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Chapter 1 : Why a (k) is No Replacement for a Pension - NEA Today

Social security had the main concept of the Townsend plan, but still was very different. Because of social security it made townsendiates very mad because now they would have to work under social security in order to receive its benefits.

Why a k is No Replacement for a Pension Pensions provide secure â€" and higher â€" retirement benefits. They both like antiquing and poking around flea markets. They both care for an elderly parent. They both taught at the same school. And they both avoided a financial debacle that would have forced them to keep working well past retirement age. Brum and Townsend live in West Virginia, the state that until a few years ago had the worst-funded pension plan in the entire country. By the early s, the plan was on the verge of collapse with just 14 percent of the money needed to cover the pensions it owed teachers. In , then-Governor Gaston Caperton signed legislation to pay off the pension liabilities over a year period. But it also changed the plan from a defined benefit DB pension to a defined contribution DC k -type plan. Educators hired prior to that date were able to choose to enroll in the new k -type plan or to stay with the pension. Lured by the possibility of huge investment returns instead of a lower, but steady, pension income, many made the switch. The only option is not to live as long! The thinking was, the more these executives were paid, the more they could afford to contribute from their paychecks, and the more they had for retirement â€" on top of the old stand-by pension and Social Security. Another perk was that DC plans are portable â€" convenient for executives who climb the corporate ladder from one company to another. It all sounds pretty good when the markets are hot and delivering high returns, which is why so many working Americans â€" executives or not â€" clamored to get in on the k action starting in the s. But what happens when the bottom falls out like it did in ? And moderately paid public employees like teachers who spent their entire careers serving the public in the classroom are suddenly unable to retire after their k has been decimated by a market crash. Pensions Provide Secure â€" and Higher â€" Retirement Benefits For years, David Haney and WVEA members lobbied the West Virginia government to overhaul the plan and return to a pension system that provided secure retirement benefits and was managed â€" and funded â€" properly. They pointed out the discrepancies between the defined benefit and defined contribution plans, showing why the pension plan offered a much better retirement benefit for employees and major cost savings for the state. The actuary discovered that savings rates in the DC plan did, in fact, lag far behind monthly benefits that the DB plan would pay. The government saw the red ink writing on the wall, and in , West Virginia agreed to switch back to a DB plan. Do they know the difference between fixed securities and equity securities, or max cap versus mid cap? Do they know whether they should they invest internationally, or in growth stocks, or derivatives? First, they average risks over a large number of participants. Also, with pooled funds, the management fees are lower than maintaining hundreds or thousands of individual accounts, which result in a 26 percent cost savings, according to the National Institute on Retirement Security. People with k s, on the other hand, are advised to move their investments into safer, lower-returning assets as they age and approach retirement. But because DB plans pool the risks of losses, they can maintain an investment mix that is diversified among stocks, bonds, and other investments, increasing the investment returns and lowering required contributions. DB Plans Boost the Economy According to an analysis of 20 million k participants conducted by the Employee Benefit Research Institute and the Investment Company Institute, the median account balance of a worker in his or her 60?

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Chapter 2 : History of Social Security in the United States - Wikipedia

THE TOWNSEND PLAN. There were many non-standard economic theories and schemes abroad in the land during the Great Depression. Many of these schemes involved old-age pensions, since this was a area of acute need and a population for which there was a good deal of sympathy.

By Investopedia Updated October 23, â€” On the surface, the U. Social Security system and the Canada Pension Plan have a lot in common. Both are publicly provided, mandatory old age pension systems that have the option of providing disability and survivor benefits in addition to retirement assistance. In every province except for Quebec, which has its own system, Quebec Pension Plan QPP , the CPP taxes wages in a manner that is split between the employer and the employee, although the net effect is to reduce employee wages by the combined taxable amount. Taxes on wages begin at age 18 and end at age 65, unless the individual worker has already begun receiving benefits or died. In general, CPP tax rates and income thresholds are lower than Social Security, meaning that corresponding benefits also tend to be much lower. Those taxed wages are placed into a trust fund that is managed by the CPP Investment Board, which in turn invests the funds into a portfolio of stocks, bonds and other assets. In this sense, the trust fund is much more real than the Social Security trust fund. When an individual reaches retirement age, his or her benefits are determined based on his or her 40 highest income-earning years. Individuals who earn more income, to a certain point, contribute more to the CPP and receive higher benefits in retirement. Social Security Social Security is a federal program in effect in every state, with no exceptions. Like the CPP, taxes are split between the employee and employer. Again, this distinction has little net effect on real income. Social Security taxes are paid by all income earners, regardless of age. Like the CPP, those with higher incomes see higher benefit levels in retirement. It is the trust fund, however, that offers the most significant difference when comparing the CPP to Social Security. Money taxed for Social Security is not invested as earmarked for Social Security payments but instead spent on the general budget. This means the U. Budgetary shortfalls have threatened the solvency of Social Security on many occasions.

Chapter 3 : How Does the Canada Pension Plan differ from Social Security? | Investopedia

These are cartoons related to the Townsend Plan and Social Security--three are from the Townsend newsletter and one is an item from the mid-term elections. Anti-Roosevelt cartoon () This cartoon stamp was part of a series produced by the Republican party for the presidential election.

Some believed that benefits to individuals should be funded by contributions that they themselves had made over the course of their careers. Opponents also decried the proposal as socialism. For example, women made up 90 percent of domestic labor in and two-thirds of all employed black women were in domestic service. However, Larry DeWitt has refuted those arguments, showing there was no evidence for them. Indeed, southern Democrats in were generally liberal and strongly supported of the New Deal and Social Security. They became much more conservative after They lobbied hard for exclusion. Furthermore, the Treasury realized how difficult it would be to set up payroll deduction plans for farmers, for housekeepers who employed maids, and for nonprofit groups; therefore they were excluded. State employees were excluded for constitutional reasons the federal government cannot tax state government. Federal employees were also excluded. Many textbooks, however, falsely indicate that the exclusions were the product of southern racial hostility toward blacks; there is no evidence of that in the record. Rodems and Shaefer note in all other countries unemployment insurance programs "excluded domestic and agricultural workers when they were first implemented, a fact that the key New Deal policy makers were well aware of. Cohen , and Evelyn Burns in the United States. Since this money was allocated to the states to distribute, some localities assessed black families as needing less money than white families. These low grant levels made it impossible for African American mothers to not work: President Roosevelt responded with an attempt to pack the court via the Judicial Procedures Reform Bill of On February 5, , he sent a special message to Congress proposing legislation granting the President new powers to add additional judges to all federal courts whenever there were sitting judges age 70 or older who refused to retire. The debate on this proposal was heated and widespread, and lasted over six months. Steward Machine Company v. Davis , U. S, [28] held, in a 5â€"4 decision, that, given the exigencies of the Great Depression , "[It] is too late today for the argument to be heard with tolerance that in a crisis so extreme the use of the moneys of the nation to relieve the unemployed and their dependents is a use for any purpose narrower than the promotion of the general welfare ". The arguments opposed to the Social Security Act articulated by justices Butler , McReynolds , and Sutherland in their opinions were that the social security act went beyond the powers that were granted to the federal government in the Constitution. They argued that, by imposing a tax on employers that could be avoided only by contributing to a state unemployment-compensation fund, the federal government was essentially forcing each state to establish an unemployment-compensation fund that would meet its criteria, and that the federal government had no power to enact such a program. Implementation[edit] The first reported Social Security payment was to Ernest Ackerman, a Cleveland motorman who retired only one day after Social Security began. List of Social Security legislation United States The provisions of Social Security have been changing since the s, shifting in response to economic worries as well as concerns over changing gender roles and the position of minorities. Officials have responded more to the concerns of women than those of minority groups. By , debates moved away from which occupational groups should be included to how to provide more adequate coverage. The effects of Social Security took decades to manifest themselves. By , this figure had dramatically reversed itself with the largest percentage of wealth being in the hands of Americans aged 55â€"75 and those under 45 being among the poorest. Elder poverty, once a normal sight, had thus become rare by the 21st century. The original Act had conceived of the program as paying benefits out of a large reserve. This Act shifted the conception of Social Security into something of a hybrid system; while reserves would still accumulate, most early beneficiaries would receive benefits on the pay-as-you-go system. Just as importantly, the changes also delayed planned rises in contribution rates. Ironically if these had been left in place they would have come into effect during the wartime boom in wages and would have arguably helped to temper wartime inflation. The managing trustee of this fund is the Secretary of the Treasury. The money could be invested in both non-marketable and marketable securities. Even as early as , some believed that women were not getting enough support. Worried that a lack of assistance might push women back into the work force, these individuals wanted Social Security changes that would prevent this. This included increased federal funding for the Aid to Dependent Children and raised the maximum age of children eligible to receive money under the Aid to Dependent Children to The amendment added wives, elderly widows, and dependent survivors of covered male workers to those who could receive old age pensions. These individuals had previously been granted lump-sum payments upon only death or coverage through the Aid to Dependent Children program. The taxing provisions were in a separate title Title VIII for reasons related to the constitutionality of the Act. Hotel workers, laundry workers, all agricultural workers, and state and local government employees were added in Also in , women were allowed to retire at 62 with benefits reduced by 25 percent. Widows of covered workers were allowed to retire at 62 without the reduction in benefits. In , the changing role of the female worker was acknowledged when benefits of covered women could be collected by dependent husbands, widowers, and children. These individuals, however, had to be able to prove their dependency. In , the age at which widows could begin collecting benefits was reduced to Widowers were not included in this change. This change resulted in a single measure of the fiscal status of the government, based on the sum of all government activity. This allowed Congress to increase spending without having to risk the political consequences of raising taxes. The bill also set up a cost-of-living adjustment COLA to take effect in A technical error in the formula caused these adjustments to overcompensate for inflation, a technical mistake which has been called double-indexing. The COLAs actually caused benefits to increase at twice the rate of inflation. For example, minimum monthly benefits of individuals employed in low income positions for at least 30 years were raised. Increases were also made to the pensions of 3. SSI is not a Social Security benefit, but a welfare program, because the elderly and disabled poor are entitled to SSI regardless of work history. Throughout the s and s, during the phase-in period of Social Security, Congress was able to grant generous benefit increases because the system had perpetual short-run surpluses. Congressional amendments to Social Security took place in even numbered years election years because the bills were politically popular, but by the late s, this era was over. From this point on, amendments to Social Security would take place in odd numbered years years that were not election years because Social Security reform now meant tax increases and benefit reductions. By the s, the phase-in period, during which workers were paying taxes but few were collecting benefits, was largely over, and the ratio of elderly population to the working population was increasing. These developments brought questions about the capacity of the long term financial structure based on a pay-as-you-go program. During the Carter administration, the economy suffered double-digit inflation, coupled with very high interest rates , oil and energy crises, high unemployment and slow economic growth. The s are described as a period of stagflation , meaning economic stagnation coupled with price inflation, as well as higher interest rates. Price inflation a rise in the general level of prices creates uncertainty in budgeting and planning and makes labor strikes for pay raises more likely. These underlying negative trends were exacerbated by a colossal mathematical error made in the amendments establishing the COLAs. The mathematical error which overcompensated for inflation was particularly detrimental given the double-digit inflation of this period, and the error led to benefit increases that were nowhere near financially sustainable. The high inflation, double-indexing, and lower than expected wage growth was financial disaster for Social Security. The financial picture declined almost immediately and by the early s, the system was again in crisis. This meant that they changed with prices, instead of wages. Before the s, wage measurements exceeded changes in price. In the s, however, this reversed and real wages decreased. This meant that FICA revenues could not keep up with the increasing benefits that were being given out. Continued high unemployment levels also lowered the amount of Social Security tax that could be collected. These two developments were decreasing the Social Security Trust Fund reserves. These changes were important for generating revenue in the short term. Also of concern was the long-term prospect for Social Security because of demographic considerations. Of particular concern was the issue of what would happen when people born during the postâ€"World War II baby boom retired. Treasury securities held by the Social Security Trust Fund. Under the law, the government bonds held by Social Security are backed by the full faith and credit of the U. The Court decided, in Flemming v. Nestor , that "entitlement to Social Security benefits is not a contractual right". In that case, Ephram Nestor, a Bulgarian immigrant to the United States who made contributions for covered wages for the statutorily required "quarters of coverage" was nonetheless denied benefits after being deported in for being a member of the Communist party. The case specifically held: A person covered by the Social Security Act has not such a right in old-age benefit payments as would make every defeasance of "accrued" interests violative of the Due Process Clause of the Fifth Amendment. Section n of the Act cannot be condemned as so lacking in rational justification as to offend due process. Many of these cases were pivotal in changing the assumptions about differences in wage earning among men and women in the Social Security system. The Supreme Court ruled that the due process clause of the Fourteenth Amendment required there to be an evidentiary hearing before a recipient can be deprived of government benefits. Wiesenfeld believed that this violated his right to equal protection under the due process clause of the 14th Amendment. The court upheld his claims, stating that automatically granting widows the benefits and denying them to widowers violated equal protection in the Fourteenth Amendment. Nonfarm self-employed except professional groups. Federal civilian employees not under retirement system. Americans employed outside United States by American employer. Puerto Rico and Virgin Islands. At the option of the State, State and local government employees not under retirement system. Nonprofit organizations could elect coverage for their employees other than ministers. After October , coverage is retroactive to Professional self-employed except lawyers, dentists, doctors, and other medical groups. Additional regularly employed farm and domestic workers.

Chapter 4 : Historical Thinking Matters: Social Security

Supporters of the Townsend Plan continued to agitate for higher benefits after the Social Security Act's passage in August and reached its peak of support in the months after the law was enacted.

Social Security By Barbara A. Friedberg Updated April 26, â€” 7: While pensions are typically workplace retirement plans, in which an employer makes contributions to a pool of funds on behalf of employees, Social Security is handled by the federal government and funded through payroll taxes collected from employees and companies. Read on for more about how the two programs are structured and how each may benefit retirees who have paid into such programs. Pensions Before the advent of IRAs and k plans there were pensions. Your parents and grandparents, if they worked for the same company for many years, may have enjoyed generous pension benefits. Upon retirement , the employee receives monthly payments. State government employees frequently have pension systems as well. The private pension payout depends upon several factors, such as how long you worked for the employer as well what your salary was. In some cases, you can choose a lump-sum payment or a monthly annuity check. In the past, employers were required to maintain excess pension assets within the plan and were not to use the funds for other expenses. This law was put in place so that when needed by retirees, the money would be available to be paid out to eligible retired individuals. It also ensured that excess pension monies were available to offset the times when investment returns were lower than expected. In her book How Companies Plunder and Profit from the Nest Eggs of American Workers, Ellen Schultz relates how these changes led many companies to move pension assets into unrelated company coffers. That resulted in a mass downsizing of pension monies and, ultimately, underfunded pension funds. Private-sector pensions are gradually becoming obsolete, but 42 million Americans remain covered by them today. The amount of the check varies based on the age at which you begin receiving benefits as well as how many years you worked and the amounts you earned while you were contributing to the program. Social Security is funded by a pay-as-you-go system. This means that while you are working, you pay into the system. How to Make Social Security Work. There are several other distinctions between pensions and Social Security. Social Security offers a disability insurance program that covers workers with enough credits earned through work and payment into the system if they become disabled. Although spouses may receive a partial pension payment see What are Social Security spousal benefits? Finally, pensions may offer a lump-sum payout upon retirement. This option is not available through the Social Security system.

Chapter 5 : Townsend Plan - RationalWiki

Roosevelt's Social Security. The Townsend Plan may have been economic pie in the sky -- but it had serious political influence. The strength of the grassroots movement that supported it is.

Chapter 6 : Table of contents for When movements matter

Pressure from the Townsend Plan's many supporters forced the Ways & Means Committee to take testimony on H.R. in the middle of its hearings on Social Security. At the hearings, Townsend was grilled relentlessly over the revenue assumptions in the Plan.

Chapter 7 : Francis Townsend - Wikipedia

In the first year of social security there was about million eligible elders for social security currently in the United States. Out of those million elders only 22, Americas received Social Security benefits, that's less then 1% of poor elders that were using social security.

Chapter 8 : Donald Trump's Social Security promise halts fix to shortfall - Washington Times

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The Townsend movement - a proposal t Skip navigation It became the radical alternative to the Social Security proposal in Congress and indirectly helped enact Social Security as the more.

Chapter 9 : Retirement Plans: Pensions vs. Social Security | Investopedia

A "social security" plan, called the Townsend Plan, was thought of long before it ever became a New Deal program during the Roosevelt Administration Francis E. Townsend first thought of a plan to ensure that all people currently retired would have a continuous supply of income, so they wouldn't have to rely solely on their savings.