

Social Security Act as amended in 1965, with a 4-percent interest rate, a single male person retiring in 1990 will have a tax-benefit percentage of 104; for a married male retiring in 2010, 43 years from now, the percentage will be 116.

These percentages were calculated on the following assumptions: (1) Worker is alive at age 65 and retires at that time, attaining age 65 at the beginning of the year; (2) worker is an employee at maximum covered earnings in all years after 1937, or after attaining age 20, if later; (3) married worker has a wife the same age, 65; (4) alternative interest rates of 3, 3.5, and 4 percent for compounding contributions and discounting benefits are used; (5) contributions include only the taxes paid by the worker and exclude that portion of his tax for health insurance; and (6) mortality basis is the U.S. Life Tables for White Persons, 1949-51.

Campbell & Campbell also have calculated the relationship of contributions to benefits for different individuals retiring in selected years in the future.¹⁰ They showed that a worker who retires in 1998 will have enough contributions to pay benefits for 19.8 years, whereas he is expected to receive them for only 14 years according to the average life expectancy. A new entrant, age 22 in 1966, retiring in 2009, will have an accumulated fund sufficient for retirement benefits for more than 31 years. Both of these workers are "losers" under social security.

The approach and assumptions used by the Campbells for these estimates are the same as those underlying their calculations for those retiring through 1992, cited in subsection A above. For the convenience of the reader, certain basic assumptions are restated here. Benefits included only those for a man and his wife, and contributions consisted of 80 percent of the total employee and employer taxes. Benefits were discounted at 4 percent interest and the compound interest rate for accumulating contributions was also 4 percent. The comparison of costs and benefits was based on the approach in which the retiree draws on a fund, such as a bank account, which he has accumulated at 4 percent compound interest with the tax dollars he and his employer have paid; he does this in order to pay retirement benefits to his wife as well as to himself, with the declining balance in the fund continuing to earn interest. A retiree is a loser if his fund is not reduced to zero or exhausted at the end of 14 years.

Under the assumptions specified, the general conclusion in these studies is that young workers of today, especially those now joining social security, will have contributed more than that which they may expect to receive in benefits.

¹⁰ Campbell & Campbell, *op. cit.*