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SOCIAL SECURITY PART I

by Xenia Woltmann

Our social security numbers have become the center of our world, they are our identities. When you open an account, apply for a loan, or file your taxes, it is a key piece of information needed to complete the task. However, when Social Security was created in 1936, social security numbers were never meant to become a form of identification.

Fun fact: the first Social Security benefit recipient was Miss Ida May Fuller who filed her claim in November of 1939. She was running errands and visited a Social Security office, curious about what sort of benefit she may be entitled to. She paid a total of $24.75 throughout her employment history. Her first payment was $22.54, and she received almost $23,000 in benefits by the time she passed away at age 100. Some experts say that Miss Fuller's case should have raised a red flag for the future of Social Security, but hers was only one of many cases.

Social Security also pays survivors and disability benefits, we will focus on retirement benefits in this article. In 1960, the ratio of workers per beneficiary was 5:1. By 2031, it is anticipated to decline to 2:1. This stat alone has created a concern for most Americans. The government is attempting to find a solution without having too significant an impact on current and future benefits.

Social Security is financed primarily by employer and employee contributions (approximately 89%), each paying 6.2% of wages with a max income of $142,800. Almost 8% of financing is based on interest earned, and a little over 3% on revenue from taxation of benefits. Eligible recipients include those who have earned 40 "credits" (4 per year max) through their employment history. 1 credit = $1,470. Employee spouses, children, and ex-spouses are also potentially eligible to receive benefits. Currently, retirees can file for benefits beginning at age 62. The current "full retirement age" for social security is age 67. Retirees that wait until age 70 (max age) to begin taking benefits receive an estimated 8% increase each year that they delay.

To remedy the future shortfall, ideas that have been brought up include privatizing Social Security, increasing contributions paid by employers and employees, increasing taxation on benefits, increasing the full retirement age, increasing the number of credits you must earn, decreasing the benefit adjustment through various ages, decreasing the cost-of-living adjustment, and many more. While each solution has its own merit, there are downfalls to each. For example, if the full retirement age is increased, we would see more claims to Social Security disability. Increasing taxation on Social Security benefits could cause many retirees to seek public assistance. The average social security payout is $1,543 per month and the Michigan poverty level is $2,147 per month.

For many, the uncertainty of Social Security's future weighs heavily on their retirement plans. There are many considerations and helpful tips which we will cover in the next article.

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