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## The Ultimate Safety Net

*Social Security saved César Moreno Pérez's family from falling into a financial crisis. After his father died in 1994, survivor benefits kept the family of nine afloat.*

BY CARLOS QUEIRÓS  
June/July 2005

"I don't think my mother would have been able to make ends meet," says the policy and communications analyst for the Labor Council for Latin American Advancement. "Although they say that Social Security was never meant to be a stand-alone program, unfortunately it has become that for our [Hispanic] community. The program keeps people out of poverty." Many, like Moreno Pérez's family, consider the program the ultimate "safety net" at life's most critical times.

When the first Social Security benefit was paid—a whopping lump-sum payout of 17 cents in 1937—few people imagined how important the program would become to the more than 50 million beneficiaries, including people with disabilities. Today nearly half of Hispanics 65 and older rely on the program for 90 percent or more of their total income, reports the Social Security Administration.

Changes to the program have been proposed before, but President George W. Bush's concept of personal accounts—which would divert a portion of workers' Social Security payroll taxes into private investment accounts—coupled with progressive price indexing, have spurred a national debate. Proponents of indexing say it is a way to protect low-income workers from Social Security cuts; benefits would be cut moderately for middle-income workers and more for people with higher incomes. Opponents, such as AARP, see the matter differently.

"These are drastic benefit cuts, especially for the middle class, and it breaks the link between what you contribute to Social Security and what you get out of the program," says David Certner, AARP's director of federal affairs.

Personal investment accounts, or privatization, could present more of a challenge for Hispanics than for the working population at large, according to

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**While estimates vary, transitioning to private accounts could cost from \$1 trillion to \$3 trillion in the first 10 years**

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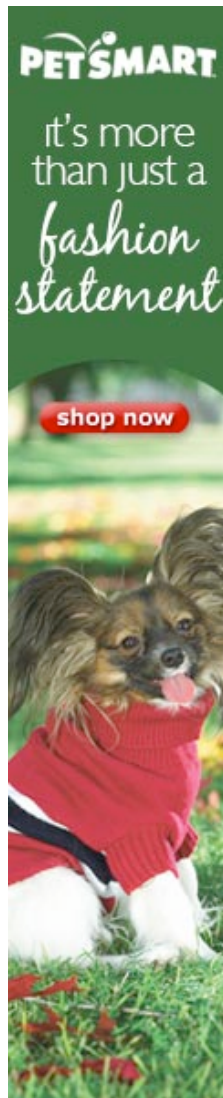
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the Pew Hispanic Center. The nonpartisan research organization in Washington, D.C., found the following:

- The system would have an impact largely on younger Hispanics, who have much less experience managing long-term financial assets.
- Hispanics would be disproportionately affected because about 90 percent of Hispanics—but only 75 percent of white non-Hispanics—were born before 1950.

Representative Xavier Becerra (D-California), a member of the House Subcommittee on Social Security, cautions against the private accounts option: “I could take you to Vegas and you could come back with more money than you started with, but you could also come back with less. If you are being given only half the picture, it could look rosy.”

While estimates vary, transitioning to private accounts could cost from \$1 trillion to \$3 trillion in the first 10 years. Many believe that future generations would have to foot that bill. With the number of Hispanics in the labor force projected to more than double by 2050, their role as contributors to the system would increase substantially.

“The last thing Latino families want to do is leave a debt for their kids,” says Gabriela Lemus, national director of policy and legislation for the League of United Latin American Citizens.

Rock the Vote, a nonprofit, nonpartisan organization that encourages youth to participate in the political process, has also been active in the debate. “All their lives, young people have been told that Social Security will not be there for them,” says Hans Riemer, the organization’s Washington, D.C., director. “That has made them easy prey for politicians who want to sell them a rip-off deal: privatization.”

Representative Ileana Ros-Lehtinen (R-Florida) believes the administration’s proposed changes to “preserve” Social Security are designed to give recipients more control over their contributions and a greater sense of ownership.

Questions seem much easier to come by than answers, but there is one point of consensus among organizations and politicians: it is important to be proactive and learn about the issue.


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There’s more than one solution for Social Security. Find out [nine ways to keep the system solvent](#) and then [join our message board](#) and add your own thoughts.

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