

## Social Security Reform

*NSBA supports reforming Social Security but not on the backs of small businesses.*

---

It was former U.S. House Speaker Thomas “Tip” O’Neill who first called Social Security the “third rail of American politics” in the 1980s. Not much has changed with respect to the political danger reforming the system holds.

However, with the aging of the Baby Boom generation, negative personal savings rates and the fact that 55 percent of the elderly currently rely on Social Security for the majority of their income, Social Security is projected to be bankrupt by 2037. In the near-term, starting in 2015 and continuing thereafter, Social Security program expenses are expected to exceed cash revenues.

Retirement savings and Social Security impact small-business owners and employers uniquely. Due to the unfair restrictions on SIMPLE plans, and the fact that only nine percent of workers at firms with fewer than 10 employees participate in a 401(k)-type plan (even less for defined pension plans), Social Security failure poses a very real concern for small firms and their employees.

The Obama administration took initial steps to show an interest in reforming the Social Security System. The President’s Fiscal Reform Commission made several provocative recommendations in Dec. 2010 to reform the system, but the President’s FY2012 Budget failed to include any recommendations. Now Congress is tasked with providing direction to ensure our nation’s current and future retirees have a viable retirement safety net.

Beyond the Fiscal Commission’s recommendation, a variety of proposals have been offered over the years in order to deal with the looming budgetary shortfalls of the Social Security program, including increasing the retirement age, means-testing, decreasing benefits, increasing the payroll tax rate, privatizing Social Security, and others. NSBA believes that some level of change in the benefit structure and cost of the program are crucial to the potential for any reform to succeed.

Enabling pre-funding of the Social Security program through allowing personal, growth-centered retirement accounts could help the problem. Past proposals that would allow individuals to redirect up to four percent of their payroll taxes to personal retirement accounts for investment in broad-based investment funds is an attractive option. The maximum allowable contribution would be \$1,000 per year. An important piece to ensuring small-business equity, however, is allowing individuals the option to invest their funds into small businesses.

The longer the country postpones dealing with this oncoming crisis, the more difficult it will be to increase the retirement age, reduce benefits, or give individual accounts time to grow. NSBA urges Congress to act now on reforming Social Security.