**History - Social Security’s Programs**

1. \_\_\_\_\_\_\_\_\_\_\_(year) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(program)
2. \_\_\_\_\_\_\_\_\_\_\_(year) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(program)
3. \_\_\_\_\_\_\_\_\_\_\_(year) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(program)

**Who Gets Benefits from Social Security?**

* 50 million people

**Who Pays for Social Security?**

**Where Does the Money Come From?**

* Social Security Trust Fund
  + Payroll Tax=\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_%
  + Trust Fund Interest=\_\_\_\_\_\_\_\_\_%
  + Taxation of Benefits=\_\_\_\_\_\_\_\_%

**You Need to Work to Earn Social Security Credits**

* Each $1,090 in earnings gives you one credit
* You can earn a maximum of 4 credits per year
* Example: To earn 4 credits in 2009, you must earn at least $4,360. Earning 40 credits throughout your working life will qualify you for a retirement benefit.

**Your Age When You Retire Affects Your Benefits**

* If You’re a Worker and Retire
* At age 62, you get a lower monthly payment permanently
* At your full retirement age, you get your full benefit
* You get an even higher monthly payment if you work past your full retirement age

**In Addition to the Retiree,** **Who Else Can Get Benefits?**

* Your Spouse
  + At age 62
  + At any age if caring for child under 16
  + or disabled
  + Divorced spouses may qualify
* Your Child
  + Not married under 18
  + (under 19 if still in high school)
  + Not married and disabled before age 22

**How Social Security Determines Your Benefit**

* Social Security benefits are based on earnings

Step 1 Your wages are adjusted for changes in wage levels

Step 2 Find the monthly average of your 35 highest earnings years

Step 3 Result is “average indexed monthly earnings”

**Points to Remember:**

* If you have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, you will be eligible for a monthly Social Security retirement benefit
* If you have paid Social Security taxes on 30 or more “substantial” years of earnings, your benefit will not be reduced

**What’s Social About Social Security?:**

* One goal of Social Security is to raise the standard of income for lower income workers

**How Do We Do This?:**

* A weighted benefit formula
* A lower income worker receives a higher rate of return

**Spouse’s Benefits:**

* Before 1977, a spouse could have worked in non-covered work for a state, Federal or local government and yet receive a full Social Security spouse’s benefit.
* Effective 12/1/77, an offset was introduced so that government workers entitled to Social Security spouse’s benefits but had their own government pensions had those benefits considered when Social Security computed their spouse’s benefits.

**Who Can Get Survivors Benefits?**

Widow or Widower:

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_benefits at age 60
* If disabled as early as age 50
* At any age if caring for child under 16 or disabled
* Divorced widows/widowers may qualify

Your Child if:

* Not married under age 18 (under 19 if still in high school)
* Not married and disabled before age 22

**Social Security’s Disability Definition:**

* Amedical condition preventing substantial work for at least 12 months, or expected to result in death. The determination also considers age, education & work experience.

**Who Can Get Disability Benefits?**

Worker

* Must have paid into Social Security five out of last 10 years Spouse
* At age 62
* At any age if caring for child under 16 or disabled
* Divorced spouses may qualify

Child

* Not married under age 18 (under 19 if still in high school)
* Not married and disabled before age 22

**Privatization: Pros and Cons**

* Privatization
  + Privatization is defined as the elimination of Social Security, and turning over the funds to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ companies.

**The Appeal of Privatization**

* Lower Taxes
  + Don’t have to pay pesky Social Security taxes
  + Neither does employer
* High returns
  + You will be smart enough to always have high rates of return
  + You will be smart enough to outsmart the market
  + Market always rises, or at least, your returns will always grow
* Self-control
  + In charge of your money: you pick stocks or other investments
  + No one else has hand on your money
* Self-interest
  + Don’t have to pay taxes to take care of others you don’t like
* Increase national savings.
  + Since more people will have more money, they will save it by investing in the stock market.
* Greater business investment.

- Since we lower taxes on businesses, they can take the money and invest it, to create

new jobs and new products.

- In addition, the flow of money to the stock market will mean more funds to

business.

**Why Not Privatize Social Security?**

* Will be very large transition costs
  + $100 to $200 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + Funds necessary to take care of the elderly after the Social Security Trust Fund is out of money.
* Record of countries that have partially or fully privatized has shown that it is:
* Far more expensive to the individual investor
* Far more expensive to the country
* Many in low paying, but essential jobs
* Cannot save for retirement
* People who cannot save once they have children
* People who cannot save with elderly relatives
* People who become injured or disabled and can no longer work, or work at the same income levels.
* Families who lose an income earner from death or disability
* People who are not financially savvy will lose all or some of their investments.
* Reality check: how many people rate themselves as good to excellent drivers?
* What do we do when the stock market drops or goes through a long-term decline?
* In four 20 year periods in the past century, inflation adjusted returns were close to zero.
* These years were 1901-1921, 1929-1949, 1962-1982, 1964-1984