

## Will The New Tax Code Destroy Medicare?

Will the new tax code generate economic growth as promised?

That remains to be seen. What is definite, though, is that slashing taxes always translates into budget cuts across government programs. This is due to the PAYGO Act that Congress passed in 2010 to keep the national deficit in check.

The program that's expected to take the biggest hit is Medicare.



Medicare funds health insurance coverage for senior citizens and much of the disabled population. According to the law, only 4% of the Medicare budget can be trimmed. However, financial experts predict the new tax code could clean out Medicare funds completely by 2029.

Here's what you need to know about the new tax code and its proposed impact on Medicare.

### **The actual cuts**

The new tax bill will increase the federal deficit by approximately \$1.5 trillion over the next decade. Since the government has to fund this deficit, many programs will suffer from budget cuts in the next few years. It is anticipated that Medicare will be subjected to automatic cuts to the tune of \$25 billion - as early as next year.

After several years of cuts, Medicare may actually run out of money by 2029.

### **Which other programs will be affected?**

Many social insurance programs will be affected by the new tax code, including food stamps and WIC. However, since most of these programs receive their funding from a mix of mandatory and appropriated funds, the cuts will not eliminate them completely.

The two programs expected to be hardest hit are Social Security and Medicare, both of which are already running at deficits. Generally, these programs need the most funding. Medical costs only rise with time. In addition, the aging Baby Boomers far outnumber preceding generations and are likely to drain any available funds more quickly.

The Social Security Trust Fund reports that if no further action is taken, its reserves will be depleted by 2034.

### **Will those who are losing benefits receive a tax cut?**

Talk about adding insult to injury! Most middle-class Americans who stand to lose their benefits will also be paying more in taxes under the new code. The AARP has also estimated that 1.2 million taxpayers age 65 and older will be paying higher taxes by 2019.

### **What can you do about the impending change to the tax code?**

You can't do much about these imminent changes except hope the code will change again before any lasting harm is done. What you can do, though, is double down on all your retirement investments and try to put away a little more for your golden years.

Protect yourself now! For tips on setting up or improving a retirement fund, call, click, or stop by [American Southwest Credit Union](#) to ask how we can help.