



Insight

Highlights of CBO's 2024 Long-term Social Security Projections

JORDAN HARING | SEPTEMBER 3, 2024

Executive Summary

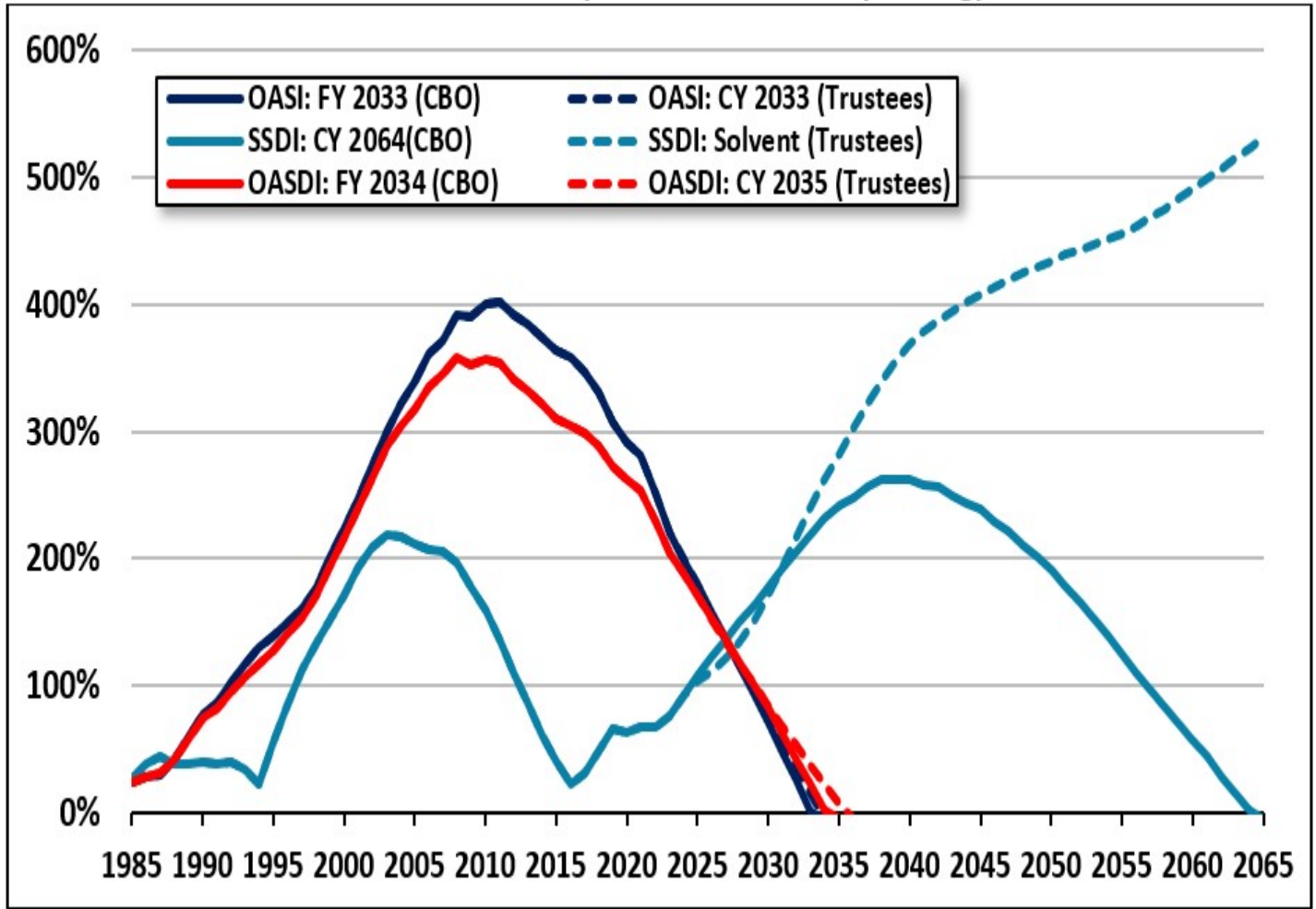
- The Congressional Budget Office (CBO) recently released its long-term projections for Social Security, which estimate that the Social Security Old-Age and Survivors Insurance (OASI) trust fund will exhaust its reserves by the end of fiscal year (FY) 2033, the Social Security Disability Insurance (SSDI) trust fund will run out by the end of calendar year 2064, and the theoretically combined Social Security trust funds (OASDI) will be insolvent by the end of 2034 – just 10 years from now.
- Upon insolvency of the OASI trust fund, all beneficiaries regardless of age, income, or need will see their benefits slashed by 25 percent, SSDI benefits will be cut by 13 percent, and OASDI benefits by 23 percent; CBO estimates that 75-year solvency could be restored to the combined trust funds with an immediate 31-percent payroll tax increase or a 24-percent across-the-board benefit cut.
- Social Security's 75-year (2024–2098) actuarial imbalance totals 4.3 percent of taxable payroll (1.5 percent of gross domestic product (GDP)); 75-year program costs equal 18.1 percent of payroll (6.2 percent of GDP) and dedicated revenue totals 13.8 percent of payroll (4.7 percent of GDP).
- Policymakers have just a few years left to restore solvency to Social Security and prevent big benefit cuts for all beneficiaries; the longer they wait, the more costly and painful the necessary adjustments will be.

Introduction

Time is quickly running out to restore long-term solvency to Social Security, as evidenced in the latest [long-term Social Security projections](#) from the Congressional Budget Office (CBO). Under CBO's projections, the Social Security Old-Age and Survivors Insurance (OASI) trust fund will exhaust its reserves by the end of fiscal year (FY) 2033 and the Social Security Disability Insurance (SSDI) trust fund will run out by the end of calendar year (CY) 2064. On a theoretically combined basis, assuming dedicated revenue is reallocated in the years between OASI and SSDI insolvency, the Social Security trust funds (OASDI) will be insolvent by the end of FY 2034 – just 10 years from now. That means Social Security will run out when today's 57-year-olds reach the normal retirement age of 67 and today's youngest retirees – those retiring at age 62 – turn 72.

For comparison, in their [2024 report](#), the Social Security Trustees projected that the OASI trust fund would run out by the end of CY 2033, the SSDI trust fund would remain solvent over the next 75 years, and the theoretically combined trust funds would exhaust their reserves by the end of CY 2035.

Trust Fund Ratios (Percent of Annual Spending)



Sources: CBO and Social Security Administration.

Under the law, the Social Security trust funds do not have borrowing authority, so upon insolvency they will be unable to borrow from the Treasury to close the gap between dedicated revenue and spending and continue to pay benefits in full. CBO estimates that in FY 2033, the OASI trust fund will have enough dedicated revenue to pay 75 percent of scheduled benefits; in CY 2064, the SSDI trust fund will be able to pay 87 percent of scheduled benefits; and in FY 2034, the combined trust funds will be able to pay 77 percent of scheduled benefits. As a result, OASI benefits will be cut by 25 percent, SSDI benefits by 13 percent, and OASDI benefits by 23 percent across-the-board for all beneficiaries regardless of age, income, or need. ([AAF previously analyzed](#) what the benefit cuts look like in dollars for different types of beneficiaries across the income distribution).

Key Figures in CBO's 2024 Long-term Social Security Projections

Trust Fund	Insolvency Year	Deficit in Insolvency Year	Benefit Cut at Insolvency (Percent)
Social Security Old-Age and Survivors Insurance Trust Fund	FY 2033	\$533 billion (1.3% of GDP)	25%

Social Security Disability Insurance Trust Fund	CY 2064	\$133 billion (0.1% of GDP)	13%
Theoretically Combined Trust Funds	FY 2034	\$542 billion (1.3% of GDP)	23%

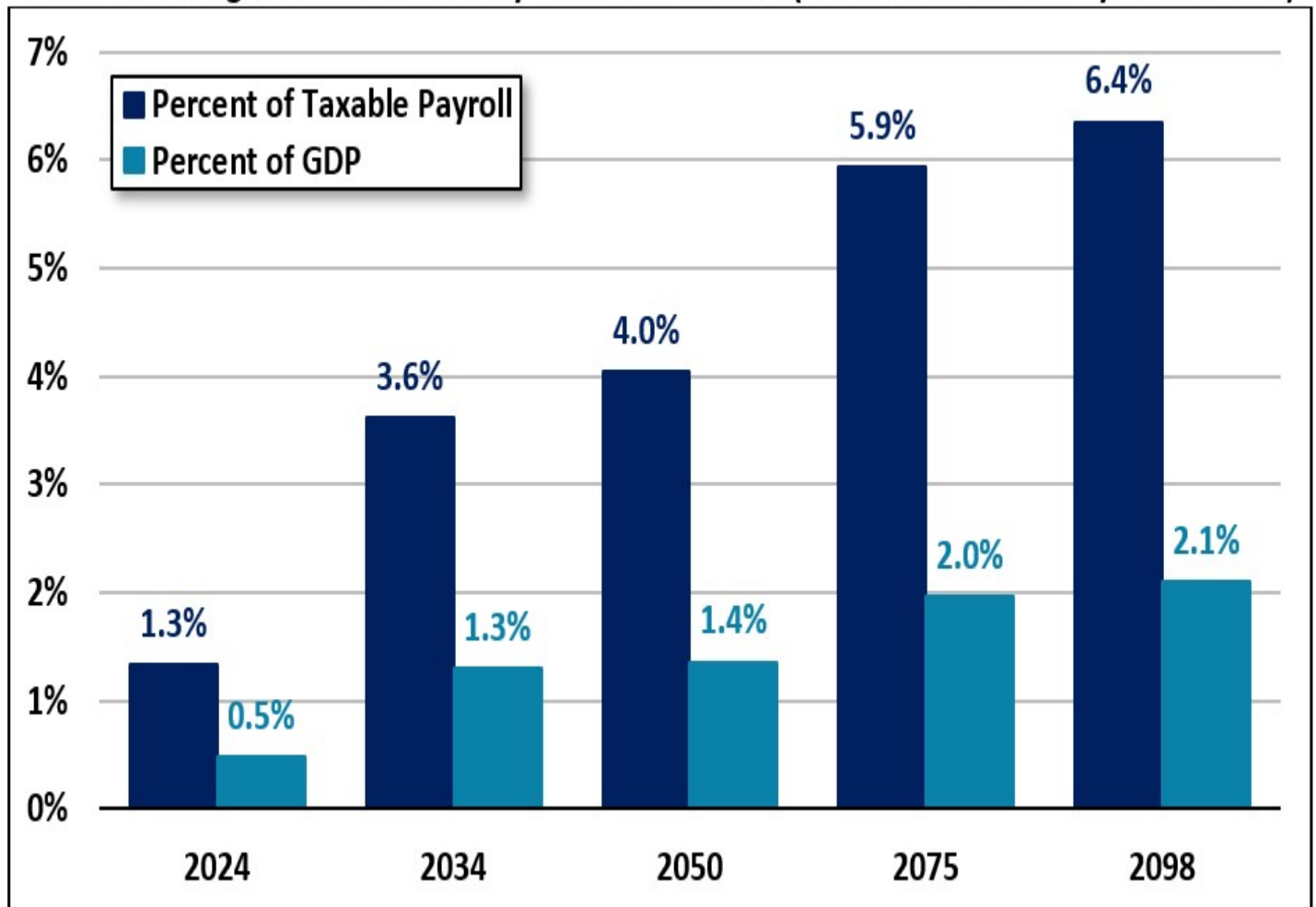
Sources: CBO and author's calculations.

CBO Projects a Large and Growing Social Security Shortfall

CBO projects that Social Security will run chronic deficits over both the short and long term. This year, it will run a cash flow deficit of \$138 billion, the equivalent of 1.3 percent of taxable payroll or 0.5 percent of gross domestic product (GDP). Over the following decade (2025–2034), the program will run \$3.6 trillion in cash flow deficits, which equals 2.8 percent of payroll or 1.0 percent of GDP.

Over the long term, CBO projects that Social Security's cash flow deficit (assuming scheduled benefits are paid) will grow to \$542 billion (3.6 percent of taxable payroll or 1.3 percent of GDP) by 2034, to \$1.0 trillion (4.0 percent of payroll or 1.4 percent of GDP) by 2050, to \$3.6 trillion (5.9 percent of payroll or 2.0 percent of GDP), and to \$8.6 trillion (6.4 percent of payroll or 2.1 percent of GDP) by 2098.

Short- and Long-term Social Security Cash Flow Deficits (Percent of Taxable Payroll and GDP)



Sources: CBO and author's calculations.

Over the 75-year projection window (2024–2098), CBO estimates that Social Security faces an actuarial imbalance of 4.3 percent of taxable payroll or 1.5 percent of GDP. That means any plan to restore 75-year sustainable solvency to Social Security would require immediately increasing the 12.4 Social Security payroll tax rate by 31 percent (3.8 percentage points) to 16.2 percent or cutting benefits by 24 percent for all beneficiaries.

Social Security Costs Will Continually Outpace Revenue

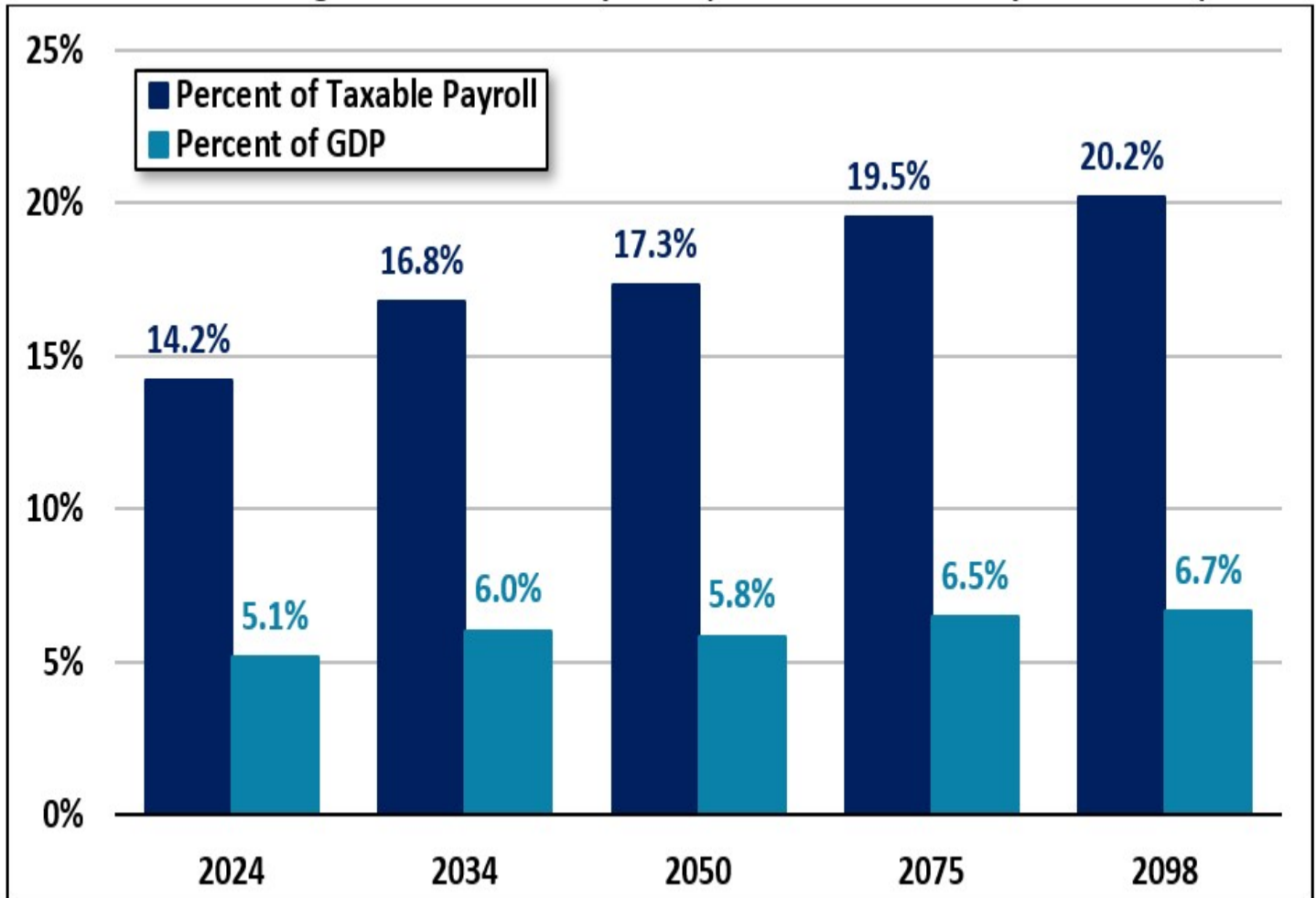
Social Security's growing long-term shortfall is the result of rising costs due to an aging population. Social Security costs have already grown from \$479 billion (11.0 percent of taxable payroll or 4.2 percent of GDP) in 2003 to \$1.4 trillion (14.5 percent of payroll or 5.1 percent of GDP) in 2023. CBO projects that costs will total \$1.5 trillion (14.2 percent of payroll or 5.1 percent of GDP) this year and \$20.3 trillion (15.9 percent of payroll or 5.7 percent of GDP) over the subsequent decade.

Over the long term, CBO projects that Social Security spending (assuming scheduled benefits are paid) will grow to \$2.5 trillion (16.8 percent of taxable payroll or 6.0 percent of GDP) by 2034, to \$4.3 trillion (17.3 percent of payroll or 5.8 percent of GDP) by 2050, to \$11.7 trillion (19.5 percent of payroll or 6.5 percent of

GDP) by 2075, and to \$27.4 trillion (20.2 percent of payroll or 6.7 percent of GDP) by 2098.

Social Security spending will rise rapidly over the next decade as the baby boom generation retires and continue to increase over the long term as life expectancy rises.

Short- and Long-term Social Security Costs (Percent of Taxable Payroll and GDP)

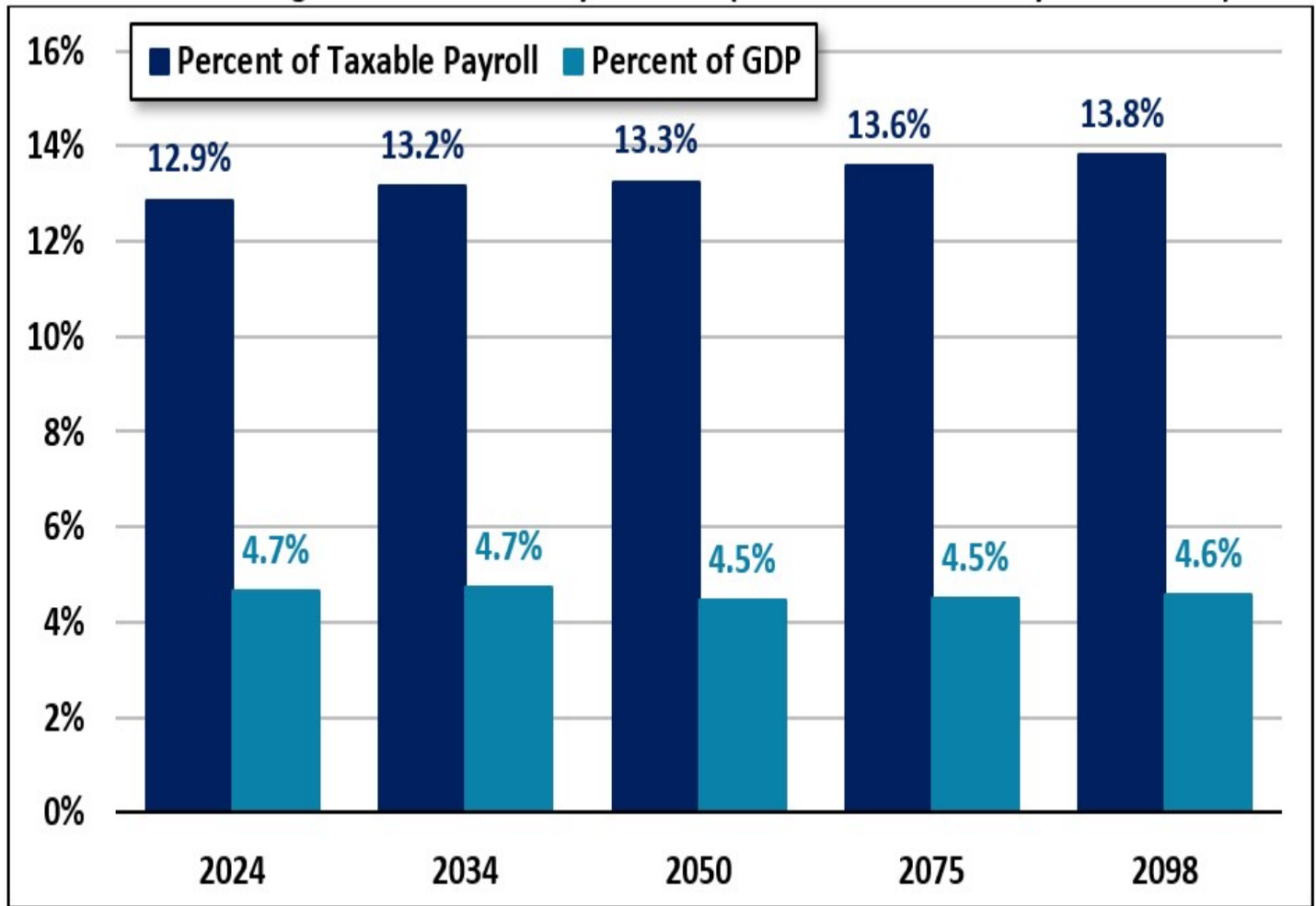


Sources: CBO and author's calculations.

Social Security revenue, meanwhile, will fail to keep up with growing costs. CBO projects that revenue will total \$1.3 trillion (12.9 percent of taxable payroll or 4.7 percent of GDP) this year and \$16.8 trillion (13.1 percent of payroll or 4.7 percent of GDP) over the subsequent decade.

Over the long term, CBO projects that Social Security revenue will grow to \$2.0 trillion (13.2 percent of taxable payroll or 4.7 percent of GDP) by 2034, to \$3.3 trillion (13.3 percent of payroll or 4.5 percent of GDP) by 2050, to \$8.2 trillion (13.6 percent of payroll or 4.5 percent of GDP) by 2075, and to \$18.8 trillion (13.8 percent of payroll or 4.6 percent of GDP) by 2098.

Short- and Long-term Social Security Revenue (Percent of Taxable Payroll and GDP)



Sources: CBO and author's calculations.

How Do CBO's Projections Compare to the Trustees'?

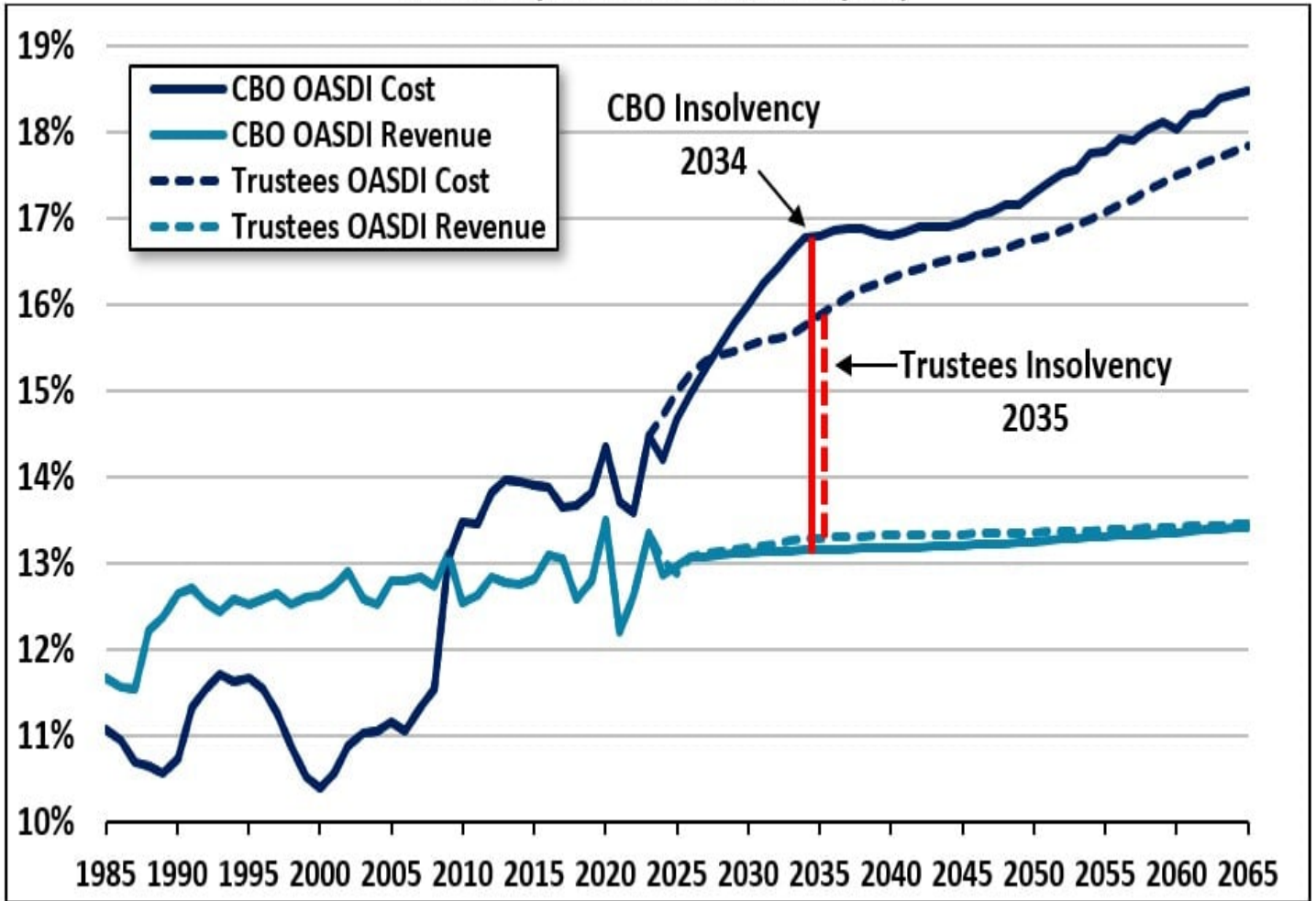
CBO projects earlier insolvency dates for SSDI and OASDI and a larger 75-year actuarial imbalance than the Social Security Trustees. CBO and the Trustees both project OASI trust fund depletion in 2033. While CBO projects SSDI trust fund exhaustion in 2064 and OASDI trust fund depletion in 2034, however, the Trustees expect SSDI to remain solvent at least through the next 75 years and the combined trust funds to run out by 2035.

Moreover, CBO's projected 75-year actuarial imbalance of 4.3 percent of taxable payroll is more than 1.2 times larger than the Trustees' 3.5 percent of payroll projection. The disconnect between CBO's and the Trustees' projections is the result of different underlying assumptions, including those concerning interest rates, economic growth, disability incidence, and population growth, among other factors.

Both CBO and the Trustees expect Social Security revenue to remain between 13 and 14 percent of taxable payroll over the next 75 years. Yet CBO expects much higher program costs in large part due to higher projections of Social Security beneficiaries (by 2098, CBO expects there to be 118 million Social Security beneficiaries, compared to the Trustees' 110 million estimate). For example, CBO expects Social Security

spending costs to total 16.8 percent of payroll (6.0 percent of GDP) by 2034, while the Trustees expect these to total 15.8 percent of payroll (5.8 percent of GDP). By 2050, CBO projects costs to total 17.3 percent of payroll (5.8 percent of GDP), compared to the Trustees' 16.8 percent of payroll (5.9 percent of GDP) estimate. And by 2098, CBO expects 20.2 percent of payroll (6.7 percent of GDP) program costs, which is 2 full percentage points higher than the Trustees' 18.2 percent of payroll (6.1 percent of GDP) projection.

Comparing CBO's and the Social Security Trustees' Projections of Social Security Costs and Revenue (Percent of Taxable Payroll)



Sources: CBO and Social Security Administration.

Comparing CBO's and the Social Security Trustees' Social Security Projections

Metric	CBO	Trustees
Insolvency Date (Combined Trust Funds)	2034	2035
Benefit Cut at Insolvency	23%	17%

Payroll Tax Increase to Achieve 75-Year Solvency	31%	27%
Benefit Cut to Achieve 75-Year Solvency	24%	21%
2025–2034 Cash Deficits	\$3.6 trillion (2.8% of payroll; 1.0% of GDP)	\$3.0 trillion (2.3% of payroll; 0.8% of GDP)
75-Year Costs	18.1% of payroll (6.2% of GDP)	17.3% of payroll (6.1% of GDP)
75-Year Revenue	13.8% of payroll (4.7% of GDP)	13.8% of payroll (4.8% of GDP)
75-Year Actuarial Imbalance	4.3% of payroll (1.5% of GDP)	3.5% of payroll (1.2% of GDP)
75th-Year (2098) Costs	20.2% of payroll (6.7% of GDP)	18.1% of payroll (6.1% of GDP)
75th-Year (2098) Revenue	13.8% of payroll (4.6% of GDP)	13.5% of payroll (4.5% of GDP)
75th-Year (2098) Deficit	6.3% of payroll (2.1% of GDP)	4.6% of payroll (1.6% of GDP)

Sources: CBO, Social Security Administration, and author's calculations.

Conclusion

CBO's projections make clear that the primary federal retirement program remains unsustainable. On its present course, the program is on track to exhaust its reserves in just 10 years, triggering across-the-board benefit cuts for millions of beneficiaries. Policymakers have just a few years left to restore solvency to Social Security and prevent big benefit cuts for all beneficiaries; the longer they wait, the more costly and painful the necessary adjustments will be.