
Five Myths About Social Security

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For most of us, Social Security is – or will be -- essential for helping to cover daily living expenses and pay bills as we get older. The bottom line is that Social Security is your money, earned through a lifetime of hard work. Yet there are persistent misconceptions about its long-term financial stability and how it works. Here are facts behind five of the most stubborn Social Security myths.

Myth #1: Social Security is going broke. The facts: Social Security will not run out of money, as long as workers and employers continue to pay payroll taxes. It's a pay-as-you-go system: Revenue coming in from payroll taxes largely covers the payments going out. But Social Security does face longer-term funding challenges. For decades it collected more than it paid out, building a surplus that stood at \$2.83 trillion at the end of 2022. But the system is starting to pay out more than it takes in, largely because the retiree population is growing faster than the working population and is living longer. Without changes in how Social Security is financed, the surplus is projected to run out in 2034, according to the latest annual report from the program's trustees. Even then, Social Security will still be able to pay benefits from incoming payroll tax revenue. But it will only be enough to pay about 80% percent of scheduled benefits, according to the latest estimate. If

Congress doesn't take action in the next 10 years to protect and save Social Security, your Social Security could be cut by 20%—an average of \$4,000 a year. The last time Congress took major action to shore up Social Security's nearly depleted reserves was 1983.

Myth #2: The government raids Social Security to pay for other programs. **The facts:** Social Security is primarily funded with workers' and employers' payroll taxes and has never been part of the federal government's general fund. The federal government does, however, borrow from Social Security and in return issues Treasury bonds. The federal government has to pay back any money it borrows from Social Security with interest. The government has always paid it back in full, and annual interest payments increase Social Security's assets, to the tune of \$66.3 billion in 2022.

Myth #3: Members of Congress don't pay into Social Security. **The facts:** Actually, they do. A common complaint about Social Security is that members of Congress don't bother fixing it because it doesn't cover them. Members of Congress came under the Social Security umbrella in 1984, along with the rest of the federal workforce, as part of sweeping changes to the program.

Myth #4: You get more Social Security benefits if you collect early. **The facts:** Your annual payments will be larger the longer you wait to start collecting your benefits. You can begin receiving retirement benefits at age 62, but it will cost you. Say you were born in 1960. If you claim Social Security at age 62, you'll get 70% of the benefit amount calculated from your lifetime earnings. If you wait until full retirement age—in this case, 67—you'll get 100%. If you delay taking your benefit past the full retirement age of 67, Social Security increases your benefit 8% a year until you hit 70. There's no financial incentive to delay past age 70.

Myth #5: You lose a portion of your benefits permanently if you take benefits and keep working. **The facts:** Not true. Social Security does have a rule, called the "earnings limit" or "earnings test," that can temporarily reduce your payments if you are still working. But it doesn't apply to all working beneficiaries, and it is not permanent. The rule only covers people who claim benefits before full retirement age and continue working. In this circumstance, Social Security withholds a portion of your payments if your earnings from work exceed a set cap, which changes every year and differs based on how close you are to full retirement age. However, any withheld money is credited back to you, and the benefits you receive later will be higher.

You can find out more about your Social Security at AARP's Social Security Resource Center (aarp.org/retirement/social-security).