

RETIREMENT RIDDLE

OCTOBER 2007

Riddle:

I am the key to unlocking your finances, I am unique only to you, I have the power to destroy politicians who challenge me, I am worshiped by millions, and I offer false promises to future generations.

Who am I?

If you answered Social Security you would be correct. Charles Blahous, special assistant to the president for economic policy stated that the "Rumors of the death of Social Security have not been exaggerated. In fact the often-stated belief that the solvency problem is being blown out of proportion encourages the false sense of security, and gives cover to those who would shirk their responsibility for dealing with this problem."

Blahous added that the historical track record of the mid-range estimates made by the Social Security fund trustees have proved more accurate than their more optimistic estimates, which indicates that Social Security costs will start to exceed tax revenues by 2017. Delaying action has further limited the available options for reform, and in particular, it has made it harder and harder to fix the system in a way that's fair to all generations, and most especially younger people.

The Department of the Treasury stated that Social Security is headed for \$13.6 trillion shortfall. In a brief entitled "Social Security Reform: The Nature of the Problem," called for a rapid change that would help "spread the burden across generations. In other words, keep the Ponzi scheme alive longer.

Pick your poison. Projections show that the Social Security trust fund will hit its peak in 2009 at a level of \$99 billion, and cash flows will become negative after 2017. If no program changes are made, then all beneficiaries will have their benefits cut back by 25% in 2041. The report suggests a payroll tax hike of 3.5% now, or face a 5.8% hike in 2041. As well, cut all retirees benefits by 20.4% immediately or face a 30.4% cut in 2014.

It is appalling how the solvency of Social Security is used as a political football to divide Americans in to different camps. When discussing Social Security, I have realized that most individuals fail to realize that the money they and their employers pay in to the system is not saved in any bank account, "lock box" or trust fund. Rather, it is spent immediately by our government on what ever they like. Can you imagine the wealth that could have been created if our money was invested in a conservative manner over time?

We at Markowski Investments will continue to treat Social Security as "**found money**" when it comes to setting up financial plans.

"If you end up receiving it, fantastic! But, certainly do not rely upon it."

The topic of Social Security reform has been raised with the current crop of presidential candidates and their responses or lack thereof, have ranged from "*Tax them to oblivion*" to "*Problem? What problem?*" Unfortunately for us, it looks as if the eight-thousand pound gorilla is here to stay