



To address the uncertainty in Social Security benefit amounts, a comprehensive financial plan can help you to make sure that other pieces of your retirement puzzle are intact. (Getty Images)

Will Social Security be there for me?

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If lawmaker's take no action, Social Security's reserves earmarked for retirement and survivor benefits could be depleted in 2033. The UBS Chief Investment Office (CIO) summarizes Social Security's financial outlook and offers suggestions to help make sure your financial plan is prepared for the uncertainty in the system's future benefit amounts.

What happens when Social Security's trust funds are depleted?

Social Security's 2023 Trustees Report states that Social Security's total costs are projected to be higher than its total income in 2023 and all later years, meaning trust fund reserves will be tapped so that beneficiaries can receive full payouts.

If current policies go unchanged, the Old Age and Survivors Insurance (OASI) trust fund assets will continue to be tapped until 2033 when the reserves earmarked for retirement and survivor benefits will run dry. But that doesn't mean retirees won't receive any benefits.

Social Security's primary source of revenue comes from payroll taxes. As long as payroll taxes continue to be deducted from our paychecks, Social Security projects that the revenue would be sufficient to pay 77% of OASI scheduled benefits after the reserves are projected to become depleted in 2033.

Reserves in Social Security's larger trust fund, which pays retirement benefits, were nearly depleted in 1982; however, no beneficiary was shortchanged because Congress enacted temporary emergency legislation that permitted borrowing from other federal trust funds. Additional legislation was passed later on to improve financing. Four years later, borrowed amounts (plus interest) were repaid.

Next steps

It's important to keep in mind that a reduction in benefits will only occur if lawmakers fail to take any action. Lawmakers could take action before then, but at this point, there's no way to know for certain what that action (and its impact on benefits) would be. Even still, this uncertainty doesn't mean there's nothing that can be done today to prepare for a potential change in the future. To help you prepare for potential changes to the Social Security program, we suggest following the steps below:

1. Incorporate reduced benefit amounts into your financial plan to identify shortfalls.

Social Security's outlook isn't great, and a potential reduction in benefits is certainly a reason for investors' concern. But, don't let these concerns turn into worry.

To address the uncertainty in Social Security benefit amounts, a comprehensive financial plan can help you to make sure that other pieces of your retirement puzzle are intact. And, to aid this process, we recommend using the UBS Wealth Way framework, which can help you to approach your financial decision through the lens of meeting your financial goals.

2. Develop a strategy to offset potential shortfalls.

Determine which actions need to be taken to help you increase the likelihood of meeting all of your financial objectives, regardless of Social Security's outlook.

If you're nearing retirement, focus on building out your Liquidity strategy to prepare for a smooth transition into your retirement years. For more information on how to build and manage a Liquidity strategy, please see our report, Liquidity strategy solutions.

And, to maximize the overall value of Social Security's longevity hedge, make sure you consider both the spousal and survivor benefits when determining whether to claim your retirement benefits now or later.

If you're further from retirement, make sure you're saving enough in your Longevity strategy portfolio to retire when and how you want to.

When you meet next with your financial advisor, consider discussing the following questions:

- How will claiming earlier or later impact my family's lifetime retirement, spousal, and survivor benefits?
- How might a benefit reduction affect the likelihood of meeting my late-life spending needs if I live beyond my life expectancy?
- How might other sources of guaranteed income, such as annuities, impact the likelihood of meeting my objectives if Social Security benefits are reduced?
- How much do I need to increase my annual savings in order to offset smaller Social Security benefits?

3. Periodically review your financial plan and make adjustments as needed.

At this time, the UBS US Office of Public Policy does not anticipate any material changes to the Social Security program in the near-term. However, the tax structure of Social Security and Medicare may very well come into play instead near the end of the decade when the solvency of these two programs come into question. We suggest reviewing your financial plan on an ongoing basis and adjusting the Social Security inputs as needed when we gain more clarity around what future Social Security benefits may look like.

Read the full report [Modern Retirement Monthly: Will Social Security be there for me?](#) 27 April 2023.

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