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**To: Senator Orrin Hatch
Senate Finance Committee
Washington, DC 20510**

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Following is a free enterprise incentive solution to the impending Social Security crisis and Medicare Crisis that I have not seen presented by any politico. Perhaps you can catch the imagination of the public by presenting it as beneficial alternative to the tired Democratic solution of raising taxes.

FREE ENTERPRISE SOCIAL SECURITY, MEDICARE SOLUTION

PROBLEM: SOCIAL SECURITY CRISIS.

Congress and much of the public is aware that the United States is headed towards a Titanic Type Disaster with explosive government cost of benefits as the Baby Boomers retire in the years ahead. The primary problem is created by the fact that Social Security and Medicare are not funded by an actuarially sound trust fund but simply a tax transfer payment from people who are employed to seniors who retire. Inimical to the problem is that retirees are living longer, thus requiring ever increasing Social Security and Medicare distributions from the Federal Government. At the current time it takes the withholding from two working Americans to support one retiree. The typical government solution is to raise payroll tax rates on working Americans and to delay the retirement age for social security qualification. Following are a number of key elements of this policy that will have a detrimental long term impact on the productivity and growth of the United States economy.

- **Escalating increases in payroll tax to support Social Security and Medicare substantially reduces the buying power and lifestyle of lower and middle income Americans.**

- **Social Security retirees not only have less disposable income upon retirement but typically have to drain savings and investment to subsist. Greater allocations to medical expenses and living expenses reduces retirees ability to spend money on goods and services which drives the U.S. economy and also reduces the savings and investment pool in the United States. In addition, an every increasing pool of retirees will not be contributing taxes to cover ever increasing government cost**
- **The conclusion one must draw from this simplistic scenario is that consumer spending, savings and investment will decline in the decades ahead, significantly reducing the productivity and lifestyle of the American public**
- **When individuals retire the United States loses their productivity, work skills, income generation, taxes and buying power.**
- **Unfortunately the mindset of individuals, corporations, U.S. government is to incent retirement. The vision of retirement quickly fades as the Nirvana of leisure time, the sense of lost productivity and self worth, reduced buying power and escalating medical costs confronts the retiree.**
- **The result is that greater percentages of the U.S. population will have less and contribute less to their own lifestyle and the public.**

FREE ENTERPRISE SOLUTION: PROVIDE MAJOR INCENTIVES FOR RETIREES TO CONTINUE WORKING:

FOR RETIREES WHO CONTINUE TO WORK AFTER DESIGNATED RETIREMENT AGE PROVIDE AN ANNUAL TAX CREDIT EQUAL TO THE AMOUNT OF SOCIAL SECURITY PAYMENT ON EARNED AND UNEARNED INCOME. ALL INCOME EARNED ABOVE THE CREDIT AMOUNT WOULD PROVIDE FOR PAYMENT OF THE STANDARD FEDERAL TAX RATE.

Why does this make sense as a policy? If a retiree continues to work he/she continues to produce goods and services for the U.S. economy, taxes do not have to be transferred from working young people to non working retirees, there are more earnings for consumer spending, saving and investment, and the taxes provided as an incentive would not be available to the Federal Government anyway if the retirement age individual was not working. It is hard to observe a downside to this proposed policy

- **MEDICARE ALLOCATION:** The tax credit received by a working senior can be applied to a deductible in which the credit first has to be employed for a base of non catastrophic medical costs, drugs and normal medical costs. In effect a supercharged Medical Savings Account. Medicare would then cover an amount above the deductible that relates to the tax credit received by an individual. The result is that the responsibility for base medical care would be earned by the senior worker, who would also be responsible for the management of base cost. Catastrophic coverage would continue to apply under Medicare above the deductible amount. The combination of the tax credit and allocation to a Medicare deductible can help to contain exploding cost in this program

This proposed change in U.S. retirement policy would have to incorporate a change in U.S. policy on how senior workers are employed by businesses related to benefits, educational programs to train retirees into socially beneficial trades and professions, and the adoption of the health care program to provide senior workers with information on best choices for care.

The conclusion of my proposal is that the United States Government, business and the American public must change thinking about retirement. If an individual is unable to work all social security and Medicare benefits must be accorded the individual, however for those individuals who have paid into the social security system for the lifetime and are still healthy and productive granting them and assisting working seniors in a more productive and financially rewarding lifestyle after Age 65 will materially improve the remaining years of the individuals, reduce the requirement for payroll transfer payments for younger workers, and provide the U.S economy with greater buying power for spending, savings and investments.