

SOCIAL SECURITY FACTS

Why Social Security Private Accounts are Dangerous For People with Disabilities: Distinguishing Types of Privatization

Some people promote private accounts within Social Security as a way to ensure more money for workers when they retire. While there are serious problems with privatizing Social Security even for retirees, the stakes are much higher for people with disabilities and their families. For 70 years, Social Security has provided predictable income for millions of Americans when they most need help. Hurricane Katrina dramatically shows the value of receiving guaranteed benefits when people unexpectedly become disabled, die tragically or retire earlier than expected.

Social Security: Essential Benefits for People with Disabilities & Their Families

Most workers contribute to Social Security through their payroll taxes. The program insures the vast majority of American families for the time when they face retirement, disability or death. Social Security provides predictable monthly income for a wide range of eligible individuals and families. People with disabilities and their families who receive guaranteed monthly Social Security benefits include: disabled workers and their dependents; retirees with disabilities; disabled dependents of retirees; disabled survivors, and disabled adult children and disabled widow(er)s. [Disabled adult children are individuals whose disability began prior to age 22 and who receive benefits based on the earnings record of retired, disabled or deceased parents.]

Private Accounts: No Protection for People with Disabilities & Their Families

Private accounts allow individuals to set aside money for retirement. Workers who establish private accounts would rely on stocks and bonds to generate savings. When they retire, they would get reduced Social Security benefits based on how much money they put into a private account. Under this approach, people lose future guaranteed fixed benefits and may, in fact, get fewer benefits because it is impossible to predict profits from stock market investments.

This risk is particularly great for people with disabilities who generally are unable to have a full work life in which to save for private accounts. Both they and their families would be hurt. Since these accounts are not designed to address the intergenerational needs of families, there would be no protection for the disabled adult children of workers who retire, die or become disabled. Similar risks would exist for children whose parents die or become disabled and for retirees and their spouses.

In 2001, the Government Accountability Office studied several plans to change Social Security. It concluded that, compared to the current program, people with disabilities would get much lower benefits under plans that would use payroll taxes to create individual private accounts. **There is no guarantee that people with private accounts will do better than people who get fixed monthly Social Security benefits and they could do much worse.**

Advocates for private accounts suggest different ways to fund them. One would use the current surplus in the Social Security Trust Fund. A second way would allow workers to divert some of their payroll taxes to self-fund their private accounts. Regardless of how they are funded, the result is the same: private accounts would reduce funds to pay future guaranteed monthly Social Security benefits.

Private Accounts: Different than “Privatizing” Other Governmental Functions

There is common confusion between “privatizing” Social Security through private accounts and efforts to “privatize” other governmental functions. Many non-profit agencies now receive federal, state or local funds to provide important social and human services. [For example, some disability groups provide vocational training or mental health services for people with disabilities.] Under these arrangements, non-governmental agencies contract to provide public services. In some situations, these approaches are very successful. But privatizing Social Security is a totally different idea. Proposals to create private accounts in Social Security will not produce the same result: they will replace guaranteed, predictable monthly benefits with a risky investment system which is especially dangerous for people with disabilities and their families.

Private Accounts: No Governmental Accountability

It is possible to support privatizing some social services while opposing the privatization of Social Security. There are extremely important distinctions between these two approaches to privatization. When social services are privatized, there is the possibility that non-public agencies can provide services as good or better than the government. If the non-public agency does a bad job, the state can terminate the contract because the government is still accountable. But under plans to privatize Social Security, there is no governmental accountability. Instead, privatizing Social Security will gut the current system of predictable monthly benefits for people with disabilities and others. Remember that privatizing a government service may provide the same or similar benefits and government remains ultimately accountable. In contrast, privatizing Social Security will never replicate guaranteed cash benefits. Instead, private accounts shift all the risks onto individuals.

Private Accounts: No Help for Social Security’s Long Term Financial Future

Proponents of private accounts – including the President – admit that they do nothing to restore the financial stability of Social Security to meet future needs of eligible individuals. Creating private accounts will actually pose an even greater threat to Social Security’s stability. Although there is concern about the program’s long-term funding, Congress could improve and strengthen the financial future of Social Security without major changes.

The disability community urges Congress to request a beneficiary impact statement on every major component of any serious proposal. In a program that affects millions of individuals of all ages, it is essential for policymakers to look beyond the budgetary changes to understand the actual impact on people’s daily lives.

Produced by **Consortium for Citizens with Disabilities**, 1660 L Street NW, Suite 701, Washington, DC 20036. See www.c-c-d.org. CCD, a coalition of over 100 national consumer, provider & advocacy organizations, advocates for national public policy to ensure the self-determination, independence, empowerment, integration & inclusion of the 54 million children and adults with disabilities living in the United States.