

INVESTOR'S BUSINESS DAILY®

Don't Wait For Social Security's Crisis — It's Here

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Entitlements: Social Security is like the classic children's tale, "The Boy Who Cried Wolf." So many warnings have been made, no one listens anymore. Well guess what? The wolf's now at the door. Are you listening now?

For the first time in 36 years, Social Security will take money out of its "trust fund" — an accounting fiction that would get you jailed for fraud in the private sector — to pay retirees. The truth is, Social Security is for all intents and purposes bankrupt.

Since 2010, Social Security has been spending more than it took in, making up the difference by tapping into the interest paid on a \$2.9 trillion government bond fund. That "interest" is really your tax dollars. Congress, you see, spent the actual money that came in through your payroll taxes and left IOUs. Now, even the interest on those entitlement IOUs is no longer enough. So they're going to have to start selling off assets to pay what they owe. Last year, it was \$41 billion. It will only grow.

By 2034, the entire pile of IOUs will disappear. Everything. It will require slashing benefits by at least 21%, or raising payroll taxes by 31%. That's for workers who are today 50 years of age. It is a devastating fiscal picture, one that has profound meaning for our society going forward.

As Cato Institute economist Michael D. Tanner estimated in 2015, Social Security faces a long-term funding shortfall of \$25 trillion and Medicare of \$48 trillion. Yes, that's trillion with a "t." No doubt, it's far bigger today. To do nothing is tantamount to an irresponsible declaration of national bankruptcy over entitlements.

Entitlements: A Predictable Disaster

The sad fact is, we've known this was coming for years. It's only getting worse now because of the substandard economic growth during the Obama years, which reduced the amount of payroll taxes going into both Social Security and Medicare. So our financial Armageddon is coming earlier than expected.

Putting an end to this latter-day Ponzi scheme won't be easy. Americans have been told repeatedly the only "fix" we need is to raise taxes on the rich to close the gap. But even taxing America's most wealthy won't be enough. Gen-X and the following generations will pay for the massive group of now-retiring Baby Boomers, with nothing left for them when they retire.

This is not just bad finance. It's immoral.

It's time for all of us, politicians and citizens alike, to consider real, workable alternatives to fix the problem. That would entail modest changes in future Social Security benefits, coupled with private Social Security accounts that would be tied to positive market returns, not to politicians' absurd promises.

More socialist solutions — higher taxes, more benefits — not only won't work, they will drag down the world's most productive economy. The wolf of national insolvency is at our door. Don't let him in.