Even before 2020 there were questions about the solvency of Social Security. And with a year of stimulus packages and national spending increases, people are wondering whether Social Security will be there when they need it. The answer is likely yes, but it may look different in the future.

Social Security is primarily financed through a dedicated payroll tax. There are also two other sources that fund this pool of money:

- Taxes on some recipients’ benefits
- Interest earned on the pool of money

For decades, the pool of money was greater than the amount of money paid out in the form of benefits. As a result, there is also a surplus fund. But as of 2021, due to increased longevity and a decrease in the number of workers per beneficiary, Social Security will have to tap the surplus fund to meet its obligations.

If changes are not made to the existing system, the surplus fund will be depleted by 2034. The original pool of money will still be funded by payroll taxes, benefit taxes and interest, but beneficiaries would begin receiving reduced benefits.

The latest Board of Trustees report estimates that benefits will remain fully payable until at least 2034, with 79% of benefits payable through 2093 and 73% of benefits payable thereafter.

These estimates assume that everything stays the same. But it’s more likely that Congress will pass amendments to help address Social Security’s long-term funding shortfalls. Unless and until that happens, however, you can prepare by taking action.

**ACTIONABLE STEPS YOU CAN TAKE**

1. Understand what your essential income needs will be during retirement.
2. Plan in advance for a potentially reduced amount of Social Security benefits. Save in taxable, tax-deferred and tax-free accounts so you have the flexibility to minimize your taxes in retirement.
3. Take advantage of any employer-sponsored plans that are available to you, and contribute at a level that maximizes any employer match that is offered.

If your estimated Social Security benefits don’t cover your essential income needs, talk to your financial professional to learn whether guaranteed income from an annuity is an appropriate option for you.
WHAT IS AN ANNUITY?
An annuity is a financial product that provides a source of guaranteed income in retirement. It is:
- A long-term, tax-deferred retirement savings option
- Able to provide protected income for your spouse after you’re gone
- Issued by an insurance company
- Purchased through a licensed financial professional

All guarantees and protections of a variable annuity are subject to the claims-paying ability of the issuing insurance company.
Withdrawals made before age 59½ may be subject to a 10% early withdrawal federal tax penalty; ordinary income taxes may apply.

Talk with your financial professional about your estimated Social Security benefits and whether an annuity can provide an additional source of guaranteed income.

Four types of annuities

1. IMMEDIATE ANNUITIES
   Immediate guaranteed income
   Converts a lump sum into an ongoing, guaranteed stream of income. Guaranteed payments begin within the first year and typically continue for a set period of time — or for your lifetime — as chosen by you.

2. FIXED ANNUITIES
   Guarantees, but with less chance for growth
   Gives a guaranteed interest rate to help provide predictable growth for your investment. Your principal investment is guaranteed.

3. VARIABLE ANNUITIES
   Greater opportunity for growth tied to underlying investment options.
   Creates potential for long-term growth based on the performance of chosen investment option(s) within your variable annuity.

4. FIXED INDEXED ANNUITIES
   Guaranteed protection with growth potential
   Protects principal in a down market. Also provides some opportunity for growth tied to the performance of an underlying index.

³ Variable annuities have fees and charges that include mortality and expense, administrative fees, contract fees and the expense of the underlying investment options.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. Investors should discuss their specific situation with their financial professional.

Annuities have limitations. They are long-term vehicles designed for retirement purposes. They are not intended to replace emergency funds, to be used as income for day-to-day expenses or to fund short-term savings goals. Please read the contract for complete details. Protections and guarantees are subject to the claims-paying ability of the life insurance company. Consult with your financial professional for more information.

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