

# Strengthening The Social Security Safety Net

## Today's Presidential Action:

**Today, The President Visited Canton, Mississippi, To Discuss The Importance Of Strengthening The Social Security Safety Net For Low-Income Workers.** The President believes Social Security reform should: ensure that future benefits for low-income workers grow faster than those for seniors who are better off; protect those who depend most on Social Security; and offer every American a chance to build wealth and experience the pride and opportunity of ownership.

**The President Has Made Clear That Some Things Will Not Change.** Seniors and people with disabilities will continue to get their checks, and all Americans born before 1950 will also receive their full benefits.

## Background: Strengthening The Social Security Safety Net For Low-Income Workers

### **Doing Nothing Means Lower Benefits For Low-Income Workers.**

- **The President's Proposal Would Benefit Low-Income Workers.** The President's proposal would protect low-income workers by giving them benefits that grow faster than inflation and give future low-income retirees more than the current system can pay.
- **Progressive Indexing Offers Greater Benefits To Those Most In Need.** A progressive indexing approach, such as Robert Pozen's, would give a low-income 20-year-old who retires in 2050 annual benefits of \$12,900, or \$3,500 more than the current system can pay. A middle-income 20-year-old would get \$17,300 under Pozen's approach, or \$1,800 more than the current system can pay. These figures exclude income from personal accounts. Expected benefits for account holders would be even higher.

### **The President Has Outlined Details To Guide The Legislative Process Toward A Solution That Strengthens The Social Security Safety Net And Protects Those Most In Need.**

- **Future Generations Will Receive Benefits Equal To Or Greater Than Today's Seniors.** Under the President's plan to reform Social Security, future generations will receive at least as much as seniors receive today.
- **Protect Future Generations Who Depend On Social Security The Most Through A Sliding Scale Of Benefits.** Future low-income workers should receive greater benefit increases than the highest-earning seniors. For middle- and low-income seniors, benefits would continue to grow faster than inflation. For the highest-earning seniors, benefits would grow no faster than inflation.
- **Replace The Empty Promises Being Made To Younger Workers With Real Money.** Younger workers should have the option of putting a portion of their payroll taxes into a voluntary personal account. This nest egg will give workers an opportunity to receive a higher rate of return than the current Social Security system can provide.
- **The President Will Continue To Work With Congress.** Social Security is too important to pass this problem on to future generations. The President has committed to work with both the House and Senate in a bipartisan way.

### **Voluntary Personal Retirement Accounts Will Provide Low-Income Workers The Chance To Build Wealth.**

- **Voluntary Personal Accounts Will Allow Low-Income Workers To Develop A Sense Of Ownership And Create A Nest Egg For Retirement That Can Never Be Taken Away By The Government.** Voluntary personal accounts allow low-income workers to save a portion of their payroll taxes in an account that they own and control.
- **Voluntary Personal Retirement Accounts Will Give Low-Income Workers A Chance To Earn Interest On Their Money.** Many low-income workers cannot afford to save for retirement outside of Social Security. Giving low-income workers the chance to invest through voluntary personal accounts will open the door to ownership and wealth creation.
- **Voluntary Personal Accounts Could Be Passed On To Children.** Voluntary personal accounts will give low-income workers an opportunity to build wealth and pass it on to their spouses or children.
- **Voluntary Personal Accounts Would Provide Safe Investment Opportunities.** In addition to a no-risk option of investing in U.S. Treasury bonds, the accounts could be invested only in secure bond and stock-index funds, including a life-cycle fund designed to protect workers from sudden market changes on the eve of their retirement.