Social Security is Reaching the End

The poor management of the largest American retirement fund controlled by the U.S. Federal Government right from the beginning, along with their questionable accounting system, has led to the demise of the American Social Security System today. This event was inevitable. Proof of this demise actually lies at its start when in 1935 the Federal Insurance Contributions Act (FICA) was passed and was followed in 1939 by the Title VIII taxing provisions when the applicable funds controls were taken out of the Social Security Act controller's hands and placed in the hands of those who created the Internal Revenue Codes. The cash flow takeover by the Internal Revenue Service (IRS) ended what could have been the creation of a deposit money management system which could have actually become the number one successful retirement plan in the U.S.A. and even the world. When the concept of creating real savings for the future, by a group supposedly representing the American taxpayers, died, so did the fact that could have been a true retirement plan. Let me explain.

The concept of the U.S. Federal Government building a retirement fund for every American person who works for a living has been around for almost ¾ of a century in the U.S.A. and yet it seems that no person in the current U.S. Government even has a clue as to how this "all taxpayers covered" retirement plan is supposed to work even today, let alone tomorrow. Now, the U.S. Government does have some competition. On the private industry side you have insurance and investment companies always trying to outdo each other when it comes to creating the most successful investment strategies that will lead to a higher return and a better retirement life for their clients. But wait a minute. Was not the basic concept of Social Security supposed to do that for all American taxpayers? Well, the US Federal Government has always asked their taxpayers if they knew why they had to put money aside each year in order to have a retirement fund that would be there when they would need it most? The U.S. Government always told the taxpayers the time to receive the returns on these retirement investments was "when you are too old to work". Now, on the private side most of these retirement services companies simply help manage an individual's long-term investments. And investments require the setting aside of funds which will be used in the future. However, the US government has never had to set any real money aside regardless as to what the future might bring. There really is no American Government Federal Retirement Fund! But in order to emotionally highlight the existence of that questionable accounting system and thereby convince the American taxpayers that their government has set some of their personal earnings aside, which would become available when the individuals retire, the U.S. Government continues to notify most taxpayers that the taxpayers have retirement funds, even though there isn't even a penny in such a real U.S. Government Retirement Fund thing, whatever they want to call that thing.

Most American taxpayers, who have paid for many years into that retirement fund, have even received notices as to the amounts that they will have when they get there. So why is the present day Federal Reserve and in particular Ben S. Bernanke, Alan Greenspan's replacement, so worried? Well, the U.S. Government has always been spending all of this tax income even though most of the American elected officials tell their constituents that the money, which both their employers and they themselves put into Social Security, is theirs and will be there when they reach retirement. But Bernanke, like Greenspan, is hinting that this may not be true. Obviously, those in charge have been lying to most of the taxpaying Americans. Now, do you want the depressing answer when it comes to "Where is my Social Security retirement investment that my government has supposedly invested into something?"

Unfortunately, it is the Federal Reserve and that includes the Bernanke and Greenspan group who are closer to the truth than almost every elected American politician, even though they have not being totally honest when having to address the questions related to the integrity of the current American Social Security System. Almost every elected Federal official in the last 75 years has lied to the taxpayers. And the depressing answer related to the above question is that the Social Security System is a poorly managed front for a totally illegal use of taxpayer funds. When properly viewed it is apparent that there have been very few years that the American taxpayers have ever put more money into the Social Security Administration than it was both spending and loaning out since it was created by the new idea but poor planner – FDR. Now, the current American taxpayers must understand that the concept of early retirement was created in order for the beneficiaries of the U.S. economy to make certain those hard working manual laborers could enjoy a short time in their lives and not have to continue to work for their next meal right until the end. But how was this added government expenditure going to be funded? Well, the eventual beneficiaries were all going to have to pay for the eventual services and the starting Social Security Administration, along with then current President, Franklin Delano Roosevelt (FDR), and all of Congress, was supposed to make certain those in charge would properly build the reserve accounts that would become mandatory for all workers, the primary future beneficiaries of this system. The U.S. Government was going to cover the first retiring generation and then, at the same time, also set aside the money which would be needed for the retirement of every generation to follow. This actually was a great idea but those in power at the start and all of their followers to the present never did abide by the proposed rule of actually having citizen investments created for their own personal futures.

Well, history has shown that the U.S. Government officials always want to spend more of the taxpayers' money and thereby buy more votes and hopefully be re-elected and then meet their personal desires for power. When it came to the trillions of dollars of Social Security funds that were supposed to be set aside for those, who were paying for their retirements and would receive their set aside funds when they no longer could work, the U.S. Government used all of this money for other things. Those in power continued to spend these personal retirement funds as long as they continued to have the power to hide the truth from those who were actually paying for their retirement fund.

Now, here is the first part of the truth and the U.S. Government's introduction to the longest term of depression in U.S. history, possibly psychological for some but most likely economic for most. As mentioned, the tax known as Social Security Tax or FICA[1] withholding never was put aside for those who were paying for it. The American leaders lied right from the beginning of this program. They simply created a smoke screen presentation, which pretended that the taxpayers were paying for their personal retirement and not someone else's. If this had ever been true then the Social Security Administration would have evolved into being a massive investor and would have trillions of dollars invested on behalf of those future American taxpayers today. And the U.S. Government would not be selling bonds to other nations but doing what the nation of China is doing today and buying the bonds of other nations. Well, many current taxpayers know that their deductions will never be made available to them but they continue to receive those wonderful statements that show how much each of them will be getting when they retire. But, where are these personal funds, which supposedly were invested or at least put into the bank, and what are these personal funds really worth today? Well, the following will be somewhat depressing for many, but the Social Security Administrations of the past and present has either spent all of the personal retirement funds on the prior and current generation of retires or loaned it to another part of the U.S. Government, which by law should be considered loaning to themselves. They are only a part of the same government.

Now, it is very obvious that governments are never subject to the same basic accounting rules, as most businesses are, and for many things. But there is one basic rule which should be the same and that is where basic accounting laws do not allow an individual or company to loan money to themselves. It is obviously somewhat silly to even try to do so, but the U.S. Government has specialized in this illegal accounting procedure thereby creating false public records. In this case it is not the stockholders of a company but the stockholders of the American Government's Retirement System who are being hurt by the illegal reporting. And if crimes can be ranked based upon the degree of pain or loss then this one must be at the top of the American history crime committed listing as the Social Security Administration of the entire past and present, which supposedly controls the American taxpayer's public retirement purse, has been lending the non-spent SSA portion of the taxpayer's retirement reserve money to another part of the federal government, the Federal Treasury and this is to themselves! The U.S. Treasury has used these supposed retirement funds to cover all of that other stuff on which the elected officials like to spend other people's money. The periodic FICA rate increases approved by those in office were always seen as the best option versus recreating the inflationary spirals their predecessors had created by having the Federal Reserve simply create the funds on paper and give these newly created funds to the U.S. Treasury in order for them to pay the government's bills. And FICA rate increases were never sold as tax rate increases.

Now, as far back as any of the current taxpayers can remember there has not been one President or Congress that has ever wanted to change this spending habit and the related false "State of the Economy", excuse me "State of the Union", presentation. They have all felt that the average taxpayer was too stupid to understand any of this supposedly complex stuff and as long as the ever-increasing American population continued to drive the economy upward there was never any need to worry. For every taxpayer who would be putting in funds for their retirement, funds which were used for the previous generation's actual retirement, there would be more than 2 or 3 other taxpayers who would end up covering the actual retirement costs when the time came to reimburse the earlier payers for the supposed retirement funds which they put into their government's hands earlier.

Well, we the American taxpayers have lost again and unless the U.S. population and the U.S. economy both begin to grow faster, there will not be much more there from the combination of future income taxes and future social security taxes when the baby boomer generation get to that ripe retirement age of 65. So what must the American taxpayers do, starting today? Under this program the initial rhetorical step will require the U.S. Federal Government to move away from the Hollywood emotional response approach taken by all of the past American governments, including those starting even before the next generation of retirees was born, and they better learn how to become accurate reporters. The government in power must tell the American taxpayers what is really going on! Next, the American taxpayers must get down to accepting the truth and again it is that there are not any retirement funds in some investment or non-government loan program which will be disbursed later on. Next, the U.S. Government will no longer be able to defer these growing and seemingly uncontrollable expenditures much farther into the future and will be forced to change how they do business. The overspending problems of the U.S. Government must be fixed and now! The rhetorical cleanups above are just the start of the required fix. Following these there is the real tough part. The following changes are the financial steps required in cleaning up this mess, a cleanup which unfortunately will take more than one generation.

To start, the U.S. Government funded retirement age must be raised by 3 months every year until the new federal work retirement plans (to be renamed after the SSA is put to rest) cover no longer more than 10% of average life expectancy, thereby putting the choice to save early versus work longer into the hands of the individual worker. Unfortunately, the individuals who live longer than the average will get far more than those who never even get to retire.

Next, with changes for each generation in the percentage of retirees fluctuating, versus the number who work, a minimum deferred spending of taxes fund must be set up by the U.S. Government. This reserve account must be established in order to reduce the tax rate fluctuations that will be needed otherwise. These deferred use funds must be placed in a mortgage loan program to insure cash availability when needed and these deferred government spending funds are to be invested in the private sector mortgage market and not Fannie Mae or Freddie Mac.

Next, the current Social Security Administration disbursement of benefits should be eliminated by December 31, 2010 and once the new retiree payment system discussed below is operational the existing Social Security Administration will be closed. A newly created State Retired Funds Distribution House payment system will be part of a national welfare system that is supported and controlled at the state level. There is no need to have two different government handout agencies that are doing the same job and by keeping this, as a more locally required work program, productive work limits can be set that are more likely to result in a value added employment versus a silly “Call it a Government Job Program” government job system. This state program will not only allow seniors to work for added benefits it will also force almost every American to work for a living versus sitting at home while the governments, or should it be said the real taxpayers, pay for the costs of living for those who can work but chose not to do so.

Next, an ongoing weekly public education presentation, which will show the minimal retirement requirements vs. the personal saving rates and how to save enough for one’s retirement, will be set up. The numbers used will also involve explaining the problems related to inflation for all of those who will be relying on their own investments. Every news program will be required to present this information on the day of the week and time therein when they have their largest viewing audience.

Next, in the event the American taxpayers come to realize that their nation does not have an unlimited supply of space and therefore an expandable healthy environment and food production system, whereby they can justify a never ending population growth, the consequences related to the inevitable reduced growth rate in the population must be included in the public education presentations. The changes in the future American population levels, which will no longer be allowed to increase at large rates, will radically reduce the social security financing concepts related to the taxation system. However, in the short term with an increased percentage of Americans retiring and only a population stabilization controlled birth rate even this new retirement funding system will result in a massive taxation increase for the slightly larger working taxpayer base. This increased cost exposure will require earlier pension fund buildups for an increasing retired base, which will continue to grow as life expectancy even in the U.S.A. increases.

Now, the last step, using the new basic education system, which is laid out in the article “American Education”, will require that Americans must learn that Social Security was originally designed to give 3 years of retirement after the age of 65, so most recipients were going to receive very little. What must also be taught is that the Social Security Tax Rates under the old system were based on incorrect life expectancy numbers and never properly reset as the average life times increased. Even Daniel Moynihan, the New York Senator, who promised that the problem was fixed almost a quarter of a century ago, was way off in his numbers. Look at these following numbers[2]: When using the calculations for the time when the Social Security system started, most workers were males, ages 17 to 65, and this would mean that approximately 24% were not working yet, 72% were working and 4% were going to receive retirement or Social Security funds. Today those receiving Social Security are approximately 17% of the population and there will be a dramatic increase in this percentage expected with the baby boomer retirements. The eligible retirement benefiting percentage of the U.S. population is presently over 4 times greater than it was when FDR created the concept seven decades earlier. Looking at today and tomorrow, if an American taxpayer starts working at the age of 18 and wants to retire at the age of 65 they will have to have saved enough to equal approximately 28% of one’s total life earnings to pay for their retirement years. So if they made $30,000 a year for those 47 years they will have needed to save $395,000, if they are to retain their work funded lifestyles when retired. Now the arithmetic is simple. If an American earned $60000 a year they would have to double this and need almost $800000 for their retirement years.

But, how many American have done this personal planning for today, let alone tomorrow? Don’t look now but it could be too late for many of us. Many Americans have assumed that they would be getting those incorrectly forecasted numbers provided by the Social Security Administration for years. And as Mr. Greenspan had stated some time ago, Americans are highly unlikely to get these funds. Very sad, but very true!

<u>Conclusions</u>

The current Social Security Benefit Disbursements have never been paid for by those who receive the benefits, but simply collected from the current taxpayers in order to pay for the current beneficiaries. That approach was fine until the number of those who were retired expanded at a far greater rate than the forecasted number of taxpayers. And to make this problem even more concerning was the fact that the costs of the U.S. Government retirement programs would only increase due to the need to offset the costs related to the U.S. Government's created inflation. It was at the point where the taxpayer to retiree ratio dropped that the entire American Government funded retirement system began to fail. Well, someone should, and with the following changes will, have to pay for this failure. Those who are in power in the U.S.A. today should be put under some addition pressure to begin to try and fix this problem and the best way to do this would be to follow the new rules as set out in the new constitution. But in the interim maybe it would be good to create new federal government laws for lawmaker misrepresentations. These new laws should also allow criminal charges to be made against those who have managed the U.S. Government retirement systems for the last 30 years and either did not tell the truth or were simply overpaid for a job they could not do. When being held responsible for decisions these guilty individuals would not be allowed to pass their costs back to the taxpayers again without being held accountable.

Next, the current taxation and government program spending system must also be modified in order to both eliminate future government overspending and to properly set the retirement funding requirements of the future. These eventual benefits would be set up to be paid to the current taxpayers some time in the future, but only when they retire past the new minimum age. Many would accept the corrected taxation system rates of today needed to cover their benefits of tomorrow once they understand the reasons.

Another, and very critical requirement necessary to fix the current retirement funding disaster, is to learn that part of the cost fix for future retirement living expenses is to create a National Health Care System in order to reduce the cost per treatment for basic health care. A national health database would also be created in order to lower the costs related to both excessive medical treatments and excessive prescription drug usage.

Now, improved health care for most will increase life expectancies. Unfortunately, it will be necessary in order to retain an American Government funded retirement program of some kind that Americans will all have to work longer, except for those who can develop companies like Microsoft® or Dell®. And in order to provide longer working lives, lower physical work programs must be designed that could be handled by the older individuals in the work force. But there is something which most Americans need to learn when dealing with this longer working life issue and that is that it is well known that one's life is more satisfying the longer one works. Vacations are cute but not many find personal value in a continuous vacation.

Well, was all of the above enough to explain how the American Social Security is reaching the end of its life and what must be done about it? The American taxpayers must learn what has been done and what they must do to fix it. It will not matter who is in office. It will matter how much we, the American taxpayers, really want to begin to deal with this failing system, one which if not fixed soon will actually hurt most of those who choose not to fix it!

[1] Under the Federal Insurance Contributions Act (FICA), 12.4 percent of your earned income up to an annual limit must be paid into Social Security, and an additional 2.9 percent must be paid into Medicare.

[2] These numbers are simply based upon the age ranges and not the actual number of taxpayers within each age bracket. They are meant to show the basic consequences and are not precise as the actual numbers change every year.