
Your Safest Retirement Asset

By Kerry Pechter *Thu, Jun 25, 2020*

Already, I hear legislators refer to an approaching Social Security "train wreck." There is no approaching train wreck. When people want to fool you, they show you half of a balance sheet.



For as long as I've paid into Social Security, I've regarded it as an asset, not a liability. So I'm always perplexed by the way Social Security is denigrated.

People call it a Ponzi scheme, as if the U.S. Treasury's ability and responsibility—as the creator of our sovereign currency, and because benefits are earned—to send out Social Security checks would ever be in doubt.

Social Security is also often slandered as a zero-sum game between generations—as if the program were strictly a liability for workers and not an asset until mailed to retirees. This is an intentional distortion. I believe I receive an asset in return for my payroll taxes. It's not marketable; that's part of what makes it so valuable.

Already, I hear legislators refer to an approaching Social Security "train wreck." There is no approaching train wreck. When people want to fool you, they show you half of a balance sheet. They show you the liabilities and distract you from the assets.

So you will hear higher Social Security taxes described as "unaffordable," even though the program adds \$1 trillion of consumer demand into the U.S. economy each year and keeps tens of millions of older people out of poverty—and less dependent on their children.

You will hear about scary trillion dollar "shortfalls," even though the shortfall is a tiny percentage of payroll over the next 75 years. If payroll taxes do go up a bit, everyone's (except for the wealthiest, and they don't need it) Social Security asset will not have to shrink by 25%.

Many people say that they'd rather invest their payroll taxes in stocks. This idea does not acknowledge that the certainty of future Social Security benefits gives them more risk budget or risk tolerance to spend on stocks. They also say that the low worker-to-retiree

ratio in the U.S. (a result of declining birth rates) means that there will be shortages of goods and inflation. As long as the Chinese keep accepting dollars for goods, shortages seem unlikely.

You hear that today's bailouts mean that we won't be able to afford a better-funded Social Security program. Quite the opposite. The bailouts prove that there are no strict limits to what we can or can't afford. Do we still have to pay taxes? Of course. But we will pay the taxes (progressively) with money that the government has *already* spent into the economy.

Social Security has for decades been the "third-rail" of American politics. I hope it stays that way.

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