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Sunday
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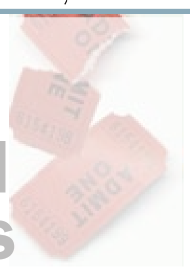


Deals for fall shows plentiful if you know where to look.
PREMIER, E1

BEIJING 2008 OLYMPICS

OLYMPIC MOMENT

TINA THOMPSON of the United States celebrates her team's gold medal performance with son Dylan. The U.S. defeated Australia 92-65 on Saturday.

Continuing series examining the changing 'American Dream' and the shrinking Middle Class

THE American DREAM

Retiring old ideas about retirement

Funding for golden years changes radically in course of generation. Parents, children in one Massillon family adjust goals, expectations

By David Giffels
Beacon Journal staff writer

Andy Hrivnak was supposed to retire here. He built this house, a redwood contemporary on Bittersweet Lane, as a sort of reward, the kind of reward most people of his generation could understand.

You work hard; you give your part; you earn your rest in the end.

He worked his whole career for Ohio Edison, started in 1950, gave more than half his life, earning a solid middle-class salary and a pension.

As his retirement approached, he and his son, John, an architect, worked together to design this home in Massillon, just a mile or so from where he and his wife, Betty, had raised their three children.

It was finished in 1980. They moved in and he retired as planned the following year, at age 63.

Three years later, he died.

His daughter tells this story as she gives a tour of the home, with its two-story stone fireplace and skylit staircase and the canny addition of a second-floor laundry. Sue Kelewae lives here now, with her husband, Ken. She's 58; he's 59. After Betty Hrivnak died in 1995, Sue and Ken Kelewae decided to buy her parents' house.

They'd done this once before, raising their own three children – Joy, Katy and Kirk – in the home where she herself had grown up. Sue's sense of permanence and tradition seems almost like a car-

Please see **Retirement, A8**

ED SUBA JR./Akron Beacon Journal

Home to three generations

Ken and Sue Kelewae sit on the back porch of their Massillon home. Sue Kelewae's parents built the house, and Sue and Ken raised three children there. They are now empty nesters.

Social Security more solvent than most Americans realize

Fund should meet large portion of obligations well past 2041

By David Knox
Beacon Journal staff writer

Young and old.
Men and women.
Blacks and whites.

It's not often people of different ages, genders and races agree on something.

Yet that's what happened when the subject of retirement came up at the Beacon Journal's focus group discussions about the middle class.

"What about Social Security?" asked Alice Rodgers, who moderated the sessions last fall. "Is that going to be there?"

Answers came quickly:

"Probably not."

"It's going to be for some of us, but for a lot of us . . . no."

"It's going to go away."

Jennifer A. Samardak, at 33 the youngest participant in the session, isn't counting on getting a dime.

"As far as I'm concerned, Social Security does not exist for me," she said.

That's why Samardak was happy about switching to Ohio's Public Employees Retirement System two years ago, when she got a job as a guardian ad litem representing children in Summit County Juvenile Court.

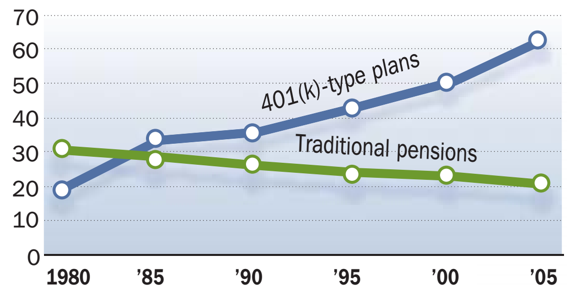
Even if she returns to the private sector, she's not including Social Security in her retirement plans.

"If it's there, it's a party bonus," she said. "And if

Please see **Social, A11**

Disappearing pensions

Since 1980, the number of workers with traditional pensions, which offer a fixed monthly income, has declined by about a third. During the same years, workers with 401(k)-type plans, which don't guarantee a monthly payout, have more than tripled. More than half of all workers have no retirement plan from their employer.

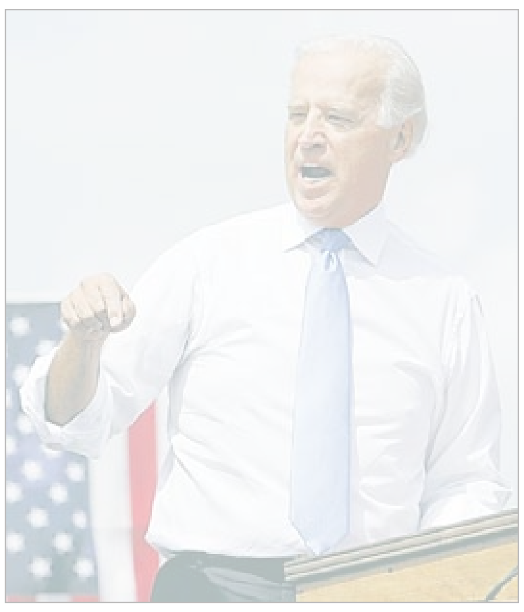


SOURCE: U.S. Department of Labor — Akron Beacon Journal

A QUESTION FOR READERS

Is the American Dream dying? If so, what can we – ordinary citizens, business and community leaders and public policymakers – do about it?

E-mail comments to middleclass@thebeaconjournal.com or mail them to: Middle Class, Akron Beacon Journal, 44 E. Exchange St., Akron, OH 44308-1510. Responses must include a name, address and contact number.



ALEX BRANDON/Associated Press

Sen. Joe Biden, D-Del., speaks at a rally in Springfield, Ill., Saturday after he is chosen as Sen. Barack Obama's running mate.

ELECTION 2008

Biden takes reins firmly as Obama's VP choice

Running mate chides McCain for giving in to GOP right wing, being so wealthy and insulated

By Margaret Talev
McClatchy Newspapers

SPRINGFIELD, ILL.: Delaware Sen. Joe Biden took on the role of Democrat Barack Obama's running mate Saturday, attacking Republican candidate John McCain and making clear that whatever doubts he'd previously expressed about Obama's readiness were gone.

In an appearance with Obama 12 hours after Obama announced that Biden was his choice for vice president, Biden called Obama an inspiration to millions with "steel in his spine" and "a clear-eyed pragmatist who will get the job done."

He went after McCain, a longtime friend, as having given in to "the right wing of his party and yielded to the very Swift Boat politics he once so deplored."

He also said McCain would continue President Bush's policies. And he chided that McCain is so wealthy and insulated from average people's concerns that his version of making difficult kitchen-table decisions is that "he'll have to figure out which of his seven

Please see **Biden, A4**

■ Democrats have about 80 hours to make Sen. Barack Obama's case to millions of voters. PAGE A5

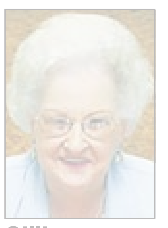
Area delegates head westward to convention

Gathering of Democrats will be one for record books as Obama aims to patch up party divisions

By Stephanie Warsmith
Beacon Journal staff writer

It won't be hard to spot Ruby Gilliam in the crowd of delegates at this week's Democratic National Convention.

She'll be the one wearing the big, bright red hat that features pictures of Sens. Barack Obama and Hillary Clinton and says "History Made in 2008."



Gilliam

Like other delegates from the Akron-Canton area, Gilliam doesn't know exactly what's going to happen at the convention. But she's anticipating that – whatever transpires – it will be one for the books.

"I'm hoping everything runs smooth," said Gilliam, of Minerva, an at-large delegate pledged to Clinton. "The Democrats – we're kind of a rowdy bunch. Everybody has different opinions."

There are more local delegates pledged to Clinton from the Akron-Canton area than to Obama, the party's presumed nominee. But as they head westward for the convention in Denver, the Clinton delegates still don't know whether they'll be voting for the former first lady on the first ballot or whether they'll be released to vote for Obama.

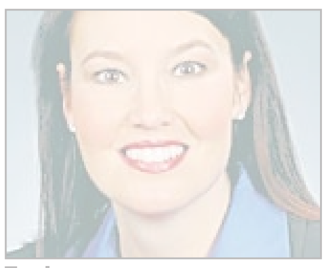
Please see **Dems, A14**

INSIDE

■ Afghan officials claim U.S.-led attack killed dozens of civilians. A3

■ Local artists and teens cover graffiti with artwork at Akron Skate Park. B1

■ Portage Area Regional Transit Authority talks to resume. Strike possible. B1



Taylor

■ Columnist says Auditor Mary Taylor from Green is state GOP's lone star. B1

■ Browns quarterback Brady Quinn gets off to rocky start in 26-6 loss to Detroit Lions. C1

Today's weather

Partly cloudy with thunderstorms

83° High 59° Low

Forecast, Page B8

Social Security does face long-term problems

Continued from Page A1

it's not, I'm not banking on it."

But the fact is, Samardak and other members of Generation X can count on seeing Social Security checks when they retire.

That's what the numbers crunched by the actuaries at the Social Security Administration say.

The literal bottom line is that Social Security is financially more sound than the federal government as a whole.

Thanks to hikes in the Social Security payroll tax in the 1980s designed to create a surplus to handle the crunch of baby-boomer retirements, the program's trust fund is projected to grow steadily for nearly 20 more years – until 2027.

After that, officials estimate there will be sufficient money to pay 100 percent of benefits until 2041, when the surplus is expected to be exhausted. From that year on, payroll tax revenue alone should be able to meet 78 percent of the program's obligations – even if no changes are made.

That would mean substantially smaller checks – but a long way from nothing.

But it's likely Congress will make changes to reduce or eliminate cuts. That's because the program is so important to so many people. Although the program was never intended to be the sole means of support for retirees, more than a third of the 50 million Americans now receiving benefits rely on Social Security for 90 percent of their income.

That situation probably won't improve: More than half of all workers today have no private retirement program other than personal savings.

For many Americans, that won't amount to much. The U.S. Commerce Department reports that the nation's savings rate has dropped steadily for decades and has been near zero or below for the past several years.

Many economists think future retirees also may be more dependent on Social Security because of the disappearance of traditional pensions, usually financed and managed entirely by employers, that guarantee a fixed monthly check.

Those "defined benefit" pensions are being replaced by 401(k)s and other plans that don't require employer contributions, don't guarantee a payout and shift the investment risk and responsibility to the individual workers, who decide how much to contribute.

Since 1980, the number of workers covered by 401(k)-type plans has more than tripled, while the number with traditional pensions dropped by about a third.

Misperceptions

Despite the growing importance of Social Security, pessimism about the program's future is widespread.

A 2005 New York Times/CBS poll found 51 percent of respondents said they did not think Social Security would have the money to pay the benefits they expect when they retire; 70 percent of those under 45 felt that way.

A Quinnipiac University poll found similar results: 63 percent of Gen-X voters – those born in 1965 or after – don't expect to collect a Social Security benefit. Among baby boomers, 38 percent do not.

Why do so many people believe Social Security is broke?

One reason is President George W. Bush told them so – repeatedly during the battle over his proposal to partially privatize the program by allowing workers to invest a portion of their Social Security taxes in the stock market.

"So if you're 20 years old, in your mid-20s, and you're beginning to work, I want you to think about a Social Security system that will be flat bust, bankrupt, unless the United States Congress has got the willingness to act now," Bush said on Jan. 11, 2005. "And that's what we're here to talk about, a system that will be bankrupt."

Over the next several months, in dozens of stops across the nation, Bush amplified the warning.

In Parkersburg, W.Va., he visited the site where the Treasury Department houses Social Security Trust Fund records.

"I went there because I'm trying to make a point about the Social Security trust," Bush said on April 5, 2005. " . . . There is no trust fund, just IOUs that I saw firsthand, that future generations will pay. . . . They're stacked in a filing cabinet. Imagine, the retirement security for future generations is sitting in a filing cabinet."

Bush's statements left many economists shaking their heads because of what was inside the file cabinets – U.S. Treasury bonds.

Specially issued for the Social Security Trust Fund, the bonds are backed by the "full faith and credit of the U.S. Government." That's the same unconditional commitment to pay the interest and principal of debts that stands behind all Treasury notes, bills and bonds, including billions owned by individuals, corporations and state, local and foreign governments.

The United States has never defaulted on a Treasury security, said Stephen Meyerhardt, spokesman for the Treasury Department's Bureau of the Public Debt. "Treasuries are as safe as they come."

"I have no doubt that Social Security will be there for a couple generations," said Teresa Ghilarducci, professor of economics at the New School for Social Research in New York. "Looking at the numbers right now, Social Security is one of the most financially sound programs that we have in the federal budget."

While President Bush's proposal to partially privatize Social Security went nowhere, his statements left lasting doubts, she said.

Ghilarducci said another reason many people think Social Security can't be relied on is "financial advisors keep on telling you so. There are a lot of commercial outfits out there that need you to believe that Social Security won't be there so you have more motivation to use their investment services.

"It's a marketing campaign for the financial services industry."

Ghilarducci, author of a new book, *When I'm Sixty-Four: The Plot Against Pensions and the Plan to Save Them*, is especially critical of the switch to 401(k) plans.

She said undisclosed, high fees – as much as 3 or 4 percent of the employee's contribution – charged by many of the plans make them poor investments for retirement.

Another problem is where the plans are invested: the volatile stock market.

"Right now the 401(k)s are being turned into 201(k)s," she said. "They say the stock market always comes back, but it's unpredictable when it will come back.

"It's very predictable when you will turn 65."

In her book, Ghilarducci argued that for an expanded Social Security system that would manage money invested by workers and guarantee a minimum return.

She pointed to Social Security's extremely low administration costs – under 1 percent – and reputation for honesty and efficiency. "There has never been a hint of scandal, and it has paid its benefits every month on time."

How program works

Supporters of Social Security arguably share some of the blame for the confusion about the financial health of the program.

Since the Social Security Act was passed in 1935 under President Franklin D. Roosevelt, supporters have shied away from explaining how the program differs from ordinary insurance plans.

Like private retirement plans, Social Security benefits are tied to how much workers contribute: The more you earn, the bigger your monthly check.

But "social insurance" also is designed to provide a safety net to eliminate the scourge of elderly poverty by giving lower-income workers a substantially higher return on their contributions than higher-paid workers get.

It's been that way since Ida May Fuller, of Vermont, received the first Social Security check – for $22.54 – in January 1940.

Fuller, who never married and lived alone most of her life, worked for only three years under the Social Security plan before retiring, paying a total of $24.75 in payroll taxes. By the time she died at the age of 100 in 1975, she had received $22,888.92 in benefits – nearly 1,000 times what she contributed.

That kind of huge return was enjoyed by Fuller and other older Depression-era workers who could make only a few years of contributions before retiring.

But even today, low-income workers get a better deal.

Social Security replaces about 81 percent of the earnings of the average low-wage worker who retired at age 65 in 2007 and has a spouse, according to the administration's latest performance report.

A high-wage worker will get a bigger check, but it replaces only 42 percent of earnings.

Average-income workers get 60 percent of their earnings replaced. (In June, the monthly check for the average retired worker and spouse, age 62 and over, was $1,767.)

The different replacement rates are a key feature of Social Security, but little publicized.

For good reason, said Dean Baker, an economist and co-director of the Center for Economic and Policy Research in Washington, D.C.

"Redistribution is a dirty word," he said. "If you say it's about insuring people against low income in their old age, people feel comfortable with that. But if you say it's about redistributing from high-income workers to low-income workers, that has a negative connotation.

"Politicians steer clear of that."

Social Security also differs from private insurance because it was established as a "pay-as-you-go" system in which retirees are paid out of current payroll tax revenue. In other words, today's workers are paying the retirement benefits for their parents and grandparents.

That changed somewhat in the early 1980s. That's when Congress bolstered Social Security's financing by increasing the payroll tax by more than a fifth to create a large surplus to help pay for the crush of baby-boom retirees. By 1990, the tax was up to 12.4 percent, with workers and employers each paying half. (An additional 2.9 percent is withheld for Medicare.)

The idea was the boomers would pay a bigger share of their own retirement, at the same time lessening the need for larger payroll taxes later.

The plan worked – at least as measured by the surplus. By 2027, the trust fund will peak at nearly $6 trillion.

To put that figure in context, the trust fund today stands at $2.4 trillion – entirely invested in Treasury bonds – and representing a quarter of the national debt of $9.5 trillion.

The plan is on track to meet the needs of most baby boomers. In 2041, when Social Security trustees estimate the surplus will be exhausted, the oldest boomers will be 95 and the youngest, 77. The nonpartisan Congressional Budget Office is optimistic the surplus will go a bit further. It projects that, without changes, Social Security will be able to meet its obligations in full until 2046.

The plan would have worked even better if Social Security's surplus, which was loaned to the government, had reduced the government's need to borrow from outside sources, such as foreign countries.

That would have meant less to pay back in the future, freeing up dollars to meet Social Security's long-term obligations and other needs.

For a few years, it looked like that might happen. Beginning in the mid-1990s, the portion of the national debt owed to foreign governments and other outside sources did drop – from 49 percent to 33 percent of the gross domestic product.

But the trend reversed after 2001, as the government borrowed more money to offset growing deficits resulting from tax cuts and increased spending caused by the wars in Iraq and Afghanistan. The White House Office of Management and Budget projects the outside debt will be 39 percent of the GDP by next year.

Baker, who co-authored the book *Social Security: The Phony Crisis* in 1999, said the nation's financial problem wasn't with Social Security; "it's on the side of the general budget."

He also criticized supporters of privatizing Social Security for citing 2018 – instead of 2027 – as the year outgoing funds outstrip income. The earlier year is the crossover point only if interest earned by the trust fund isn't counted.

Baker argued that the greatest threat to retirement security for most Americans is the switch from traditional pensions to 401(k)-type programs.

"We're having this big argument over the segment of the retirement system that's basically working and ignoring the parts that are broken – particularly the pension part.

"That's what we should be having a discussion about – not Social Security."

Societal shifts

Social Security does face long-term problems, according to the program trustees. But they stem from fundamental changes in society: People are living longer but having fewer children able to pay into the system.

As a result, the number of retirees is increasing much faster than workers. In 1950, there were 16.5 workers supporting every retiree. Today the ratio is 3.3 to 1. Within 40 years, there will be only two workers for every retiree – not enough to pay all benefits without raising the tax rate or making some other change.

Baker argued there is plenty of time to make changes.

"The changes we'd be looking at are not enormous," he said. "I don't see there's any reason to rush to do something."

Peter Diamond, an economics professor at the Massachusetts Institute of Technology, agrees with Baker that Social Security's finances are sound, but favors quicker action.

"I agree with him totally that there is no crisis; it's a small problem," Diamond said. "The question is wouldn't it be better to address the small problem sooner rather than later."

Diamond detailed his plan in a 2005 book, *Saving Social Security: A Balanced Approach*, which he co-authored.

His proposal calls for small reductions in benefits for future retirees, coupled with gradually increasing the payroll tax and raising the cap on paychecks subject to the tax, which now stops collecting on earnings above $102,000 a year.

Diamond said raising the earnings cap would be a way to regain tax revenue lost because of the trend toward a larger share of total earnings going to the 6 percent of workers at the top of the pay scale.

In 1982 – the last time the Social Security law was revamped – all but 10 percent of total income was taxable, he said. "Today it's still the case that only 6 percent of workers have earnings above the maximum, but now they're getting 15 percent of the total payroll.

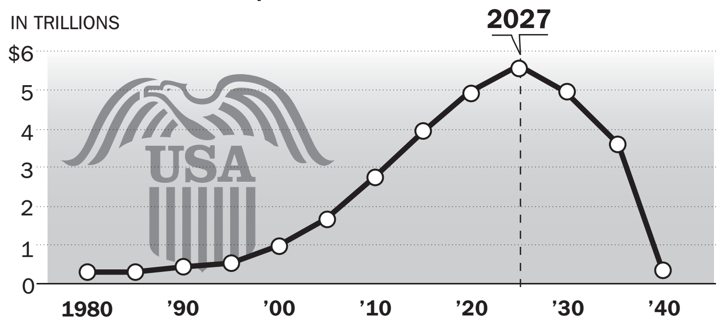
"The increasing inequality in earnings distribution has decreased the amount of payroll that's taxable and has hurt the finances of Social Security."

David Knox can be reached at 330-996-3532 or dknox@thebeaconjournal.com

Social Security: the baby-boom retirement challenge

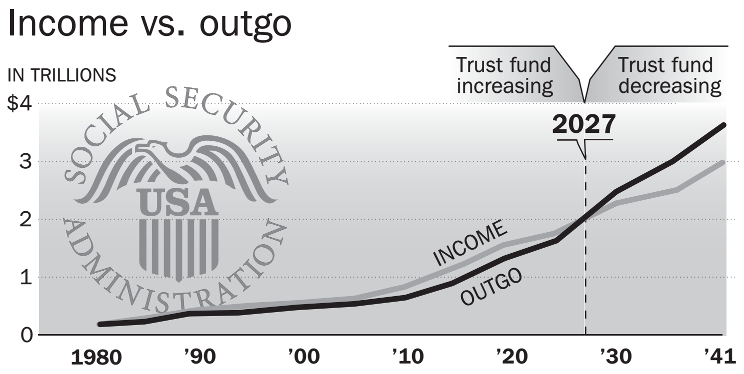
Social Security trust fund assets are projected to grow steadily until about 2027, fueled by payroll tax increases approved in the 1980s and designed to build a surplus to pay for most of the retirement of the baby-boom generation.

Trust fund (surplus)



Social Security will begin to draw down its surplus in 2027. Officials estimate there is sufficient money to pay 100 percent of benefits until 2041, when the trust fund is expected to be exhausted. After that, benefits would be reduced by more than 20 percent, unless changes are made.

Income vs. outgo



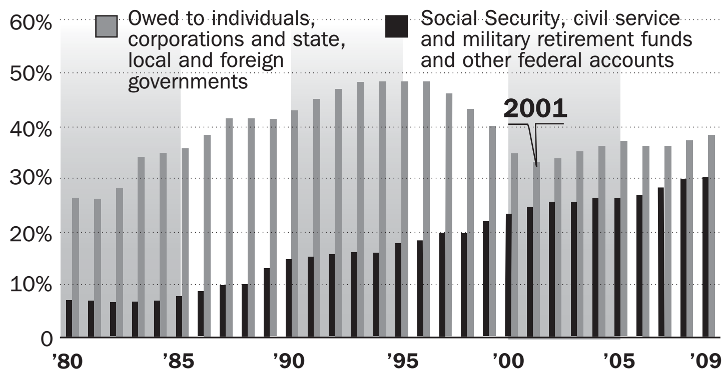
SOURCE: 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

Akron Beacon Journal

National debt climbs

Beginning in the mid-1990s, the portion of the national debt owed to individuals, corporations and foreign governments began to drop as the amount owed to the Social Security Trust Fund grew. But the trend reversed in 2001, as more nongovernment money was borrowed to offset growing deficits.

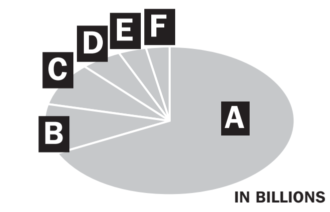
PERCENT OF GROSS DOMESTIC PRODUCT



Who owns the national debt?

1. Owed to individuals, corporations and state, local and foreign governments

TOTAL: **$5.3 TRILLION**



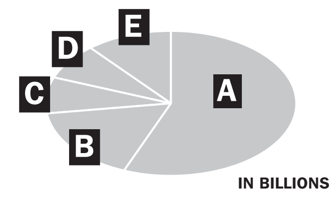
IN BILLIONS

A.	Treasury bills and notes	$3,603.9
B.	Treasury bonds	$581.1
C.	Treasury Inflation Protected Securities (TIPS)	$497.5
D.	Securities held by state and local governments	$275.2
E.	U.S. Savings bonds	$195.0
F.	Other securities	$152.3

SOURCES: U.S. Treasury Department, June 2008 statement of public debt

2. Owed to federal government agencies

TOTAL: **$4.2 TRILLION**



IN BILLIONS

A.	Social Security and Disability funds	$2,360.4
B.	Civil service retirement and disability fund	$694.1
C.	Federal Hospital Insurance (Medicare) fund	$337.7
D.	Defense Dept. military retirement funds	$329.8
E.	Other intragovernmental holdings	$465.1

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