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Bush Social Security Plan Proves Tough Sell Among Working Poor

Investment Choice Has Limited Appeal, Studies Find

By *Jonathan Weisman*
Washington Post Staff Writer
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Brenda Ellis's day begins at 6:30 a.m., when she rousts her 11-year-old son, Imani, from bed, hustles him into the kitchen for breakfast and to the school bus by 7. Tianna, 13, and Dikia, 17, quickly follow. Then she's off, some days to a substitute-teaching job in Prince George's County, others to tax clinics for the working poor, where she is earning credit for a hoped-for career in accounting.

If it's a school night for her, Ellis, 41, rushes home to her Landover apartment to quickly fix dinner before bolting out at 5:45 p.m. for the half-hour drive to Strayer University and an accounting class that ends at 9. If it's tax time, she may not leave the clinic until 10. She kisses the kids goodnight, checks their homework, does a little of her own, has dinner, then climbs into bed by midnight, to start over 6 1/2 hours later.

Somewhere in this busy life stews roughly \$13,000 in retirement savings from her 14 years at the U.S. Postal Service, in accounts that she doesn't really understand or monitor.

"I don't know what's going on with it," she said one night at a tax clinic in Southeast D.C. "I just know I have these three accounts, so I just say, 'Let's hope and pray. Let's hope and pray it's not going into Enron. Let's hope and pray it's not going into Tyco.' It's just hard to absorb all I'm supposed to absorb."

In his push to add individual investment accounts to Social Security, President Bush maintains that people like Ellis have the most to gain -- the working poor, living from paycheck to paycheck. With such accounts, they would have a nest egg they could invest in stocks and bonds and watch grow with the benefit of compounding interest. For the first time, they would have a sense of ownership and a stake in their nation's economy and financial markets.

"I'm 1,000-percent convinced of this: The president cares the most about this \$10-an-hour person," said Allan B. Hubbard, director of the White House National Economic Council. "And what he gets most irritated by is when it is suggested, 'Oh the \$10-an-hour person isn't sophisticated enough to deal with a personal retirement account.'"

But between work, day care and the endless battle to lift themselves up, some members of the president's would-be ownership society say they would just as soon not have another thing to worry about. At least that was the case for several who in recent weeks visited a Southeast D.C. tax clinic run by ACORN, the Association of Community Organizations for Reform Now.

"When you know you're entitled to Social Security, you know it's going to continue to come until you breathe your last

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"I don't know what's going on with it," says Brenda Ellis, 41, of Forestville. "I just know I have these three accounts, so I just say, 'Let's hope and pray. Let's hope and pray it's not going into Enron. Let's hope and pray it's not going into Tyco.' It's just hard to absorb all I'm supposed to absorb." (Nikki Kahn -- The Washington Post)

breath," said Sondra Gilbert, a former D.C. government worker who had been jobless since 1999. "But if I start putting the few dollars he's going to let me put into an account, I could run out of that in a year or two, or whatever. Then I'm back on what? A homeless shelter?"

"I like the old way," said Joan Singletary, 52, a custodian deployed to the Bureau of Printing and Engraving by Goodwill Industries. "I like receiving a check. That way, I wouldn't have to tamper with the money on my own."

Behavioral economists say the White House should not be surprised by that attitude. Numerous studies of retirement savings programs such as 401(k) plans have found that choice may be the last thing people want. If employees must sign up for their 401(k) plans, they often don't. If enrollment is automatic unless they opt out, most stay in.

If the default savings option is a conservative money market, that's where their money goes. If the default is a portfolio of stocks and bonds, they'll take that.

"Having a stake in the economy or the financial markets, that's heavy rhetoric, but it's not clear it's worth much to most households," said David Laibson, a Harvard University economist who studies retirement savings behavior.

Laibson examined the 401(k) contributions of the one group with nothing to lose from participating, workers over 59 who still qualify for matching contributions from their employers but can also withdraw money from their pension plans at any time with no penalty. They tend to be experienced and educated, yet 40 percent of such workers do not participate in 401(k)s.

"That's just mind-boggling," he said. "That's money on the table that these households are just overlooking."

Ellis worked for the Postal Service from 1984 to 1998, years when stock market indexes soared. But she never understood the federal retirement savings system until late in her years with the service. She wound up largely with a small employer match.

That is not surprising, said Brigitte C. Madrian, a professor of business and public policy at the University of Pennsylvania's Wharton School and the author of several papers on savings behavior. In a society of specialization, people would rather trust their investment and savings decisions to perceived experts, just as they trust their car repairs to mechanics and their legal problems to lawyers.

"People are wary about taking control of their Social Security, just as I'm wary of fixing my own car," she said.

That is especially true among the working poor, whose experience with choice may be particularly bad, Madrian said. They may not have access to the best doctors because so many physicians do not accept Medicaid. They've been nudged toward home ownership, but may have fallen victim to predatory lenders or insurance scams. And they are not likely to believe the government is going to give them the best investment options for the Social Security accounts.

According to a Washington Post/ABC News poll conducted last month, support for private accounts rose with income level. Among households reporting income of \$35,000 or less, 6 in 10 said they opposed the president's proposal on Social Security. In households with income of \$75,000 or more, about half of those polled said they supported the proposal.

Several interviews revealed skepticism. Among this city's poor, the litany of worries are endless: police shortages, mercury spills in dilapidated schools, a scarcity of teachers, closed pools and recreation centers.

Bush, they say, has not tried to sell his Social Security plan to them. Rather, he travels to hand-picked Republican audiences that do not need their Social Security checks anyway, said Gregory Ligon, 56, of Hyattsville, who warehouses medical supplies at the Army's Walter Reed Medical Center.

And even there, "he's not telling you everything," Ligon said. "There's a lot left out that you don't know about, so someone else down the line has to come in and say, 'You know, what he meant was . . .'"

Those blanks tend to be filled in by ardent opponents of the Bush plan, they say.

Hubbard conceded the issue: "We need to make these points" to the poor, he said.

The one thing the working poor seem to have an abiding faith in is Social Security: "I'm job-hunting. I'm blind. I'm a widow by desertion. I live on Social Security," said the Rev. Gloria Swieringa, a Prince George's County activist who lives in Fort Washington. "You think I want Bush fooling with the one thing I can count on?"

But perhaps above all, the working poor just don't have the time.

At age 20, it's not like Samisha Taylor is dead-set against private accounts. When she heard them explained, she shrugged and suggested they may be a good idea. But she can be forgiven for not having thought about it much.

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Monday's Question:

Senate Majority Leader Bill Frist (R - Tenn.) is expected to push for a rule change that would prohibit filibusters of judicial nominees. The term 'filibuster' has its origins in a Dutch word meaning what?

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Until this school year began, her day started at 5:30 a.m. At 7, Samisha and her infant daughter, Samiya, caught the X2 bus near her mother's 15th Street NE house, for an hour-long journey to the one day care center available and affordable, off Minnesota Avenue in Southeast D.C. Then it was back to the X2 for another hour-long ride, back to Northeast and her job as a pharmacy technician.

If she could get off by 5, she'd make the journey again to pick up Samiya. If she were kept late, the bus ride was left to her mother. Either way, Taylor would be home around 7 to make dinner, read her pharmacy technician manuals, and get some sleep before the next 5:30 wake-up. Between day care and the financial help she was lending her mother, nothing was left of the \$200 to \$300 she earned weekly.

"It was stressful," she said.

As the crow flies, it is not far from Joan Singletary's Maryland Avenue apartment to the Bureau of Engraving, but as the bus travels it can be interminable, an X8 bus to the D6 Sibley Hospital line, to the 52. The journey starts a little after 1 in the afternoon for her evening shift. She's in bed again by 1 in the morning.

The work brings in about \$647 every two weeks, but rent swallows nearly half of that. She once had about \$3,000 in retirement savings from better days and a job with the District's public school system, but that was before a nervous breakdown and a thyroid condition. Now she lives from paycheck to paycheck, while working with Providence Hospital on the medical bills that remain unpaid.

Bush's Social Security proposal would let Singletary divert some of her payroll taxes -- 4 percent of her earnings -- into an account with her name on it. She could invest it in a mix of stocks and bonds, or plow it all into Treasury notes, just about the safest investment possible, then watch it grow.

Singletary thought about it for a moment, then shook her head: "I still like the old routine," she said. "I like the check."

Washington Post staff writers Richard Morin and Claudia Deane contributed to this report.

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