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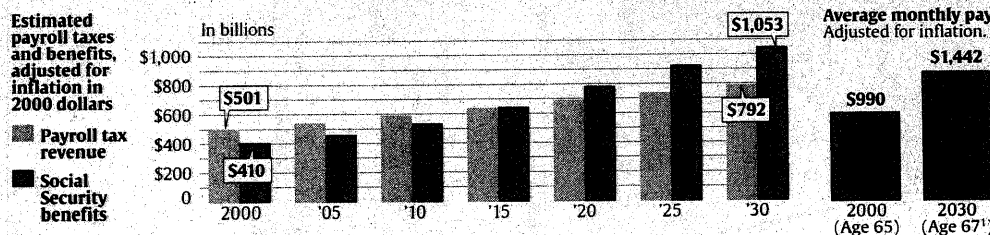


By Bob Riha Jr., USA TODAY

The Buelna family: Gabriel Buelna, left with wife Pilar and daughter Gabriela, is putting money aside for retirement. Enrique Buelna, standing, and his wife, Lilia, get help from small pensions and Social Security.

Payroll taxes won't keep up with benefits

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Source: 2000 Social Security Trustees Report

By Frank Pompa, USA TODAY



By James Wallace for USA TODAY

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But how should Social Security work in the future? A USA TODAY/CNN/Gallup Poll in June found a surprising willingness to consider significant changes. A 51%-42% majority thought it was riskier to stand pat than to allow investment accounts.

A September survey found Gore was trusted more on the issue, 52%-40%. But there were significant differences by age, income and sex on which candidate's approach made better sense. Men under 50 trusted Bush more, 53%-42%; men 50 and older trusted Gore more, 59% to 28%.

That generational divide can be seen within some families.

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What's more, the disability program that's part of Social Security provided important help when his son Rafael, now grown, was permanently disabled in a car accident at age 3.

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But another son, Gabriel, 27, a doctoral candidate who teaches in the Chicano Studies Department at California State University at Northridge, already is putting aside about \$400 a month in retirement savings with his wife, Pilar. If all goes as planned, they hope to have a million-dollar nest egg by the time they retire. They're counting on that to bolster whatever they

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After years as an untouchable issue, Social Security now up for debate

Continued from 1A

"What you have in both cases are incomplete proposals that don't tell us how we're going to reach this long-term solution," says C. Eugene Steuerle, a senior fellow at the Urban Institute and adviser to the Social Security Administration.

Gore's plan would extend the system's solvency until 2054 by using \$1.4 trillion in general tax revenue — not just Social Security taxes — to pay beneficiaries.

Bush's approach would be a first as well. He would name a bipartisan panel to devise a plan that would let workers set up personal investment accounts within the system — a big change that critics had warned would alarm those approaching retirement.

But the Texas governor's proposal resonated so well with voters that the vice president countered with his own plan to encourage workers to set up supplemental retirement investment accounts, although his accounts would be outside the Social Security system.

Now, for the first time in a half-century, the national debate is no longer over which candidate promises more fervently to "save" Social Security as it is, but who has the better idea for changing it.

The debate is being welcomed by both generations in the politically divided Murphy family of Utica, Ind. Glenn Murphy Sr. is a Democratic activist and president of the Town Council, son Glenn Murphy Jr. is active in the Young Republicans.

"I've been leaning toward a change in Social Security because it's inevitable," says the elder Murphy, 49, a business owner and a member of the huge baby-boom generation that will start to strain the retirement system in another decade. "What has to happen — that, I'm not sure of."

The younger Murphy, 26, a Gen-Xer and creative director for a multimedia company, says Bush's plan makes sense. Otherwise, he says, "I think I'll be, like, 57 when the system is supposed to go bankrupt. I'd be pretty ticked off at that point."

Analysts say the simple fact that the Social Security debate is taking place without the political conflagration that engulfed previous campaigns might be a harbinger of serious consideration of major changes after the election is over, whoever wins.

"There is a grudging acceptance by virtually everybody that the program in its current form is unsustainable," says Robert Reichbauer, former head of the Congressional Budget Office.

"The good news is that proposals are out there," adds Sen. Bob Kerrey, D-Nebr., a leading reform proponent. "The bad news is that, if you're under age 40, you're still waiting for the candidates to propose anything that's going to alter a 23% to 33% cut in your benefits if we do nothing."

Sharp differences

On many issues, the presidential contenders have tried to blur their differences. Bush emphasizes education, traditionally a Democratic winner. Gore talks tough on crime, once the province of the GOP.

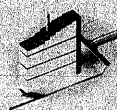
But on Social Security, their differences are stark. Their contrasting approaches reflect their divergent philosophies of the role of the federal government.

► Bush's plan emphasizes individual responsibility and a trust in the free market. He would give beneficiaries the option of investing an unspecified portion of their Social Security "payroll" taxes.

The idea is that these accounts could produce significantly higher returns — one way to ease the approaching financial crunch. But the approach also carries the risk of a prolonged stock or bond market downturn and, presumably, lower guaranteed federal benefits for those who choose to bet some of their taxes on Wall Street. Beneficiaries would fare better or worse than the standard Social Security benefit depending on their own choices and actions and market forces.

► Gore's proposal sees the government as a guardian, particularly of lower-income groups. He would protect beneficiaries from the risks of the market but also deny them the potential reward of higher returns. His plan would extend the system's solvency by infusing it with general tax revenue. He justifies the transfer as the interest savings achieved over a 10-year pe-

Analyzing key issues



As Election Day nears, USA TODAY is analyzing key issues facing the next president.

Today: Social Security's future

Coming: The high cost of prescription drugs; the fight over the surplus; education woes; preserving the environment.

Previously published: Americans without health insurance (Sept. 22); the military's search for a mission (Oct. 3).

riod because of Social Security surpluses.

Gore's plan would bolster the system with funds other than Social Security taxes, which has never been done. He has chosen that approach over changes that would make the system self-sustainable over the long haul.

Gore also would supplement Social Security by letting couples set up tax-free retirement accounts, with federal contributions for those making \$75,000 or less. He estimates the cost of these accounts at \$200 billion over 10 years, but the Bush camp puts the price tag at \$670 billion.

"My plan is Social Security plus; the governor's plan is Social Security minus. Your future benefits would be cut by the amount that's diverted into the stock market, and if you make bad investments, that's too bad," Gore said in the candidates' first debate on Oct. 3.

Bush bristled. "Let me tell you what your plan is: It's not Social Security plus, it's Social Security plus huge debt is what it is. You leave future generations with huge IOUs."

How much money might a retiree get under Bush's plan? The Bush campaign uses the example of a worker who is 22, makes \$20,000 this year and gets a 2% annual raise after inflation. The worker sets up a personal account using 2 percentage points of the 12.4% payroll tax.

The worker invests in a moderate-risk "balanced fund" that is 60% stocks and 40% bonds. The rate of return is assumed to be 5.5% after inflation. That figure comes from the average 5.9% rate of return for balanced funds from 1926 through 1996, less 0.4% in fees. In 45 years, when the worker reaches retirement age, the personal account will hold \$102,000 in inflation-adjusted dollars.

However, the worker presumably will receive less in Social Security benefits because of the 2 percentage points diverted out of the system. Many experts put the cut at nearly 20%. Based on Social Security projections, that adds up to a loss of \$3,600 a year in inflation-adjusted benefits, but that loss can be made up with just a 3.5% return on the \$102,000.

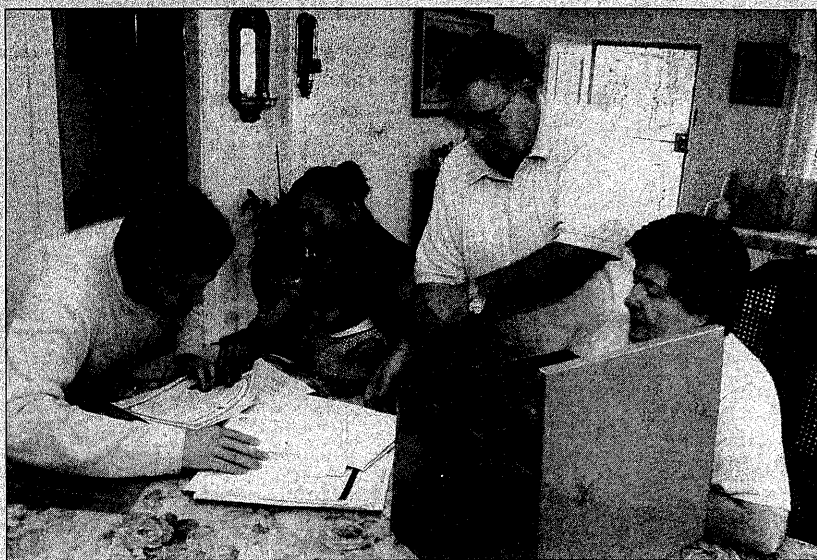
Using the same assumptions, a highly paid worker who annually earns the maximum taxed by Social Security, \$76,400 this year, will accumulate nearly \$400,000 in personal savings. This worker stands to lose \$6,000 a year in Social Security benefits, a sum that could be offset by a 1.5% investment return on the \$400,000.

How does Gore's Retirement Savings Plus Accounts work? His campaign uses the example of a couple making \$50,000 a year. They make a \$1,000 tax-free contribution each year and get to add a \$1,000 federal match in the form of a tax credit. Assuming an annual return of 5.3% after inflation, nearly identical to Bush's assumed rate of return, the couple's nest egg totals \$202,000 after 35 years — and there are no cuts in Social Security benefits.

A couple making \$75,000 get a smaller tax credit under Gore's plan. To accumulate \$202,000 after 35 years, the couple must contribute \$1,500 a year out of pocket and add \$500 from a federal tax credit.

The tradeoffs in the Bush and Gore approaches are very different. Under the Bush plan, a worker has to give up some Social Security pay for the chance to make even more in the markets. But there is also the risk of losing money. Under Gore, Social Security benefits are guaranteed, but workers have to come up with the cash to put in their accounts each year; they can't use payroll taxes that already have been withheld from their paychecks.

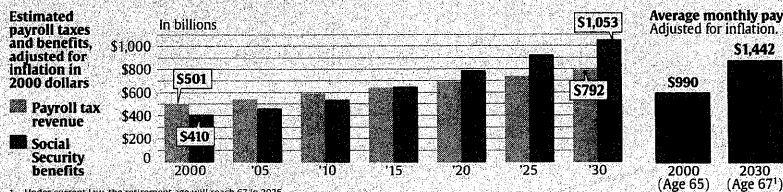
Fueling the debate over Social Security's



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► By 2037, Social Security's resources will be exhausted. Payroll taxes will cover just 72 cents for each \$1 in benefits owed.

Day of reckoning

Gore's plan would delay that day of reck-

oning to 2054, and some key aides suggest that a robust economy might make more painful choices down the road unnecessary. Their reasoning: A strong job market and rising wages would produce more payroll taxes than currently projected.

But most experts doubt that even a booming economy can put off tough choices forever. They note that Gore's plan fails to meet the generally accepted goal of reformers of extending solvency at least through 2075. There is also the risk that a prolonged economic slump could mean Social Security would run short of money even sooner than expected.

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Larry Lindsey, Bush's economic adviser, says a bipartisan commission would provide specifics that Bush has avoided to date, such as how much of the payroll tax could be diverted to individual accounts and whether workers with accounts would get lower Social Security checks, as many experts predict.

Outside experts fault Bush for failing to fill in the details. They note that similar congressional plans could not reach long-term solvency just by setting up investment accounts that potentially get

higher returns. They also had to include significant cuts in benefits for retirees or trillions in new revenue to compensate for the loss of payroll taxes.

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"They've been saying Social Security is going to go bankrupt forever," the younger Buelna says. In the end, he expects the politicians to fix it. "I don't see how I'm paying into something all these years but when I retire they say, 'Sorry, it's gone out,'" he says. "It would create such a backlash."

Candidates' stands on Social Security

Republican candidate George W. Bush would ...

► Earmark a projected \$2.4 trillion in Social Security surpluses over the next decade only for the retirement program. Most of the surpluses would be used to reduce publicly held national debt.

► Let workers use part of their Social Security taxes to set up

Democratic candidate Al Gore would ...

► Earmark the \$2.4 trillion in Social Security surpluses over the next decade for the retirement program and use the money to eliminate the national debt by 2012.

► Use an estimated \$1.4 trillion in interest savings from paying off the national debt to extend



The federal agency is expected soon to declare the exhaust a "likely human carcinogen," clearing the way for efforts to cut diesel truck and bus emissions. 2A.

Today's debate: Presidential campaign

In USA TODAY's opinion, "Bush, Gore differ on many details, but both increase federal activism." 27A.

► "My administration will give local school districts maximum flexibility to use federal education funds," Republican George W. Bush says. 27A.

► "I believe education should command more of our attention, more of our time and more of our resources," Democrat Al Gore says. 27A.

Money: Buckling up for job searches

Have a car? Looking for work? Job seekers now have drive-through job fairs to look forward to. They don't even have to get out of their cars. 1B.

► Shared appreciation mortgages are staging a comeback. First-time homebuyers get lower payments, and lenders get percentage of home's value. 1B.

Sports: Titans dart past Jags 27-13

Tennessee wins fifth straight game as running back Eddie George helps grind out win. NFL 1, 8-9, 15C.

► Mike Davis takes the helm of Indiana basketball and isn't concerned about his interim status. 3C.

Life: Classroom attendance not required

Many a college student's dream will become reality at Fairleigh Dickinson University in New Jersey. Taking one course a year online will be a requirement, considered a first for colleges and universities. 8D.

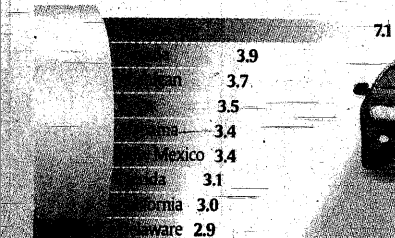
By John O. Buckley

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Arizona tops red-light fatality rate

Arizona had the highest fatality rate in crashes that involved running red lights in the period from 1992 through 1998. Deaths per 100,000 population:



Source: Insurance Institute for Highway Safety

By Marcy E. Mullins, USA TODAY



Crossword 9D
Editorial/Opinion 27, 29A
Lotteries 15C
Marketplace Today 9D
State-by-state 10A
Stocks 4, 6, 8, 10, 12-13B

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More slices, less cake for Social Security recipients by 2030

The number of Social Security beneficiaries is expected to rise to nearly 83 million by 2030, in large part because of aging baby boomers. But there won't be as rapid an increase in the number of workers paying Social Security taxes to finance benefits. Another factor is increasing life expectancy. By 2030, the average U.S. man is expected to live to age 83; the average woman to age 85.



Social Security dispute itself is radical

Candidates' plans reflect widely different views of government's role in saving troubled system

By Susan Page and Owen Ullmann
USA TODAY

WASHINGTON — Something unprecedented is happening in this year's presidential campaign: Al Gore and George W. Bush are having a serious debate about changing the government's most popular program, Social Security.

More remarkable is that both would bring fundamental changes to the 65-year-old retirement system to try to guarantee its long-term health.

As they gear up for tonight's third and final campaign debate, however, they have avoided discussing the painful choices that most experts say will likely be necessary eventually — increasing taxes, raising the retirement age or cutting benefits — or addressing head-on the intergenerational debate about the wisdom of devoting ever-greater governmental resources to seniors rather than, say, children.

Please see COVER STORY on 4A ►

Bush, Gore to square tonight amid the u

By Jill Lawrence
USA TODAY

Al Gore and George W. Bush debate tonight for the third and final time under stressful circumstances: Neither has a clear lead in the presidential race, tensions are exploding overseas and the nationally televised encounter is the last big event before the election.

The town hall-style debate in St. Louis, exactly three weeks before Election Day, will have an audience of people who haven't decided how they'll vote. Under terms negotiated by the candidates, moderator Jim Lehrer will screen their questions and decide which they'll ask.

Experience suggests most will ask about domestic issues, such as health care and education, but Lehrer can choose a foreign policy question or ask one himself.

Polls that gave Bush an edge after the debate last week showed a slightly closer race by Monday. The USA TODAY/CNN/Gallup Tracking Poll gave Bush a 3-point lead, 47%-44%, down from 5 points. The Zogby-Reuters-tracking poll found Bush 1 point up. Both results were within the polls' margins of error.

New USA TODAY poll findings on foreign policy underscored the unsettled nature of the race. On who would better handle the Middle East crisis involving Israel and the Palestinians, Gore edged Bush 47%-43%, but Bush had the advantage on who would better handle U.S. Navy ship in Yemen, 46%-41%.

The first two debates tested the to grasp facts and rebut their opponent's format requires them to they can "relate to the concerns of the voters," says Mitchell McKinney, a University of Massachusetts political scientist in town hall debates. "Both candidates are hampered in their ability to make a case for their policies."

Gore has more experience with the tougher challenge. "He's still looking for that," says debates specialist at Northeastern University in Boston.

Perceived as overbearing in the past, Gore was seen as overcompensating in referring to Bush and drawing few substantive points. Gore to resume his record and views, minus the sighs, misstatements that he made during the first debate.

Experts say Bush's second debate assured the public that he is president. Gore needs to sustain that impression on foreign policy and at that are, in McKinney's phrase, "unlike a gaffe or a blunder."

Cover story

Broadband scalability

AT&T SOUNDLESS