

Can You Count On Social Security?

By Tammy Flanagan

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This week, I'm in Ocean City, Maryland, with my husband's sister and her husband, Joe. They are typical American workers who are approaching retirement, so we spent a little time talking about Social Security.

Joe works for the local government near our hometown near Pittsburgh, as the chief building inspector. He has a public pension and also pays into Social Security. My sister-in-law works for a small business and is saving for retirement in a 401(k) plan (she has no defined benefit pension). She assumed that because many of her relatives had lived in retirement on their Social Security benefits, she'd be able to do the same. She said she had never been very interested in learning more about Social Security and assumed it would be there for them.

Is she right?

Earlier this week, the House Ways and Means Subcommittee on Social Security held a hearing titled "What Workers Need to Know about Social Security as They Plan for Their Retirement." The hearing came the day after the release of the 2014 [Social Security Trustees Report](#).

Subcommittee Chairman Sam Johnson, R-Texas, said in his opening statement: "Unless Congress does its job, full benefits can't be paid on time beginning in just two years for those receiving disability benefits. Further, when today's 48-year old workers reach their full retirement age in 2033, they and everyone else receiving retirement and survivor benefits will see a 23 percent benefit cut. Today, nine out of ten seniors age 65 and older receive Social Security benefits, which are a major source of income for most seniors."

Here are some more details on the program's future, from the Social Security Administration's press release on the trustees' report:

- The combined trust fund reserves are still growing and will continue to do so through 2019. Beginning in 2020, the cost of the program is projected to exceed income.
- The projected point at which the combined trust fund reserves will become depleted, if Congress does not act before then, comes in 2033 -- the same as projected last year. At that time, there will be sufficient income coming in to pay 77 percent of scheduled benefits.
- The projected actuarial deficit over the 75-year long-range period is 2.88 percent of taxable payroll -- 0.16 percentage point larger than in last year's report.

During the hearing, Rep. Jim Renacci, R-Ohio, noted that there will be an \$80 billion shortfall in the trust fund in 2014. That will have to be made up by payments from general revenues, adding to the federal budget deficit. He wondered why this was not highlighted in bold in the trustees' report.

We've been hearing dire reports like this since Social Security started sending out personal benefits statements to workers in 1988. We keep being told there's a crisis, but little has been done to address it.

It's an issue that matters to more and more federal employees every year. Most of them are now covered by Social Security. It is one of the three tiers of the Federal Employees Retirement System. (The other two are the FERS basic annuity benefit and

employees' Thrift Savings Plan investments.) Employees born after 1966 are going to need to need to save a lot more for their retirement years than their elders if they can expect to endure a 23 percent reduction in Social Security benefits.

Those born before 1966 also will be affected, because the potential changes to Social Security could affect taxes on their wages, cost of living adjustments to benefits and the manner in which benefits are computed -- especially for those who have not yet reached age 62.

If you want to learn more about the role that Social Security will play in your retirement and how to maximize your benefits, you can register for an upcoming webinar series, "[7 Secrets of Social Security](#)," that I am conducting with Micah Shilanski, a certified financial planner. The three-part series will include a bonus track in which we'll answer your questions.

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<http://www.govexec.com/pay-benefits/retirement-planning/2014/07/can-you-count-social-security/90260/>