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## Issues@TheLatinoCoalition

### **Strengthening Social Security Must be a Top Priority for Our Elected Officials**

*Mario Rodriguez*

On December 11th, three months after the terrorist attack on our country, the President's Commission to Strengthen Social Security released recommendations to rescue our Social Security system and guarantee its financial stability for decades to come. The Commission unanimously recommends that younger workers be allowed to voluntarily use a small portion of their payroll tax to begin building their own personal retirement accounts.

Social Security faces a serious future financial crisis. According to the nonpartisan Social Security Trustees' Reports, in 15 years, there will be more money going out in benefits than coming in from payroll taxes. At that point, the only way to maintain full benefits is for Congress to raise trillions in general revenues in order to pay off debt owed to the Social Security Trust Fund. Even if this were successfully done, the system would still go bankrupt in 38 years. Some call personal retirement accounts risky, but the risks of doing nothing are far, far greater.

In a recent memorandum by Congressman Robert Menendez (D-NJ) sent to all members of the House Democratic Caucus, he stated: "Social Security has lifted millions of our nation's seniors out of poverty. Hispanics, compared to other ethnic groups, are more likely to lack pension benefits and are also the least likely to receive interest, dividends, or pension income. Subsequently, they have a large stake in the solvency of this program. Our seniors, who helped build this country into what it is today, deserve the safety net of Social Security in their retirement."

I could not agree more with this quote. As a matter of fact, this is the basis of my support for the creation of personal retirement accounts for younger workers. The problem is that the last line of this quote confirms that the campaign of fear has officially begun. To insinuate that Democrats like former Senator Patrick Moynihan or former Baldwin Park (CA) Mayor Fidel Vargas, both members of the President's Commission, are advocating eliminating the Social Security safety net for the most vulnerable members of our society, is simply wrong and reprehensible.

Congressman Menendez can disagree with our recommendations, but to scare our low-income seniors like that is simply the act of a partisan demagogue who's willing to do whatever is necessary, no matter the cost.

Opponents of personal retirement accounts, like Rep. Menendez, have voiced many serious concerns. However, the overwhelming majority of their concerns are premised on a full privatization plan in which basic protections are eliminated. Neither the Commission nor any other serious advocate of personal accounts is suggesting doing away with the current system through privatization.

The President's Commission recommended a two-tier system - a voluntary opportunity to increase Social Security benefits through personal accounts,. Let me make it clear, if you do not wish to participate in the new system, you will be able to stay totally in the current system and get the benefits

that it can pay. If, however, you decide to participate in the program and open a personal retirement account as recommended by the Commission, your safety net would actually be stronger than before. Not only does the Commission's report show that the personal accounts would increase benefits, but these plans contain provisions to strengthen guaranteed protections against poverty. Survivor and disability benefits will be fully preserved at least at levels currently received. In fact, the Commission's proposals would increase benefits for low-income widows. So don't let Rep. Menendez or anyone else scare you.

Also, this would be a very controlled and regulated system. You will not have predatory salesmen knocking on grandma's door trying to invest her Social Security money. This will be regulated by the Federal Government. The personal retirement accounts will be modeled after the Federal Thrift Savings Plan, which has been enormously successful for our Congressmen and our federal employees. They are generating a rate of return of 7.2 to 14.8 percent, compared to the 2.0 percent we currently get from Social Security.

But personal retirement accounts offer another benefit, which I believe is extremely important: they will help promote savings and investments among lower income families who currently do not have a savings account and depend solely on Social Security for their retirement. If these families are able to start these accounts, they will begin to build personal wealth and equity. They will have something to pass on to their children and they will be encouraged to learn and be informed about savings and investments.

In late July, The Latino Coalition and the Hispanic Business Roundtable released a study showing that only 35% of Latinos have retirement savings outside of Social Security. This means that two out of every three U.S. Hispanics will rely solely on Social Security. Furthermore, a recent report cited by the Commission found that the median Hispanic household has an average of \$1,200 saved for their retirement. In my work with the Commission, I argued repeatedly that these levels of savings are unacceptable, and that we needed to find a way to encourage savings among our families. I am pleased that my fellow Commissioners agreed.

There's been talk about matching funds from the Federal government for contributions by low-income families to savings accounts. But how can we ask a mother of two, making \$25,000 a year who can barely meet her monthly obligations, to start putting money aside for 40 years down the road. You can't. The right place to begin is with the payroll tax money that is already being taken out of her check.

We should welcome a serious debate to find common ground and common sense solutions. However, at a time when many of our low-income families feel unsafe and worried, I urge everyone involved in this debate to make a commitment to keep irresponsible partisan rhetoric and scare tactics off the table.

Mario Rodriguez is President of the Hispanic Business Roundtable and a member of the President's Commission to Strengthen Social Security.

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