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Social Security: The good news and the bad news

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Can you count on Social Security being there for you in retirement? Is it broken or is it fixed? Americans are asking these questions and more as they think about the ideal time to retire. The annual report to Congress released earlier this year by the Social Security Board of Trustees offered both good news and bad news:

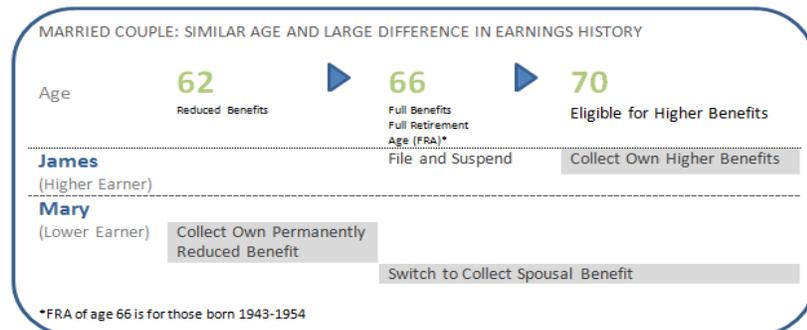
Good news Social Security reserves are on the rise. Without any changes, things will stay that way until 2019.

Bad news If nothing is done to change the present situation, Social Security may find itself in difficult financial straits by 2033, necessitating significant changes in benefits, tax levels, or both to keep the program solvent. Still, if long-term prospects for Social Security indicate problems ahead, they do appear to remain manageable ones that can be addressed. With only a 23% shortfall starting 19 years from now, Congress has plenty of time to evaluate the choices and fix the problems. A major fix to Social Security was last done in 1983, just months before it was about to become insolvent.

Planning to retire in the near future? What does this mean? Careful planning to maximize Social Security benefits is more critical than ever. First, consider your marital and working status, age, and various eligibilities. Then, weigh the right time to start receiving benefits.

A recent AARP article detailed the “file and suspend” approach that increases benefits for qualifying couples using a combination of spousal benefits and what Social Security calls delayed retirement credits. At least one member of the couple

must have reached full retirement age, currently 66 for people born between 1943 and 1954. Like any approach designed to maximize Social Security benefits, “file and suspend” warrants a thorough understanding of what is required, the specific benefits that may be expected, and what risks are involved. Individual situations can vary widely depending on whether a person is working and married to a person also working, retired with a working spouse, divorced, or single—as well as many other factors. The key is to be aware of which strategy will work in your situation and to implement it in a timely manner.



If you are nearing retirement, the time to start thinking and acting has arrived. Consult your accountant or retirement planning specialist sooner rather than later to identify and deal with the complexities involved in your own specific case. The website www.socialsecurity.gov has numerous lists of frequently asked questions with helpful information to get started.

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