



# Myths about Social Security Privatization

**Myth: Social Security is going broke and private accounts are the answer.**

Fact: The Bush plan for private accounts significantly worsens Social Security by diverting trillions of dollars from the Trust Fund. In fact, private accounts will require \$4.9 trillion in borrowing, mostly from foreign banks in China and Japan. The Bush plan will cut benefits by nearly 50% because private accounts don't address Social Security's long-term shortfall. There are better ways than privatization to strengthen Social Security.

**Myth: It's your money and you control it.**

Fact: Individuals will have limited control over their private accounts. The Bush plan would place huge limits on how much individuals can invest, where it can be invested, what they can do with it when they retire and how much they can pass on to their heirs. Privatization opens up the Social Security system to corruption and waste because politicians will choose which Wall Street firms will make billions in inflated fees off private investments.

**Myth: Private accounts will be voluntary.**

Fact: Private accounts are supposed to be voluntary but the Bush plan will cut your Social Security benefits even if you do not choose a private account. Is that really fair?

**Myth: Private accounts mean a better rate of return for future retirees.**

Fact: The Bush plan assumes a high rate of return that some economists don't agree with. The stock market only guarantees risk, not higher returns. There will be good years and bad years. Retirement security shouldn't be gambled away on the stock market.

**Myth: It's your money and no one can take it away from you.**

Fact: No one can take your private account away. But what the Bush plan can--and will--do is cut your guaranteed benefit regardless of how your investments perform. The Bush plan replaces the guaranteed benefits of Social Security for the uncertain returns of a private account.

**Myth: The money in your private account can be passed on to your heirs.**

Fact: In reality, unless you die before you retire there won't be a lot for your heirs to inherit. Under the president's plan, retirees must use the money in their accounts to buy annuities, annual payments for the rest of their life, which will provide their retirement income. Because an annuity expires after death, the only money your heirs can inherit is whatever is left over--if anything--from purchasing the annuities.

## New Information on Bush Social Security

# BENEFIT CUTS IN NORTH CAROLINA

President George W. Bush has finally released more details of his plan to privatize Social Security, and it's a one-two punch that guarantees benefit cuts for most Americans.

**CUT 1:** Bush wants to change the formula for calculating Social Security benefits, cutting benefits significantly for the 70 percent of workers who earn more than \$20,000 per year. Millions of workers will receive much smaller benefits than currently promised. These cuts will hit all workers younger than 55 today, regardless of whether they choose to have a private account.

**CUT 2:** Workers choosing a private account will see an additional benefits cut to pay for the private accounts. If you earn an average of \$36,000 a year, retire in 2055 and have a privatized account, your guaranteed Social Security benefits would be just \$7,510 a year, compared with \$22,100 under today's plan (in 2005 dollars). The two cuts add up to 73 percent for that average earner.

Even with these big cuts for middle class workers, the Bush plan only addresses 70 percent of the Social Security shortfall. And that assumes President Bush cuts benefits for workers with disabilities.

SOURCES: Data from [www.ssa.gov/policy/docs/quickfacts/state\\_stats/index.html](http://www.ssa.gov/policy/docs/quickfacts/state_stats/index.html); Center on Budget and Policy Priorities, 4/29/05 and 5/2/05.

North Carolina State AFL-CIO has looked at the numbers to see what the impact would be here in North Carolina on workers who don't choose to have private accounts if the Bush plan were in full effect today.

### It is not a pretty picture.

■ Here in North Carolina, the Bush plan would cut benefits for roughly 70 percent of the state's Social Security recipients—a whopping 1,005,095 state residents.

■ For the average retired worker, the Social Security cut would be about \$252 each month. That means almost \$3,021 less per year for basics such as food, medicine and utilities.

## STRENGTHEN SOCIAL SECURITY, **DON'T PRIVATIZE IT.**

For more information, contact North Carolina State AFL-CIO at (919) 833-6678 or visit [www.aflcio.org/socialsecurity](http://www.aflcio.org/socialsecurity).

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