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From: Ted Ankrum for Congress 2010

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Sticking it to Seniors : by Ted Ankrum

For the second year in a row, Social Security will not have a cost of living adjustment because, by the government’s measure of inflation, there hasn’t been any. Tell that to the seniors that go to the store to buy things. The principal reason for this is that the formula used to make these calculations is biased to things that don’t have much effect on retirees.

Take housing costs, for instance. The formula looks at housing prices and uses that as a measure of housing costs. If housing prices are down, the formula says that housing costs are down. This might be true for the general population, but it certainly isn’t for retirees. We are living in paid off houses, if we did what we were supposed to do to prepare for retirement; or we moved into a senior village where we paid an up-front entry fee. The fact that housing prices have dropped doesn’t have anything to do with our cost of living. Another big factor in the formula is gasoline prices, but retirees don’t do nearly as much driving as someone commuting to a job.

The same retirees that aren’t getting any adjustment in their social security checks are also being shafted by interest rates on our CD’s. Again, we were told to save for our retirement so that we could supplement the social security payment, which was never expected to be enough to live on with anything like the standard of living we had when working. So we put our savings in IRA’s and 401K accounts. Again, we were told to put this money in safe CD’s when we approached retirement, so that we wouldn’t be subject to the ups and downs of the stock market, just as we were about to retire. If we did, we are now getting less than 1% interest on our money.

I just rolled over a 4% CD to one paying less than 1%. That’s a 75% reduction in income, which can be devastating on someone who followed all the advice and saved for retirement. Why these terrible rates? Because the banks played Russian Roulette in the Wall Street Casino and when they had to pull the trigger, the FED bailed them out with near-zero interest rates. The idea was that companies would borrow money to expand production and hire people. Did this happen? No. The big companies have been borrowing money at historically low rates and either buying back their stock, or saving it because the American consumer doesn’t have any money to buy and so the companies have excess capacity. Small businesses aren’t getting any loans from the banks, without government guarantees, because they are “too risky”.

Meanwhile, Wall Street firms are heading for record profits of $144 Billion for the second year in a row (WSJ , Oct 12, 2010). Why is that? Because they are borrowing from the Fed at near-zero and trading on their own account in derivatives that never made a single manufacturing job.

Little wonder that seniors are outraged at no adjustment in social security payments. They are paying a HUGE, and hidden, tax to benefit the same people that put this country into economic failure in the first place. When will the government and the FED wake up to this travesty?