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Sunday, October 28, 2007

Manny Lopez

Get ready for Social Security tsunami



Kathleen Casey-Kirschling cashed in her Social Security chips early, the first of 80 million baby boomers who will do so in the next 20 years.

She'll enjoy all the benefits she's been promised without worrying that the fund will be buried before she is. It's too bad that those of us who have a couple more decades of employment ahead of us won't have the same opportunity.

We might get a few what's-left dollars thrown our way when the time comes -- and if Congress ever gets honest about the economics that exist in the Social Security system, there might be some hope.

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Don't count on it though if 1980s' hair bands or Atari mean anything to you.

Fully paid Social Security won't last past 2041, and it'll be in serious trouble within the next 10 years. Casey-Kirschling and the other baby boomers who make up the so-called Social Security silver tsunami aren't to blame.

That's reserved for Congress, and particularly those who believe that the system is infallible because higher taxes can always bail it out.

Count U.S. Sen. Carl Levin among them.

Michigan's senior Democratic senator, who at 73 is eligible for the benefits today as well as a prime government pension, looked at me like I had two heads when I told him that neither I, nor most of the people I know in the same age range, expect to ever collect Social Security.

It's been about a year or so since I asked him, but I won't soon forget the deer-in-headlights look I got.

"Trust me," he said after pausing for a moment to digest the suggestion, "Social Security will be there for you."

He later took me aside and told me to have some faith in government and the system.

I smiled, thanked him for the reassurance and said I'll believe it when I see it. In the meantime, I told him that I and an increasing number of young people are planning for our retirement absent any Social Security funds from the feds.

"No way it'll be there," says Jim Dolan, a 32-year-old banker from New York who was leaving the MGM Grand casino this week. "I've got a better chance securing my retirement at the blackjack table."

Pessimistic? Perhaps, but real. We talked for a few minutes and were joined by others who overheard the topic and chimed in. The good news is that everyone acknowledged the problem and knew that Social Security is a safety-net program, not a full retirement plan.

Save one lady who stormed off in disgust because Democrats were getting the brunt of the blame in our impromptu discussion, the assembled five or six others seemed oddly at ease that they couldn't and weren't counting on the system.

The numbers don't lie

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"Look at the government's own numbers and you'll see it," said Donald Byrne, a professor of economics at the University of Detroit-Mercy. "It's indisputable."

There are lots of problems contributing to the depletion of the Social Security fund. People are living longer; they're healthier; there are fewer kids being born to pad the employment ranks; and the government's investments aren't generating strong enough returns, Byrne and his associate, Edward Derbin, reported in a 40-page analysis they did on Social Security.

"The rates of return on Social Security stink," Byrne said. "That's why young people want to move to the private sector. If you have a senator or congressman who says there isn't a problem with Social Security, get rid of them because they're lying."

In 10 years, Social Security taxes won't be enough to pay all the scheduled benefits and the surpluses that have existed will be depleted. By 2041, without any adjustments, retiree benefits will drop to 75 percent and continue falling after that. When Social Security was set up, there were 12 workers providing for every one retiree, Byrne said. Today it's 3 to 1 and working its way to an even match.

Levin insists that he and his associates will fix the system if that's needed - but that's what I'm afraid of. I don't want them managing my money any more. I'll gladly contribute a portion to help those who need it, but give me some control too.

We've allowed government to take responsibility for our money as if it was on loan to us, not the other way around. I'm not OK with that and if you value the work you do or want to ensure your future more securely neither should you.

The tsunami is on its way and though we'll weather it today, remember that after the storm all that remains is waste.

Manny Lopez is a Detroit News editorial writer whose online column is published Sunday. Reach him at mlopez@detnews.com or (313) 222-2299. Find the report on Social Security at byrmed.faculty.udmercy.edu, Economic newsletter, volume 2005, Issue 3.

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