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**For Immediate Release**  
May 25, 2005

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**40-to 50-YEAR-OLDS WOULD SEE CUTS IN SOCIAL SECURITY  
BENEFITS UNDER PRIVATE ACCOUNTS AND PRICE INDEXING**

Washington, D.C. – The President’s proposals for price indexing and the privatization tax accompanying private accounts would significantly cut guaranteed Social Security benefits for 40- to 50-year-olds, according to a new report by the **Joint Economic Committee Democrats**.

“The retirement income of the late baby boomers would be more at risk under the President’s proposals for private accounts and price indexing,” said **Sen. Jack Reed** (D-RI), Ranking Democrat on the Joint Economic Committee (JEC). “Considering the benefit cuts from price indexing, the greater probability of losing money in a private account over a shorter investment horizon, and the additional tax on benefits for those who invest in private accounts, it’s hard to see how today’s 40- to 50-year-olds would come out ahead. The President’s proposals would seriously undermine the retirement security for these late baby boomers.”

The JEC Democrats’ report, *How President Bush’s Social Security Proposals Would Affect Late Baby Boomers*, finds the following:

- **The guaranteed Social Security benefit after both price indexing and the privatization tax would be 27 percent less than under current law for a 40-year-old worker who makes about \$36,000 annually.**
- **Benefit cuts from price indexing would be significant for late baby boomers.** For today’s 40-year-old middle-class worker, partial price indexing starting in 2012 would reduce benefits at age 65 by 9 percent (from \$17,000 to \$15,450).
- **Workers with a private account would see a further cut in guaranteed Social Security benefits.** Assuming the maximum contribution of 4 percent of earnings starting in 2009, today’s middle-class 40-year-old workers would see an additional cut of 19 percent (from \$15,450 to \$12,470) in their guaranteed benefits because of the privatization tax.

The late baby boomers are already assuming more of the risks of investing their own retirement assets and face uncertainty about the security of their employer-sponsored pension and retiree health benefits. Cutting guaranteed Social Security benefits and replacing a portion of the remaining benefits with an investment-based program would undermine the retirement income foundation for many late baby boomers.

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*

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