



# Social Security Benefits Set to Increase in 2024

*Proper financial planning includes forecasting future Social Security benefits*

In a welcome development for millions of Americans relying on Social Security, the Social Security Administration has recently announced a substantial increase in retirement and disability benefits. Starting in January 2024, recipients will see a significant boost, with benefits set to rise by 3.2%, translating to an average increase of more than \$50 a month.

This cost-of-living adjustment (COLA) marks a helpful step in ensuring financial stability for retirees and individuals with disabilities, impacting over 71 million Social Security beneficiaries across the nation.

## Historic Increases

This COLA increase of 3.2% follows a historic 8.7% surge for 2023 and a 5.9% rise in 2022. These significant adjustments are a testament to the government's commitment to addressing the rising cost of living, especially for those who depend on Social Security benefits as a primary source of income.

## Impact on Recipients

For the average recipient, the 3.2% increase means more than just additional dollars in their monthly budget. It signifies improved financial security, providing a cushion against inflation and ensuring that essential needs are met with less strain. This extra income can contribute to covering healthcare expenses, purchasing necessities, and even indulging in a few luxuries, hopefully enhancing the overall quality of life for retirees and disabled individuals.

## Importance of Social Security Forecasting

Understanding and forecasting Social Security benefits are vital components of financial planning. As demonstrated by the recent COLA adjustments, these benefits are subject to change, and staying informed about these fluctuations is essential for effective financial planning.

**Retirement Planning:** For those approaching retirement, accurately estimating Social Security benefits can help plan for additional income streams and bridge the gap between retirement savings and living expenses.

**Budgeting:** Knowing the exact amount of the monthly benefit allows individuals to budget effectively, ensuring that essential expenses are covered without relying solely on these funds.

**Long-term Financial Security:** Forecasting Social Security benefits aids in long-term financial planning, enabling individuals to make informed decisions about investments, healthcare costs, and potential legacy planning.

**Disability and Survivor Benefits:** For those receiving disability benefits, understanding the potential adjustments in benefits can help plan for healthcare and support services, ensuring a higher quality of life despite the challenges faced.

## The Elephant in the Room

Relying solely on Social Security as a primary source of income during retirement, however, is a very risky proposition, and any good financial advisor will caution against this for several reasons.

Firstly, the future of Social Security benefits is uncertain. While the government has taken steps to address immediate concerns, the program is projected to face financial challenges due to the aging population and a declining worker-to-beneficiary ratio. With a growing number of retirees drawing from the system and a shrinking workforce contributing, there are concerns about the long-term sustainability of Social Security in its current form.

Secondly, Social Security benefits alone might not be sufficient to maintain the standard of living many individuals desire during retirement. The benefits are designed to replace only a portion of pre-retirement income, and for many people, especially those with higher incomes before retirement, this replacement rate might not be enough to cover essential living expenses, healthcare costs, and other financial obligations. Depending solely on these benefits could lead to financial hardship, forcing retirees to compromise on their lifestyle or struggle with unexpected expenses.

Additionally, the cost of living adjustments made to Social Security benefits might not keep up with the actual rise in living expenses, particularly healthcare and housing costs, which tend to increase at a faster rate than the general inflation rate. This discrepancy can erode the purchasing power of Social Security benefits over time, making it challenging for retirees to keep up with rising costs.

## Planning Matters

The increase in Social Security benefits by 3.2%, coupled with previous historic adjustments, is a significant stride towards supporting the financial well-being of retirees and disabled individuals. Proper financial planning, including forecasting Social Security benefits, empowers individuals to navigate their financial futures with confidence, ensuring a comfortable and secure retirement.

However, while Social Security benefits can provide crucial support, they should be viewed as a supplemental income rather than the sole foundation of a retirement plan. Diversifying income sources, such as personal savings, investments, and employer-sponsored retirement accounts, is essential for building a robust financial cushion that can withstand the uncertainties of the future and ensure a comfortable retirement.

Accordingly, as these benefits evolve, staying informed and seeking guidance from financial experts becomes paramount, allowing Americans to make the most out of their hard-earned benefits and enjoy their golden years with peace of mind.