THE SMART ACT
Securing Medicare and Retirement for Tomorrow – Bill Summary Sheet

The SMART Act solves the crisis created by the unfunded entitlement liabilities of the Social Security Retirement system and Medicare. It accomplishes this by transitioning, over a 42-year period, from current law to a system where workers own their retirement and health care security.

The SMART Act Assures:

- New workers' contributions are protected in an account with their name on it.
- All current workers (23 and older) have the CHOICE between current law and the new system.
- NO CHANGES from current law for current retirees.

Personal Social Security Accounts

The direct 7.65% tax on a workers' wages is converted to compulsory savings. The worker can then choose between five performance-approved mutual funds for investment of their compulsory savings.

Social Security Retirement Benefits

At retirement the worker has the choice between the new system and the old system. The retired worker chooses between their personal savings plus a prorated value of traditional benefits, or the present Social Security benefits.

Social Security Medicare Benefits

Similar to the Social Security benefits described above, retiring workers have a choice. Traditional Medicare coverage is prorated based on years of participation, combined with compulsory savings, and then compared with currently scheduled benefits. Workers simply choose the benefit that is of greater value to them.

Tax Treatment of Accounts and Contributions

Contributions to accounts will be made in the same manner as today's FICA contributions. Purchases of life annuities, and fund withdrawals after retirement, are not taxed.

Social Security Escrow Fund

A Social Security Trust Fund is created and DEDICATED SOLELY to the payment of Social Security benefits to workers who contribute to Social Security.

Upon the elimination of unfunded liabilities of the current broken system, excess funds will be used first to eliminate the payroll tax on employers and second to pay down the national debt.

Federal Budget Reforms

Revenues exceeding the CBO's 2006 future federal receipt forecasts are used to cover transition expenses.

Price Index

Changes current indexing from CPI-U to C-CPI-U. Changes initial benefit calculation from a wage index to a price index.

February 21, 2008