

LEGAL EASE



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Young people should start looking at saving for retirement now

The Center for American Progress has released a new report on which talks about the significance of Social Security as a source of income. The Social Security Act was passed in 1935. Social Security income was never meant to be the only, or even the primary, source of income for retirees. However, the Center for American Progress report, found at http://www.americanprogress.org/issues/2007/08/social_security.html, notes that Social Security remains “the only universal source of retirement income for the vast majority of Americans.” In fact, for many Americans, it is the only source of income.

This results in a significant cash flow problem for many older Americans. Especially if you factor in the cost of Medicare Part B premiums, which are generally deducted directly from the Social Security check each month. In 2007, the Medicare Part B premium, which is what covers the cost of doctor visits, physical therapy, medical equipment, and some other items, is \$93.50. These premiums are projected to increase by \$15.90 in 2008, the largest single year hike in the history of the program. This 17 percent increase will bring the premium up to \$109.40 per month. At the same time, the cost of living increase for Social Security recipients is estimated to be 1.5 percent, which will leave many seniors and disabled persons who are Medicare beneficiaries with less money each month than they are now receiving when the new Medicare Part B premium is instituted. Furthermore, the average Part D premium (for prescription drugs) is estimated to increase by 15 percent.

Recently, AARP launched the **Divided We Fail** initiative “to amplify the voices of millions of Americans who believe that healthcare and lifetime financial security are the most pressing domestic issues facing our nation.” Individuals can log onto the www.dividedwefail.org website and take a pledge to support change and help make a difference in our nation’s future. AARP states that they believe that all Americans have a right to know how our leaders plan to ensure affordable, quality healthcare for all, and to strengthen the Social Security program for future generations. AARP encourages personal responsibility for saving for retirement, but wants our lawmakers to make it easier to do so. It is postulated that people can be brought together in a non-partisan way to accomplish these goals. A special report on the Divided We Fail initiative appeared in the AARP Pennsylvania Update. You can access this at www.aarp.org/pa.

Congress has taken some steps to address retirement income security with changes in the tax code to encourage the growth of private pension plans such as traditional defined-benefit pension plans, 401(k) type defined contribution savings plans, and Individual Retirement Accounts (IRAs). The government expects to lose tax revenue in the area of \$109 billion to support retirement savings in these plans. But the government cannot do this alone. Individuals must step up and save for their own retirements, utilizing such plans where available. It is necessary for young workers to start saving for their retirement now, so that they are not dependent on the shaky Social Security system, which was never meant to totally support our nation’s elderly.