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# Money Matters | When doing the Social Security math, the numbers just don’t add up

By RICHARD SALMEN

The headlines last week read, “Social Security trust fund exhaustion projected to be three years sooner than reported last year.” The combined assets of the old age and survivors insurance and disability insurance (OASDI) trust funds will be exhausted in 2033. The DI trust fund will be exhausted in 2016, two years earlier than last year’s estimate. The Trustees also project that OASDI program costs will exceed non-interest income in 2012 and will remain higher throughout the 75 year period of their projections.

According to the Pew Research Center, 10,000 baby boomers are turning 65 every day, swelling the rolls of those collecting. In addition, Pew projects that by 2035 there will be only two workers paying taxes into the social security system to finance the benefits for each retiree.

Although lawmakers have not yet been able to agree on a solution, they generally agree that they cannot makes cuts for those at or near retirement. Proposals to reform social security I have read generally start with the premise that benefits will not be cut and changes will not be made for those over the age of fifty.

This problem has been decades in the making.

The Social Security benefits math illustrates the price of failing to address the long anticipated retirement of the baby boom generation. The eldest of those 77 million Americans born between 1946 and 1964 became eligible for Social Security four years ago. The number of retirees in this generation is growing much faster than the people are entering the work force to replace them.

No matter what your political affiliation might be, the outcome of the coming elections will have an impact on dealing with the Social Security trust fund shortfall. The decision by Congress to reduce the employee’s contribution of their salary from 6.2% to 4.2% (for 2011 and 2012) in order to stimulate the economy in the short term has had a direct effect on the long term solvency of the trust fund. There are no free lunches in the world and we are seeing the clearly the long term consequences of short term choices.

Some in Congress have suggested they have plenty of time to deal with the Social Security trust fund shortfall since the trust fund is not projected to run dry until 2033. Think about your own financial life and the choices you have made over the years. Did putting off hard financial decisions ever make the situation better?

Whether you are attempting to accumulate assets for the future or to pay off debt from the past, starting to solve the problem today is a better option than waiting for things to magically get better.

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*The Money Matters column is written by members of the Financial Planning Association of Greater Kansas City. This week: Richard Salmen, a Certified Financial Planner with GTRUST Financial Partners, Overland Park.*

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