



Montana Senior Citizens Assn. Inc.

WITH AFFILIATED CHAPTERS THROUGHOUT THE STATE

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SENATE PUBLIC HEALTH, WELFARE & SAFETY

EXHIBIT NO. 8

DATE: 2-14-05

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Chair and members of the committee, for the record, my name is Betty Beverly. I am Executive Director of Montana Senior Citizens Assn.(MSCA) celebrating 31 years of serving and giving a voice to Montana's seniors and their families. MSCA is a grassroots, non-profit, non-partisan organization based in Montana with no affiliation with a national organization.

No privatization of Social Security was one of the top five priorities of the delegates at MSCA's Annual Convention this past year and has been a top priority over the past years since this idea came forward.

I have attached a document, which outlines many of the concerns we have concerning the plan, which is moving forward by President Bush. Last week Senator Baucus told a group at a Town meeting held here in Helena that this campaign for privatization of Social Security is larger than any political campaign he has seen. Those wanting to see privatization of Social Security move forward are raising money at an astounding rate and expect to raise \$50 million for television ads and other media ads to reach Americans.

We cannot let a sound bite decide this most important issue for seniors and the generations to follow. Social Security is a "family protection plan" that covers all generations and is the foundation of America's retirement security. It's the only source of guaranteed, life-long benefits. Seniors could face a 41% cut in benefits. Privatization would require a massive infusion of general revenue funds into Social Security, this estimate is \$4.9 trillion over 20 years (source Center for Budget and Policy Priorities Feb. 7, 2005), to offset the loss of monies in the SS Trust Fund.

I urge you to pass this important Joint Resolution brought before you by Senator Carol Williams. Montanans thank Senator Williams and you for this important vote.



MSCA is a non-profit, non-partisan, grassroots membership organization serving all Montana's seniors, their children and grandchildren. It's not about how old you are - it's about your future!

Social Security is not going bankrupt. It's an American success story and the most fiscally sound US government program today. Social Security has never missed a paycheck in 60 years! The Social Security Trust Fund has adequate resources to pay full benefits through 2042 and, even if no changes are made, the system will be able to pay nearly 75% of benefits for decades thereafter. In fact, Social Security will remain solvent even longer—to 2052! Because of the long-term shortfall, however, it is important to make some changes that will strengthen and improve the financing as well as the benefits.

Social Security is a "family-protection plan" that covers all generations and is the foundation of America's retirement security. It's the only source of guaranteed, life-long benefits. More than 47 million men, women and children rely on Social Security as their monthly income and two-thirds of older Americans rely on Social Security for half or more of their income. Millions of people with disabilities and surviving spouses and children of deceased wage earners receive Social Security benefits as well. Social Security benefits are guaranteed by law and protected against inflation.

Privatization is not the answer to strengthening Social Security. In fact, it will have just the opposite effect and will create an immediate financial crisis for the program. Privatization is enormously expensive and would divert some or all of current Social Security revenues into risky retirement investment accounts by allowing a portion of payroll taxes to be invested in such accounts. Money needed to pay benefits to current retirees and those about to retire would be transferred from the Social Security Trust Fund and invested in the stock market.

It's been estimated that transitional costs to create private accounts would drain \$1 trillion from the Social Security Trust Fund in its first decade alone. Privatization would require a massive infusion of general revenue funds into Social Security—estimated at \$2-3 trillion—to offset the loss of monies in the SS Trust Fund. Privatization is risky and subject to the whims of Wall Street investment schemes. Private accounts would be subject to investment and market risks, as well as corporate malfeasance.

Privatization undermines a program that is the bedrock of retirement security and places millions of Americans at risk of poverty. Seniors could face a 41% cut in benefits.

- Private accounts undercuts the basic premise, and promise, of a Social Security system which shares across all contributors protection against the risks of disability, death of a family workers, a low-earning work life, and the prospect of living a long life..
- It weakens disability and survivor protections.
- It would be especially harmful to women and minorities (see stats below) because SS is currently designed to help people with lower average earnings, longer life expectancies, and higher rates of disability.

Privatization can only happen if benefits are cut or taxes raised.

- President Bush has ruled out raising taxes as an option leaving benefit cuts on the chopping block
- Benefits would be figured so that they would only keep up with increases in the cost of living indexed to prices, not with improvements in our standing of living indexed to wages, which the current Social Security program does.

- In other words, this leads to an erosion of the real value of future Social Security benefits--SS benefits will continuously decline for anyone retiring after privatization takes place. Social Security benefits for retirees would be cut by 17 percent in 2031, 32 percent in 2051 and 41 percent in 2066.¹
- Social Security disability benefits would be cut by 10-19 percent in 2030, 19-33 percent in 2050 and 27-45 percent 2070.
- The same reductions in benefits would apply to the young children of deceased workers.
- This would be the biggest cut in Social Security benefits in history.
- Workers would be basically on their own to provide for their own retirement; a bleak future for low-and moderate-wage earners.
- Benefits could also be cut by the raising the retirement age beyond 67 or early retirement age above 62. Federal Reserve Chairman Alan Greenspan said that Social Security benefits should be cut in the future including raising the retirement age.

Cost of making the 2001 and 2003 tax cuts permanent is five times the Social Security shortfall. The cost for the next 75 years of the tax cuts for the one percent with the highest incomes—those with average incomes of \$1 million per year—exceed the entire 75-year SS shortfall!²

¹ Reducing Benefits and Subsidizing Individual Accounts: An Analysis of the Plans Proposed by the President's Commission to Strengthen Social Security. CBPP. June 2002¹ The Implications of the Social Security Projections Issued by the Congressional Budget Office. CBPP. June 14, 2004

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