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## Silver Tsunami: The Social Security Conundrum

By [Paul Menchaca](#)

February 24, 2010

Last May, Social Security Commissioner Michael Astrue met with *Financial Planning* during a trip to New York to promote the \$250 recovery payments that were being issued to people who receive Social Security and Supplemental Security Income.

Astrue emphasized the importance of reforming the government insurance program, but also sought to dispel the common notion that Social Security is in danger of going bankrupt.

Using the latest figures, Astrue said that Social Security is expected to be solvent until 2041, but even when it reaches "insolvency" there will still be money to pay out benefits. These benefits, however, would only be roughly 78% of the current benefits.

Not great, but also not nearly as dire a scenario as many had been projecting.

But two significant factors appear to be accelerating the projection for when the program will reach insolvency since our interview with Astrue last spring.

One is a better understanding of the extent to which the recession took a toll on the retirement system. Secondly, growing concerns about the impact a massive wave of retiring baby boomers will soon have on Social Security.

Of course, experts have been concerned about boomers impact on our retirement system for decades, but the unease has only intensified since the first wave of boomers started collecting Social Security three years ago.

So where does the program stand today? Social Security's surplus is now expected to last until 2037, four years fewer than Astrue estimated in May. In addition, the nonpartisan Congressional Budget Office reported in September that the program will be operating at a deficit in 2010 and 2011 — the Congressional Budget Office sees costs exceeding tax revenues by \$10 billion this year and by \$9 billion next year.

The onslaught of ominous data carries with it a flood of dire media reports. Astrue maintains that a crisis does not loom and others agree.

"Alarmists who claim that Social Security won't be around when today's young workers retire misunderstand or misrepresent the [Social Security and Medicare Board of Trustees'] projections," Kathy Ruffing, of the Center for Budget and Policy Priorities, told CNBC.

But despite these assurances, Americans should be concerned about the future of Social Security. The recession, which has led many to retire early and claim benefits, has certainly hurt. The millions of boomers heading toward retirement no doubt have to be taken seriously as a problem to be dealt with. But what is most alarming about the future health of Social Security is the current health of Congress.

To understand how far away we appear to be from seeing serious Social Security reform, we need only look back to the last time the program faced a major crisis. In 1981, President Reagan and Congress assigned a bipartisan commission with the task of saving Social Security from bankruptcy. The National Commission on Social Security Reform — or the Greenspan Commission, so named because Allen Greenspan served as its chair — issued a report in 1983 that became the basis for a \$168 billion package signed into law by Reagan.

The amendments passed that year not only stemmed the short-term crisis of funding that loomed over Social Security, they also assured that 1983 would be the last year Congress cut benefits. The program has run on a surplus ever since.

What is astonishing to consider in this era of unprecedented political partisanship is the degree to which the

amendments Reagan signed off on forged a compromise between the wishes of both Republicans and Democrats. Not only did the package include a cut in benefits, it also came with a tax increase.

Fast forward to today and the U.S. Senate voted last month against a proposal to form a bipartisan commission that would look into concerns over Social Security's solvency—not to mention the fiscal problems facing Medicaid and Medicare. The same kind of bipartisan commission, mind you, that President Reagan and Congress formed to essentially save Social Security back in the 80s.

Meanwhile, Rep. Paul Ryan, R-Wis., has unveiled his seemingly Newt Gingrich-inspired "Roadmap for America's Future" which seeks, among other proposals, to privatize Social Security. This is a plan that failed President Bush in 2005 and will likely fail Ryan as well.

Critics of the privatization plan see it as being akin to playing poker with people's savings. The market collapse in 2008 will only add fuel to the opposition's fire.

Astrue is probably correct when he says that Social Security is in no imminent danger. Its long-term solvency, however, is going to require that Republicans and Democrats sit down at a table together and hammer out a solid plan for reforming the program. Which is why the endless political dogma driving Congress today could be the real threat to Social Security's solvency.

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## WHAT DO YOU THINK?

How does Social Security factor into the retirement plans you help create for your clients? Have they voiced concerns about the future of Social Security?

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