

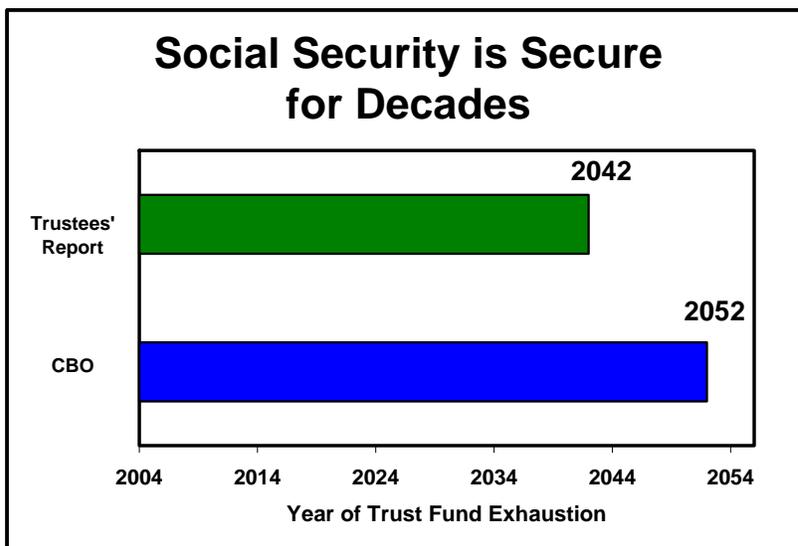
## Financial Outlook for Social Security: A Challenge, Not a Crisis

### Social Security is Sustainable

Social Security is effective and popular. But, in order to persuade the public that Social Security should be dramatically cut back and personal savings be made to substitute for guaranteed benefits, privatization advocates have sought to portray Social Security as unaffordable, unsustainable, and facing an imminent financial crisis. But a close look at the facts reveals otherwise.

Both the Social Security actuaries, in the annual Trustees Report, and the Congressional Budget Office make projections of the long-range financial status of Social Security. Both projections show surpluses for several decades, and a manageable problem over the long-range projection period. In fact, the CBO estimates show that **the long-range deficit in Social Security is only about half as large as the most recent estimate of the Social Security Board of Trustees**. CBO estimates a deficit of 1.00 percent of taxable payroll, while the Trustees project a deficit of 1.89 percent of payroll. (Put in the simplest terms, under the CBO projection, the 6.2 percent payroll tax would have to be raised one-half of one percent for employees and employers each to close the long-term deficit.)

Moreover, **the Trust Funds will be able to pay full benefits for almost 50 years**, until 2052 – a decade longer than projected by the actuary. These results reinforce that Social Security faces financial challenges -- but is not in a crisis. Based on the CBO estimates, the challenges are even more manageable than previously thought.



*Prepared by the Democratic Staff of the Committee on Ways and Means,  
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## Is Social Security Facing an Urgent Crisis?

The Congressional Budget Office (CBO) projections confirm the actuary's findings that there is no crisis in Social Security, and that we are decades away from experiencing shortfalls in the program.

The CBO report, in combination with the annual reports of the Trustees, continues a decade-long trend of stability and even improvement in the long-range forecast. Here are the three key dates:

- The year that *interest* on the Trust Funds' assets is first tapped to supplement tax revenues in order to pay for benefits: **CBO estimates 2019, the Trustees estimate 2018.** However, the Trust Funds continue to run yearly surpluses for two more decades.
- The year that the *bonds* held in the Trust Funds begin to be redeemed to supplement payroll taxes in order to pay for benefits: **CBO estimates 2033, the Trustees project 2028.**
- The year that the Trust Funds' reserves are fully drawn down: **CBO projects 2052, a full ten years longer than the Trustees' 2042 date.**

Note this does not mean that benefits can no longer be paid, however. Social Security will continue to receive **payroll tax contributions**. **These taxes will pay about 80 percent of benefits due in years following 2052, according to CBO; the Trustees estimate that ongoing revenues will finance about 70 percent of benefits due.**

## Is Social Security Going "Bankrupt"?

It is **incorrect** to say that Social Security will become "bankrupt" in 2018 or 2019. In 2018, Social Security is projected to have about \$5.3 trillion in reserves available to supplement payroll tax revenue, according to the Trustees report. Those reserves will continue to grow, reaching a peak of \$6.6 trillion in 2027. In fact, Social Security will not be "bankrupt" even in 2042 or 2052. This is because payroll taxes will still be coming in to the Trust Funds to finance benefits.

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