

# There Are Only Two Ways to Fix Social Security: Cut Benefits or Increase Revenues

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**MarketWatch Blog** by Alicia H. Munnell



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*Raising the 'full retirement age' is not a third option — it is a benefit cut.*

The debate about Social Security has begun. That's perfectly appropriate. The system is **running a 75-year deficit**, and the assets in the Trust Fund, which are temporarily filling the gap between revenues and promised benefits, are projected to be depleted in 2035. After they are depleted, revenues will be sufficient to cover only about three quarters of scheduled outlays. So, we have to do something.

At its core, Social Security is a simple program that essentially operates on a pay-as-you-go basis. (Yes, the trust fund accumulated assets in the wake of the 1983 amendments, but, as noted, those reserves are about to be depleted.) It is essentially a money-in /money-out operation. Currently we have more money going out than coming in. To get the system in balance we need to increase the money going in or reduce the money going out. Reducing the money going out means cutting benefits.

Some people suggest that a third option exists for restoring balance to the program: increase the Full Retirement Age (FRA). Indeed, increasing the FRA from its current 67 to 70 could eliminate about a third of the 75-year deficit. But increasing the Full Retirement Age is not a third option; it is a benefit cut.

Just to be absolutely clear, increasing Social Security's FRA is not just a question of "postponing" claiming. Those who are able to delay retirement receive one less year of benefits. Those who cannot adjust their retirement behavior get lower benefits due to the increased actuarial adjustment – an adjustment made to keep lifetime benefits constant regardless of claiming age. Currently, those claiming at age 62 receive only 70 percent of the benefit available at 67. If the Full Retirement Age were increased to 70, that amount falls to 55 percent.

I'm against any form of benefit cut, because the rest of the U.S. retirement system seems quite wobbly to me. At any moment, only about half of private sector workers are covered by any type of workplace retirement plan. That means some people never are covered and are totally reliant on Social Security, while others move in and out of coverage and end up with modest balances. Moreover, increasing the FRA is the most pernicious form of benefit cut, because it hurts the most vulnerable who are forced to claim early.

Despite my conviction that we should not cut benefits, I think I could have a reasonable discussion with those on the other side of the benefit-cut/revenue-increase debate. But those who try to pretend that increasing the FRA is not a benefit cut make me crazy.

If we are going to move forward, we at least have to label the proposed changes to Social Security correctly. Trying to trick people into thinking that they are not being hurt by an increase in the FRA is not a legitimate way to make policy.