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2024 Social Security Trustees Report: Combined Trust Fund Projected to Deplete One Year Later

The board of trustees of the Social Security trust funds projects that the combined fund will be able to provide full benefits until 2035, a year later than it predicted in 2023.

The trustees released the [2024 Old-Age, Survivors and Disability Insurance (OASDI) Report] on May 6, detailing the program's current and projected financial status. The Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds pay Social Security benefits to retired and disabled workers and their families.

The OASI and DI funds are separate legal entities, but the report presents information that combines their reserves to illustrate the actuarial status of the Social Security program.

Highlights of the 2024 report

As a result of a strong job market, the trustees have adjusted their assumptions and reassessed their expectations for the economy. The new projections take into account updated data on inflation and output. The report projects an increased level of gross domestic product (GDP) and labor productivity by about 3 percent. The assumptions for growth are largely unchanged after the first 10 years of the projection period. The intermediate assumptions for this report were set in December 2023.

As a result, the combined fund will be able to provide benefits in full on a timely basis until 2035, one year later than predicted in 2023's report. This does not mean that Social Security will go bankrupt, but it does mean a reduction of payments if Congress does not address the situation before 2036. If nothing changes, combined trust fund payments will drop to 83% of scheduled benefits payable at that time.

Specifics from the report for each separate fund:

- The **OASI Trust Fund,** which pays retirement and survivors benefits, will be able to pay scheduled benefits until 2033 (same as stated in the 2023 report). At that time, OASI income would be sufficient to pay 79% of scheduled benefits.
- The **DI Trust Fund,** which pays disability benefits, is not projected to become depleted during the 75-year period ending in 2098 (the long-range projection period).

Social Security's total cost is projected to be higher than its total income in 2024 and all later years. Total costs began to exceed total income in 2021. Social Security's cost has been higher than its non-interest income since 2010.

The DI program's disability applications and benefit awards remained low through 2023. Disability applications have declined substantially since 2010; the total number of disabled worker beneficiaries in current payment status has been falling since 2014.

What does this mean for your financial plan?

The projections make for grim reading, but lawmakers can shore up the program. Numerous potential fixes exist, ranging from reducing the annual cost-of-living adjustment (COLA) and increasing the full retirement age, to eliminating the Social Security wage ceiling and increasing the payroll tax.

Raising payroll taxes to produce enough revenue to pay full benefits would require an immediate and permanent 3.33% increase to 15.73% (up from the current 12.40%).

Alternatively, lawmakers could cut benefits now. They would need to reduce benefits by 20.8% immediately on all current and future beneficiaries or impose an even steeper 24.8% cut on those who will become eligible for benefits in 2024 or later. Some combination of those two strategies could also be a potential fix.

If lawmakers defer substantial actions for several years, the changes necessary to maintain Social Security solvency would be concentrated on fewer years and fewer generations. Significantly larger changes would be necessary if action is deferred until the combined trust fund reserves become depleted in 2035. The trustees continue to recommend that Congress address the projected trust fund shortfalls soon to phase in necessary changes gradually.

The one caution about these projections is that they use assumptions. And as we know in the planning world, those assumptions can change. For example, 2021's report assumed that the pandemic recovery would be long. And in the 2023 report, the trustees found that this wasn't necessarily the case. Long-term forecasts will inevitably change.

However, you may want to stress-test your financial plan now, since 100% of your Social Security benefits might not be available to you. You and your advisor should incorporate this into your projections. If you are 60 or younger, you may want to consider using 75%–80% of your projected Social Security benefits as one scenario in your planning. Knowing how your financial plan would fair with this reduction in income can help you plan for the worst-case scenario.

For more information, please contact your advisor.

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