

Social Security +... Personal Savings Accounts

WHAT'S WRONG WITH SOCIAL SECURITY

Social Security doesn't need to be saved, but it does need reform. First and foremost, the source of its funding is fundamentally wrong. Payroll deductions hurt the economy by raising the cost of labor. Second, the Social Security payroll deduction is one of America's most regressive taxes, hitting low-income earners hardest. Furthermore, Social Security benefits, as presently structured, are often too meager to support the needs of our seniors, sometimes forcing them to choose between such basics as medicine and food. This is simply not acceptable in one of the wealthiest nations in the world. It is the obligation of an advanced society to take care of its elderly.

How to Fix It

The Omnibus Reform Plan would do away with the Social Security payroll deduction and, instead, fund Social Security from general revenues raised by the Smart Tax.

In addition, while Social Security would remain a foundation of retirement, offering a base income to every retiree, the Plan would complement Social Security by creating Personal Savings Accounts (PSAs). PSAs would, in effect, be unrestricted IRAs and, like IRAs, completely voluntary. There would be no cap on annual deposits. Contributions would be tax-deductible and income on

PSA deposits would be tax-deferred. With these incentives for saving in place, PSAs would become a significant part of retirement planning, providing a better standard of living for the elderly than Social Security alone.

THE HEALTH CARE COMPONENT

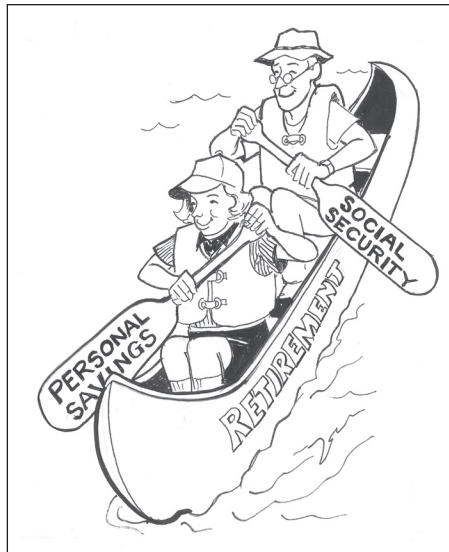
The Omnibus Reform Plan also would provide an annual Health Care Allowance (HCA) to be drawn on via a Medical Debit Card. A new card would be issued annually, making the previous year's card inactive. Any leftover balance on the old card would be credited to a tax-deferred PSA.

Medical costs above the HCA would be covered by federally administered major medical insurance. Both of these health care provisions would continue after retirement, complementing Social Security and ensuring that our elderly would have

access to the medical care and prescription drugs they need. The Omnibus Reform Plan would make the finest available health care accessible by all Americans.

THE OMNIBUS ANSWER

There is no stand-alone solution to Social Security, health care, and the economy. They must be treated as part of a total, interactive environment. Incentives can accomplish what legislation alone cannot.



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