



## Social Security's slide: Time to hit the panic button?

Social Security's announcement that the program will operate at a deficit this year delivers a stark warning to future retirees counting on Social Security as their main source of income.

"It's not time to hit the panic button," said Rob Fishbein, vice president and corporate counsel at Prudential Financial, "but it is time to take very seriously the challenges pre-retirees face. There may be more of a gap in guaranteed lifetime income for them than for their parents."

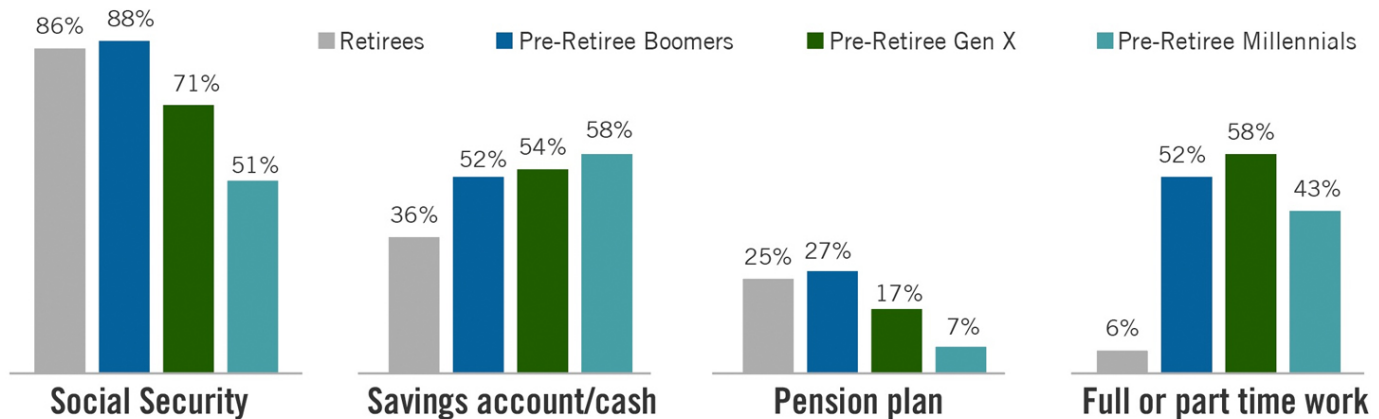
On Tuesday, trustees for Social Security announced in their annual report that the program will need to pull money from its reserves for the first time since 1982. Trustees also said Medicare's main trust fund will run out of money in 2026—three years earlier than previous projections. Social Security's trust funds remain on pace to run dry in 2034.

Social Security's funding shortfall will likely result in program changes over time, such as reducing cost-of-living adjustments, raising the full retirement age beyond 67 or cutting benefits. Some of those changes, if made by Congress, would likely be phased in over time in an effort to minimize harm to those closest to retirement, Fishbein said. However, if Congress does not act, then estimated Social Security benefits could be cut by more than 20 percent when reserves run dry.

Jill Perlin, vice president, Advanced Markets and Sales Training at Prudential, said, "Social Security's downslide isn't new. What is new is that it's become much more imminent."

That means it's time to take stock of sources for income in retirement, preferably with a financial professional, Perlin said. "You need to know what you need, when you need it and how much of it you want to guarantee." Social Security was always meant to be supplemental income, but Baby Boomers have counted on it as a primary paycheck. In fact, soon-to-be released research from PGIM Investments shows 61 percent of current retirees say they couldn't stay retired without Social Security. Younger Americans, while still not saving enough for retirement, say they know most of their income will come from other sources, with 58 percent of Gen Xers expecting to take on full- or part-time work to supplement their savings.

# Americans rethink expected sources of retirement income



According to a study commissioned by PGIM Investments and conducted by The Harris Poll from January 18 through February 1, 2018 among respondents who met the following criteria: U.S. residents; age 21+; employed full-time, part-time, self-employed, stay at home spouse or retired; and primary or shared financial decision maker for household.

Social Security covers 62 million Americans, providing supplemental income to retired workers and their dependents, along with paying disability benefits. Medicare, a federal health insurance program, covers 60 million.

That weakening safety net contributes to fear about the future of financial security among American workers, [who said in a recent Prudential survey](#) they hope for new public policies that can help make it easier to prepare for retirement.

Nearly 80 percent say they want to hear candidates discuss their solutions for retirement security from the campaign trail during 2018 midterm Congressional elections. When it comes to something Congress can act on, 78 percent support the proposed Retirement Enhancement and Savings Act, which would allow open multiple employer plans, making it easier for small employers to band together to offer retirement savings plans.

"There is great interest on Capitol Hill in addressing retirement security," said Fishbein, who noted the Retirement Enhancement and Savings Act so far enjoys bipartisan support. "The time is ripe for some big conversations."

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