

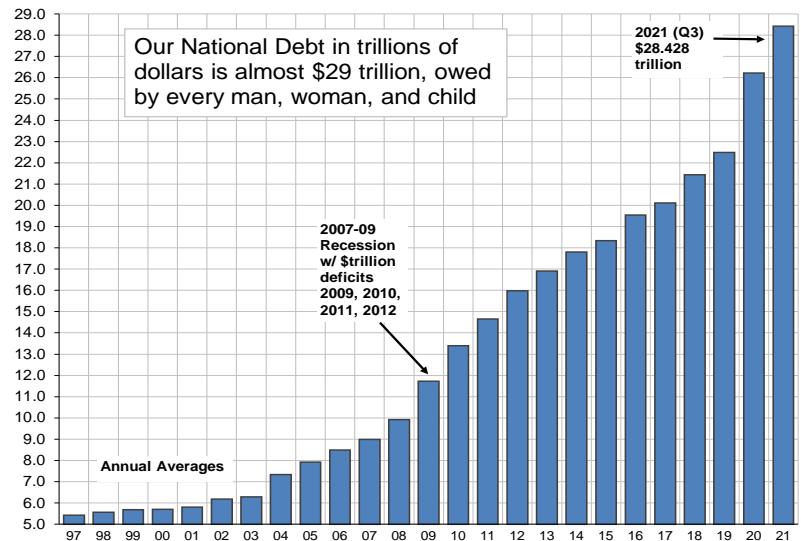
Financial Markets This Week

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WILL YOU BE ABLE TO RETIRE WITH SOCIAL SECURITY?

The money will be there, won't it? OK boomer. Forget deficit spending from Federal budget-busting measures like climate change, the Build Back Better plan, and those \$600 and \$1400 Economic Impact Payment checks, what the heck are y'all doing to the National Debt we all used to care about? When it comes to the nation's finances, the cupboard is bare. Happy New Year. It's 2022 now and soon time for the [annual report](#) from the trustees of Social Security



and Medicare. Last year's report said the Social Security Trust Fund will run out of money in 2033. The baby boom generation born from 1946 to 1964 are 58 to 76 years old in 2022 and will have sucked all the money out of the nation's lock-box vault for Social Security reserves at the Federal Reserve (true, check-it-out) by the time they are 69 to 87 years old in 2033. Eleven years from now. The nation will be bankrupt if we are not already with the national debt over \$28 trillion. We cannot even count on the Federal Reserve anymore as their long-standing emergency pandemic purchases of U.S. government securities were \$80 billion per month (\$960 billion annually) and are now on their way to zero with only \$60 billion bought in the month ending January 13, 2022, and we assume only \$40 billion in the next month after that to be announced January 13, 2022 at 3pm ET. Wait for it.

Sounds bad. But we are happy to report it is not true. The 2033 date. There is no money in the trust fund right now. Those reserves are nonmarketable debt. When social security needs to pay more to beneficiaries than it is collecting from workers, it gives the nonmarketable piece of paper to the U.S. Treasury who then gives them cash. Treasury doesn't have any cash so it sells bonds to the public and then gives the proceeds to social security. The trust fund runs out of money in 2033, but the reality is the payment of social security benefits to retirees "boosts" the Federal budget deficit right now.

We will take a look at saving for retirement the mandatory Federal government social security way keeping in mind that for 2019's maximum taxable social security earnings base of \$132,900, about 80% of all workers earned less than \$100,000 in that year. A rising tide economy doesn't lift all the

boats when it comes to income inequality. Tax the rich: about 5% of all workers made more than \$200,000 in 2019.

The table here shows the social security contributions over 45 years of a worker's lifetime. The government takes the money, says it is investing it for us for retirement, even if the tax collections are used to fund current outlays of the Federal government, spending on the border wall, food stamps, Army tanks, fixing rotten bridges, homeland security. Every so often, a politician wants to allow some privatization of the social security system which would never work as the amounts are too large for everyone to find a place to invest their nest egg. But it is still intriguing to think about what if you had saved all the social security contributions you made for yourself over the years. Would you be better off today if you invested your retirement savings on your own?

Assuming you made the maximum social security earnings base level of income each year along the way, your first social security tax contribution of 4.275% on your earnings of \$17,700 in 1978 was \$757. Your last contribution 45 years later in 2022 is a 5.3% OASI tax on \$147,000 of taxable earnings or \$7,791 saved for your retirement. Add up all 45 years and you accumulated \$187,333. Double that amount if you had convinced your

employer to kick in 5.3% like the Federal government does for you under the current social security plan. You are really saving 10.6% of your income in 2022 up to a maximum of \$147,000.

Whether it is \$187,333 or double that, \$374,666, which includes your employer contribution, it isn't enough to match the maximum benefit social security will pay you at full retirement age in 2022 which is [\\$3,345 per month](#)... for life. (Normal retirement age is 67 years for those born after 1960.) Social security would pay you \$40,140 per year and if you had to pay that out of your own savings here, you would have exhausted that retirement money after 10 years. If you had been able to invest the money you contributed yourself, the table above shows a big difference between investment returns averaging 5% per year or 10% per year. With a 5% return in the table above (assumes 5.3%

45 YEARS OF SOCIAL SECURITY CONTRIBUTIONS						
WHAT IF YOU INVESTED IT YOURSELF?						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Years		SS	OASI	Max	Future	Future
On the		Earnings	Tax	Contri-	Value	Value
Job	Year	Base \$	Rate %	bution	at 5%	at 10%
1	1978	17,700	4.275	757	13597	110309
2	1979	22,900	4.33	992	16970	131411
3	1980	25,900	4.52	1171	19081	141044
4	1981	29,700	4.7	1396	21669	152889
5	1982	32,400	4.575	1482	21914	147593
6	1983	35,700	4.775	1705	24002	154305
7	1984	37,800	5.2	1966	26358	161748
8	1985	39,600	5.2	2059	26298	154046
9	1986	42,000	5.2	2184	26564	148529
10	1987	43,800	5.2	2278	26383	140813
11	1988	45,000	5.53	2489	27453	139866
12	1989	48,000	5.53	2654	27889	135627
13	1990	51,300	5.6	2873	28746	133442
14	1991	53,400	5.6	2990	28498	126277
15	1992	55,500	5.6	3108	28208	119312
16	1993	57,600	5.6	3226	27882	112570
17	1994	60,600	5.26	3188	26241	101129
18	1995	61,200	5.26	3219	25239	92846
19	1996	62,700	5.26	3298	24626	86474
20	1997	65,400	5.35	3499	24882	83401
21	1998	68,400	5.35	3659	24784	79297
22	1999	72,600	5.35	3884	25053	76515
23	2000	76,200	5.3	4039	24809	72326
24	2001	80,400	5.3	4261	24930	69375
25	2002	84,900	5.3	4500	25072	66598
26	2003	87,000	5.3	4611	24469	62041
27	2004	87,900	5.3	4659	23545	56984
28	2005	90,000	5.3	4770	22959	53042
29	2006	94,200	5.3	4993	22886	50470
30	2007	97,500	5.3	5168	22560	47489
31	2008	102,000	5.3	5406	22477	45164
32	2009	106,800	5.3	5660	22414	42991
33	2010	106,800	5.3	5660	21347	39082
34	2011	106,800	5.3	5660	20331	35530
35	2012	110,100	5.3	5835	19961	33298
36	2013	113,700	5.3	6026	19632	31260
37	2014	117,000	5.3	6201	19240	29243
38	2015	118,500	5.3	6281	18558	26926
39	2016	118,500	5.3	6281	17675	24478
40	2017	127,200	5.3	6742	18069	23886
41	2018	128,400	5.3	6805	17371	21920
42	2019	132,900	5.3	7044	17123	20625
43	2020	137,700	5.3	7298	16897	19428
44	2021	142,800	5.3	7568	16688	18316
45	2022	147,000	5.3	7791	16361	17140
			Total	\$187,333	\$1,017,711	\$3,637,054

contributed by you and 5.3% from your employer), you would have \$1,017,711 after 45 years, and \$3,637,054 if you had investment returns of 10%. It is intriguing to think whether social security could be privatized, but doing so would distort private markets. And investing prudently with a mix of bonds and stocks, it will be more difficult to achieve a 5% average annual rate of return on your investment than it was the past 45 years.

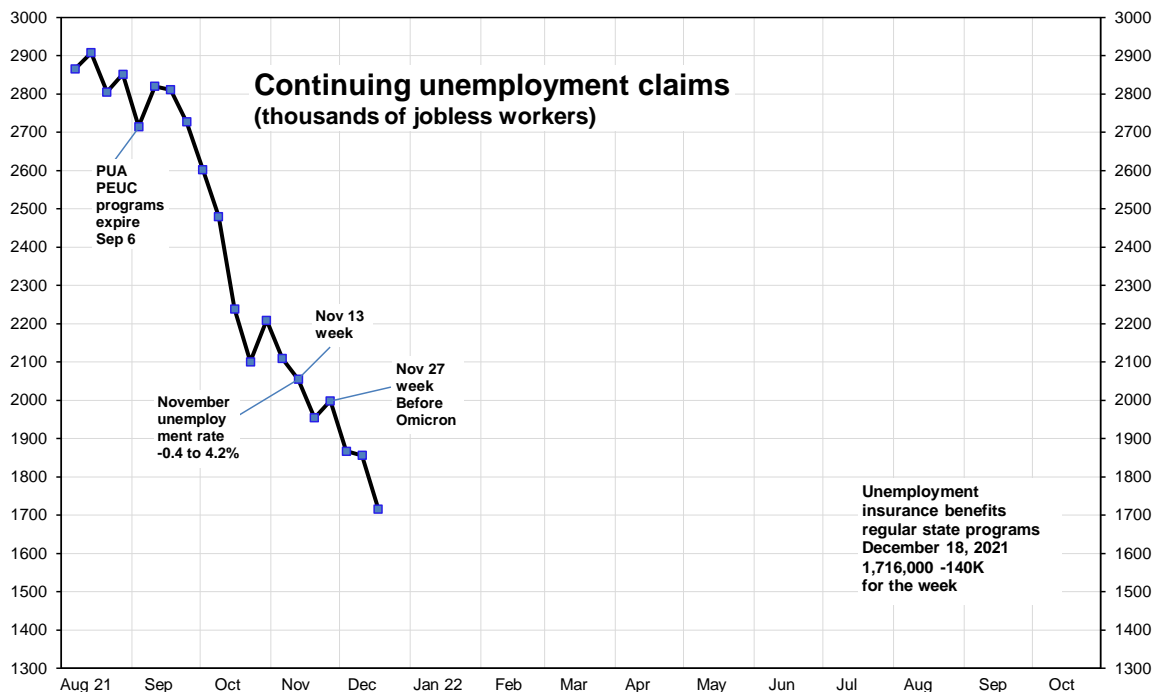
OTHER ECONOMIC NEWS

Jobless claims show the economy is quickening its pace (Thursday)

Breaking economy news. First-time jobless claims dropped to 198 thousand in the December 25 week from 206 thousand the week before. The total number on the unemployment rolls plummeted 140 thousand to 1.716 million in the December 18 week. The labor market is tight as a drum showing the wages side of the wage-price inflation spiral isn't going to slow anytime soon. The Fed's inflation fight will be even harder to win if the labor market screws continue to tighten and workers demand even more wages to stay on the job.

The nation's war with joblessness has been won. Jobless claims show the economy is quickening its pace and the unemployment rate will continue to plunge in one of the strongest labor markets we have ever witnessed with the most job openings in history.

Net, net, this year is really going out with a bang setting the stage for an even stronger labor market in the New Year. This economy will be back to the best economy in fifty years before the pandemic in no time if it isn't there already. Wall Street's at all-time highs and the Main Street economy will be there shortly. There is no need to continue taking the temperature of this recovery to see if it is going to pull through or not, this is flat-out sustainable economic growth that will not slow for the lack of a few Federal government spending dollars. The New Year will be a bright one for the economy. Bet on it. The stock market is.



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