Social Security: How Much Do Seniors Deserve?

Transcript

Social Security retirement checks could be cut dramatically if Congress does not raise taxes. Is this fair? Do seniors deserve 100% of what they’re getting now?

For ordinary retirement accounts, it’s easy to calculate how much you get: take how much you put into the account, plus investment returns, and divide by the number of years you’re going to live. Now that’s a problem: we don’t know how many years we’re going to live.

Social Security works more like an insurance policy. Let’s say Peter and Paul drive identical cars and pay identical premiums for car insurance. Peter’s car gets totaled, while Paul has only a small fender bender. Then Peter collects a lot more money.

Social Security payments are calculated from a formula based on how much you paid in plus how much you need to stay out of poverty.

In fact, Social Security is an insurance policy for the economy as a whole, not just for individuals. We need somebody to raise the next generation of workers, so young parents should not bear the financial burden of supporting their own parents.

In addition, seniors overall contribute greatly to the care and education of their grandchildren, plus volunteer community projects. Retirement payments keep millions of seniors out of poverty, so they can do unpaid productive work instead of begging for money or working in the illegal economy, selling drugs or running scams.

So it’s not just about how much money seniors deserve. It’s how much all of us need to keep our economy stable.

Rich people need a stable economy just as much as anyone else, so two Senators have proposed legislation to increase Social Security taxes on the highest earners. We can expect to hear a lot more about this proposal in the next few years, before the Social Security Trust Fund runs out completely.