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Private Retirement Accounts Threaten Women's Economic Security

by Rep. Carolyn Maloney

It's no surprise that women are particularly wary of President Bush's proposed private accounts for Social Security. Women are more likely than men to depend on Social Security for their financial well-being - not only in retirement but throughout their lives, through survivorship and disability benefits.

The vast majority of Social Security recipients are women, representing almost 60 percent of all beneficiaries age 65 and over - and an even higher percentage among older age groups.

Women still make less money (about 76 cents on the dollar) and usually work fewer years than men. Social Security provides proportionately higher benefits for lower earners, so the progressive benefit structure counteracts the pay and pension gaps that women experience.

Taking time out of the workforce to raise children or care for ailing parents or spouses, women typically lose more than a decade of earnings. They are also more likely to work part-time and less likely to be covered by an employer-sponsored pension plan. As a result, they have lower lifetime savings, making Social Security typically a larger portion of their retirement income.

Because women earn less, they would have less to invest in private accounts than men, and more to lose from the substantial benefit cuts under the kind of privatization plan the President supports. The President's preferred plan requires cutting guaranteed benefits by more than 40 percent - even for those who choose not to invest in private accounts. Meanwhile, those who do choose a private account also would be hit with a "privatization tax" of 70 percent or more of the value of their account, which would be deducted from their Social Security benefits upon retirement.

Because Social Security helps level the playing field for women, cutting their benefits would make it even harder for women to achieve financial security in retirement. Without Social Security, more than half of white senior women and about two-thirds of African American and Hispanic senior women would live in poverty.

Also, because women live longer, whatever they are able to save in private accounts would have to be stretched to cover more years in old age. Unlike private savings, you can't outlive Social Security and the benefits are not eroded over time by inflation.

The President is having a hard time convincing the American people - especially women - that private accounts would be better for families than Social Security, and rightly so. It has touched so many of our lives.

Social security is an *insurance* program, not an investment plan, and private accounts would destroy much of the insurance value of the program. If you run out of money in your private account, try telling your broker that you've lived longer than you had planned or that you hadn't planned on being a widow with children to care for.

The President's private accounts pose a serious threat to the future economic security of all Americans. Private accounts would cut Social Security's funding, weaken the program and make its financial problems worse, not better.

Federal Reserve Chairman Alan Greenspan told Congress that private accounts will do nothing to improve Social Security's solvency. The government would have to borrow nearly \$5 trillion over 20 years to fund private accounts. That would increase interest rates, harm our economy, and lead to large tax increases.

Democrats want to work with President Bush to strengthen Social Security for the long-term, but we need to get it right. We shouldn't leave future generations without a safety net by replacing guaranteed benefits with private accounts subject to unpredictable stock market risks.

Clearly, women are at a disadvantage when facing retirement - they are paid less and work fewer years than men, on average. Any reform that is enacted must keep the safety net intact. Our mothers, our daughters, and our granddaughters are counting on us.

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