

Is Social Security Going Away?

How to be prepared, not scared

By Mike Lynch, Managing Director of Hartford Funds Applied Insights

If you're worried about the future of your Social Security benefits, you're not alone. Seventy-two percent of adults worry that Social Security will run out of funding in their lifetime.* This concern is shared by both workers expecting to rely on these benefits someday *and* retirees currently receiving payments.

It's no wonder they're concerned. Social Security's financing issues and a steady stream of headlines such as "Social Security Trust Funds Projected to Be Depleted in 2035" can put us on edge. Unfortunately, they can also lead people to claim their benefits early—which could have significant long-term effects on their financial well-being.

While Social Security is unlikely to disappear, it may undergo changes. Nevertheless, you can take proactive steps now to prepare for potential changes and protect your future retirement income.

What We'll Cover:

- 1. Is Social Security really going away?
- 2. The pitfalls of panic
- 3. Identifying other retirement income sources



72%
of adults worry that Social Security will run out*

*More than three in four US adults believe the Social Security system needs to change. Nationwide, 7/24.

First, Is Social Security Really Going Away?

Social Security is one of the most popular and successful federal programs in US history and offers retirees a reliable income stream to help sustain their standard of living.

Therefore, neglecting the program, or allowing it to deteriorate, could provoke voter backlash, which politicians are keen to avoid. Rather than large, sweeping reforms, politicians are more inclined to address it with small, incremental changes necessary to shore up the program. Several proposed changes, if enacted, could bolster Social Security in the long run. But any changes would take time to become apparent and likely wouldn't be felt for at least a decade.¹

Even in the unlikely event that Congress doesn't act before funds are depleted, Social Security wouldn't go bankrupt. Ongoing Federal Insurance Contributions Act (FICA) payroll tax revenue would still fund about 80% of promised benefits indefinitely.¹

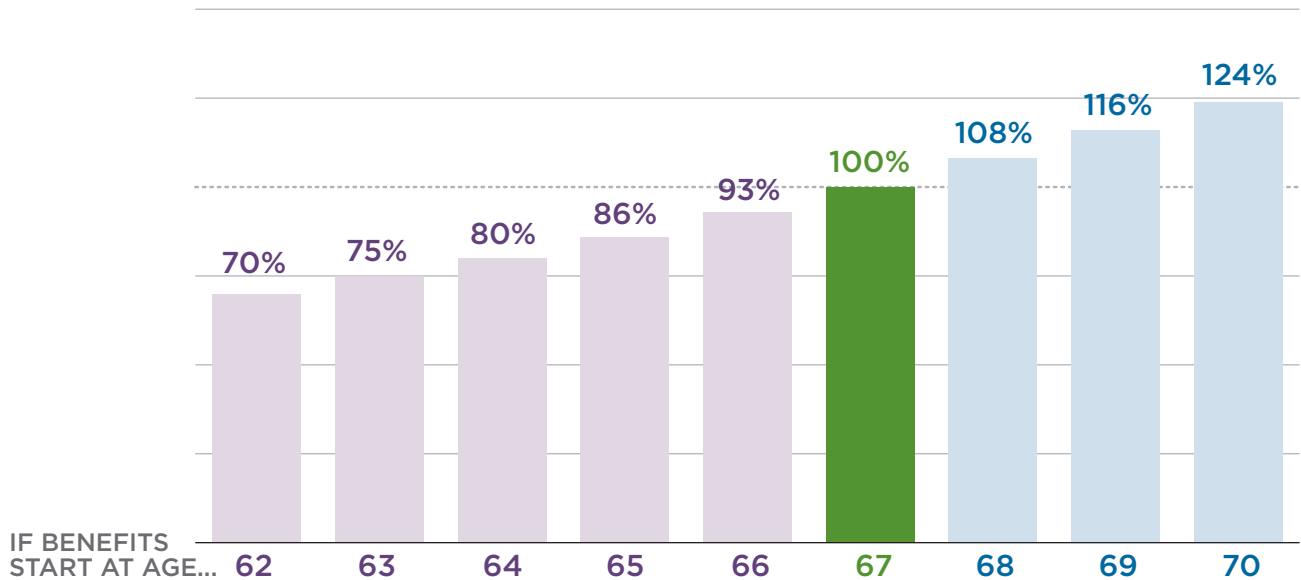
Second, The Pitfalls of Panic

Despite this, many individuals file for benefits before full retirement age, resulting in lower payments. A common misconception is that these payments will automatically increase to 100% of the full retirement benefit amount when full retirement is reached.

This is not the case.

Filing early locks in reduced benefits *for life*. Not only are individual benefits reduced, but spousal benefits are, too. Delaying benefits may result in a higher monthly payout for both individuals and spouses.

Early vs. Delayed Filing: How it Affects Your Social Security Benefit²



The chart above assumes a full retirement age of 67, when an individual would receive 100% of their benefit. Filing early results in a reduced benefit, but the longer it's deferred, the greater the benefit. You can defer your benefit until age 70.

How Filing Early Could Affect Your Benefits

To understand how filing early or delaying might affect your benefits, check your Social Security Statement online at www.ssa.gov/myaccount. If you don't have an account yet, you can easily create one.

Review your statement for two key pieces of information:


- 1** Under **Retirement Benefits**, you'll see your full retirement age (FRA), i.e., the age at which you're eligible to receive 100% of your full benefit. Notice that spousal benefits are included.
- 2** In the **Personalized Monthly Retirement Benefit Estimates** box, you'll see the monthly benefit amount you can expect based on the age at which you file.

Even if you receive your maximum Social Security benefit it likely won't be enough to cover all of your retirement expenses. That's why personal retirement planning remains important.

Third, Identifying Other Retirement Income Sources

Your financial professional can help you identify your retirement-income sources in addition to your Social Security. This will help you determine how each one fits into your overall retirement income plan. These sources may include:

- Distributions from IRAs, 401(k)s, 403(b)s, and other tax-deferred retirement-savings accounts
- Payouts from a company-funded pension plan
- Withdrawals from other savings and investments
- Employment income, including part-time
- A spouse's Social Security benefits



Your Social Security Statement

WANDA WORKER January 20, 2024

Important Information That May Affect Your Benefits
The benefit estimates below are based on your earnings that were taxed for Social Security. Your benefits may be reduced if you participate in a retirement plan or receive a pension based on earnings not covered by Social Security. See *Earnings Not Covered by Social Security* box.

1 Retirement Benefits
You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn "credits" through your work — up to four each year.
Your full retirement age is **67**, based on your date of birth: April 5, 1962. As shown in the chart, you can start your benefits at any time between ages **62** and **70**. **For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.**
These personalized estimates are based on your earnings to date and assume you continue to earn \$54,489 per year until you start your benefits. Learn more at ssa.gov/benefits/retirement/learn.html.

2 Personalized Monthly Retirement Benefit Estimates (Depending on the Age You Start)

Age Retirement Benefits Start	Monthly Benefit Amount
62	\$1,465
63	\$1,569
64	\$1,681
65	\$1,827
66	\$1,973
67	\$2,119
68	\$2,291
69	\$2,463
70	\$2,634

Disability Benefits
You have earned enough credits to qualify for disability benefits. If you became disabled right now and you

Medicare
You have enough credits to qualify for Medicare at age 65. Medicare is the federal health insurance

To provide comprehensive planning and help optimize your investments, your financial professional needs to be aware of all your accounts. For instance, if you have multiple IRAs in different places, it might be wise to consult your financial professional and a tax professional about consolidating these and other accounts if appropriate. Your financial professional can estimate potential retirement income from these and other sources, giving you a clearer financial picture.

To Summarize

While Social Security funding may be strained, the program isn't going away, and filing early out of fear can significantly reduce both individual and spousal benefits. Taking an inventory of your retirement-income sources can help provide valuable perspective.

Social Security FOMO May Scare People Into Filing Early, Which Can Backfire

When making Social Security decisions, it's crucial to stay calm and informed, rather than letting fear dictate your choices. Acting out of fear can lead to decisions that may do more harm than good. You'll need to weigh the pros and cons of filing early vs. waiting, considering factors such as your life expectancy, other income sources, and tax implications. While this may seem overwhelming, your financial professional can help you navigate these decisions.

Next Step

Talk to your financial professional about how Social Security income fits into your overall financial plan.



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Mike educates financial professionals and their clients on a variety of financial topics. He translates the expertise of our various partnering experts—such as psychologists, physiologists, and practice-management specialists—into practical, actionable ideas and tools to make sense of a rapidly evolving financial and demographic landscape.

¹ Social Security in 2024 and Beyond, marybethfranklin.com, 12/23.

² When to Start Receiving Retirement Benefits, Publication No. 05-10147, ssa.gov, 5/24.

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