

BRIEF ANALYSIS

No. 333

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Americans Support Personal Retirement Accounts

By **Bill McInturff and Matt Moore**

Polls consistently demonstrate the popularity of personal retirement accounts as an alternative to the current Social Security system. Younger voters overwhelmingly favor moving to a new system in which they can invest a portion of their payroll tax in a personal account that they can own and control. Indeed, Social Security reform has moved to the top of the agenda in the 2000 presidential race, with both candidates proposing competing visions of reform – and both including some form of personal retirement accounts.

Voters Recognize the Need for Reform. In April 2000, an extensive nationwide poll of 600 registered voters conducted for the National Center for Policy Analysis by Public Opinion Strategies a VA based polling firm.

The poll found that while Social Security is a universally popular program, Americans recognize that it faces long-term problems and needs reform. According to the research findings (with a +/- 4.0 margin of error):

- Social Security rates 60 percent favorable to 18 percent unfavorable, in stark contrast to voters' views of other government programs like welfare (39 percent favorable, 39 percent unfavorable) and the federal income tax system (29 percent favorable, 46 percent unfavorable).
- Still, a majority – 51 percent – say that Social Security needs “radical” change (20 percent) or “major” change (31 percent) to ensure the program’s fiscal health.
- Only 21 percent expect to receive their full Social Security benefit, while 76 percent expect to receive only part or nothing.
- Fifty-nine percent say workers under age 30 will never see what they paid into the system.

Despite these concerns, the poll found that retirement and Social Security ranks last among seven issues about which voters were asked (health care, moral values, education, crime, economy, taxes and retirement/Social Security). Only 9 percent rate it as their primary issue of personal concern.

Personal Retirement Accounts: Attractive Alternative. As the figure shows, 80 percent of the voters favor a reform plan that allows them to invest a portion of their payroll taxes in a personal retirement account they can own and control; only 9 percent oppose the plan.

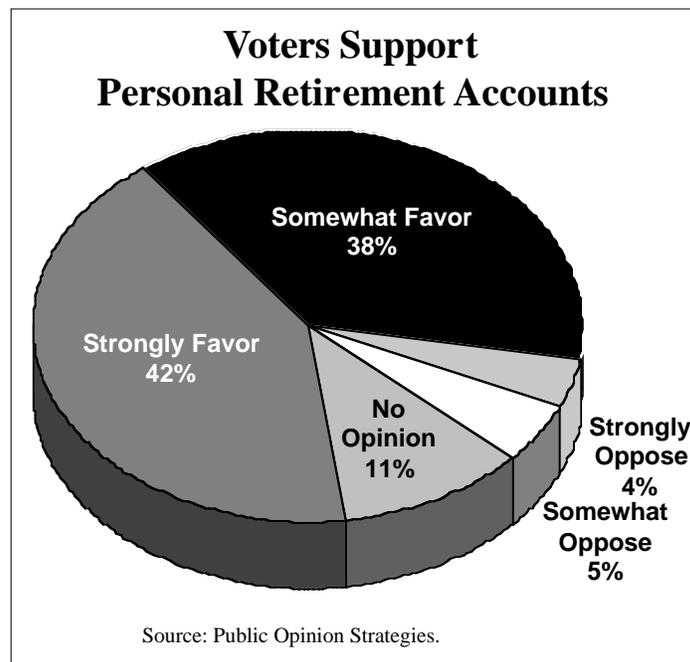
- If given a choice, 73 percent (60 percent strongly) would be willing to switch to the new system, and only 23 percent would remain in the current system.

■ Ninety percent of those who expect to receive no Social Security benefits would switch, as would 74 percent of those who expect to receive some benefits.

■ Even 56 percent of those who expect to receive *all* their benefits would switch to the new system.

The reform plan’s most popular features are: (1) the personal retirement account becomes part of your estate and can be passed on to your family, and (2) you would receive credit for payroll taxes you have already paid into the current system. Voters stressed their satisfaction with the fact that they would have “control” and “choice” under the new plan.

Respondents did voice concern that some individuals may not choose investments wisely and expressed a general concern about market dips and crashes. In addition, they worried that the guaranteed safety net contained in most reform plans could encourage reckless investing or might strain the financial health of the system. [Note: virtually all serious reform plans would restrict investment choices to broadly diversified, conservatively managed mutual funds.] After some discussion about the negative aspects of personal retirement accounts, support for the reform plan remained strong (78 percent favor, 12 percent oppose).



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Age Has an Effect on Responses. While all age groups have favorable impressions of Social Security, perceptions of the program vary by age.

■ A smaller percentage of Generation X voters view Social Security favorably (53 percent favorable to 21 percent unfavorable) than baby boomers (60 percent favorable to 18 percent unfavorable). The so-called Silent Generation – those closest to retirement – views Social Security most favorably (72 percent favorable, 13 percent unfavorable) [see the table].

■ A majority of Generation X voters (53 percent) and baby boomers (54 percent) say the system needs radical or major change, but only 38 percent of the Silent Generation say the same. In fact, 57 percent of this age cohort say Social Security needs “minor” or “only some” change.

■ Generation X (80 percent switch, 16 percent stay) and the baby boomers (76 percent switch, 20 percent stay) would overwhelmingly switch to the reform plan. If given a choice, 52 percent of the Silent Generation would still switch, even though a majority say the system needs only minor or some change.

The Effect of Education on Responses. Those with a high school degree or less (66 percent favorable, 18 percent unfavorable) and those with post-graduate degrees (63 percent favorable, 14 percent unfavorable) are more positive in their views of Social Security than are respondents with some college or technical education (58 percent to 18 percent) and those with a college degree (50 percent to 21 percent).

Of post-graduate voters, 41 percent think the system needs radical or major change. Fifty-nine percent of college graduates and 54 percent of those with some college education share the same view. Voters with a high school degree or less are also less inclined to say the system needs radical or major change (49 percent).

The Effect of Income on Responses. A greater percentage of respondents with annual incomes of \$40,000 to \$80,000 support radical or major Social Security reform (58 percent) than those with incomes less than \$40,000 (44 percent) or more than \$80,000 (43 percent).

Other Factors Affect Responses. Whites (81 percent favorable) are more positive in their views of the reform plan than African-Americans (77 percent favorable) and other minorities (74 percent favorable). Whether a person is male or female does not correlate with his or her support of the current program or the reform plan.

Respondents who are single or married are much

more positive about the reform plan (81 percent favorable) than divorced, separated or widowed voters (71 percent favorable). Respondents who are investors are more positive about the reform plan (82 percent favorable) than are respondents who do not

own stocks or bonds (72 percent favorable). Non-investors likely have reservations about managing their own investments.

Conclusion. While Social Security is a popular and successful program, polls indicate that voters recognize the system is in trouble and needs reform. A reform plan that gives workers the opportunity to invest their payroll taxes in a personal retirement account that they would own and control and could pass on to their family enjoys support among all age groups – particularly among younger Americans. More information on Social Security and Social Security reform can be found on the NCPA’s Social Security Central Web site at <http://www.mysocialsecurity.org>.

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Impressions of Social Security by Age

	<u>Generation X</u>	<u>Baby Boomers</u>	<u>Silent Generation*</u>
Favorable Impressions of			
Current Social Security System	53%	60%	72%
Current System Needs Radical or Major Change	53%	54%	38%
Would Switch from Current System to Personal Retirement Account	80%	76%	52%

* Oldest 13 percent of survey respondents.

Source: Public Opinion Strategies.

Note: Nothing written here should be construed as necessarily reflecting the views of the National Center for Policy Analysis or as an attempt to aid or hinder the passage of any legislation.

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