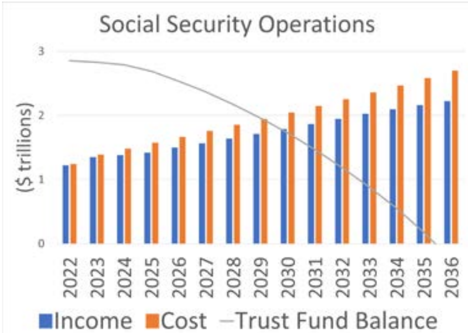
Highlights From the 2024 Social Security Trustees Report

Financials

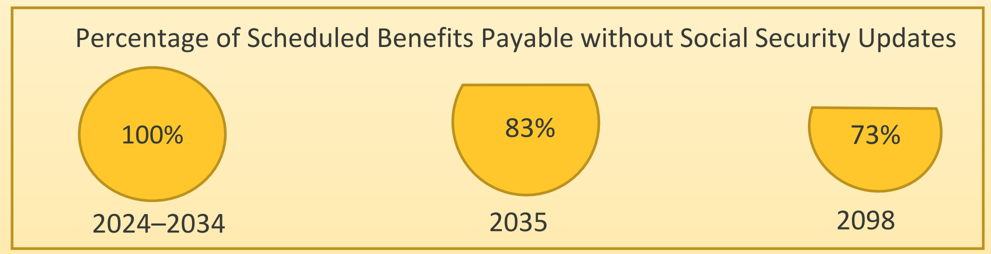
	2023	2035
Total Income:	$ 1.35 trillion	$ 2.16 trillion
Benefits and other costs:	$ 1.39 trillion	$ 2.58 trillion
OASDI Trust fund (12/31):	$ 2.79 trillion	$ 0.00 trillion



- **Short term**: The combined Social Security trust funds are projected to become depleted during 2035. Legislation is needed before then to pay all scheduled benefits beyond that year.
- **Long term**: The 2024 Trustees Report indicates that the 75-year actuarial deficit decreased from 3.61% to 3.50% of taxable payroll during 2023. The system would require 15.9% rather than 12.4% of OASDI tax revenue to be able to pay current scheduled benefits for 75 years, with a reserve at the end to cover these benefit payments for the following year.
- Projecting a system as complex as Social Security involves the potential for the future to unfold differently than assumed. Projections incorporate an array of complex and interrelated assumptions, and are unlikely to be realized exactly.

HIGHLIGHTS

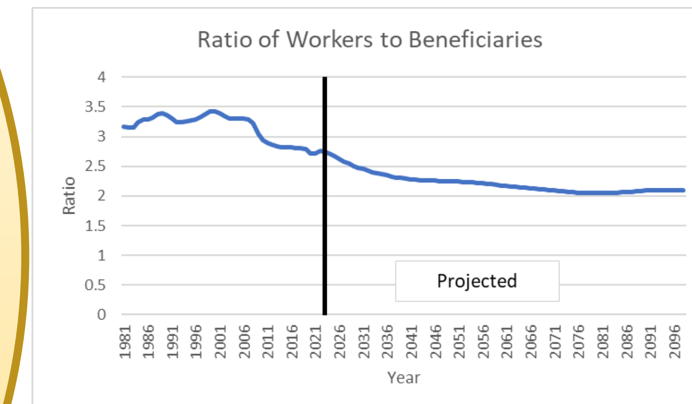
- The combined Social Security trust fund reserves are projected to become depleted during 2035, one year later than was projected in last year's report. This is only 11 years away.
- If changes to the program are not implemented before 2035, only 83% of scheduled benefits would be payable after depletion in 2035, declining to 73% by 2098.



- The 75-year actuarial deficit decreased from 3.61% of taxable wages to 3.50% of taxable wages.
- The trustees lowered the ultimate total fertility rate assumption from 2.0 to 1.9 children per woman, increased short-term economic growth, and changed the disability assumptions.
  - These highlights reflect the trustees' intermediate assumptions for the combined retirement and disability trust funds. See the upcoming American Academy of Actuaries issue brief for a more in-depth discussion of the 2024 Trustees Report.

People

- In 2023, 183 million workers paid Social Security taxes, while 67 million individuals received Social Security benefits. In other words, in 2023 there were about 2.7 covered workers for each beneficiary. The current retiree beneficiary receives $1,767 per month on average.
  - In contrast, in 1960 there were 5.1 covered workers for each beneficiary. Through the 1980s and 1990s, there were more than three covered workers per beneficiary. When the oldest baby boomers (born in 1946) turned 62 in 2008, a precipitous drop in the ratio began.
  - Projections indicate that by 2036, there will be only 2.3 covered workers per beneficiary, with the ratio bottoming out at close to 2.0. An increased financial burden will be placed on each tax-paying worker to provide currently scheduled benefits.
  - The trustees assume that life expectancies will continue to increase; current low fertility rates will increase to 1.9 per woman beginning in 2040, which is below replacement level; and immigration will average about 1.3 million people per year. Thus, although the population is projected to grow, it will also age—Social Security will have a financial problem unless changes are made.

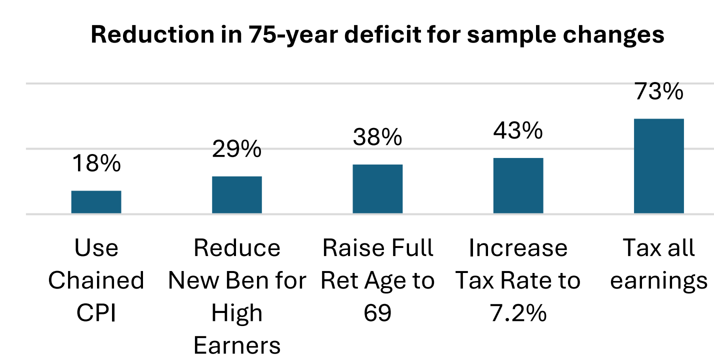


Economy

- Economic growth enables growth in wages and payroll-based taxation. Gross domestic product (GDP) grew by 2.4% in 2023, and an average rate of 2.1% over the past five years. Economic growth is projected at 2.0% over the next five years and about 1.9% long term.
- Productivity increases reflect the ratio of real GDP to hours worked by all workers, and are a critical driver of wage growth. Productivity increased 0.9% in 2023, and an average 1.4% rate of increase over the last five years. Productivity is projected to grow at a 1.5% rate over the next five years, and 1.6% over the long term.
- Real wage growth is affected by the above factors, along with changes in the dynamics of labor supply/demand. Real wages were estimated to be essentially flat in 2023. Wages have grown at a 0.9% real rates over the last five years. Real wages are projected to grow at a 1.5% annual rate over the next five years, then at a 1.14% rate after 2033.
- The trust fund reserves of $2.8 trillion are relatively small in comparison to future benefits. As the income deficit is projected to widen, the level of trust fund assets is projected to decline and be depleted in 2035. Trust fund assets have returned an average of 2.5% over the past five years. While yields have increased in recent years, the impact is expected to be limited given the depleting trust fund.

What Can Be Done

- Lawmakers have a range of policy options that could close or reduce Social Security's short-term and long-term financial shortfall. Policy options include increasing system revenue, decreasing system benefits, or a combination of both. The Academy's October 2023 issue brief *Reforming Social Security Sooner Rather Than Later* describes several possible options.
- Ideas for **increasing system revenue** include increasing tax rates on all workers, removing the cap on taxable wages, and increasing taxes paid by high-wage earners.
- Ideas for **decreasing system benefits** include gradually raising the full retirement age to reflect increased longevity, reducing benefits for higher-income people, and changing the inflation index used to adjust benefits annually.



- Implementing changes **sooner rather than later** will allow more people to share in the needed revenue increases or reductions in scheduled benefits. The chart to the left indicates the percentage of the 75-year deficit "solved" by a few selected reform changes. Check out the Academy's Social Security Challenge for further explanation.

