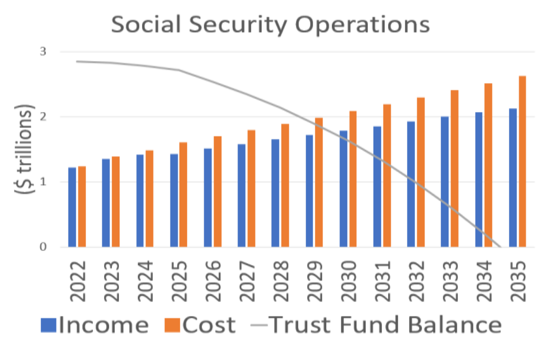
American Academy of Actuaries

Highlights from the 2025 Social Security Trustees Report

Financials

	2024	2034
Total Income:	$ 1.42 trillion	$ 2.07 trillion
Benefits and other costs:	$ 1.48 trillion	$ 2.52 trillion
OASDI Trust fund balance (end of year):	$ 2.72 trillion	$ 0.00 trillion

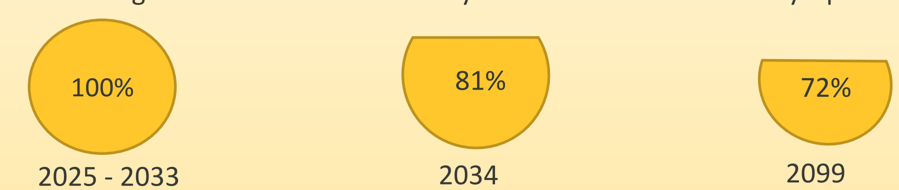


- **Short-term**: The combined Social Security trust funds are projected to become depleted during 2034. Legislation is needed before then to pay all scheduled benefits.
- **Long-term**: The 75-year actuarial deficit is projected to increase to 3.82% of taxable payroll from 3.50% in the 2024 report. The Social Security Fairness Act produced almost half of that increase. The system would require 16.22% rather than the current 12.4% of OASDI taxable payroll, 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 2034, one year earlier than was projected in last year's report. This is only 9 years away.
- If changes to the program are not implemented before 2034, only 81% of scheduled benefits would be payable after depletion in 2034, declining to 72% by 2099.

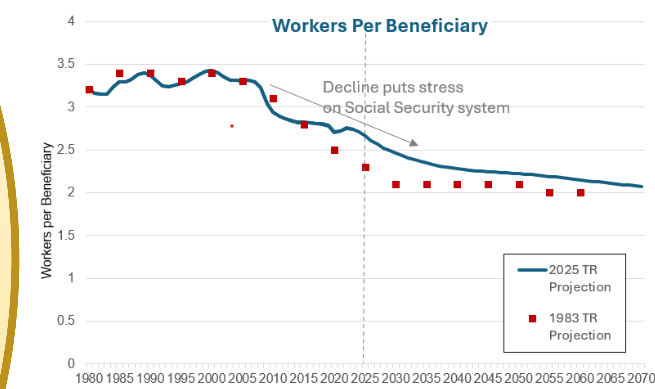
Percentage of Scheduled Benefits Payable without Social Security Updates



- The 75-year actuarial deficit increased from 3.50% of taxable payroll to 3.82% of taxable payroll.
- The Trustees reflected the enactment of the Social Security Fairness Act, lowered the assumption for the ultimate labor share of output, and extended the period to reach the ultimate total fertility rate assumption by ten years.
- 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 2025 Trustees Report.

People

- In 2024, 184 million workers paid Social Security taxes, while 68 million individuals received Social Security benefits. In other words, in 2024 there were about 2.7 covered workers for each beneficiary. The current average benefit is $1,834 per month.
- 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 2035, there will be only 2.3 covered workers per beneficiary, with the ratio bottoming out at close to 2.0. An increased financial burden would 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 2050 (a change from previously assumed 2040), which is below replacement level; and immigration will decline from recent highs and 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 2.8% in 2024, and at an average rate of 2.4% over the past five years. Economic growth is projected to be a bit slower going forward—2.1% over the next five years and 1.9% over the long term.
- Productivity increases reflect the ratio of real GDP to hours worked by all workers and is a critical driver of wage growth. Productivity increased 1.8% in 2024 and on average over the last five years. Productivity is projected to improve at a slightly lower rate going forward—1.5% 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 increased by 1.3% in 2024 and by 1.0% over the last five years. Real wages are projected to grow at a 1.6% annual rate over the next five years, grading down to a 1.13% rate after 2034.
- The trust fund reserves of $2.7 trillion are relatively small in comparison to future benefits. As the system's cash flow deficit is projected to widen, trust fund assets are projected to decline and be depleted in 2034. The trust fund reserves have yielded an average annual return of 2.5% over the past five years. While the rate of return is projected to increase going forward, the impact will be limited given the depleting trust fund.

What Can Be Done

- The Trustees report shows it is unlikely that demographic or economic experience will extend the life of the reserves much beyond 2034. Therefore, policy changes will be necessary to address the impending depletion of the reserve fund.
- 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.
- Ideas for **increasing 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 benefits** include gradually raising the full retirement age to reflect increased longevity, increasing the number of years used in the Average Indexed Monthly Earnings (AIME) calculation, and changing the inflation index used to adjust benefits.
- 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.