

## Trust Fund Woes

The changes in Social Security benefits and taxes for 2021 were a bit controversial. Benefits will rise 1.3% this year, which is not expected to allow beneficiaries to keep up with increases in the cost of living. Meanwhile, the tax withholdings have risen faster than inflation; for 2021, workers will pay a 6.2% Social Security tax and a 1.45% additional Medicare tax on the first \$142,800 they earn—up from \$137,700 last year.

We can expect more of the same (lower-than-inflation benefits and higher taxes) in coming years, as the Social Security trust fund is on course for insolvency in the year 2031 unless Congress acts.

Interestingly, the Social Security trust fund is the most solvent of all the major trust funds administered by the U.S. government. According to the Committee for a Responsible Federal Budget, the Highway Trust Fund, which pays for upkeep of the interstate highway system, will be depleted sometime this year, while the Pension Benefit Guaranty Corporation, which backstops single-employer and multi-employer pension plans, will run out of money in the mid-2020s without intervention. Medicare Part A is projected to reach insolvency by 2024.

The upshot. Not only will FICA taxes go up before long, but also gasoline taxes and PBGC contributions from pension plans.

### Sources:

<https://www.thinkadvisor.com/2020/12/28/3-social-security-changes-coming-in-2021-415-392871/>

[https://www.crfb.org/blogs/major-trust-funds-headed-insolvency-within-11-years?qclid=Cj0KCQiAx9mABhD0ARIsAEfpavTEYjLLDj9vx5i-It58CWnPKIWYWhemMYhQSao8FA\\_O5N9B9cfUroaAi\\_EALw\\_wcB](https://www.crfb.org/blogs/major-trust-funds-headed-insolvency-within-11-years?qclid=Cj0KCQiAx9mABhD0ARIsAEfpavTEYjLLDj9vx5i-It58CWnPKIWYWhemMYhQSao8FA_O5N9B9cfUroaAi_EALw_wcB)

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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**About the advisor:** Jeff Broadhurst is a wealth manager at Broadhurst Financial Advisors, Inc. He focuses on providing wealth management solutions to business owners and family stewards in the Philadelphia area. Together with his partners, he helps affluent clients address their five biggest concerns:

1. Preserving their wealth
2. Mitigating taxes
3. Taking care of their heirs
4. Ensuring their assets are not unjustly taken
5. Charitable giving.



## **Jeffrey Broadhurst**

MBA, CFA, CFP

Broadhurst Financial Advisors, Inc.

1911 W Point Pike, POB 301

PA 19486, United States

Phone: (215) 325-1595

Email: [jeff@broadhurstfinancial.com](mailto:jeff@broadhurstfinancial.com)

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