



Grover G. Norquist

President

July 19, 2004

Dear Representative,

Tomorrow, Rep. Paul Ryan (R-Wisc.) will introduce new legislation that will finally provide the needed reforms for Social Security. On behalf of Americans for Tax Reform (ATR) I urge you to cosponsor this legislation.

This bill allows workers more freedom to choose their route to retirement by introducing a large personal account option, with no benefit cuts or tax increases now or in the future. It is created to provide enormous benefits for American workers and the nation as a whole, as each worker will receive more benefits at retirement and it will eliminate the Social Security deficit over time.

The main components of the reform plan are:

- Out of the 12.4% Social Security payroll tax, workers would have an option to designate 10 percentage points of their first \$10,000 in wages each year and 5 percentage points on all wages above that to a personal retirement account making an average account contribution of 6.4 percentage points.
- The account will be managed by private investment fund managers who are regulated for safety and soundness by the U.S. Treasury Department, similarly to the operation of the Federal Employee Thrift Retirement System.
- Similar to other countries that have implemented comparable programs, a safety net will back up the system guaranteeing workers at least the same benefits as Social Security offers under current law.
- This legislation does not conflict with the promised benefits to current seniors or those who do not opt for a personal account. Survivors and disability benefits would also continue unchanged.
- Upon retirement workers with the personal account option will receive Recognition Bonds guaranteeing them the payment of Social Security retirement benefits based on the past taxes they have previously paid into the system. In addition, they will receive the benefits accumulated in the personal account.
- This retirement account based on long term market investment markets will produce substantially more return for all workers, including low income and minorities, creating a more equal ownership of capital and wealth. It is projected that with a diversified portfolio, with half invested in bonds and the other half in stocks, a worker would receive a real return of 5 percent, while from the current framework the return is around 1 percent or less.
- Bonds in the amount of payroll taxes used for personal accounts will be issued to the trust funds keeping them balanced. Net revenues from higher investment and savings, higher economic growth,

and the savings to social security due to workers relying on their personal account will produce a net surplus that over time can pay off the transition bonds. Under the Chief Actuary's score, Social Security achieves permanent and growing surpluses by 2029. Within 15 years after 2029, there will be sufficient surpluses to pay off all the bonds sold to the public during the earlier years.

- The large personal accounts in the plan will ultimately eradicate Social Security's financial crisis by eliminating the unfunded liability of the program, and achieves *the largest reduction in government debt in world history*.
- Over time, the accounts will allow for tax reductions as well as an increase in benefits. The official score shows that by the end of the 75 year projection period it is predicted that instead of having the payroll tax increased to over 20% as would be needed to keep the current program afloat, the tax will be reduced to 3.5%. *This would be the largest tax cut in world history*.

This proposal has the potential to transform the social security system into a program that creates wealth and prosperity to all Americans. It modernizes the Social Security structure by allowing workers to become owners, which will produce tremendous benefits for all.

ATR encourages you to evaluate this bill and the tremendous difference it could make for the American people and economy. This reform will reduce taxes and increase investment and savings which lead to more jobs, higher wages, and stronger economic growth.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Norquist', written in a cursive style.

Grover G. Norquist