

Budget Buster

MA Medicare is rightly considered the monster most likely to chew through the federal budget in coming decades. But Social Security will soon be in need of beaucoup bucks, too. If Congress does nothing, the difference between the system's revenues and its outlays will top \$1 trillion annually around 2050.

But, unlike Medicare, the Social Security deficit could be tamed (for a long while, anyway) with increases in revenues or cuts in benefits totaling a relatively modest 1.6 percent of predicted GDP over the next 75 years. Consider some options:

OPTION	APPROXIMATE % OF GAP CLOSED
Increase payroll tax by one percentage point (starting in 2012)	50%
Eliminate the \$106,000 cap on taxable wages (starting in 2012)	100%
Cut initial benefits to offset the cost of rising life expectancy (starting in 2017)	33%
Raise age for full retirement benefits from 67 to 70 (starting in 2022)	50%
Index full retirement age to longevity (starting in 2012)	33%
Reduce cost-of-living benefit adjustments by ½ percentage point (starting in 2012)	50%

SOURCE: Congressional Budget Office (2010)

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