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SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

WHAT'S INSIDE?

Join the Retirement Planning Conversation

My Most Frequently Asked Questions of 2022 for Social Security and Medicare

We are winding down 2022 with a readers' favorite (and mine). Many financial professionals get caught off guard by the day-to-day questions they are asked. Thus, we're offering more coverage of frequently asked questions, or FAQs.

These common questions are taken directly from consumers, mostly relayed to me by their financial planners, CPAs, and attorneys. The answers are published here to help you, our loyal subscribers, deal with issues that arise at year's end and successfully navigate the complexity presented by Social Security and Medicare in the New Year!

Social Security's Future

I am concerned about the continued reports from the Social Security Board of Trustees about the insolvency of the Old-Age and Survivors Insurance and Disability Insurance (OASDI) trust funds and the warning that something needs to be done to avoid a reduction of benefits. Has insolvency ever been threatened before? If so, did payments to beneficiaries get reduced as a result? As a retiree who relies upon every dollar, to say that I am worried is an understatement!

You are not alone in your concern, particularly given the rising cost of goods and services that those on a fixed income have had to endure over the last year. To answer your question, the Old-Age and Survivors Insurance (OASI) trust fund, the funds from which retirement benefits are paid, nearly made it to the brink of depletion in 1982.

Back then, to avoid a decrease in benefits Congress enacted temporary emergency legislation that permitted borrowing from other federal trust funds to shore up the shortfall; the borrowed amount was repaid within 4 years. On the heels of this near depletion, bipartisan legislation was enacted in 1983 that strengthened long-term financing and helped Social Security run at a surplus until 2021.

The message is as clear now as it was back then: Change is necessary to avoid insolvency. Making changes sooner would spread the burden over more generations of workers and beneficiaries. Presumably, swift action would have a less severe impact, versus waiting until just before insolvency and placing the burden on one generation of workers with a sharp increase in taxes. Whether a fix comes sooner or later, preparing for retirement should include expanding personal savings and relying less on Social Security as the primary source of post-career income.