Ever-single workers may gain from social security reform

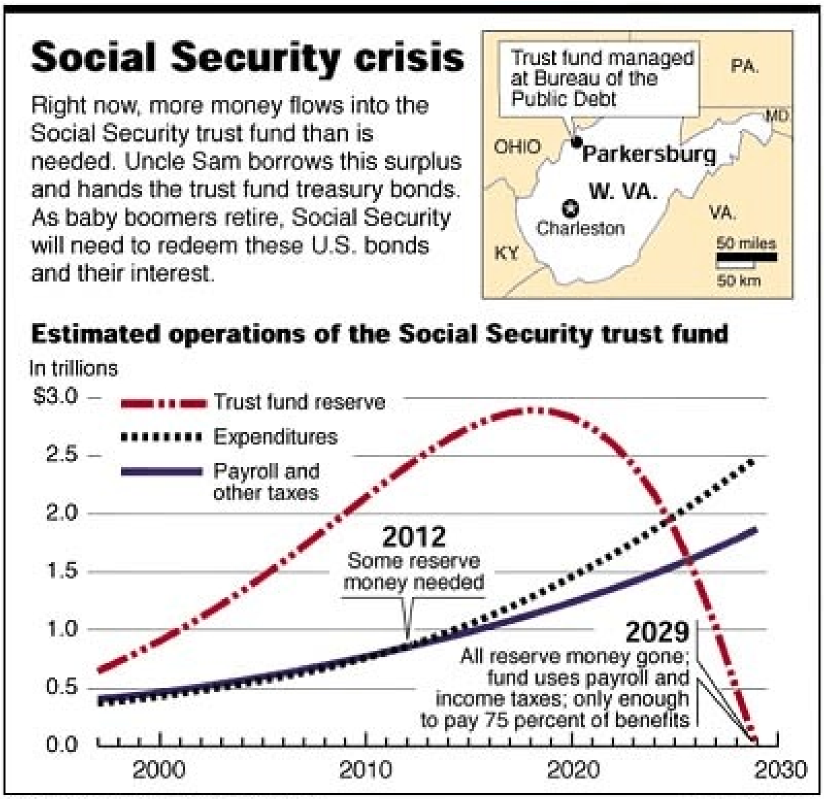
A business column published in the North County Times on Nov. 13, 2004, suggests that many single workers, especially those who have never married, may benefit from partial privatization of social security inasmuch as they won't forfeit all of their contributions, as they do now, if they die prior to retirement.

Here is what the columnist, George Chamberlain, has to say:

The dust is beginning to settle from the presidential elections and that means the subject of Social Security reform has returned to the headlines. And, as is always the case, there will be plenty of posturing with little results.

The argument for privatization ---- giving workers the option to divert a piece of the contribution into certain stock investments ---- is compelling. Despite the weakness of the past few years, stocks do go up more than they go down. Long-term results show that stocks dramatically outperform all other asset categories.

However, tinkering with the system that was established as a safety net for retirees is the hottest of political hot potatoes. Raising taxes, cutting benefits, or suggesting a means test are all met with serious opposition. Supporting any of those alternatives is the surest way to end a political career.



Source: Social Security Administration AP/J. Axamethy

I have always been concerned about privatizing Social Security.

After all, do you really want Congress to be your stockbroker? And I fret over the idea that Social Security will become the ultimate retirement savings program. The conventional wisdom is that it is just one of the three legs on the retirement planning stool, along with other retirement plans ---- 401(k)s and IRAs ---- and personal savings.

What has caused me to waiver a bit in favor of privatization is the idea of equity ownership. The current system has workers pumping tens of thousands of dollars into the system without being able to lay claim to any of the money. Heaven forbid you are unmarried and die at the age of 65, shortly before you are ready to get your first Social Security check. Too bad. The money you paid in is not part of your estate and is folded into the government coffers.

What is likely to emerge from the White House is another proposal to create a universal saving and investing plan that would allow for tax-free growth. This account would let all families combine education, retirement and all other savings programs into one package.

Consider the benefits. Tax-free is always better than tax-deferred. This would encourage people to use the universal accounts in favor of deferred plans that only pass the tax burden on to your survivors.

And consider the economy of one universal account. Think about a family with three kids. If each of them has a savings account or 529 plan, each of the parents has an IRA and they put money into the retirement plan at work, they are paying out hundreds of dollars each and every year just in custodial fees, never mind commissions and other costs.

And, unlike Social Security, this account would be a personal asset, part of a legacy to be passed on to future generations.

It is time for Americans to step up and take responsibility for the financial future. Social Security was never meant to be the be-all and end-all retirement plan. Sure, some people think spending money is more fun than saving and investing it. But, it's about time to get our priorities squared away