What the 2024 Trustees’ Report Shows About Social Security

By Paul Van de Water

The long-term outlook for the Social Security trust funds has improved slightly, the latest annual report from the program’s trustees shows. Social Security can pay full benefits for 11 more years but then faces a significant, though manageable, funding shortfall. Several key points emerge from the report.

- The trustees estimate that if policymakers take no further action, Social Security’s combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust fund reserves will be depleted in 2035. This is one year later than projected in last year’s report.2

- While most of Social Security’s benefits are funded by the payroll taxes collected from today’s workers, the program has also accumulated $2.8 trillion in trust fund reserves over the past three decades.3 During that period, Social Security’s income exceeded its costs, and the program invested the surplus in interest-bearing Treasury securities. Over the next 11 years, those reserves will make up the difference between Social Security’s income and costs.

- After 2035, Social Security could still pay roughly 83 percent of scheduled benefits using its tax income even if policymakers took no steps to shore up the program.4 Those who claim that Social Security won’t be around at all when today’s young adults retire and that young workers will receive no benefits either misunderstand or misrepresent the trustees’ projections.

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4 2024 Trustees’ Report, Table IV.B4.
• The program’s shortfall amounts to 1.2 percent of GDP over the next 75 years (and about 1.6 percent of GDP in the 75th year).  

The program’s trustees have maintained their estimate for the DI trust fund, projecting that its reserves will not be depleted within the 75-year, long-range projection window. Because DI costs and income are in close balance, even small changes can significantly alter the DI trust fund’s projected reserve depletion date. The projected year of depletion for the combined trust funds has remained relatively stable in recent years. (See Table 1.)

Policymakers should address Social Security’s long-term shortfall primarily by increasing Social Security’s tax revenues. Social Security will require an increasing share of our nation’s resources as the population ages, and polls show a widespread willingness to pay more to strengthen the program. Recent trends also justify boosting Social Security’s payroll tax revenue: Social Security’s tax base has eroded since the last time policymakers addressed solvency in 1983, largely due to increased earnings inequality and the rising cost of non-taxed fringe benefits, such as health insurance.

Report Holds Few Surprises

For Social Security as a whole, the outlook in the 2024 trustees’ report remains similar to last year’s. The report focuses on the next 75 years — a horizon that spans the lifetime of just about everybody now old enough to work. With no tax increases scheduled, the trustees project that the program’s tax income will remain around 14 percent of taxable payroll. (Taxable payroll is total wages and self-employment income up to Social Security’s taxable maximum, which is currently $168,600 a year.) Meanwhile, program costs are expected to climb, largely due to the aging of the population. Costs will grow more steeply for about 20 years and then moderate, rising to roughly 18 percent of taxable payroll in 75 years. Interest earnings, long an important component of the trust funds’ income, will shrink and eventually disappear.

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5 2024 Trustees’ Report, Table VI.G4.
6 2024 Trustees’ Report, Table II.D1.
7 2024 Trustees’ Report, Table IV.B1.
10 2024 Trustees’ Report, Table IV.B1; Social Security payroll taxes equal 12.4 percent of taxable payroll, while dedicated income taxes that higher-income beneficiaries pay on a portion of their Social Security benefits contribute a gradually rising percentage of taxable payroll.
12 2024 Trustees’ Report, Table IV.B1.
Over the entire 75-year period, the trustees put the Social Security shortfall at 3.50 percent of taxable payroll; the shortfall is concentrated in the later decades of the projection.\textsuperscript{13} Expressed as a share of the nation’s economy, the 75-year shortfall equals 1.2 percent of GDP.\textsuperscript{14}

While Social Security provides earned benefits to people of \textit{all} ages — young children and their surviving parents who have lost a family breadwinner, working-age adults who become seriously disabled, and retired workers and older widows and widowers — roughly 4 in 5 beneficiaries are older Americans.\textsuperscript{15} The share of the population that is aged 65 or older will climb steeply over the next 15 years, from about 1 in 6 people in the U.S. to 1 in 5, and then inch up thereafter.\textsuperscript{16} Social Security costs as a percentage of GDP will rise slightly \textit{less} than that due to already enacted increases in the age for full retirement benefits (previously 65, then 66, and now 67), which dampen the rise in benefit costs.\textsuperscript{17} (See Figure 1.) These facts reinforce the point that Social Security’s fundamental challenge is demographic, traceable to a rising number of beneficiaries rather than to escalating costs per beneficiary.

\textsuperscript{13} 2024 Trustees’ Report, Table II.D2.
\textsuperscript{14} 2024 Trustees’ Report, Table VI.G4.
\textsuperscript{16} 2024 Trustees’ Report, Table V.A3.
\textsuperscript{17} The rise in the full retirement age from 66 to 67, which phased in between 2017 and 2022, slowed the growth of program costs, as the previous rise from 65 to 66 did. For an explanation, see Kathleen Romig, “Raising Social Security’s Retirement Age Cuts Benefits for All Retirees,” CBPP, January 20, 2016, https://www.cbpp.org/blog/raising-social-securitys-retirement-age-cuts-benefits-for-all-retirees.
FIGURE 1

Social Security’s Growth Roughly Tracks Population’s Aging

Percent of the population aged 65+

Social Security as a percent of GDP

Note: Social Security’s age for full retirement benefits rose from 65 to 66 between 2000 and 2005 and reached 67 in 2022. That change dampens the rise in Social Security benefit costs. GDP = gross domestic product.

Source: Social Security Administration
Social Security Needs Shoring Up but Will Not Go “Bankrupt”

2035 is the “headline date” in the trustees’ report because that is when the combined Social Security trust fund reserves — that is, the excess contributions it has collected and invested in Treasury bonds over the past three decades — will be depleted. At that point, if nothing else is done, the program could pay about 83 percent of scheduled benefits, mostly out of workers’
ongoing contributions, and that figure that would slip to 73 percent in 75 years.\textsuperscript{18} Contrary to popular misconception, benefits would not stop.\textsuperscript{19}

The trustees project that the DI trust fund reserves will last through the 75-year, long-range projection window.\textsuperscript{20} Because DI costs and income are in close balance, even small changes can significantly alter the DI trust fund’s projected reserve depletion date. The number of DI awards declined each year from 2011 through 2022 but increased by 3 percent in 2023.\textsuperscript{21} Analysts anticipated this basic trend, since most of the growth in DI enrollment in prior years was due to demographic factors, such as the aging of the baby-boom generation, but enrollment has fallen more than expected. The trustees assume that disability claims will increase in the near term.\textsuperscript{22}

Although the exhaustion dates attract media attention, the trustees caution that their projections are uncertain. For example, while 2035 is their best estimate of when the trust fund reserves will be depleted, they judge there is an 80 percent probability that the reserves will be depleted between 2033 and 2039.\textsuperscript{23} The Congressional Budget Office projects that the combined trust fund reserves would be depleted in 2034.\textsuperscript{24} In short, all reasonable estimates show a long-run problem that needs to be addressed but not an immediate crisis.

Following the 1983 Social Security amendments, the trust fund reserves grew dramatically, which has helped to finance the retirement of the baby-boom generation. The principal and interest from the trust funds’ bonds will enable Social Security to keep paying full benefits until 2035. The bonds have the full faith and credit of the United States government, and — as long as the solvency of the federal government itself is not called into question — Social Security will be able to redeem its bonds just as any private investor might do.\textsuperscript{25} To redeem the bonds the federal government will have to increase its borrowing from the public, raise taxes, or spend less. That will be a concern for the Treasury Department — but not for Social Security.

\begin{table}
\centering
\caption{Table of Trust Fund Reserves}
\begin{tabular}{|c|c|c|}
\hline
Year & Reserve & Depletion Date \\
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2035 & 73 percent &
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2040 & 74 percent &
\hline
2045 & 75 percent &
\hline
2050 & 76 percent &
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\end{tabular}
\end{table}

\textsuperscript{18} 2024 Trustees’ Report, Table IV.B4.
\textsuperscript{20} In addition, the 2015 bipartisan budget agreement addressed DI solvency by temporarily reallocating payroll taxes between the DI and OASI trust funds, which extended the solvency of the DI trust fund by several years but did not affect the projected exhaustion year of the OASI fund.
\textsuperscript{22} 2024 Trustees’ Report, Table V.C5.
\textsuperscript{23} 2024 Trustees’ Report, Table VLE1.
Getting Social Security Solvency Right

Policymakers need to strengthen Social Security. Nearly everyone participates in Social Security, first as a worker and eventually as a beneficiary. The program’s benefits are the foundation of income security in old age, though they are modest both in dollar terms and compared with benefits in other countries.26 Millions of beneficiaries have little or no income other than Social Security.27

Because Social Security benefits are so modest and make up the principal source of income for most beneficiaries, policymakers should restore solvency primarily by increasing Social Security’s tax revenues. Some of their options: they could raise the maximum amount of wages subject to the payroll tax (which covered only about 82 percent of earnings in 2022,28 well short of the 90 percent figure envisioned in the 1977 Social Security amendments). They could broaden the tax base by subjecting to payroll tax voluntary salary-reduction plans, such as cafeteria plans and health care Flexible Spending Accounts — as 401(k) plans already are. Or they could raise the payroll tax rate by small steps.29

Future workers are expected to be more prosperous than today’s. Under the trustees’ assumptions, the average worker will be twice as well off in real terms by 2080.30 It is appropriate to devote a small portion of those gains to the payroll tax, while still leaving future workers with substantially higher take-home pay. Social Security is a popular program, and poll respondents of all ages and incomes have expressed a willingness to support it through higher taxes.31 Policymakers need to design reforms judiciously so that Social Security remains the most effective and successful income security program.

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30 2024 Trustees’ Report, Table VI.G6.

31 Data for Progress, op. cit.