THE T.R.U.S.T. FUND FOR AMERICA | TF

An Innovative Solution to the Social Security Crisis

By Ric Edelman

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No one disputes that the Social Security retirement system is going broke. The reason is clear: The system's assumptions have not kept up with the nation's changing demographics.

Social Security was created by Congress in 1935. Its structure is rather simple: Taxes are assessed on current workers, and the money collected is distributed to current retirees. In 1935 and for many subsequent decades, there were far more workers than retirees. As a result, the system collected more money than was paid out — so the excesses have been placed into a trust fund.

Starting in 2017, the Social Security Administration is paying more to retirees than it is receiving in employment taxes, according to the Center for Retirement Research at Boston College. To make up the difference, the Social Security Administration must withdraw money from the trust fund. The amount of withdrawals is staggering, and by 2033, says the Social Security Trust Fund, the trust fund will be depleted. That means, according to SSTF, retiree benefits will have to be reduced 21 percent starting in 2034. The Congressional Budget Office disagrees, saying benefits must be reduced 31 percent by 2031 — about 50 percent more and three years sooner than SSTF's projections. Either way, a disaster faces America's current and future retirees.

By 2033, says the Social Security Trust Fund, the trust fund will be depleted.

For years, academics, regulators, legislators, economists, blue-ribbon panels and think tanks have been trying to solve this problem. All of them have offered only two solutions: Increase the program's revenues (by increasing the tax rate or the wage base on which taxes are assessed, or both) or decrease the program's expenses (by reducing retirement benefits or delaying the age at which benefits are paid, or both). Some have suggested a combination of revenue increases and benefit reductions.

However, a third option exists, which apparently has not been considered. It is based on an innovation I developed nearly 20 years ago. Indeed, this solution, eventually and ultimately, could completely replace Social Security retirement benefits, dramatically reduce Social Security taxes, and produce trillions of dollars in savings for retirees — all while creating hundreds of billions of dollars in federal and state income tax revenue.

This isn't too good to be true. Rather, it's a simple, elegant solution to a complicated problem.

My discovery of this solution was accidental — the result of my efforts to solve a problem posed by a listener of my weekly personal-finance radio program. His situation wasn't uncommon, but his perspective was — and it was natural for him to call my show for help.

That's because the financial planners of Edelman Financial Services — the firm my wife and I founded in 1987 — do not work exclusively, or even primarily, with wealthy individuals. Instead, we cater mostly to middle-class Americans who are struggling to achieve retirement security. Our clients are

therefore savers and investors who are counting on Social Security to provide valuable income in their retirement years.

Yet, our clients aren't those who are most at risk if Social Security collapses. As of Dec. 31, 2016, according to the Social Security Administration, 43 million Americans receive Social Security retirement benefits. The average Social Security retirement check is just $1,341 monthly, yet this represents 39 percent of the average retiree's annual income. Indeed, 53 percent of married retirees and about three-quarters (74 percent) of single retirees receive half or more of their annual income from Social Security.

Thus, the importance of Social Security cannot be overstated. Fewer than 15 percent of private sector workers will receive a pension when they retire, according to the Social Security Administration. Meanwhile, Americans are living longer than ever; American life spans are now 88.8 years for women and 86.6 years for men, according to the Society of Actuaries.

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This means Americans must save for retirement on their own, but they aren't saving enough. Households nearing retirement have an average of just $120,000 in retirement accounts, according to the Federal Reserve's Survey of Consumer Finances. That's enough to generate income of only $400 per month, assuming a 4 percent annual withdrawal rate, a figure commonly recommended by financial planners.

Part of the reason so many retirees are so dependent on Social Security is because they lacked the opportunity to save for retirement during their working years. An analysis of the U.S. Bureau of Labor Statistics' Current Population Survey and the Federal Reserve's Survey of Consumer Finances, performed by the National Institute on Retirement Security, shows that in 2011 only 52 percent of private sector employees ages 25–64 had access to a retirement plan at work — the lowest rate since 1979. Thus, 44.5 million people worked for an employer that did not sponsor a retirement plan.

It is precisely because of this predicament that many savers and investors come to Edelman Financial Services, now one of the largest independent financial planning and investment management firms in the country[1]: They want help with preparing for retirement. Consumer interest in this topic makes it a frequent subject for my radio show.

In 1996, a listener called my show to say that his wife had just delivered a baby; he wanted to know how he could best save for his new son's future. I assumed he was referring to the future cost of college, but the caller — his name was John — corrected me: He wanted to save for his baby's *retirement*.

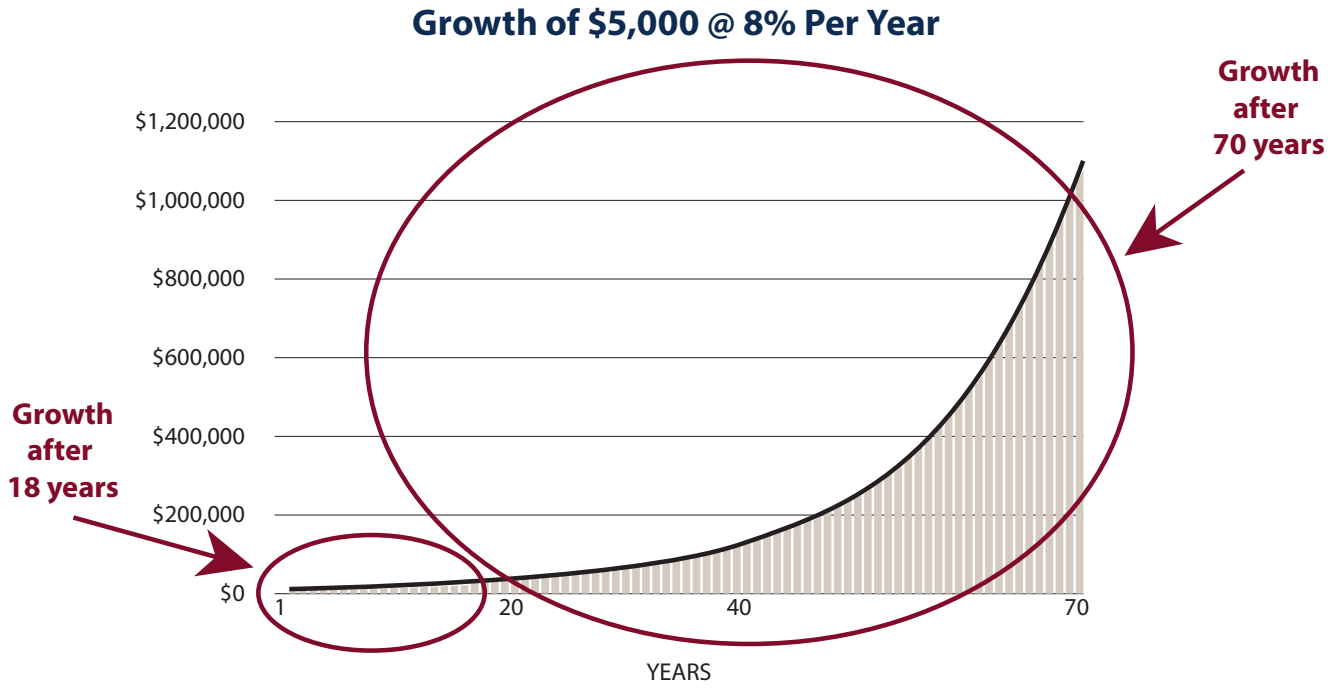
[1]WealthManagement.com's "Top 100 RIAs of 2015" ranking was assembled using data from Meridian-IQ. Advisory firms are ranked by total assets under management. To land on the list, firms had to have a focus on financial and retirement planning for individual and high-net-worth clients. And institutional clients do not make up a substantial portion of their businesses. Finally, none of these firms are owned by a bank, broker/dealer or investment company. Investor experience/returns were not considered as part of this ranking. Edelman Financial Services ranked 3rd.

His request caught me off guard; although my colleagues and I help a great many parents save for college, never had a new dad expressed interest in helping a newborn accumulate retirement savings.

Some quick calculations while still on the air made me realize that John's idea was brilliant. After all, setting aside $5,000 for a newborn, leaving the money untouched until the child enters college at age 18, would produce about $23,000 before taxes. That's obviously not enough to pay for college. (These figures assume an 8 percent annual return; by comparison, the average annual return of the S&P 500 stock index since 1926 is 10 percent, according to Ibbotson Associates.)

However, leaving the money invested for 70 years — to pay for the child's retirement rather than college — would result in the account being worth more than $1 million. This is the power of compound growth, illustrated by Figure 1.[2] Few people grasp the exponential value of compounding because its benefits aren't obtained for decades — something precluded when saving for less than 20 years to pay for college.

FIGURE 1



You can appreciate the power of compound growth by considering the experience of a common, hardworking American: a 35-year-old earning $60,000 who contributes 6 percent of pay to a retirement plan every year until age 70. Assuming a 3 percent annual salary increase, this employee will contribute $228,000 to retirement and will generate gains, assuming an 8 percent average annual return, of $746,000.

[2]This is a hypothetical illustration meant to demonstrate the principle of compound growth and is not representative of past or future returns of any specific investment vehicle. It does not include consideration of investment fees or expenses.
An index is a portfolio of specific securities (common examples are the S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance does not guarantee future results.

But a one-time contribution of $5,000 at birth could produce profits of $1 million! Save $5,000 instead of $228,000 and end up with a profit of $1 million instead of just $746,000. The power of compound growth is awesome.[3]

While these calculations reveal the brilliance behind John's desire to save for his baby boy's eventual retirement, two problems are obvious: The above calculations ignore taxes and, at age 18, Johnny Jr. would gain legal access to the money — meaning he might squander the money long before he reaches retirement.

To solve both problems, I invented a patented retirement planning tool that allows you to set aside money for people as young as newborns. It lets parents and others open accounts for $5,000 or more, where the money earns tax-deferred, market-based returns with the assurance that the child cannot access the money until retirement age.

Introducing the "Tomorrow's Retirement for the U.S. Today" Fund for America.

This concept can be adapted to solve our nation's Social Security crisis. My proposal for "Tomorrow's Retirement for the U.S. Today" Fund for America (the T.R.U.S.T. Fund for America) is simple: For the next 35 years, the federal government sets aside $7,000 for each of the approximately 4 million children born in the United States each year. The money is placed into an investment portfolio determined by a blue-ribbon panel appointed by the president and Congress. In 35 years, the government receives back its initial outlay (increased for inflation), which is used to fund the program for children born during the second 35-year cycle.

Thus, the program would cost the federal government $27.5 billion in the first year. After 35 years, it would become permanently self-funding — a total cost of less than $1 trillion. By comparison, the June 2016 recommendations of the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings cost a total of $12.5 trillion — $7.1 trillion in additional taxes and $5.4 trillion in benefit cuts. My proposal costs 92 percent less and is a permanent solution.

Here's the benefit of the T.R.U.S.T. Fund for America at the individual level: At the age of 35, the average value for each child could be expected to be worth more than $93,000, based on an annual return of 7.68 percent, which is the average projected return of the nation's public pension plans, according to the National Association of State Retirement Administrators[4]. Of that amount, $14,800 would be returned to the federal government to fund the program for that year's newborns. This figure is based on a 2.24 percent inflation rate, equal to

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the average annual cost-of-living increase provided by the Social Security Administration from 2000 to 2016. The remaining account value of more than $78,000 would continue to grow in the fund. Based on a 7.68 percent annual return, the fund's balance would grow over the next 35 years to be worth nearly $1 million per child[5]. Thus, as each person retires at age 70, he or she would begin to receive monthly income equal to amounts currently provided, on an inflation-adjusted basis, by Social Security. This income could be increased annually by a cost-of-living adjustment, just as Social Security retirement benefits are today. There would be sufficient money to pay each retiree an inflation-adjusted income identical to what Social Security would have paid for 23 years — to age 93 — for each person. Because average life expectancies are lower than age 93, there would be ample money remaining to support those who live beyond their average life expectancy.

The comparison between the T.R.U.S.T. Fund for America and the current Social Security system is striking. Assume an American enters the workforce at age 22, earns $44,954 (the national average income, according to the Bureau of Labor Statistics), receives a 3 percent annual pay increase, retires at age 70, and pays 12.4 percent in Social Security taxes annually.[6] Even if you assume that Social Security taxes never rise, this worker will pay a total of $605,038 in Social Security taxes by age 70.[7]

A worker can receive identical Social Security retirement benefits from the T.R.U.S.T. Fund for America with a single deposit of just $7,000.

But as Figure 2 shows, that worker can receive identical retirement benefits from the T.R.U.S.T. Fund for America with a single deposit made of just $7,000. The contrast is indeed striking.

FIGURE 2

Comparison of the Current Social Security System and the T.R.U.S.T. Fund for America

	Total Cost to Fund Each Worker's Retirement Benefit	Average Retirement Benefit
Social Security	$605,038	$1,341
The T.R.U.S.T. Fund for America TF	$7,000	$1,341

[5]This is a hypothetical illustration meant to demonstrate the principle of compound growth and is not representative of past or future returns of any specific investment vehicle. It does not include consideration of investment fees or expenses.
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[6] The 2016 Social Security tax rate is 7.65% for employees and 7.65% for employers. Self-employed workers pay the entire 15.3%. However, because employers reduce salaries by the amount they must pay in Social Security taxes, the entire tax is ascribed to the employee. Only 12.4% is assessed in our calculations because the Medicare portion of Social Security taxes is 2.9%; this portion is excluded because health care benefits for retirees are not the focus of this paper.
[7]Although the old age, survivor and disability insurance portion of Social Security taxes is capped at $126,000 of earned income for 2017, this cap is routinely increased by Congress. It is therefore this paper's position that the employee would always pay Social Security taxes on 100% of his or her salary.

It is hard to overstate the massive benefits the T.R.U.S.T. Fund for America can provide to society. These include:

- **The U.S. government would reap a huge tax windfall.** When the fund begins distributing income to each retiree — assuming $73,000 per person based on the average Social Security retirement benefit adjusted by annual cost-of-living adjustments from 2000 to 2016 — annual federal tax revenue will exceed $86 billion.
- **The T.R.U.S.T. Fund for America would dramatically reduce Social Security payroll taxes.** While the government would need to continue collecting some taxes to pay for disability and other benefits provided by the Social Security Administration, the vast majority of today's payroll taxes could be eliminated. Cutting 80 percent of the $2.5 trillion that the Social Security Administration says the federal government collected in FICA taxes in 2012 would save Americans $2 trillion annually.
- **The amount of retirement income produced for each retiree by the T.R.U.S.T. Fund for America would dwarf the income produced by individual workers' other retirement savings.** Workers in their 50s have saved an average of just $121,800 for retirement, according to the Employee Benefit Research Institute. The T.R.U.S.T. Fund for America therefore provides retirement security to a degree that cannot be matched by defined-contribution or defined-benefit plans. The reason: Only the T.R.U.S.T. Fund for America lets money grow tax-deferred for seven decades.
- **The T.R.U.S.T. Fund for America would enable Americans to redirect money they are currently saving for retirement to other vital needs.** By eliminating the need to save for retirement and sharply cutting Social Security payroll taxes, Americans will enjoy a substantial increase in their discretionary income, which they can use for education for themselves and their families, starting a small business, and increasing charitable support for their communities. The social value of eliminating the retirement-savings burden cannot be overstated.

The T.R.U.S.T. Fund for America would eventually result in virtually every American enjoying more retirement security.

The T.R.U.S.T. Fund for America is a significant improvement over the retirement planning tool I invented. A federally operated program would feature far lower investment expenses than any commercially operated program (resulting in higher returns for the fund), and it would be available to all Americans — not merely the children of affluent families. Therefore, the T.R.U.S.T. Fund for America would eventually result in virtually every American enjoying more retirement security. This would reduce burdens on the federal government, freeing it to focus on other important social needs.

As exciting as the T.R.U.S.T. Fund for America sounds, it's important to acknowledge concerns that some might raise about the idea. First is a cost/benefit analysis: The full value of the program won't be

enjoyed for 35 years, and in the meantime, Congress will have to figure out how to pay the $27.5 billion first-year cost — with no benefit for today's workers or retirees who are struggling to deal with retirement security. This creates a political challenge: How do you get Congress to approve — and pay for — a plan that doesn't help current workers or retirees? My answer: Congress will be happy to approve the program and its cost, because voters will eagerly support the T.R.U.S.T. Fund for America. Why? It solves the problem for their children and grandchildren. Today's workers and retirees know the dilemma they're in, and they'll be thrilled to know they can help their offspring avoid their fate — especially when they realize that a single, one-time cost of $7,000 per child could eliminate a lifetime of Social Security taxes without reducing Social Security retirement benefits.

Some will also question the program's projected returns. Is it realistic to assume the T.R.U.S.T. Fund for America can earn an average of 7.68 percent per year for the next 70 years? Well, we've been doing far better than that since 1926. Figure 3 shows historical average annual returns of the S&P 500 stock index, according to Dimensional Fund Advisors. Although there have been — and will continue to be — short periods of time (say, one-, three- or five-year periods) when stock prices perform poorly, there has never been a period of 30 years or longer when the stock market has earned less than 9.4 percent.

FIGURE 3

Rolling Returns – Period Ending in the Year Shown

Year	1	3	5	10	20	30	40	50	60	70
2015	1.4%	15.1%	12.6%	7.3%	8.2%	10.4%	11.3%	9.7%	9.9%	10.9%
2014	13.7%	20.4%	15.5%	7.7%	9.9%	11.3%	12.2%	9.9%	10.4%	11.3%
2013	32.4%	16.2%	17.9%	7.4%	9.2%	11.1%	11.0%	10.0%	10.9%	11.4%
2012	16.0%	10.9%	1.7%	7.1%	8.2%	10.8%	9.8%	9.8%	10.4%	11.3%
2011	2.1%	14.1%	-0.3%	2.9%	7.8%	11.0%	9.8%	9.3%	10.4%	11.4%
2010	15.1%	-2.9%	2.3%	1.4%	9.1%	10.7%	10.1%	9.8%	10.8%	11.2%
2009	26.5%	-5.6%	0.4%	-0.9%	8.2%	11.2%	9.9%	9.5%	11.0%	10.8%
2008	-37.0%	-8.4%	-2.2%	-1.4%	8.4%	11.0%	9.0%	9.2%	10.9%	10.4%
2007	5.5%	8.6%	12.8%	5.9%	11.8%	13.0%	10.5%	11.0%	11.9%	11.6%
2006	15.8%	10.4%	6.2%	8.4%	11.8%	12.5%	11.0%	10.6%	11.9%	10.8%
2005	4.9%	14.4%	0.5%	9.1%	11.9%	12.7%	10.3%	10.4%	11.5%	11.0%
2004	10.9%	3.6%	-2.3%	12.1%	13.2%	13.7%	10.5%	10.9%	11.9%	11.6%
2003	28.7%	-4.1%	-0.6%	11.1%	13.0%	12.2%	10.6%	11.7%	12.1%	11.4%
2002	-22.1%	-14.6%	-0.6%	9.3%	12.7%	10.7%	10.5%	11.1%	12.1%	11.7%
2001	-11.9%	-1.0%	10.7%	12.9%	15.2%	12.2%	10.9%	12.0%	12.9%	11.9%
2000	-9.1%	12.3%	18.3%	17.5%	15.7%	13.2%	11.9%	12.8%	12.9%	11.2%
1999	21.0%	27.6%	28.6%	18.2%	17.9%	13.7%	12.2%	13.6%	12.9%	10.9%
1998	28.6%	28.2%	24.1%	19.2%	17.8%	12.7%	12.0%	13.6%	12.5%	10.5%

Rolling Returns – Period Ending in the Year Shown

Year	1	3	5	10	20	30	40	50	60	70
1997	33.4%	31.2%	20.3%	18.1%	16.7%	12.1%	12.3%	13.1%	12.5%	10.7%
1996	23.0%	19.7%	15.2%	15.3%	14.6%	11.9%	11.2%	12.6%	11.2%	10.7%
1995	37.6%	15.3%	16.6%	14.9%	14.6%	10.7%	10.8%	11.9%	11.3%	10.5%
1994	1.3%	6.3%	8.7%	14.4%	14.6%	10.0%	10.7%	11.9%	11.5%	
1993	10.1%	15.6%	14.5%	14.9%	12.8%	10.5%	11.8%	12.3%	11.4%	
1992	7.6%	10.8%	15.9%	16.2%	11.3%	10.9%	11.5%	12.6%	12.1%	
1991	30.5%	18.5%	15.4%	17.6%	11.9%	10.3%	11.8%	12.9%	11.8%	
1990	-3.1%	14.2%	13.2%	13.9%	11.2%	10.2%	11.6%	12.0%	10.2%	
1989	31.5%	17.4%	20.4%	17.5%	11.6%	10.3%	12.5%	11.8%	9.7%	
1988	16.8%	13.3%	15.4%	16.3%	9.5%	9.7%	12.2%	11.2%	9.1%	
1987	5.2%	18.1%	16.5%	15.3%	9.3%	10.5%	11.9%	11.5%	9.5%	
1986	18.5%	18.5%	19.9%	13.8%	10.2%	9.8%	11.9%	10.4%	10.0%	
1985	32.2%	19.8%	14.7%	14.3%	8.7%	9.5%	11.2%	10.7%	9.8%	
1984	6.3%	16.5%	14.8%	14.8%	7.8%	9.4%	11.3%	10.9%		
1983	22.5%	12.3%	17.3%	10.6%	8.3%	10.8%	11.6%	10.7%		
1982	21.4%	15.2%	14.0%	6.7%	8.3%	10.0%	11.7%	11.2%		
1981	-4.9%	14.2%	8.1%	6.5%	6.8%	9.9%	11.7%	10.6%		
1980	32.4%	18.7%	13.9%	8.4%	8.3%	10.9%	11.5%	9.5%		
1979	18.4%	5.4%	14.8%	5.9%	6.8%	10.9%	10.4%	8.2%		
1978	6.6%	7.0%	4.3%	3.2%	6.5%	10.9%	10.0%	7.7%		
1977	-7.2%	16.4%	-0.2%	3.6%	8.1%	10.8%	10.5%	8.3%		
1976	23.8%	7.7%	4.9%	6.6%	7.9%	11.3%	9.5%	9.2%		
1975	37.2%	-4.9%	3.2%	3.3%	7.1%	10.2%	9.8%	9.0%		
1974	-26.5%	-9.3%	-2.4%	1.2%	6.9%	10.2%	10.0%			
1973	-14.7%	5.1%	2.0%	6.0%	10.9%	12.0%	10.8%			
1972	19.0%	12.3%	7.5%	9.9%	11.7%	13.5%	12.4%			
1971	14.3%	2.9%	8.4%	7.1%	11.6%	13.5%	11.7%			
1970	4.0%	1.9%	3.4%	8.2%	12.1%	12.5%	9.7%			
1969	-8.5%	8.0%	5.0%	7.8%	13.4%	12.0%	8.9%			
1968	11.1%	7.4%	10.2%	10.0%	14.9%	12.3%	8.9%			
1967	24.0%	7.8%	12.4%	12.9%	14.6%	12.9%	9.6%			
1966	-10.0%	5.6%	5.7%	9.2%	13.7%	10.5%	9.8%			
1965	12.5%	17.2%	13.3%	11.1%	13.8%	12.0%	10.4%			
1964	16.5%	9.3%	10.7%	12.8%	14.9%	13.0%				
1963	22.8%	12.4%	9.9%	15.9%	15.1%	12.4%				
1962	-8.7%	5.2%	13.3%	13.4%	15.3%	13.2%				
1961	26.9%	12.6%	12.8%	16.4%	16.9%	13.3%				
1960	0.5%	17.3%	8.9%	16.2%	14.8%	10.3%				

Rolling Returns – Period Ending in the Year Shown

Year	1	3	5	10	20	30	40	50	60	70
1959	12.0%	12.7%	15.0%	19.4%	14.1%	9.2%				
1958	43.4%	10.9%	22.3%	w20.1%	13.5%	8.5%				
1957	-10.8%	7.7%	13.6%	16.4%	13.0%	8.5%				
1956	6.6%	28.8%	20.2%	18.4%	11.2%	10.1%				
1955	31.5%	25.7%	23.9%	16.7%	12.5%	10.2%				
1954	52.6%	21.4%	23.9%	17.1%	13.1%					
1953	-1.0%	13.3%	17.9%	14.3%	10.7%					
1952	18.4%	24.6%	19.4%	17.1%	13.2%					
1951	24.0%	24.7%	16.7%	17.3%	11.7%					
1950	31.7%	18.2%	9.9%	13.4%	7.4%					
1949	18.8%	9.8%	10.7%	9.2%	4.5%					
1948	5.5%	0.8%	10.9%	7.3%	3.1%					
1947	5.7%	9.8%	14.8%	9.6%	4.7%					
1946	-8.1%	14.5%	17.9%	4.4%	6.1%					
1945	36.4%	27.2%	17.0%	8.4%	7.1%					
1944	19.7%	22.0%	7.7%	9.3%						
1943	25.9%	10.2%	3.8%	7.2%						
1942	20.3%	-1.4%	4.6%	9.4%						
1941	-11.6%	-7.4%	-7.5%	6.4%						
1940	-9.8%	5.6%	0.5%	1.8%						
1939	-0.4%	-5.3%	10.9%	-0.1%						
1938	31.1%	4.5%	10.7%	-0.9%						
1937	-35.0%	8.7%	14.3%	0.0%						
1936	33.9%	24.9%	22.5%	7.8%						
1935	47.7%	30.9%	3.1%	5.9%						
1934	-1.4%	11.7%	-9.9%							
1933	54.0%	-7.1%	-11.2%							
1932	-8.2%	-26.9%	-12.5%							
1931	-43.3%	-27.0%	-5.1%							
1930	-24.9%	-0.4%	8.7%							
1929	-8.4%	21.8%								
1928	43.6%	30.1%								
1927	37.5%									
1926	11.6%									

An index is a portfolio of specific securities (common examples are the S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance does not guarantee future results

Even more astonishing for those who aren't students of the stock market: Average returns are remarkably consistent regardless of the rolling period reviewed, as shown by Figure 4.

FIGURE 4

Average Annual Return of the S&P 500 Stock Index for Various Rolling Periods Since 1926

Rolling Period	Average Return
1 Year	12.0%
3 Years	10.6%
5 Years	10.0%
10 Years	10.4%
20 Years	11.1%
30 Years	11.2%
40 Years	10.9%
50 Years	10.9%
60 Years	11.2%
70 Years	11.1%

An index is a portfolio of specific securities (common examples are the S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance does not guarantee future results.

The final argument to allay concerns about volatility in the stock market can be summarized in a single word: diversification. It is highly unlikely that the president's blue-ribbon panel of investment experts would recommend that 100 percent of the fund be invested solely into the stocks of large U.S. companies. Instead, the money will prudently be invested not only in stocks, but also in bonds, government securities, real estate, foreign securities, energy, precious metals, minerals, commodities and more. Dozens of academic studies, including those of Nobel laureates in Economic Sciences, show that extensive diversification reduces volatility while maintaining the opportunity to enjoy the gains available from a diversified portfolio.

Indeed, this is precisely how the nation's largest pension funds manage the money entrusted to them for their company's current and future retirees.

According to *Pensions & Investments*, the nation's 1,000 largest defined-benefit plans, as of Sept. 30, 2015, have only 56 percent of their $8.8 trillion in combined assets invested in stocks — and of that, less than two-thirds is invested domestically. Thus, the biggest pension plans in the United States have only 35 percent of their assets invested in U.S. stocks. As Figure 5 shows, nearly half of the nation's pension assets are invested outside the stock market — in bonds, real estate, cash and other investments.

FIGURE 5

Asset Allocation of the Nation's 1,000 Largest Pension Plans	
U.S. Equity	34.7%
Foreign Equity	21.3%
Total Equity	**56.0%**
U.S. Fixed Income	23.7%
Foreign Fixed Income	2.4%
Total Fixed Income	**26.1%**
Real Estate	7.7%
Cash	1.8%
Other	8.4%
Grand Total	100.0%

Although this data provide significant confidence in the concept, some might argue nevertheless that future returns are not likely to match those that investors have enjoyed during the past century. But if that's true, we have bigger problems than debating whether to implement the T.R.U.S.T. Fund for America. As you've seen, the nation's pension plans are expecting an average annual return of 7.68 percent for today's workers and retirees — so if you think the T.R.U.S.T. Fund for America can't generate at least that return, you'd better start demanding that our nation's pension plans reduce their assumptions, too.

That leads us to perhaps the most important issue: Is Social Security a public safety net or a savings scheme? When the idea of privatizing Social Security gained momentum in the 1990s, political debate was fierce — until the bursting of the tech bubble in 2000 put an end to the conversation.

Fortunately, the T.R.U.S.T. Fund for America allows Congress to avoid resurrecting that debate. That's because the T.R.U.S.T. Fund for America has features that conservatives and liberals can both support. For Republicans, the T.R.U.S.T. Fund for America offers a long-term investment program with returns provided by a diversified portfolio, which is what they asked for in previous Social Security privatization proposals. The program also offers a way to sharply lower taxes — an important goal for the GOP. For Democrats, the current Social Security system would remain untouched, because the T.R.U.S.T. Fund for America is an entirely new program, separate and distinct from Social Security. Thus, Democrats can continue to assure current workers and retirees that the guaranteed income promised by Social Security will remain intact for them, fulfilling promises made by Democratic lawmakers. And the T.R.U.S.T. Fund for America eventually generates massive new tax revenue, money that can be earmarked for new federal programs — an important goal for many Democrats.

The case for establishing the T.R.U.S.T. Fund for America is strong. Still, I expect some to criticize the idea. But instead of merely complaining, I hope that anyone who doesn't like this idea puts forth their own — and quickly, because there is no denying the fact that Social Security is going broke. Indeed, the last five reports submitted by the Board of Trustees of the Social Security Administration state that the Social Security Trust Fund will become depleted in 20 years or less.

We must solve this problem, and we must solve it now. Calls for higher taxes or reduced benefits are politically impossible to enact and have been flatly rejected by lawmakers many times. A different approach is needed — which is exactly what the T.R.U.S.T. Fund for America offers. It dramatically reduces taxes while maintaining benefits at current levels. The concept must be considered, so let the debate begin.

The conclusion of that debate, though, is already clear. Anyone who can afford to fund retirement for their children and grandchildren should do so. Congress should find a way to help those who cannot afford to, and we should support those efforts.

The T.R.U.S.T. Fund for America would replace my retirement planning tool. That's fine. Go ahead and do it. It's the right thing to do for Americans, and for America.

ABOUT RIC EDELMAN:

Ric Edelman, founder and executive chairman of Edelman Financial Services, is widely regarded as one of the top advisors in the field. He was ranked the nation's #1 Independent Financial Advisor three times by *Barron's*,[8] named among the country's Top 10 Wealth Advisors by *Forbes* magazine[9] in 2016, and is the 2017 recipient of the IARFC's Loren Dunton Memorial Award,[10] which is awarded to a person who has made a substantial contribution to the financial services profession and/or the financial interests of the public. He was also named one of the "10 most influential figures" in the advisory field by RIABiz in 2013.[11]

Ric is an award-winning radio and television personality[12] and a #1 *New York Times* bestselling author. His ninth book, *The Truth About Your Future*, was published in March and is an instant New York Times Best Seller.[13] Ric is an inductee of the Financial Advisor Hall of Fame[14] sponsored by *Research* magazine, a Distinguished Lecturer at Rowan University and a resident expert for *Dr. Oz*.

With 157 financial planners and 42 offices coast-to-coast, Edelman Financial Services manages more than $17 billion for more than 31,000 individuals and families.[15] Visit Ric online at RicEdelman.com.

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[8]According to Barron's, "The formula [used] to rank advisors has three major components: assets managed, revenue produced and quality of the advisor's practice. Investment returns are not a component of the rankings because an advisor's returns are dictated largely by each client's risk tolerance. The quality-of-practice component includes an evaluation of each advisor's regulatory record." The rankings are based on the universe of applications submitted to Barron's. The selection process begins with a nomination and application provided to Barron's. Principals of Edelman Financial Services, LLC self-nominated the firm and submitted quantitative and qualitative information to Barron's as requested. Barron's reviewed and considered this information, which resulted in the rankings on Aug. 27, 2012/Aug. 28, 2010/Aug. 31, 2009.

[9]Forbes rankings are the opinion of SHOOK Research and are based on advisor interviews, client retention, industry experience, compliance record, assets under management and revenue generated for the firm. Investment performance is not considered. Advisors do not pay to be in the ranking.

[10]Presented by the International Association of Registered Financial Consultants (IARFC). Candidates must hold a professional designation and must have disseminated their comments on financial topics by having them widely published in articles, journals, books, etc. They must have provided outstanding personal service or leadership in the financial services industry. Nominees must have participated in some aspect of financial education to the public or to other members of the profession. Investor experience/returns were not considered.

[11]The RIABiz listing of the 10 most influential figures in the Registered Investment Advisor industry is in recognition of notable, driven and influential executives who are advancing their firms and are considered to be influential in the RIA business. Investor experience/returns were not considered as part of this ranking.

Throughout the firm's 30-year history, EFS and Ric Edelman have been presented with numerous business, advisory, communication and community service awards. More information on these awards can be found at EdelmanFinancial.com/awards.

[12] The New York Times Book Review Advice, How-To and Miscellaneous. April 16, 2017.

[13]Research magazine cover story "Advisor Hall of Fame," December 2004 (based on serving a minimum of 15 years in the industry, having acquired substantial assets under management, demonstrating superior client service and having earned recognition from peers and the broader community for how they reflect on their profession). Investor experience/returns were not considered as part of this ranking.

[15]As of Dec. 31, 2016.

Ric Edelman is an Investment Advisor Representative who offers advisory services through Edelman Financial Services, LLC, a Registered Investment Advisor. He is also a Registered Representative and Registered Principal of, and offers securities through, EF Legacy Securities, LLC, an affiliated broker/dealer, member FINRA/SIPC.