



2018 Social Security Trustee Report Indicates an Uncertain Future

Each year, the Trustees of the Social Security and Medicare trust funds report on the current and projected financial statuses of the two programs. On June 5, 2018, they issued their latest reports that continue to raise concerns over the future of the programs.

Social Security and Medicare together accounted for 42 percent of Federal program expenditures in 2017. Both funds face long-term financial shortfalls under their current structures. In letters to both the President of the Senate and Speaker of the House of Representatives, the Trustees reported that the Disability Insurance (DI) Trust Fund, which pays disability benefits, will be depleted by 2032. The Old Age and Survivor Insurance (OASI) Trust Fund, which pays retirement and survivor benefits, will be depleted by 2034.

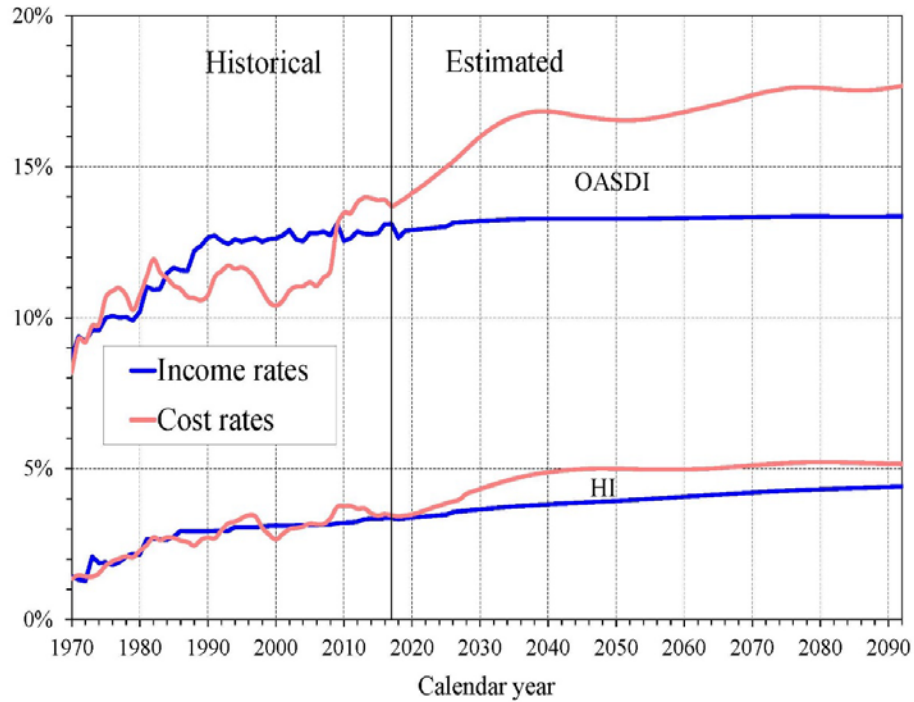
In 2018, Social Security's total cost is projected to exceed its total income for the first time since 1982. Excess costs will be financed with a combination of non-interest income, interest income and redemption of existing reserves from the General Fund of the Treasury. Based on actuarial projections, this translates into an approximate 25 percent reduction in scheduled benefits through the end of the projection period in 2092.

Further concern rests with the Hospital Insurance (HI) Fund, which is part of the Medicare program. The Trustees project the fund will be depleted in 2026, three years earlier than projected in last year's report.

What Is the Outlook for Future Social Security and Medicare HI Costs and Income in Relation to Taxable Earnings?

Because the primary source of income for Old Age Survivor Disability Insurance (OASDI) and HI is through payroll tax, the Trustees' report expresses the programs' incomes and costs as percentages of taxable payroll—that is, the base of worker earnings taxed to support each program.

Remember, the two programs have different taxable payrolls. The HI taxable payroll is about 25 percent larger than that of OASDI because the HI payroll tax is imposed on all earnings, while OASDI taxes apply only to earnings up to a maximum (\$128,400 in 2018), which ordinarily is adjusted each year. Thus, the percentages in the chart below are comparable within each program, but not across programs.



What Are Key Dates in OASDI, OASI, DI and HI Financing?

The following table shows key dates for the respective trust funds as well as for the combined OASDI Trust Funds.

Key Dates for the Trust Funds

	OASI	DI	OASDI	HI
First-year cost exceeds income excluding interest	2010	2019	2010	2008
First-year cost exceeds total income	2020	2019	2018	2018
First-year trust funds are depleted	2034	2032	2034	2026

Summary

As noted in the report, Social Security and DI Trust Fund reserves are projected to increase in 2018 and then fall steadily until they are fully depleted in 2032. Payment of full DI benefits beyond 2032, when tax income would cover only 96% of scheduled benefits, will require legislation to address the financial imbalance.

The OASI Trust Fund, when considered separately, has a projected reserve depletion date of 2034, a year earlier than in last year's report. At that time, income would be sufficient to pay 77% of scheduled OASI benefits.

The combined OASDI Trust Funds have a projected depletion date of 2034, the same as in last year's report. After the depletion of reserves, continuing tax income would be sufficient to pay 79% of scheduled benefits in 2034 and 74% in 2092.

This is where you should include a call to action that says talk to our Retirement Plan Services representatives for an evaluation on what this means for your employees and how an employer-sponsored retirement savings program can help.

Source: 2018 Trustees of the Social Security and Medicare trust funds report.

This document is for educational purposes and is intended to provide a general, nontechnical summary of certain basic concepts applicable to plans. It should not be construed as legal or tax advice or opinion concerning specific factual situations, nor should it be relied upon in that regard. Some information contained in this document has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. For institutional use only. Not for distribution to retail investors. Trust services and investment products are not FDIC insured; not deposits or obligations of, or guaranteed by, CIBC Bank USA; and are subject to investment risk, including loss of principal. The CIBC Logo is a registered trademark of CIBC, used under license.