



## Explaining Social Security

Social Security is a federal program that provides cash benefits for retirees, disabled workers, and their spouses and survivors. Benefits are primarily funded through the payroll tax, which is split evenly between workers and employers at 6.2 percent of wages each up to a limit (\$176,100 in 2025), while self-employed individuals pay the full 12.4 percent. These contributions fund current beneficiaries through the Social Security trust funds.

The Social Security Old-Age and Survivors Insurance (OASI) program offers monthly benefits to retired workers and survivors who have paid into the system during their working years. Benefits are calculated using a formula that considers a worker's earnings indexed to wage growth. The normal retirement age is currently 67, but individuals can begin receiving reduced benefits at age 62 or delay benefits until age 70 to receive actuarially-adjusted amounts. Social Security Disability Insurance (SSDI) provides financial assistance to those unable to work due to medical conditions that are expected to last a year or more or to result in death. Like retirement benefits, the benefit amount is based on the individual's earnings history indexed to wage growth.

The Social Security OASI trust fund faces significant financial challenges. The Social Security Trustees project that the OASI trust fund will deplete its reserves by 2033, at which point benefits would be limited to incoming revenue, prompting a 21 percent across-the-board benefit cut for all beneficiaries. The theoretically combined OASI and SSDI trust funds are expected to be insolvent by 2035, resulting in a 17 percent benefit cut.

