Plan ahead for looming Social Security shortfalls

By 2032, current and future recipients may face cuts to retirement benefits.

For many years, the Social Security Administration (through its annual report by its Board of Trustees) has been ringing its alarm bells. The current funding formula is broken, and without changes by Congress, benefit cuts are rapidly approaching. Add growing levels of political gridlock preventing needed improvements to the program's viability, and it may come as no surprise that 7 in 10 Americans worry about the Social Security program running out of funding during their lifetime.[1] While benefits won't stop altogether, they may be reduced at some point in your retirement. Take steps now to protect your retirement paycheck, and you may better soften the blow of any benefit reductions in the years ahead.

Social Security is primarily financed through a dedicated payroll tax. There are also 2 other sources that fund this pool of money:

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

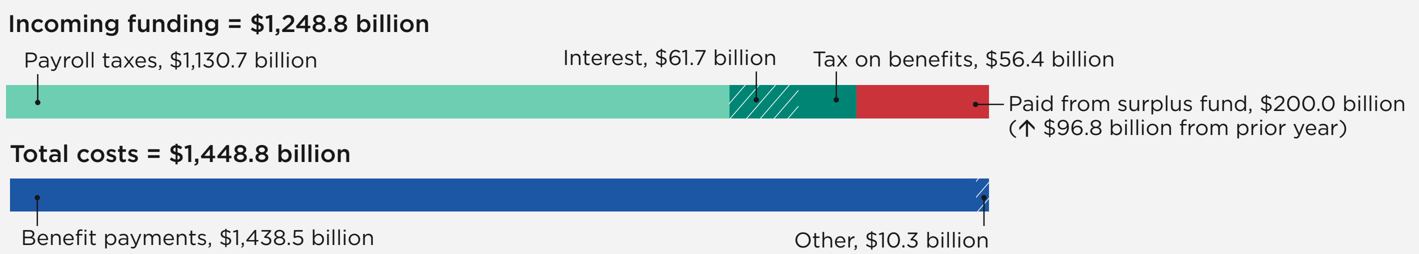
For decades, the pool of money was greater than the amount of money paid out in the form of benefits. As a result, there is also a surplus fund. But beginning in 2021, due to increased longevity and a decrease in the number of workers per beneficiary, Social Security began tapping into the surplus fund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

If changes are not made to the existing system, the surplus fund will be depleted in 2032. 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 2032, with 78% of benefits payable through 2099.**[2]

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.

Social Security (OASI Trust Fund) funding and output, 2025[2]



* Other expenses are administrative expenses and the Railroad Retirement financial interchange.

STEPS YOU CAN TAKE

1 Understand what your essential income needs will be during retirement. A retirement income worksheet can help.

2 Plan in advance for a potentially reduced amount of Social Security benefits. By downloading a copy of your statement at SSA.gov/myaccount, you can calculate the impact of a 22% benefit reduction.

3 Consider an investment that may help provide future additional income to replace any benefit shortfalls.

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.

Four types of annuities

1

IMMEDIATE ANNUITIES

Immediate guaranteed income

Convert 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

Give a guaranteed interest rate to help provide predictable growth for your investment. Your principal investment is guaranteed.

3

VARIABLE ANNUITIES[3]

Greater opportunity for growth tied to underlying investment options

Create potential for long-term growth based on the performance of the chosen investment option(s) within your variable annuity.

4

FIXED INDEXED ANNUITIES

Guaranteed protection with growth potential

Protect principal in a down market. Also provide some opportunity for growth tied to the performance of an underlying index.

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

Nationwide®
is on your side

[1] "The Nationwide Retirement Institute 2026 Social Security Survey," conducted by The Harris Poll on behalf of the Nationwide Retirement Institute. This online survey was conducted May 11 – June 4, 2026, among 1,823 U.S. adults age 18 or older.

[2] "The 2026 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," Social Security Administration (June 2026).

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

This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. 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.

All annuity contract and rider guarantees or annuity payout rates are the sole obligations of and backed by the claims-paying ability of the issuing insurance company. They are not obligations of or backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased or any affiliates of those entities, and none of them make any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

This material should be regarded as educational information on Social Security and is not intended to provide specific advice. If you have questions regarding your particular situation, you should contact the Social Security Administration and/or your legal or tax advisors.

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