

TODAY'S "SHORT TOPIC"

LOWERING THE RETIREMENT AGE: Would that be good policy all things considered?



By Stephen L. Bakke  March 1, 2015

Here's what provoked me (I received this from "you know who"):

Hey SB! I've been thinkin'! One of the things prominently mentioned as one thing that would help save Social Security is to move back the retirement age to 67 or even 70. At first "blush" I agree with conventional wisdom, but I'm thinkin' that that may come with unintended consequences that we tend to ignore - it seems to work against natural forces to reduce unemployment, particularly among the younger workers, where un/under-employment is most severe. Think about it, and see what you come up with! - Stefano Bachovich - obscure curmudgeon and wise political pundit - a prolific purveyor of opinions on just about everything - SB's primary "go to guy."

Here's my response:

Lowering the Retirement Age: Would that be good policy ... all things considered?

Conventional wisdom would have the U.S. delaying the retirement age from 65 to 67, or even 70, for receiving full Social Security benefits. While this would have a beneficial actuarial effect on Social Security funding, it seems that it would hinder the natural flow of young people into the employed workforce. Before Congress makes any decisions, maybe they should take a look at what I'm suggesting here - **lowering the age for full benefits to 62 or even 60.**

Consider the following thought progression:

- For purpose of demonstration, consider a \$90,000 worker retiring at 62 and being replaced by a \$50,000 employee.
- That would be a \$40,000 savings to the employer.
- There would be a temporary increase in Social Security payments for this retiree.
- Considering the \$40,000 savings, the employer would probably be happy paying for the additional Social security costs until the employee reaches a certain age, such as 65.
- This employer assessment would reduce the \$40,000 savings by perhaps \$15,000 to \$20,000.
- The employer assessment would be phased out over time.
- Additional savings would come from a reduction in government expenses such as unemployment compensation and jobs programs.

All things considered, I bet the numbers would work out! If so, it would be "win/win" for everybody! If seniors desire to retire early and select this early option, they are winners. This leaves more jobs for younger workers, making them winners as well. It's worth a look!