

Retirement and Social Security



The Social Security Administration estimates that 96% of American workers are covered by Social Security. For most of them, their monthly Social Security check will form an important part of their retirement income. For this reason, it's important to understand what you can expect to receive from Social Security when you retire. You may be pleasantly surprised!

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What Is Social Security?

The Social Security Act was written by President Franklin Roosevelt's administration and passed by Congress in 1935 as part of the New Deal. Use of the term Social Security in the United States today generally refers to the federal Old-Age, Survivors, and Disability Insurance (OASDI) program. Social Security is currently the largest social insurance program in the U.S., funded through dedicated payroll taxes called Federal Insurance Contributions Act (FICA). When you work and pay Social Security taxes, you earn credits toward Social Security benefits, including:

- Retirement Benefits:** The Social Security retirement benefit you receive will depend on your age, your earnings and when you decide to retire. Social Security retirement benefits may also be payable to your spouse or certain other family members.
- Disability Benefits:** If you are injured or become ill and cannot work, you may qualify for Social Security disability benefits. Social Security uses a strict definition of disability in determining eligibility and pays benefits only for total disability. No benefits are payable for partial disability or for short-term disability.
- Survivors Benefits:** When you die, certain family members may be eligible for Social Security survivor benefits based on your work and earnings record. In addition, your surviving spouse or minor children may be eligible to receive a \$255 one-time payment at your death.

Social Security Taxes

The Social Security taxes you pay during your working years go into a trust fund, where approximately 85% is used to pay Social Security benefits to current retirees and their families, as well as to surviving spouses and children of workers who have died. The remaining 15% goes to a trust fund that pays benefits to disabled workers and their families. A separate Medicare tax is used to provide Medicare coverage to retired and disabled people.

You pay Social Security taxes on your wages or net earnings from self-employment up to a specified amount that may increase each year. In 2020, that amount is \$137,700. The Medicare tax is paid on all of your wages or net earnings from self-employment.

If you work for someone else:	Social Security Tax	Medicare Tax
You pay	6.2%	1.45%
Your employer pays	6.2%	1.45%
If you are self-employed:	Social Security Tax	Medicare Tax
You pay	12.4%	2.9%

How Do You Qualify for Social Security Benefits?

You qualify for Social Security benefits by earning credits through working and paying Social Security taxes. Your Social Security credits are based on the amount of your earnings. In 2020, you receive one credit for each \$1,410 of earnings, up to a maximum of four credits per year. The credits you earn remain on your Social Security record, even if you change jobs or have no earnings for a period of time.

The number of credits you need to be eligible for benefits depends on your age and the type of Social Security benefits:

Retirement Benefits: If you were born in 1929 or later, you need 10 years of work (40 credits) to be eligible for retirement benefits. People born before 1929 needed fewer years of work to receive retirement benefits. According to the 2019 Social Security Fact Sheet:

- As of June 2019, over 44.5 million retired workers and 3.1 million of their dependents were expected to receive almost \$68 billion in retirement benefits.
- Nine out of 10 individuals 65 and older receive Social Security benefits, the major source of income for 50% of married couples and 70% of unmarried persons.
- The average monthly Social Security retirement benefit in 2020 is about \$1,503, while the maximum benefit to a worker retiring at full retirement age is \$3,011.

Disability Benefits: The number of credits needed to receive disability benefits depends on your age when you become disabled...the older you are when you become disabled, the more credits you need. For example, if you are younger than age 24 when you become disabled, you generally need 1-1/2 years of work (six credits) in the three years before you became disabled. If you are age 31 or older when disabled, you generally need at least 20 credits in the 10 years immediately before you became disabled, with the number of credits increasing with your age.

Survivors Benefits: Depending on the worker's age at the time of death, up to a maximum of 10 years of work (40 credits) is required for survivors benefits to be paid to certain family members of a deceased worker, with the survivors of younger workers becoming eligible after as little as 1-1/2 years of work during the three years before the worker's death.

Medicare: Generally, you are eligible for Medicare if you or your spouse worked for at least 10 years in Medicare-covered employment and you are 65 years or older and a citizen or permanent resident of the United States. Certain disabled persons may qualify for Medicare at a younger age.

Do All Jobs Qualify for Social Security Benefits?

The answer is no...not all workers are employed in jobs covered by Social Security, including:

- Most federal employees hired before 1984;
- Railroad employees with more than 10 years of service; and
- Employees of some state and local governments that chose not to participate in Social Security.

How Much Will Your Retirement Benefit Be?

The Social Security retirement benefit is designed to replace a percentage of your earnings when you retire. The amount you receive will depend primarily on two factors:

- Your Earnings:** Your benefit payment will depend on how much you earned during your working career...the higher your lifetime earnings, the higher your Social Security retirement benefit.
- Your Retirement Age:** You can begin receiving Social Security retirement benefits as early as age 62. If, however, you begin receiving benefits before your "full retirement age," your benefits will be permanently reduced, based on your age when benefits begin. On the other hand, if you delay receiving benefits beyond your "full retirement age," your future benefits will be higher.

Social Security "Full Retirement Age"	
Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

How Can You Estimate Your Social Security Retirement Benefit?

The Social Security Administration provides an online tool you can use in estimating your future Social Security benefits:

- Retirement Estimator:** The Social Security Administration has an online Retirement Estimator available at www.ssa.gov. Since this online tool accesses your earnings record, you do not have to input years of earnings information. In addition, the Retirement Estimator allows you to create various "what if" scenarios to compare different retirement options.
- Personal Social Security Account:** You can review your Social Security statement online, which includes your retirement, disability and survivor income estimates, by setting up an account at socialsecurity.gov/myaccount.

Your Social Security Retirement Age

The age at which you decide to begin receiving Social Security retirement benefits will impact the monthly benefit you receive.

- If You Retire Before Your Full Retirement Age:** You can begin receiving Social Security benefits as early as age 62. Receiving Social Security retirement benefits before your full retirement age (see page 4), however, results in a permanent reduction of as much as 30% in your Social Security retirement benefit. Any spouse's benefit payable will also be reduced. Keep in mind that Social Security benefits may be increased by an inflation factor each year. This means that if you begin receiving Social Security benefits early, you'll not only receive a reduced benefit, but the inflation factor will also apply to that reduced benefit.
- If You Retire at Your Full Retirement Age:** You'll receive your full, unreduced Social Security retirement benefit.

The Social Security Administration provides the following information to help you determine the impact on your retirement benefit if you elect to begin receiving benefits at age 62 instead of waiting until your full retirement age:

Full Retirement and Age 62 Benefit by Year of Birth						
			At Age 62			
Year of Birth	Full Retirement Age	Months between age 62 and full retirement age	A \$1,000 retirement benefit would be reduced to	The retirement benefit is reduced by	A \$500 spouse's benefit would be reduced to	The spouse's benefit is reduced by
1937 or earlier	65	36	\$800	20.00%	\$375	25.00%
1938	65 and 2 months	38	\$791	20.83%	\$370	25.83%
1939	65 and 4 months	40	\$783	21.67%	\$366	26.67%
1940	65 and 6 months	42	\$775	22.50%	\$362	27.50%
1941	65 and 8 months	44	\$766	23.33%	\$358	28.33%
1942	65 and 10 months	46	\$758	24.17%	\$354	29.17%
1943 - 1954	66	48	\$750	25.00%	\$350	30.00%
1955	66 and 2 months	50	\$741	25.83%	\$345	30.83%
1956	66 and 4 months	52	\$733	26.67%	\$341	31.67%
1957	66 and 6 months	54	\$725	27.50%	\$337	32.50%
1958	66 and 8 months	56	\$716	28.33%	\$333	33.33%
1959	66 and 10 months	58	\$708	29.17%	\$329	34.17%
1960 and later	67	60	\$700	30.00%	\$325	35.00%

Your Social Security Retirement Age (continued)

- If You Retire After Your Full Retirement Age:** If you delay your retirement beyond your full retirement age, your Social Security retirement benefit will be increased by a percentage for each month of delayed retirement up to age 70. Once you reach age 70, the benefit increase no longer applies.

Increase for Delayed Retirement		
Year of Birth	Yearly Rate of Increase	Monthly Rate of Increase
1933 - 1934	5.5%	11/24 of 1%
1935 - 1936	6.0%	1/2 of 1%
1937 - 1938	6.5%	13/24 of 1%
1939 - 1940	7.0%	7/12 of 1%
1941 - 1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

For example, let's say you were born in 1958, your full retirement age is 66 and 8 months and your monthly benefit at that age is \$1,000. If you wait to begin receiving benefits until age 70, your monthly benefit will increase to \$1,269, an increase of 2/3 of 1% per month for 40 months, giving you a total 26.67% increase, but you'll receive it for fewer years. On the other hand, if you decide to begin receiving benefits early in 2020 at your age 62, your benefit is reduced by 28.33% to \$717, but you'll receive it for more years.

What Is the "Best Age" to Begin Receiving Retirement Benefits?

There is no "best age." Basically, the decision is whether to begin receiving benefits sooner and receive lower monthly payments for more years, or whether to wait and receive higher monthly payments for fewer years. Taking a smaller benefit early can pay off **if** you don't live past what's known as the "break-even" point...the point at which the cumulative value of your reduced early retirement benefits is exceeded by the amount you would have been paid if you had waited until your full retirement age.

The decision on when to begin receiving your Social Security retirement benefits is a personal decision that should take into account factors such as:

- Your current need for income and your other retirement income sources;
- Your health and family longevity;
- Whether you plan to work in retirement and the impact this may have on your Social Security retirement benefit;
- What you anticipate your future financial obligations will be; and
- The amount of your future Social Security benefit.

In making this important decision, the Social Security Administration advises, "When thinking about retirement, be sure to plan for the long term. Many of us will live much longer than the "average" retiree and, generally, women tend to live longer than men. Social Security benefits, which last as long as you live, provide valuable protection against outliving savings and other sources of retirement income. You will want to choose a retirement age based on your circumstances so you will have sufficient income when you need it".

Spouse's Benefits

When you file for Social Security retirement benefits, your spouse may also be entitled to a retirement benefit:

For a spouse who has not worked: A spouse who has not worked outside the home is entitled to as much as one-half of the retired worker's benefit. For example, if the retired worker's benefit is \$1,000 per month, the spouse will receive a Social Security spousal benefit of \$500 per month, assuming the spouse has reached full retirement age.

For a spouse with lower earnings: A spouse who has worked outside the home and earned a minimum of 40 Social Security credits will receive his or her own Social Security retirement benefit. If, however, the spousal benefit is higher than his or her own retirement benefit, the spouse will receive a combination of benefits that equals the higher spousal benefit. For example, let's say that a retired worker is entitled to a \$2,000 monthly Social Security retirement benefit and his spouse is entitled to an \$800 monthly Social Security retirement benefit based on her work record. Since the spousal benefit is 50% of the retired worker's \$2,000 benefit, the spouse will receive a total monthly retirement benefit of \$1,000...\$800 based on her work record and an additional \$200 spousal benefit, assuming full retirement age has been reached.

For a spouse who is not at full retirement age: A spouse who wishes to begin receiving his or her spousal benefit before full retirement age (as shown on page 4) can do so, but the spousal benefit will be permanently reduced from 50% to anywhere from 32.5% to 37.5% of the retired worker's benefit. For example, if full retirement age is 66, a spouse can receive 35% of the worker's benefit beginning at age 62. There is, however, an exception in the case of a spouse who is taking care of a child under age 16 or disabled and receiving Social Security benefits on the worker's record. This spouse will receive a full spousal benefit regardless of age.

For a surviving spouse: When a retired worker dies, a surviving spouse at full retirement age or older receives either 100% of the deceased retired worker's benefit or his or her own benefit, whichever is larger. This results in a loss of retirement income to the surviving spouse of either the 50% spousal benefit or the deceased retired worker's benefit. Surviving spouses who are under their full retirement age will receive a reduced benefit.

For a divorced spouse: A divorced spouse who is at least age 62 and unmarried is entitled to receive Social Security benefits on your record if your marriage lasted at least 10 years. If you and your ex-spouse have been divorced for at least two years and you are both at least age 62, your ex-spouse can get benefits even if you are not retired. Any benefits received by your ex-spouse will have no effect on the amount of benefits you and your current spouse are entitled to receive.

When you begin receiving Social Security retirement benefits, some members of your family may also be eligible to receive benefits, including:

- Your spouse who is age 62 or older (see page 7).
- Your spouse who is younger than age 62, but is taking care of a child who is under age 16 or disabled and who is entitled to receive benefits on your record. The spouse's benefits will end when a child who is not disabled reaches age 16. In the case of a disabled child, according to the Social Security Administration, benefits may continue if the spouse exercises "parental control and responsibility for a mentally disabled child or performs personal services for a child who is physically disabled."
- Former spouses, if they are age 62 or older (see page 7).
- Children up to age 18, or up to age 19 if they are full-time students who have not yet graduated from high school.
- Disabled children, even if they are age 18 or older; the disability must have started prior to age 22.

Your child will be eligible for benefits if he or she is your biological child, your adopted child or your dependent stepchild and is unmarried.

In certain situations, however, benefits are payable to a disabled child who marries someone who is also eligible for benefits as a disabled child.

If you have a spouse and children eligible to receive Social Security benefits based on your work record, each child will receive up to one-half of your full retirement benefit. Your spouse may be eligible for a spouse's benefit, as described on page 7.

There is, however, a limit on the amount of money that will be paid to you and your family...generally from 150% to 180% of your full benefit amount. If the total benefits payable to your spouse and children exceed this limit, their benefits will be reduced. Your benefit, however, will not be affected.

Income Taxation of Social Security Benefits

Some people who receive Social Security retirement benefits have to pay federal income tax on a portion of their benefits.

If your total income plus half of your Social Security retirement benefits exceeds a base amount, some of your Social Security retirement benefits are taxable.

- **Total Income:** In determining your total income, you must include any tax-exempt interest income, excludable interest from U.S. savings bonds and excludable income earned in a foreign country, U.S. possession or Puerto Rico. If you are married and file a joint return, you and your spouse must combine your incomes and Social Security retirement benefits to figure whether any of your combined benefits are taxable. Even if your spouse did not receive any Social Security retirement benefits, if you file a joint return, you must add your spouse's income to yours in determining whether any of your benefits are taxable.

- **Taxable Benefits?:** To determine whether any of your Social Security retirement benefits may be taxable, add one-half of your Social Security retirement benefits to your total income. The higher this combined income, the more benefits you must include in taxable income.

If your total income plus one-half of your Social Security retirement benefits is more than the following **base amount** for your filing status, up to 50% of your benefits are included in your gross income for federal income tax purposes:

- \$32,000 if you are married filing a joint return.
- \$-0- if you are married filing separate returns and lived with your spouse at any time during the year.
- \$25,000 for all other taxpayers.

If your total income plus one-half of your Social Security retirement benefits is more than the following **adjusted base amount** for your filing status, up to 85% of your benefits are included in your gross income for federal income tax purposes:

- \$44,000 if you are married filing a joint return.
- \$-0- if you are married filing separate returns and lived with your spouse at any time during the year.
- \$34,000 for all other taxpayers.

At the end of each year, the Social Security Administration mails a Social Security Benefit Statement that shows the amount of benefits you received. This statement can be used when completing your federal income tax return to find out if you have to pay taxes on any of your Social Security retirement benefits.

You can continue to work after you begin receiving Social Security retirement benefits. It's important, however, to understand the potential impact on your Social Security benefits of working after retirement.

- **If you are receiving Social Security retirement benefits and are less than your full Social Security retirement age (see page 4)**, your Social Security benefits are reduced \$1 for each \$2 of your wages and/or net earnings from self-employment above an exempt amount (\$18,240 in 2020). The exempt amount is adjusted each year for inflation. For example, Joe Sample, age 64, is receiving Social Security benefits while working part-time, earning \$25,000 in 2020. Joe's full retirement age is age 66, so his Social Security benefits are reduced by \$3,380 in 2020 ($\$25,000 - \$18,240 = \$6,760 \div 2 = \$3,380$).
- **If you are receiving Social Security retirement benefits and have reached your full Social Security retirement age (see page 4)**, there is no retirement earnings test, except in the year you reach full retirement age. Here's how it works:
 - **In the year you reach full retirement age**, \$1 in benefits is deducted for each \$3 you earn above a specific annual limit (\$48,600 in 2020), but only counting earnings before the month you reach the full Social Security retirement age. Let's say that Sarah Example, who will reach her full retirement age of 66 in September 2020, is receiving Social Security benefits and earns \$75,000 in the eight months from January through August. Her January - August 2020 Social Security benefits will be reduced by a total of \$8,800 ($\$75,000 - \$48,600 = \$26,400 \div 3 = \$8,800$).
 - **Starting with the month you reach full retirement age**, you receive your full Social Security retirement benefit without regard for or limit on your earnings.
- **Special rule for the first year you retire.** In the initial year of retirement, no retirement benefits will be lost for any month in which your monthly earnings are less than a specified amount (\$1,520 or less in 2020). For example, Harry Executive earns \$150,000 through August 2020 when he retires at age 62 and elects to begin receiving Social Security benefits. He then takes a consulting job beginning in September 2020 that pays him \$1,000 per month. Harry's Social Security retirement benefit will not be reduced for September through December 2020 since his earnings are less than \$1,470 per month.
- **Your wages and/or net income from self-employment may cause your Social Security benefits to be subject to income tax.** If your Social Security benefits are not currently exposed to income tax, you should evaluate whether any wages and/or net income from self-employment will put you over the income tax free base amount of Social Security retirement benefits, as explained on page 9.

There are a number of strategies that may enhance the value of your Social Security retirement benefits. You should evaluate them in the context of your personal situation, as well as your current age...access to several of these strategies is available for only a limited time.

□ **Defer Benefits:** Continuing to work and save for a few years after you turn age 62 will not only result in a higher monthly Social Security check, but it may also help grow your retirement nest egg. If you're married, that higher Social Security check can also result in a higher survivor benefit for your spouse if you die first. If you're planning on a long retirement, give thought to delaying your Social Security benefits to your full retirement age, if not beyond. If you're retiring early at age 62 and want to defer your Social Security benefits but need replacement income today, consider how use of a term certain annuity can be used to provide an income bridge until you apply for Social Security benefits. Finally, if you decide to defer your Social Security benefits until you're older, be certain to apply for Medicare at age 65.

□ **File and Suspend:** **Since the File and Suspend strategy was only available through April 29, 2016, the following is provided for informational purposes only.** In the case of a married couple, this strategy may produce higher combined Social Security benefits over the long run, while protecting a non-working spouse or one whose Social Security benefit will be less than half of that received by the other spouse. This strategy works best for married couples in which one spouse has substantially higher lifetime earnings than the other spouse.

For example, Spouse A, who has reached full retirement age, files for Social Security benefits and then immediately suspends them. Since benefits had been filed for, however, Spouse B becomes eligible for spousal benefits. Since Spouse A suspended benefits, he/she can still earn delayed retirement credit increases of 8% a year until age 70 for waiting to receive benefits. In the meantime, the Spouse B receives the 50% spousal benefit.

For example, let's say that Spouse A is entitled to a monthly Social Security retirement benefit of \$1,500, meaning that Spouse B would receive a spouse's benefit of \$750 per month at his/her full retirement age of 66. Spouse A files for Social Security benefits and then immediately suspends them, meaning that Spouse B can apply for and begin receiving a \$750 monthly spouse's benefit. Spouse A continues working and building a larger future benefit. At age 70, Spouse A again files for benefits, which will now be worth 32% more - about \$2,000 per month. Assuming Spouse A dies first, Spouse B will receive a survivor benefit of \$2,000 per month, rather than the \$1,500 per month she would have received if Spouse A had started collecting benefits at age 66.

IMPORTANT NOTE: The Bipartisan Budget Act of 2015 placed limits on File and Suspend. In the example above, if Spouse A filed to suspend benefits on April 30, 2016 or later, any and all benefits were suspended, including the spousal benefit. **As a result, File and Suspend was an effective strategy only for someone who attained age 66 on April 29, 2016 or earlier and filed and suspended benefits by April 29, 2016.**

Social Security Strategies (continued)

□ **Restricted Application:** In the case of a married couple with comparable lifetime incomes, one spouse may want to retire while the other continues working. For example, let's say that both spouses have reached full retirement age and each is entitled to a monthly Social Security retirement benefit of \$1,800. The husband begins receiving his \$1,800 per month benefit. The wife applies for and begins receiving a spouse's benefit based on her husband's work record, worth \$900 per month. Wife continues working and claims her benefit based on her work record at age 70, at which point her monthly Social Security check will be worth around \$2,400, rather than the \$1,800 she would have received at age 66. On a combined basis, the couple receives \$2,700 per month from their age 66 to age 70 (\$1,800 husband plus \$900 spouse's benefit). Beginning at age 70, the couple's combined monthly Social Security benefit increases to \$4,200 (\$1,800 husband plus \$2,400 wife).

IMPORTANT NOTE: The Bipartisan Budget Act of 2015 placed limits on use of a Restricted Application. Under the new rules, when anyone born **after January 1, 1954** files for benefits, they are **deemed** to file for **both** individual and spousal benefits and will receive either their own Social Security retirement benefit or the spousal benefit, **whichever is bigger**...no choice allowed. **As a result, the Restricted Application strategy is effectively available only to those who were born January 1, 1954 or earlier.**

□ **"Reset" Social Security:** For people born between 1943 and 1954, full retirement age is 66. If they retire early at age 62, they accept a 25% reduction in their Social Security benefits. If they retire at age 66, they receive their full Social Security benefits and if they defer benefits until age 70, they collect about 32% more than their full retirement benefits. That spread makes the age at which you decide to begin receiving Social Security benefits a tough decision.

Let's say you retire at age 62 and begin receiving reduced Social Security benefits. If you change your mind within 12 months of the first month of receiving benefits, you can file Form 521 (Request for Withdrawal of Application) with the Social Security Administration, which suspends your benefits. You can then reapply for the higher benefits available when you are older. In addition, your spouse may then benefit from a higher survivor payment if you die first. You will, however, have to repay in a lump sum any benefits Social Security has already paid to you, but no interest is charged.

- If you paid any income tax on your Social Security benefits, you can claim either an income tax credit or an itemized deduction.
- You can do this only once in your lifetime.

Caution: The decision to do a Social Security "reset" is not reversible. If you are killed in an accident a week after suspending your benefits, your family doesn't get back the lump sum you paid to Social Security. Your surviving spouse, however, may benefit from a higher survivor benefit.

The Future of Social Security

The following information is excerpted from Status of the Social Security and Medicare Programs (Summary of the 2017 Annual Reports; www.ssa.gov).

□ **Social Security must change to meet future challenges.** Social Security has been a basic part of American life for over 80 years. It provides a base of economic security in today's society through a valuable package of retirement, disability and survivors insurance. Social Security has been changed over time to meet the needs of the American people. It will need to change again to meet future challenges.

□ **Changing demographics are driving need for changes in Social Security.** The main reason for Social Security's long-range financing problem is demographics. We are living longer and healthier lives than ever before. When the Social Security program was created in 1935, a 65-year-old American had an average life expectancy of about 12-1/2 more years; today, it is 18 years and rising. In addition, more than 80 million "baby boomers" are retiring, and in about 30 years, there will be twice as many older Americans as there are today. At the same time, the number of workers paying into Social Security per beneficiary will drop from 3.3 today to about 2.1 in 2034. These demographic changes will severely strain Social Security financing.

□ **Current Social Security system is unsustainable in the long run.** Many people think that the Social Security taxes they pay are held in interest-bearing accounts earmarked for their own future retirement needs. The fact is that Social Security is a pay-as-you-go retirement system - the Social Security taxes paid by today's workers and their employers are used to pay the benefits for today's retirees and other beneficiaries. There are now large "reserves" in the trust funds, but even this money is small compared to future scheduled benefit payments. The Social Security Board of Trustees currently projects program cost to rise so that by 2035, Social Security will only be able to pay 75% of scheduled benefits unless program changes are made.

□ **Choices lie ahead.** There are several ways to guarantee that Social Security continues to be there for future generations. Each option means difficult trade-offs that Americans need to know about. The sooner the changes are made, the smaller their impact will be.

➤ **Reduce benefits or reduce their future growth by, for example, increasing the retirement age for full Social Security benefits.** Critics say that many Americans now choose to retire early, and that it would be hard for some people in certain occupations to work past the current retirement age.

➤ **Raise Social Security taxes.** Critics argue that payroll taxes are already very high and that many more workers already pay more in payroll taxes than they do in income taxes. And they point out that eventually Social Security taxes would have to be raised by about 50% to pay for all benefits owed.

➤ **"Pre-fund" benefits for younger workers by letting them have their own voluntary Social Security personal savings account in which they could invest in stocks and bonds.** Critics say that personal retirement accounts mean higher risks for workers, and that if investments were not doing well when a worker is ready to retire, plans would have to be changed.

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