



Social Security Overview

Social Security provides monthly cash benefits to retired or disabled workers and their family members, as well as to the family members of deceased workers. It is one of the federal government's largest programs, both in terms of the number of people affected (workers and beneficiaries) and its finances. People of all ages are affected by the program, including about 185 million covered workers and 69.6 million beneficiaries (of whom about 3.8 million are children) in 2025.

In 2024, the program had total income of \$1.42 trillion (95.1% from dedicated tax revenues) and total expenditures of \$1.48 trillion (99.1% for benefit payments). Currently, the Social Security trust funds hold about \$2.72 trillion in U.S. Treasury securities—asset reserves that are available for future program spending. On a combined basis, the Social Security trust funds are projected to be unable to pay full benefits scheduled under current law by sometime in 2034. At that point, the asset reserves held by the combined trust funds are projected to be depleted, and the program's continuing tax income is projected to cover 81% of scheduled benefit payments for the rest of 2034, falling to 72% at the end of the projection period (2099). These projections are made under the Board of Trustees' intermediate assumptions in the 2025 annual report; the 2025 report reflects the trustees' understanding of Social Security at the start of 2025.

How Is Social Security Financed?

Social Security, authorized under Title II of the Social Security Act, is a self-financing program with most of its income derived from dedicated payroll tax contributions (91.2%). The program also receives income from the federal income taxes that some beneficiaries pay on a portion of their benefits (3.9%), interest income on asset reserves held by the Social Security trust funds (4.9%), and a small amount (less than 1%) of other income (including reimbursements from the General Fund of the Treasury).

Workers who are covered by Social Security (about 94% of all workers) and their employers must pay Social Security payroll taxes. The payroll tax rate is 12.4%, divided evenly between the worker and the employer (each pays 6.2%). The payroll tax is applied to the worker's earnings in covered employment, up to an annual limit (the taxable maximum). The taxable maximum is generally adjusted each year based on average wage growth. The payroll tax is applied to earnings up to \$176,100 in 2025. A worker's earnings *above* the taxable maximum are not subject to the Social Security payroll tax, and they are not counted in the worker's benefit computation.

Among workers who are not covered by Social Security (6% of all workers), the largest groups consist of some state

and local government employees who participate in alternative pension plans.

Who Qualifies for Benefits?

Social Security benefits are payable to retired or disabled workers who meet the minimum insured requirements, among other factors. In general, 10 years of covered employment are needed to qualify for retired-worker benefits. The number of years of coverage to be insured in the event of disability or death varies by age, from 1½ years for the youngest workers to 10 years for older workers. In general, disabled workers must have worked for 5 of the past 10 years immediately before the onset of disability.

Key Points on Social Security

- About 185 million covered workers (and their employers) pay into the system.
- 69.6 million beneficiaries receive monthly cash benefits, including retired workers, disabled workers, spouses, children, and widow(er)s.
- It is a self-financing program, with about 95.1% of its total income from dedicated tax revenues.
- Over its 90-year history, the program has collected \$29.17 trillion and paid out \$26.45 trillion, leaving trust fund asset reserves of about \$2.72 trillion.
- On a combined basis, the Social Security trust funds are projected to be unable to pay full benefits starting in 2034, largely due to demographic factors.

Another eligibility factor is age. For example, a worker can claim retired-worker benefits as early as age 62. However, benefits claimed before the full retirement age (FRA) are reduced to take into account the longer expected period of benefit receipt. (The FRA ranges from 65 to 67, depending on the worker's year of birth.) Similarly, a worker may delay claiming retired-worker benefits until after the FRA; in this case, benefits are increased (up to age 70) to take into account the shorter expected period of benefit receipt. Adjustments for early or delayed retirement are intended to provide the worker with the same total lifetime benefits (based on average life expectancy).

Benefits are also payable to the family members of retired, disabled, or deceased workers. Eligible family members include spouses, divorced spouses, widow(er)s, dependent children, and dependent parents. The benefit amount payable to a family member is based on the type of benefit and the worker's basic benefit amount (before any adjustments are made). For example, spouses receive up to 50% of the worker's basic benefit amount; widow(er)s receive up to 100% of the worker's basic benefit amount. There is an overall limit on the amount of benefits payable on a worker's record. If total benefits payable to the worker and family members exceed the maximum, benefits for

each family member (excluding the worker) are reduced on a proportional basis. Other adjustments may be made to the family member's benefit, based on the person's age when claiming benefits, whether the person receives a Social Security benefit or a noncovered pension based on his or her own work record, and other factors.

How Are Benefits Computed?

Social Security benefits are designed to replace part of a worker's earnings from work. As such, the amount of a worker's benefit is based on his or her career-average earnings in covered employment (i.e., earnings up to the taxable maximum) and a progressive benefit formula that is intended to provide adequate benefit levels for workers with low career-average earnings.

The benefit computation process includes several steps. First, the worker's earnings (up to the taxable maximum) are indexed to average wage growth; indexing brings nominal earnings up to near-current wage levels. The highest 35 years of indexed earnings are selected and summed; the total is divided by 420 months (35 years x 12 months). The result is the worker's Average Indexed Monthly Earnings (AIME). If a worker has fewer than 35 years of earnings in covered employment, years with no earnings are entered as zeros, resulting in a lower AIME. (In the case of disabled-worker and survivor benefits, fewer than 35 years of earnings may be used in the computation.)

Next, the Social Security benefit formula is applied to the worker's AIME. The benefit formula has three parts—with three different formula factors (90%, 32%, and 15%)—that are applied to three segments of the worker's AIME. The result is the worker's Primary Insurance Amount (PIA). The PIA is the initial monthly benefit payable to the worker at the full retirement age. It is also used to determine the amount of benefits payable to family members based on the worker's record (i.e., benefits for family members are equal to a specified percentage of the worker's PIA).

The benefit computation process, including the progressive three-part benefit formula, results in

- benefits that replace a certain share of a worker's career-average earnings in covered employment;
- a higher *benefit* (dollar amount) for workers with higher career-average earnings; and
- a higher *replacement rate* for workers with lower career-average earnings (initial monthly benefits replace a greater share of the worker's preretirement earnings).

Adjustments may be made to the worker's PIA based on a number of factors, including the age at which the worker claims benefits. Unlike many other sources of retirement income, Social Security benefits are adjusted for inflation through annual cost-of-living adjustments.

Who Is Receiving Benefits?

As of May 2025, there were 69.6 million Social Security beneficiaries. The largest group is retired workers (75.9%), followed by disabled workers (10.3%). Family members of deceased workers make up 8.4% of the total, and family members of retired or disabled workers make up 5.5%.

Retired workers	52.8 million
Spouses of retired workers	2.0 million
Children of retired workers	0.7 million
Disabled workers	7.1 million
Spouses of disabled workers	0.1 million
Children of disabled workers	1.0 million
Survivors of deceased workers	5.9 million

How Much Do Beneficiaries Receive?

Benefit amounts vary by individual based on a number of factors, including an individual's earnings history, the age at which he or she claims benefits, and the type of benefit (for example, a retired-worker benefit or a spousal benefit). The following statistics show average monthly benefit amounts by category as of May 2025.

Retired workers	\$2,002
Spouses of retired workers	\$950
Children of retired workers	\$925
Disabled workers	\$1,582
Spouses of disabled workers	\$440
Children of disabled workers	\$512
Survivors of deceased workers	\$1,566

What Is Social Security's Status?

For many years, Social Security collected more revenues than needed to pay benefits, resulting in accumulated assets (interest-bearing U.S. Treasury securities) held by the trust funds available for future spending on Social Security.

Today, as Social Security collects less revenue than needed to pay benefits, it draws upon those asset reserves to meet its expenditures. The trustees project that the remaining \$2.72 trillion in asset reserves will be depleted by sometime in 2034. At the point of reserve depletion, the program's continuing tax income is projected to cover 81% of benefit payments, falling to 72% in 2099. Over a 75-year projection period, *on average*, Social Security's expenditures are projected to exceed its income by about 24%. Demographic factors, such as lower fertility rates and increasing longevity, contribute in large part to Social Security's projected funding imbalance. Together, they contribute to a decline in the number of workers paying into the system relative to the number of beneficiaries. Other contributing factors include program design features, such as wage indexing in the benefit-computation process.

The program's projected financial outlook has prompted discussion among policymakers about changes to Social Security, with the policy debate reflecting a variety of objectives and approaches to reform. For example, the Social Security debate reflects efforts to scale back the program in response to Social Security's projected funding shortfalls, growing federal budget deficits, and other concerns. In general, such proposals include a combination of revenue increases and benefit reductions. The Social Security debate also reflects a shift in focus among some policymakers toward proposals that would expand Social Security benefits to address concerns about the adequacy of benefits and, more broadly, retirement income security.

For more information, see CRS Report R42035, *Social Security Primer*.

Emma K. Tatem, Analyst in Social Policy

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