaged a return of 6.85 percent over the last 40 years.

Under Social Security a couple loses \$42,000. With an investment plan, the couple would make anywhere from \$132,000 to \$560,000.

Washington rejected a watered-down version of Tanner's plan in 2005.

The failure to reform Social Security years ago means that the average couple that retires at 65 in 2030 will have paid in \$796,000 but will collect only \$699,000 if they live to their life expectancies.

This is a bum deal for today's retirees, and it will be much worse for their children and their grandchildren.