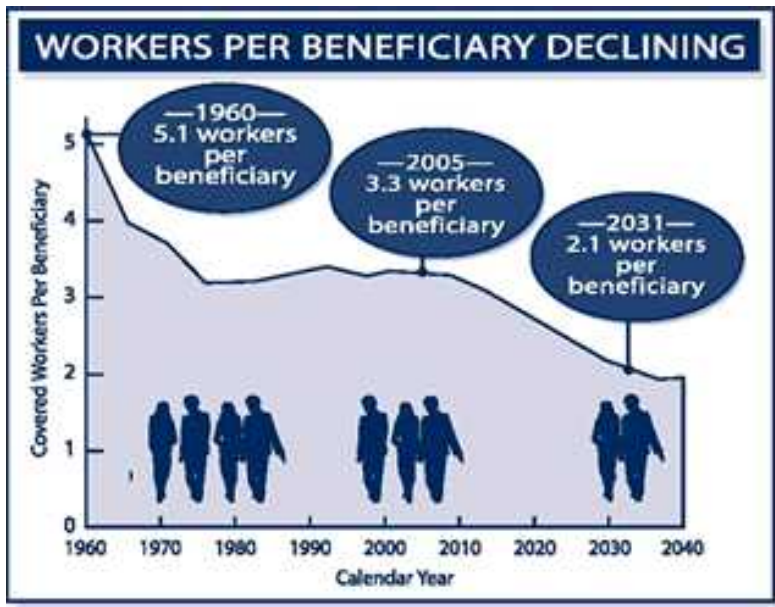


5. Chart #3 shows the number of people paying into the system in relation to the number of people receiving benefits. What is happening in this chart?
6. What effect will this decrease in workers paying into the system have on Chart #1? How has the increased number of beneficiaries in chart #2 affected the worker to beneficiary ratio in chart #3?
7. Chart #4 shows the amount of funds in the Social Security trust fund to pay future beneficiaries. What factors featured in charts 2 and 3 will contribute to the down turn in funds that occurs beginning in 2020?
8. How will the reduction in the trust fund after 2020 affect the surplus in Chart #1?
9. What conclusions can you make about the future of Social Security as a workable retirement option for many Americans?
10. What recommendations would you make to Congress to help ease some these problems?

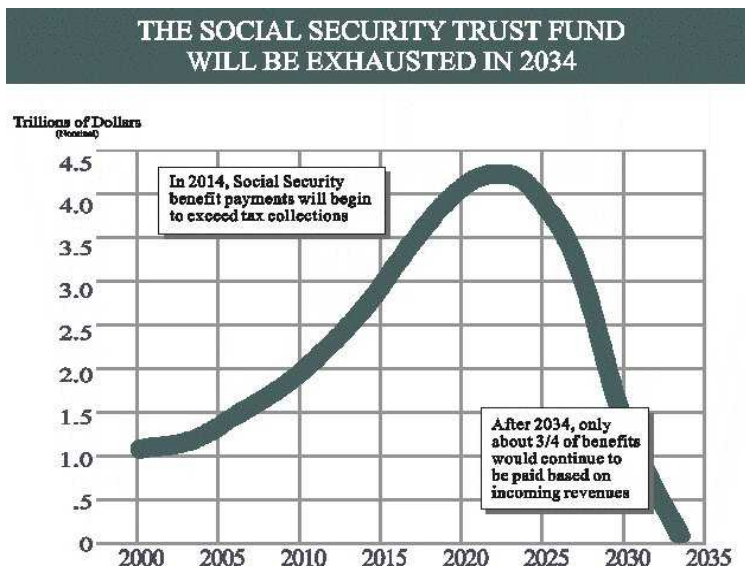
Chart #3: The number of upcoming workers is declining



Since the inception of the Social Security program, the number of workers contributing to the system has dropped. When the program was first started there were 17 workers per retiree. Since 1960 that number has dropped dramatically. The chart to the right shows this decrease and where it will be in the future.

From the Social Security Website <http://www.ssa.gov/pubs/10055.html#demographics>

Chart #4 The Future Of Social Security



Currently, the Social Security trust fund is taking in more in payroll taxes than it is paying out in benefits. There is about \$850 billion in the trust fund and it will grow \$4 trillion in the next 20 years. This is due to general rise in workers wages. But by 2020, payment to beneficiaries will exceed taxes paid into the system. The chart at the right shows how the trust fund will increase just beyond the year 2020 and then decrease. If nothing is done to address this decline, the trust funds will be exhausted by 2034. At that time, it is estimated that Social Security will only be able to meet 73% of its benefit obligations.

From the Federal Citizen Information Center http://www.pueblo.gsa.gov/cic_text/fed_prog/futureof-ss/10055.html

Discussion Questions:

1. Chart #1 shows the income and outgo of funds in the Social Security trust funds. Where does the income come from and to whom are the outgo payments made?
2. In 2005, what was the status of the trust funds (how much was coming in and going out and what was the surplus amount)?
3. Chart #2 shows the increasing numbers of Social Security beneficiaries. What has caused the sharp increase of beneficiaries from 2000 to 2020? What is the projection of this increase beyond 2020?
4. How might this increase effect the income and outgo chart in #1?

Social Security Reform

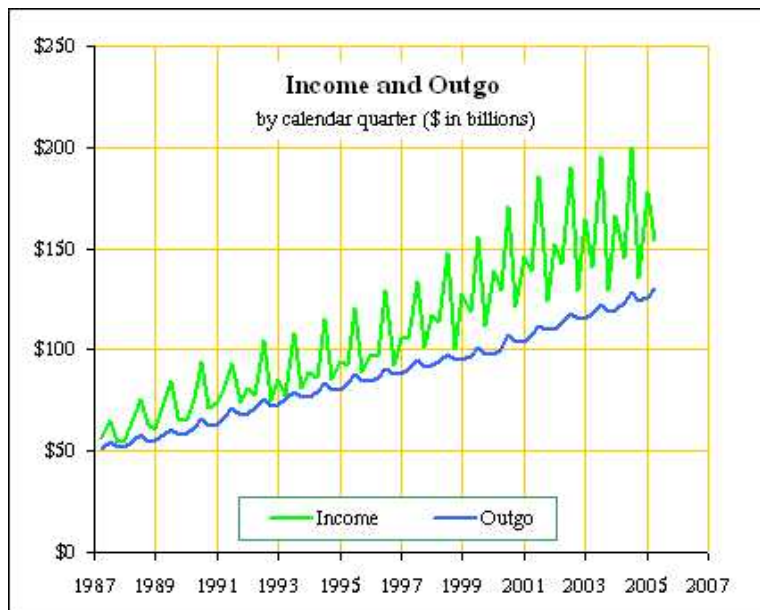
Student Handout

The Future of Social Security

OVERVIEW: Over the life of the Social Security program, Congress has had to make adjustments to meet changing conditions. The program has added the disabled, survivors of beneficiaries, and cost of living adjustments to the program. In 1983, President Ronald Reagan signed a Social Security law that increased payroll taxes and extended the retirement age from 65 to 67 to increase trust fund reserves and contributions to beneficiaries. In 2001, President Bush appointed a commission to study ways to improve Social Security. Why is Social Security in financial difficulty today? What has caused this most recent crisis?

Directions: Review the charts below in order and read the captions provided. Then analyze the meaning of these charts by answering the questions below.

Chart #1: Income and Outgo of Social Security Funds.



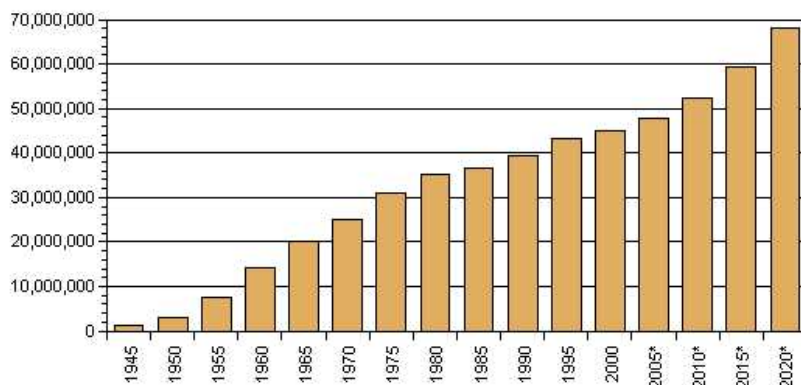
Social Security's income comes from payroll taxes paid by employee and employer at 6.2% each. Outgo is given to beneficiaries (people retired, disabled, survivors of deceased workers, and dependents of beneficiaries). Over the years, the social security trust funds have been able to accumulate a surplus of funds necessary to meet its obligations to beneficiaries. As the graph at the left shows, income has exceeded outgo in every year of nearly the past twenty years. The surplus as of March, 2005 was \$24 billion dollars.

From SS admin <http://www.ssa.gov/OACT/ProgData/assets.html>

Chart #2: the effects of the retiring "baby-boom" generation

Growing number of Social Security beneficiaries

Old-Age, Survivors, and Disability Insurance (OASDI) recipients, 1945-2020



In the coming years, the number of retirees will increase as the "baby-boom" generation retires. It is expected that between 2005 and 2020 the number of retirees will increase nearly 20 million. Also, contributing to these numbers are people living longer. In 30 years there will be twice as many older Americans as there are today.

*projected
Source: "2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds," March 2004, Social Security Administration

From *Public Agenda* http://www.publicagenda.org/issues/factfiles_detail.cfm?issue_type=ss&list=1