



# 2025 Social Security Trustee's Report Summary

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## 2025 Social Security Trustee's Report Released

The Advisory Group is following what has turned into an annual tradition by once again warning of problems with the current structure of Social Security and Medicare in America. Unfortunately, things seem worse than ever. The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds was released this year, on June 18, 2025. The report says that, as we predicted in our report last year, Social Security finances have continued to worsen. The concern has grown in part due to the passage of the Social Security Fairness Act of 2023. This act, enacted on January 5, 2025, repealed the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) which had reduced or eliminated Social Security benefits for some who will now receive increased benefits.

## What are the Social Security and Medicare Trust Funds?

**Social Security:** The Social Security program consists of two parts. Retired workers, their families, and survivors of workers receive monthly benefits under the Old-Age and Survivors Insurance (OASI) program; disabled workers and their families receive monthly benefits under the Disability Insurance (DI) program. The combined programs are referred to as OASDI. Each program has a financial account (a trust fund) that accumulates the Social Security payroll taxes that are collected to pay Social Security benefits. Other income (reimbursements from the General Fund of the U.S. Treasury and income tax revenue from benefit taxation) is also deposited into these accounts. Excess deposits that were not needed in previous years to pay benefits and administrative costs are invested (by law) in special Treasury bonds that are guaranteed by the U.S. government and earn interest. As a result, the Social Security Trust Funds have built up reserves that may be used to cover benefit obligations if payroll tax income is insufficient to pay full benefits.

**Medicare:** There are two Medicare trust funds. The Hospital Insurance (HI) Trust Fund helps pay for hospital care (Medicare Part A costs). The Supplementary Medical Insurance (SMI) Trust Fund comprises two separate accounts, one covering Medicare Part B (which helps pay for physician and outpatient costs) and one covering Medicare Part D (which helps cover the prescription drug benefit).

## What is the Concern?

Social Security is the foundation of most Americans' retirement security, and it is by far their single largest retirement income source. In the report, the Trustees sum up the magnitude of benefits from Social Security this way:

**The OASDI program was providing benefit payments<sup>1</sup> to about 68 million people at the end of 2024:**

- **54 million retired workers and dependents of retired workers,**
- **6 million survivors of deceased workers, and**
- **8 million disabled workers and dependents of disabled workers.**

This is a huge number of Americans who are depending on these programs.

**Total program cost in 2024 was \$1,485 billion. Total income was \$1,418 billion, which consisted of \$1,349 billion in non-interest income and \$69 billion in interest earnings. Trust fund reserves held in special issue U.S. Treasury securities declined from \$2,788 billion at the beginning of the year to \$2,721 billion at the end of the year.**

That is a significant increase in cost from the previous year when the total cost of the program in 2023 was \$1,392 billion and shows a large and increasing deficit between income and program cost.

## Trust Funds to be Depleted in a Few Years

*Note that the trustees provide certain projections based on the combined OASI and DI (OASDI) Trust Funds. However, these projections are theoretical, because the trusts are separate, and generally one program's taxes and reserves cannot be used to fund the other program. The trustees' projections are modified each year based on their current assumptions regarding the future.*

The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, headed by Secretary of the Treasury, Scott Bessent summarized the report in a letter to Speaker of the House, Mike Johnson, that we feel provides a great source of information (the letter and the 2025 Annual Report are available on The Advisory Group's website, [www.TAGFinancial.com](http://www.TAGFinancial.com) under TAG Tools/TAG Articles and on the Social Security website [www.SSA.gov](http://www.SSA.gov).)

We recommend reading Secretary Bessent's entire letter, but here are some selected quotes that we feel illustrate the situation:

**"... OASDI cost exceeds total income in every year of the long-range period, which runs from 2025 through 2099. The hypothetical combined trust fund reserves decline until reserves become depleted in 2034, one year earlier than projected in last year's report. Considered separately,**

**the OASI reserves become depleted in 2033, which is the same year projected in last year's report.**

**"...the projected hypothetical combined OASI and DI Trust Fund reserves become depleted and unable to pay scheduled benefits in full on a timely basis in 2034. At the time of reserve depletion, continuing income to the combined trust funds would be sufficient to pay 81 percent of scheduled benefits.**

**"The OASI Trust Fund reserves are projected to become depleted in 2033, at which time OASI income would be sufficient to pay 77 percent of OASI scheduled benefits."**

We think this summarizes the situation pretty clearly. Interpreting that a little bit, what we take from this is that when the Social Security trust fund is depleted, the government expects to be able to pay only 77% of scheduled benefits. This is not a one year problem, but extends indefinitely unless Congressional action is taken.

## **What can be done?**

As we can tell from these reports, there are serious concerns at the Social Security Administration. You may ask, why don't our politicians step up to resolve these issues? After all, this situation is not unlike a train headed for a landslide – we can see the train wreck coming well down the track. The demographics of this situation are already in place as people already born get older.

There are other solutions and hopefully our lawmakers will figure something out sooner rather than later. As the Trustees note (again) in their report, the earlier action is taken, the less painful the solution will be. Some ideas that can "rescue" the system are reforms that increase the income into Social Security, lowering costs, grow the economy and employee's incomes, delaying the payment of benefits, and other calculation changes to move out payment of benefits. This has been done before, and needs to be done again.

Unfortunately, solving the problem is not that easy. As we noted previously, in U.S. politics, Social Security is sometimes referred to as "the third rail" – a reference to electrical rail systems where, in addition to the two weight bearing rails, there is a "third rail" that carries the electricity to power the engine. Touching the rail can be painful, if not fatal. Politicians who try to address the Social Security problem have to confront some constituency to either raise costs or lower benefits. That constituency then vocally opposes the farseeing politician and votes him or her out of office.

The need to fix the system is very clear and calls for action continue to be insistent. Quoting from conclusion given in the report,

**"The Trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust.**

**Implementing changes sooner rather than later would allow more generations to share in the needed revenue increases or reductions in scheduled benefits.**

**“Social Security will play a critical role in the lives of 70 million beneficiaries and 185 million covered workers and their families during 2025. With informed discussion, creative thinking, and timely legislative action, Social Security can continue to protect future generations.”**

## **What should you do now?**

- 📌 We recommend reaching out to your Senators and Congressional Representative and nudging them towards a solution.
- 📌 When you do your next Financial Review with your advisor request that they do an alternate plan that shows at least 25% less Social Security benefit.
- 📌 Also consider making sure that you have fully factored in healthcare costs for retirement, perhaps adjusting the alternate scenario to show slightly higher healthcare costs to help you plan for what may be a reality in the near future.

We will do our best to keep you updated with any changes that will affect you. Remember, our TAG Team is here for you. If we can be of any assistance, do not hesitate to contact us. Above all, please keep safe and stay healthy!

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