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Social Security: A fight for the ages

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President Bush's proposal to privatize part of Social Security threatens to open a fissure along generational fault lines.

If you're 55 or over, it's status quo: Your guaranteed benefits wouldn't change under the plan.

If you're in your 20s or 30s, you're more likely to shrug or favor the stocks-and-bonds option, according to polls. You weren't counting on Social Security anyway.

If you're a younger baby boomer, 40s to early 50s, you might be wary or outraged. Your guaranteed benefits could be trimmed, and time is growing short to capitalize fully on stock-market ebbs and flows. Bush hasn't specified the benefits cut.

On Thursday, as Bush took his proposal on the road warning that Social Security will go "bust" in four decades, a chorus of skepticism arose. Democratic lawmakers attacked his proposal's costs and effectiveness, and some influential Republicans cast doubt on the wisdom of diverting Social Security taxes into private accounts.

Politically, the plan is treacherous, many said.

"I've talked to some of my colleagues, and they're panic-stricken," said Rep. Mark Foley, R-Fla.

Others in Congress offered support.

Among the public, including Valley residents, reactions range from confidence to confusion to disdain.

Younger people tend to express support, saying they like the idea of investing their taxes elsewhere, given the time they have to save and adjust. Under the Bush plan, to be phased in from 2009 to 2011, eligible workers could transfer up to 4 percentage points of the 12.4 percent of total withholdings (worker and employer) into accounts they own and control. Investments could be made in a small number of diversified funds of stocks and bonds.

The plan would be optional, but even if a worker didn't participate, guaranteed benefits would be cut to some extent.

"A lot (of younger Americans) really don't think

Social Security is going to be there for them," said Sheri Perez, program coordinator for the Arizona Council on Economic Education and an economics instructor at Mesa Community College. "They're absolutely interested in investing their own money. They eat it up."

Perez, 28, opened a Roth individual retirement account at 24 and is comfortable with the stock market. She said many people in her age group feel the same way.

Eric Emmert, a 31-year-old vice president at the Tempe Chamber of Commerce, believes the Bush proposal "definitely has an appeal" for young workers, especially the account-ownership angle.

"In a post baby boomer retirement era, I've always questioned whether it would be there," he said.

If young adults have doubts about Social Security's viability, that shouldn't come as any surprise.

Not with the massive baby boomer generation on pace to collect checks first. As it is, boomers and Generation Xers, those born from the mid-1960s to the late 1970s, will have to work longer than today's seniors to receive retirement benefits.

Anyone born in 1937 or earlier can qualify for full benefits at 65, but the age gradually rises until it hits 67 for Americans born in 1960 or later.

Younger Americans' doubts have made news since 1994, when a group called Third Millennium released a survey claiming more Generation Xers believed in UFOs than expected to collect Social Security.

Christina Hull, a 27-year-old store manager who lives in Phoenix, has doubts about Social Security's viability but wonders if most people in her generation are doing enough about it.

"Even being more aware, we're not taking the initiative to invest and prepare for our retirement," she said.

A 2002 survey of people who own stocks and stock mutual funds revealed that Gen Xers had lower asset totals compared with older Americans.

That's not unexpected because young workers also have had less time to grow their account balances and typically don't earn as much at work.

In fact, the survey by the Securities Industry Association and Investment Company Institute also found a greater willingness among Gen Xers to accept stock market risk than older Americans. Plus, they had good familiarity with workplace retirement plans and had other traits suggesting they could handle investment responsibility.

For boomers, the private-account offer is a mixed bag because the age-55 threshold cuts this demographic group almost in half.

Lane Gilbert, a 50-year-old Phoenix resident, complains that people in his age group already are burdened by the gradual rise in the full retirement age.

"I've been working my whole life," he said. "I got a hunch I'll keep going."

Karen Cimaglia, a 42-year-old Cave Creek woman who owns an auto brokerage and repair shop, has been investing on her own so that she doesn't have to rely on Social Security.

But she's withholding judgment on the private accounts until she gets a sense of how much financial-education help will be provided by Uncle Sam or private investment firms.

"Some people will need to be taken by the hand and educated," she said, "because they really don't know what to do."

Senior groups such as AARP have been mobilizing against private investment accounts, saying many older Americans oppose diverting any payroll taxes because it would undermine the pay-as-you-go Social Security system.