

The business model used by Congress to pay for Social Security, Medicare and the national debt is ...

OUR MOST COSTLY MANDATE OF ALL

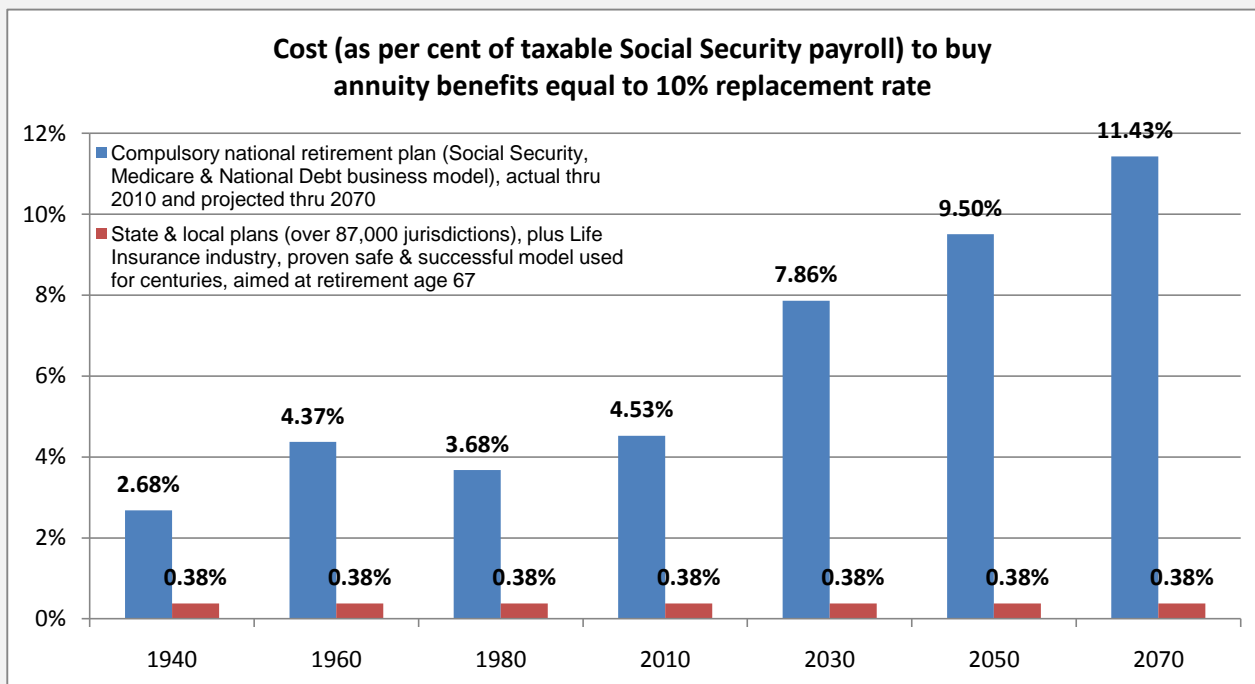
Because they run a national retirement plan without using compound interest, Congress makes us pay **TWELVE** dollars to do a **ONE**-dollar job.

Excess cost imposed on
Texas economy each year \$ 111 billion

Excess cost imposed on
U.S. economy each year \$ 1,407 billion

The following pages explain how to quickly fix the problem and cure all of our economic distress by converting to the proven safe and successful retirement-plan model used for centuries by over 87,000 State and Local jurisdictions, plus the entire life insurance industry around the world.

Comparison of State & Local to National Retirement Plan - 1



Business model used by national plan is root cause of our economic distress:

- spends 11% of GDP where State & Local model would take just 1%
- drives us deep into debt, sends jobs overseas, stifles growth

Converting to proven safe & successful model quickly solves our problems:

- **PAY OFF** the national debt
- balance the budget
- free up resources to pay for healthcare
- boost retirement benefits and fully fund them
- unleash our abundant savings rate to drive sustained economic growth
- close State & Local budget shortfalls **without** tax hikes or program cuts
- rescue our kids and grandkids from this monstrous debt
- get out from under sway of foreign creditors
- huge civil rights victory, take away the tool used to hold minorities back

Comparison of State & Local to National Retirement Plan - 2

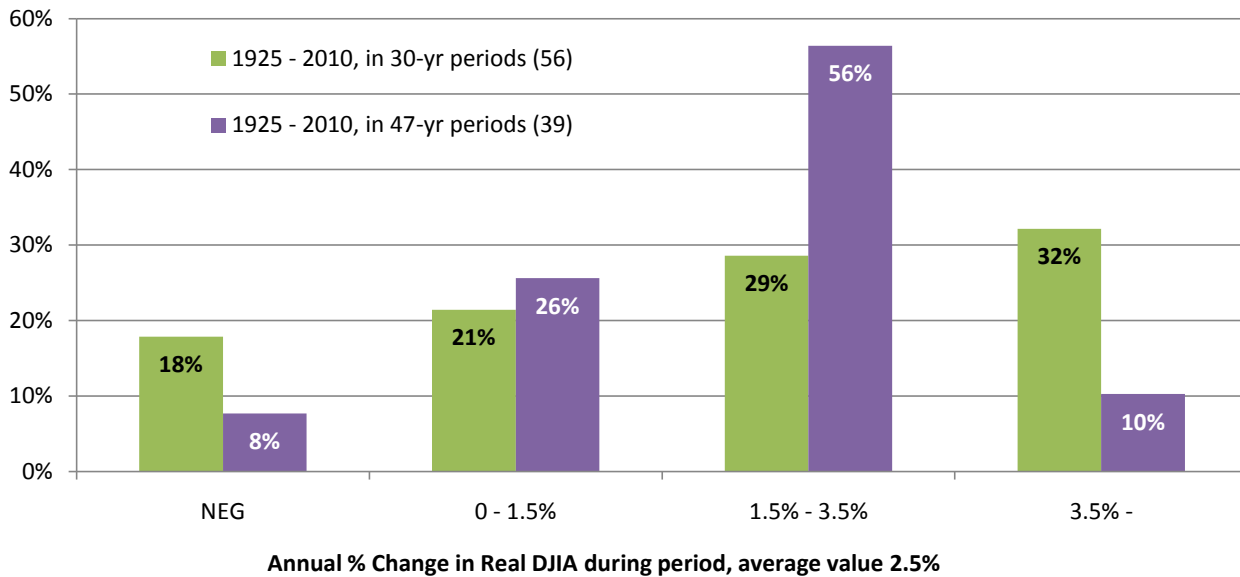
	Pay in	for	to receive	starting at age
Texas Teacher Retirement System	12.8%	30	69.0%	55
	of salary	years worked	replacement rate	
Social Security, Medicare & National Debt Business Model	28.3%	47	62.3%	65 - 67

	Pay in lifetime total of	Receive lifetime total of	Ratio of benefits to contributions	cost per 10% replacement rate
Texas Teacher Retirement System	3.84	22.08	5.75	1.86%
	times annual salary	times annual salary		
Social Security, Medicare & National Debt Business Model	13.28	13.00	0.98	4.53%

	% lower contribution needed	Contribution needed for 10% replacement rate
<u>Bridge from State & local plans at age 55 to age 67</u>		
Contribution rate for retirement age 55, real rate of return 5.00%		1.86%
Portfolio more than doubles from age 55 to 67 at 6.50%	-53%	0.87%
Pay benefits for 20 years at 6.50% vs. 32 years at 5.00%	-30%	0.61%
Higher mix of equities (less market volatility) earns 6.50% to age 55	-30%	0.43%
Pay in additional 17 years of contributions, 47 vs. 30	-10%	0.38%
Contribution rate for retirement age 67, real rate of return 6.50%		0.38%

Comparison of State & Local to National Retirement Plan - 3

Market Volatility by Length of Period



Volatility risk over 30-yr periods discourages reliance on equities

- TX Teacher Retirement System aims for 5.00% real rate of return
- Stock market averaged 7.62% real rate of return, 1926-2001 (Ibbotson)
- Reduced volatility over 47-yr periods allows greater reliance on equities
- We use 6.50% in calculations for converting to State & Local model
- Market will do even better when we stop wasting 10% of GDP!

Proof of data for national plan:

Components of contribution rate for national plan

FICA payroll tax rate, Social Security	12.40%
Medicare 2.9% vs. Social Security payroll	3.67%
General revenue transfers to Medicare	4.35%
Interest on national debt	7.84%

TOTAL contribution rate **28.26%**

Replacement rate for national plan

Average annual wage	\$40,932
Average annual benefits:	
Social Security	\$14,588 35.64%
Medicare	\$10,927 26.70%

TOTAL replacement rate **62.33%**

QUICK BIO of Davis Jackson and the Economic Solution

- Davis began working on this in 1975 when he was in college at Washington & Lee University and saw that the payroll tax rate withheld from his paycheck was far higher than necessary to pay for the programs if we just used compound interest as a retirement plan should.
- He testified before Congress in 1981 at the behest of Bill Archer, who brought him up to Congress again in 2008 after Davis got this adopted by the Republican Party of Texas State Convention and put in the platform.
- Grassroots Democrats embraced it at four Change Is Coming meetings in December 2008, and the non-partisan San Antonio Tea Party started advancing it in 2009 through their Health Care and Media Tiger Teams.
- Clayton Trotter for Congress promoted it during the 2010 campaign and got a great response to this common-sense solution. Joe the Plumber liked it and Freedom Works gave Davis an award for it. In fact, it makes great sense to everyone who sees or hears it. We just need to get public officials on board with all the rest of us who want these problems solved.

Davis served as an infantry officer with the Army's 1st Cavalry Division after graduating from Washington & Lee University. He then worked in public accounting for over a decade with a regional, then national, then his own firm. He served as Corporate Controller for the Schlitterbahn group of companies in the 90's, then five years in that same role (plus many other project assignments) for The SCOOTER Store. Since 2004 he has done turnaround consulting all over the country and is currently CFO for two clean energy technology start-ups.

for electronic version of this essay and
the accompanying briefing, plus more
details about the solution, see:

www.the469express.com