

BILL THOMAS, CALIFORNIA  
CHAIRMAN

E. CLAY SHAW, JR., FLORIDA  
NANCY L. JOHNSON, CONNECTICUT  
WALLY HERGER, CALIFORNIA  
JIM McCRERY, LOUISIANA  
DAVE CAMP, MICHIGAN  
JIM RAMSTAD, MINNESOTA  
JIM NUSSLE, IOWA  
SAM JOHNSON, TEXAS  
ROB PORTMAN, OHIO  
PHIL ENGLISH, PENNSYLVANIA  
J.D. HAYWORTH, ARIZONA  
JERRY WELLER, ILLINOIS  
KENNY C. HULSHOF, MISSOURI  
RON LEWIS, KENTUCKY  
MARK FOLEY, FLORIDA  
KEVIN BRADY, TEXAS  
THOMAS M. REYNOLDS, NEW YORK  
PAUL RYAN, WISCONSIN  
ERIC CANTOR, VIRGINIA  
JOHN LINDER, GEORGIA  
BOB BEAUPREZ, COLORADO  
MELISSA A. HART, PENNSYLVANIA  
CHRIS CHOCOLA, INDIANA

ALLISON H. GILES  
CHIEF OF STAFF

# Congress of the United States

## U.S. House of Representatives

### COMMITTEE ON WAYS AND MEANS

1102 LONGWORTH HOUSE OFFICE BUILDING  
(202) 225-3625

Washington, DC 20515-6348

<http://waysandmeans.house.gov>

April 8, 2005

CHARLES B. RANGEL, NEW YORK  
RANKING MINORITY MEMBER

FORTNEY PETE STARK, CALIFORNIA  
SANDER M. LEVIN, MICHIGAN  
BENJAMIN L. CARDIN, MARYLAND  
JIM McDERMOTT, WASHINGTON  
JOHN LEWIS, GEORGIA  
RICHARD E. NEAL, MASSACHUSETTS  
MICHAEL R. McNULTY, NEW YORK  
WILLIAM J. JEFFERSON, LOUISIANA  
JOHN S. TANNER, TENNESSEE  
XAVIER BECERRA, CALIFORNIA  
LLOYD DOGGETT, TEXAS  
EARL POMEROY, NORTH DAKOTA  
STEPHANIE TUBBS JONES, OHIO  
MIKE THOMPSON, CALIFORNIA  
JOHN B. LARSON, CONNECTICUT  
RAHM EMANUEL, ILLINOIS

JANICE MAYES  
MINORITY CHIEF COUNSEL

## **Social Security and Privatization REALITY CHECK**

Fourth in a Series

### **CRS Report shows President Bush's Privatization Would Eliminate Social Security Guaranteed Benefit**

Dear Colleague,

The Congressional Research Service recently issued a report showing that President Bush's proposals for Social Security would ultimately END Social Security's guaranteed benefit.

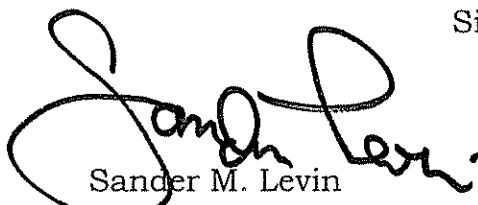
The CRS analysis looked at the combined effects of the President's private accounts proposal – as described in White House February 2005 statements – and the White House-embraced shift to price-indexing of Social Security benefits, as detailed in the Bush Social Security Commission plan the President called a “good blueprint.”

The privatization under the President's plan may be “partial” at the start, but over time his proposed benefit cuts grow so large that they eliminate altogether any guaranteed benefits from Social Security.

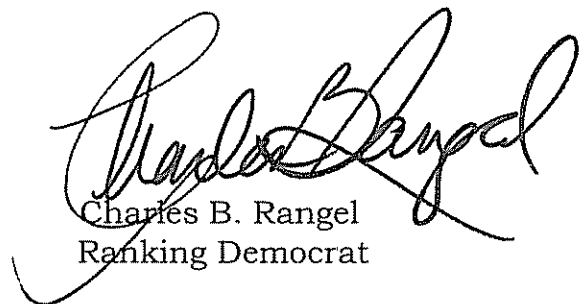
We urge you to take a look at the attached fact sheet and graph on CRS' findings — Americans would be shocked to see what the President's proposals would do to their guaranteed retirement benefit.

You can find the report at the Ways and Means Committee Democrats' website:  
[http://www.house.gov/waysandmeans\\_democrats/issues/social\\_security.shtml](http://www.house.gov/waysandmeans_democrats/issues/social_security.shtml)

Sincerely,



Sander M. Levin  
Ranking Democrat,  
Subcommittee on Social Security



Charles B. Rangel  
Ranking Democrat

## **New CRS Analysis Confirms that President's Social Security Proposals Eliminate Social Security's Guaranteed Benefit**

The nonpartisan Congressional Research Service (CRS) has found that President Bush's proposals for Social Security would mean the end of Social Security's guaranteed benefit. The Bush proposal's benefit cuts start small. However, they eventually become so large that they reduce the guaranteed Social Security benefit to zero. At that point, individuals would have to rely solely on their private accounts.

The CRS analysis looked at the combined effects of the President's private accounts proposal – as described in White House February 2005 statements – and the White House-advocated shift to price-indexing of Social Security benefits, as proposed by President Bush's Social Security commission in a plan the President has described as a “good blueprint.”

The analysis confirms that private accounts are not a modest change to Social Security but eventually eliminate Social Security's guaranteed benefit altogether. CRS found that a person born next year who has average earnings of about \$56,000 over his or her career will not receive any guaranteed Social Security benefit at retirement.

### **Disappearing Benefit**

The CRS analysis found that the President's plan effectively phases out guaranteed benefits. Someone who is 41 today will see their benefit cut by about 30 percent when he or she retires. The cut gradually increases for younger workers.

- o A child born this year who has earnings of about \$16,000 (in 2004 dollars) over his or her career will face a 79 percent benefit cut.
- o If the same child has earnings of about \$35,000, the cut would be larger still – 91 percent.

CRS found that a person born next year who has average earnings of about \$56,000 over his or her career will not receive any guaranteed Social Security benefit at retirement. At higher incomes, the benefit would disappear even earlier.

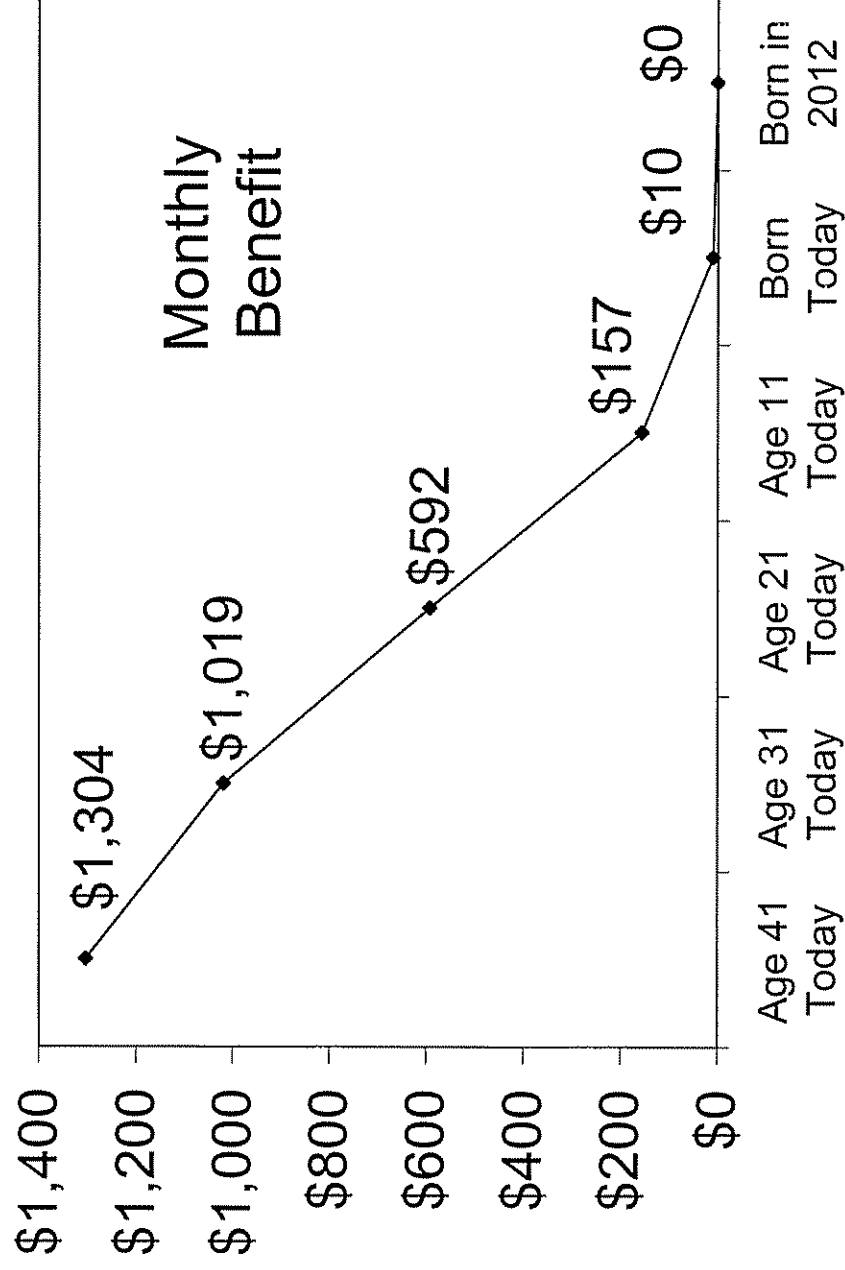
Eventually, the Bush plan would eliminate the guaranteed benefit for everyone. For lower earners, guaranteed Social Security benefits approach zero but do not totally disappear within the Social Security Administration's 75-year time frame for projections. However, CRS noted that “the factors that led to this result for high earners would also eventually lead to the same result for these groups.”

### **Two benefit cuts combine to eliminate Social Security**

Two benefit cuts in the Bush plan combine to wipe out Social Security's guaranteed benefit.

- o **Changing to price indexing** gradually reduces the guaranteed benefit. The CRS analysis shows this cut growing from 15 percent for someone who is 41 today to 49 percent for someone born in 2012. This cut would deepen in later years and would apply to everyone, regardless of whether or not they open a private account.
- o **The privatization tax** applies to anyone who diverts some of their Social Security contributions to private accounts. It reduces their benefits to reflect the smaller amount they are contributing to Social Security. This cut gradually increases as the private accounts phase-in. The CRS analysis shows that low-earning workers who participate in a private account for their entire careers would lose about 33 percent of their currently scheduled benefit while high earners would lose about 54 percent.

# What's Left of Your Social Security Under Bush Privatization Proposal? **NOTHING.**



Source: Congressional Research Service, March 31, 2005. Benefit levels for a worker earning an average of \$56,000 a year. Prepared by the Democratic Staff of the Committee on Ways and Means.