Tax Attorney: Social Security Participants About to be "Disenfranchised"

If Rebecca Waiser is right, millions of Americans are about to be "disenfranchised" of their Social Security benefits. Waiser, a licensed tax attorney and certified financial planner writing for Fox Business, says the math is incontrovertible and irreversible.

According to the trustees running the program, Social Security will be forced to start cutting benefits by 2034, 15 years from now. According to Waiser the crisis will hit in three years.

Wrote Waiser:

> Disenfranchisement … is defined as the state of being deprived or a right or privilege … [but, as] the Supreme Court ruled in the 1960 case Flemming v. Nestor … the receipt of payments from the program is not a "right," even where the participant had paid into the system for years.
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> And since Social Security instead is a privilege, "the reality is that most Americans count on and expect that 'their' Social Security … will be there for them. But it will not."

First, there is no money in the Social Security trust funds, just government IOUs: "There is no actual money in the fund, just the special-issue Treasury bonds, which are in fact government IOUs. The real surpluses have been used by the federal government as a funding source for many things."

Translation: The payroll taxes received were spent by the government long ago. But now that the program's benefits being paid out are greater than the payroll taxes it receives, those IOUs are being redeemed by the Treasury, thus adding to the federal government's annual deficits.

And the demand for those benefits is about to explode. There's a tsunami of Baby Boomers about to apply for them, wrote Waiser: "About 70 percent of the Boomers [approximately 76 million people] have not even begun to retire yet. Beginning in 2022 the bulk of that generation will retire [over the next] five to seven years."

And when each person retires and starts to claim benefits, there's a "double negative" hit to Social Security: he or she stops paying into the system and instead starts taking out of it. And, according to Waiser, there's another problem: "the lower birth rates of Gen X and Millennials [those paying into the system that's keeping it afloat] does not help."

Waiser is out of solutions: "It is clear that the proverbial can cannot be kicked down the road any longer. The road is ending, and the cliff lies dead ahead just like the iceberg … for the Titanic." She added, "We cannot borrow our way out. As I see it, it is a mathematical certainty that benefits will be cut … and taxes will go up."

The tsunami to which Waiser refers will be even larger thanks not only to deficit spending by the federal government and its borrowing, but also to the interest costs in servicing that ever increasing debt. At about the time Waiser's Baby Boom tsunami hits, the U.S. Treasury will be faced with making interest payments that exceed the country's military budget. Somewhere along the way those investors, bond holders, and foreign central banks which have up until now been such willing buyers of U.S. Treasuries will turn off the tap.

All of which is likely to be a surprise to the average American worker. Last April Gallup interviewed 1,150 of them age 18 and up and learned about the fantasy land in which they live. According to Gallup more than half of them approaching retirement "project financial comfort in retirement" while nearly eight out of ten already retired "say they have enough money to live comfortably."

Another Gallup poll conducted at the same time revealed that, on average, a worker approaching retirement plans to retire at age 66.

But the reality of the average recipient of Social Security retirement benefits shows a much different situation. According to the Social Security Administration, 61 percent of retired workers count on their Social Security check to provide at least half of their income. For unmarrieds, that figure jumps to 71 percent.

When that tsunami hits in 2022, it should be blindingly clear to even the densest politician that something will need to be done. He or she will be hearing from the voting bloc most intimately affected: the early Boomers already on Social Security, and the Silent/Greatest generation (71 and over). That bloc, according to Pew Research, is large and powerful, and will hardly stand by while their Social Security benefits are being threatened.

So the ultimate solution — benefit cuts and payroll tax increases — will fall where it always falls: on those in the system with no way to get out. As Waiser concluded: "the coming 'disenfranchisement' of Social Security [will deprive] Americans … of the privilege of the full benefit payments upon which they were counting. It's no wonder that Congress has expressly reserved the right to *alter, amend, or repeal* any provision of the Act." (Emphsis added.)

The intergenerational conflict built into the failing Social Security system is about to heat up.

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