

## Review Questions:

- Why were Democrats unreceptive to the report by the President's commission on Social Security?
- What are the costs and benefits of workers investing part of their Social Security contributions into personal accounts?
- Will personal accounts program help solve the long-term funding problem facing Social Security? Explain your answer.
- What are some of the political messages both supporters and detractors have presented to best promote their view of the personal accounts plan?
- Where do you feel each side has fallen short in convincing the American people of their respective view of personal accounts?

# Social Security Reform

## Student Handout

### Personal Accounts Data Gathering chart

Directions: In your group of four have each member research one of the following topics. Review the transcripts from the Washington Week Programs of July 27, 2001 and February 4, 2005 for answers. Be complete and detailed in your responses. Use an extra sheet of paper if needed. If you have finished your segment early, help other students next to you with theirs. When finished, answer the review questions below.

President Bush's bi-partisan commission and its report on Social Security	Democrats' views on the commissions' plan
Republicans' mixed views on the President's personal accounts plan	Older and younger citizens' views on the plan

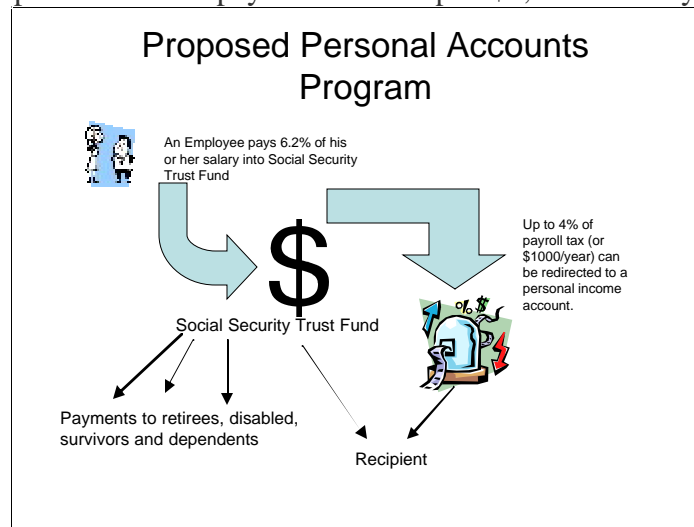
# Social Security Reform

## Student Handout

### Personal Accounts

In 2001, after President Bush was first elected, he appointed a bipartisan commission to study Social Security and come up with proposals to stabilize the system. The President's *Commission to Strengthen Social Security* was criticized at the time for not including anyone who opposed private accounts.

The Bush administration supports one of the plans proposed by the commission to let workers voluntarily redirect 4 percent of their payroll taxes -- up to \$1,000 annually -- to a personal account.



The commission determined that a medium-wage worker participating in the program who retires in 2032 would receive 22% higher benefits than a current retiree and that by 2052 the increase is projected to be 59%. These figures are based on the premise that the stock market will perform well (at an average of 6.5 %) and that Treasury bonds (the way surplus Social Security trust funds are currently invested) yield about 3%.

In its report, the president's commission relied on the historic long-term growth of the stock market. But as investors know from recent years, "past performance does not guarantee future results." Critics of the program are fearful the proposed program would leave beneficiaries vulnerable to the instability of the stock market. Others say the cost to pay for such a program could run over \$1 trillion because benefits would have to be continuously paid out while 4% is being held in the stock market waiting for maturity.

The range of available investments would still be tightly regulated, however. There will be guidelines and regulations to provide a safe way to invest. The government already has a similar plan in place for civilians who are employed by the U.S. government and members of the armed forces. The federal government contracts out the investing to mutual fund managers who compete for the contract. Much of the money has gone into a special money-market account operated by the U.S. Treasury and an S&P 500 Index fund, which invests in the companies of the S&P 500.