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## **RE: CIVIL Tackles Unfunded Mandates for Social Security/Medicare**

**Dual-Track Retirement Solution Produces the Biggest Tax Cut in History for the Poor and \$100 Trillion in Personal Nest Eggs over the next 40 years.**

Dear President Trump,

Sir, you are a bold leader, so I hope you find this audacious proposal to your liking as I believe it is a high-quality transformation with components that both parties will like.

For decades after the creation of social security, the retirement fix Democrats and Republicans recommended to cover revenue shortfalls arrived in worker's paychecks as larger and larger tax deductions. Recent Social Security Administration Trustee Reports estimate that to cover unfunded mandates over the next decades, the combined tax rate for both Social Security will need to rise from 7.65% to nearly **fifteen percent!** That's a big gulp voters won't stand for.

To each party's credit, ideas to minimize the impact of the expected \$44 trillion funding deficit have been proposed including means testing, a fixed benefit Medicare program, raising the retirement age and saving a bit of the current 7.65% deduction in personal savings/investment accounts. By themselves, none solve the funding problem.

However, combining these ideas with a couple of 21<sup>st</sup> century tweaks creates a phenomenal dual-track retirement system that assures those in need are fully covered while workers are allowed the option of either choosing the current government tax-based solution or a saving/investment tools not unlike a 401K. Dual-Track Retirement (DTR) builds both a healthy anti-poverty program for seniors as well as a perpetually financially sustainable retirement system for all retirees. The program is built on four pillars:

- Workers would be allowed to 1) stay in the government system and be taxed at the 7.65% rate or 2) choose to save the 7.65% into a government protected savings/investment tool.

**For Release 9.00am October 24<sup>th</sup>**

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- Medicare would transition to a fixed-benefit program. This approach has already been proposed in Congress, and is essential to the next pillar.
- Mean-testing would be applied to benefits. As workers nest eggs grow fewer are fewer retirees would need help from the government.
- Instead of raising the age of retirement, associate retirement with life expectancy. As the creators of Social Security knew, that life expectancy had risen nearly 20 years during the four decades before Social Security's beginning, fixing the age at 65 created a huge funding problem as life expectancy is up nearly 15 years since and will continue to rise throughout this century. CIVIL proposes Life Expectancy minus nine years which would push retirement up two years – two years is equivalent to the rise in this century's life expectancy. This is a tough ask for those who are closing in on retirement, but is a important trade-off in lieu of taxing our children and grandchildren at a 15% rate, were nothing to be done.

**Economic modeling of this program reveal five key benefits:**

- The largest tax for low income earners pay is the Social Security/Medicare tax. This solution will provide the largest tax cut for the poor in American history.
- Over the course of the next forty years, \$80 to \$100 trillion in person nest eggs will produced transforming our retirement system back to its original intent as an anti-poverty program.
- As nest eggs grow, means-testing will reduce the rolls of government dependent retirees. Fewer and fewer people will need benefits from the government. Nearing mid-century perhaps fewer than 10% of retirees will need assistance.
- About 25 years into the Dual-Track Program, the 7.65% employer tax for Social Security and Medicare can be reduced as fewer and fewer Americans need help during retirement. Forty years after the program start, a 1% to 2% tax will be required for ongoing program needs.
- Additional Investment income available to American business will increase employment numbers, with the average increase in investment income at around 10% per year.

For inquires or interviews, please contact Tom Lewellen. A white paper with more detail is available upon request.

CC: Congressional and Senatorial Leadership; the Arizona Congressional Delegation; Members of the Ways and Means Committee, and Subcommittee for Social Security, The Heritage Foundation, the Hoover Institute and the Brookings Institution.