

# SOCIAL SECURITY

## The Ebbs & Flows of Social Security Benefits

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The Social Security Act of 1935 was signed into law by President Franklin Roosevelt, and like all governmental implementations, the Act was couched as “good,” something every good Republic should offer its people. The Act was positioned as a safeguard against poverty for older persons. Of course, like taxation, the program was socialized from the beginning, as it was based upon work ethic, education, intelligence, health, and other variables typically associated with economic prosperity. Subsequently, the program was doomed to fail from the beginning, as successful persons would support more than their share of program distributions. And like taxation, Social Security remains disproportionately funded by successful persons. Then again, Franklin Roosevelt was a master of economic demise with the development of his creations of welfare programs, all of which would eventually drain Americans of not only their economic prosperity but their dignity.

While employees pay into Social Security, employers are also forced to pay into Social Security, not only on behalf of themselves, however, but on behalf of each employee, making it

More difficult for small to mid-sized employers to survive. Making it worse for the business owner, the self-employed rate is 12.4 percent, twice that of an employee working. So, the business owner is forced to pay 12.4 percent on himself, plus 6.2 percent on every employee—up to a taxable income of \$160,200.

Generally, Social Security benefits rise and fall with inflation; when inflation increases, benefits also increase. Since 1975, both Social Security benefits and inflation have averaged approximately 3.8 percent, nearly twice the Federal Reserve’s ideal rates of 2 percent. Over these same years, both benefits and inflation have regressed negatively, meaning increases in both have decreased overall since 1975. In some ways, one could argue that the country has improved in terms of economic stability. But is such the case? Well, maybe, maybe not. To this end, refer to the figure below to review changes in Social Security and inflation since 1975.

*Note: This document is not intended to give advice on matters of finance, accounting, nor tax. For such, refer to the appropriate professional.*

