



SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

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More Money Woes for Social Security

In April of this year, the Trustees of the Social Security and Medicare Trust Funds released *The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, their annual report of the current finances and future projections of both programs. This report contains grim warnings.

Without significant legislation, the Old Age and Survivors Insurance (OASI) Trust Fund that provides Social Security benefits has inadequate reserves; retirement and survivor payouts can be fully funded only through 2034. Then, Fund reserves are expected to be depleted, and ongoing tax revenues will be able to pay only 76% of promised benefits.

The Disability Insurance (DI) Trust Fund has stronger reserves, with projections showing full payouts through 2065 — *a 13-year improvement over last year's projection*. Once the DI Fund is depleted, projected revenues would still cover 92% of promised benefits.

The COVID-19 Caveat

Ironically, the above two paragraphs contain the relatively good news! The projections do not reflect the potential effects of the COVID-19 pandemic on the Social Security and Medicare programs. The Trustees cite the uncertainty of the pandemic's true

impact as the reason for not including it in their reports. Many observers have stated that pandemic-related factors could cause the OASI fund to be depleted earlier than 2034.

The sharp decline in the collection of payroll taxes, caused largely by efforts to combat the disease's spread, may have a major impact on Trust Fund revenues. Record double-digit U.S. unemployment rates were reported in both April (14.7%) and May (13.3%) by the U.S. Bureau of Labor Statistics. Reduced work hours, lower pay, and a record number of jobs lost directly affect the amount of payroll taxes collected. The ripple effect from (a) fewer taxes collected and (b) a prolonged low interest rate environment could cause more rapid Trust Fund depletion.

Changing Times

The Social Security Board of Trustees has been sounding the alarm for years, warning that Congress must make necessary modifications to generate revenue and lower the program's costs. Such modifications may come to pass, so retirees should not rely primarily on Social Security benefits for monthly income.

Nevertheless, Social Security benefits comprise the majority of post-retirement income for many seniors. Policy changes at the forefront of discussion are those that would immediately increase fund revenue,

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