

Saving Social Security

Marin Academy, Lunch and Learn
November 9, 2026

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NEED



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Outline

- What is Social Security?
- How Does Social Security Work?
- What is The Trouble with Social Security?
- Available Solutions

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What is Social Security?

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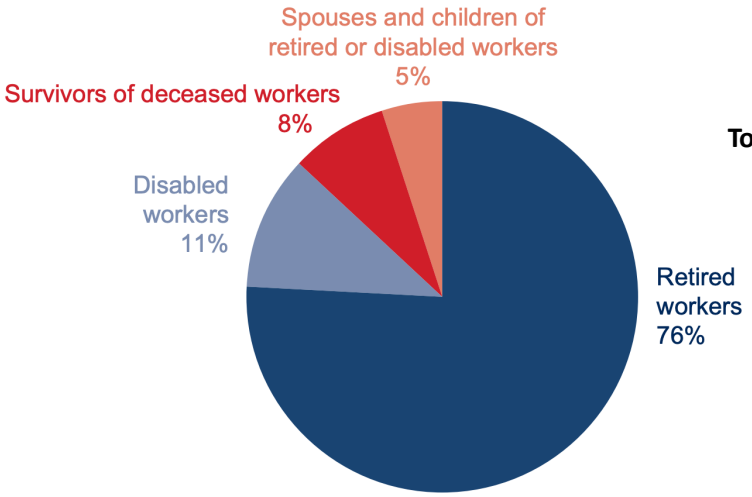
What is Social Security?

- Social Security is a federal social insurance program that provides financial support to workers and their families.
- Different benefits:
  - **Retirement Benefits**: Social Security provides monthly payments to qualified retirees based on their lifetime earnings.
  - **Disability Benefits:** It provides financial support to individuals who are unable to work due to a disability.
  - **Survivor Benefits:** Social Security offers benefits to the families of deceased workers, including spouses and children.

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Numbers of Different Types of SS Beneficiaries

Percentage distribution of beneficiaries, by type



Total: 68.5 million in 2025

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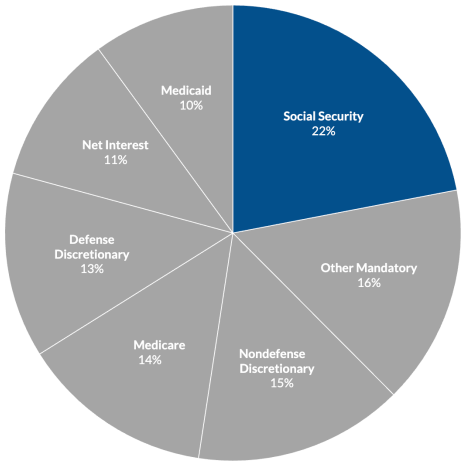
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Source: Fast Facts and Figures About Social Security, 2025

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Soc Sec is The Single Largest Gov't Program

2023 Outlays: $6.1 Trillion



Source: Office of Management and Budget • Get the data • Embed • Download image
Note: Outlays for Social Security include non-retirement benefits.

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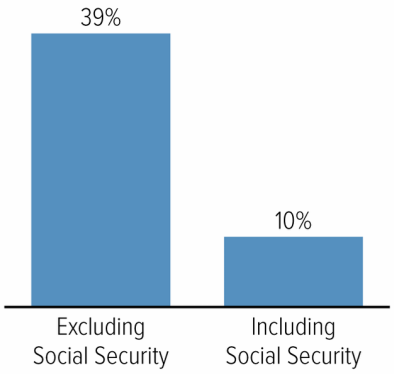
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Source: https://www.pgpf.org/article/9-facts-about-social-security-and-the-need-to-strengthen-it/

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Soc Sec Significantly Reduces Poverty

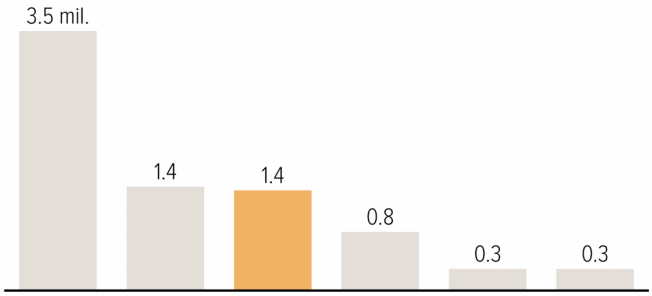
Percentage of adults aged 65 or older in poverty, 2022



Note: This analysis uses the official poverty measure.

Source: CBPP analysis of data from the Census Bureau's March 2023 Current Population Survey

Number of children lifted out of poverty by selected programs in 2022, in millions



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Is Social Security Good for Just The Beneficiaries?

No, it also benefits broader society.

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Economic Impacts on Individuals and Families

- **Poverty reduction**
  - Good investment for society.
- **Income stability**
  - Helps households plan for the future.
- **Enables older adults to maintain independence**
  - Reduces caregiving burdens on family members.
- **Consumer spending**
  - Supports businesses and the local economy.

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How Does it Work?

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The Mechanics of Social Security

- **"pay-as-you-go" system**
  - Payroll taxes are collected from current workers.
  - These pay for the benefits of the currently retired, or otherwise eligible.
- **Taxes**
  - Payroll taxes amount to 12.4% of earnings.
    - Workers pay 6.2% of earnings as payroll taxes.
    - Employers also pay 6.2% of worker's earnings.
  - ***Earnings Cap.*** Not all earnings are subject to payroll taxes.
    - In 2026, only the first $184,500 of earnings are taxed.
    - Earnings above that level are not taxed.

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The Cap Causes The Tax Rate to Fall w/Income

Payroll Taxes are Regressive

The annual limit on wage earnings subject to Social Security taxes is set to $176,100 for 2025. As a result, Taxpayer C pays a lower share of their income in payroll taxes compared to those who earn less.

	TAXPAYER A	TAXPAYER B	TAXPAYER C
Wages	$36,000	$72,000	$216,000
Social Security Payroll Tax Owed	$2,232	$4,464	$10,918
Effective Tax Rate	6.2%	6.2%	5.1%



NOTE: Taxpayer B based on average wage index for 2025.

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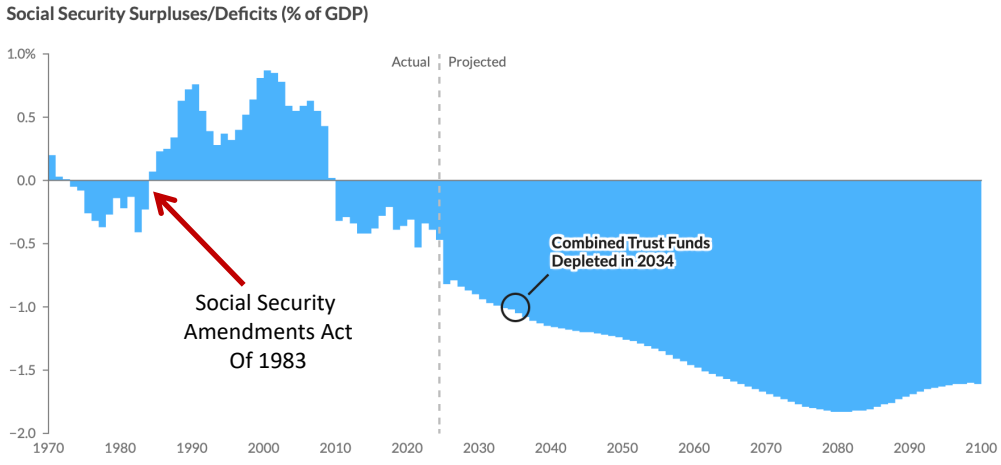
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What if Payroll Taxes Don't Match Benefits?

- **The Trust Fund**
  - If revenues exceed benefits, the excess is placed in a trust fund.
  - If benefits exceed revenues, the excess is taken out of the trust fund.
  - The funds in the trust are invested in **non**marketable U.S. Treasuries.
    - So, really just bookkeeping.
- **When did the Trust Fund start?**
  - The OASI Trust Fund was created in 1939. (Old Age & Survivors Ins)
  - The Disability Trust Fund was created in 1956.

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Annual Contributions to the Fund Vary



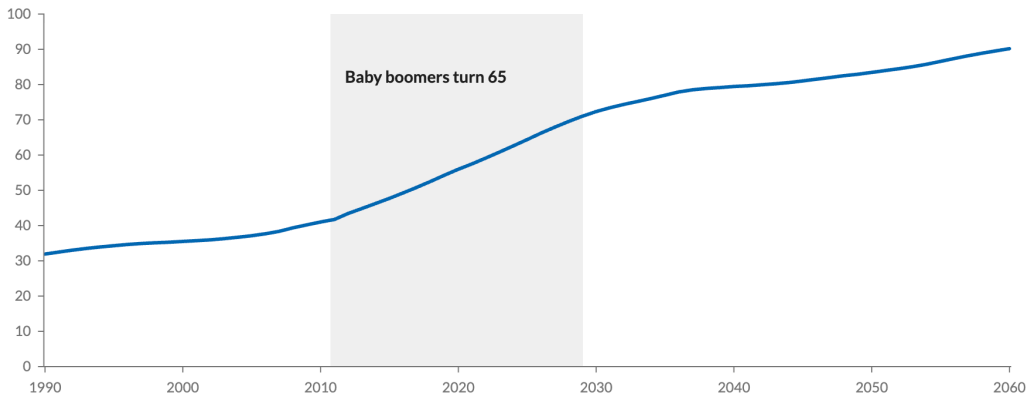
Source: Social Security Administration • Embed • Download image

Notes: Surplus/deficit numbers exclude interest income. The Social Security trust funds are combined on a hypothetical basis, but actually operate separately. The Old-Age & Survivors Insurance Trust Fund is projected to be depleted in 2033 and lead to a 23 percent cut in benefits that year; the Disability Insurance Trust Fund is not projected to become depleted during the 75-year period ending in 2099.

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Why the Change in Direction? Aging Population



Source: Social Security Administration • Get the data • Embed • Download image
Note: The highlighted range represents the period during which the Baby Boomer generation turns age 65.

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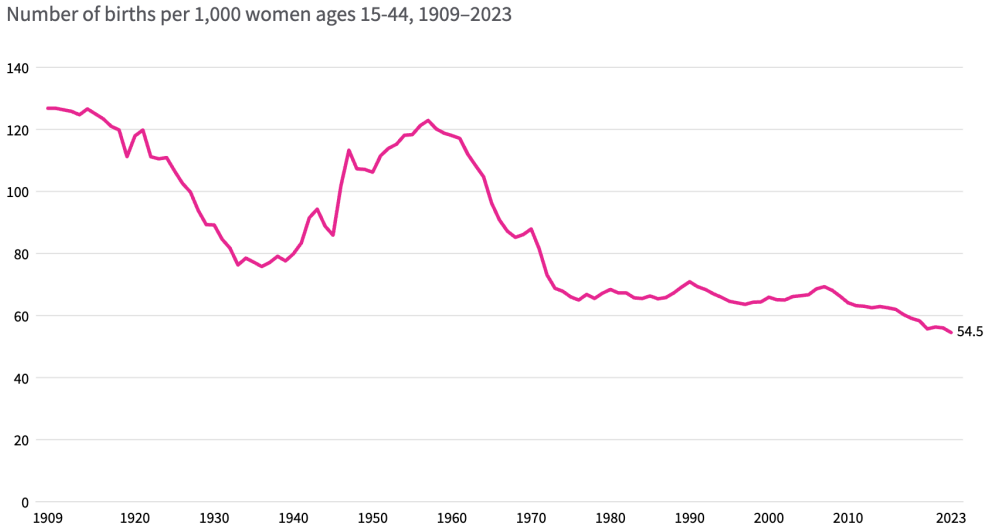
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Source: https://www.pgpf.org/article/how-does-social-security-work/

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Lower Births = Slower Labor Force Growth



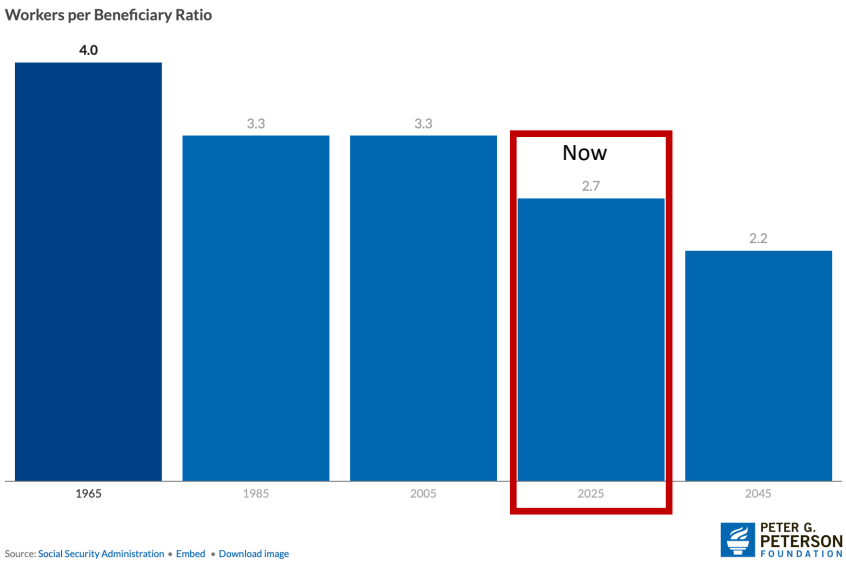
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Source: https://usafacts.org/articles/how-have-us-fertility-and-birth-rates-changed-over-time/

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Number of Covered Workers per Beneficiary



Source: Social Security Administration • Embed • Download image

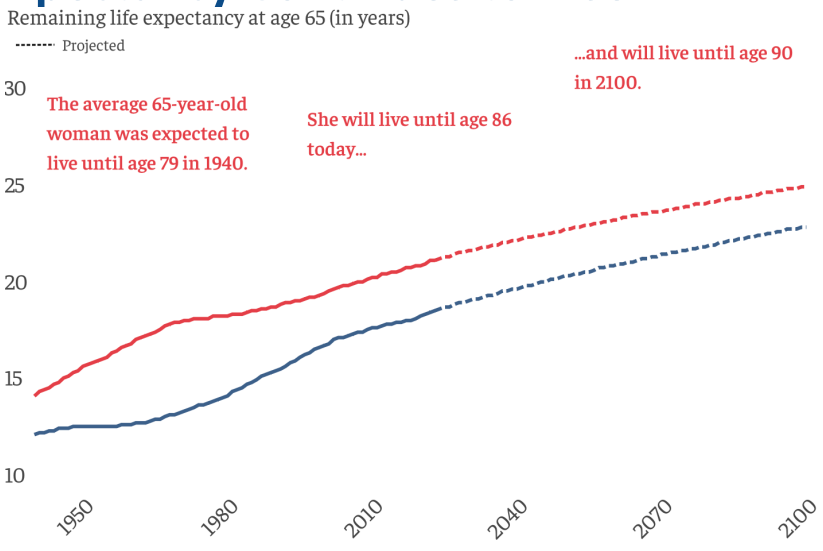
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Life Expectancy Continues to Rise



Source: SSA

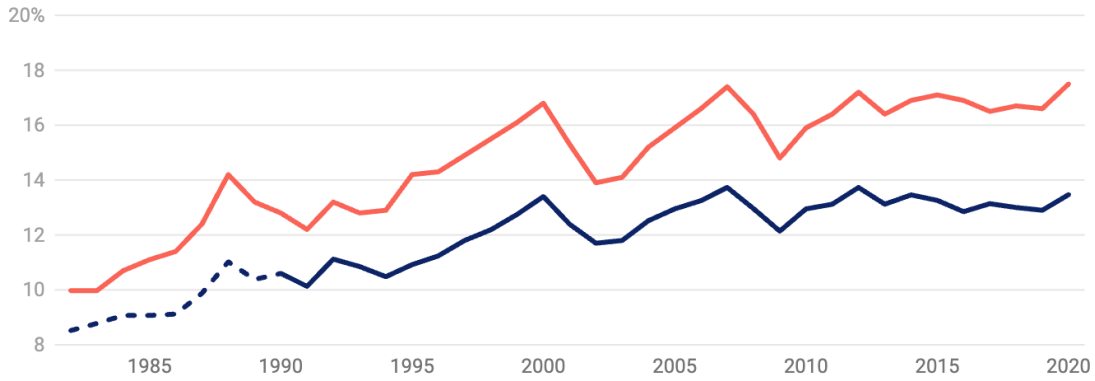
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Increased Wage Inequality Is A Problem

Share of wages earned by the top 1 percent vs. share of wages above the payroll tax cap, 1982–2020



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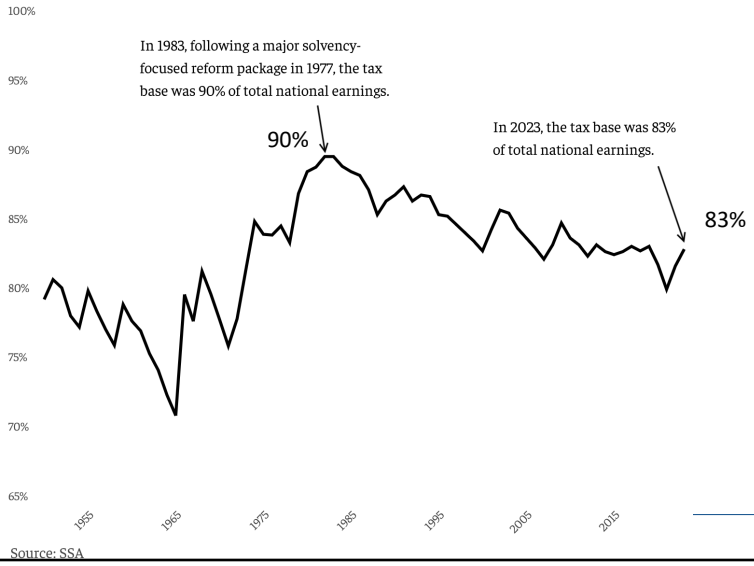
Source: https://www.americanprogress.org/article/increased-wage-inequality-has-reduced-social-securitys-revenue

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Tax Base is Dwindling

Taxable earnings as a percentage of total earnings

Note: Y-axis does not start at 0.



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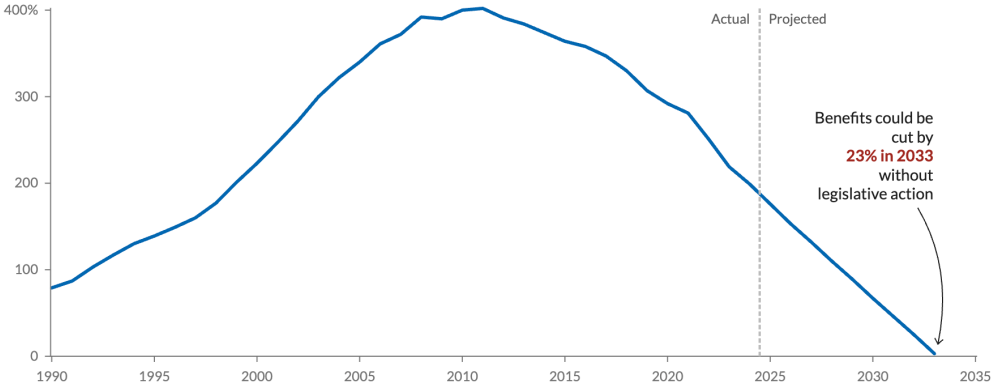
Source: SSA

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Trajectory of Funds

The Social Security retirement trust fund will become depleted in 2033

Asset Reserves of OASI Trust Fund (% of Annual Cost)



Source: Social Security Administration • Embed • Download image

Note: Under law, a trust fund cannot incur a negative balance.

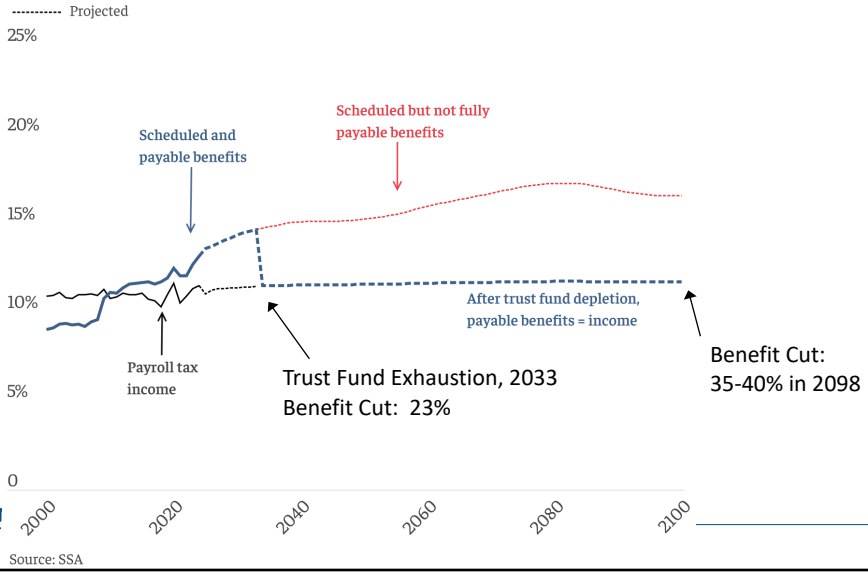
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What Happens When The Trust Fund Runs Out?

Old-Age and Survivors Insurance program* income, cost, and expenditures as a percentage of taxable payroll

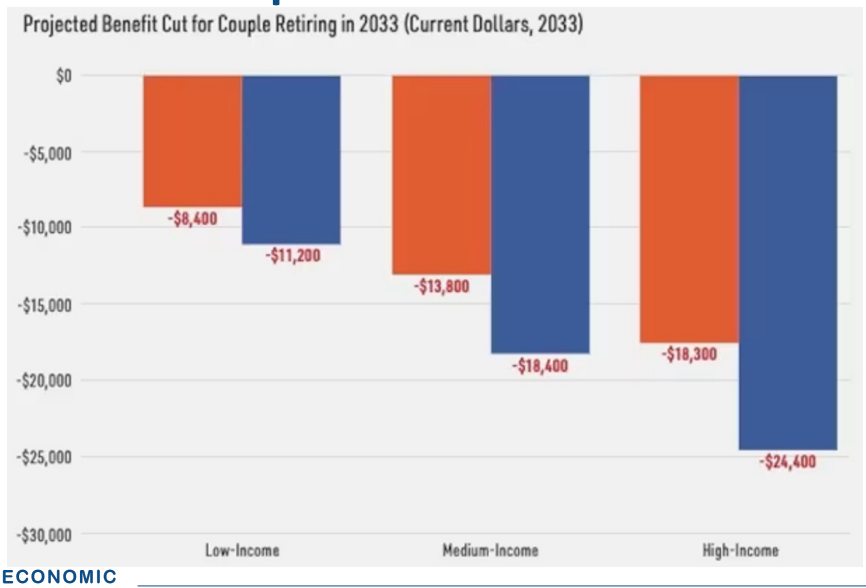


Source: SSA

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An Idea of the Implications



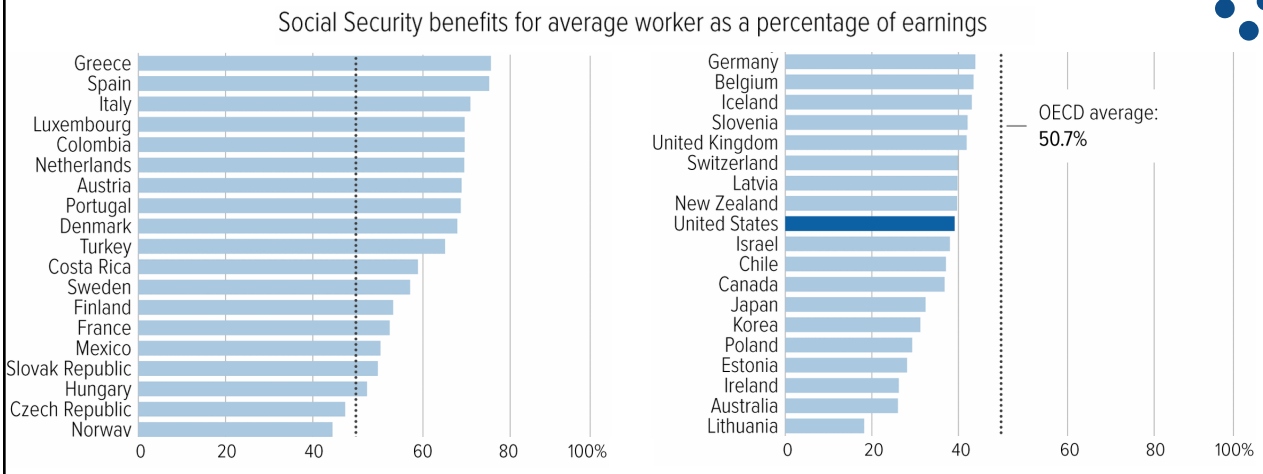
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Source: Committee for a Responsible Budget

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Social Security Benefits are Comparatively Low



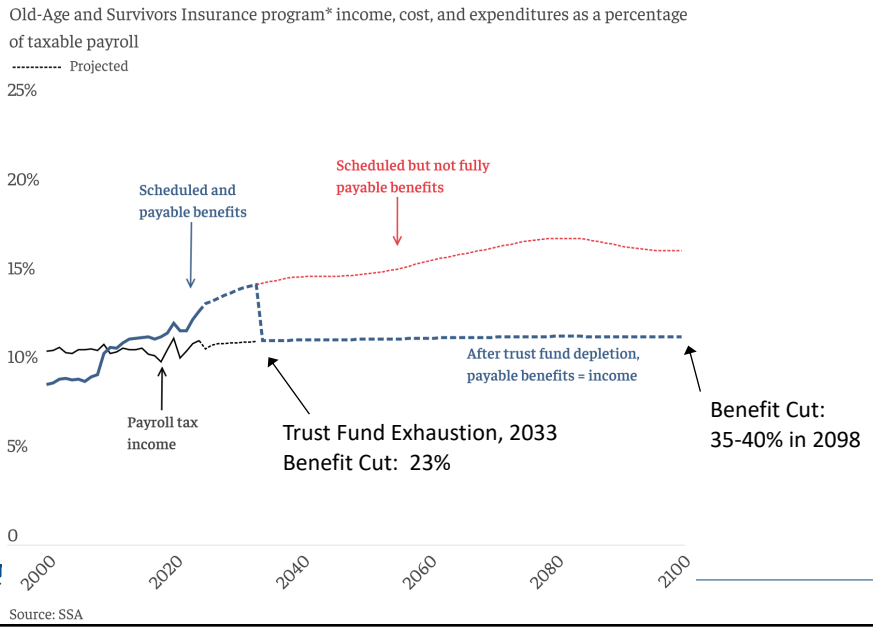
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Source: https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security

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So, We Have A Problem



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Hard Choices (?)

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Let's Cut to the Chase…

- Solving the social security problem is simple:

  Backfill out of general revenues!

- Why won't this happen?

  The law says it can't.
  Politics!
  Our debt situation.
  Maybe it shouldn't.

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Let's Consider Some Other Options

- Changes to revenues
- Changes to benefits

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The Following Simulations Brought to you by:

Committee for a Responsible Federal Budget

ISSUE AREAS › OUR WORK ›

The Reformer *An Interactive Tool to Fix Social Security*

Social Security provides vital income security to millions of beneficiaries, but it is on a road toward insolvency. The Social Security **retirement** program **is projected to run out of reserves by 2033, or by 2035 if combined with the disability program.** Upon insolvency of the theoretically combined trust funds, all beneficiaries regardless of age and income will face an immediate 17 percent benefit cut, growing to 28 percent by 2073.

"The Reformer" allows users to build their own plan to restore solvency. See how your choices stack up!

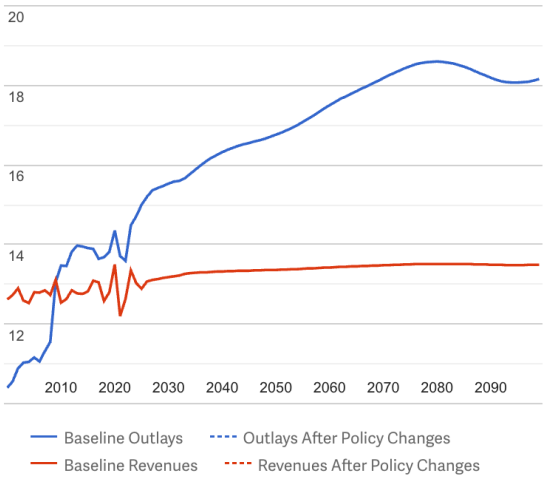
https://www.crfb.org/socialsecurityreformer/

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Possible Changes to Revenues

	% OF GAP CLOSED
Increase (+) / Reduce (-) Payroll Tax Rate by: 0.0 %	0%
Increase Taxable Maximum	
○ Subject All Wages to Payroll Tax	56%
○ Subject 90% of Wages to Payroll Tax	25%
○ Tax All Wages Above $400,000	67%
Raise Additional Revenue	
☐ Cover Newly-Hired State & Local Workers	5%
☐ Apply the Payroll Tax to "Cafeteria Plans"	10%
☐ Increase Taxation of Benefits	6%



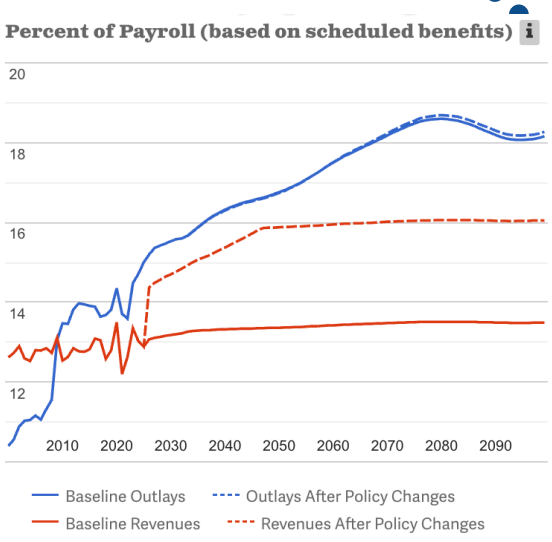
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Source: https://www.crfb.org/socialsecurityreformer/

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Possible Changes to Revenues: Example

	% OF GAP CLOSED
Increase (+) / Reduce (-) Payroll Tax Rate by: 0.0 %	0%
Increase Taxable Maximum	
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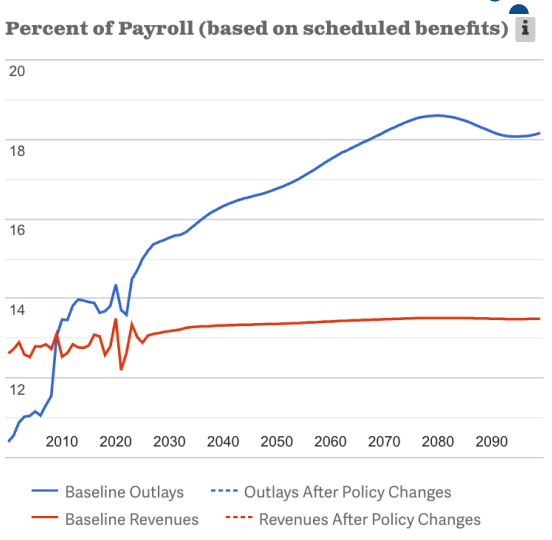
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Source: https://www.crfb.org/socialsecurityreformer/

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Possible Changes to Benefits

	% OF GAP CLOSED
Increase (+) / Reduce (-) Initial Benefits by: 0.0 %	0%
Slow Initial Benefit Growth	
Slow Benefit Growth for Top 70% of Earners	60%
Slow Benefit Growth for Top Half of Earners	36%
Slow Benefit Growth for Top 20% Of Earners	11%
Increase Retirement Age	
Raise Age from 67 to 68	13%
Index Age to Longevity After it Reaches 67	20%
Raise Age to 69 then index to Longevity	39%



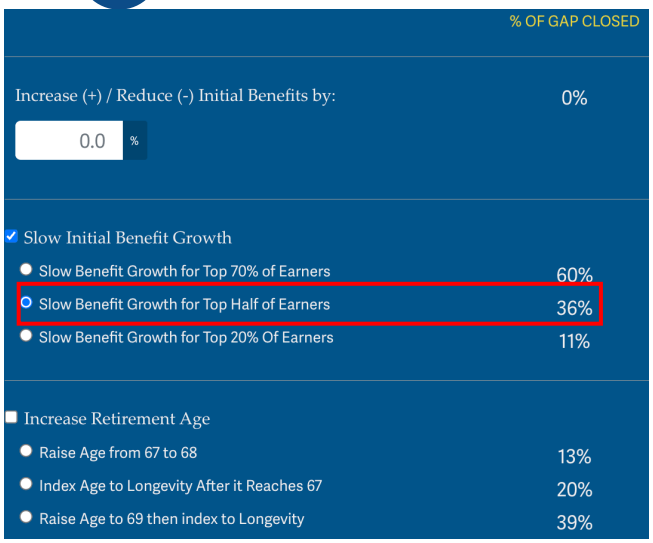
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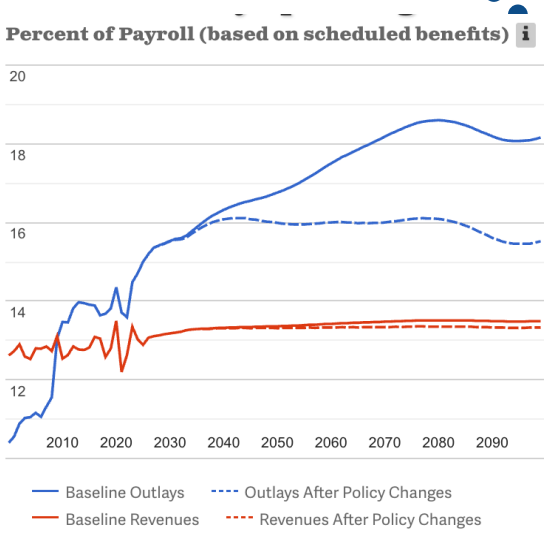
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Source: https://www.crfb.org/socialsecurityreformer/

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Possible Changes to Benefits: Example





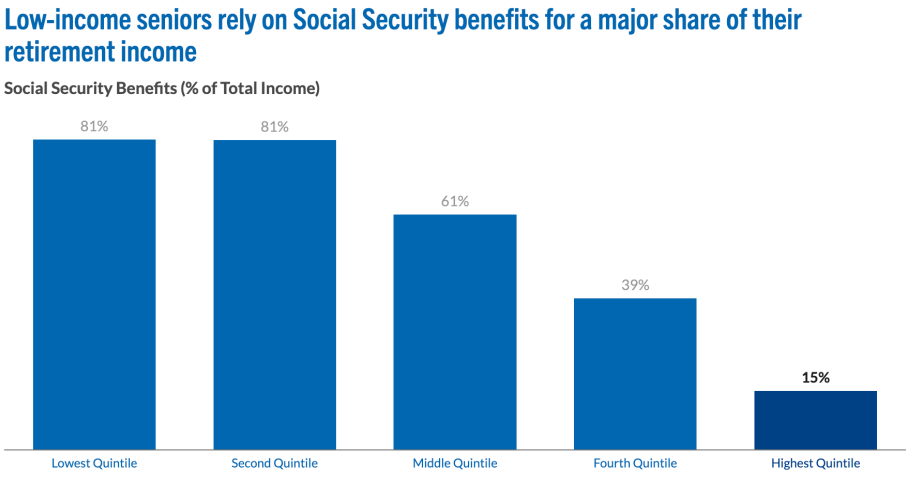
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Source: https://www.crfb.org/socialsecurityreformer/

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Program is VERY Important for Low-Income Retirees



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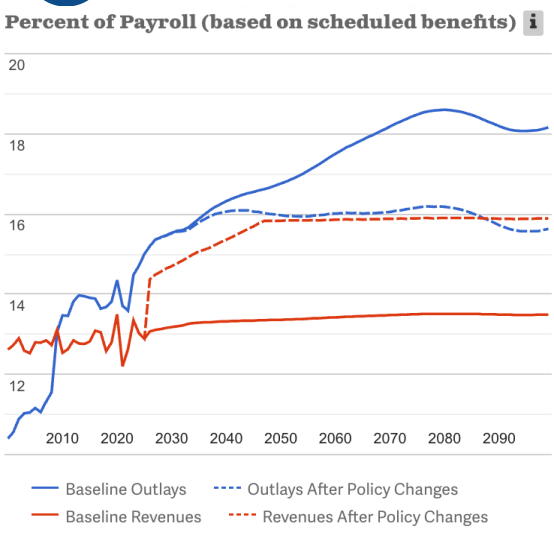
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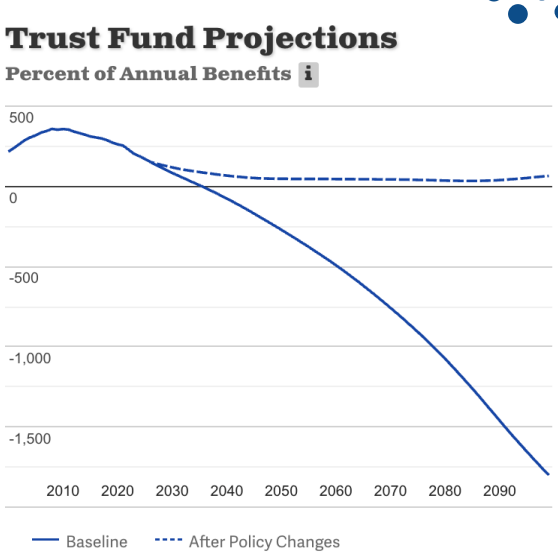
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Source: https://www.pgpf.org/article/9-facts-about-social-security-and-the-need-to-strengthen-it/

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Suppose We Do Both! Problem Solved





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Source: https://www.crfb.org/socialsecurityreformer/

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Some Additional Thoughts on Options

- **COLAs – cost of living adjustments**
  - Merely another way of reducing benefits.
- **Raising the retirement age**
- **Investing in the stock market**

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Raising the Retirement Age

Increase Retirement Age	
Raise Age from 67 to 68	13%
Index Age to Longevity After it Reaches 67	20%
Raise Age to 69 then index to Longevity	39%

- **This is about an 8% benefit cut for everybody, for every year the age is increased.**
- **Very regressive.**
  - Larger tax on low-income workers than high income workers.

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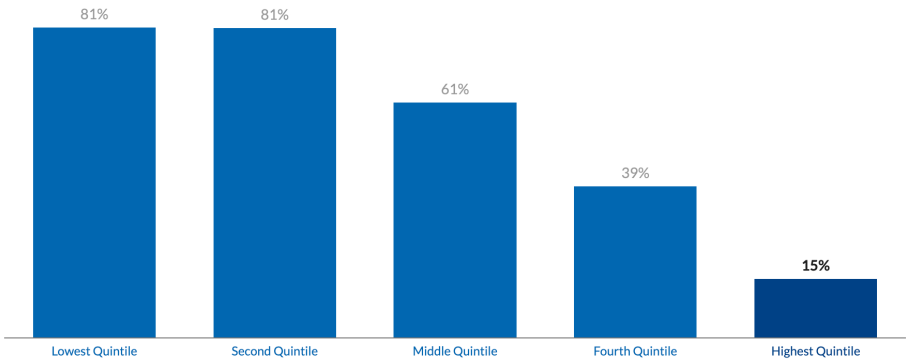
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Program is VERY Important for Low-Income Retirees

Low-income seniors rely on Social Security benefits for a major share of their retirement income

Social Security Benefits (% of Total Income)



Source: Social Security Administration • Get the data • Embed • Download image

Note: A quintile is one-fifth of the population. The lowest quintile's income range is under $13,499, the second quintile's is $13,499-$23,592, the middle quintile's is $23,592-$39,298, the fourth quintile's is $39,298-$72,129, and the highest quintile's is over $72,129. Data are for 2014.

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Source: https://www.pgpf.org/article/9-facts-about-social-security-and-the-need-to-strengthen-it/

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Raising the Retirement Age

Sex	Income Category	Life Expectancy (Years)	Difference High vs Low
Women	**Highest** Incomes (top 1%)	88.9	10.1 years
	Lowest Incomes (bottom 1%)	78.8	
Men	**Highest** Incomes (top 1%)	87.3	14.6 years
	Lowest Incomes (bottom 1%)	72.7	

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Investing in the Stock Market

- ☐ Invest in the Stock Market
  - ○ Diversify the Trust Fund to Increase Returns 6%
  - ○ Divert 2% of Payroll Tax to "Carve-Out" Accounts -1%
  - ○ Allow Contributions into "Add-on" Accounts 0%

1. **Doesn't do much to solve the problem.**
2. **Concerns with government investing in the stock market.**
3. **Logistics of allowing individuals to customize are enormous.**
   1. And subject to political influence.
4. **May increase the fragility of the system.**

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Other Solution? Tax More Than Just Earnings

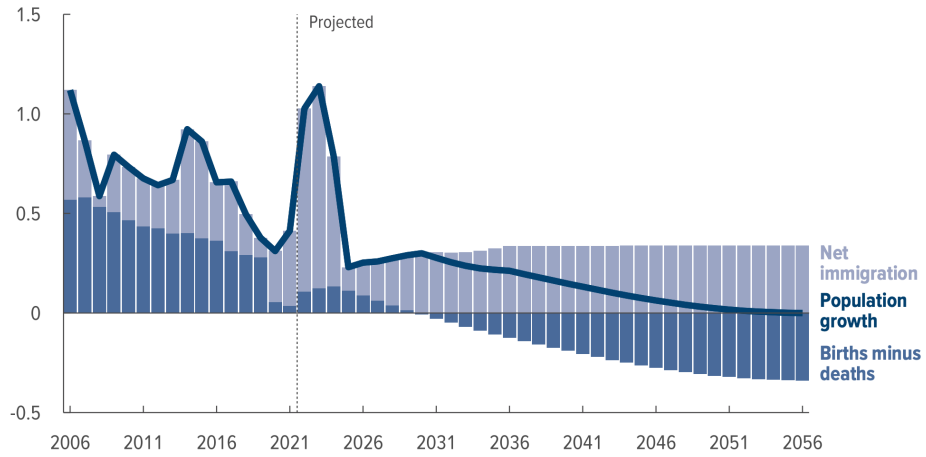
- **Social Security is funded through payroll taxes.**
- **Broadening the base would increase programmatic revenues.**
- **This begs the question of why the program is funded only by a tax on earnings.**
- **Other sources of income: capital gains.**

- **Social security is an economic security program.**
  - Yet its revenue source is earnings.
  - Is income a better indication of economic security?

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Another Solution?

Population Growth and Contributing Factors
Percent



Source: https://www.cbo.gov/system/files/2026-01/61879-Demographic-Outlook.pdf

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General Principle of Solutions

- Social security was originally created (primarily) to reduce economic instability among the elderly.
- Shouldn't solutions to the shortfall respect that original intent?
- Regressive solutions are anathema to the original intent, disproportionately reducing the program's effects on those most at risk of economic instability.
- Equality of contributions to the solution increase economic instability among the elderly.
- Progressive solutions are more likely to respect the original intent.

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Summary

- Social Security is an important part of the social safety net.
- The OASDI Trust Fund is likely to be exhausted in 2033.
- Why are the funds being depleted?
  - An aging population – fewer paying in and more taking out.
  - Declining birth rates - slowing the growth of the labor force.
  - Wage inequality – more and more wages are above the wage cap.
- What happens when the funds are depleted?
  - Benefits may have to be reduced by 23%.
  - The system will continue!
- Solutions abound. The problem is political will.
  - The needed changes will be unpopular, but they are very manageable.

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Thank you!

Any Questions?