



What Handouts to Cut

Former Senator Alan Simpson of Wyoming and Erskine Bowles, White House chief of staff under President Bill Clinton, co-chairmen of President Obama's debt and deficit commission, in a *Washington Post* article "[Obama's Debt Commission Warns of Fiscal 'Cancer'](#)" (July 12, 2010) said that "(A)t present, federal revenue is fully consumed by three programs: Social Security, Medicare and Medicaid. The rest of the federal government, including fighting two wars, homeland security, education, art, culture, you name it, veterans — the whole rest of the discretionary budget is being financed by China and other countries."

The commission added the current budget trend is a disaster "that will destroy the country from within" unless checked by tough action in Washington. The tough action required is spending cuts in programs, including the so-called nondiscretionary, eating most of the federal revenues.

According to the Census, around 80 percent of Americans 65 and older own their own homes compared to 43 percent under 35. Twenty-three million households, or 37 percent of all homeowners, own their homes free and clear, and most of these are seniors aged 65 and older. According to the Federal Reserve Board's 2007 "Survey of Consumer Finances," the median net worth of people 65 and over is \$232,000, those under 35 years have a net worth of \$12,000 and for those 35-44, it's \$87,000.

For good reason, older people have accumulated more wealth than younger people; the primary reason is that they've had more time to do it. There is no logical case that can be made for using the tax system to force Americans with less wealth to subsidize those with more wealth. But it's not clear who is subsidizing whom. Consider an elderly widow, say 70 years old, with a modest retirement income of \$18,000 living in a \$300,000 house that's fully paid for. She might receive local property tax forgiveness, medical and prescription drug subsidies and other federal, state and local subsidies based upon her age and income.

When subsidies are provided for this lady, whom are we truly benefiting? It's not the lady but her heirs. Conceivably, the lady could make a deal with a financial institution to pay her property taxes, allow her to live in the house for the rest of her life and give her a lump sum cash settlement so that she can live without the handouts. Upon her death, the house becomes the property of the financial institution, not her heirs. Giving the widow handouts allows her to bequeath to her heirs her assets, a \$300,000 house. If her children want to inherit the house, they, rather than taxpayers, ought to take care of their mother.

We can start getting the federal spending under control by ending subsidies to people with high net worth that can be readily turned into cash such as a home or business. While seniors might say that they support reduced government spending, they, like other handout recipients, believe they have a right, through government, to live at the expense of others. What's more, they have considerable clout — they vote in large numbers. Only 50 percent of young people vote, but up to 70 percent of seniors vote.

Political guts have always been in short supply and politicians fear senior retaliation at the polls. Moreover, it's a practical matter for seniors and politicians. The true economic calamity won't hit the country until 2030 or 2040. By that time, both today's politicians and seniors will be dead so why should they make sacrifices now to prevent an economic calamity decades off into the future? Seniors might protest my cynicism but they can easily prove me wrong by waging an effective campaign to end handouts based on superannuation.



Written by [Dennis Behreandt](#) on August 11, 2010

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