Myths about Social Security Privatization

Myth: Social Security is going broke and private accounts are the answer.

Fact: Private accounts significantly worsen Social Security by diverting trillions of dollars from the Trust Fund. In fact, private accounts will require the U.S. government to borrow trillions of dollars, mostly from foreign banks in China and Japan. Privatization will mean cuts in benefits because private accounts don't address Social Security's long-term shortfall. There are better ways than privatization to strengthen Social Security.

Myth: It's your money and you control it.

Fact: Individuals will have limited control over their private accounts. There will be huge limits on how much individuals can invest, where it can be invested, what they can do with it when they retire and how much they can pass on to their heirs. Privatization opens up the Social Security system to corruption and waste because politicians will choose which Wall Street firms will make billions in inflated fees off private investments.

Myth: Private accounts will be voluntary.

Fact: Private accounts are supposed to be voluntary but they will cause cuts in your Social Security benefits even for those who do not choose a private account. Is that really fair?

Myth: Private accounts mean a better rate of return for future retirees.

Fact: Privatization proponents assume a high rate of return that some economists don't agree with. The stock market only guarantees risk, not higher returns. There will be good years and bad years. Retirement security shouldn't be gambled away on the stock market.

Myth: It's your money and no one can take it away from you.

Fact: No one can take your private account away. But privatization will mean cuts in your guaranteed benefits, regardless of how your investments perform. Privatization replaces the guaranteed benefits of Social Security for the uncertain returns of a private account.

Myth: The money in your private account can be passed on to your heirs.

Fact: Unless you die before you retire, there won't be a lot for your heirs to inherit. Retirees must use the money in their accounts to buy annuities, annual payments for the rest of their life, which will provide their retirement income. An annuity expires after death, so the only money your heirs can inherit is whatever is left over--if anything--from purchasing the annuities.

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