



U.S. Representative • 9<sup>th</sup> CD, New York • Brooklyn-Queens

**ANTHONY D. WEINER**

Report

**THE BUSH SOCIAL SECURITY GAMBLE:**

**Bad for New Yorkers of All Ages**



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**EXECUTIVE SUMMARY**

President Bush's new Social Security plan – meant to replace the system President Roosevelt set up in 1935 – will cost New York City retirees hundreds of dollars in guaranteed benefits over the coming years, eventually driving many below the poverty line. The risky plan will drain the Social Security Trust Fund today, and drive down benefits for future retirees tomorrow.

Today, there are 673,490 New York City seniors relying on Social Security payments. These checks are a vital source of funding for rent, medical assistance and food.

But President Bush's plan would make two drastic changes:

1. It would use the Social Security Trust Fund to pay for a risky private investment account scheme that will eat up a big portion of the funds stored away to pay benefits out to today's seniors.
2. It would change the way that retiree benefits are calculated, meaning that New Yorkers would, on average, receive drastically reduced benefits.

### **BUSH'S PLAN: DRAINING THE TRUST FUND**

The first element of President Bush's plan to overhaul Social Security is to divert funding from the Social Security Trust Fund to private investment accounts. The result is that the Social Security Trust Fund – the enormous bank account that pays out the benefits that seniors receive – will begin being depleted in just 15 years. It will cost \$2 trillion over just the next 10 years just to establish the private accounts, and hasten the insolvency by 21 years. That means that some seniors currently receiving benefits will begin seeing the pool of money that they draw down on shrink when they're in their early 80s. And seniors who are scheduled to begin receiving benefits will see the fund begin drying up when they are in their 60s and 70s.

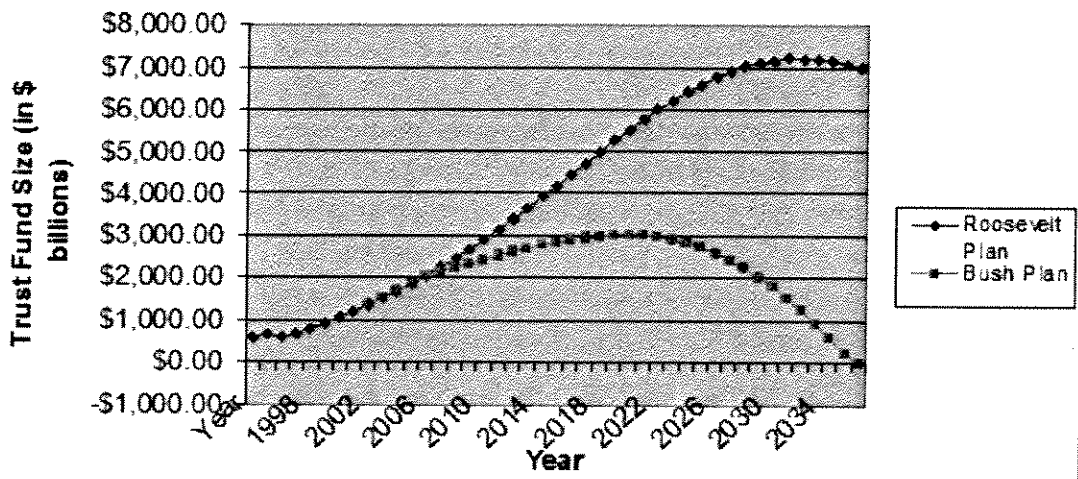
### **SIZE OF THE TRUST FUND UNDER THE ROOSEVELT AND BUSH PLANS**

(in \$ billions)

Year	Roosevelt Plan	Bush Plan	Trust Fund Shortfall
1997	\$589.12		
1998	\$681.65		
1997	\$589.12		
1998	\$681.65		
1999	\$798.81		
2000	\$930.99		
2001	\$1,071.54		
2002	\$1,217.50		
2003	\$1,378.74		
2004	\$1,534.28		
2005	\$1,674.11		
2006	\$1,847.06	<i>Beginning of the Bush Plan</i>	
2007	\$2,041.77	\$2,040.70	\$1.07
2008	\$2,243.85	\$2,146.02	\$97.82

2009	\$2,457.20	\$2,244.93	\$212.27
2010	\$2,679.15	\$2,345.11	\$334.04
2011	\$2,914.80	\$2,440.40	\$474.40
2012	\$3,152.44	\$2,534.76	\$617.68
2013	\$3,407.66	\$2,623.71	\$783.95
2014	\$3,654.64	\$2,698.53	\$956.12
2015	\$3,922.99	\$2,783.12	\$1,139.87
2016	\$4,175.12	\$2,844.04	\$1,331.08
2017	\$4,444.59	\$2,897.21	\$1,547.38
2018	\$4,719.63	\$2,952.21	\$1,767.42
2019	\$4,988.80	\$2,982.54	\$2,006.26
2020	\$5,260.46	\$3,022.49	\$2,237.98
2021	\$5,516.13	\$3,033.42	\$2,482.71
2022	\$5,770.24	\$3,012.65	\$2,757.58
2023	\$5,995.12	\$2,984.92	\$3,010.20
2024	\$6,200.49	\$2,918.82	\$3,281.67
2025	\$6,414.17	\$2,838.70	\$3,575.47
2026	\$6,582.20	\$2,730.18	\$3,852.03
2027	\$6,759.47	\$2,593.21	\$4,166.26
2028	\$6,892.84	\$2,427.69	\$4,465.15
2029	\$7,015.71	\$2,239.09	\$4,776.62
2030	\$7,098.88	\$2,025.57	\$5,073.30
2031	\$7,153.53	\$1,794.76	\$5,358.76
2032	\$7,211.23	\$1,523.56	\$5,687.67
2033	\$7,205.01	\$1,245.65	\$5,959.36
2034	\$7,195.70	\$929.09	\$6,266.61
2035	\$7,148.75	\$591.26	\$6,557.48
2036	\$7,057.84	\$229.72	\$6,828.12
2037	\$6,968.50	-\$21.52	\$6,990.03

### SIZE OF THE TRUST FUND UNDER THE ROOSEVELT AND BUSH PLANS



## BUSH'S PLAN: LOWERING FUTURE BENEFITS

The second element of President Bush's plan is to change the way that the Social Security Administration calculates each recipient's benefits. This change is projected to be particularly devastating for New York City seniors.

Under the current program, Social Security payments to retirees are calculated based on something called the "wage index." To calculate benefits, the Social Security Administration averages the amount a retiree earned during the years he or she was employed, and adjusts the figure by how much wages have grown over time.

The "wage index" is important because it guarantees that each senior will have the same buying power they had when they were working.

The Bush plan does away with the wage index, and replaces it with a "price index." Under the Bush plan, benefits would be calculated based on the amount that prices have risen over the years.

But the growth of prices (3%) lags behind the growth of wages (4.1%). So Social Security benefits calculated based on prices lag behind those based on wages too.

Bush plans to make up for the shortfall by diverting a portion of Social Security funding into private investment accounts. But like any other market investment, there is no guarantee that these will yield any profit at all.

The result is that many New York seniors in the future will no longer be able to count on Social Security benefits to boost their income above the federal "poverty line." Currently, the average recipient's benefits ensure is more than poverty, which the federal government calculates to be \$9,310 a year.

Below are charts that reflect how much New Yorkers, as a whole and in each borough, can expect to get, in inflation adjusted 2005 dollars, depending on when they retire – and how that compares to the poverty index.

<b>A 48-year-old New Yorker Can Expect a 10% cut in Benefits</b>				
<b>Borough</b>	<b>Current Average Monthly Payment</b>	<b>Bush Plan Average Monthly Payment</b>	<b>Loss in Average Guaranteed Monthly Payment under Bush Plan</b>	<b>How Average Annual Benefits Compare the Federal Poverty Line</b>
<b>Bronx</b>	\$882	\$794	-\$88	\$218
<b>Brooklyn</b>	\$879	\$791	-\$88	\$182
<b>Manhattan</b>	\$1,017	\$916	-\$101	\$1,682
<b>Queens</b>	\$951	\$856	-\$95	\$962

<b>Staten Island</b>	\$997	\$898	-\$99	\$1,466
<b>New York City</b>	\$940	\$846	-\$94	\$844

<b>A 38-year-old New Yorker Can Expect an 18% cut in Benefits</b>				
<b>Borough</b>	<b>Current Average Monthly Payment</b>	<b>Bush Plan Average Monthly Payment</b>	<b>Loss in Average Guaranteed Monthly Payment under Bush Plan</b>	<b>How Annual Benefits Compare the Federal Poverly Line</b>
<b>Bronx</b>	\$882	\$724	-\$158	-\$622
<b>Brooklyn</b>	\$879	\$721	-\$158	-\$658
<b>Manhattan</b>	\$1,017	\$834	-\$183	\$698
<b>Queens</b>	\$951	\$780	-\$171	\$50
<b>Staten Island</b>	\$997	\$818	-\$179	\$506
<b>New York City</b>	\$940	\$771	-\$169	-\$58

<b>A 28-year-old New Yorker Can Expect a 26% cut in Benefits</b>				
<b>Borough</b>	<b>Current Average Monthly Payment</b>	<b>Bush Plan Average Monthly Payment</b>	<b>Loss in Average Guaranteed Monthly Payment under Bush Plan</b>	<b>How Annual Benefits Compare the Federal Poverly Line</b>
<b>Bronx</b>	\$882	\$653	-\$229	-\$1,474
<b>Brooklyn</b>	\$879	\$651	-\$228	-\$1,498
<b>Manhattan</b>	\$1,017	\$789	-\$228	\$158
<b>Queens</b>	\$951	\$704	-\$247	-\$862
<b>Staten Island</b>	\$997	\$738	-\$259	-\$454
<b>New York</b>				

City	\$940	\$704	-\$236	-\$860
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### A 18-year-old New Yorker Can Expect a 33% cut in Benefits

Borough	Current Average Monthly Payment	Bush Plan Average Monthly Payment	Loss in Average Guaranteed Monthly Payment under Bush Plan	How Average Annual Benefits Compare the Federal Poverty Line
Bronx	\$882	\$591	-\$291	-\$2,218
Brooklyn	\$879	\$589	-\$290	-\$2,242
Manhattan	\$1,017	\$682	-\$335	-\$1,126
Queens	\$951	\$638	-\$313	-\$1,654
Staten Island	\$997	\$668	-\$329	-\$1,294
New York City	\$940	\$630	-\$310	-\$1,748

### A New Yorker Born in 2010 Can Expect a 46% cut in Benefits

Borough	Current Average Monthly Payment	Bush Plan Average Monthly Payment	Loss in Average Guaranteed Monthly Payment under Bush Plan	How Average Annual Benefits Compare the Federal Poverty Line
Bronx	\$882	\$477	-\$405	-\$3,586
Brooklyn	\$879	\$475	-\$404	-\$3,610
Manhattan	\$1,017	\$550	-\$467	-\$2,710
Queens	\$951	\$514	-\$437	-\$3,142
Staten Island	\$997	\$539	-\$458	-\$2,842
New York City	\$940	\$508	-\$432	-\$3,213

Sources: The Congressional Budget Office, the Center for Budget and Policy Priorities, and the Congressional Research Service