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Children of Liberty Save Social Security Plan

Why is the COL Social Security and Welfare Replacement Plan Best?

- The COL Complementary Individual Retirement Account (CIRA) Plan saves the social security retirement system in 2031, 3 years before projected bankruptcy.
- The COL From Assistance to Employment (FATE) Plan would lift all individuals out of poverty and return a substantial number of Americans to work, and save close to $200 billion annually in all welfare payments in 2019.
- By quickly reforming these two areas, COL buy time to reform our national health care system, finding and implementing solutions to what seem to be intractable problems.

A Big Picture Overview

- The COL separate the Social Security Administration AND all national income assistance programs into THREE separate programs to improve cost analysis and protect the future of each program.
- The three programs would be:
    1. Complementary Individual Retirement Account (CIRA), replacing "social security";
    2. Health Care (replacing Medicare, Medicaid, and the Affordable Care Act);
    3. From Assistance To Work (FATE) Program (replacing all other current welfare programs) which include
        - SSA programs for Survivors' Insurance and Disability Insurance, and
        - All other federal income assistance programs like
            - Unemployment Compensation,
            - Temporary Assistance to Needy Families (TANF),
            - Supplemental Nutrition Assistance Program (SNAP),
            - Supplemental Security Income, and
            - Housing Assistance.
- The COL separate the programs because each have a different revenue source, solve a different economic problem, and solve the issue in a different way.
- Each program requires a different management structure for effective administration and cost analysis.
- The COL eliminate the fiction of trust fund accounting showing an accurate report of the national debt and ending the falsehood of, "I will receive the benefits I paid in." In reality, all programs simply are funded with taxes and fees paid by individuals in any accounting period.

Why is Immediate Change Required?[1]

1. The Social Security Trust Funds are in Trouble

According to the Summary of the 2016 Annual Reports, the Social Security Administration reports that, "Both Social Security and Medicare face long-term financing shortfalls under currently scheduled benefits and financing."

Trust Fund	Year of Failure	Years Remaining
OASI	2019 (General Revenue Required)	3
DI	2023 (bankrupt)	7
HI	2028 (bankrupt)	12
OASI	2034 (bankrupt)	18

Why act now? Listen to the trustees: "Earlier action will . . . help elected officials minimize adverse impacts on vulnerable populations, including lower-income workers and people already dependent on program benefits."

2. The Cost of Health Care is Still Rising

Regardless of the possible impact of the Affordable Care Act on the cost of American health care, the government will continue to experience rising costs due to the demographic changes of an aging population and the declining number of workers in the economy. "[T]otal Medicare costs (including both HI and SMI expenditures) will grow from approximately 3.6 percent of GDP in 2015 to 5.6 percent of GDP by 2040. . . ." That will be a 55% increase in total program costs! In addition, Medicaid and Veteran Administration costs will rise at the same rate.

3. The Cost of Welfare Programs Continue to Rise

President Lyndon Johnson declared war on poverty in 1964, and the Great Society made significant inroads, lowing the rate from nearly 20% to about 12% on average. Since 1980, however, the percentage of Americans in poverty has remained relatively constant and rising to 14% during the Great Recession. Yet, the cost of federal welfare programs as a percentage of GDP has risen from approximately 2% to 3% (a 50% increase)! Further, the number of working-age Americans on disability has risen from 2.3% in 1980 to 4.7% in 2013.

The COL identifies three problems with the current system.

1. Income assistance does not flow primarily to households and individuals living in poverty. Instead, significant amounts of income assistance go to households and individuals who earn sufficient money to support themselves.
2. The minimum wage is too low to encourage individuals on assistance to return to full time work.
3. The number of individuals receiving disability payments as a percentage of the total work forces has increased dramatically since 1984.

Immediate reform is required.

[1] All quotes from the Summary of the 2016 Annual Reports published by the Social Security Administration. https://www.ssa.gov/oact/trsum/

How do the COL Plans Work?

The COL details each program plan in separate white papers: *The CIRA Plan (Retirement)*, The *National Health Care*, and From Assistance To Work (FATE) Plan (*Reforming Welfare Programs)*. All COL programs will be funded through general revenue, eliminating the burdensome payroll tax currently used by the Social SecurityAdministration.

1. Complementary Individual Retirement Accounts (CIRA)

Individuals 49 and older will receive social security benefits under the current system. For all others, COL would phase out the current social security program and replace it with Complementary Individual Retirement Accounts (CIRA). The COL would eliminate all payroll taxes and replace the funding with a less than 3% income tax on all earned income. The national government would guarantee CIRA fund payments for life.

2. Health Care Reform

The looming health care crisis does not have a single cause, and therefore requires multiple solutions. While the COL National Health Care Plan requires additional development, we firmly believe that emergency health care is NOT a private good, subject solely to market forces. Health care is a unique good requiring unique economic solutions. For example, the health and fitness of American workers increases productivity, so business does have a financial interest in its workers. The following issues must be addressed (as well as others not listed):

- Rising costs of hospital care;
- Paying for procedures rather than outcomes;
- Unnecessarily high prescription drug costs due to the lack of competition in the market;
- Primarily providing health plan coverage through business;
- The role of insurance in health care; and
- The “free rider” problem created when a substantial portion of the population does not pay into the system.

3. Welfare Reform

The COL would raise the minimum wage to $11.00 an hour to encourage individuals to work and lift all full time workers out of poverty. The COL would transform income assistance into a single application process where all households and individuals living in poverty. Recipients would receive sufficient cash to life them to 110% of the poverty threshold in direct cash assistance payments every two weeks on a debit card to spend reasonably as they see fit. All recipients on assistance must participate in a “From Assistance to Employment” (FATE) program to return the individual to employment. The permanently disabled would receive increased income assistance to the level of minimum wage. Those suffering from mental health or substance abuse programs, to receive assistance, must participate in an assistance “work-based” program as part of FATE. Unemployment compensation would be folded into FATA using the same program requirements.

A Primer on the Social Security Administration (SSA)

What Does the SSA Do?

The initial Social Security Act of 1935 provided benefits to the unemployed, assistance to states for the poor and for health care, and a retirement benefit plan. President Roosevelt said in his signing address:

> "We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age."

Through time, however, "Social Security" has become far more than just an "Old Age" protection plan. The Social Security Administration (SSA) now provides:

- A life insurance, pension plan called Survivor's Insurance (SI) which covers
  - Spouses and spouses with children,
  - Dependent children and dependent parents,
  - Special age 72 benefits (slowly disappearing), and
  - Death lump sum payments;
- Disability insurance (DI) covers
  - Workers,
  - Dependent children, and the
  - Adult disabled;
- Administers the Supplemental Security Income (SSI) program funded by Health and Human Services;
- Provides medical benefits to the elderly through
  - Hospital Insurance (HI) or Medicare, and
  - Supplemental Health Insurance (SMI) known as Part B and Part D; as well as
- Old Age (OA) Insurance, which is what most think of when they hear "social security" for retired
  - Workers,
  - Spouses, and
  - Dependent children.

"Social Security" is now a family protection plan covering the loss of income for over 65 million Americans and a medical plan for the elderly covering nearly 54 million.[2]

[2] Coupled with the state and local government means tested aid plans providing assistance to over 54 million (Census Bureau), unemployment insurance to approximately 2 million (Department of Labor), over 120 million people now receive some type of direct government income assistance.

How is the SSA Funded?

SSA funds and manages three "trust funds" (the OASI and the HI and SMI) from which the expenses of SSA programs are paid. The OASI and HI trust funds:

- Are funded through a payroll tax paid directly and indirectly by American workers receiving a salary or hourly wage (those individuals receiving a W-2 from their employers)
    - Which is 15.3% (see *Table 1. Payroll Taxes* for details), and
    - Half of which does not show on an employee's pay stub as it is a hidden "above the line" tax paid by the employee through the employer;
- Do not hold all of the payroll tax in escrow for future use but instead loan the money to the government's general fund by buying Treasury Bills.

The SMI trust is funded through

- Premium payments from recipients which cover approximately 25% of total expenses, and
- General revenue which funds the remaining 75% of expenses.

Essentially, the SSA is NOT funded by the recipients (except for a portion of SMI costs). "Social Security" is funded by current workers, and by all taxpayers through general revenue.

Table 1. Payroll Taxes

Tax	Description	Common Name	Employee Below Line	Employee Above the Line	Total
OASI	Retirement and Survivors' Insurance	Social Security	5.3%	5.3%	10.6%
DI	Disability Insurance	Disability	.9%	.9%	1.8%
HI	Health Insurance	Medicare	1.45%	1.45%	2.9%
				Total	15.3%