

Personal Finances

Social Insecurity: A Glimpse At The Nation's Pension System

(NAPSA)—The budget deficit is greater than expected and U.S. lawmakers are looking longingly at Social Security as a potential source of money to ease the crunch. As the political debates ensue, one question continually emerges: what, if anything, should be done to reinforce our current Social Security system?

How the system works

According to the Social Security Administration (SSA), over 45 million Americans received approximately \$400 billion in benefits in 2001. Overall, Social Security benefits represent 38 percent of the income of America's elderly. And about two-thirds of the elderly receive at least half of their income from the system.

So how is the money to fund Social Security benefits generated? Known as a "revolving system," Social Security funding for the benefits of today's retirees comes from the Social Security tax that today's workers and their employers pay. This tax is placed into trust funds from which benefits are then paid. This being the case, the system is most secure and efficient when there are more workers than retirees.

Running out of money?

Currently, according to the SSA, there are 3.4 workers for every Social Security beneficiary. But by 2030, there will be only 2.1 workers for each beneficiary—and there will be twice as many older Americans as there are now. The SSA estimates that as the trust funds are drawn upon to support the benefits of this aging population the system could be "broke" by the year 2038.

Searching for a solution

Since so many people depend on Social Security benefits, it is unlikely that Congress will do anything that jeopardizes the program's ability to pay future benefits. Instead, Congress is faced with a pressing need to find a



Planning and saving today can help the future of your retirement.

way to ensure that those benefits continue to be paid after 2038. Possible solutions to the dilemma include investing Social Security funds in the stock market, which historically has provided higher than average returns. The downside to this scenario is that the stock market poses a higher than average risk of loss. Other solutions include delaying the normal age of retirement for the next generation of workers, cutting future benefits for younger workers or raising Social Security taxes.

The debates surrounding what is the best way to reinforce our benefit system will be watched with interest by both workers and retirees over the next several years.

One way to ensure the security of your retirement, say the financial experts at Diversified Investment Advisors, is to take some proactive steps towards saving today.

To learn more about saving for your retirement, visit www.divinvest.com, where you will find many interactive tools and educational resources to get your financial future on track. And for more information on Social Security, visit the organization's Web site at www.ssa.gov.