Solutions for Social Security Answer Key

Directions: Read the brief description for each proposal and identify AT LEAST one positive feature of this suggestion and AT LEAST one negative feature of the suggestion.

Suggested Solution	Positive Features	Negative Features
Raise retirement age - Currently at 67, some people have suggested raising the age of eligibility to as high as 80.	*Cuts total number of years people receive benefits, people contribute more over their work years, life spans are longer, may cut long-term deficit as much as 27% alone.*	*Later years work may not be as productive, increased risks of injury/medical leave time, labor market not conducive to older workers (may get lower wages).*
Create a longevity index - You would receive benefits based on a series of data collected about you including your age, health, lifestyle, etc. If your index indicated a long life, you'd receive less benefits up front.	*Benefits could be customized according to needs and situation, index could be adjusted as long-term health and lifestyle choices were made.*	*Some lifestyle measures difficult to quantify, would create odd incentives (less healthy people get more?), index could be wrong and thus creates more uncertainty into budget.*
Recalculate COLA from CPI to elderly CPI - The current "cost of living adjustment" for SS is based on the common consumer price index. Some suggest this inflates the amount of increases and since elderly people spend differently, their CPI should be calculated differently. In most models of this, benefits would be reduced between 0.5% and 2% while in others benefits would increase 3%.	*More accurately reflect senior purchasing habits including the fact that they spend MORE on healthcare related purchases.*	*An elderly index might actually INCREASE benefits as healthcare costs would be factored in, other government pension plans have to use CPI so SS should too.*
Increase/Eliminate Payroll Tax Cap - Companies only pay FICA taxes up to a certain amount. People who make multi-million dollar salaries, for example, don't pay payroll tax on all of it. Increasing the cap or eliminating the cap would be a way to bring in more revenue.	*This would reflect the original intent of congress when the cap was set at 90% of earnings, as earnings have increased, current caps only capture about 83%, some also think it's "fair" that higher earners should be contributing more.*	*Many think it's unfair that just because a person makes more, they should have to pay more, might discourage some workers from earning a little more to avoid the cap.*

Increase Payroll Tax Rate - Many folks over the years have advocated raising the payroll rate higher than 12.4%, some have suggested as high as 20%.	*A slight change from 12.4% to 14% would only be around $.55 of the average weekly check, has the most direct effect on the SS budget.*	*With employers having to match, even a small change can be greatly amplified for a large company with thousands of employees.*
Reduce Benefits - If you can't generate revenue, some propose to just pay people less. Several proposals have been floated that would eliminate benefits to spouses and children entirely. Others have proposed to pay flat rate benefits rather than the regressive system that is in place.	*Most plans mainly call for higher income earners to get less benefits as they are more likely to have other retirement plans.*	*Extremely unpopular in polls, any reduction in benefits goes somewhat against the original intent of the program.*
Force all state/local government workers into system - Some states have state-funding pension plans for their government workers and they have received exemptions from paying in to SS. Of course, they also don't get the benefits. One proposal is to make everyone, regardless of job, pay in.	*This proposal could add around 6% to SS income, makes sense that everyone should pay based on how the plan is supposed to work, removes incentive to "shop around" for jobs that don't pay in.*	*Solves a short term income problem but eventually benefits will have to be paid so same problem exists, may cause state/local pension plans to get fewer contributions.*
"Means test" individuals - Arguably one of the more controversial suggestions is to only pay people "if they need it." When you retire, you would apply for Social Security and your payout (if any) would be based on your income, savings, other retirement options, ability to work, etc. In most versions of this, you would still be paying into the system while you worked not knowing what your payout would be.	*Different than the longevity index because this is based on monetary need, people with large retirement accounts don't need SS in the first place, other federal programs like WIC and Federal Housing already do this.*	*Means-testing essentially makes it welfare instead of an entitlement, penalizes those with private savings because those count against your SS benefits.*