

## Today Is Social Security's Birthday! Time to Blow Out the Candles?



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Social Security turns 80 years old today. Will it live to see 100? I sure hope so, but according to the Social Security Administration (SSA), the Old Age and Survivors Trust Fund (OASI) reserves are currently on track to be depleted by 2037 unless Congress gets its divided act together.

There have been plenty of changes to Social Security benefits since Franklin Roosevelt first signed the Social Security Act on Aug 14, 1935:

1. Benefits for spouses and dependent children were added in 1939.
2. Disability benefits were added in 1956.
3. Benefits for widows and divorcees were added in 1965.
4. The cost of living increase was introduced in 1972.



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Every expansion of benefits has required the SSA to stretch the same revenue across a longer list of recipients, taking a significant toll on OASI's reserves. Payroll tax increases ratified by Congress in 1956, 1961, 1977, and 1983 helped mitigate revenue shortfall problems. So did the 1983 decision to start taxing benefits for individuals with private income above a certain threshold.

Now, almost 30 years since the last major revision, Social Security's sustainability is once again in question, but benefit expansion is no longer the culprit. The threat? Demographics. Today's rapidly growing number of retirees, including the baby boomers, are the largest group the SSA has ever supported. In 1950, there were 16 revenue-generating workers per retiree to fill the coffers. In 1960, there were 5 for every retiree. Now the ratio is less than 3 to 1.

And, those retirees are living longer and taking benefits for longer periods of time.

For example, the average 65-year-old woman now has a life expectancy of 21.6 more years. Should she beat the odds and live to age 90, she could be looking at a painful reduction in Social Security Benefits one day. After the OASI trust reserves are depleted, the system defaults to a pay-as-you-go system, so benefits paid out cannot exceed the revenue taken in. The SSA projects that there will only be enough payroll tax revenue to pay out 79 percent of retirees expected benefits starting in 2037, unless Congress makes one (or a combination) of these two changes:

1. An immediate 13 percent reduction in benefits, or
2. An immediate 2 percent increase in the combined payroll taxes.

Immediate is the operative word here. Every year we are digging deeper into that OASI trust fund, leaving fewer reserves to stretch over future benefits. And every year we wait to repair the problem, the system breaks a little more, making the fix more painful. The SSA has already paved the path to the middle ground that can help social security over the demographic hump, and the time to do something is long-past NOW, so why is Congress still not acting?

Because nobody in the Capitol Building will compromise. One side of the aisle thinks increasing revenue by raising payroll taxes is the only way to solve the problem. The other side of the aisle is set on decreasing expenditures by cutting benefits. And everyone on both sides of the aisle is afraid that touching the third rail known as Social Security will destroy their political lives.

I believe that's the real reason Social Security, the financial lifeline for our current and future generations of elderly, isn't being discussed: it might cost politicians their jobs. I don't know about you, but I would happily vote for someone who raises my retirement age and payroll taxes just enough to ensure that Social Security will still be there when I blow out the candles on my 80th birthday cake.

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