SOCIAL SECURITY HIGHLIGHTS

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Is the Social Security Administration Running a Scam?

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Retirement planning guru Laurence Kotlikoff recently caused a stir by stating that the Social Security Administration (SSA) is "running scams" and "tricking" American taxpayers into making claiming choices that are against their own best interests.

Kotlikoff, an economics professor at Boston University, in a recent interview with *ThinkAdvisor* magazine, went on to say that "Social Security is [perpetrating] a terrible hoax to get people not to work. It may be the worst public policy this country has ever run. For decades, it has led people to stop working or to not go back to work."[1] He even claimed that the SSA has been "defrauding" widows and widowers out of tens to hundreds of thousands of dollars in benefits.

Kotlikoff writes a column for *Forbes* magazine, and is one of the best known people in the retirement-planning industry. He has never been known as someone who tends to over-hype a crisis.

His point seems to be that over the years, as the Social Security system has grown ever more complicated, it has become nearly impossible for an ordinary taxpayer to understand what they need to know. He cites the case of a six-year-old who was sued by the SSA because he was receiving benefits both from his disabled father's account and his deceased mother's account at the same time.

Another case cited by Kotlikoff is a situation where one spouse dies and the other collects a surviving spouse's benefit. The surviving spouse would generally get the higher of the two benefits: either their own or the deceased spouse's benefit.

But it gets complicated when you factor in what are called "Deferred Retirement Credits." By waiting past your Full Retirement Age to collect (FRA is anywhere between ages 66 and 67, depending on when you were born), your benefit goes up by 8 percent per year for every year you delay. But this applies to your personal benefit only, not to a surviving spouse's benefit.

Kotlikoff points out that there are situations where someone collects a survivor benefit because it's the higher of the two, but over time as the personal benefit grows, the personal benefit eventually overtakes the survivor benefit. The SSA makes no adjustment when this occurs.

Unless you fix it yourself when you get to age 70, you will lose money you're entitled to every month for the rest of your life.

It is estimated that this mistake results in an underpayment of Social Security benefits for 13,000 taxpayers. The SSA's Inspector General pointed this out two years ago, but nothing has been done about it.

The message behind what Kotlikoff is saying is a striking one: the evolution of the Social Security system has made it nearly impossible for most people to understand. Your Security Mutual life insurance advisor can help. Security Mutual has a variety of tools, such as our *Social Security Evaluator*, that can help make your best decision clear.

The last thing anyone wants to do is get less than they are entitled to. At Security Mutual, we are here to help.

Social Security **Evaluator**

To learn about your Social Security options, contact your Security Mutual life insurance agent. Using the Security Mutual Life Social Security Evaluator, your agent can provide you with an easy-to-understand illustration showing your various options, and then help you evaluate those options based on your personal financial needs and goals.

Sources

[1]Rusoff, Jane Wollman. "How Social Security Has Tricked Recipients: Larry Kotlikoff." ThinkAdvisor.com, July 22, 2021.
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