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Social Security Overview

Old-Age, Survivors, and Disability Insurance—commonly referred to as Social Security—is a work-based federal insurance program authorized under Title II of the Social Security Act. It provides monthly cash benefits to workers and their families in the event the worker retires, dies, or experiences a work-limiting disability. Social Security is the federal government's largest benefits program. In 2025, about 186 million covered workers contributed to the program and about 70 million people on average received monthly benefits. In 2025, the program had total income of $1.45 trillion (95.2% from dedicated tax revenues) and total expenditures of $1.61 trillion (99.2% for benefit payments). At the end of 2025, Social Security's dedicated trust funds held about $2.56 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 starting during 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 83% of scheduled benefit payments, falling to 65% by 2100. These projections are made under the Board of Trustees' intermediate assumptions in its 2026 Annual Report, which reflects the trustees' understanding of Social Security at the start of 2026.

How Is Social Security Financed?

Social Security is a self-financing program, with most of its income derived from dedicated payroll tax contributions (91.3%). The program also receives income from (1) federal income taxes that some beneficiaries pay on a portion of their benefits (4.0%); (2) interest on the asset reserves held by the Social Security trust funds (4.8%); and (3) other sources, including reimbursements from the General Fund of the Treasury (less than 1%).

Workers who are covered by Social Security (about 93% of all workers) and their employers must pay Social Security payroll taxes. The payroll tax rate is 12.4%, divided evenly between worker and employer (each pays 6.2%). The payroll tax applies to a worker's earnings in covered employment, up to an annual limit (commonly known as the taxable maximum). The taxable maximum is generally adjusted each year based on average wage growth. In 2026, the payroll tax applies to earnings up to $184,500. Earnings *above* the taxable maximum are not subject to the Social Security payroll tax and are not counted in a worker's benefit computation. Among workers who are not covered by Social Security (7% of all workers), the largest groups consist of certain state and local government employees who participate in alternative pension plans.

What Are the Eligibility Requirements?

Social Security benefits are payable to retired or disabled workers (and to survivors of deceased workers) who meet minimum requirements to be insured, among other factors. In general, 10 years of covered work are needed to be insured for retired-worker benefits. The number of years of covered work needed to be insured in the event of disability or death varies by age, from 1½ years for the youngest workers to 10 years for the oldest workers. In general, disabled workers must also have worked for five of the 10 years immediately before their disability began to be disability insured.

Key Points on Social Security

- About 186 million covered workers (and their employers) pay into the program.
- On average, about 70 million beneficiaries receive monthly cash benefits, including retired workers, disabled workers, spouses, children, and widow(er)s.
- Social Security is a self-financing program, with about 95.2% of its total income derived from dedicated tax revenues.
- Over its 91-year history, the program has collected about $30.62 trillion and paid out about $28.06 trillion, leaving trust fund asset reserves of about $2.56 trillion.
- On a combined basis, the Social Security trust funds are projected to be unable to pay full scheduled benefits starting in 2034, largely due to demographic factors.

Insured workers can begin claiming *reduced* retired-worker benefits as early as age 62; *unreduced* benefits upon reaching their full retirement age (FRA), which is age 65 to 67 depending on the worker's year of birth; or *increased* benefits after their FRA up to age 70. Adjustments for early or delayed claiming are intended to provide workers with the same total lifetime benefits (based on average life expectancy) regardless of when they claim. In other words, benefits claimed before FRA are reduced to account for the longer expected period of benefit receipt and benefits claimed after FRA (up to age 70) are increased to account for the shorter expected period of benefit receipt.

Benefits are also payable to the eligible family members of retired, disabled, or deceased workers. Eligible family members include spouses, divorced spouses, widow(er)s, dependent children, and dependent parents.

How Are Benefits Computed?

Social Security benefits are designed to replace a portion of a worker's earnings from work. A worker's benefit is based on his or her career-average covered earnings (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 has three steps. First, a worker's covered earnings are indexed to average wage growth, which brings nominal earnings up to near-current wage levels. Then, the worker's highest 35 years of indexed earnings are summed and the total is divided by 420 (35 years x 12 months) to get the worker's Average Indexed Monthly Earnings (AIME). If a worker has fewer than 35 years of covered earnings, 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.) Second, the Social Security benefit formula is applied to the worker's AIME. The benefit formula consists of fixed replacement factors—90%, 32%, and 15%—that are applied to three respective 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 his or her FRA (i.e., his or her basic benefit).

The benefit computation process generally results in

- a benefit that replaces a certain share of a worker's career-average earnings in covered employment;
- a higher *benefit 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 career-average earnings).

Third, the worker's PIA may be adjusted based on several factors, including the worker's claiming age. Unlike many other sources of retirement income, Social Security benefits are adjusted for inflation through annual cost-of-living adjustments (COLAs).

The benefit amount payable to eligible family members is based on the worker's benefit type and equals a specified percentage of the worker's basic benefit (i.e., PIA). For example, spouses receive up to 50% of the worker's basic benefit amount and widow(er)s receive up to 100% of the worker's basic benefit amount. There is a limit on the amount of benefits payable on a worker's record, called the family maximum. If the total amount of benefits payable to the worker and their family members exceeds the maximum, each family member's benefits (but not the worker's) are reduced proportionally. Family members' benefits may be adjusted based on their claiming ages, whether they receive Social Security based on their own work records, and other factors.

Who Receives Benefits and How Much Do They Receive?

In July 2026, there were 71.3 million Social Security beneficiaries, most of whom were retired workers (76.8%), followed by disabled workers (9.8%). Family members of retired, disabled, or deceased workers made up the remainder (13.4%).

Retired workers	54.8 million
Spouses of retired workers	2.1 million
Children of retired workers	0.7 million
Disabled workers	7.0 million
Spouses of disabled workers	0.1 million
Children of disabled workers	0.9 million
Survivors of deceased workers	5.8 million

Benefit amounts vary by individual based on several factors, including the individual's earnings history, claiming age, and benefit type (e.g., a retired-worker benefit or a spousal benefit). The following statistics show average monthly benefit amounts by beneficiary category in July 2026.

Retired workers	$2,086
Spouses of retired workers	$987
Children of retired workers	$960
Disabled workers	$1,635
Spouses of disabled workers	$464
Children of disabled workers	$529
Survivors of deceased workers	$1,635

What Is Social Security's Financial Status?

Social Security operates largely on a pay-as-you-go basis, meaning that payroll tax contributions from today's workers and their employers fund monthly benefits to today's beneficiaries. For many years, Social Security collected more in revenues than it needed to pay out in benefits, resulting in accumulated asset reserves held by the trust funds that are available for future program spending. Today, Social Security collects less revenue than it needs to pay benefits and draws upon its asset reserves to make up the difference.

The trustees project that the remaining $2.56 trillion in asset reserves will be depleted during 2034. At that point, the program's continuing tax income is projected to cover 83% of benefit payments, falling to 65% in 2100. Over a 75-year projection period, Social Security's scheduled costs are projected to exceed its income by over 20% on average. Social Security's projected funding imbalance is driven largely by demographic factors, such as declines in fertility, increases in longevity, and decreases in net immigration, which are projected to result in a lower number of workers paying into the system relative to the number of people collecting benefits. Other factors contributing to the projected imbalance include program design features, such as wage indexing in the benefit-computation process.

The program's projected financial shortfall has prompted discussion among policymakers about changes to Social Security. Lawmakers could choose from a wide range of revenue-increasing and cost-reducing provisions to help eliminate the projected imbalance. Examples of revenue-increasing provisions include increasing the payroll tax rate or eliminating the taxable maximum. Examples of cost-reducing provisions include raising the FRA or reducing annual COLAs. Depending on what provisions, if any, lawmakers choose to include in legislation, changes may affect workers and beneficiaries in different ways. Policy changes implemented sooner rather than later, in addition to requiring revenue-increasing or cost-reducing provisions that are smaller in magnitude, would allow workers and beneficiaries more time to adjust their behavior.

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

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