AMAC Foundation

Supporting & Educating America's Seniors

An Update on the Social Security Solvency Crisis

2026

An Update on the Impending Social Security Solvency Crisis

What's the problem?

How did the problem develop?

What can be done about it?

What's the "New" Problem?

Insolvency Snapshot

- Old-Age and Survivors Trust Fund (OASI)
  - End of 2025 reserve balance - $2.3 trillion
  - 2025 deficit - $200 billion
  - Projected full depletion – Fourth quarter of 2032
  - Projected benefit reduction -22%
- Disability Insurance Trust Fund (DI)
  - End of 2025 reserve balance - $223 billion
  - 2025 surplus - $39.8 billion
  - Projected to remain solvent through 2100

But first, a quick review of some basics…

- Social Security is *primarily* funded by payroll taxes (FICA)
- Payroll Taxes are collected by IRS and forwarded to U.S Treasury
- Upon receipt, payroll tax revenue is converted to interest-bearing bonds
- Throughout the month, bonds are redeemed to pay benefits
  - If revenue exceeds benefits, excess bonds remain in trust funds
  - If benefits exceed revenue, additional bonds are redeemed to make up the difference
- Until 2021, incoming revenue exceeded benefit payments
- Since 2021, benefit payments have been drawing down available treasury bonds
- By 2032, all OASI reserves will be completely gone
  - Benefits would then be mandated to match incoming revenue

But first, a quick review of some basics…

Where Social Security revenue ($1,449.3 billion in 2025) comes from:

91% - Payroll tax (FICA - Federal Insurance Contributions Act)

5% - Interest on reserves (Treasury bonds)

4% - Federal income tax on benefits

Where Social Security Expenditures $1,609.5 billion in 2025) go:

99.6% - Benefits paid (retirement, disability, dependents, survivors, etc.)

.4% - Administrative Expenses (program operation)

Annually, any differences (surpluses or deficits) are reflected in the Trust Fund balances (reserves)

(Source – 2026 Trustees Report)

An Update on the Impending Social Security Solvency Crisis

Year-over-year funding analysis – 2024-2025

From 2026 Trustees Report (2025 Operations) (Dollars in Billions)	From 2025 Trustees Report (2024 Operations) (Dollars in Billions)
$1,322.6 – Net payroll taxes	**$1,293.3 – Net payroll taxes**
68.9 – Interest on Trust Fund reserves	**69.1 – Interest on Trust Fund reserves**
57.8 – Federal income tax on benefits	**55.1 – Federal income tax on benefits**
$1,449.3 – Total program revenue	**$1,417.8– Total program revenue**
$1,602.5 – Benefits paid (incl. RR interchange)	**$1,477.3 – Benefits paid (incl. RR interchange)**
7.0 – Administrative expenses	**7.4 – Administrative expenses**
$1,609.5 – Total program operating cost	**$1,484.8 – Total program operating cost**
$ 160.2 – Net change in total trust fund balance	**$ 67.0 – Net change in total trust fund balance**
$2,561.3 – Combined reserves at year-end **$2,338.3 – OASI reserves at year-end** (Note: Components may not sum to totals because of rounding.)	**$2,721.5 – Combined reserves at year-end** **$2,538.3 – OASI reserves at year-end**

An Update on the Impending Social Security Solvency Crisis

From the 2026 Trustees Report:

“The **OASI Trust Fund** is projected to become depleted in the fourth quarter of 2032, one quarter earlier than projected in last year’s report. Upon reserve depletion in 2032, projected income is sufficient to pay 78 percent of scheduled benefits. This percentage declines gradually to 62 percent by 2100.”

- https://www.ssa.gov/OACT/tr/2026/tr2026.pdf (Page 5)

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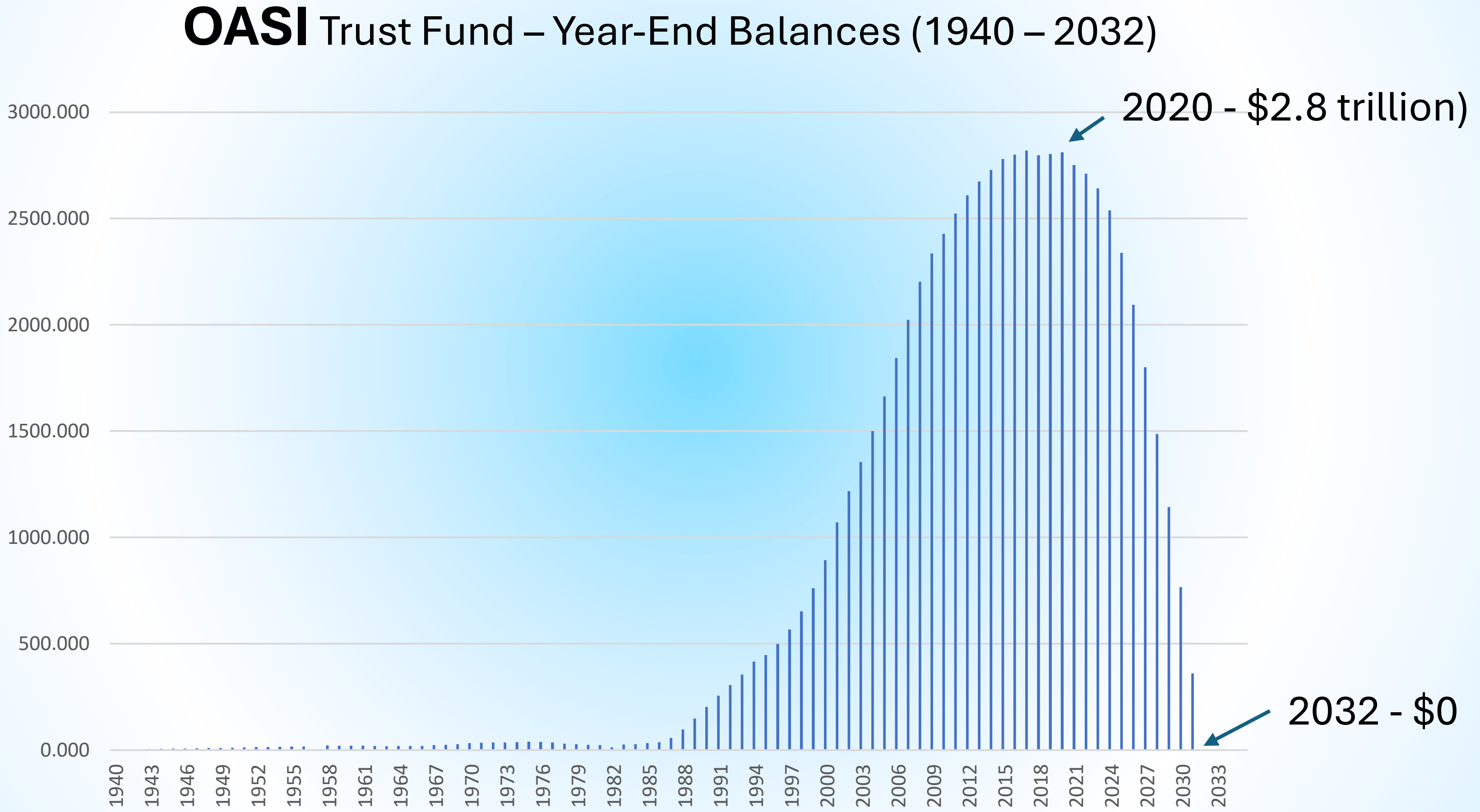

What's Causing the Problem?

Three Key Factors

- Beneficiary longevity
- Workforce demographics
- Income dispersion/Income inequality

Beneficiary Longevity

As a society, we are living longer

- Life expectancy is now in the 80s– compared to low 60s when Social Security was created in the 1930s
  - Life expectancies have grown substantially over the last six decades
  - Someone reaching Social Security eligibility now can expect to draw benefits for more than 20 years—many more years than original projections

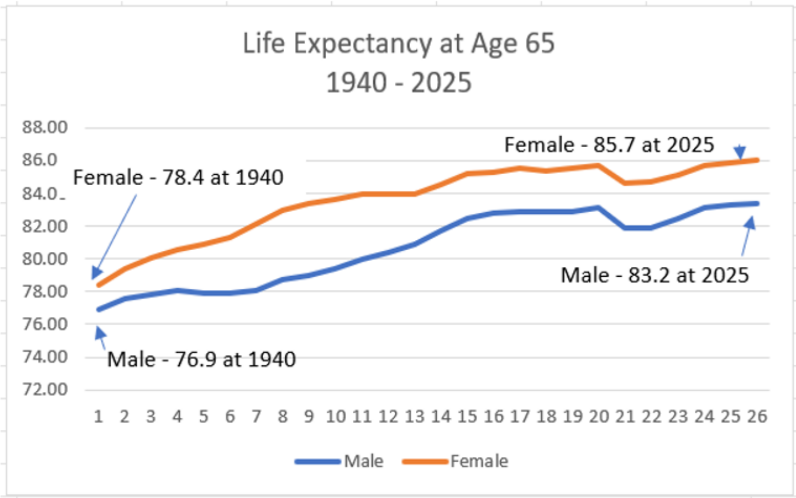

Figure 5 - 2026 Social Security Trustees Report, Table VA4 (Period Life Expectancy)
https://www.ssa.gov/OACT/tr/2026/V_A_demo.html#226697

Workforce Demographics

- There are less than 3 workers per Social Security beneficiary
  - Current (2025) ratio is 2.6 to 1
  - 1950s ratio was 16 to 1
  - 1940s ratio was 42 to 1
- Many workers/taxpayers have been exiting & claiming early
  - Age 62 still one of the most popular dates to begin benefits
  - "Baby Boomers" exacerbate the issue
- Fertility rates continuing to decline
  - Trustees optimistically use 1.75 as birth rate, down from 1.9 in 2025
  - Census Bureau and CBO project substantially lower rates (1.64 and 1.58, respectively)

The Phenomenon of of Income Dispersion

- The assumption in 1983 was that 90% of all earnings would be subject to the taxable payroll rate
- Faster growth in annual earnings for high earners than for medium and low earners increases the “spread” in the relative earnings distribution, increasing the share of all earnings for the top percentiles
- But Social Security has a “taxable maximum” level of earnings—so a relative shift in earnings to workers earning over the taxable maximum reduces the share of overall earnings subject to tax

(Excerpted from S. Goss remarks at NBER Summer Institute 2024
https://www.ssa.gov/OACT/presentations/scgoss_20240724.pdf)

The Phenomenon of of Income Dispersion

- The increased earnings dispersion has reduced the taxable ratio from the intended 90 percent to around 82.5 percent by 2000, and it has remained close to that level (on average) since then

- This has decreased payroll taxes coming in—directly!

(Excerpted from S. Goss remarks at NBER Summer Institute 2024
https://www.ssa.gov/OACT/presentations/scgoss_20240724.pdf)

Summing it All Up

- Social Security's total cost exceeded total income (including interest and income tax) in 2021 for the first time since 1982

- The Social Security Trustees projection of record shows OASI insolvency by 2032, with a 22% reduction in benefits

- Insolvency is now too close for program adjustments to avoid benefit cuts; bridging provisions will be needed

- Bottom Line: Social Security cannot be sustained under the current model

"Policymakers have not significantly altered Social Security's underlying structure since it was designed in 1935 for retirement, in 1939 for survivors' benefits, and in 1956 for disability. Since that time, the economy, the labor market, and American society in general have transformed in countless ways, rendering many of the underlying predicates of the program invalid." Mark J. Warshawsky – *American Enterprise Institute, Deputy Commissioner for Retirement and Disability Policy – SSA)*

What Can/Must be Done About It?

- AMAC has aggressively addressed the issue
- AMAC's balanced 15-point plan would resolve the $30.3 trillion Social Security long-term funding shortfall, thus guaranteeing benefits for successive generations ***without raising payroll taxes***
- AMAC leadership has been actively presenting this plan and holding meetings with members of Congress and with Social Security Administration Staff
- AMAC's plan – **The Social Security Guarantee**:
    - Achieves solvency and ensures higher benefits for lower earners, and
    - Creates a new savings vehicle for retirement

AMAC's Social Security Guarantee (Preserving the promise)

"The promise to guarantee Social Security for all Americans must be kept. AMAC has examined the many proposed solutions presented in the Intermediate Assumptions portion of recent Trustees Reports and selected the alternatives we feel are best suited to save Social Security's retirement trust fund. We have combined these selected assumptions with several other recommendations and our own research to achieve what is the best path to long-term trust fund solvency *without raising taxes*."

View the Social Security Guarantee at AMAC.us/social-security

Prime Directives

1. Guarantee annual benefit increases for all

2. Guarantee achieving solvency and ensure benefits continue

3. Provide a means for all earners to have more income available at retirement through a complementary or supplemental Social Security Plus account

AMAC's Social Security Guarantee (Achieving Solvency)

- Modify and Guarantee the Annual Cost-of-Living Adjustment Process via an across-the-board average dollar COLA
- Either eliminate the federal income tax on Social Security benefits or increase the thresholds for taxation to account for inflation from the past four decades
- Gradually increase normal retirement age (NRA) from 67 to 70 and add mechanism for NRA to keep pace with life expectancy (retaining Early Retirement Age at 62)
- Increase the taxable maximum to ensure that 90% of workforce earnings are eventually subjected to FICA/SECA taxation
- Make modest adjustments to internal calculations to reduce benefits, targeted to higher earners
- For those beneficiaries below the annual Social Security maximum, increase the benefit available to surviving spouses
- Eliminate the pre-NRA Social Security retirement earnings test
- Provide improved supplemental, voluntary retirement after-tax savings plans, with estate value, for all workers

Situation Summary

- Social Security cannot remain on an unstable fiscal path
- AMAC continues to press Congress to take action on Social Security, and the Social Security Guarantee is a viable solution
- The PROMISE Act may provide an avenue for congressional action
- BUT WAIT…THERE'S A NEW PROBLEM!
    - Based on testimony from the Bipartisan Policy Center
        - "…it's likely too late to ward off drastic benefit cuts projected for 2032 without temporary intergovernmental financing"
        - Program changes will not provide balancing effects quick enough

AMAC's Social Security Guarantee

For more information on AMAC's Social Security Guarantee,

Visit our website:

amac.us/social-security-guarantee

or call 888-262-2006

For daily updates on Social Security and retirement issues, visit AMAC Foundation's

Social Security Report website

www.SocialSecurityReport.org

SOCIAL SECURITY REPORT

Your Daily Resource for Vital Information. January 25th, 2022

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An Argument for Indexing Social Security's Full Retirement Age - Tampa Bay Times

Posted on January 21, 2022

Most of the rhetoric on Social Security's looming solvency problem focuses on the program's Trust Fund reserves and their systematic depletion, emphasizing the likely across-the-board reduction in benefits when the Trust Funds reach zero (most recently forecast to happen in 2033 (or, according to some analysts, 2032). The

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AMAC Foundation's Social Security Advsiory Service

And, finally…

For specific questions about Social Security, or the AMAC Social Security Guarantee, contact the AMAC Foundation's Social Security Advisory Service

Via email – SSAdvisor@AmacFoundation.org

Via telephone – 888-750-2622

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