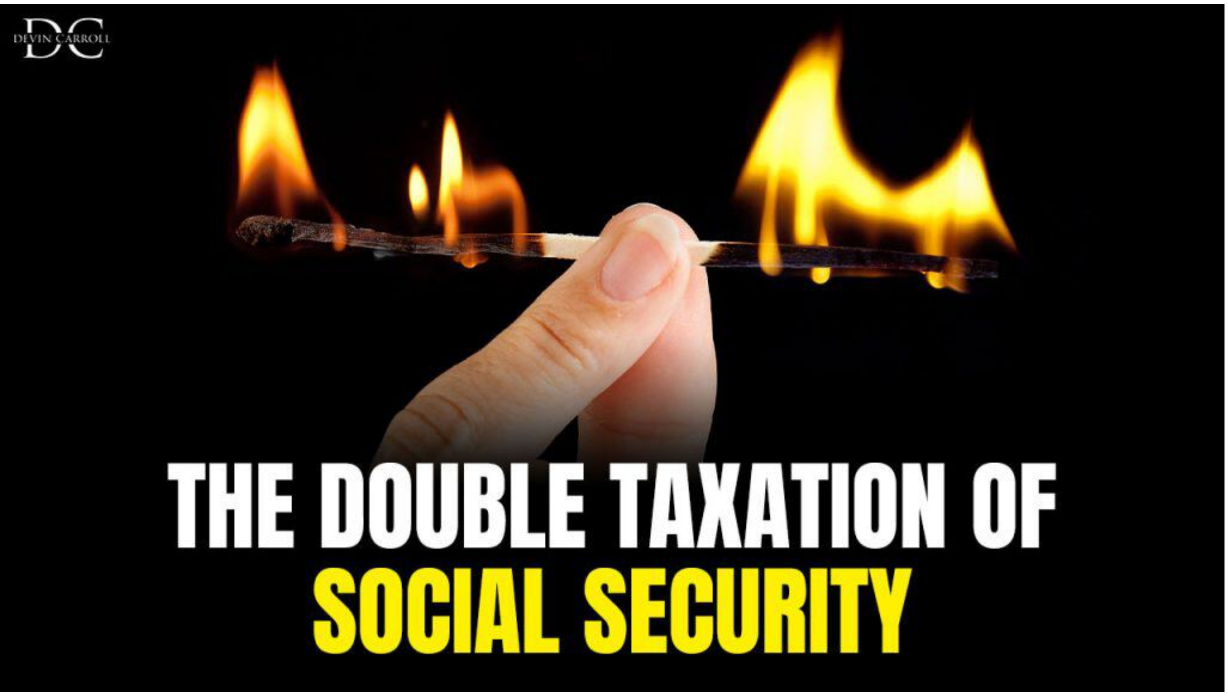
[The Double Taxation of Social Security (https://socialsecurityintelligence.com/the-double-taxation-of-social-security/)](https://socialsecurityintelligence.com/the-double-taxation-of-social-security/)



The concept of paying taxes on Social Security benefits doesn't sit well with many individuals. After all, the contributions you make in hopes of receiving a future Social Security benefit are after-tax dollars that were involuntarily taken out of your paycheck.

Now the benefit you receive from the system you funded for your working career could be taxed again?!?

I can see why many people feel this puts them on the hook for paying taxes twice on the same dollars. After all, isn't there something in our complex tax code that stops double taxation? Let's take a closer look at the issue to get clear on what's going on.

Is There Double Taxation on Social Security Benefits?

Through the years I've read a lot about this issue, but I've never seen anything that adequately explained it. Most articles never go deeper than the surface level, which only adds to the confusion.

Most articles I've seen try to explain away the double taxation on Social Security benefits issue in a different number of ways. Let me know if any of these sound familiar:

> It's not double taxation because the funds you collect don't come directly from your taxes. Your taxes are paying for today's beneficiaries, so the benefits *you* receive will be from someone else's payroll taxes.
>
> You have to think about your payroll taxes as a premium into a retirement account. Just like distributions from retirement accounts, Social Security benefits are also taxable income.

> Not all of the benefits you will receive will come from the tax you paid to help fund the system. Some of the benefit comes from interest on the trust funds, some comes from taxes collected, and the rest comes from payroll taxes.
>
> It's a "contribution," not a tax. This allows the IRS to tax you on the money you put into Social Security *and* the money you receive out as a benefit — because on the way out, it's technically not a tax. (I don't care what you call it, it's a tax! The original Federal Insurance Contributions Act (https://www.ssa.gov/history/35actinx.html) (FICA), the Social Security Administration (https://www.ssa.gov/oact/progdata/taxRates.html) , and the IRS (https://www.irs.gov/taxtopics/tc751) all *explicitly* refer to this as a tax.)

All the "reasons" to wave away the double taxation idea that you can easily find online sound like double speak to me. That also piqued my curiosity, so I dove into the research to figure out once and for all whether this is truly a case of double taxation.

Understanding the History of Taxes on Social Security

To understand the whole issue, we have to put some context around this. Let's back up and look at the history of taxation, how it works and finally answer the question once and for all (although for the purposes of this article, we'll only look at taxes on the *federal* level)

Social Security benefits were not taxable from January of 1937, when the first Social Security benefit was paid, until the beginning of 1984. The original thinking was that since FICA taxes are paid with after-tax dollars, the benefit from them should be tax-free.

This all changed as a result of the Greenspan Commission.

(Officially, this was known as the National Commission on Social Security Reform — but it's commonly called the Greenspan Commission after its chairman, Alan Greenspan.)

Congress and President Reagan appointed this group in 1981 to figure out how to "fix" Social Security. Much like we hear all about today, the Social Security trust fund was also very close to running out of money in the early 1980s.

They had to do something — and fast!

The Introduction of Taxes on Benefits

The Greenspan commission saw taxing Social Security benefits as the low-hanging fruit to solve the problem, despite the fact that there were three separate Treasury rulings (https://www.ssa.gov/history/it3447.html) in the early days that explicitly excluded Social Security benefits as taxable income.

The rationalization for taxing Social Security benefits was based on how the program was funded. Employees paid in half of the payroll tax from after-tax dollars and employers paid in the other half (but could deduct that as a business expense).

This meant only 50% of payroll taxes were already taxed (the employee portion) and thus up to 50% should be taxable after it was paid.

The Greenspan commission believed this would align the Social Security rules with the ones that already existed for some pensions, annuities, and other retirement savings plans. The way this works is that if you contributed after-tax dollars to your pension or annuity, your pension payments are only partially taxable. You don't have to pay tax on the portion of the payments that represent a return of the after-tax amount you paid.

The Greenspan commission argued that the portion of the payroll tax that the employer paid was deducted, and thus no taxes were paid on it… which created the loophole to make that portion taxable, but with the recipient of the benefit footing the bill even though the employer initially paid that portion into the system.

In late 1983, a law was passed which made up to 50% of an individual's benefit count as taxable income.

Once this tax was widely accepted, it didn't take long for the federal government to realize that they had been missing billions of dollars in potential revenue. The next step was to increase these taxes again.

Where the Increase in Taxable Benefits Came From

In 1993, a second "level" was added, making up to 85% of a Social Security benefit taxable. The rationalization they used to justify this was different than what the Greenspan commission used just 10 years earlier.

The members of the legislative committees decided that the average worker who lived to an average life expectancy will only contribute 15% of their expected total lifetime benefit in their part of the payroll taxes. Therefore, the other 85% must come from other sources and should be taxed.

For example, say someone earned an average wage and lived until an average life expectancy. They would likely receive a lifetime social security benefit of around $400,000.

But the employee only paid about $60,000 into Social Security. According to their logica, since that's the only part that's already been taxed, up to the remainder should be taxable.

(See this article on the mechanics of calculating the amount of taxable Social Security (https://socialsecurityintelligence.com/social-security-taxes/) if you want to learn more about this topic.)

Checking the Government's Math: Unfortunately, They Have a Point

Although I didn't want to admit it at first, the math here is mostly correct. A worker with average earnings who lives to an average age contributed payroll taxes that equal about 15% of their total expected lifetime benefit amount.

However, this *doesn't* hold true if the worker's income was in excess of the national average wage (https://www.ssa.gov/oact/cola/AWI.html) .

With the same life expectancy, an individual who earned 150% of the national average wage would have contributed approximately 18% of their total benefit. An individual who paid in the maximum Social Security taxes would have contributed around 23% of their lifetime Social Security benefit.

So…does the taxation of Social Security benefits constitute double taxation? Not unless you earned an income higher than the national average and have enough other income in retirement to have 85% of your benefit taxed. (https://socialsecurityintelligence.com/social-security-taxes/)

But if you did…there *will* be some double taxation on Social Security benefits.

For example, if you worked from 1972 to 2019 and earned maximum wages, your part of the FICA tax to fund Social Security would have been around $190,000. If you file at your full retirement age and live to 85 (and get an average 2% cost of living adjustment), you'll receive benefits totaling around $834,000.

If 85% of your benefits are taxable, you paid tax on the original FICA contributions *plus* $708,900 in benefit payments($834,000 x 85%). This means that in the end, you pay tax on $899,000 (85% of benefits + your part of FICA) despite having only received a total benefit of $834,000. Effectively, you get hit with double taxation on $65,000 worth of your benefits.

The Future of Social Security Taxation

If you're breathing a sigh of relief that you won't be impacted by double taxation on your benefits, you might not want to rest easy yet.

When Social Security benefits first became taxable, the change only affected the top 10% of retirees in terms of income earners. Now, that number is nearly 60% (https://www.ssa.gov/policy/docs/issuepapers/ip2015-02.html) .

This number will likely continue to increase since the brackets that determine an individual's income level at which point benefits become taxable has not changed since the law took effect.

In other words, the brackets are still set at 1983 and 1993 levels.

Needless to say, wages have increased between then and now. This becomes even more apparent when you look at the revenue the Social Security Administration is collecting from taxes on benefits; the tax revenue from Social Security has doubled (https://www.ssa.gov/oact/STATS/table4a3.html) in the last 10 years alone!

There have been a few proposals (https://www.congress.gov/bill/115th-congress/house-bill/2552) to eliminate the taxation of Social Security benefits, but with an estimated $13.2 trillion cash shortfall between 2034 and 2092, I can't envision any proposal succeeding that would reduce revenues for the SSA. Taxes on Social Security benefits are probably here to stay.

But just because taxes may be inevitable for some, you can still plan to lessen the impact. The most obvious strategy would be to simply lower your income — but that's not appealing or realistic for most of us.

The best option may be to build a strategic plan before you retire. For example, distributions from a Roth IRA or 401(k) are not counted against you in determining whether your Social Security benefits are taxable. You could have an unlimited level of income from these sources and still not pay tax on Social Security.

If you start now, your traditional IRA and 401(k) balances may be able to be converted to Roth accounts.

Could this be an option for you? It may be depending on a number of factors that your financial planner and tax professional can help you unravel. You'll certainly need to keep the big picture in mind when planning. If I can help, don't hesitate to contact me (https://devincarroll.com/contact/) .

The SSA Is Watching Your Social Media Accounts

(https://socialsecurityintelligence.com/the-ssa-is-watching-your-social-media-accounts/)

The government really *is* watching you. Or at least, the Social Security Administration is watching your social media accounts.

It might sound like the plot of a movie, or the latest conspiracy theory about Big Brother out to get you. But it's true: the Social Security Administration (SSA) wants to increase its monitoring of social media accounts.

This isn't a future threat. It's happening now. The SSA already monitors social media posts from individuals who are on disability. The purpose is to help identify and investigate fraudulent disability claims, but what may change is when they begin monitoring.

Why the Social Security Administration May Increase Its Social Media Surveillance

The SSA wants to start using social media activity not just to catch or track potential cases of fraud. They want to use social media content as part of the *evaluation* of a disability application.

If you file for disability, the Social Security Administration could start checking out your Facebook, Instagram, and other social networking profiles to make sure you aren't behaving in a manner inconsistent with your disability.

For example, if you file a disability claim for degenerative disc disease, the SSA could potentially check out your social media posts to verify that you aren't participating in activities that would be inconsistent for someone with chronic back pain.

Here's what you need to know about this potential ability of the SSA to keep an eye on you online.

With Financial Challenges Ahead for Social Security, Expect Crackdowns

The SSA's Fiscal Year 2020 Budget Overview (https://www.ssa.gov/budget/FY20Files/2020BO.pdf) addresses the potential for increased social media surveillance. The document includes this line explaining what the administration may roll out in the near future:

"*We are evaluating how social media could be used by disability adjudicators in assessing the consistency and supportability of evidence in a claimant's case file.*"

It's no surprise that the Social Security Administration has turned to this. Since 1970, there has been a [460% increase](https://www.ssa.gov/policy/docs/statcomps/di_asr/2016/sect01.html) (https://www.ssa.gov/policy/docs/statcomps/di_asr/2016/sect01.html) of individuals on disability. Unfortunately, there's no doubt that at least some of these cases are fraudulent.

The SSA wants to increase their efforts to identify and prosecute these claimants — especially considering the administration faces huge financial challenges to continue funding the program. With an uncertain future for Social Security in general, this increasing burden on the system only makes things worse.

Frankly, I'm not shocked that the SSA might increasingly mine social media platforms and profiles for proof of fraud — I'm only shocked that it took them this long to consider this approach.

Social Media's Popularity Means There's an Abundance of Data for the SSA to See

There are more people using social media accounts than ever before. According to the Pew Research Center (https://www.pewresearch.org/fact-tank/2018/03/27/americans-complicated-feelings-about-social-media-in-an-era-of-privacy-concerns/) , 69% of all adults have at least one social media account. (Just for reference, this was 5% in 2005.)

50% of those who don't have a social media account live with someone who does and in the same research report it shows that a good percentage of these individuals use the account of the other person to see posts.

And all those people on social networks? They're sharing content — and personal information and data — like crazy. On average, people upload (https://www.brandwatch.com/blog/facebook-statistics/) 350 million photos (https://www.brandwatch.com/blog/facebook-statistics/) to Facebook every day. The platform experiences 100 million daily video views and 4 million likes every minute.

The desire to share the details of your daily experience with your interconnected network helped to drive this kind of growth and mass adoption of the platforms. This treasure trove of data is too tempting and valuable for the SSA to continue ignoring as part of their evaluation.

How Will the Social Security Administration Truly Leverage Social Media for Monitoring and Surveillance of Potential Claimants?

Again, I'm not surprised to see the SSA want to take advantage of the ability to look in on the real lives of people requesting benefits from the program to confirm their claims are legitimate. But the problems come in with the application of the policy.

How would this work? As users of social media, we understand that each photo or video has to be taken in context (and with a grain of salt). We all know that social media serves as a highlight reel of our lives and doesn't always portray reality very accurately.

In other words, we've all posted content meant to paint us in a good light or to make our lives look just grand all the time (even though 5 minutes before you posted a happy picture of you and your spouse you had a screaming match in the living room).

We all do this, and on some level, we all know other people do it too. As users of social media, we understand that what we see on the platforms isn't 100% representative of our 24/7 daily lives.

But what happens when that personal connection is lost? What happens when there's no context to the photos and your content is taken at face value with no other information taken into account? Will the SSA understand the context around a photo enough to make a decision about whether you are *really* disabled?

For example, the leading cause (https://www.ssa.gov/policy/docs/statcomps/di_asr/2016/sect01.html) of disability payments are made due to "musculoskeletal and connective tissue" disorders. That seems easy enough to evaluate through images and videos.

After all, if an individual files a claim for disability on the basis of chronic Fibromyalgia but posts a current video of them winning their age group in a marathon, that seems like a no-brainer. Maybe they shouldn't be on disability.

But again, given the tendency to present our best self to our network on social media, we tend to only post the photos showing us happy and healthy.

Imagine you live with daily chronic back pain, but have a rare day of low pain. Do you think you might be more likely to post photos of yourself and your activities from that particular day than the next few days where confinement to a bed is a real possibility?

You might share those rare, fleeting moments not only because you're likely happier on that one day you experienced unusually low pain, but also because you may have enjoyed doing something you're rarely in any physical condition to do, like hike a favorite trail.

At around 26%, the second leading reason for disability payments are from "all other mental disorders." How will the SSA use a social media account to evaluate *those* claims? Does a picture really show what's going on inside the mind?

I think the investigation of potential fraud is important, but it needs to be done correctly. The Social Security Administration should understand that life on social media is generally not an accurate recording of someone's real circumstances.

Regardless of what the Social Security Administration begins doing with social media monitoring, all of us should use this as a reminder that what we say and post online matters and could have consequences.

As this and other policies develop, I'll be here to give you the details. Be sure to find my YouTube channel (https://youtube.com/devincarroll) and connect with my other projects (https://devincarroll.com/) to keep yourself informed.

The History of the Social Security Earnings Limit (https://socialsecurityintelligence.com/the-history-of-the-social-security-earnings-limit/)

Not long ago, a viewer on my YouTube channel (https://youtube.com/devincarroll) asked me to give her a good reason why we have the Social Security earnings limit. The comments that followed showed how many viewers shared the belief that the earnings limit is unfair and should be eliminated.

In my response, I explained that the rationale behind the entire program of Social Security was a safety net. The original intent of the Social security program was not to supplement retirement income, but to keep the elderly (most of whom lost any potential long-term wealth in the Great Depression) out of poverty.

I also added that today's earnings limit is relatively generous compared to where the Social Security earnings limit began. Let's take a walk through history and see how the earnings limit has evolved.

Understanding the Origins of the Social Security Earnings Limit

The original Economic Security Bill (https://www.ssa.gov/history/pdf/fdrbill.pdf) which is what the Social Security Act was originally called) President Roosevelt sent to Congress featured a very restrictive earnings limit.

It said, "*No person shall receive such old-age annuity unless . . . He is not employed by another in a gainful occupation.*"

Whoa! This means that if you had even a single dollar in wages from a job, you could not collect a Social Security benefit at all.

The Bill reached Congress and then made its way into the House Ways and Means Committee. After holding hearings, committee members suggested dropping the retirement earnings test — but the Senate Finance Committee ultimately decided that the earnings limit should remain.

Eventually, the House version without the earnings limit passed by a vote of 372 to 33. The Senate version *with* the earnings limit passed by a vote of 77 to 6. After a couple more months of wrangling over details, the government signed the final version of the Bill featuring the earnings limit into law.

The final version of the Social Security Act of 1935 contained this language on the subject:

"Whenever the Board finds that any qualified individual has received wages with respect to regular employment after he attained the age of sixty-five, the old-age benefit payable to such individual shall be reduced, for each calendar month in any part of which such regular employment occurred, by an amount equal to one month's benefit."

*(*Keep in mind that age 65 was the earliest age of eligibility during the first few decades of Social Security.)

Over the next few years, lawmakers realized they needed to make the term "regular employment" more clear and better defined. In the 1939 amendments to the Social Security Act, they defined "regular employment" as having earnings of less than $15 in one month.

How the Earnings Limit Evolved Over Time

By the late 1940s, post-WWII wages rose and the $15 earnings limit became outdated. In the 1950, lawmakers passed more amendments that eliminated the retirement test for applicants at age 75. They also increased the earnings limit from $15 to $50.

The 1950s also saw the vast expansion ofSocial Security, and an additional 10 million people, including many self-employed individuals, gained Social Security coverage.

The earnings test for the self-employed was set at $600 per year initially, but in 1952 that jumped to $900 per year. Meanwhile, the earnings test amount also increased for employees, from $50 to $75.

The 1954 amendments reduced the age where the earnings test no longer applied from 75 to 72. The differences between wage earners and self employed were also made uniform with an annual earnings test.

Up until this point, wage earners faced a monthly test but self-employed individuals had an annual limit of $900. With the new law, the earnings test would only apply if earnings exceeded $1,200. Then, for every $80 increment, one month's benefit would be withheld.

Further Changes to the Earnings Test through the 1960s and 1970s

The 1960 amendments introduced the phase-in earnings limit where an individual could still exceed the limit without a total loss of benefits.

For earnings between $1,200 and $1,500, the reduction was $1 for every $2 of earnings. For earnings over $1,500 the reduction amount would be dollar for dollar.

From this point forward, the earnings limit used this phase-in approach. The 1961 amendments increased the upper limit to $1,700 from $1,500 while the 1965 amendments changed this range again.

Recipients could then earn up to $1,500 a year and still get all their benefits. If, however, earnings exceeded $1,500, $1 in benefits would be withheld for each $2 of annual earnings up to $2,700 and for each $1 of earnings thereafter. The 1967 amendments modified this range from $1,680 to $2,880.

The 1972 amendments modernized the method used to determine the earnings limit. Previously, only an act of Congress could mandate an increase in the earnings limit amounts. The 1972 law put the increases “on automatic” by tying them to increases in the average wage index. This became effective in 1975.

From 1977 to Now: The Modern Way the Earnings Limit Evolves

The 1977 amendments earnings limit changes focused on allowing older Americans to access much-needed Social Security benefits to supplement their retirement incomes.

The House passed a bill eliminating the earnings limit at age full retirement age. The Senate passed a similar bill, but it didn’t eliminate the earnings limit until age 70. Ultimately, the conference committee accepted the Senate position and the final legislation ended the earnings limit at age 70 (but it didn’t officially come into effect until 1983).

The 1977 amendments also separated those who were under full retirement age and those who were over full retirement age. They granted a more generous earnings limit of $6,000 annually for those who were are or above full retirement age.

In the 1983 amendments, lawmakers expanded this by not only giving those above full retirement age a higher earnings limit, but also decreasing the amount of withholding by reducing the withholding to $1 for every $3 over the limit. Even though this change was legislated in 1983, it went into effect in 1990.

The next major change introduced the earnings limit as we know it today (https://socialsecurityintelligence.com/social-security-income-limits/) . The Senior Citizens Freedom To Work Act of 2000 permanently ended the earnings limit at full retirement age and increased the amount an individual can earn in the calendar year they attain full retirement age.

Since 2000, except for the annual increases, the earnings limit has been unchanged. As you can see from the timeline above, this is the longest period the earnings limit has ever gone without substantial changes.

Part of that is due to the automation of the increases by tying in with the annual changes in average wages, but there has been some talk about the earnings limit being one of the fixes for the pending shortfall in the Social Security trust fund.

The argument is that the earnings limit could be reinstituted for any ages if their income exceeded certain thresholds. This would be the "means testing" that would exclude high income individuals from drawing a Social Security benefit. That may never happen, but the framework certainly seems to be in place for those with high income — even if they're above full retirement age.

Whatever changes come, I'll be sure to keep you informed! You can keep up with me on my YouTube channel (http://youtube.com/devincarroll) the other projects (https://devincarroll.com) I'm involved with.

If you want to read more on this subject, check out these resources below.

POMS chart showing all different calcs https://secure.ssa.gov/poms.nsf/lnx/0302501001 (https://secure.ssa.gov/poms.nsf/lnx/0302501001)

Major changes by year here https://www.ssa.gov/history/reports/crsleghist2.html (https://www.ssa.gov/history/reports/crsleghist2.html)

SSA ET History https://www.ssa.gov/history/ret.html (https://www.ssa.gov/history/ret.html)

The Danger Zone in Social Security Taxation (https://socialsecurityintelligence.com/the-danger-zone-in-social-security-taxation/)

The gradual phase-in of taxes on Social Security benefits can deliver some unexpected and unpleasant results if you fail to recognize the “danger zone” to avoid. The calculation the IRS uses to determine how to tax Social Security income creates a category where taxes on benefits are amplified.

Fall into this danger zone, and you could pay a *much* higher tax rate on some of your retirement income. Here’s what you need to know about the taxes on Social Security benefits and how you can avoid the pitfall of paying way too much in taxes on that income.

Know Which Category You’re in for Taxation

Individuals fall into three basic categories for taxation on Social Security:

1. None of your benefit is taxable income
2. Between 0% and 85% of your benefit is taxable income (this is the danger zone!)
3. 85% of your benefit is taxable

In the first category, you have no real need to fear slipping into the danger zone *unless* you have other income that could push you into the second category.

If you’re in the third category, you have few options to exercise to pay less in taxes.The only real choice you have is to somehow lower your reported income so that you qualify for the first or second category.

This is probably unrealistic, as people who find themselves in the third category are there thanks to large incomes from pensions, required minimum distributions, or some other source. You may need to accept that 85% of your benefit is taxable.

But if you find yourself in the second category, you may have more control over how much of your benefit is taxed.

Understanding the Danger Zone

I call that second category the danger zone because this is where taxes can *nearly double* on income.

For some, this “danger zone” of magnified taxes can easily be avoided with a strategic, well-thought retirement income plan. The first thing you need to be able to do is to calculate your combined income.

This is the number the Social Security Administration uses to determines how much of your benefit is taxable. It’s also referred to as “provisional income,” but we’ll use the specific term combined income since the Social Security Administration uses that term.

Combined income can be roughly calculated as your adjusted gross income, plus any tax exempt interest (such as interest from tax free bonds), plus 50% of your Social Security benefits.

Once you’ve calculated your combined income you can apply it to the threshold tables to determine what percentage, if any, of your Social Security benefit will be included as taxable income.

Thresholds for Social Security Taxes If You File Single

If your total combined income is less than the base amount of $25,000, none of your Social Security benefits will be taxed. But if your combined income is between $25,000 and $34,000, up to 50% of your benefit may be taxed.

If your combined income is more than $34,000, up to 85% of your benefits may be taxed.

Thresholds for Social Security Taxes If You’re Married Filing Jointly

If you file a joint return and you and your spouse have a combined income that is less than the base amount of $32,000, none of your benefits will be taxable.

If your total combined income is between $32,000 and $44,000, up to 50% of your benefit is taxable.

If your combined income is more than $44,000 up to 85% of your benefit may be taxable.

This system is a gradual phase-in of tax on Social Security benefits where, as income rises, more of your Social Security benefits are subject to taxation, until eventually a maximum of 85% of all benefits are subject to taxation.

What Happens to Social Security Taxes in the Danger Zone

Because of the way Social Security income phases into taxation through this formula, there is a “danger zone” when every dollar of increase in combined income pulls more Social Security into taxation.

In this zone, the effective tax rate on this other income skyrockets. For example, if an individual is in the upper end of the danger zone and takes $1.00 from his IRA account, they’ll not only have to pay tax on that $1 but also on $.85 of their Social Security benefit.

Effectively, because they took out $1 they had $1.85 added to their taxable income. This has the effect of increasing the marginal tax rate well beyond what your tax bracket might suggest you are paying.

If your tax bracket is 25% you would ordinarily pay $0.25 on the dollar you took out of your IRA. However, since that $1 increased your taxable income by $1.85, you will have to pay $0.46 in taxes. Since that $0.46 in taxes is solely due to your $1 distribution, you’re paying a 46% tax rate on that dollar!

This whole effect has been referred to as the tax torpedo — but for purposes of this article we’ll refer to it as the “danger zone” since my goal is to help you identify a specific range of provisional income where one should be hyper-vigilant about the effect of taking IRA distributions.

The danger zone ends when the results of your combined income calculation reaches 85% of your social security benefits. At this point, 85% of your benefit will be taxable, so increased combined income will not have the magnified effect.

For example, if you take $1 in IRA distributions it will not expose an additional $0.85 of Social Security benefits to taxable income since your benefit is already taxable.

Also, since all Social Security benefit amounts are not the same, the point where the danger zone ends will be different for everyone. Below we’ll break down the different ranges for those married filing jointly and those filing single.

Where the Danger Zone Ends If You’re Married Filing Jointly

For those who are married filing jointly, exercise caution when combined income income rises over $32,000. At this point, your Social Security benefit will be added to your taxable income at the rate of $.50 for every additional dollar in combined income (signified by yellow on the chart below).

At $44,001 of combined income, your Social Security benefit will begin to be included in taxable income at the rate of $0.85 for every additional dollar in combined income (see the red areas of the bars in the chart below).

You'll notice that the point at which someone can exit the danger zone varies based on the benefit amount. This is because the exit point is the point where the full 85% of your benefit becomes taxable.

The danger zone ends for those who are married filing jointly at around $88,000 for those who have a maximum benefit in 2019 and half of their benefit is being paid as a spousal benefit.

Getting Out of the Social Security Taxes Danger Zone for Single Filers

You need to start paying attention when your income rises above $25,000. At this point, your Social Security benefit will be added to your taxable income at the rate of $.50 for every additional dollar in combined income (signified by yellow on the chart below).

At $34,001 of combined income, your Social Security benefit will begin to be included in taxable income at the rate of $0.85 for every additional dollar in combined income (see the red areas of the bars in the chart below).

The danger zone ends for single filers around $63,000 in combined income for those with a maximum benefit (2019). For individuals with lower benefit amounts, you're in the clear sooner.

The Opportunity Zone

In some cases, there is nothing to be done that will help lower the amount of taxes on Social Security. It could be due to required minimum distributions, pensions or a variety of other income sources.

Whatever the reason, some people will simply have incomes that are too high to make it possible to lower back into a zone of less than 85% Social Security taxation.

However, there are opportunities for planning around this danger zone. This opportunity not only exists for those who are in the danger zone, but also for those just over or under the line of the danger zone.

For those just over the line, it may be possible to defer capital gains, IRA distributions, or some other type of income if you could reduce the percentage of your taxable Social Security income by a few points.

Fully understanding how much range you have before Social Security benefits become taxable can be a big help in making choices about realizing capital gains, extra income from a job, or even deciding what type of account to use to fund your travel plans.

If you're inside the danger zone, be aware that any increase in combined income will have an amplified effect on taxation. Instead of waiting until you are in that zone, there are a few steps you can take before it becomes an issue.

For starters, consider using a Roth IRA. This is possibly the most valuable tool for planning around tax on Social Security. Why? Distributions from a Roth *are not* counted in your combined income!

If you think you may eventually be in this danger zone, consider building a pool of money in your Roth account. You may be able to contribute to a Roth IRA up to $6,000 ($7,000 if over the age of 50).

Check with your retirement plan at work, as well, to see if they offer a Roth option. Using a Roth in 2019 will allow you to put in up to $19,000 per year ($25,000 if over the age of 50).

Finally, you may want to consider converting traditional IRAs to Roth IRAs. There's certainly a lot to consider when doing so, but since the tax benefits could extend beyond the tax free nature of the Roth, this could be a winning move.

One thing is for sure, planning your retirement income stream is worth the effort! If I can be of assistance, please contact me at https://devincarroll.com/contact/ (https://devincarroll.com/contact/)

One last thing…I'd like to give a huge thanks to two individuals who helped me with this article. Jim Blankenship (https://financialducksinarow.com/), CFP, EA for his expertise on taxation and social security and Brandon Renfro (https://www.brandonrenfro.com/), Ph.D. for his assistance on the research behind these calculations.

Are Social Security Payments Guaranteed? (https://socialsecurityintelligence.com/are-social-security-payments-guaranteed/)

Many Americans believe that future Social Security payments are an “earned right” when they retire. As nice as that would be, that’s not the case and you’re sadly mistaken if you believe you’re entitled to these benefits down the road — even if you pay FICA taxes!

You can agree or disagree with this all day long, but the fact is Social Security payments are not guaranteed. I understand why people believe they are, though.

Why Aren’t Social Security Payments Guaranteed?

The government almost encourages the belief that Social Security benefits are guaranteed. In fact, in a 1936 pamphlet from the Social Security Administration (https://www.ssa.gov/history/ssb36.html), it specifically states, “The United States government will set up an account for you … The checks will come to you as a right.”

Whether or not it was intended this way, this pamphlet implied that the new tax would be somehow credit a personal account to which the worker would be lawfully entitled to receive. It didn’t take long for that to get “clarified” by the Supreme Court.

Not long after the Social Security began, a shareholder of the Edison Electric Illuminating Company challenged the tax that funded the program. He wanted to stop the company from making the tax payments and deductions from wages on the grounds that the Social Security Act of 1935 was unconstitutional.

For a period, it appeared that he won. The U.S. First Circuit Court of Appeals held that Title II of the Social Security Act (the heart of the program) was void as it was in direct opposition of the tenth amendment. However, once the case reached the Supreme Court, things changed.

The Ruling That Nixed Future Guarantees on Your Benefits

In [Helvering v. Davis (https://www.ssa.gov/history/supreme1.html)](https://www.ssa.gov/history/supreme1.html), the Supreme Court reversed the lower court's opinion and held that the Social Security Act of 1935 was constitutional.

That in itself was not the interesting part. What was interesting was the language that was used in the written opinion. It said, "The proceeds of both taxes are to be paid into the treasury like internal-revenue taxes generally, and *are not earmarked in any way.*" [emphasis mine]

That eliminated the idea of the separate, personal account that the Social Security pamphlet originally implied.

Other Court Cases Made It Clear: Social Security Payments Not Guaranteed

In 1960, another case came up that made it clear how the government felt about the individual's "right" to Social Security benefits.

Ephram Nestor was a Bulgarian immigrant who paid Social Security taxes from 1936 until his retirement in 1955. In 1956, he was deported for his membership in the Communist Party during the 1930s.

In accordance with a 1954 law Congress had passed a law saying that any person deported from the United States should lose his Social Security benefits, Nestor's $55.60 per month Social Security checks were stopped.

Nestor sued, claiming that he had a right to Social Security benefits regardless because he paid Social Security taxes.

This case made its way to the Supreme Court in [Flemming v. Nestor (https://www.ssa.gov/history/nestor.html)](https://www.ssa.gov/history/nestor.html). In the Social Security Administration's summary of the court's findings, they state the following:

"There has been a temptation throughout the program's history for some people to suppose that their FICA payroll taxes entitle them to a benefit in a legal, contractual sense. That is to say, if a person makes FICA contributions over a number of years, Congress cannot, according to this reasoning, change the rules in such a way that deprives a contributor of a promised future benefit. Under this reasoning, benefits under Social Security could probably only be increased, never decreased, if the Act could be amended at all. Congress clearly had no such limitation in mind when crafting the law."

If there was any doubt left about an individual's "right" to a Social Security benefit, this case should've banished it. But just in case people forget that benefits can be changed or stopped altogether at any time, the Social Security Administration puts this reminder on every statement they create:

"Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time."

Paying FICA Taxes Does Not Make Your Social Security Payments Guaranteed

The big takeaway is that your payment of FICA taxes is not necessarily paying for your future access to Social Security benefits. The criteria for eligibility could change with the whims of politics.

Ultimately, you should heed the advice that's also printed on each and every Social Security statement:

"Social Security benefits are not intended to be your only source of income when you retire. On average, Social Security will replace about 40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire."

The Social Security Administration today makes it clear that you have no legal right to Social Security benefits, and there are multiple court cases that set precedent to back this up. Whether or not you agree does not change the reality that paying FICA taxes does not provide you a guarantee to any future benefit from the program.

This fact, combined with the stalemate in meaningful Social Security reform, means that it may be time to start planning a retirement that can withstand changes in your Social Security benefit amount. If I can help, let me know here (https://devincarroll.com/contact/) .

Social Security Bankruptcy Forecast (https://socialsecurityintelligence.com/social-security-bankruptcy-forecast/)

I'm going to tell you why the forecast on the much discussed “social security insolvency date” may be wrong. Benefit cuts could come sooner than expected or maybe even not at all. Keep reading to find out more.

Forecasting the Future

We've all heard that, in the year 2034, Social Security benefits will be cut unless reforms are made. I've spent a lot of time on this channel covering these reforms. We've talked about the Social Security 2100 Act, Bernie Sanders plan, the plan to increase full retirement age and a few other things. All of these plans are based on the premise that the SS trust fund is running out of money. When it does, the incoming payroll taxes will only be enough to cover about 75% of the amount needed to fulfill expected benefit payments.

If the trust fund does run out of money, and no reforms are made, benefit checks will be cut because the law prohibits the SSA from borrowing money to make benefit payments. But how do we know when this will happen? The talked about date is 2034, but where did that forecast come from and is it possible that they are wrong?

If you pull out your 2018 Social Security Trustees report…all 270 pages of it, you'll see that they make a series of assumptions that lead them to this projected date.

Broadly speaking, the assumptions fit into three categories: **Demographic Assumptions, Economic Assumptions, and Program Specific Assumptions.**

Demographic Assumptions

There are a lot of different assumptions under these categories but really only a few that are contributory to the longevity of the trust fund. Within each of these narrowed down assumptions, the trustees look at three scenarios.

High Cost Scenario

The first scenario is the high cost scenario, evaluating what if this specific category doesn't contribute as much as expected to the trust fund, or takes more from the trust fund than expected.

Low Cost Scenario

The low cost scenario is where the category adds to the trust fund or doesn't take as much as expected from the trust fund. For example, the first demographic assumption is on fertility rates (https://socialsecurityintelligence.com/sex-social-security/) . If fertility rates increase, there will be more individuals to pay into the trust fund. So an increased child per woman rate would move the needle towards the low cost.

Fertility Rates

If women start having fewer babies than projected, it would mean that fewer future taxes are coming in and would move the needle to the higher cost assumption.

So, let's take just a minute and look at the other sub categories that contribute the most. Still under the demographic category, we have mortality rates. If people live longer, checks have to be paid out longer, thus moving this toward the higher cost. If life expectancies go down, it would move towards the lower cost side.

Immigration

Then there's immigration. If the rate of immigrants increases, there will be more workers paying payroll taxes and move the needle toward the low cost scenario. If the immigration rate decreases, there will be less taxes paid in.

Economic Assumptions

One of the most important categories is the economic assumptions. I won't take the time to go through all of these but I'll highlight two.

Inflation

There are a number of ways that inflation could affect the economy, but the most direct impact to Social Security ("SS") is through the Cost of Living Amount ("COLA") adjustments. The SS COLA is based on Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W"), which is tied directly to inflation.

If inflation increases, the COLA on benefits will be more than anticipated driving the cost up.

If inflation is lower than expected, more money can stay in the trust fund…thus a low-cost scenario.

Unemployment Rates

Obviously, if fewer people are unemployed, there are a number of impacts but one that's clear is less revenue coming into the trust fund in the form of payroll taxes.

If more people are working, there will be more revenue in payroll taxes.

Now this is one that we could hear more about in the short term. Here's why: the trustees' report currently have the high cost scenario at 6.5% unemployment, the intermediate cost is 5.5% and the low cost is 4.5%. But when you look at the actual numbers, we are at 4% unemployment right now and have been for over a year. Now the trustees want an average so one year isn't enough for them to change their assumptions, but if it continues to stay low, it will bode well for the trust funds longevity.

Longterm Effect of Disability Benefits

Under the program specific assumptions there are a whole slew of sub categories, but really only one that has a lot of impact and that is the incidence of disability awards. Because a disability benefit is equal to a full retirement age benefit, and is usually paid out for a lot longer than a retirement benefit, the cost will increase substantially if disability awards increase. The trustees are actually predicting that disability benefit awards will increase by around 20% over the next few years. If it's more than that the cost will be higher, and the inverse will be true if its lower than projected.

The Moving Variables

If any of these swing in the low cost direction, it will lengthen the life of the trust fund. If several swing in the low cost direction…it's possible that it could last forever. However, I'm *not* endorsing for people to plan for a best case scenario, we need to plan for the worst and go from there.

I still think reform is going to be needed. The point I'm trying to make is that nothing is certain and right now **no one really knows when the trust fund will be empty.**

It's Your Retirement!

I want to thank you for taking the time to get informed. So many people rely on hope that everything will work out. Sometimes it does, but sometimes a lack of planning can ruin what should be your best years. This is your retirement! Please continue to stay informed!

I'd recommend staying connected with my content so you won't miss anything. In many cases I'll publish my newest stuff on YouTube (https://www.youtube.com/devincarroll) and then share it on my Facebook (https://www.facebook.com/devinanthonycarroll/) page. Then my content team does their magic and cleans it up into an article for those who enjoy reading. (Again…the article is shared on my Facebook page.)

Be sure to subscribe to my site so you won't miss any of the new content coming out, plus you will receive the blueprint version of my book (https://amzn.to/2TkYsBd) for free. Alternatively, you can just head over to Amazon and buy the full version (https://amzn.to/2tcxBvH). I can't guarantee this, but I'm pretty sure you'll get more value than the $12 it costs.

Thanks for reading…have a great day.

[Social Security Scam Alert! (https://socialsecurityintelligence.com/social-security-scam-alert/)](https://socialsecurityintelligence.com/social-security-scam-alert/)

In 2018, a Social Security scam cost seniors millions of dollars. The scammers recognized a winning formula and have doubled down in 2019. I don't want you or anyone you care about to get caught up in this. Keep reading; I am going to tell you how you can avoid being victimized by this scam!

Social Security Scams Over Time

There are some scams that have a longer life than others. The most recent Social Security scam has been around since about 2017 and has started to explode. The numbers of those affected by this increased ten-fold in 2018 and 2019 is already on its way to being even bigger than 2018.

There's nothing incredibly new or savvy about this scam, but it's working better than most. That's probably because it's being aimed at those who count on Social Security payments to buy food, pay for utilities and other necessities.

The Scam

The phone rings, and the person on the other side tell you your social security number has been suspended, and you need to talk to them to get it straightened out. When you talk to them, they'll have to "verify your identity" and in the process **gather all sorts of personally identifiable information** that will allow them to get to your money.

Currently, there are two version of this scam. Here's how the first sounds.

"YOU HAVE RECEIVED THIS PHONE CALL FROM OUR DEPARTMENT TO INFORM YOU THAT WE HAVE JUST SUSPENDED YOUR SOCIAL SECURITY NUMBER BECAUSE WE HAVE JUST FOUND SOME SUSPICIOUS ACTIVITY. SO IF YOU WANT TO KNOW ABOUT IT…"

This sounds like a pre-recorded bot voice, not an actual person, and the computerized call will continue to tell you how to reach the “department”.

Then there’s the second version that ups the ante with the threat of arrest! The message is much like the first one, but the difference is that the voice says if you do not contact them immediately, they will issue an arrest warrant and arrest you for the suspicious activity.

Keep Yourself Safe

I understand why scams like these work. Sure, I may know better than to believe that computer generated robo-call, but to a generation that is not as familiar with technology, it could sound convincing and very scary!

Here are four things to remember:

Number 1…don’t trust your caller ID! In many cases these scammers appear to be calling from the Social Security administration’s phone number. There’s spoofing technology to make it appear that way.

Second, the Social Security administration will NEVER threaten arrest.

Third, a social security number can’t be suspended for any reason that I know of. They can suspend benefit payments, but not your social security number.

Lastly, **NEVER EVER EVER provide your social security number to any unknown individuals.**

If you are contacted by a scammer and want to make sure everything is ok here are three ways to find out:

First, contact the social security fraud hotline to report the contact.

Second, if you just want to make sure everything is fine with your benefit payments, call the main SSA number at 800-772-1213. If you want a shorter hold time you may want to just call your local office. You can find that number at ssa.gov/locator.

You may be in the same situation I'm in where you're pretty sure that you'd never fall for this type of scam. But you may know someone who could be more vulnerable to this. Please share this article with everyone who needs to be aware.

It's Good To Be Proactive

You're making a smart move by learning all you can and reading sites like these. It's your retirement! If you know more about Social Security, and what retirement will look like for you, you will be in a better position to make sound decisions when it's time. This is why I talk about Social Security … so you know what's going on in the world around you.

I'd recommend staying connected with my content so you won't miss anything. In many cases I'll publish my newest stuff on YouTube (https://www.youtube.com/devincarroll) and then share it on my Facebook (https://www.facebook.com/devinanthonycarroll/) page. Then my content team does their magic and cleans it up into an article for those who enjoy reading. (Again…the article is shared on my Facebook page.)

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Thanks for reading…have a great day.

The Delay of Delayed Retirement Credits (https://socialsecurityintelligence.com/the-delay-of-delayed-retirement-credits/)

Today we're taking about delayed retirement credits and how they get added to your benefit. If you plan to file after your full retirement age, you may be disappointed when you get your first check because those credits aren't added right away. Let me explain what you should expect and when to apply for benefits to minimize this delay.

Why You May Be Missing Credits

It appears that the Social Security Administration have a little trick up their sleeves. They do not add your credits immediately if you file after full retirement age. Now, this is a little puzzling to me and I'm not sure why they do this. It's not as if they don't have the systems in place to do the calculations. After all, if you file early, the reductions are applied immediately!

I'm going to show you how this works but let me give you a little context around this first. I often discuss the monthly reductions for filing early or increases for filing early, and understanding that is a fundamental part of today's discussion.

You can file for your retirement benefits between the ages of 62 and 70. If we imagine the red line is your full retirement age, your benefit is increased if you file after and decreased if you file before.

The decreases are broken up into two separate bands. First, you have the 36 month period immediately prior to full retirement age where benefits are reduced by .555% per month, and then anything more than 36 months, benefits are reduced by .417%.

What Happens If I File After My FRA?

If you file after your full retirement age, your benefit will be increased by .667% for every month. These increases are referred to as **delayed retirement credits**.

It's important to understand that there is a difference in how the increases and reductions are applied. If you file at any time before your full retirement age, your benefit will be calculated by these reduction amounts and immediately reduced beginning with your first check. **That is not the case for the increases**.

In the operations manual, you can see there are two times retirement benefits are increased for delayed retirement credits. One is in the month you attain age 70 and the other is in January of the year following the year you earned the delayed retirement credits.

Should I File Before Or After My FRA?

Let me show you an example.

Let's assume your birthday is in February, and you hit your full retirement age. Six months later you decide to file for benefits and you receive your first check in September. You've probably already calculated in your head that you should receive 6 months of delayed retirement credits which would work out to 4% increase to your full retirement age benefit. When you got your first check deposited in September, it may surprise you to see the check is THE SAME as if you would have filed in February. The delayed retirement credits would be added, but not until January of the following year and then you'd see it on your February check. And you don't receive any sort of payment to make up for those months.

One way to lessen the lag is to file later in the year. If you want to avoid this lag altogether, you could wait until your 70th birthday. Then, no matter what month it falls on, the delayed retirement credits are added immediately.

(Maybe in the future the Social Security Administration can figure out how to do this for any filing age after full retirement like they do before. It can't be that hard, right?)

Take Action! It's Your Retirement!

You're making a smart move by learning all you can and reading sites like these, but don't use this as specific advice for your own situation. I encourage you to do your research and talk to your own advisors. Most importantly, continue to educate yourself and stay curious!

I'd recommend staying connected with my content so you won't miss anything. In many cases I'll publish my newest stuff on YouTube (https://www.youtube.com/devincarroll) and then share it on my Facebook (https://www.facebook.com/devinanthonycarroll/) page. Then my content team does their magic and cleans it up into an article for those who enjoy reading. (Again…the article is shared on my Facebook page.)

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Thanks for reading…have a great day.

Social Security Benefits: File Early And Invest It?

(https://socialsecurityintelligence.com/social-security-benefits-file-early-and-invest-it/)

We're taking a look at the math behind a social security strategy that's been around for a while. Here it is: File early, invest the monthly benefit, and you'll be able to generate more income than someone who waited until later to file.

Effectively…you can do better on your own. But does it make sense to file early and invest the money?

A Decade of Positive Returns Creates Optimism in Investing

There's nothing like a decade of positive returns in the market to create optimism for investing. We're starting to see this optimism affect how individuals file for social security.

A few years ago, there weren't many people saying they were big believers in the market. We were still recovering from the worst market since the Great Depression, and news was still (mostly) negative.

A few years later, individuals started seeing a few years of positive returns. Some of those have been double digit returns, and optimism began rising.

And so I've started to hear more people say things like "Devin, I think I could file early for Social Security, invest it, and create more income down the road than what I would've had with Social Security."

So, You Think You Can Do Better?

Now, I've heard things like that for a while, but I've never gotten into the numbers to see what was really possible. So…I decided it was time for a closer look.

Let's consider someone with a $2,000 benefit at their full retirement age. For this example, we'll assume full retirement age is 67.

You can file as early as 62 and get $1,400 or as late as 70 and get $2,480.

Let's look at two scenarios: First one is where you need to start your income at 67; and the other is where you need to start your income at 70.

In both cases, I'll assume that you file for benefits at 62. That benefit has a 2% cost of living adjustment (COLA) applied and that you invest the monthly benefits check.

Here's how that investment would accumulate at various rates of return from the beginning if age 62 to the beginning at age 67:

First, let's assume you didn't make anything. That $1,400 would be worth $87,427. At 4, 6 and 8 percent it would gradually increase and the highest rate of return I assumed was 10 percent where your balance would be $116,985. These amounts would be the available balance to use in supplementing your income.

So now let's look and see what the income gap would be after we adjust for the annual cost of living adjustments. Your benefit would start at $1,400, but by age 67, it would be approximately $1,546 if there was a 2% annual COLA.

The age 67 benefit was $2,000, but when you add the COLA to it, that amount would now be $2,208. So there would be an income gap of $662 that you would need to create from the invested Social Security benefits.

I'm assuming there are two ways to generate this income. First, is an immediate lifetime annuity. This is the closest thing to your Social Security benefit in that it offers a fixed payment that's guaranteed for your lifetime. The way these work is that you give a lump sum of money to an insurance company and they send you the payments. The other option I assumed was leaving your money invested and taking a 5% annual withdrawal to supplement the income.

And The Results Are In

Here were the results: If you need to generate an income stream of $662 per month, it would require an annuity of $115,539 and an investment portfolio of nearly $160,000.

For the annuity, this would mean that you'd have to achieve an annual return of 10% and for the portfolio option you'd need to get a return of 21%.

Keep in mind…these are the returns needed to break even. You'd have to exceed that to do better that what you'd get with almost no risk from the Social Security administration. I'm not sure how you feel about your capabilities to get consistent investment returns like these, but if you can…maybe you should start a hedge fund. I can tell you that there's no way I would take that chance with a client's money.

What If You Invest It For A Longer Period of Time… Does That Work Out?

But what if you have a longer time period?

Let's say that you don't need the income to start until you're 70. In this scenario, you'd have from the beginning of age 62 to the beginning of age 70 to receive benefits and invest them. How would the time/value of money change the outcome?

By the time you take your age 70 benefit, it would have grown to $2,905 with an annual 2% cost of living adjustment. That's an income gap of $1,265 you'd need to cover. Since you'd have a few additional years to invest, the balance of the investment portfolio would be higher than in the prior scenario ranging from 144,000 to 224,000 at 10% annual return.

Now we know you may have saved, but how much would it take to replace $1,265?

You need an annuity of $200,000, and an investment portfolio of around $300,000. This means that for the annuity to work you'd need to get about a 7% return and for the portfolio to work you'd need about a 17% return.

Again…those numbers are just to give you the dollar amount of income that you'd get from Social Security without taking hardly any risk. And, the risk is not the only difference here.

For example, the annuity options do not have survivor benefits, the taxation of an annuity vs. investment portfolio vs. social security is all different so the net amount would not be the same. The annuity options were calculated with today's interest rates and there's just no way to know what the interest rates would be in the future and how these annuities would be affected. The investment returns I illustrate are compounded annually and would be slightly different if compounded on a monthly basis. The amount of your social security benefit would also affect the required rate of return on the other options.

This article is based on what we know today with a set benefit amount, but your mileage may vary with your own circumstances.

It's Your Retirement!

Ultimately, remember…I'm not your financial, legal or tax advisor. This article is meant to help educate you, but not as specific advice for your specific situation. I'd highly recommend that you keep learning and stay curious!

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Thanks for reading…have a great day.

Are President Trump's Economic Policies Saving Social Security? (https://socialsecurityintelligence.com/are-president-trumps-economic-policies-saving-social-security/)

The other day, a piece of economic data came out that is **good news** for the longevity of the Social Security trust fund. It could mean that the fund DOES NOT RUN DRY in 2034 as was previously forecast. I'll tell you what it is and why its so important to watch this moving forward.

Trump Administration Policies Are Fixing Social Security

Not long ago I saw a headline that said something like "Trump Administration policies are fixing Social Security." I couldn't find the exact one I was looking for but it's no secret that President Trump has long advocated that the fix is neither benefit cuts nor tax increases, and instead it's a simple matter of growing the economy and everything will fall into place. And there's truth to that but we are getting so close to the point where even record setting economic numbers will be too little too late. But what we are seeing is promising!

The specific number I'm referencing is the unemployment rate. Economists believe this to be one of the most important economic indicators because of its far-reaching effect.

Unemployment Rate as a Factor

In the Social Security trustees' report, they list the unemployment rate as one of the factors that will determine how long the funds last. In a very simplified explanation, this impacts the trust fund because with more people working, there are more taxes being paid into the social security trust fund. Thus, the retiree to worker ratio is improved.

Now, in this report they forecast an intermediate cost, high cost, and low cost scenario for all of the various factors.

The intermediate cost is where they get the assumption that the SS trust fund will be dry by 2034. If the cost goes down, the trust fund will last longer. If the costs go up, it won't last as long.

The intermediate cost assumption they are using for the unemployment rate is 5.5%. The lowest cost scenario they show is 4.5%. But, for the first time in a very long time, the unemployment rate has dipped below 4%.

As of the last report it was at 3.8%. If it stays down here for long, the Social Security trustees will have to revise their estimates.

What Does This Have To Do With President Trump?

So what does this have to do with President Trump?

Well, he's the president while unemployment rates have been pretty impressive.

Since 1969, unemployment rates for the year end have only gone under 4% twice. 2002 and 2018. The question is, is this a result of the policies of Donald Trump?

Yeah…I'm not about to answer that.

If you look at unemployment rates for the last decade, you can see that except for an increase at first, they've been coming down for the last nine years.

Is this because of the policies of president Obama? Could it be because of President Bush's policies before President Obama was in office are finally being felt? We could take this back for decades.

The truth is, I think the President has less to do with the economy than we think. I mean, they don't control monetary policy, so at best they have short term impacts on the stock market and an indirect effect on the economy.

The point is not to play politics or any of that nonsense. Its to remind you that these trustees' reports are using assumptions THAT CAN and do CHANGE. And as things change, you can count on me to let you know.

It's Your Retirement!

Before we go, I want to thank you for taking the time to get informed. So many people rely on hope that everything will work out. Sometimes it does, but sometimes a lack of planning can ruin what should be your best years. This is your retirement! Please continue to stay informed!

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