

## #NowMe Episode 15: Recent Trends in Social Security

Hollis Walker: This is #NowMe, a podcast for financial advisors and their clients. Hello, this is Hollis Walker with Jan Blakeley Homan, Director of Advisor Education at Thornburg Investment Management. Welcome back. Thanks for joining us for another episode of #NowMe. So, Jan, in our last #NowMe podcast, we walked about what's being called the great resignation or the big quit. The huge number of Americans who have left their job since the COVID-19 pandemic began. The Washington Post recently published an article about all these retirements which comprise many of those who are leaving their jobs. Some are only in their 50s when they're retiring. So, the article included some really surprising information. The number of retiring workers applying for Social Security benefits dropped by 5% in year ending September 2021. So, I think this means that lots and lots of people are retiring but they're delaying taking Social Security benefits, is that right?

Jan Blakeley Holman: It's totally right, Hollis. You know that article was packed with information that's surprising like this, that 3 million people retired last year, and 3 million doesn't sound like a lot given how large the country is, but that's almost double the amount that we saw retiring pre pandemic. And, the drop in retirees claiming Social Security early is the biggest decline in 20 years.

Ms. Walker: Wow, what's going on with that? Why are the numbers so different now than they've been in the past?

Ms. Holman: Well, there seem to be several reasons. First of all, many Americans received unexpected checks from the federal government. Second, people who lost their jobs received larger than expected unemployment insurance. Third, because of the lockdown, people have seen some of their regular expenses drop dramatically, like commuting, their expenses for their wardrobe, their expenses for meals, you know, out and about when they're working. And finally, the economy has been strong, even though people are really scared that it's not strong, but, all of us have seen investment and retirement portfolios grow dramatically and those who sold their homes in the past couple of years have reaped amazing rewards in this hot housing market.

Ms. Walker: So, Jan, all of that makes sense to me, but I also hear a lot of people talking about Social Security and saying they don't really get how it works. Can you kind of background this on the Social Security system?

Ms. Holman: I'd love to. Social Security is really interesting, very complicated, I think. You know that old adage about a committee that makes a horse and it comes out like a camel? Social Security came into being when Franklin Roosevelt signed the Social Security Act in 1935. That was initially a benefit that would be given to retired workers who became eligible at age 65. Not surprising, over the years, Social Security Act has been amended and it now includes Social Security coverage for spouses, minor children of retired and deceased workers, and also disability insurance. But today when we talk to people about Social Security in casual conversations, most of us are typically talking about the retirement part of Social Security, and that's what we're talking about in this podcast.

Ms. Walker: So the population now is a lot bigger than it used to be. Were there even very many people eligible for Social Security in 1935? I'm thinking that people didn't live as long then as they do now.

Ms. Holman: Well, you're right about life expectancy. If you made it to adulthood, you were doing well because infant mortality was very, very high. The committee that designed Social Security estimated that in 1940 when the monthly benefits began, there would be about 8.3 million Americans who were 65 or older. And interestingly enough, at that time life expectancy was 63 years. In 2019, 54 million Americans were 65 and older. In 2021, 47 million Americans were receiving Social Security retirement benefits. That's a lot. For those who like factoids, the average monthly benefit an individual receives is \$1,550.00 and if you're also wondering what's the largest benefit a person can receive, if a person retires at age 70 and they've been essentially a high earner, the largest benefit they can receive is \$3,970.00. And finally, by the way, Hollis, life expectancy today is 79 years.

Ms. Walker: So there are a lot more of us who are going to retire and want to take our Social Security benefits and we're going to live longer. That's scary, that's why I keep hearing these stories about how Social Security is going to go bankrupt. Is that a realistic fear?

Ms. Holman: You know, you nailed the things that are really making a significant difference. We're living longer; there are many of us, you know, the demand is incredible. And I say there are a few moving parts here. When Social Security began, the ratio of workers who were contributing to retirees who were taking the benefit was high. Now for example, in 1945, and this is the high-water mark, there were 41.9 workers contributing to Social Security for every one retiree receiving benefits. Today, there are about 2.5 workers contributing for each retiree receiving benefits. Now, what else has put pressure on the system? Baby boomers had fewer children than their parents, and now we're seeing what was once the largest generation, baby boomers, retiring, and again, as you mentioned, increased longevity of recipients. The second part of your question, what's going to happen, will it happen, will this system go bankrupt? Well, Hollis, that's the 64-thousand-dollar question as they used to say in that game in the 1950s. I'll call it the 64-billion-dollar question in 2021. From a pure mathematical standpoint, it does look grim. But I tend to be an optimist because I don't believe that Congress is going to let Social Security go bankrupt at all. I believe that at some point they'll get it together, they'll focus on Social Security and they'll add some changes to the system that will give it additional life. I don't know what those are or when it'll happen, but I really believe it will happen.

Ms. Walker: Well, Jan, that's about all the time we have, but I still have a lot of questions about Social Security, including how an individual makes the decision to start taking benefits and things like that. So are you game to dig deeper into Social Security in the next #NowMe podcast?

Ms. Holman: I absolutely am, Hollis. I think it'll be great.

Ms. Walker: Thanks so much, Jan. You've been listening to #NowMe with me, your host, Hollis Walker, and Jan Blakeley Holman, director of advisor education at Thornburg Investment Management. If you want to suggest a topic for us, email us at [NowMe@thornburg.com](mailto:NowMe@thornburg.com). If you'd like to hear more episodes of #NowMe, you can find us on Apple, Spotify, Google Podcast, or your favorite audio provider, or by visiting us at [Thornburg.com/podcast](https://thornburg.com/podcast). Jan can also be found on LinkedIn. If you like us, subscribe, share us on social media and leave us a review. See you next time.

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