

# Social security a bad deal for minorities, single women

A commentary published in the Rock Mountain News on April 10, 2004, suggests that single women and minorities may fair better financially if the federal government were to authorize private investment accounts as a substitute or partial substitute for the current Social Security system.

Leanne Abdnor And Fidel Vargas jointly wrote the opinion piece. Here is what they had to say.

Americans learned once again from the recent Social Security Trustees Report that our federal retirement system will begin running a deficit in 2018. While the clock continues ticking for all Americans, the alarm is already ringing loudly for women and minorities. We simply cannot afford for policymakers to continue hitting the snooze button.

Our 1935-model Social Security system is in dire need of repair. Its original structure - where one generation of workers pays the benefits of their elders - was fine when more than 16 workers paid benefits for each retiree, but today just three workers support each retiree. And, when 80 million baby boomers are seeking retirement benefits, only two workers will be paying for each retiree.



Attempting to sustain the system with tax increases would require a 50 percent increase in Social Security taxes. In addition, such a move would work against young workers seeking to build wealth for their families. But the alternative - sharp benefits cuts - would especially hurt older women and minorities who count heavily on Social Security.

Nearly 40 percent of unmarried women rely on Social Security for 90 percent or more of their retirement income. And, according to a Social Security Administration study, more than 40 percent of African-Americans' and Hispanics' retirement income comes from Social Security.

The 1930s-style retirement system - designed at a time when the single-earner family was the norm - penalizes millions of working women who are married, single or divorced. Almost two-thirds of married working women receive no additional benefits for the taxes they contribute to Social Security. In addition, a low-wage single woman who worked and contributed her entire life actually receives lower monthly benefits than a stay-at-home spouse from a high-income household. In high-income households with one worker, the income producer (typically the husband) receives 100 percent of his earned benefit, while his wife receives a "spousal benefit"

of an additional 50 percent even though she did not contribute to the system. In order for a divorced woman to receive the "spousal benefit" at retirement, she must have been married 10 years. However, the average duration of marriages that end in divorce in this country is less than eight years.

If you happen to be a minority, Social Security is often an even worse deal. Take Hispanics, for example. While many Hispanics disproportionately benefit under the current system due to low incomes and longer life expectancies, the regressive payroll tax actually perpetuates a cycle of poverty because it takes the only money low-income workers could save or invest to build family wealth.

Currently, a 30-year-old Hispanic female can expect just a 1.57 percent return from Social Security. Raising the payroll tax to pay retirees would have a devastating effect on many younger minorities' ability to save money and invest in order to build wealth for their families.

Why should young workers who will retire in 2035 be forced to live with a system that was invented in 1935? If that same young worker had an option to invest her payroll taxes and earn just 4.5 percent (a modest historical rate of return)

she would build a nest egg that would double her income at retirement. Such an investment option would lead to greater wealth for all people, not just a select few.

In 1960, the Supreme Court ruled that none of us has a right to Social Security benefits. An option to divert a portion of one's Social Security taxes into a Private Retirement Account (PRA), would allow today's workers to hold on to Social Security's safety net, while gaining the means to achieve a more comfortable retirement. PRAs also would give women and minorities a much greater opportunity to build an inheritance that they can then pass to their heirs. Such a feature would give future generations a sizable nest egg for continued growth.

Our country is built on a foundation of opportunity, fairness and innovation. It is time for policymakers to use those building blocks to renovate Social Security and provide a path to prosperity for all Americans.

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