

Financially Speaking

Social Security Alone May Not Be Enough to Retire On

“I’m going to be a Walmart Greeter in my old age,” is a standard joke, but for many Americans it is more reality than a laughing matter.

The University of Massachusetts recently released a study that found that many seniors in the US don’t have enough retirement income to cover their basic needs. The study, which was released in March of 2021, looked at the 100 largest Metropolitan areas in the country and found that 37% of single seniors and 12% of older couples are struggling to make ends meet. In certain parts of the country the percentages are even higher, rising to over half of the senior population.

Potentially compounding this problem going forward is the simple fact that the American population is aging. Current estimates are that by the year 2030 there will be more senior citizens in the US than there will be children under 18.

There are lots of factors that can be pointed to that help explain this problem but in my mind one of the biggest problems is the misconception that many people have that Social Security benefits alone will be enough to retire on.

In 2019 a large insurance company, Nationwide, conducted a survey of adults over age 50 and found that 26% of them thought that Social Security would provide them enough income to retire on. Unfortunately, that same survey found that people on average expected to receive almost \$400 more per month from Social Security than what their actual projections indicate.

The confusion as to the amount of benefits is understandable given that many factors go into determining how much someone receives. The Social Security Administration used to mail Americans a statement every year showing their projected benefits, but as a cost saving measure they discontinued that several years ago. You can still obtain an estimate of what your future benefits will be – and even evaluate how potential changes in your income will affect them – from the Social Security website. Simply go to www.SSA.gov to create an account for yourself and you will be able to obtain information about your future payments and eventually even apply for benefits.

That said, there is a rule of thumb to help you plan: an average, middle class wage earner today may expect Social Security to replace about 40% of their income. Some lower wage earners could have a higher percentage of their income replaced by Social Security, and higher wage earners will generally have a much smaller percentage of their income replaced by Social Security.

Social Security can provide a nice starting point for building a retirement income but for a lot of people it won't be enough to provide for all of their needs, much less for the extras they hope to do.

Ideally, people will have either pensions or savings to supplement retirement income needs. Since employer funded pension plans are rare, that means that most Americans need to accumulate as much in their own retirement savings as they can. And if you have read my columns over the years, you know that even small amounts over a lot of years have the potential to grow to a sizeable sum if invested appropriately.

Seniors that don't have savings to fall back on often find themselves either working longer than planned or reentering the workforce later in life. Thankfully some employers have learned to embrace the benefits that an older workforce can provide and offer those opportunities. After all, what is more welcoming than a kindly senior smiling and saying, "Welcome to Walmart"?

Trisha Arndt, CFP®, is President of Wealth Strategies of Wisconsin Ltd, 951 Kimball Lane, Suite 110, Verona, WI 53593, 608-848-2400. Securities and Advisory Services offered through Commonwealth Financial Network, member FINRA/SIPC, a Registered Investment Advisor.