

NEWSLETTER SPRING 2025

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The Current State of Social Security

Ever since Social Security started paying out retirement benefits in 1940, it has been a stable source of income for most retirees in the United States. However, in recent years you've likely heard that Social Security is running out of money. There is a lot of fear-mongering around Social Security in the news today, which is why it's a great time to look under the hood and see exactly what is going on with the current state of Social Security.

The Social Security Trust Fund, also called The Old-Age and Survivors Insurance (OASI) Trust Fund, acts as a saving account for the Social Security program. Between 1940 and 2010, the Social Security administration collected more taxes than they paid in benefits and put the excess money into their trust fund. In 2010, the Social Security program began paying out more in benefits than they received in tax revenue, meaning they had to dip into the trust fund reserves to pay out the proper benefits to recipients. Since 2010, the administration needed to access money in their trust fund every year to adequately cover what they pay out.

Based on current projections, the trust fund is scheduled to run out of money in 2033 or 2035 depending on what estimates you look at. Worst case scenario, if the Social Security trust fund does run out of money, it doesn't mean that Social Security will go away entirely, rather

we would just see a reduction in benefits that are paid out. If no action is taken by congress before the trust fund runs out of money, Social Security will be able to pay out 83% of benefits with the money they collect in payroll taxes each year. Only 17% of what the program pays out in benefits comes from their trust fund reserves.

Any politician or political party knows it would be career suicide if they or their party were responsible for recipients seeing a 17% cut to their Social Security Benefits. The great news is there are many proposals that can strengthen Social Security before their trust fund runs dry. Some proposed changes that are likely on the horizon include raising the Full Retirement Age, increasing or eliminating the payroll tax cap (\$176,100 in 2025) and increasing the payroll tax rate (currently 6.2%). These are just a few of the proposals congress can implement in the coming years to strengthen the Social Security administration finances so recipients don't have to see a reduction in their benefits.

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