

Reforming Social Security Sooner Rather Than Later

MARCH 2026

Key Points

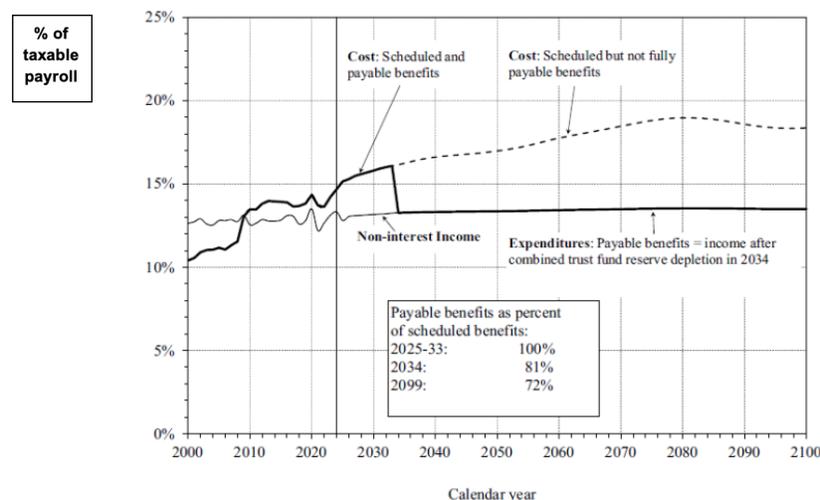
- Social Security's combined trust fund reserves are projected to be depleted around 2034, when its income would be able to pay only about 80% of the benefits scheduled for its anticipated 81 million beneficiaries.
- It is important that Congress immediately focus on this issue; delay narrows the viable options to those that rely on significant tax increases. If Congress does not act by 2034, we will be faced with:
 - An automatic 20% cut in benefits for those already receiving benefits,
 - An immediate increase in Social Security taxes of almost 25%, or
 - Some combination of benefit reductions and tax increases.
- It is too late for benefit reductions on new beneficiaries to have much impact in avoiding the upcoming depletion.

Policy Options Are Diminishing

The seriousness of the upcoming Social Security trust fund depletion¹ and the consequential benefit cliff² is highlighted in Figure 1.

Figure 1— Old-Age, Survivors, and Disability Insurance Income, Cost, and Expenditures as Percentages of Taxable Payroll

[Under intermediate assumptions, excluding the effect of the Social Security Fairness Act of January 2025]



Source: The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, [Figure II.D2](#), which does not reflect the effect of the One Big Beautiful Bill Act, which changes the 81% payable estimate to 80%.

When Congress has amended Social Security in the past, benefit reductions were applied only to individuals not yet eligible for benefits, to avoid a rush of people retiring before enactment. In addition, Congress has always phased in significant benefit reductions and tax increases. If Congress wants to continue these traditions and avoid a substantial tax increase upon depletion, it needs to act soon to ensure the phased-in changes are sufficient to pay all scheduled benefits after 2034.

¹ We have known about this depletion problem for a long time. For over two decades, [our annual issue briefs on the Trustees Reports](#) have emphasized the importance of taking action sooner rather than later.

² The numbers in this issue brief are from the [2025 Social Security Trustees Report](#) and from this [Aug. 5, 2025 letter](#) and a Aug. 15, 2025 letter (showing the impact of One Big Beautiful Bill Act's reduced tax income on Social Security benefits). The combined funds (for the Old Age and Survivors Insurance (OASI) program and the Disability Insurance (DI) program) are projected to be depleted in the first quarter of 2034 using the intermediate assumptions. The pessimistic, but less likely, high-cost assumptions project that assets could be depleted two years earlier, per [Table IV.B4](#). We used the combined funds' projected depletion date for this paper, as Congress has allowed the funds to borrow from each other in the past, as in 1983. If not combined, the OASI trust fund is projected to be depleted one year earlier.



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A phase-in is also important to individuals, as it provides them with time to adjust to the changes, helps them make better decisions on when to commence benefits,³ and provides greater confidence that they will receive their benefits. In addition, earlier action enables Congress to spread the changes over more people (e.g., those becoming eligible to retire between now and 2034), so that benefit reductions can be smaller, as discussed in the 2025 Trustees Report.⁴

The last time the combined trust funds were close to depletion was in 1983, when the cash shortfall that year was 1% of taxable payroll. In contrast, the expected cash shortfall in 2034 will be almost three times as large (2.88% of taxable payroll, per [Table VI. G2](#)). Paying all scheduled benefits in 2034 will require a much larger tax increase or benefit reduction than in 1983.⁵ If Congress does not enact a reform bill until 2034, Social Security will need 25% more income (assuming no benefit reductions for current beneficiaries). It may be difficult to increase Social Security taxes by 25% at that time, as Medicare's Hospital Insurance Trust Fund may also need a tax increase to avoid depletion one year earlier in 2033.⁶

Some recent Congressional proposals rely on general revenue,⁷ which the OASDI trust funds are currently prohibited from using. Since Congressional budget projections are required to assume all entitlements are paid in full, Social Security's projected shortfalls would be included in federal deficit projections.⁸ If no changes are made, such that benefits for current recipients would be cut by 20%,⁹ or if Congress resolves the trust

3 In a survey by [Schroders](#), 44% of non-retired people said they would commence their Social Security benefits early, due to their concerns that Social Security will not be able to pay full benefits after 2034, even though they know that the best time for healthy people to commence benefits is at age 70.

4 Page 6 of the 2025 Trustees Report states "scheduled benefits would have to be reduced by ... 22.4% applied to all current and future beneficiaries effective in January 2025, or ... 25.8% reduction in all benefits starting in 2034."

5 Congress was able to pay benefits in 1983 by delaying the June 1983 COLA to December, requiring employers and the Treasury to transfer payroll taxes to the Social Security trust funds more quickly, allowing the OASI trust fund to borrow from Medicare's Hospital Insurance trust fund, and reimbursing Social Security for the cost of benefits attributable to noncontributory military wage credits for service before 1957. Congress also enacted PL 98-63 on July 30, 1983, to provide Social Security \$1.3 billion. The already scheduled tax rates were accelerated to 1984 so that the employee and the employer tax rates each increased from 5.4% to 5.7%, and the self-employed tax rate was increased from 8.05% to 11.40% that helped pay benefits in 1984 and later. Many of these options will not be available in 2034.

6 Per page 5 of the [2025 Trustees Report of the Federal Hospital Insurance and SMI Trust Funds](#).

7 A [proposal by Rep. Hoyer \(D-MD\)](#) retroactively moves the tax on Social Security benefits that goes to Medicare to the OASDI funds, but it holds Medicare harmless by replacing those funds with general revenue. A proposal by Senators Bill Cassidy (R-LA) and Tim Kaine (D-VA) is discussed by the [Center for Retirement Research](#).

8 See the Academy's issue brief [The Relationship Between Social Security and Federal Government Deficits and Debt](#).

9 It is not clear how such a reduction would be applied. It could be applied to all beneficiaries; larger cuts could be applied to those with higher benefits (with no cuts to those with lower benefits); or some other method, such as delaying benefit payments until assets are available. That would mean retirees would not receive all 12 checks each year. If the DI fund is not combined with the OASI fund, the DI fund could pay all benefits for the next 75 years, but only 77% of OASI benefits could be paid after 2034.

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fund depletion problem without using general revenue, significant decreases in projected deficits would occur. However, if Congress uses general revenue, the unified budget's annual deficit and the already substantial U.S. debt will increase.

The following discusses various reform elements that could reduce Social Security's shortfall by 2034.

Revenue increases

1. **Increasing the payroll tax rate by 25%**
 - a. This would raise the longstanding 12.4% tax rate in 2034 to approximately 15.5% (shared between workers *and* employers) to pay full scheduled benefits. If not enacted until 2034, the tax rate would need to increase over the next 45 years to an ultimate rate of approximately 17.8% in 2080.¹⁰
 - b. We note that the individual employee and employer payroll tax rates have never increased by more than 0.5 percentage points of taxable payroll in any single year.¹¹
 - c. Increasing the tax rate will be financially difficult for some workers with very low income, unless the Earned Income Tax Credit (EITC) is also increased, which would increase the federal debt.
 - d. It would be less disruptive to employers and workers if tax rate increases were phased in (e.g., by 0.1% per year for each; 0.2% for the self-employed) as suggested in [several provisions in E.1](#). However, this would need to be enacted soon to increase revenue sufficiently to pay full scheduled benefits in 2034.
2. **Eliminating the taxable maximum (\$184,500 in 2026) so all earnings are taxed ([Provision E2.2](#))**
 - a. This approach would avoid impacting low-income workers and would make the tax less regressive, but it would impose a significant tax increase on high-income workers (and their employers).
 - b. If enacted now, Social Security could pay all benefits until 2054. However, if not enacted until 2034, it would not be sufficient on its own to pay all benefits in 2034, as it would cover only 85% (2.45/2.88) of the 2034 shortfall.¹²

¹⁰ A payroll tax rate of 15.5% in 2034 would not cover all benefits in subsequent years as costs continue to increase faster than income (primarily due to people living longer and lower fertility rates). [Table VI.G2](#) of the 2025 Trustees Report shows the cash shortfall gradually increases until 2080 when it is 5.43% of taxable payroll, so the tax rate would have to gradually increase to 17.8% (12.4% + 5.43%) in 2080.

¹¹ The self-employed payroll tax rate was increased by 0.95 percentage points in 1981 and 3.35 percentage points in 1983 (when that rate became twice the employee rate).

¹² Social Security's Office of the Chief Actuary (OCACT) website for [Provision E2.2](#) shows that this would reduce the 2034 shortfall by 2.45% of taxable payroll. That is true whether enacted now or later, as the increased income in 2034 is the same 12.4% of additional earnings being taxed in 2034 in either case. Provision E2.2 solves 49% of the 75-year actuarial deficit.

- c. Proposals with large tax increases are typically phased in so that the full increase does not hit workers and employers in a single year. However, a phase-in would have a smaller impact on the 2034 depletion.
 - d. **Tax all compensation (including fringe benefits):** The Committee for a Responsible Federal Budget (CRFB) presented a [proposal](#) similar to 2, except that it would affect only the employer tax. This could discourage some employers from providing fringe benefits (such as health insurance), but workers still would not be taxed as much as if they had received an equivalent amount of cash wages.
 - i. The CRFB says this proposal could eliminate shortfalls through 2055, as it would be effective immediately, without a phase-in.
 - ii. Because this could greatly increase taxes on employers, the CRFB paper proposing this change contains an alternative that reduces the Social Security payroll tax rate by 1% (split 50/50 between the employer and the employee) to reduce total employer taxes. However, this alternative would only cover shortfalls until 2040.
3. **Taxing all earnings above \$400,000¹³ or increasing the taxable maximum so that 90% of all earnings would be subject to the payroll tax.¹⁴** If enacted now, either of these options would cover all benefits in 2034 and several years thereafter, as shown in the table at the end of this paper. However, if not enacted until 2034, these alternatives would provide only 60% and 35%, respectively, of the amount needed to pay full scheduled benefits in 2034.
- a. The ad hoc increases in the taxable maximum enacted in 1977 were phased in over three years from 1979 to 1981.
 - b. Gradually increasing the tax rate on the newly covered earnings would be another way to phase in this tax increase.
4. **Increasing other revenue, such as taxing investment income,¹⁵ estates and gifts,¹⁶ and earnings such as carried interest.¹⁷**
- a. These additional sources of taxable income would represent a substantial change to Social Security, which should require extensive discussion, as two of these items have never been taxed for Social Security purposes before. Since no additional benefits would be earned, taxing these items would shift the program's focus away from individual equity and could be controversial.

¹³ [Provision E2.13](#) would provide only a 2% replacement rate on the newly taxed earnings; otherwise, Social Security benefits could become very large for those with high earnings.

¹⁴ [Provision E3.1](#): In 1983, Social Security taxed 90% of all earnings per [Figure 6.1 of this document](#).

¹⁵ [Provision F6](#) would add the 6.2% Social Security tax to the 3.8% Medicare tax on investment income as defined in the Affordable Care Act (ACA), solving 21% of the 2034 deficit.

¹⁶ [Provision F7](#) would return the estate and gift tax thresholds and tax rates to 2009 levels, and give those funds to the OASDI trust funds, solving 18% of 2034 deficit.

¹⁷ [Provision F8](#) would tax active S-corporation officers and limited partners at the 12.4% rate on investment income as defined in the ACA, with unindexed thresholds as in the ACA, starting in 2026, solving 32% of the 2034 deficit.

- b. Due to technological advances, including artificial intelligence, wages may become a smaller portion of economic activity over time. This may reduce Social Security revenue and could exacerbate the system's financial condition. Expanding the tax base could be an important step toward restoring long-term balance to Social Security.
5. **Increasing Social Security's investment income.** An alternative investment strategy implemented prospectively may not yield material investment income, as trust fund assets are being depleted. However, if Congress enacted a law now that retroactively allowed the trust fund's Treasury bonds to be credited with an additional 2% each year to compensate for not being allowed to invest in stocks and corporate bonds,¹⁸ full scheduled benefits could be paid in 2034. It would extend the period that full scheduled benefits could be paid and would have an even greater impact if other reforms increased the trust funds. However, it would require using general revenue, which would increase deficits.
- a. Senators Bill Cassidy (R-LA) and Tim Kaine (D-VA) have proposed using general revenues to create a separate fund invested in equities that would eventually help pay for Social Security benefits.¹⁹ Estimates of its impact are unavailable, as Social Security's actuaries have not analyzed this provision.
6. **Covering the remaining state and local government employees.**²⁰ This option would have no impact on the 2034 shortfall if enacted in 2034, but if enacted now, it would generate far more contributions than benefits in the early years. However, it would still cover only 8% of the 2034 shortfall, because Social Security already covers most state and local government employees.²¹ Mandating that non-covered state and local government employees participate in Social Security would require significant restructuring of several state and local government retirement systems, take time to implement, and could be controversial.

¹⁸ Social Security is not allowed to invest in corporate stocks or bonds, so its investment returns have been roughly 2% below that of diversified pension plan portfolios over the long run. If Congress provided Social Security's bonds an additional 2% return each year, it would avoid the volatility and governance issues associated with investing in stocks and corporate bonds. However, it could be subject to abuse if future lawmakers wanted to increase the 2%.

¹⁹ See this [Center for Retirement Research website](#) for further discussion on this proposal.

²⁰ [Provision F1](#) covers all newly hired state and local government employees not already participating in Social Security.

²¹ Federal workers were brought into Social Security in the 1983 Act by applying the change to just newly hired workers and any employees who wanted to switch to the new system.

7. **Increasing the taxation of Social Security benefits, similar to the taxation of pensions.**²² This option would have no impact on the 2034 shortfall if enacted in 2034; if enacted now, it would cover only 8% of the 2034 shortfall, because Social Security benefits are already partially taxed. Because the federal income tax is progressive and includes deductions, it would have little or no impact on low-income taxpayers.
 - a. **Dedicating all taxes on Social Security benefits to Social Security:**

A [proposal by Rep. Steny H. Hoyer and Wendell Primus](#) would dedicate all taxes on Social Security benefits to the Social Security trust funds rather than the current practice of allocating a portion to the Medicare Hospital Insurance (HI) trust fund, retroactive to 1993. This provision would add sufficient funds to Social Security to cover the shortfall for 2034. If the reallocation of funds includes interest from the date of collection, additional years could be covered. To hold Medicare harmless, funds from another source, such as general revenues, would have to be allocated to the HI trust fund.
8. **Increasing legal immigration.** [Table VI.D3 of the Trustees Report](#) indicates that increasing the annual number of net legal immigrants by 443,000 would reduce the 75-year actuarial deficits by 11%. Their analysis suggests that this would cover about 7% of the 2034 shortfall.

Benefit Reductions

Social Security benefit reductions that affect only future beneficiaries won't materially slow the depletion of the trust funds. The following benefit reductions would need to be implemented soon to have any impact on paying full scheduled benefits in 2034.²³

9. **Reducing benefits for higher-income recipients (who are not yet eligible for benefits).** Currently, if both spouses have earnings at the taxable maximum and retire at age 70, their combined benefits could exceed \$100,000 per year. On the other hand, proposals that reduce benefits for higher-income people while also increasing their taxes could undermine support for Social Security among those people.

²² [Provision H.2](#) would tax Social Security benefits more like pension benefits by phasing out the thresholds for when Social Security benefit is taxed. The OBBBA added a temporary \$6,000 deduction for seniors after the 8% figure was estimated by Social Security's actuaries, so this percentage will decline.

²³ Proposals with benefit reductions often provide a minimum benefit, so low-income people are not adversely impacted. However, a minimum benefit (1) conflicts with Social Security's individual equity principle (if you pay more in taxes, you get more in benefits), (2) can subsidize people who have small Social Security benefits but large pensions or a large amount of assets, (3) duplicates what the Supplemental Security Income (SSI) program does, and (4) would be more expensive than if SSI paid the minimum benefits due to SSI's means test. Benefit reductions in (9) and (10) avoid these problems and don't harm low-income people.

- a. **Reducing the 15% replacement rate** ([Provision B3.14](#)) at the high end of the benefit formula to 5% over five years. This provision would cover only 1% of the 2034 shortfall because it is phased in and applies only to those with incomes above the top bend point (\$92,988 in 2026). It reduces the benefits of people over the taxable maximum by 3.4% for each of the next five birth cohorts. Alternatively, it could be phased in over a longer period (but with a reduced impact).
- b. **Reducing benefits for people above the median income** ([Provision B3.8](#)) by reducing the 32% replacement rate to 10% for income above the median covered income of newly retired workers and also reducing the 15% replacement rate to 5%. This would cover less than 1% of the 2034 shortfall because its implementation is delayed to 2032 and phased in over 33 years. Due to this long phase-in period, benefits would be reduced by only 0.9% per cohort year. However, once fully phased in, it would have a substantial impact on costs and benefits (31% reductions for those at very high-income levels).
- c. **Progressive price indexing** ([Provision B1.2](#)) limits the growth in the initial Social Security benefit to the inflation rate (rather than the growth in average wages) for those whose income is at the taxable maximum. It wouldn't impact anyone whose AIME is below the 30th percentile and would gradually reduce the replacement rate for people between those two AIMEs linearly (i.e., it phases in benefit reductions for 70% of future retirees).
 - i. For those earning at the poverty level, Social Security replaces most of their pre-retirement income and would not be affected by this proposal. In contrast, for those earning the taxable maximum, Social Security replaces only about one-fourth of their income. This provision would cut that replacement rate in half in about sixty years.
 - ii. Since implementation wouldn't start until 2032, this provision covers less than 1% of the 2034 shortfall. If implemented immediately, it could cover about 3% of the shortfall.
 - iii. This provision will not meet Social Security's individual equity principle because benefits would eventually be the same for the top 70% of beneficiaries (and thus unrelated to their pre-retirement earnings). After that period, the initial benefits for the top 70% may be smaller than those for lower earners, because the bottom 30% would still receive wage indexation.

- d. **Means testing** could have a greater impact by eliminating benefits for people with incomes or assets above a certain threshold and could be viewed as dramatically changing the social insurance nature of Social Security. This may also make it more difficult for Congress to enact.²⁴ The partial means test in [Provision B7.7](#) does not affect high-income workers as dramatically, but it also has little impact (only 3% of the 2034 shortfall).

10. Gradually increasing Social Security’s Normal Retirement Age (NRA) to reflect longer life expectancies. As with all options, raising Social Security’s NRA has pros and cons. It can benefit the economy by encouraging people to work longer. However, it can also be difficult for people in physically demanding jobs and unfair to low-income people, whose life expectancy, on average, has not increased substantially. See our issue brief, [Raising the Social Security Retirement Age](#), for more analysis of this issue.

- a. **Indexing Social Security’s NRA ([Provision C1.3](#))** to maintain a constant ratio of years in retirement to working years would raise the age-67 NRA by about one month every two years. However, even if implemented soon, it would cover only 2% of the 2034 shortfall due to its slow phase-in (a one-year increase in the NRA every 24 years). Expected longevity fully offsets these increases, so there would be no reduction in the total benefits a person receives over their lifetime.
- b. **Accelerating the increase in the NRA ([Provision C1.4](#))** by two months per year for 12 years until it reaches age 69. This would reduce benefits by about 1.1% each year for the subsequent twelve birth cohorts (totaling slightly over 13% for those fully phased in at the increased age). If this provision were implemented immediately, the NRA would reach age 69 for those born in 1975 or later and would cover about 6% of the shortfall in 2034.
- c. **Increasing the NRA to age 69 more rapidly** by three months per year, as proposed in [Provision C1.7](#), would reduce benefit amounts by about 1.65% each year for the subsequent eight birth cohorts (with the same 13% impact for those fully phased in) and cover about 10% of the 2034 shortfall.
- d. **Offsets for those with low incomes.** Raising the retirement age disproportionately harms individuals with low income, whose life expectancy is shorter. They have not seen much improvement in longevity lately.
 - i. The 90% replacement rate used for low-income people in the benefit formula could be increased, so that larger benefits offset the impact of increasing the NRA.
 - ii. The percentage impact on benefits would gradually decrease as earnings increased.

²⁴ There are a number of concerns with means testing discussed in our 2012 document, [A Guide to Analyzing Social Security Reform](#) (page 6).

11. **Revising the COLA** ([Provision A3](#)): Some proposals use the chained consumer price index (CPI), which, based on historical experience, could reduce the cost-of-living adjustment (COLA) by about 0.3 percentage points each year. The Chained CPI reflects the effect of people buying lower-priced items when prices of other items rise. If this provision were implemented immediately, this change would cover 11% of the 2034 shortfall. This has a larger impact than certain other options because it affects all current and future beneficiaries. It has a powerful adverse effect on benefits over time, particularly for the oldest beneficiaries.
- a. **Using the Consumer Price Index for Americans age 62 and older** (CPI-E) ([Provision A6](#)), which reflects typical purchases of older adults. Based on historical experience, using the CPI-E would increase the annual COLA by about 0.2 percentage points. It would increase costs by about 7% of the 2034 shortfall, eliminating about 60% of the savings from the Chained CPI if both were enacted (labeled “Chained CPI-E” in the chart below).
 - b. **Capping the COLA** is discussed in a [CRFB paper](#). For example, the annual COLA could be capped at \$900. If the CPI were 2%, someone with a \$50,000 annual benefit would not receive a \$1,000 COLA (2% of \$50,000), but would instead be capped at \$900. That would be 90% of their uncapped COLA, equivalent to a 1.8% COLA rate. Those with benefits at or below \$45,000 would not be affected.

However, if the COLA were 10%, the \$900 capped COLA would only be 18% of the uncapped \$5,000 COLA for those with a \$50,000 annual benefit. They would receive a 1.8% COLA, 8.2 percentage points below the actual inflation rate. In this case, the \$900 cap would affect individuals whose annual benefits are as low as \$9,000. Thus, it would affect people living in poverty if Social Security were their sole source of income. For this reason, the CRFB describes several approaches to set the cap. For example, each year’s cap could be set at the uncapped COLA for the 75th percentile of Social Security benefits for each year’s cohort of retirees, so it would not affect people in that cohort below that level.

Capping COLAs could significantly impact Social Security’s financial condition and retirees. Although the Social Security actuaries have not analyzed this idea, CRFB says it could solve 10% to 20% of Social Security’s long-term shortfall, depending on how low the cap is set. It would also cover around 10% of the 2034 shortfall.

Despite these possibilities, several surveys have indicated that Americans are broadly opposed to reductions in Social Security benefits.²⁵

²⁵ For example, see National Academy of Social Insurance (2025), “[Social Security at 90: A Bipartisan Roadmap for the Program’s Future](#).”

Combinations of Provisions Show That Substantial Tax Increases Will Be Needed

Immediately enacting the benefit reduction provisions in (9), (10), and (11) with the largest reductions in 2034 cash flow—i.e., the partial means test, the 3-month annual increase in the NRA, and the chained CPI—would reduce the 2034 shortfall by about 24%. In addition, enacting provisions (6), (7), and (8) discussed in the Revenue Increases section above—that is, covering the remaining state and local government employees, taxing benefits more like pensions, and increasing legal immigration—could cover almost half of the 2034 shortfall. These measures would also generate additional income during the phase-in period, thereby delaying the depletion date somewhat.

Even if all those provisions were enacted, Social Security revenues would still need to be increased substantially to cover the remaining half of the shortfall. That could be achieved, for example, by:

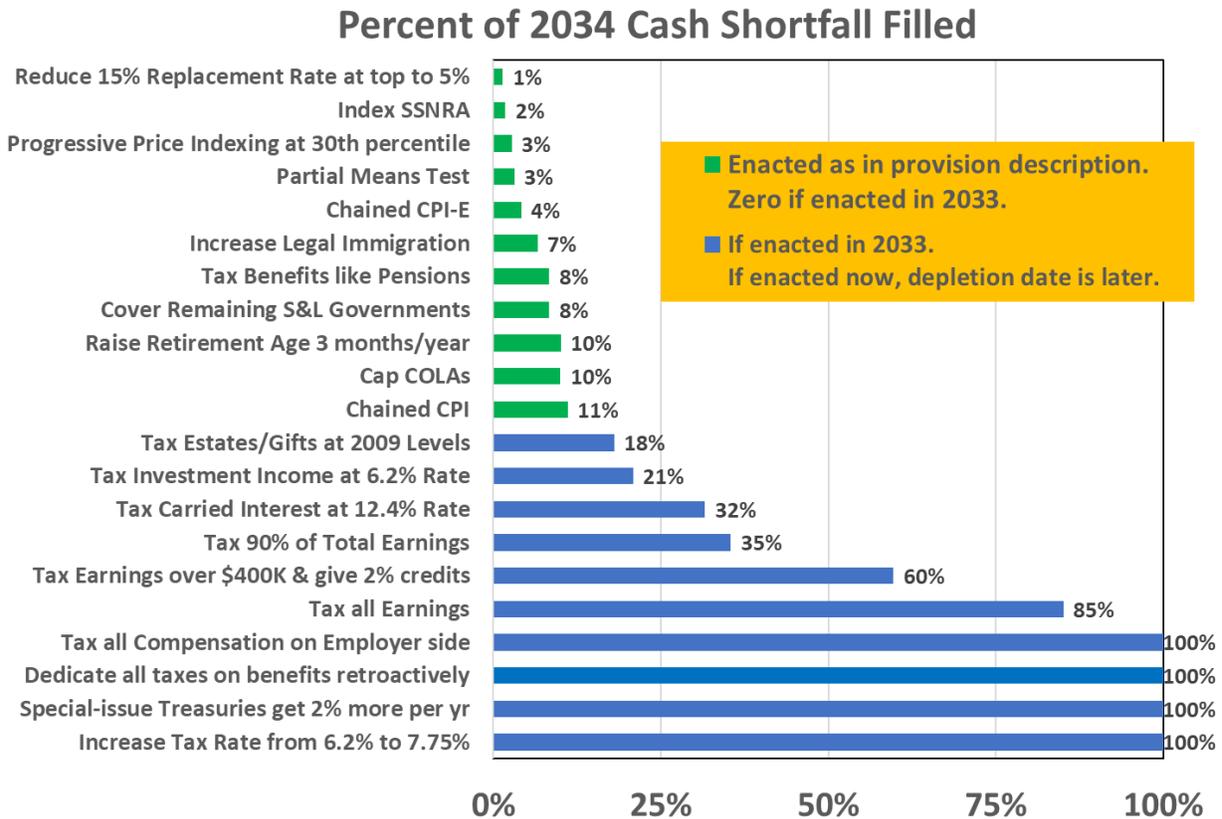
- a. Increasing the payroll tax rate for employees and employers by half as much as in (1) to 7.0%;
- b. Taxing all earnings as in (2) or all compensation on the employer side as in (2)(d);
- c. Taxing all earnings above \$400,000 as in (3);
- d. Increasing Social Security's investment income as in (5);
- e. Dedicating all taxes on benefits retroactively as in (7)(a); or
- f. Taxing 90% of all earnings as in (3), plus taxing one of the new sources of income (investment income, carried interest, or estates/gifts) discussed in (4).

Other combinations are also possible. However, if Congress is unable to pass legislation soon, fewer changes would be phased in by 2034, so the amount needed from increased revenue would have to be greater. If Congress does not reform Social Security until 2034, all the necessary reforms would have to be achieved through increased revenue (unless Congress is willing to break its tradition of not cutting benefits already being paid or using general revenue).

The longer Congress delays action, the greater the risk that trust in the Social Security system, and in turn the government, may be eroded.

Summary

The percentages of the 2034 shortfall eliminated by the above options are shown in the chart below.



Even choosing changes that would eliminate 100% of the 2034 shortfall does not guarantee that currently scheduled benefits will be payable for an extended period. The percentages in the fifth column of the table below show the proportion of Social Security’s long-range 75-year actuarial deficit that each option would fill. They are also discussed in the [Academy’s Social Security Challenge](#), where a user can select a set of reforms to achieve a 100% long-term fix. Thus, Social Security’s financial problems will not be “solved” unless both percentages equal or exceed 100%. This will not be easy to accomplish. For example, increasing Social Security’s NRA in (10)(c) covers 27% of the 75-year actuarial deficit, but only 10% of the 2034 shortfall (due to the slow phase-in that would only be applied to newly eligible beneficiaries). With the challenge and this issue brief, a user can develop a comprehensive solution that achieves a 100% fix for both the 2034 shortfall and the 75-year actuarial deficit. Social Security’s Actuarial Services has analyzed other options that are available in this [document](#) or on this [website](#).

Provision	Percent of 2034 Shortfall Filled		If enacted now, depletion date becomes	Percent of 75-year Actuarial Deficit filled
	If enacted in 2033	If enacted now		
9a. Reduce 15% Replacement Rate at top to 5%	0%	1%	2034	10%
10a. Index SSNRA	0%	2%	2034	18%
9c. Progressive Price Indexing at 30th percentile	0%	3%	2034	41%
9d. Partial Means Test	0%	3%	2034	17%
11&11a. Chained CPI-E	0%	4%	2034	5%
8. Increase Legal Immigration	0%	7%	2034	11%
6. Cover Remaining S&L Governments	0%	8%	2034	4%
7. Tax Benefits like Pensions	0%	8%	2035	5%
10c. Raise Retirement Age 3 months/year	0%	10%	2034	27%
11.b Cap COLAs	1%	10%	2035	15%
11. Chained CPI	1%	11%	2035	16%
4. Tax Estates/Gifts at 2009 Levels	18%	100%	2035	16%
4. Tax Investment Income at 6.2% Rate	21%	100%	2036	18%
4. Tax Carried Interest at 12.4% Rate	32%	100%	2038	25%
3. Tax 90% of Total Earnings	35%	100%	2037	22%
3. Tax Earnings over \$400K & give 2% credits	60%	100%	2044	58%
2. Tax all Earnings	85%	100%	2054	49%
2d. Tax all Compensation on Employer Side	100%	100%	2055	65%
1. Increase Tax Rate from 6.2% to 7.75%	100%	100%	2035	81%
5. Special-issue Treasuries get 2% more per yr	100%	100%	2035	N/A
7a. Dedicate all taxes on benefits retroactively	100%	100%	2036	23%

More details on these reform options can be found in our issue briefs on [tax increases](#), [benefit reductions](#), and [raising the retirement age](#).²⁶ In addition, Congress could consider using automatic mechanisms to keep Social Security sustainably solvent over the long term, as discussed in our issue brief [Social Security—Automatic Adjustments](#).

Examples include:

- a. increasing the Social Security retirement age automatically as life expectancies increase (possibly with a benefit increase at the low end to help low-income people) and
- b. increasing taxes automatically if the ratio of covered workers to beneficiaries decreases, for example, if fertility and/or immigration rates decrease.

²⁶ Increased immigration and employment could help right away if productivity, consumption, and earnings increase. See our issue brief [Immigration and Social Security](#).

Conclusion

A solution is needed sooner rather than later to avoid a significant benefit cliff around 2034. Immediate action by Congress could:

1. make it less likely that a substantial Social Security tax increase or benefit reduction is needed in 2034;
2. give Congress more flexibility regarding which approaches to take;
3. enable phasing in tax increases and benefit reductions, which is less disruptive for employers, workers, their dependents, survivors, and beneficiaries;
4. give people more time to adjust to the changes, enabling better decisions;
5. spread the impact across a larger group, so that the impact on each individual can be smaller; and
6. provide people greater confidence that they will receive their Social Security benefits.

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