
Counting on Social Security?

Pretend It Doesn't Exist

By Kevin Bourke

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Kevin, we hear a lot about the fate of social security. I don't expect to take Social Security for another 10 years. What can I expect to receive? Will there be anything left?

- Kate from Solvang

Kate, there is considerable concern about Social Security, and with good reason. Most Americans seem to be under the impression that their Social Security dollars are going into a huge pot of money that is earning interest, just waiting to be withdrawn at a later date.

The truth of the matter is that there is no "trust account" and there is no "trust fund." As new monies are paid into the tax system, a percentage is paid to retirees in the form of Social Security benefits. If nobody was paying taxes, there would be no Social Security benefits.

This system works fine as long U.S. tax revenue is able to cover all obligations, including Social Security benefits.



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There are endless projections regarding the timing of the demise of Social Security benefits, but most economists seem to feel that 2042 is the year that the Social Security checks won't clear the bank.

Until then, what steps can you take to prepare?

Take responsibility, Kate.

You may be the type to save and invest for your own future, but if not, it's time to start. Each of us has to recognize that we are ultimately responsible for our financial well-being. The old days, where the company we worked for provided a retirement benefit for each employee, are nearly gone.

Even some of those old, established companies are suffering under the weight of retirement obligations they simply cannot sustain.

Today we need to grab the bull by the horns, and plan our own retirement. Perhaps you have access to a 401(k) or similar retirement plan. Are you using it? What about IRA contributions. Are you taking full advantage of whatever is available to you? Do you discuss your retirement planning with your tax advisor?

Kate, have you spent as much time planning your retirement this year as you spent on your vacation plans?

Do you qualify as a Prodigious Accumulator of Wealth (PAW), or are you an Under Accumulator of Wealth (UAW)? In this [column dated March 1, 2008](#), I reviewed a formula that indicates how we are doing as individuals when it comes to saving for retirement.

By answering each of these questions honestly, we might be able to see where we are lacking.

Social Security is not meant to replace our income, but rather to supplement it. My opinion is that the best way to plan for retirement is to ignore Social Security completely. If we can fund our retirement without including Social Security, then anything we do receive from Social Security will be an unexpected, but pleasant, surprise.

In a future column, we'll discuss some of the nuts and bolts of when to apply for Social Security benefits.

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