
Mike Bloomberg's Retirement Security Plans

By Editorial Staff Thu, Feb 20, 2020

Bloomberg favors a public-option national workplace savings program, modeled on the federal Thrift Savings Plan. Its government match would be paid for with 'a reduction in the tax break for high-income retirement plan contributions.'

"Social Security is under demographic pressure and needs shoring up for the long-term, but it faces no imminent crisis," Democratic presidential candidate Michael Bloomberg's campaign announced this week in a [white paper](#) titled, "Mike Bloomberg's Retirement Security Policy."

Bloomberg didn't specify any tax increases, benefit cuts, or appropriations he might recommend for Social Security. With the senior population growing and the fertility rate falling, the 12.4% payroll tax that funds Social Security is projected to cover only 75% of promised benefits after 2034.

Although the former three-term New York City Republican mayor, billionaire, and founder of Bloomberg L.P. declared his candidacy late and missed the Iowa and New Hampshire primaries, he qualified for a spot in last night's Democratic debate on the strength of a poll showing him with 19% support among Democrats and Democratic-leaning voters, according to a [report](#) yesterday in the New York Times.

Bloomberg's proposals amount to far less than an overhaul of the U.S. retirement system, but some of them echo Obama-era initiatives that brought out opposition from private industry, such as:

- A public-option national savings plan with a government match and annuitization
- A \$2,000 annual cap on personal expenses for prescription drugs under Medicare
- A reduction in tax benefits in 401(k) plans for high-income savers
- Recommendations for simpler reverse mortgages

Social Security

Any privatization of Social Security that would shift a portion of contributions into the stock market was absent from Bloomberg's proposals, which instead included:

- A new minimum benefit that could lift about 10% of current recipients out of poverty, replacing the Supplemental Security Income program, which the whitepaper called complicated, under-used, and insufficient
- Higher cost-of-living (COLA) adjustments that reflect seniors' high level of exposure to

health care cost inflation

- Higher benefits for low-wage family caregivers, and a remedy for the fact that surviving spouses lose up to half their benefits without a commensurate drop in expenses

Tax-deferred retirement savings plans

Bloomberg favors a national savings program for workers without tax-deferred retirement savings plans at work, modeled on the Thrift Savings Plan for federal government workers. The program would include a government match paid for with “a reduction in the tax break for high-income retirement plan contributions.”

The new savings plan would:

- Automatically invest savings in an appropriate target-date fund and provide savers with prudent alternatives
- Auto-enroll savers in a low-cost, inflation-indexed annuity at retirement age
- Allow savers to consolidate all of their retirement savings in one public-option account
- Designate a small part of the accounts as an emergency fund, which savers can tap for short-term needs without a penalty.

Medicare and Medicaid

- A cap on Medicare beneficiaries' out-of-pocket drug spending at \$2,000 per year
- Costs above a “catastrophic threshold,” now paid by Medicare, would be shared among Medicare (20%), drug manufacturers (via a 30% discount) and the participant's drug plan (50%).
- A federal safety net to insure against catastrophic long-term care costs, in response to weakness in the private long-term care insurance market.
- New programs at the state level to deliver support services to those needing long-term care at home.
- Dental, vision and hearing care for older Americans via Medicare benefit, similar to the drug benefit, to cover those services. Beneficiaries would pay a separate premium of roughly \$25 and low-income beneficiaries would receive premium subsidies.

Reverse mortgages

The candidate said he favors:

- Simpler and less-expensive products
- Strong advisory services to improve financial literacy pre-retirement
- Education for financially-stressed seniors explore their options

- Federally-subsidized loans for qualifying low-income seniors
- State programs allowing low-income seniors to defer property taxes on their homes, leaving them with more income to live on

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