Institute for Youth in Policy

5214F Diamond Heights Blvd #3055
San Francisco, CA 94109

+1 (509) 565-0545
eic@yipinstitute.org
www.yipinstitute.org

Fixing Social Security: What's at Stake?

Social Policy, Institute for Youth in Policy

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Abstract

This brief will analyze the debate over how the United States should fund Social Security and retirement, a growing conflict causing great discourse around the nation. It will consider the history and previously attempted policies of this phenomenon.

Keywords

Social Security Financing, Retirement Security, Aging Population, Payroll Tax Reform, Trust Fund Insolvency

I. Executive Summary

This brief examines the growing national debate over how the United States should fund Social Security and provide stable, long-term retirement security for future generations. It will consider the history of the program, both major parties' claims, and past attempts to put an end to the issue.

II. Overview

This section provides a brief overview of the origins of the debate surrounding Social Security and retirement security, as well as its growing relevance.

Pointed Summary

- Social Security faces lasting long-term challenges because of an aging population, predicted trust fund shortfalls, and a rapidly decreasing ratio of workers to retirees.
- Policymakers constantly debate over how to protect the future of Social Security and retirement security, with suggestions to aid the issue varying from altering benefits, increasing the required age to retire, or increasing income.
- Previous reforms, such as the 1983 Social Security Amendments, demonstrate long-standing bipartisan efforts to protect the system and preserve its core mission.

Relevance

Recent reports indicate that Social Security will not be able to pay out full benefits, raising major concerns about the system's long-term sustainability. Created during the Great Depression to assist older Americans financially, Social Security and retirement security programs now serve as the primary source of income for millions of Americans. These safety nets and their challenges have sparked national discourse over how to stabilize retirement security for future generations.

III. History

Current Stances

The Democratic Party has proposed several plans to stabilize and expand Social Security, including the Social Security 2100 Act and the Social Security Expansion Act. The Social Security 2100 Act seeks to increase benefits by 2% for all beneficiaries and improve Cost-of-Living Adjustments (COLAs) so they better reflect inflation experienced by the seniors, while also increasing benefits for low-income recipients. Additionally, the Social Security Expansion Act, backed by Senator Bernie Sanders, seeks long-term solvency through progressive taxation. It also aims to prevent poverty among low-income seniors by indexing benefits to 125% of the poverty level, approximately $18,000 annually.

Conversely, many Congressional Republicans argue that Social Security is financially unsustainable and have proposed reforms that include reducing or restructuring benefits as part of broader efforts to address long-term solvency.

Tried Policy

Trump's One Big Beautiful Bill Act, signed into law on July 4, 2025, sought to put an end to taxing Social Security benefits and instead introduced a standard $4,000 deduction across each income bracket. However, for single earners starting at $75,000 and married couples filing jointly starting at $150,000, Social Security benefits begin to slowly phase out. The bill also includes various fiscal policy changes, such as cuts to Medicaid and adjustments in other spending areas. Additionally, on May 6, 2025, the SSA hired Frank Bisignano to serve as Commissioner and made significant changes to the agency, including the shutdown of several offices, leading to 7,000 job cuts, and limiting phone assistance, which has led to longer wait times for beneficiaries. Additionally, the staffing reductions have caused widespread concern among lawmakers and advocacy groups, as each employee is now responsible for serving roughly 1,480 beneficiaries, potentially compromising the agency's ability to serve vulnerable populations.

IV. Policy Problem

Stakeholders

Social Security and Retirement Security are typically funded by dedicated payroll tax, with a portion also coming from taxes on benefits and interest earned on trust fund reserves. As of 2025, employers and employees pay 6.2% of wages up to the taxable maximum of $176,100 [1].

The main problem with this method of funding is that expenses for Social Security are exceeding income, driven by changes in birthrates and a growing elderly population. Compared to the 90% contribution rate in 1983, only 83% of incomes contribute to Social Security funding now [2]. While the system is not running out of money right now, there is uncertainty clouding the future.

Risks of Indifference

The lack of political action exacerbates this problem. Currently, the trust fund reserves are projected to be able to pay 100% of benefits until 2034; if Congress does not act soon to enact a plan to ensure stability after 2034, it could lead to an estimated 24% across-the board cut [2]. Additionally, the program's Chief Actuary, Karen Glenn reported that the retirement trust fund is just seven years from insolvency [3]. Projected needs for government increased borrowing can lead to crowding out of private investment, and it severely impacts economic growth. The new One Big Beautiful Bill Act (OBBA) reduced revenue flowing into the trust fund, and the Chief Actuary also estimates that the act will cost the trust funds $169 billion over 10 years. The Social Security Fairness Act [4], passed in January, allows state and local governments to 'dip' into Social Security benefits, further increasing the shortfall by another $200 billion.

Nonpartisan Reasoning

Democratic proposals for funding social and retirement security focus on increasing the tax base and enhancing benefits [5]. They emphasize raising the payroll tax cap, applying taxes to investment income for high earners, and a more accurate inflation index to calculate cost-of-living adjustments. Republicans have generally strived to limit social welfare spending, focusing on benefit reductions and increasing the retirement age, although official platforms pledge to protect benefits [6]. The Republican Study Committee (RSC), in both 2024 and 2025 budget proposals, proposed an increase to retirement age to account for the increased life expectancy. While both parties differ in the focus behind funding, some proposals have been bipartisan efforts. For example, Senators Cassidy (R-LA) and Kaine (D-VA) suggest creating a new investment fund with a portion of Social Security assets to generate higher returns [7].

V. Policy Options

Several policy options have been proposed to address the concerns over Social Security's long-term practicality, given evolving aging dynamics. One option would be to raise the retirement age, at which one can start collecting benefits, from 65 to 68. This change would reflect longer average life expectancy, and proponents of this change point to the Bureau and Labor Statistics' report that in 2024, 19.5 percent of people aged 65 and older participated in the labor force. While proponents argue this aligns the program with modern longevity, critics note that gains in life expectancy are uneven, so this change would disproportionately burden lower-income workers and those in physically demanding jobs. A second option would be to limit the benefits for the top five percent of earners. Supporters assert this would promote more equitable aging processes; however, opponents object that such severs the link between contributions and benefits. A third option could involve modifying Cost-of-Living Adjustments (COLAs), such as indexing COLAs to chained CPI for the top half of beneficiaries.

VI. Conclusions

Discussion about Social Security has taken on new urgency in a time of rising costs associated with an aging population. Whether to increase revenues, reform benefits, or phase in an older retirement age are variations on three debates that have dominated policymaking for decades and continue to do so today. In every direction, proponents offer a range of reasons, from keeping faith with the long-standing promises of the program to ensuring that the program can meet future needs. Ultimately, the direction of the program will depend on how well the nation strikes a balance between tight fiscal realities and the continuing obligation to provide retirement security to Americans.