

# Few can avoid paying Social Security

**Q:** Is there a way to avoid paying into Social Security so I can invest for my retirement on my own?

**A:** Considering the well-documented challenges the Social Security system faces, it's no mystery why some investors might think they can do better on their own.

The health of Social Security's Old-Age, Survivors and Disability Insurance (OASDI) is a lightning rod for debate and controversy. The last five OASDI Trustees reports have concluded the OASDI trust funds would run out between 2037 and 2041, based on current assumptions.

Given that shaky outlook — and the reality that there's no way to know how any reforms to Social Security would affect future recipients — asking about how to opt out of the system seems like a reasonable thing to do.

The first way to get out of paying into Social Security is by being a member of the clergy, says Joe Elsasser, a financial planner who specializes in Social Security and other related financial topics. Elsasser strongly advises against this for reasons to be discussed later in this column.

However, clergy can opt out of Social

Security by filing IRS Form 4361, which is the Application for Exemption From Self-Employment Tax for Use by Minister, Members of Religious Orders and Christian Science Practitioners.



**Ask Matt**

By Matt Krantz

There's another very limited way to avoid paying into Social Security, says Craig Copeland, senior researcher for the Employee Benefit Research Institute. Some federal workers covered under the old retirement plan — many of whom are approaching retirement age now — could avoid paying in, he says. Newer

federal employees, though, must pay into Social Security, Copeland says.

There are some state workers in Alaska, Colorado, Louisiana, Maine, Massachusetts, Nevada and Ohio who can opt out of Social Security, Copeland says. These states have statewide coverage systems that are not part of Social Security.

There are additional exemptions for other state workers. For instance, teachers in Connecticut, Kentucky, Illinois, Missouri, Texas and California do not participate in Social

Security. Some teachers in Rhode Island, Georgia, Oklahoma and Minnesota also do not participate, Copeland says.

However, that's it. If you're self-employed or work for a private company, you must pay into Social Security, Copeland says.

But rather than dreading paying into Social Security, most taxpayers should welcome it, Elsasser says. Priests and ministers should also think twice before exempting themselves.

The reason is that Social Security provides many bonuses beyond the well-known retirement benefits. Social Security offers insurance and disability benefits that most people wouldn't buy on their own. If a worker were to become disabled, Social Security benefits might be the only insurance they have from being completely wiped out, Elsasser says.

"Even if you could opt out of Social Security, you wouldn't want to," he says. "There are many benefits available with Social Security that just aren't well known."

Social Security can be a life-saving protection in unfortunate situations where a family's breadwinner is disabled or killed, he says. Furthermore, some older Social Security claimants can also receive benefits for their children.

But all that said, unless you're a priest or state worker in a handful of states, the point is moot. You have to pay in. So it's worth your while to spend time understanding what benefits you're entitled to so you can at least see what you're paying for.