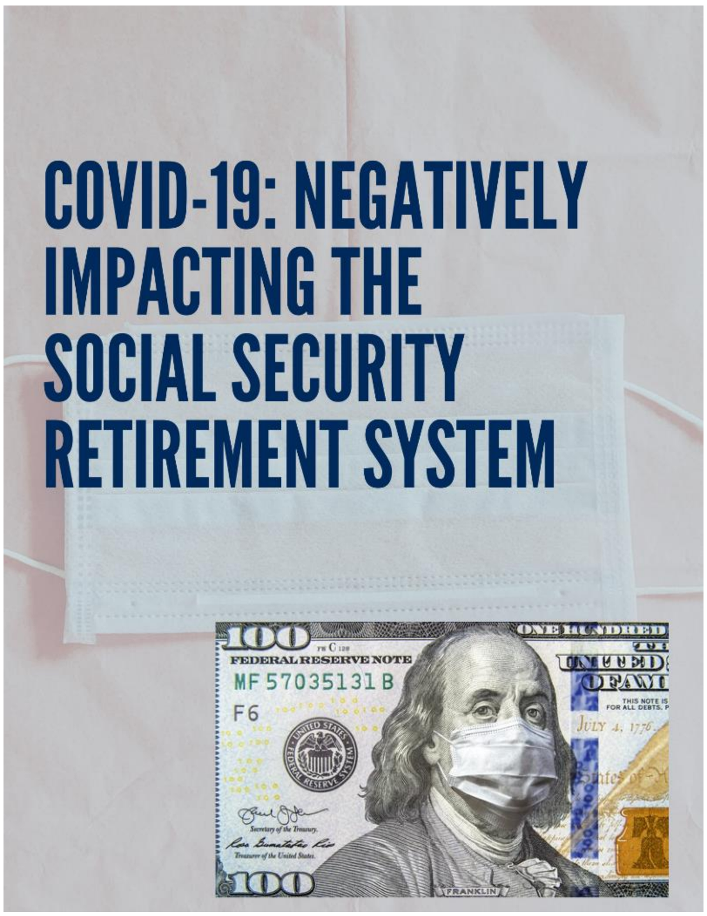

COVID-19 Has Changed the Way We Interact With Others and Our Ability To Work

IMI Asset Management Company www.imiassetmanagementco.com 888.383.3068
CA LIC# 0B42336

COVID-19: Negatively Impacting the Social Security Retirement System

COVID-19 has changed the way we interact with others and our ability to work. Currently, one in four worldwide confirmed COVID-19 cases is occurring in the U.S. The halting of economic activity is expected to damage our economy more than any other previous occurrence. While remote work is happening at some companies, many Americans are unable to collect their regular paychecks and are waiting on unemployment assistance from their state. Undoubtedly this will **negatively impact Social Security tax collection** and Social Security Retirement benefits. Here's why:

- The Social Security system is supported by payroll taxes deducted from currently employed Americans paychecks and their employer's contributions.
- The benefits received by today's retirees are not from their own 'banked contributions' from their working years. The system's design is to collect and payout benefits almost immediately after collection.
- As of the end of **March 2020, 17 million Americans are not working** and have filed for unemployment benefits, and that number is expected to grow. Where will the money deficit come from to pay into the Social Security System?

While current retirement benefit payments aren't expecting an impact, future retirement benefits for those currently working will be. The Social Security Board of Trustees previously projected that Social Security's $2.9 Trillion in reserve assets will exhaust by 2035; COVID-19 will push the depletion date sooner.

This development doesn't mean that if the reserve reaches zero, there will be no more social security benefits paid to retirees, but that the existing payout schedule isn't sustainable, primarily due to COVID-19. It may lead to benefit payment cuts for current and future Social Security retirement beneficiaries.

When Americans receive their CARES Act stimulus checks starting in mid-April 2020, there won't be any Social Security income tax (listed as SSI on pay stubs) taken, nor will it be a source of income for the 2020 income tax filing. Additionally, unemployment benefits checks don't have Social Security income tax taken out either. Both put additional strain on the Social Security system even though they help Americans during this pandemic. What can you do to help your future Social Security Retirement benefits reduction?

Consider Purchasing an Annuity. An annuity is a contract with an insurance company that provides a guaranteed stream of income in retirement that you can't outlive. With the possibility of future Social Security Retirement Benefits cuts, an annuity can take the place of fixed, guaranteed payments, regardless of future economic impacts such as today.

Additionally, ask your financial advisor to remove Social Security as a source of retirement income from your financial plan. If you do receive benefits, you'll be happy about the bonus!

Disclosure: The newsletter and links are being provided as a service to you, they are not endorsed or approved by the Social Security Office or any other Government Agency. Please note that the information and opinions included are provided by third parties and have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. The information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation.

Disclosure: An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Consult a tax advisor for specific information.

Disclosure: This article is not intended to provide legal advice and is for informational purposes only.

1162555c