



# Musings On Turning 65

Recently, I reached a milestone. In October, I turned 65. I've been thinking a lot about it lately, and certain things are bothering me about this time of my life.

It's not about growing older. My dad used to tell me, "You only get old if you get lucky." And I don't feel old. No, what bothers me are many of the issues surrounding retirement age and our country's Social Security system.

As the baby boomers begin to dip their straws into the U.S. Treasury, the Social Security system is going to look like a riverbed out West in the middle of the winter—dried out and breaking apart. The idea of registering for Social Security and Medicaid has caused me to think about this terrible problem that few dare to address, let alone actively attempt to solve—and it's only going to get worse.

The thing I can't get out of my mind is the enormous burden being placed on our younger generations. When FDR signed the Social Security Act in 1935, there were more than 30 workers for every retiree. The whole program seemed like a great idea. In 1950, there were 16 workers for every retiree—still not too bad. Today, there are just over three workers per retiree. Some estimates say that by 2020, there will be only two workers per retiree.

Over much of the recent history of the program, there has been plenty of money to pay benefits, because there have been significantly more workers than retirees. Even today, a surplus of money is collected. Unfortunately, though, that surplus just goes to offset a portion of the huge deficits the government runs outside of Social Security.

Within the next 10 years, the Social Security system will have a negative cash flow. The retiring baby boomers will only exacerbate an already untenable financial situation.

Because of the bureaucracy—a lot of people work for the Social Security Administration—the government has to take in more money than it is able to pay out, even if it's just going to break even. Hypothetically speaking, let's say a retiree is getting \$15,000 per year in Social Security benefits. In order to support that retiree, the government might have to take in \$20,000. If we have only two workers per retiree, then each worker will have to contribute \$10,000 a year.

When I was a young man, there was never enough money to provide everything for my family, and I don't imagine that's changed. In fact, I'm pretty sure families today have a harder time making ends meet. Having to give up \$10,000 while trying to accumulate money for a young family's needs—like a home, a car, saving for college, investing for the future, etc.—is a daunting or impossible scenario for all but the super-rich.

Many people who are getting or are about to get Social Security benefits look at it as an entitlement. You've been paying into the system your whole career. Now it's time to cash out.

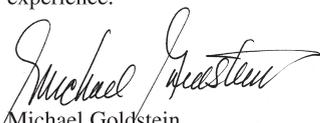
Unfortunately, though, our government hasn't set this system up to work like an annuity, where the money is set aside, invested, grown and then made available for spending upon retirement. Instead, it's a "pay as you go" system; today's workers are paying the benefits for today's retirees.

Basically, this is an income transfer from the younger generation to the older generation, not an investment or savings scheme, as many people view it.

The government doesn't have an inexhaustible supply of money. We have to remember that we are the government—and whatever the government spends, it gets from us, one way or another. So in order to keep Social Security afloat, taxes will have to be raised, spending in other areas will have to be cut, or Social Security benefits will have to be reduced. Possibly, all three might happen. The money has to come from somewhere.

I have no solution to these problems, only concerns. Even if I did have a solution, who would listen? Politicians seem to want to only promise to give us more, never to discuss the consequences or where the money will come from. That's a problem for future generations and future politicians. I'm only here to lament and muse about something that's bothering me as I make this transition in my life.

If my dad was right, and you only get old if you get lucky, I expect that the next generation will have to be even luckier than those in the past to have anywhere near the security and lifestyle the current generation of retirees will experience.

  
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