

The Problems with Social Security Privatization

By

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First I would like to thank Representative Grijalva for initiating this important discussion and allowing me the opportunity to speak to you today.

My name is Lisa Price and I am a certified fiduciary with Entrust Fiduciary Services, Inc. Entrust Fiduciary Services, Inc. is a private fiduciary firm in Yuma County, acting as court-appointed guardians and conservators for elder adults. I believe that I have an important opportunity to present this issue to you from a different perspective. The perspective of someone who will be deeply affected by the proposed changes to the Social Security system and the perspective of someone whose responsibility it is to advocate for the rights of my clients.

I have read the President's 13 page proposal and to be honest with you, I don't understand it. The President's proposal is to create an additional governmental bureaucracy to the tune of \$2 billion to perform a function I can already accomplish on my own.

Social Security is not going away. The money that is deducted out of your paycheck each and every month will still continue to be funneled into the current Social Security system. According to the President, the problem is that there will be more individuals receiving benefits from the Social Security system than there are workers paying into the system. This means that if you were born after 1950, the benefits that the government has promised to pay you when you retire will be diminished by 27-40%. The Social Security system was not created to provide for all the funding you would require when you retire. That was never the intent of this system. It was intended to act as a supplement to your income. You may be asking yourself why the President believes that the system is in such dire straights. Maybe it is because the administration has proposed "borrowing" \$2 trillion from the Social Security Trust fund over the next 10 years to pay for additional government spending. So to fix this problem, the administration is suggesting that we create an additional government bureaucracy to invest your money in the stock market in funds that they choose. And how much is this going to cost? Currently, the administration is estimating approximately \$2 billion in taxpayer funding to set up this system. But according to the administration, the use of these funds will have absolutely no bearing on the current economy.

The other issue of concern that I have not heard anyone mention is how this proposal is going to affect other government programs. For example, the Federal Medicaid system. Under the current Medicaid rules, this type of an account would be considered an asset.

You would be required to liquidate this asset and "spend down" in order to qualify for Medicaid services. The problem is that the President's proposal states that you can never cash out all of the funds in your account. Ever. You cannot cash out enough money to drop you below the federal poverty guidelines. These are the same guidelines that are used to determine Medicaid eligibility. If I can never fall below those guidelines, how can I ever qualify for Medicaid services?

I prepared an equation that would estimate the value of my voluntary, government run investment account. Assuming that I invest the maximum amount each year until retirement and assuming that I invest in conservative, safe investments (as safe as the stock market can be), I will have approximately \$470,000 in this account when I retire. Now you may be thinking that this sounds like a lot of money. Surely I would not have any problems living off of \$470,000. But, you have to consider the fact that this money will be paid out in equal monthly installments over the remainder of my lifetime. Assuming that I survive another 20 years after retirement, I will receive approximately \$1900 per month from my investment. Since I know that my Social Security benefits are going to be reduced, I can assume that I will receive approximately \$1000 additional per month in Social Security benefits. So that means that I will be getting around \$3000 per month in retirement income. Not bad. Until I have a stroke and need 24 hour supervisory care in a skilled nursing facility. Do you know what the average cost of skilled nursing care is right now? Over \$4000 per month. This means that I will have to dip into my retirement fund to pay for my care. Eventually, that money will run out. But I still won't be able to qualify for Medicaid services because I can never cash out enough to take me below the federal poverty guidelines. Who is going to pay for my care?

In closing, there are three questions I want you to walk away from this forum considering. First, I want you to ask your government why we need to invest \$2 billion in taxpayer funds to establish a system that already exists. Second, I want you to ask the President if the current Social Security system is in such dire straights, why is he proposing to borrow \$2 trillion from this system over the next 10 years. And third, I want you to ask your government if they have really considered the overall ramifications of this system. Have they considered how this is going to affect other social service programs.

I hope that the information I have provided today will spark discussion. I hope that it has been useful to you and I thank you again for allowing me the opportunity to discuss this important issue with you.