

# GOVERNMENT SHUTDOWNS: PRESERVING YOUR RETIREMENT

When Congress fails to pass spending bills by Sept. 30 each year, the federal government must shut down nonessential services, closing many offices and furloughing employees until new funding passes. The good news: Historically, government shutdowns have had minimal impact on most Americans' retirement stability.

## YOUR RETIREMENT BENEFITS

Social Security and Medicare are mandatory programs funded by your payroll taxes, held in separate trust funds and authorized permanently – not subject to annual budget battles.

### Your Retirement Benefits Remain in Place<sup>1</sup>

- Social Security checks arrive on schedule.
- Medicare and Medicaid continue.
- VA benefits for veterans continue without interruption.

## INVESTMENT IMPACTS

Despite concerns about shutdowns, history shows government shutdowns have rarely hurt retirement portfolios. Through 20 shutdowns since 1977, stocks and bonds showed minimal negative movement.<sup>2</sup>

### During Shutdowns:

- The S&P 500 has risen **55% of the time** during shutdowns.<sup>3</sup>
- During the longest shutdown (35 days in 2018-2019): The S&P 500 **gained 10.3%**.<sup>4</sup>

### After Shutdowns End:

- The S&P 500 was **higher 86% of the time** one year later.<sup>5</sup>
- Average 12-month return following shutdowns: **16.95%** since 1980.<sup>6</sup>

## IMPACT ON FEDERAL WORKERS AND RETIREES

Federal employees have always received full back pay after shutdowns since the 1970s, and a 2019 law now guarantees this protection.<sup>7</sup>

*If you're still working for the federal government:* During shutdowns, essential employees work unpaid while others are furloughed – but all receive back pay once funding resumes.

*If you're a retired federal employee:* Your federal pension continues without interruption because it's protected mandatory spending.<sup>8</sup> Your health benefits under Federal Employee Health Benefits remain active.<sup>9</sup>

### FEDERAL WORKFORCE REDUCTION WARNING

During this shutdown, OMB has directed agencies to permanently eliminate positions deemed inconsistent with administration priorities through reduction-in-force actions, retaining only minimal staff for statutory functions.<sup>10</sup>

## WHAT TO CONSIDER NOW

With the current shutdown underway, you may be wondering about your finances. The good news: **Your retirement strategy was designed to weather events like these.** We understand that headlines can be unsettling. If recent events have you rethinking your risk tolerance, or if you'd simply like to review how your strategy addresses these scenarios, please don't hesitate to reach out. A quick conversation can often provide the reassurance you need.

Your financial confidence remains our priority, and we're monitoring developments closely. Stay confident knowing your retirement strategy was designed with resilience in mind.

<sup>1</sup>Committee for a Responsible Federal Budget. "Government Shutdowns Q&A: Everything You Should Know." Sept. 16, 2025. <https://www.crfb.org/papers/government-shutdowns-qa-everything-you-should-know>. Accessed Sept. 21, 2025.

<sup>2</sup>J.P. Morgan. Dec. 20, 2024. "Will a shutdown tarnish a banner year for U.S. markets?" <https://www.jpmorgan.com/insights/markets-and-economy/top-market-takeaways/tmt-will-a-shutdown-tarnish-a-banner-year-for-us-markets>. Accessed Sept. 22, 2025.

<sup>3</sup>Dan Burrows. Kiplinger. Sept. 22, 2025. "What Does a Government Shutdown Mean for Stocks?" <https://www.kiplinger.com/investing/what-does-a-government-shutdown-mean-for-stocks>. Accessed Sept. 22, 2025.

<sup>4</sup>J.P. Morgan. Dec. 20, 2024. "Will a shutdown tarnish a banner year for U.S. markets?" <https://www.jpmorgan.com/insights/markets-and-economy/top-market-takeaways/tmt-will-a-shutdown-tarnish-a-banner-year-for-us-markets>. Accessed Sept. 22, 2025.

<sup>5</sup>Dan Burrows. Kiplinger. Sept. 22, 2025. "What Does a Government Shutdown Mean for Stocks?" <https://www.kiplinger.com/investing/what-does-a-government-shutdown-mean-for-stocks>. Accessed Sept. 22, 2025.

<sup>6</sup>Brian Levitt. Invesco. March 4, 2025. "Government shutdown: What could investors expect from the market?" <https://www.invesco.com/us/en/insights/government-shutdown-market-volatility.html>. Accessed Sept. 22, 2025.

<sup>7</sup>Destiny. NARFE. Sept. 9, 2025. "Advocacy Q&A: Pay During a Government Shutdown." <https://www.narfe.org/blog/2025/09/09/advocacy-qa-pay-during-a-government-shutdown/>. Accessed Sept. 21, 2025.

<sup>8</sup>Destiny. NARFE. Sept. 2, 2025. "Advocacy Q&A: Annuity Payments If There's a Government Shutdown." <https://www.narfe.org/blog/2025/09/02/advocacy-qa-annuity-payments-if-theres-a-government-shutdown/>. Accessed Sept. 21, 2025.

<sup>9</sup>Committee for a Responsible Federal Budget. "Government Shutdowns Q&A: Everything You Should Know." Sept. 16, 2025. <https://www.crfb.org/papers/government-shutdowns-qa-everything-you-should-know>. Accessed Sept. 21, 2025.

<sup>10</sup>Adam Cancryn, Tami Luhby. CNN. Sept. 25, 2025. "White House budget office threatens mass firings if government shuts down." <https://www.cnn.com/2025/09/24/politics/white-house-mass-firings-government-shut-down>. Accessed Sept. 29, 2025.