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Social Security Deficit Means Trouble Today

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Social Security is now expected to run a permanent deficit, according to a report released by the Trustees of Social Security and Medicare last week.

This is a pretty amazing moment. I remember when I was first cutting my teeth as a Social Security analyst at the Cato Institute in the mid-90s. Back then, the expected date for when Social Security's finances would turn red was 2013.

That's a pretty good job estimating by those Trustees, but it's actually relatively easy to predict the future when it comes to Social Security. Economic conditions effect how much payroll tax comes in, but the benefit costs are pretty fixed since it depends on the aging and longevity of the population. That makes the math relatively straight-forward, and we've now known for decades that Social Security's finances are unsustainable, since our population is aging rapidly. Baby boomers are retiring and people are simply living much longer than the system, which was conceived in the 1930s, ever anticipated.

For years politicians have pretended that Social Security's problems are far off--that because Social Security has assets in a "trust fund" that are supposed to makes the program's finances okay. But taxpayers will start learning the hard way that the trust fund is no comfort to them: In fact, those assets are taxpayer liabilities and the budget is about to be squeezed as Social Security cashes in its "trust fund bonds" for money out of the general treasury.

The question is what do we do now? Can we actually make changes to the future benefits of people like me who still have decades to prepare for retirement? It seems like common sense, but that doesn't mean that it will fly in Washington.