

Will Social Security be there when you need it?



Acting Social Security Administration Director Carolyn Colvin speaks with the Chicago Tribune Editorial Board on June 27, 2016. (Michael Tercha / Chicago Tribune)



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Chicago Tribune, July 3, 2016

The Social Security trust fund is expected to run out of money by 2034.

Should you worry?

Not if you are already retired or about to retire, acting Social Security Commissioner Carolyn Colvin told the Tribune while recently in Chicago. Generally, if there are going to be changes in Social Security, existing retirees are exempt and changes phase in for people with years ahead to save more and plan, she said.

Consider 1983. In a Social Security reform measure, Congress changed the age when people could retire and get full retirement benefits. Instead of 65, the retirement age was pushed to 67. But though enacted more than 20 years ago, the change still hasn't taken effect. It was designed that way, Colvin said, so people would have time to prepare. Soon the change will kick in, applying to people born in 1960 or later.

But what if you're in your 20s or 30s? If the Social Security trust fund is going to run out of money in 2034, should you worry that you won't get Social Security when you are 67?

Even millennials, said Colvin, should not worry that their Social Security will vanish. "I've promised my son and grandbabies it would be there for them," said Colvin, 74.

Not worrying about Social Security disappearing, though, is very different than being comfortable that you can count on the system to stay exactly as it is today. If you are still working, your payroll (FICA) taxes could go up or you might eventually go into retirement with slimmed-down benefits or higher taxes on those benefits.



[Social Security benefits will rise next year, but just barely](#)

Although the fund that helps pay Social Security benefits is expected to run out of money if Congress doesn't take action, payroll taxes — which people pay every time they get a paycheck — still will go toward giving retirees their Social Security checks. The tax money will cover about 79 percent of the benefits people are expected to get through retirement. So IF NOTHING IS DONE, people will have a 21 percent cut in benefits, but that doesn't mean no benefits at all.

An analysis for the Social Security Administration shows that if payroll taxes were raised 2.66 percentage points immediately, the system could pay 100 percent of benefits all the way to 2090. That increase breaks down to 1.33 percentage points each for the taxes paid by employees and their employers.

Colvin isn't saying what she thinks should be done. She leaves the solution up to the politicians, and about 100 different proposals are posted on the Social Security website, www.ssa.gov/oact/solvency/index.html. But Colvin does say that Congress had better get on with the planning quickly. The sooner Congress takes action, the more opportunity it will have to tweak the system rather than make gigantic last-minute emergency decisions, she said.

In other words, change is coming. The questions for today's workers are: What will it cost you in taxes or eventually in benefit reductions? And which income group will you fall into — the one that benefits or the one that pays?

There must be changes because the numbers just don't add up, said Alicia Munnell in a paper just released by the Center For Retirement Research at Boston College. Munnell directs the center.

Social Security's shortfall is real and "there's no silver bullet," wrote Munnell who has had a ringside seat as chair of the Social Security Advisory Board's Technical Panel on Assumptions and Methods. "The long-run deficit can be eliminated only by putting more money into the system or by cutting benefits."

So if you think this is just a matter of cutting some administrative costs or government waste, you are wrong. The shortfall has been calculated at \$11.4 trillion for over the next 75 years — a number that sounds huge but is manageable with changes and a growing economy, Munnell said.

Still, the solution is not going to be politically easy.

Currently, 49.2 million retired workers or their survivors are getting Social Security and two-thirds depend on it for almost all of their retirement income, Colvin said. Using 2013 figures, the average retiree who earned roughly a \$45,000 salary while working, received enough Social Security to replace 41 percent of what they were making while employed. Higher-income people get less Social Security compared to the income they earned at work, and lower-income people get an extra boost in Social Security based on assumptions about their ability to save for their futures.

Meanwhile, Democrats argue for expanding Social Security benefits as people struggle to get by on scant savings. But not everyone will get bigger benefits. Munnell said people likely to get more Social Security will be widows, women who earn less than men because they take time away from work to raise children, and people who earned so little that they couldn't save or save much.

Also possible, she said, is a bump in Social Security for people after age 85, when retirees often have run out of savings.

Increases in benefits won't be easily accomplished, given the demographic hurdles ahead. Three workers pay FICA taxes for every one person collecting Social Security, but under the long-range forecast, there will be only two workers for every retiree. In other word, the nation has a fertility problem. Currently, the birthrate is lower than the past among young adults, yet the retiring baby boomer population is huge and about half are expected to live into their 90s.