

## **Bush Reaffirms His Social Security Goals: Insists on Private Accounts, Benefit Cuts and Debt**

In his April 29<sup>th</sup> press conference, President Bush provided a few new details about his Social Security plan. The new information confirms what Democrats have been saying about his plan for months.

**Insists on Private Accounts.** The President talks of flexibility and putting everything on the table for Congress to decide. But tonight he drew a line in the sand. When asked whether he would consider a plan that addressed solvency without private accounts to be a success, he responded: “it’s got to be part of the comprehensive package.”

These private accounts would divert trillions of dollars out of the Social Security trust fund, money that is needed to pay benefits. They make Social Security’s financial problems worse, not better.

The Social Security Administration has concluded that the President’s proposed accounts would lead to earlier cash flow deficits and reduce trust fund assets. *February 3, 2005 memo from Social Security’s Chief Actuary to White House staff*

**Insists on Benefit Cuts.** The President indicated his support for a sliding scale benefit cut to address solvency. The benefit cuts would apply to everyone born in 1950 or later, who makes more than \$20,000 a year. The cut would eventually exceed 40 percent for middle-class retirees. This cut would apply to everyone regardless of whether or not they choose to open a private account. Those who open a private account would face an additional benefit cut (the “privatization tax” or “benefit offset”) that could wipe out what’s left of their entire guaranteed benefit.

**Trillions of New Debt.** The President’s insistence on his private accounts plan will mean that taxpayers will face trillions of dollars in additional debt – \$5 trillion in the accounts’ first 20 years alone. Future taxpayers will have to repay that debt.

Today’s workers will have to pay for the Bush plan for the rest of their lives. They’ll pay interest on the debt from day one. Toward the end of their careers and in retirement, they’ll have to help repay the principal. And, they’ll face a deep benefit cut by the time they’re ready to retire. If they open a private account and don’t earn an unusually high return, their privatization tax may be larger than their account. Finally, they may need help from their children to afford the dignified retirement that millions of seniors – with the help of Social Security – take for granted today.