

March 31, 2026

Dear Client,

Social Security is a central pillar of retirement income for millions of Americans. As a part of our holistic approach to financial planning and investing, we advise families on how to maximize benefits in the context of their unique circumstances. A common response to our advice is, “Yeah, but Social Security is running out, shouldn’t I just take it now before it is gone?”.

It is understandable that many investors and retirees have questions about the long-term health of the system, and while there are challenges, we are confident Social Security does not face an acute or immediate existential risk. Rather, we think the system will be redesigned to reflect the shifting age demographics of our country. It won’t be the first time and, like everything in Washington DC, it will take compromise and political will. There are solutions, and the pressure is mounting on policymakers to take action.

Social Security was established in 1935 during the Great Depression under FDR as part of a broader effort to create a safety net for older Americans who were particularly vulnerable to poverty. At the time, the age demographics of the country were very different from today. Life expectancy was shorter and relatively fewer people lived long enough to collect benefits for extended periods. In 1940, life expectancy at age 65 was 12 years, today it exceeds 20. **In 1935, benefits could not be collected until age 65 and life expectancy was 62. Today, benefits can be collected early at 62 and life expectancy is approaching 80.**

Population growth has slowed significantly relative to the post-World War II baby boom. In 1960 women gave birth to 3.7 children on average, compared to today’s average of 1.7. In 1935 there were more than 40 workers supporting each retiree, by 1960 the ratio had fallen to 5:1, and today it is 3:1 and projected to fall further. **As the large Baby Boomer generation moves through retirement, smaller generations are entering the workforce. More people are drawing Social Security and relatively fewer workers are paying in.**

Social Security is now paying out more in benefits than it receives in payroll taxes, relying on **\$2.9 trillion in current reserves** to cover the shortfall. The CBO projects these reserves could be depleted by 2034, after which incoming payroll taxes would still cover roughly 77% of scheduled benefits.

Despite these challenges, there are several well-understood policy options that could restore the long-term solvency of the program:

- **Gradual payroll tax increase:** Payroll taxes are currently set at 12.4% of wages, split evenly between employees and employers. Each 1% increase in payroll tax revenue could preserve the program by several decades.
- **Increase the taxable wage cap:** Currently set at \$184,500, this cap limits the income subject to payroll taxes. According to the CBO, fully eliminating the cap, while crediting no additional benefits, could close about 70-80% of the long-term shortfall.

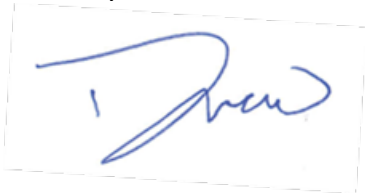
- **Introduce means testing:** Reducing benefits for wealthier, higher-income retirees while preserving full benefits for those who rely on the program most.
- **Raise the eligibility age gradually:** Aligning eligibility ages with longer life expectancies and longer careers would reduce lifetime benefits and encourage delayed retirement.

None of these solutions would need to be implemented in isolation; a combination of modest adjustments across several areas could restore long-term stability without fundamentally altering the program's core mission.

For current retirees and those nearing retirement, the potential impact of future reforms is likely limited. Changes to Social Security are typically implemented gradually and are designed to protect individuals who are already receiving benefits or who will begin collecting in the near future. The onus will likely fall on younger, higher earners who have many years before reaching eligibility with ample time adjust their saving and retirement planning strategies accordingly.

While Social Security will almost certainly evolve in response to demographic realities, we remain confident that it will continue to serve as a foundational component of retirement income for millions of Americans. We incorporate conservative assumptions about Social Security into our long-term planning to ensure that your broader financial strategy remains resilient under a wide range of possible outcomes. If you are approaching eligibility age and have questions about how to maximize your benefits, please don't hesitate to reach out.

Sincerely,



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