NATIONAL CENTER FOR POLICY ANALYSIS

How Are Baby Boomers Spending Their Money?

Policy Report No. 341 by Pamela Villarreal September 2012

For several years, retirement and financial experts have bemoaned the fact that baby boomers and others who should be thinking about retirement saving are nowhere near ready to retire. One could surmise that because there has been little growth in real income recently, the average household simply does not have enough left over each month to save. But is that really the case? Or have the spending habits of middle-aged and soon-to-retire adults changed over time?

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Executive Summary

For a number of years now, retirement and financial experts have bemoaned the fact that baby boomers and others who should be thinking about retirement saving are nowhere near ready to retire. Some blame the failure of 401(k) and Individual Retirement Account (IRA) retirement plans to fill in the gaps left by elimination of corporate pensions. Others argue that American adults of all ages are simply not saving enough.

Using data from the Bureau of Labor Statistics' Consumer Expenditure Survey, it is possible to compare the preretirement spending habits of today's middle-aged workers (45 to 54 years old) and today's older workers (55 to 64 years old) with the spending habits of those age groups 20 years ago. What, if anything, changed over the past 20 years? Real incomes for these age groups have not changed much. But the portion of disposable income households spent on certain categories of goods and services has increased.

Baby Boomers Are Spending More on Education. From 1990 to 2010, education expenditures increased the most — by 80 percent for 45 to 54 year olds and 22 percent for 55 to 64 year olds. As with health care, the cost of a college education has grown faster than income for decades. Thus it is not surprising that a recent analysis by the New York Federal Reserve Bank found that one-third of the nation's student loan debt is held by individuals over the age of 40.

Though some individuals choose to further their own education during midlife, it is likely that many baby boomers are helping their college-age children with college expenses and loan payments.

Baby Boomers Are Spending More on Adult Children. A recent survey from the National Endowment for Financial Education found that more than half of parents are helping to support their adult children. Among parents of 18-to-39 year-old children:[1]

- Fifty-nine percent of parents are providing financial support to adult children who are no longer in school.

- This support takes the form of living expenses (48 percent), transportation costs (41 percent), spending money (29 percent), medicals bills (28 percent) and paying back loans (16 percent).

Another survey found that two out of five parents have paid off debt for their adult children, including 29 percent who had paid off student loans for their children.[2]

Baby Boomers Are Spending More on Mortgage Debt. Housing, however, is typically the largest monthly consumer expenditure. Home mortgages comprise almost three-quarters of all consumer debt, and three-fourths of middle-aged and older workers' households have mortgages. From 1990 to 2010 the share of expenditures on housing — including principal, mortgage interest, taxes, maintenance and insurance — for these age groups increased about 25 percent. For 55 to 64 year olds, nearly half of this increase was due to an increase in the *interest* portion of housing expenditures — even though mortgage interest rates have *fallen* over time. The portion of income they spend on mortgage interest increased 47 percent, from 4.3 percent to 6.3 percent.

Are baby boomers buying more home than they can afford or are prices for a basic home simply outpacing income growth? The median house size has increased from 2,080 square feet in 1990 to 2,392 square feet in 2010. Since the mid-1990s, the Federal Housing Authority allowed more borrowers to qualify for loans with lower down payments. This action began a proliferation of loans that required little or no down payment. Furthermore, after 2000, home price growth outpaced income growth, peaking in 2004 and 2005. Home prices began falling dramatically by the end of 2008, but many households were underwater, owing more on their mortgages than their homes were worth.

Moreover, the average age of the first-time homebuyer increased from age 28 in 1985 to age 35 in 2011. As the age of the first time homebuyer increases, the probability that a household will carry a mortgage into its preretirement years also increases. In addition, due to the availability of home equity loans, many boomers who were previously close to paying off their homes could be refinancing or tapping into home equity. In fact, it is estimated that 15 percent of all baby boomers will *not* get out of debt in their lifetimes.

Baby Boomers Are Not Spending More on Entertainment. Contrary to some perceptions, baby boomers have not increased their spending on frills, such as entertainment or dining out. Indeed, their spending on some consumption categories fell from 1990 to 2010:

- *Food* purchases (including restaurant spending) fell 18 percent for 45 to 54 year olds and 20 percent for 55 to 64 year olds.
- *Household furnishings* fell nearly one-third for 45 to 54 year olds and one-fourth for 55 to 64 year olds.
- *Clothing* expenses showed the steepest decline, falling 42 percent for 45 to 54 year olds and 70 percent for 55 to 64 year olds.

The decision to forgo present consumption for future retirement savings is a matter of individual choice. Contrary to the belief that the savings rate has been stagnant, or even declined, retirement accounts appear to be playing a larger role for baby boomers. However, retirement savings is nowhere near the 10 percent that is often recommended as the share of income that should be dedicated to savings.

About the Author

Pamela Villarreal is a senior fellow with the National Center for Policy Analysis. Villarreal is an expert on retirement, Social Security, economic growth and tax issues and has authored studies and analyses on specific topics, including the danger of 401(k) borrowing, Social Security disability, the expiration of tax cuts and the future of Social Security and Medicare. Villarreal blogs about these topics and more at www.retirementblog.ncpa.org.

Villarreal has bachelor's and master's degrees in Applied Economics from the University of Texas at Dallas.

Introduction

For several years, retirement and financial experts have bemoaned the fact that baby boomers and others who should be thinking about retirement saving are nowhere near ready to retire. Some blame the failure of 401(k) and Individual Retirement Account (IRA) retirement plans to fill in the gaps left by elimination of corporate pensions. Others argue that American adults of all ages are not saving enough. One could surmise that because there has been little growth in real income recently, the average household simply does not have enough left over each month to save. But is that really the case? Or have the spending habits of middle-aged and soon-to-retire adults changed over time?

The Bureau of Labor Statistics annual Consumer Expenditure Survey tracks the spending habits of several thousand households. It is possible to compare the preretirement spending of middle-aged and older workers today to those 20 years ago. In 2010, the youngest members of this age group were 45 years old in 1990 and 64 years old. The oldest of the 1990 cohort are 85 years old and older in 2010. Thus there is no overlap between the two groups. Comparing 1990 and 2010 data allow us to compare spending by seniors nearing retirement then and now. What, if anything, has changed?

Consumption Expenditures

It is often assumed that households today cannot save because of the increasing cost of living or stagnant income growth.

Income Growth. According to the U.S. Census, the real median income for 45 to 54 year olds over the past 20 years has experienced a few ups and downs. In 1990, the real median income for this age group was $67,795 (in 2010 dollars) and peaked at $74,457 in 1999. It has since fallen to $62,485. This fall has indeed correlated with the 2008 recession.

For 55 to 64 year olds, however, income growth peaked in a different year. In 1990, median income was $52,340 and peaked at $60,345 in 2007. It has since fallen to $56,575 in 2010.[3] When compared with other age groups, the income for 45 to 64 year olds has fluctuated more over 20 years than for 18 to 44 year olds.[4] This difference is likely due to the fact that 45 to 64 year olds hold more income in stocks; thus, stock market volatility has affected their capital gains and dividends, particularly during the 2000s.[5]

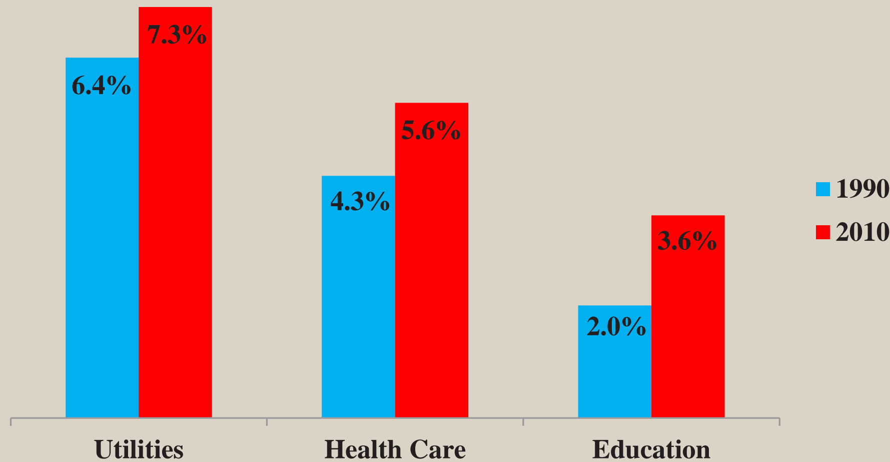
> *"Over 20 years, spending on clothing by income middle-aged and older workers fell 42 percent and 70 percent, respectively."*

But over the past two decades the portion of disposable income households spent on a number of categories of goods and services fell. As the following discussion shows, spending has increased in only a few categories for 45 to 64 year olds.[6]

Spending Decreases. From 1990 to 2010, *transportation* expenditures — including car purchases, maintenance, gas and public transportation — fell for both the 45-to-54 year-old group and the 55-to-64 year-old group, by 16 percent and 12 percent, respectively. According to the Consumer Expenditure Survey, spending on gasoline and motor oil has increased as a share of transportation expenses, but is offset by declines in spending on maintenance, and purchases of new and used cars and trucks.

- *Food* purchases (including restaurant purchases) fell 18 percent for 45 to 54 year olds and 20 percent for 55 to 64 year olds.
- *Household furnishings* fell nearly one-third for 45 to 54 year olds and one-fourth for 55 to 64 year olds.
- *Clothing* expenses showed the steepest decline, falling 42 percent for 45 to 54 year olds and 70 percent for 55 to 64 year olds.

For decades the rising cost of domestic apparel production has triggered an increase in shifting production overseas, resulting in cheaper labor costs. From 1990 to 2010, domestic hourly wages in the apparel industry increased 35 percent, but the number of employees in the industry fell from about 500,000 to 120,000. Labor



Sources: Consumer Expenditure Surveys, 1990 and 2010, Bureau of Labor Statistics, U.S. Department of Labor.

productivity (output per hour) doubled during this time, thus bringing down the overall unit labor cost. This in turn, made clothing more affordable.[7]

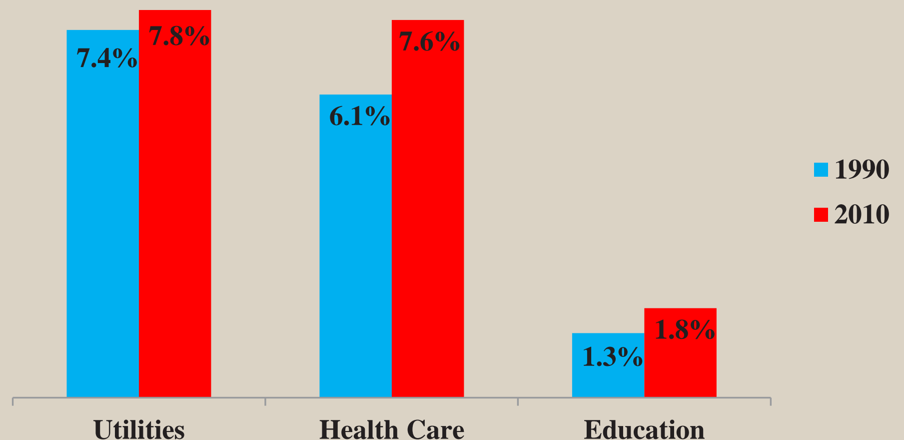
Spending Increases. However, several categories of expenditures have increased for both age groups [see Figures I and II].

Utility payments (such as gas, water, telephone and electricity) rose nearly 15 percent for 45 to 54 year olds, but only slightly for 55 to 64 year olds. Heating and air conditioning units have become more efficient, but households are heating and cooling larger homes. The median house size has increased from 2,080 square feet in 1990 to 2,266 square feet in 2000, and to 2,392 square feet in 2010.[8] Moreover the average cost of electricity (per kwh) has increased from 8 cents in 1998 to 10.5 cents in 2010.[9]

Health care expenditures — including all out-of-pocket expenses and insurance premium expenses — rose 30 percent for 45 to 54 year olds and 21 percent for 55 to 64 year olds.

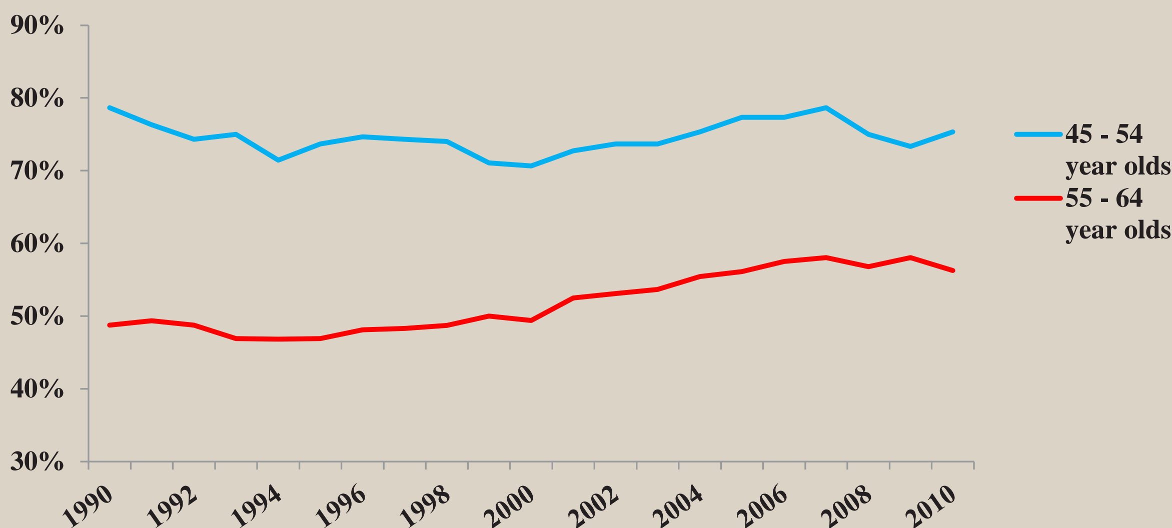
There was little change in out-of-pocket spending on medical devices and services and prescription drugs for both age groups. But insurance premiums *nearly doubled* as a share of health care expenditures for both age groups. This reflects the growth of health care spending, which has essentially wiped out the gains in median family income over the past decade.[10] Though health care expenditures have increased, the share of out-of-pocket spending by individuals for medical services and devices has fallen and the portion paid by third parties (employers, insurers or taxpayers) has risen.

Education expenditures increased the most of any spending category — by 80 percent for 45 to 54 year olds and 22 percent for 55 to 64 year olds. Today, outstanding student loans amount to more than one trillion dollars.[11] A recent analysis by the New York Federal Reserve Bank found that one-third of the nation's student loan debt is held by individuals over the age



Sources: Consumer Expenditure Surveys, 1990 and 2010, Bureau of Labor Statistics, U.S. Department of Labor.

of 40.[12] As with health care, the cost of a college education has grown faster than income for decades. Individuals are going deeper into debt to pay these expenses. Though some individuals choose to further their own education during midlife, it is likely that many baby boomers are helping their college-age children with college expenses and loan payments.



Sources: Consumer Expenditure Surveys, 1990-2010, Bureau of Labor Statistics, U.S. Department of Labor.

Indeed, a recent survey from the National Endowment for Financial Education found that more than half of parents are helping to support their adult children. Among parents of 18-to-39 year-old children:[13]

- Fifty-nine percent of parents are providing financial support to adult children who are no longer in school.
- This support takes the form of living expenses (48 percent), transportation costs (41 percent), spending money (29 percent), medicals bills (28 percent) and paying back loans (16 percent).

Another survey found that two out of five parents have paid off debt for their adult children, including 29 percent who had paid off student loans for their children.[14]

Housing, Mortgages and Home Equity Loans. Housing is typically the largest monthly consumer expenditure, and home mortgages comprise almost three-quarters of all consumer debt. As Figure III shows, the percentage of 45-to-54-year-old households who report paying on a mortgage (or home equity loan) fell from a peak of nearly 79 percent in 1990 to 75 percent in 2010. However, the rate for 55 to 64 year olds has risen from about 49 percent in 1990 to more than 56 percent in 2010 — a 14 percent increase.

Thus, more soon-to-be retirees are carrying mortgages — likely into retirement. There are several possible explanations for the growth in mortgages among older baby boomers. First, the average age of the first-time homebuyer increased from age 28 in 1985 to age 35 in 2011.[15] As the age of the first-time homebuyer increases, the probability that a household will carry a mortgage into its preretirement years also increases.

Second, since the mid-1990s, the Federal Housing Authority allowed more borrowers to qualify for loans with lower down payments.[16] This began a proliferation of loans that required little or no down payment. According to an analysis from *USA Today*:[17]

- The National Association of Realtors reports that the median down payment for first-time

homebuyers was 10 percent in 1989 compared to only 2 percent in 2007.

- For repeat buyers, the median down payment was 23 percent in 1989, compared to 16 percent in 2007.

Third, due to the availability of home equity loans, many boomers who were previously close to paying off their homes could be refinancing or tapping into home equity.

From 1990 to 2010, the share of expenditures on housing — including principal, mortgage interest, taxes, maintenance and insurance — for both age groups has increased about 25 percent. However, for 55 to 64 year olds, nearly half of this increase is due to the *interest* portion of housing expenditures. Interest payments have increased, even though mortgage interest rates have *fallen* over time.

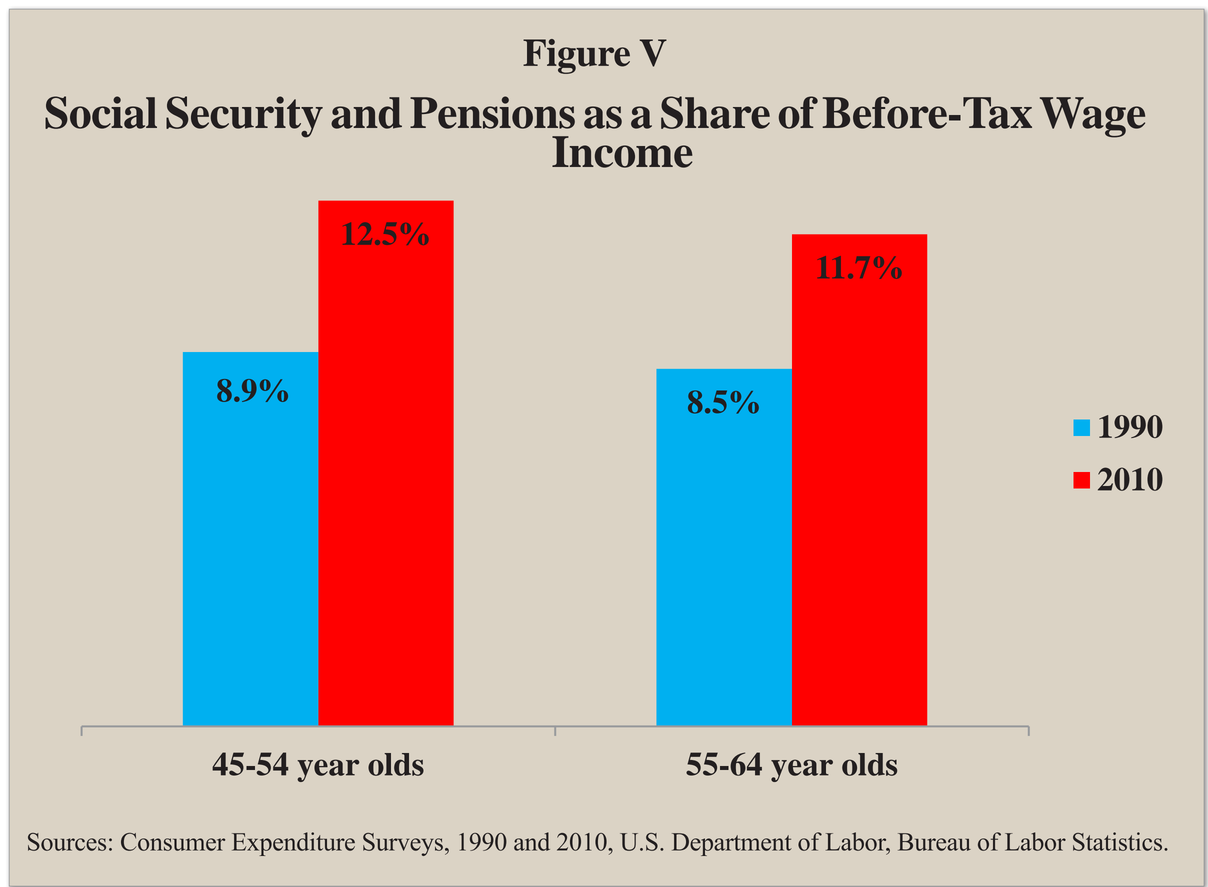
Accounting for these data reveals a troubling trend. Consider the 55 to 64 year olds [see Figure IV]:

- In 1990, the average 30-year fixed rate mortgage was more than 10 percent, but mortgage interest payments were only 4.3 percent of expenditures.
- By 2010, the average 30-year fixed rate mortgage fell to 4.69 percent, but the share of mortgage interest crept up to 6.3 percent.

Are baby boomers buying more home than they can afford or are prices for a basic home simply outpacing income growth? From 1990 to 2000, the median home price to median income ratio (also known as the home-price-to-income ratio) remained fairly constant. This means that the growth in median income kept pace with the growth in home prices. After 2000, however, home price growth outpaced income growth, peaking in 2004 and 2005, and then falling dramatically by the end of 2008.[18] Thus, some baby boomers who purchased homes before housing prices tumbled were caught in a period where mortgages comprised a greater percentage of their expenditures than what is typical. Mortgages or home equity loans for 55 to 64 year olds are more common than ever before, and the growth in interest payments for this age group creates an obstacle to retirement savings.

Credit Card Debt. Credit card balances command a growing share

of consumer debt among preretirees. According to the Federal Reserve's Survey of Consumer Finances, the percentage of 45 to 54 year olds that carry a revolving balance has increased from 18 percent in 1992 to 23 percent in 2001, a larger increase than any other age group.[19]



Sources: Consumer Expenditure Surveys, 1990 and 2010, U.S. Department of Labor, Bureau of Labor Statistics.

For 45 to 64 year olds that are carrying credit card debt, both age groups have had larger balances than in earlier years.[20]

- The average annual credit card balance for 45 to 54 year olds has more than doubled from $3,400 in 1989 to $8,300 in 2007 in nominal dollars — a 46 percent increase, adjusted for inflation.
- The average annual credit card balance for 55 to 64 year olds has also doubled from $2,900 in 1989 to $6,900 in 2007 — a 42 percent increase, adjusted for inflation.

In fact, it is estimated that 15 percent of all baby boomers will *not* get out of debt in their lifetimes.[21] It is no wonder they face challenges when it comes to saving for retirement.

Social Security and Pension Contributions. The Consumer Expenditure Survey measures pension-related expenses as a share of average reported income. This includes the employee's portion of the Social Security payroll tax, and personal contributions to any employer-provided retirement plans (401(k), 403(b), etc.), railroads pensions or personal IRAs.

In order to get an accurate picture, the share of contributions used in this analysis is calculated solely on wage/salary income and self-employment income since payroll taxes are not paid from investment, dividends or government income sources. Aside from the small changes in the employee portion of the Social Security payroll tax over the years [see Figure V]:

- For 45 to 54 year olds, the individual's Social Security payroll tax payments and pension contributions as a share of before-tax wage income rose from 8.9 percent in 1990 to 12.5 percent in 2010.
- When controlling for the payroll portion of before-tax wage income, this means that pension contributions more than doubled, from 2.7 percent in 1990 to 6.3 percent in 2010.

The 55-to-64-year-old groups also increased their contributions:

- Social Security and pension contributions as a share of before-tax wage income rose from 8.5 percent in 1990 to 11.7

Figure VI

Two Measures of Personal Savings

Note: See text for explanation.

Sources: U.S. Department of Labor and Federal Reserve Bank of New York.

percent in 2010.

- Pension contributions more than doubled from 2.3 percent in 1990 to 5.5 percent in 2010.

Contrary to the belief that the savings rate has been stagnant, or even declined, retirement accounts appear to be playing a larger role for baby boomers. However, retirement savings is nowhere near the 10 percent that is typically recommended as the share of income that should be dedicated to savings.

A Note on Historical Savings Rates. While the above finding appears a bit dismal for soon-to-be retirees, the chart above shows only personal retirement contributions in a given year, and not everybody has a personal retirement account. There are other ways in which savings has been historically measured.

Figure VI shows the personal savings rates based on the Flow of Funds and National Income and Product Accounts (NIPA) since 2000. The NIPA measure, produced by the Bureau of Economic Analysis, calculates savings by taking a household's after-tax income, subtracting consumption expenditures, then dividing by after-tax income.[22] Using this measure, the personal savings rate (all age groups included) has declined from about 9 percent in the 1980s to almost zero percent now. It even dipped briefly into negative territory in 2006. However, the measure does not include any capital gains or dividends on accumulated savings, or any money in 401(k)s or IRAs. Thus, it underestimates total retirement assets and is not appropriate for examining the retirement preparedness of baby boomers.

The Federal Reserve Board publishes a broader savings measure known as the Flow of Funds Accounts.[23] It includes an individual's financial assets, savings, investments and tangible durable assets, such as housing and cars, minus any outstanding liabilities. It also counts realized capital gains and losses, and dividends toward personal income. In 2006, the Flow of Funds rate dipped to -0.3 percent, about the time when housing values declined dramatically, indicating that Americans' liabilities (debts) were larger than their assets. The trend reversed after 2006. Since then, both savings rates have risen sharply.

Perverse Incentives in the Tax Code

The decision to forgo present consumption for future retirement savings is a matter of individual choice. But for years U.S. tax policies have rewarded consumption while punishing saving.

Any saving outside of retirement

accounts is subject to income, capital gains or dividend taxes. A traditional savings account is subject to ordinary income tax rates if the interest earned exceeds a certain amount per year. Stock or mutual fund sales are subject to capital gains taxes, albeit at a lower tax rate than ordinary income taxes.

The worst savings penalty is the dividends tax. Many stocks and mutual funds pay quarterly dividends, allowing people to reap some returns on the investment of established companies without having to buy and sell stock. However, at the firm level dividends are taxed as corporate profits before they are distributed to shareholders. The income is taxed again when it is paid to shareholders in the form of dividends. The current rate for qualified dividends is the capital gains rate, but if the current tax law expires, dividends will be subject to higher ordinary income tax rates.

The Home Mortgage Interest Deduction. Proceeds from the purchase and sale of a house are no longer subject to capital gains. This could create an incentive for individuals to put most of their nest egg in one basket (their house) to the detriment of other savings and investment options. While it is true that many people view homes as a potential investment, and indeed they often times are, the home is given preferential treatment as an investment. But other investments, such as stocks, do not receive the same treatment.

The government has a variety of reasons to encourage home ownership. Indeed, studies indicate that there are positive externalities to society when people own homes.[24] But as evidenced in recent years, unintended consequences, such as foreclosures, bankruptcy and bad debt, may also occur. Empirical evidence suggests the mortgage interest deduction does not seem to affect an individual's decision to purchase a home. Those at the margin who might go from renting to owning do not typically itemize, so they have little use for the deduction.[25] But the mortgage interest deduction could incentivize those already planning on buying a home to buy more house than they need.

This deduction, which costs about $105 billion a year in forgone federal tax revenues is the largest subsidy provided to encourage consumption.[26]

Sales Tax Deduction. The sales tax deduction is another area where the federal government favors consumption. Currently, depending on where a taxpayer resides, he has a choice of deducting either state income taxes or state sales taxes. Those who live in the few states with no income tax can deduct the state sales tax. It is unclear whether a sales tax deduction encourages more purchasing by increasing buying power, but it is another form of subsidizing consumption.

Tax Incentives for Savings. The tax rewards for saving are not nearly as generous as those for consumption. Traditional IRA and 401(k) plans provide tax-deferred savings vehicles, but IRAs have an annual contribution limit of just $5,000 a year ($6,000 for individuals age 50 and over).

Policy Recommendations

Saving for retirement is more than a public policy problem: it is a cultural issue. Public policies could be amended so that all forms of saving are tax-neutral (no preference for one investment over another), and consumption subsidies are eliminated. For instance:

- Reform the income tax system by applying lower, broad-based rates, coupled with the elimination of consumption subsidies, such as the home mortgage interest deduction, sales tax deduction, energy efficiency credits and so forth.
- Treat tax-deferred 401(k) and IRA plans equally; allow the same annual contribution limit to IRA plans as is allowed for 401(k) plans — the 2012 annual limit is $17,000.
- Treat investments equally by either taxing proceeds and interest at one low rate, or eliminate the tax altogether. This includes dividends, capital gains on housing purchases, stocks and mutual fund purchases, and earned interest on savings accounts.

Public policy changes alone cannot incentivize people to become better prepared for retirement, but government has a compelling interest in promoting saving behavior with tax reforms.

Endnotes

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[25.] Edward L. Glaeser and Jesse M. Shapiro, "The Benefits of the Home Mortgage Interest Deduction."

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The NCPA is a nonprofit, nonpartisan organization established in 1983. Its aim is to examine public policies in areas that have a significant impact on the lives of all Americans — retirement, health care, education, taxes, the economy, the environment — and to propose innovative, market-driven solutions. The NCPA seeks to unleash the power of ideas for positive change by identifying, encouraging and aggressively marketing the best scholarly research.

Health Care Policy.

The NCPA is probably best known for developing the concept of Health Savings Accounts (HSAs), previously known as Medical Savings Accounts (MSAs). NCPA President John C. Goodman is widely acknowledged (*Wall Street Journal*, WebMD and the *National Journal*) as the "Father of HSAs." NCPA research, public education and briefings for members of Congress and the White House staff helped lead Congress to approve a pilot MSA program for small businesses and the self-employed in 1996 and to vote in 1997 to allow Medicare beneficiaries to have MSAs. In 2003, as part of Medicare reform, Congress and the President made HSAs available to all nonseniors, potentially revolutionizing the entire health care industry. HSAs now are potentially available to 250 million nonelderly Americans.

The NCPA outlined the concept of using federal tax credits to encourage private health insurance and helped formulate bipartisan proposals in both the Senate and the House. The NCPA and BlueCross BlueShield of Texas developed a plan to use money that federal, state and local governments now spend on indigent health care to help the poor purchase health insurance. The SPN Medicaid Exchange, an initiative of the NCPA for the State Policy Network, is identifying and sharing the best ideas for health care reform with researchers and policymakers in every state.

NCPA President John C. Goodman is called the "Father of HSAs" by *The Wall Street Journal*, WebMD and the *National Journal*.

Taxes & Economic Growth.

The NCPA helped shape the pro-growth approach to tax policy during the 1990s. A package of tax cuts designed by the NCPA and the U.S. Chamber of Commerce in 1991 became the core of the Contract with America in 1994. Three of the five proposals (capital gains tax cut, Roth IRA and eliminating the Social Security earnings penalty) became law. A fourth proposal — rolling back the tax on Social Security benefits — passed the House of Representatives in summer 2002. The NCPA's proposal for an across-the-board tax cut became the centerpiece of President Bush's tax cut proposals.

NCPA research demonstrates the benefits of shifting the tax burden on work and productive investment to consumption. An NCPA study by Boston University economist Laurence Kotlikoff analyzed three versions of a consumption tax: a flat tax, a value-added tax and a national sales tax. Based on this work, Dr. Goodman wrote a full-page editorial for *Forbes* ("A Kinder, Gentler Flat Tax") advocating a version of the flat tax that is both progressive and fair.

A major NCPA study, "Wealth, Inheritance and the Estate Tax," completely undermines the claim by proponents of the estate tax that it prevents the concentration of wealth in the hands of financial dynasties. Senate Majority Leader Bill Frist (R-TN) and Senator Jon Kyl (R-AZ) distributed a letter to their colleagues about the study. The NCPA recently won the Templeton Freedom Award for its study and report on Free Market Solutions. The report outlines an approach called Enterprise Programs that creates job opportunities for those who face the greatest challenges to employment.

Retirement Reform.

With a grant from the NCPA, economists at Texas A&M University developed a model to evaluate the future of Social Security and Medicare, working under the direction of Thomas R. Saving, who for years was one of two private-sector trustees of Social Security and Medicare.

The NCPA study, "Ten Steps to Baby Boomer Retirement," shows that as 77 million baby boomers begin to retire, the nation's institutions are totally unprepared. Promises made under Social Security, Medicare and Medicaid are inadequately funded. State and local institutions are not doing better — millions of government workers are discovering that their pensions are under-funded and local governments are retrenching on post-retirement health care promises.

Pension Reform.

Pension reforms signed into law include ideas to improve 401(k)s developed and proposed by the NCPA and the Brookings Institution. Among the NCPA/Brookings 401(k) reforms are automatic enrollment of employees into companies' 401(k) plans, automatic contribution rate increases so that workers' contributions grow with their wages, and better default investment options for workers who do not make an investment choice.

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The NCPA's online Social Security calculator allows visitors to discover their expected taxes and benefits and how much they would have accumulated had their taxes been invested privately.

Environment & Energy.

The NCPA's E-Team is one of the largest collections of energy and environmental policy experts and scientists who believe that sound science, economic prosperity and protecting the environment are compatible. The team seeks to correct misinformation and promote sensible solutions to energy and environment problems. A pathbreaking 2001 NCPA study showed that the costs of the Kyoto agreement to reduce carbon emissions in developed countries would far exceed any benefits.

Educating the next generation.

The NCPA's Debate Central is the most comprehensive online site for free information for 400,000 U.S. high school debaters. In 2006, the site drew more than one million hits per month. Debate Central received the prestigious Templeton Freedom Prize for Student Outreach.

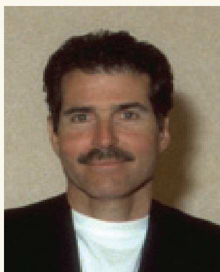
Promoting Ideas.

NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA scholars appear regularly in national publications such as the *Wall Street Journal*, the *Washington Times*, *USA Today* and many other major-market daily newspapers, as well as on radio talk shows, on television public affairs programs, and in public policy newsletters. According to media figures from Burrelles*Luce*, more than 900,000 people daily read or hear about NCPA ideas and activities somewhere in the United States.

What Others Say About the NCPA

"The NCPA generates more analysis per dollar than any think tank in the country. It does an amazingly good job of going out and finding the right things and talking about them in intelligent ways."

Newt Gingrich, former Speaker of the U.S. House of Representatives



"We know what works. It's what the NCPA talks about: limited government, economic freedom; things like Health Savings Accounts. These things work, allowing people choices. We've seen how this created America."

John Stossel,
host of "Stossel," Fox Business Network

"I don't know of any organization in America that produces better ideas with less money than the NCPA."

Phil Gramm,
former U.S. Senator

"Thank you . . . for advocating such radical causes as balanced budgets, limited government and tax reform, and to be able to try and bring power back to the people."

Tommy Thompson,
former Secretary of Health and Human Services

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