Expected Social Security shortfall won’t stand in way of expansion, advocates say

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With Social Security expected to face revenue shortfalls starting next year, consumer advocates are hopeful that Congress is moving toward acting on legislation that would both shore up the program and expand benefits.

The annual trustees report, released Monday, anticipates that in addition to the program spending more than it takes in beginning in 2020, it will only be able to fund about 80% of promised benefits by 2035 unless Congress acts before then.

While the forecast has changed little from past analyses, the report comes in a year when the House already has held hearings on Social Security reform, and one bill has garnered support from more than 200 lawmakers.

“I think the fire is already lit,” said Nancy Altman, president of advocacy group Social Security Works. “The House is acting, and they’re hoping to vote on legislation this year.”

Altman’s group is among those that support Social Security expansion, pointing to what they say is evidence that the nation can afford it.

For instance, the program isn’t expected to comprise a much larger portion of gross domestic product down the road than it already does. The trustees report shows Social Security’s costs will equal 4.9% of gross domestic product in 2019, increasing to

about 5.9% by 2039. After that it will decline to 5.8% by 2052 and then rise to 6.1% by 2091.

While the program can fully fund benefits for another 16 years or so, the trustees report cautions that the longer lawmakers delay taking action, the more severe the changes will need to be to restore solvency.

For example, if lawmakers were to make no changes until 2035, maintaining a 75-year solvency would require a permanent 3.65 percentage-point increase to the payroll tax rate (for a total of 16.05% that gets split between worker and employer) or a 23% reduction to all benefits starting that year.

Meanwhile, more than 200 lawmakers, all Democrats, have signed onto the Social Security 2100 Act in the House. Introduced by Rep. John Larson, D-Connecticut, the bill would gradually increase the payroll contribution by workers and their employers to 7.4% each by 2043 from the current 6.2% (to 14.8% altogether from 12.4%).

It also would require that earnings above $400,000 be subject to the payroll tax. Right now, earnings above a certain level — $132,900 for 2019 — are not subject to Social Security taxation.

Among other changes, the yearly cost-of-living adjustment for benefits would rely on a different formula to more accurately reflect rising costs for older Americans.

The end result would be extended solvency for the program for 75 years, according to Social Security's Office of the Chief Actuary.

Altman also said that despite the impending funding woes, retirees should not worry that their benefits will be reduced or eliminated. In fact, she said, they should feel confident about the program.

"The whole reason Social Security is projected out for 75 years is to give people a sense of security," Altman said. "Social Security has never missed a payment and I don't believe it ever will."

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