Making Changes to Social Security. Paper instructions: The Idea: Social Security is also one of the US's biggest budget categories, comprising around 24% of total federal spending. It was designed to assist the problem of elderly poverty. Social security is an insurance fund. Current workers pay in to support current retirees. Future retirees will be paid for by future workers. When social security was established, the average lifespan was 61. Today it is almost 79. In 1960 the worker/retiree ratio was 5 workers for every retiree. Today it is 3:1. The social security account will start running short in 2040. Elderly poverty is still a problem. Instructions: Please consider the following proposal for changing taxes. Please provide an analysis of this proposal. First explain what you consider to be the advantages and disadvantages of enacting this measure. What are some reasons why it would be a good idea to enact this? Are there any drawbacks or reasons why you would not want to enact this? What is your response to the analyses posted by your fellow group members? At the end of the discussion, you will be asked for your final vote on this proposal. You will vote "yes" to enact it, and "no" if you do not wish to enact it and WHY??? Proposal: Gradually raise Social Security’s full retirement age to 70. Gradually raise Social Security’s full retirement age to 70. The age at which workers can become eligible for full Social Security benefits depends on when they were born. For people born before 1938, the age for full eligibility was 65. For workers born between 1939 and 1959, the age for full retirement slowly increases up to 67 -- the age at which people born after 1960 are eligible for full benefits. At 62 workers can claim early retirement benefits, which are lower than full retirement benefits. This policy option would speed up the rate at which the full retirement age becomes 70 to help adjust for gains in life expectancy (e.g., those born in 1955 would have 67 as their full retirement age while it would be 70 for people born in or after 1973). Effect on deficit: -$28 billion. Supporters Say Raising the retirement age will help to adjust Social Security for gains in life Life expectancy at age 65 in 1940 was 11.9 years for men and 13.4 for women. It is now 18.2 years for men and 20.7 for women, and is expected to continue rising for decades. Thus, Social Security costs will increase as people collect benefits over longer lifetimes. Workers in physically taxing jobs will still be able to receive early (reduced) benefits at age 62 or apply for disability benefits While this option to raise the retirement age would not save a lot of money in the first 10 years, over time it would save a more substantial amount (0.5% of GDP) and would help put Social Security on a more sustainable course. Opponents Say Individuals in jobs that require physical labor will have a difficult time working until age 70. They are more likely to claim early retirement benefits and consequently will receive less throughout the rest of their lives than if they had been able to work until the full retirement Because life expectancy has not increased as much for low-income individuals as for higher-earners, this budget option’s cut in benefits is poorly targeted at those who depend on benefits the most. What do you say? Should the US raise the retirement age to 70? Why or why not?