



Social Security Choice

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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Bush Talks Social Security Again; Strikes Ownership Theme

President Bush delivered a speech this week at a meeting of the Economic Club of Washington, where he spoke on a variety of topics, including the economic implications of Hurricanes Katrina and Rita. The president's remarks indicated that Social Security reform remains on his agenda in spite of Congress's reticence to address the matter. The speech suggested that some of the broader problems faced by those impacted by the hurricanes were exacerbated by a lack of ownership.

According to the [Houston Chronicle](#), the president said, "One way to spread ownership throughout our society, into neighborhoods where some may not own anything, is to allow (young people) to save some of their own (money)—their choice—in a personal savings account as part of Social Security reform."

Taxable Wage Base to Increase in 2006

The Social Security Administration [announced](#) earlier this month that the annual cost of living adjustment (COLA) for Social Security benefits will be 4.1% for 2006. These higher benefits will kick in for the 48 million Social Security beneficiaries beginning in January.

Additionally, the maximum wages subject to the Social Security tax will increase from \$90,000 to \$94,200. According to the Kiplinger Tax Letter, a biweekly industry newsletter, the \$4,200 jump is \$900 more than Social Security's own actuaries had anticipated. The Social Security Administration notes further that the increase in the wage base will mean higher taxes for more than 11 million workers.

Greenville, SC News Supports Reform Minded Senators

An editorial in the Greenville, South Carolina *News* supports the efforts of its two home-state Senators, Jim DeMint and Lindsey Graham, to reform Social Security. The editorial notes that "the system's problems remain a huge concern" and the need for Congressional action is "urgent." An excerpt follows:

“Recently, Bush said the public had little appetite for Social Security reform. The president himself seems to have lost heart for the battle.

“Yet the problem has not gone away: Social Security remains in deep trouble.

“In 2017—a little over a decade—the Social Security system will begin to pay out more than it receives in taxes—and pay out more and more each succeeding year—for the retirement of 70 million baby boomers. Federal lawmakers at that time will either have to raise taxes sharply on working people, slash benefits for retirees or increase their irresponsible borrowing.

“The reason has everything to do with the number of workers currently supporting each retiree: We now have about three workers per retiree, and in another generation it will be only two workers per retiree. Couple those changing dynamics with much longer life spans, and it’s easy to see why Social Security must be changed to avoid insolvency.

“The need to overhaul the system is urgent, and that reform should include voluntary retirement accounts—to give retirees more control over their financial future. So far, reform has fallen prey to partisan rancor. Democrats have refused to support Bush’s efforts to change the system, and they’ve balked also at putting forth their own comprehensive plan for saving Social Security. It’s true, as well, that Bush conceived his own plan without seriously soliciting Democratic input.

“South Carolina’s two Senators, Jim DeMint and Lindsey Graham, have long advocated Social Security reform that allows people to create private retirement accounts with a portion of their federal payroll tax. In June, DeMint, Graham, and nine other Republican senators announced new legislation designed to shore up Social Security, create private accounts, and stop the raid on the Social Security fund. Since 1985, \$1.7 trillion has been siphoned from the fund to be used for general federal expenses.

“American voters expressed their hope of Social Security reform by giving Bush a second term in office and affirming GOP control of Congress. Federal lawmakers still have a mandate to act. Social Security’s looming problems aren’t going away.”

Publications

The Social Security Administration has released the latest edition of its monthly bulletin, “[International Update](#).” The publication for October looks at movements toward pension reform in Macedonia, Portugal, Fiji, and Malawi.

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