

How Secure is Social Security?

Student Handout

Group 5: THE PRESIDENT'S PROPOSAL

Your group will report on President Bush's proposal to address the Social Security problems. You are encouraged to develop visual aids to assist in their presentation. Review the plan at

http://www.pbs.org/newshour/bb/social_security/reform/accounts.html to prepare your presentation. Additional information can be found at <http://www.whitehouse.gov/infocus/social-security/>.

1. Describe the President's personal accounts proposal and explain how it is philosophically part of the "ownership society" promoted in his second term agenda.
2. Briefly describe the history of this idea and why it wasn't instituted when Social Security was first established.
3. Describe the three proposals generated by the President's Commission to Strengthen Social Security developed in 2001.
4. Focusing on Model Two, the one preferred by the Bush Administration, describe the higher level of benefits future retirees would receive over the current system. Describe how workers' money would be invested in the two-tiered system envisioned by the president's commission and explain why supporters of this plan believe it reduces the risk of investing in the stock market.
5. Currently, employees and employers together pay 12.4% of gross income (income before taxes) into the Social Security system for a worker's retirement. Under the personal accounts model 4% of gross income would go into a private account and 8.4% would go in to the existing Social Security system to pay the benefits of current retirees. Describe the "transition costs" this plan would create and where the money would come from to pay for them.
6. Describe what critics say about investing Social Security contributions in the stock market, reducing the amount of funds available from 12.4% to 8.4% to pay for current retirees, and the overall costs of funding the personal accounts plan.