



# Turn Clients' Social Security Concerns into Planning Opportunities

Are clients asking you about the state of Social Security benefit funding and worried that money in the Social Security trust funds will run out? Discover what's actually at risk, what happens if Congress fails to act, and how you can proactively help guide clients amid the uncertainty.

Social Security is often described in alarmist terms, with headlines warning that the system is “running out of money.” The reality is more nuanced—and important for you to explain. If Congress does not intervene, benefits will be impacted, creating uncertainty for clients. For financial professionals, this uncertainty creates both a challenge and an opportunity.

## Social Security Isn't “Going Broke,” but Benefits Are at Risk

The Social Security Administration will continue to collect payroll taxes even if its trust fund reserves are depleted. However, if Congress does not act, benefits would, by law, need to be reduced to match incoming revenues.

According to the Social Security Administration, the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance trust funds (collectively, OASDI) are on track to reach depletion in 2034. At that point, the **program could only pay roughly 81%** of scheduled benefits (assuming all participants are treated the same and other variables are not considered). That could potentially translate to an automatic, across-the-board benefit cut for retirees—not a gradual phase-in, but an immediate adjustment required by law.

For a typical retiree household, this is not a marginal change. **A dual income couple retiring shortly after trust fund depletion could see an annual benefit reduction in the range of tens of thousands of dollars over retirement**, with higher-income households facing even larger nominal cuts, according to the Committee for a Responsible Budget,

July 24, 2025 (link below under “Additional Resources and Links”). Importantly, while lower-income retirees may see smaller dollar reductions, the cut would represent a larger share of their total income.

## Why the Shortfall Exists

The underlying drivers of Social Security's funding gap are well understood:

- The retirement of the baby boomer generation has dramatically increased the ratio of beneficiaries to workers.
- Americans are living longer, drawing benefits for more years.
- Payroll tax growth has not kept pace with benefit obligations.
- Social Security was never designed to pre-fund benefits indefinitely at today's demographic scale.

In recent years, the program has paid out more in benefits than it has collected in payroll taxes, drawing down trust fund reserves to cover the difference. Without reform, that gap widens over time.

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## What Congress Could Do—and Why Timing Matters

There is no shortage of policy options. Proposals frequently discussed include:

- Increasing or eliminating the cap on wages subject to payroll taxes.
- Gradually raising the full retirement age for future beneficiaries.
- Modifying benefit formulas to slow growth for higher earners.
- Adjusting cost-of-living calculations.
- Increasing payroll tax rates, particularly for younger workers.
- Eliminating the income reduction for lower income participants.
- Increasing the reduction for those in the top 25% benefit bracket.

Historically, Congress has acted before insolvency, most notably with the 1983 reforms. However, the longer lawmakers wait, the likelier it is that there may be some disruption.

## What Social Security Uncertainty Means for Retirement Planning

The possibility of reduced benefits reinforces a critical planning principle: **Social Security should be treated as a foundation, not the entire structure, of retirement income.** Stress testing clients' retirement plans under partial benefit reductions should be a consideration for financial professionals. It's especially important for clients who:

- Plan to rely heavily on Social Security for essential expenses.
- Intend to retire around the early 2030s timeframe.
- Rely on Social Security retirement benefits as their only source of guaranteed lifetime income.

The uncertainty also highlights the value of flexibility—both in claiming strategies and in broader income planning.

## ACTIONS YOU CAN TAKE RIGHT NOW

- **Review expected Social Security retirement benefits and how to plan for potential differences.**
- **Incorporate possible changes in Social Security retirement benefits into contingency plans for retirement.**
- **Consider whether additional guaranteed lifetime income will benefit the client's income plan.**

## Annuities Can Help Fill the Income Gap

Guaranteed income solutions can play a meaningful role in reinforcing a client's retirement plan. Annuities are designed to provide income for life. For clients looking to reduce their reliance on Social Security retirement benefits, guaranteed income can help replace some or all of a potential shortfall and help cover essential expenses such as housing, healthcare, and basic living costs. Annuities can serve as an income bridge if clients want to delay Social Security retirement benefits so that their benefits are increased in later years. They also can continue to supplement Social Security retirement benefits for life.

## Add Value by Proactively Addressing Clients' Concerns

Integrating annuities thoughtfully alongside Social Security retirement benefits and other assets may help you close clients' potential income gaps while reducing reliance on uncertain policy outcomes.

## Additional Resources and Links

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[A Predictable Income Strategy Using an IRA](#)

[Retirement Contributions in 2026](#)

**For more information about retirement planning,  
please contact our Retirement Strategies Group at  
[RSG@PacificLife.com](mailto:RSG@PacificLife.com) or (800) 722-2333, ext. 3939.**

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