

## The Social Security Crisis Is Here: We Must Act Now

The name Kathleen Casey-Kirschling, a teacher from Maryland, may mean nothing to you, but she holds the distinct honor of being the first baby-boom retiree to collect Social Security benefits. She will be followed by about 78 million more boomers over the next 17 years. With everything that has gone on this year from the collapse of toxic mortgages to the \$700 billion bail out of the financial system, no one these days is talking about what could be the mother of all crises that is upon our doorstep today. That is the Social Security crisis. And this crisis promises to be much worse than the any thing we have seen so far.

The numbers are real and they are scary. On January 1, 2000, the U.S. had \$5.7 trillion in total debt. Today, it has nearly doubled. Next year alone it is estimated that the Treasury Dept. will have to float almost \$2 trillion in total debt just to pay for the current budget plus all of the extra bailout and economic stimulus programs enacted this year. But these numbers pale in comparison to what we will need in funds to pay Ms. Kirschling and her 78 million friends over the coming years.

The US Government Accountability Office (GOA) estimated last year that the unfunded entitlements in our country's obligations for Medicare and Social Security alone total almost \$41 trillion. That works out to \$352,000 per U.S. Household. This \$352,000 is the present value shortfall between what you are entitled to get, and how much actual money is available for you. And this gap will widen every year as the cost of healthcare and the number of beneficiaries eligible for benefits increase.

I have written before about how the U.S. has become a credit addicted nation and these debt levels are the main cause of our current financial crisis. It isn't surprising that it is also at the root of this crisis as well. Our debt levels are nearing all time records based as a percentage of our economic output. By 2040, the GAO projects that debt levels will double the record amount set at the end of World War II. Based on GAO data, balancing the budget in 2040 would require us to cut

spending by 60 percent or double the overall tax rates. Today, social security and Medicare account for almost 40 percent of the budget. By 2040, they could account for 60 percent. Where will the cuts in the budget come from?

That is why we believe this crisis will affect all aspects of the economy as well and effect much more than just lost benefits to retirees. The danger to the economy is that social security and Medicare's portion of the federal budget is expected to grow so fast in future years that because they will make up such a large part of future budgets, other programs such as research and development, infrastructure and even education and defense will have to be severely cut back thus affecting aspects of all Americans lives.

So what do we do? Proposals have been made. Among them are budgets savings that would accrue from repealing the Bush-era tax cuts, ending the war in Iraq or stimulating the economy and then expanding the economy to increase tax revenues as we head out of the recession. The fact is the economy could grow at 3.2 percent a year, as it did throughout the 1990s and even if ALL of the above suggestions occurred, it still wouldn't even come close to addressing this gap in the funding of the program.

With baby boomers starting to take delivery of their checks right now, this funding crisis is already upon us. The entitlements due from social security and Medicare are being paid today with funds borrowed from tomorrow. And because of all of the new emergency funding measures enacted in 2007, any extra revenue raised by tax increases and bond sales will go to fund these programs and NOT into the social security fund to bolster it's balance. After crunching the numbers, the majority of experts are stating that unless something is done this year, and in their words a "major overhaul" the system will go bankrupt. And these are not opinions, they are facts based on the numbers.

The decline in the value of retirement accounts due to severe drop in the markets, coupled with the lowest

interest rates since the 1950s, have delayed many American's retirement plans. The coming social security crisis will no doubt add to these worries. The most maddening fact here is as a country, we have known that this day of reckoning has been coming for years and yet we did nothing.

Well, that day of reckoning has arrived and Katherine Casey Kirchling and the 78 million boomers behind her will be demanding their benefits. Unfortunately, we can not bail out the nation's entitlement programs like we can the banks. Washington DC and the new administration are going to have to act and act now. We can not delay dealing with this crisis any longer.

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