The Options Game: Your Guide to the Debate

<table>
<thead>
<tr>
<th>POSSIBLE CHANGES</th>
<th>ESTIMATED REDUCTION IN SHORTFALL</th>
<th>WHAT PROONENTS SAY</th>
<th>WHAT CRITICS SAY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue raisers</strong></td>
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<tr>
<td>1. Raise the cap to 90% of taxable earnings</td>
<td>Approximately 43%</td>
<td>Affects only 6% of taxpayers. Can be phased in gradually. Not a new tax, restores prior policy.</td>
<td>It's a tax increase for higher earners.</td>
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<tr>
<td>2. Increase payroll tax rate</td>
<td>100%</td>
<td>A gradual increase would maintain 75-year solvency.</td>
<td>Tax increase would adversely affect lower-wage workers.</td>
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<tr>
<td>3. Raise taxes on benefits</td>
<td>10%</td>
<td>It's fair because affluent retirees would contribute more to long-term solvency.</td>
<td>Unfair to higher earners.</td>
</tr>
<tr>
<td>4. Preserve tax on estates over $3.5 million</td>
<td>27%</td>
<td>Improves tax progressivity, affects only 1/2 of 1% of all estates.</td>
<td>Would alter the president’s tax-cutting plans.</td>
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<tr>
<td>5. Extend coverage to newly hired state and local government employees</td>
<td>10%</td>
<td>Makes Social Security universal, with all sharing obligations and benefits.</td>
<td>Governments and unions would resist, concerned employees would get less.</td>
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<tr>
<td>6. Invest a portion of the trust funds in indexed funds</td>
<td>15-45%</td>
<td>Would earn higher returns without major risk to the individual.</td>
<td>Government has no place in the stock market.</td>
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<tr>
<td><strong>Cost trimmers</strong></td>
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<td>7. Adjust the COLA</td>
<td>18%</td>
<td>Would save money by using a more accurate consumer price index.</td>
<td>COLA insufficient now. Unjustified benefit cut.</td>
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<tr>
<td>8. Increase normal retirement age to 70</td>
<td>36%</td>
<td>Links retirement more closely to life expectancy.</td>
<td>Reduces benefits. Unfair to those forced to retire early.</td>
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<tr>
<td>9. Index benefits to prices, not wages</td>
<td>100%</td>
<td>Could eliminate shortfall.</td>
<td>Cuts benefits drastically over time.</td>
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