

SOCIAL SECURITY DISABILITY PAYMENTS IN PERIL BY 2017

The Fiscal Times -

Aug. 21, 2011: The trust fund that supports Social Security disability benefits will run out of money by 2017, leaving the program unable to pay full benefits unless Congress acts, according to new congressional estimates. About two decades after that, Social Security's much larger retirement fund is projected to run dry as well.

Driving the projected shortfalls are laid-off workers and aging baby boomers who are bombarding Social Security's disability program with benefit claims, leaning heavily on the cash-strapped system. Applications are up nearly 50 percent over a decade ago as people lose their jobs and can't find new ones in an economy that has shed nearly 7 million jobs.

Also, not to be overlooked, some people are double dipping the system collecting unemployment insurance benefits, which extend for 99 weeks, as well as Social Security benefits and/or state and federal pensions. This double dipping is not illegal, and many people would feel like suckers if they didn't take advantage of all the benefits available to them through the federal and state governments.

Still, the new benefits stampede on Social Security is adding to a growing backlog of applicants many people have to wait two years or more before their cases are resolved. And the financial problems of a program that's been running in the red for years have been worsening.

Much of the focus in Washington has been on fixing Social Security's retirement system, with proposals ranging from raising the retirement age to means-testing benefits for wealthy retirees. But the disability system is in much worse shape: The trustees who oversee Social Security are urging Congress to shore up the system by reallocating money from the retirement program, just as lawmakers did in 1994.

Yet that would provide only short-term relief at the expense of weakening the retirement program. In a bad economy, claims for disability benefits typically increase because many disabled people get laid off and can't find a new job. This year, about 3.3 million people are expected to apply for federal disability benefits. That's 700,000 more than in 2008 and 1 million more than a decade ago.

"It's primarily economic desperation," Social Security Commissioner Michael Astrue told the Associated Press. "People on the margins who get bad news in terms of a layoff and have no other place to go and they take a shot at disability."

The disability program is also being hit by an aging population disability rates rise as people get older as well as a system that encourages people to apply for more generous disability benefits rather than waiting until they qualify for retirement.

Retirees can get full Social Security benefits at age 66, a threshold gradually rising to 67. Early retirees can get reduced benefits at 62.

However, if you qualify for disability, you can get full benefits, based on your work

history, even before 62.

Increasing Reliance on Social Security

It's clear is that Americans have grown increasingly reliant on Social Security for retirement income. According to a report earlier this year from the left-leaning Institute for Women's Policy Research, between 1999 and 2009 the number of people 65 and older who count on Social Security for at least 80 percent of their income swelled to 48 percent for men and 26 percent for women because of job and income loss.

In January, projections from the Congressional Budget Office showed the program's trust fund dwindling and hitting zero by 2037 as America's baby-boomers retire and applications for benefits increase. This year, Social Security will pay out \$45 billion more in retirement, disability and survivors' benefits than it recoups in payroll taxes a figure that almost triples when the new one-year payroll tax cut is included, CBO said.

Projections for the total year will balloon to \$727 billion or 4.8 percent of GDP.

More than 54 million people collect retirement, disability, or survivor benefits from Social Security, but by 2021, that number will grow to 71 million people, according to the CBO in January. Also in 2021, "CBO estimates Social Security outlays will total \$1.3 trillion, or about 5.3 percent of GDP."