

# **Social Security Crisis**

**Transcript**

Yes, it's happening again. The amount of money in the Social Security Trust Fund is headed down. We've been in this situation before, in the late 1970's, and we're back.

Social Security began in 1937 with a tax rate of 1% of wages and salaries to be paid by employees, and an equal amount paid by employers. That tax rate was increased step by step until it reached its current level of 6.2% in 1990.

The Social Security web site gives us a lot of data on how much money they have received and how much they have paid out. The difference is put into, or taken out of, the Trust Fund.

Zooming in on the data, we see that for each year, the amount of money received is approximately equal to the amount paid out. But there are variations year to year, and that is the primary reason for the Trust Fund.

Here's what the Trust Fund looked like from 1937 until the first major crisis. When the drop became a political issue, Congress acted to raise taxes further, and to reduce benefits by increasing the full retirement age from 65 to 67.

Here's what happened next. Baby Boomers paid a lot of taxes to build up the Trust Fund for our own retirement, and now we're starting to draw down the Fund. Of course, it won't last forever. Our supply of young workers is shrinking because birthrates have dropped, and we're not welcoming immigrants the way we did in the past.

So is this a crisis? Well, we have to raise taxes to continue paying full benefits. When economists tell us we need to raise taxes, they usually scare the heck out of us to get our attention. So remember, it's really just a tax increase.

Social Security is not going to die.