SSA Talks – Episode 2 - Will Social Security Be There When I Retire?

Narrator: Will my benefits be there when I retire? That's the question many people ask when they think of Social Security. Our guests in this episode of "SSA Talks" is Social Security's Chief Actuary, Steve Goss, who will shed light on Social Security's trust funds and how they relate to your future benefits. Today's host is Jeffrey Buckner, our Acting Deputy Commissioner for Communications.

Jeffrey Buckner: Thanks for joining me, Steve. So, before we answer the question "Will my Social Security benefits be there when I retire?" I think it's important for our listeners to understand what a Chief Actuary is and does and why it's so important to today's topic. I don't think most people really understand what an actuary is and why it's relevant. Steve?

Stephen Goss: Well, thank you, Jeffrey, and thanks for the opportunity to be talking today. So, the role of actuaries in general, probably it's best for people to have sort of the concept that I'm sure everybody listening today probably has some auto insurance or a homeowner's insurance or life insurance, some form of insurance. And one thing that is common to all forms of insurance is that you have to know how much the future benefits from that insurance are going to cost, and that determines how much you have to charge in terms of premiums. And Social Security is no different. What actuaries do in all private insurance settings, as well as in Social Security, is to estimate what the future costs of providing the benefits that are planned will be, and then whether or not the revenues that we are collecting for Social Security, or premiums for private insurance, whether those will be sufficient to pay those bills. So, at Social Security we really function in exactly that same format. We make estimates of what the future costs will be of what is in the law for benefits, and we also compare that then to what is in the law for the amount of revenue that will be collected to pay those and see whether or not those balance.

Jeffrey: So, these projections seem pretty critical to helping Congress and the public understand the health of the trust funds and future benefits.

Steve: Well, we certainly hope so. And, of course, our primary direct customer really is policymakers, both members of Congress and, of course, the administration at any point in time, because they need to understand what the financial prospects are for the program going into the future, and to see whether or not changes might be made simply based on the financing that is scheduled for those benefits. We think this is also hopefully very helpful to citizens that plan and expect to get benefits towards their own retirement and for other reasons from Social Security. So, we hope that this work will be useful in people's understanding of what the future is going to be bringing.

Jeffrey: So, some people think that if they don't make any changes, benefits are just going to stop; that new retirees won't collect benefits, or someone who gets benefits today would no longer get benefits. How can you help dispel some of those myths, and talk a bit about what has Congress done in the past when these challenges of, let's say, the shortfall has come up before?

Steve: Great points, Jeffrey. Thank you very much. And first of all, the estimates that we develop in conjunction with the Board of Trustees, which includes our Commissioner, secretaries of Treasury, Health and Human Services, and Labor, these Trustees Reports come out every single year, starting in 1941. There's never been a break. And what the reports do is they indicate that what the prospects are for the financial status of -- in the case of Social

Security -- our two trust funds, the Old Age and Survivors Insurance Fund, and the Disability Insurance Fund, what their financial prospects are in the future for having enough revenue to be able to pay out the full benefits that are scheduled in current law by the Congress. And giving this indication then provides the indication of whether changes might be needed in the future. Now, what the trust funds do is they collect all the money coming in. And if there's more money needed at any point in time, as has been the case in the past, we have money waiting in reserve in the trust funds. Today, the two trust funds together have $2.8 trillion of reserves, and that is to augment the continuing income coming in from payroll taxes. Now, we are projecting, and the latest Trustees Reports under current law -- assuming there is no change in current law -- that our reserves will gradually be depleted, the $2.8 trillion will be used up in augmenting our payroll taxes that are all getting paid in on a year-by-year basis, so that we will reach a point around 2033 or 2034 when we will have used up the reserves -- sort of like the savings account for Social Security -- but the continuing income may be short of what is needed to pay the full benefits scheduled under current law. Now, if we reach that point in, say, 2034 for the combined two trust funds, we're projecting at that point in time if we have used up our trust fund reserves, the continuing income will be equivalent to 80% of what we need to pay the full scheduled benefits on a timely basis. Now, that is not the full 100%, but it's a long way from not having any money to pay for any benefits. So, people should not worry about the trust fund running out of money, as is sometimes said, and having an inability to pay any benefits. Sort of the probably worst-case scenario here is that we within ten years reach a point where we can only pay about 80% of the level of benefits that are scheduled or intended into law by Congress as of that point in time and going forward.

Jeffrey: Thanks, Steve. Recently, Social Security's Acting Commissioner Kilolo Kijakazi spoke to an audience about the importance of Social Security benefits to Generation Z. Let's take a listen.

Kilolo Kijakazi: Social Security is most often thought of as a retirement program, and the majority of the 66 million beneficiaries are over 65. However, Social Security is also an insurance program and provides coverage for over 180 million workers and their families. It is an unfortunate fact that roughly one-fourth of all 20-year-olds will become disabled before reaching full retirement age, and about one-eighth of all 20-year-olds will die before reaching retirement age. When such tragic events occur, Social Security is there for the worker and their family. For example, if a 30-year-old worker who earns a median wage and has a spouse and two young children becomes disabled, the present value of lifetime benefits would be about $900,000. If the worker died, the amount would be about $880,000. Many people would not be able to afford this amount of disability or life insurance in the private market. Nearly 14 million Social Security beneficiaries are younger than 65, including almost 8 million people who receive disability benefits, and nearly four million children receive benefits from disabled, deceased, or retired workers.

Jeffrey: Steve, these are sobering numbers, especially what the Acting Commissioner said about 25% of current Generation Z likely becoming disabled before they retire. It's clear from what you shared, what the Acting Commissioner just mentioned, that these other protections are so vitally important. How does a person use a "my Social Security" account to help?

Steve: Oh, wonderful. So people, if they will sign up for a "my Social Security" account, which is an obviously excellent idea for people to do -- and we hope that everybody has or will be doing that in the near future -- they can gain access to information about both their past earnings records, which will be what will determine whether or not they are currently insured, should they become disabled, or unfortunately perish at that point in time, but it will also give them a heads-up about whether they're on a path as they get older to still be insured and get benefits as retirees. Now, what this information available at ssa.gov/myaccount provides to individuals is not only the indication of their past earnings, but also the level of benefit that they might expect in the future. So, the benefits that are indicated here are the benefits that are expected to be provided under current law with sufficient financing to pay for them, and these give a very, very good indication to individuals of what they might get in the future. The one thing to keep in mind on this is that if you're 35 years old now and you've got another 30 years before you think you're going to retire, the dollar amounts you will see there is not going to be the amount that you get in 30 years; it's instead expressed in dollars that are more like today's dollars. It's dollars more like you should compare to your own current earnings level or to the cost of things that you might go buy in the grocery store. The amount that you would actually get 30 years from now will, of course, be much higher as the cost of living in general will be rising.

Jeffrey: Steve, when you gave some of the examples about what folks can see in their Social Security statement, you mentioned their earnings history and then the estimate. So, I just want to be really clear for our listeners that the estimates that folks will see in their statement, that these are really personalized for their situation, their earnings, their future earning potential, and this isn't just some random, generalized ranges that we just kind of came up with for general expectations. Would that be fair?

Steve: That's exactly right, is that that website when you go there is a Social Security webpage and has access to your personal earnings history from when you first started working until today. So, with that information, we are able to come up with a very good estimate of what a benefit would be today if you started disability or survivors benefits, and also to estimate based on what a reasonable expectation of what your earnings levels are likely to be between now and reaching retirement age, what level of benefit you might expect at that time.

Jeffrey: Steve, this sounds like a really important planning tool. I know I can see myself sitting at the kitchen table with my wife and saying, hey, here's my future benefit estimates, what are yours? But it seems like this is even more powerful than that; that I can use to help with the planning for my future retirement income where Social Security is but one particular variable in that income.

Steve: Social Security's benefits are intended to provide you a good, sometimes referred to as floor of protection, a good basis for retirement income. But it is expected that between you and your employer, there will be some additional savings to augment that to give you a happy, sound, and very positive retirement period.

Jeffrey: That's great, Steve. So, as we wrap up, I just want to quickly recap the point about the future of Social Security. Number one, benefits will be there for our current beneficiaries and for people who don't yet receive benefits. And Steve, as you've said a few times here for assurance, Congress has always taken action to secure the trust funds, to ensure everyone receives the benefits to which they're entitled. I want to thank you for joining me today, Steve. Thanks so much.

Steve: Well, thank you, Jeffrey. Thank you for the invitation. It was a pleasure talking with you, and hopefully what we've been talking about here will be helpful to many people.

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