Written by Raven Clabough on May 12, 2015

New Study on Social Security “Trust Fund” Shows Bleak Future

The Social Security Administration continues to mislead the American people by claiming that its so-called trust funds will be depleted by 2033. While some outlets recognize that the truth is direr than that, most still do not seem to understand the true nature of the Social Security program, and the fact that no such trust fund exists.

CNBC reported Friday on new studies from Harvard and Dartmouth researchers which found that the SSA’s actuarial forecasts have been consistently overstating the financial health of the program’s trust funds since 2000.

“These biases are getting bigger and they are substantial,” said Gary King, co-author of the studies and director of Harvard’s Institute for Quantitative Social Science. “[Social Security] is going to be insolvent before everyone thinks.”

King notes that projections for Social Security solvency fall short because they fail to acknowledge that Americans’ life expectancy has risen more than has been projected. King goes on to defend the actuaries who calculated the projections: “The issue is not the people,” King said. “If you swap out the people and kept the same procedures, you would very likely get the same result.” King believes that if the administration was transparent with its data and methods and shared them with the public, outside researchers would be able to replicate the forecasts.

Of course, this analysis is based on the assumption that the Social Security trust fund is a real thing. Therefore, forecasting when the trust fund ceases to be solvent seems to overlook a significant problem.

In 2004, the Heritage Foundation observed that those who are focused on the date in which the Social Security trust fund will completely deplete its paper assets have missed the crux of Social Security’s problems, namely that there is no money in a Social Security fund, and never has been.

The Heritage Foundation expounded upon the true nature of the Social Security program:

> Workers pay their Social Security taxes through their employers. Each employer periodically sends a lump sum payment to the U.S. Treasury that includes all of the income taxes and Social Security and Medicare payroll taxes paid by both the employer and its employees.
>
> The Treasury both receives the payroll taxes (and income taxes that higher-income retirees pay on their Social Security benefits) and pays monthly benefits on behalf of the Social Security Administration (SSA). The money stays in the Treasury’s hands until it is either paid out as Social Security benefits or otherwise spent by the government. In fact, no money ever goes into the trust fund. Instead, the trust fund balance is the result of two accounting entries by the Treasury.

In fact, the Clinton administration admitted this much in 1999:

> These balances are available to finance future benefit payments and other trust fund expenditures — but only in a bookkeeping sense…. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury, that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures.

The "trust fund" is nothing more than "credits" that are assigned to the Social Security fund in the amount of Social Security taxes that are collected. It is strictly an accounting entry. As noted by the Heritage Foundation, "money" in the trust fund is converted into IOUs. Those IOUs amount to trillions of dollars that have not been counted in the total amount of debt held by the public.

According to Daniel J. Mitchell of the CATO Institute, the "most appropriate way" to forecast the Social Security shortfall is to take all projected future deficits, adjust them for inflation, and calculate the total. Based on a 75-year estimate, the Social Security shortfall is "a staggering $40 trillion."

In 2011, the Cato Institute called the Social Security program a Ponzi scheme, since the program does not actually save or invest any of the participants' payments. But the CATO Institute wrote that Ponzi schemes are in fact better than Social Security:

> Once Ponzi was unable to talk enough people into investing with him, his scheme collapsed. People participate in Social Security because the government makes them. And if the Social Security system begins to run short of people paying into the system, as it is now, it can always force those people to pay more.

This system has been "working" because the federal government has no qualms about increasing the national debt.

According to the Heritage Foundation, Social Security ran a $71 billion deficit in 2013, marking the fourth year of consecutive cash-flow deficits as the number of unfunded liabilities continues to increase.

But who gets hurt the most from this house of cards? As observed by the *Fiscal Times*, it's the millennials — those born between the early 1980s and the beginning of the 21st century:

> This is the first generation of young Americans that our government systemically disfavors and the first generation whose prospects are lower than those of their parents…. Their parents and grandparents, beneficiaries of the New Deal and Great Society programs that are bankrupting America, never intended this. They are deeply concerned that their children and grandchildren cannot find jobs and are facing a future of decreased opportunity. They never anticipated their comforts would come at the expense of their progeny.

Social Security retirees have been receiving more money in benefits than they've paid into the system for decades. But for future retirees, an analysis by the Urban Institute reveals that there will be a negative rate of return. According to those findings, workers who reach age 65 in 2030 will receive only 84 cents for every dollar in payroll tax contributions.

And many millennials are well aware that there is no financial security with Social Security.

Mary Parrilli, now in her twenties and living outside of Chicago, told the *Fiscal Times*, "I am outraged. We have been scammed, end of story. I do not expect to get back any of the money I am paying into Social Security — to me, it's just another tax. I think people should help the elderly, especially their own family, but it is immoral for the government to force this on us. This is a perfect example of punishing the young and the successful and rewarding the irresponsible."

Parrilli is not alone. According to a 2014 Pew Research Center poll, more than half (51 percent) of millennials do not believe they will see any Social Security money by the time they reach retirement.