

# **Growth won't kill Social Security**

When William Larsen begins, "If Social Security were a funded pension plan . . ." he admits that his protests are about a fictional system. Social Security was not established as a funded pension plan, possibly because no one expects the U.S. government to vanish.

If Larsen wants to argue that Social Security should be such a plan, that is a different topic. Meanwhile, his "mind-numbing numbers" should include some correct ones.

Social Security benefits are based on a person's total contributions through Social Security taxes, not lifetime earnings. The benefits are then based on a sliding scale; so a 5-percent increase in salary does not produce a 5-percent increase in initial retirement benefits. One quick way to appreciate this is to consider a person who receives only a 5-percent raise in mid-career. This would increase total Social Security contributions at most by 2.5 percent.

I claim no expertise, but the Social Security Web site is available to check a variety of calculations. The most extreme situation would show the effect of an immediate 5 percent salary difference for a 22-year-old who would then earn a constant amount until retirement.

In the minimum salary range, such a person earning \$5,000 would have his Social Security retirement benefit increase by only 3.3 percent if his salary were increased by 5 percent. If the salary were \$70,000, a 5 percent increase would increase retirement benefits by only 2.4 percent. If the person were earning \$90,000, a 5 percent salary increase would not increase the retirement benefits at all.

Increased benefits will not swallow the gains from economic growth.

Yes, plans for Social Security's future once again need to be reviewed and modified. However, Social Security has become such an important part of personal financial support that the objective must be to continue it in a reasonable way, not destroy it.

*Gordon E. Walter*