PREPARING FOR THE OAS CATASTROPHE!

Mike Kirchner November 2025

Introduction

My paper focuses on Old Age and Survivor (OAS) benefits and Federal Insurance Contributions Act (FICA) tax. The scope does not include the Disability Insurance (DI) benefits and tax. There are other government programs that may cause additional financial pressure on our standard of living, but this paper is focused on OAS.

As Workers earn wages or salaries, each earns increasing benefits under the OAS formula. This is called a "benefit accrual" throughout this paper. The formula result is expressed as a monthly lifetime payment starting at 67 (Full Retirement Age). At the end of this paper are two examples with most of the detail of the calculation.

BILL'S SUMMARY

Planning Needed Now!
Catastrophe is Coming
Evidence is Occurring

MIKE'S GOALS

Goal 1: Important Measures – Estimate and Explain
Goal 2: Communicate Predicted Failure Directly
Goal 3: Inform Severe Asset Decline Likely
Goal 4: Stop Accruals in 2027

We are headed toward a catastrophe. Our elected officials are nearly dormant planning for the outcomes. We can prepare! Think about each of the broad playouts (later in this paper) and reflect on your individual effect. Can you do anything now? My focus is on reducing capital gains and shifting 401k monies to Roth (pretax to after tax retirement monies). Another priority is maintaining/increasing wealth while the economy is still strong.

GOAL 1: IMPORTANT MEASURES ESTIMATE AND EXPLAIN

Explain Important Measures related to OAS financing and benefits. Lack of transparency is a common weakness in failed schemes like Bernie Madoff orchestrated. The Important Measures are explained below. The Benefit and FICA tax comparison provides evidence of the significant gap between benefits and tax sources. The Unfunded Promises and how much it grows each year has been used for decades to help organizations measure Pension Plans.

BENEFIT AND FICA TAX COMPARISON

There are about 3 million Social Security records that are closed each year, meaning the Worker/Retiree, Spouse and Beneficiaries have completed all payments, most likely by dying. We can calculate the total benefits paid under all those records and the total OAS FICA tax paid (Employee plus Employer). My estimate is the total benefits paid are likely to exceed the taxes paid by $700 Billion for 2024 closed records. The $700 Billion is $1 Trillion in benefits paid minus $300 Billion in employer plus employee OAS taxes collected. There is some income taxes generated from OAS benefit receipts and small interest paid during the closed record payment history. But funding for most of this gap has been placed on our Workers and our Employers' OAS taxes.

PRESENT VALUE OF UNFUNDED OBLIGATION (PER SOCIAL SECURITY ACTUARIES)

The Social Security actuaries have calculated the present value of the unfunded obligation for payments expected to be missed from 2025 through 2099 (75 years). It is $25.1 Trillion as of January 1, 2025, and is based on the Intermediate Cost assumptions that the actuaries set and includes both the OAS and Disability benefits and assets (Source: 2025 OASDI Trustees Report Report:TRTables_TR2025.xlsx – sheet:VI_F).

According to the 2024 report, only those over 15 years old are included. The unfunded increase to include those under age 15 and not yet born is $26 Trillion as noted in that 2024 report. That measure is mostly not helpful, but it does highlight the structural weakness in the scheme.

One assumption in the forecast is the annual percentage change in productivity for the total U.S. economy. It is 1.33% each year from 2035 until 2099. (Source: 2025 OASDI Trustees Report:TRTables_TR2025.xlsx – sheet:II_C).

If the trust monies are exhausted in 2033 as predicted by this scenario and only 9 months per year are paid to the retirees, there will be increases in defaults, poverty, homelessness and crime. Worker morale is likely to decline as they witness the economic hazards and the incomplete OAS benefits being paid. These pressures are not going to result in continuing workforce productivity improvement.

MEASURING OBLIGATION (ACCORDING TO GAAP ACCOUNTING STANDARDS)

Starting in the 1980's, generally accepted accounting principles (GAAP) made all companies who sponsored pension plans, whether funded or not, measure an Accumulated Benefit Obligation (ABO). The ABO measure uses benefits based on employment history and wages up to the valuation date. The unfunded ABO had to be listed as a liability on the company's balance sheet. Similar standards were added for government entities about 10 years ago. Despite this being required for all companies preparing financial statements, it does not appear such a measure has been determined and disclosed for OAS.

UNFUNDED PROMISES

To develop a measure that will be useful but without the actuarial rigor of an ABO, I estimated what I call "Promises." According to my estimate, there is $63 Trillion in OAS Promises that have not been funded. Here is a development of the estimate:

Frankly Table

Valuation Date	Dec 31, 2024 Workers	Dec 31, 2024 Retirees	Dec 31, 2024 Total
A. How Many?	150 million	50 million	
B. Avg Annual Benefit	$21,000/yr at 67	$26,000/yr	
C. Avg years to pay	17 Years	10 Years	
Promises (A x B x C)	$53 Trillion	$13 Trillion	$66 Trillion
Assets			$3 Trillion
Unfunded Promises			$63 trillion

ASSUMPTIONS FOR SIMPLICITY

Let me address two concerns that may exist about the measure.

About 15% of the Workers' full retirement benefit will not be paid because they will die before receiving any OAS benefit. That would mean we should reduce the value of the Promises but there are also surviving beneficiary benefits and spousal benefits that are not being factored in. I assume they offset so as not to complicate the measure.

There are future average wage increases that will apply to past wages and then there are inflation increases when the benefits start. There are no investments that would create this type of cash flow, so I assume that the discount rate used is the same as the inflationary assumptions. This results in the Annual Full Retirement Benefit times estimated payment years as the Promises measure.

GROWTH IN UNFUNDED PROMISES

The $63 Trillion is estimated to grow by $3 Trillion/year. From 2025 through 2033 (trust exhausting estimate), there is expected to be $35 Trillion more in Worker Promises accruing and $10 Trillion in Employee plus Employer OAS FICA Tax collected. The complete tax will go directly to retirees after a brief time in the trust fund.

GOAL 2: COMMUNICATE BENEFIT REDUCTION DIRECTLY

Currently, the benefit payment forecast is obscurely presented in our benefit statement. It says the benefits will be paid in full and on time until 2034. The Social Security trust assets will then be depleted and 81% of the benefits would be what we collect in taxes each year. This forecast uses the disability trust monies for OAS payments. It also does not include the Fairness Act benefits that will total almost $200 Billion by then.

The Social Security actuaries have predicted that the OAS trust may exhaust assets in 2031 and then take in enough tax to pay 8 monthly payments a year. That is the high-cost prediction by the actuaries. The intermediate cost projection predicts the OAS trust exhausts assets in 2033 with 9 months per year in payments collected from the future taxes. I believe that we will administer delayed payments resulting in the 8 or 9 monthly payments per year. Another alternative would be to estimate a reduced benefit (about 70%) that could be paid for 12 months. (Source: 2025 OASDI Trustees Report:TRTables_TR2025.xlsx – sheet:IV_A)

The high-cost scenario will cause acceleration for the scheduled cash flows of the Promissory Notes. Promissory Notes are promises by the federal government to pay certain interest into the trust and then to pay the maturity value at a designated time. During 2024, the scheduled cash flows for 2026 and 2027 from the Notes increased from $600 Billion to over $1 Trillion. This is evidence that earlier cash flows are already occurring. The largest possible source of these cash flows is our income tax.

The actuaries' forecasts have no significant alterations to our economy after the depletion of trust, thus resulting in the prediction that the 8 or 9 monthly payments per year will persist. I believe a further decline in payments is more likely (6 per year) because of the severity of our economic decline. Also, the Fairness Act increases and an extra 1% in inflation/year in the High Cost forecast may move the exhaustion year to 2029.

A cutback earlier than 2034 should be noted in the statement and presuming we will use the disability trust monies is further obscuring the severity of the problem. Indicate directly that we have projections that result in 2031 payments at 70%.

GOAL 3: INFORM SEVERE ASSET DECLINE LIKELY

Inform those getting higher OAS benefits that their benefits and/or assets will be the main target to remedy the deficient payments. Specifically, the defined contribution and Individual retirement accounts and unrealized investment gains are very significant assets that have not been federally taxed.

ASSET DECLINE

Many Americans have been aware of the likely OAS solvency problem and may have prepared to rely less in OAS benefits. Below is a discussion about the magnitude and timing of an asset decline.

According to federalreserve.gov, there is $180 Trillion in personal assets among Americans as measured in the 4th quarter of 2024. If taxpayers must pay for the national debt and promises like OAS, increased taxes will cause a liquidation of these assets. 2/3rd of our assets equates to the sum of the federal debt of $36 trillion as of December 31, 2024, plus $63 trillion for past unfunded OAS promises, plus $25 trillion for future OAS promises through 2033. A portion of the OAS promises are paid for by FICA taxes and interest. Thus, 50% of our assets may be needed. We plan to increase the debt by over $3 Trillion with the July 2025 bill passage. Fed chair Jerome Powell has said this fiscal approach is “unsustainable”. We may default on our debt and/or the OAS promises but that has not been used as a remedy in the past.

The when could be 2029. Look at the momentum: Our president has had 6 of his companies’ file for bankruptcy according to Wikipedia. He understands how to restructure debt promises. Our debt was $18 Trillion prior to the start of his first term – it is now almost $36 Trillion. His successor ended his presidency by passing the Fairness Act - providing 3 million public retired workers $25 Billion in increased OAS benefits in FY2025. Continuing thereafter at about $20 Billion in additional benefits per year. Debt default and depletion of OAS trust assets are moving closer – a personal asset decline of 50% by 2029 has potential.

GOAL 4: GET ACCRUALS STOPPED FOR 2027

I called this Mission Impossible in prior write-ups. Get new OAS benefit accruals stopped for 2027. This was labeled Mission Impossible because Social Security is called a Mandatory expense in our financial budgeting. Most Americans and likely all elected officials think this scheme benefit accrual is unchangeable. The first two steps to start this solution are noted below:

SOLUTION START: STEP 1 – IMPROVE TRANSPARENCY AND GET IMPORTANT MEASURES (GOAL 1)

Evidence:
Measure OAS Benefit and OAS FICA Tax Comparison for 2024 Closed Records - $700 Billion more benefits than tax collected. $1 Trillion in benefits, $300 Billion in FICA tax (Employee plus Employer)

Promises:
Unfunded Promises - $63 Trillion as of December 31, 2024
Annual Increase in Unfunded Promises - $3 Trillion

Social Security administrators could provide the data needed to calculate the important measures. It should take very little time. Or we could get independent financial or economic professionals to estimate the important measures.

SOLUTION START: STEP 2 – STOP FUTURE ACCRUALS

Stop the benefit accruals in 2027 and stop the 5.3% **Employee** FICA Tax (OAS portion) from being deposited into the OAS trust. Put the 5.3% OAS Employee FICA tax monies into a deferred tax program account (401k, 403b, IRA). Make it vested and not affecting any of the current plan limits or testing procedures. Protecting the principal from declining and limiting withdraw to an age like 62 may also be useful provisions. The **Employer** OAS FICA tax would continue until the financial stability of the system could allow reduction. No change to the Disability program either.

BROAD PLAYOUTS AFTER OAS TRUST ASSETS DEPLETE

When the assets are depleted, we will be short of over $600 Billion in annual benefit payments. What next?

1) **BENEFIT CUTS:** From 12 payments to 8 or 9 monthly payments per year starting early in the 2030's continuing each year thereafter (according to the actuaries' predictions). It will be the outcome if nothing is amended, and the intermediate or high-cost forecasts prevail. There may be a preference to administer a payment of possibly 70% so 12 payments can still be made.

2) **ADD DEBT:** We may add debt of over $600 Billion dollars each year. That will be delicate because it will likely create higher inflation, which will not help our workers and consumers nor the OAS solvency problem.

3) **INCREASE FICA TAXES:** An increase of 2.5% for both the Employee and Employer FICA taxes could be enough at depletion but will not be enough long term. Employees/Employers will strongly resist a tax increase for a doubtful benefit, but there will be 80 million people over 60 years old. They hold enough votes and power to get this into law. The economic hazards will generate costs higher than the benefits protected. The amount available if we FICA tax the worker/employer above the wage base is about $200 Billion.

4) **INCREASE INCOME TAXES:** The current capital gains and deferred tax accounts are very large asset pools that have not been federally taxed. These assets will be a target for income tax increases. Encouraging the sale of assets that have capital gains and reducing the Required Minimum Distribution age and increasing the percentage taken are very logical approaches.

5) **TAKE FROM DISABILITY TRUST:** Use Disability trust assets to pay benefits until that trust also depletes. This is built into the benefit statement forecast of 81% paid in 2034.

FINANCIAL RECKLESSNESS

In FY2025, the federal government took in $5.2 Trillion through various taxes and spent $7.0 Trillion. The $7.0 Trillion of spending includes about $4.2 Trillion in Mandatory spending. This is mostly welfare programs for the nearly 200 million Americans that are not employed. OAS is a little over a third of this spending. The next largest expense is net interest at $1.0 Trillion. There is another $0.9 Trillion for defense spending (categorized as discretionary) with another $0.9 Trillion for other discretionary spending not used for defense.

There is $37.6 Trillion in disclosed debt at the end of FY2025. The OAS Promissory Notes are about $2.5 Trillion of this measured debt – the $63 Trillion in Unfunded Promises is NOT nor is the $25.1 Trillion of Present Value of Unfunded Obligation that the scheme actuaries measure (Source: fiscaldata.treasury.gov).

WORKER DATA CONFUSION

According to the bureau of labor and statistics (bls.gov), there were close to 160 million civilian workers each month in 2024. There are 2 million military workers. OAS reports 184 million covered workers in 2024. The bureau of labor and statistics employment figures seem incompatible with OAS covered workers.

ANALOGIES

TURN THE FAUCET OFF

John and Kay have a very nice house with a deep tub on the second floor. The drain does not work. The faucet is turned on and the tub is overflowing. They hire a high-cost Professional to come out occasionally. The professional does an intense review of various structural areas and measures the depth of the water throughout the house. He tells the couple that he believes no structural damage will occur for a while and he believes 70% of the house should be usable after the structure fails.

There are $10 Billion each day in new OAS Promises to our Workers. We collect $3 Billion per day in FICA taxes from the Workers and Employers. These FICA taxes are used to pay current recipients.

The Social Security actuaries have predicted that the OAS trust may exhaust assets in 2031-2033 timeframe and then take in enough tax to pay 70% of the payments a year. (Source: 2025 OASDI Trustees Report)

Start of Solution: Turn the faucet off. Stop future benefit accruals.

MEASURE YOUR LOAN PROPERLY

Kathy and Dave are in their mid-50's and have a very nice house. They make about $250,000 per year combined. Their kids are raised. They want to work for about 10 more years. They get their house appraised at $1 Million dollars and want to get a loan. They want to remodel the home and travel worldwide – Called Project Luxury. They go to a loan officer, and he reviews a 30-year loan for $1 Million. He knows that the loan is on the high side and may not get paid when they stop working. But the loan officer's bank has not put many conditions on the future payment problem and the loan officer is nearing his retirement. The loan goes forward.

The couple hire a high-cost Problem Solver that understands Federal government financial recognition and Pay as You Go Funding. He calls his company Disappearing Debt. He does his work and gives you a couple stamps and says that will make your debt disappear from disclosure.

The Problem Solver uses the approach of our Federal government and the OAS actuaries. He does his calculations using various economic forecast assumptions and arrives at a "present value of unfunded obligation". This is the present value of expected **MISSED** payments. For social security, this calculation is done over 75 years – it is $25.1 Trillion per the 2025 Trustee report. The Problem Solver calculates the unfunded obligation for the couple's new loan to be $150,059 (he says that it is precisely calculated). Even though the couple knows that they just borrowed $1 Million, the Problem Solver says the present value is the amount that is expected to **NOT** be paid. He notes that the federal government does not calculate the OAS promises (like ignoring the $1 Million of loan) although accounting standards would require that measure for companies. He also notes that the unfunded obligation of $25.1 Trillion is also not included as a debt in our federal financial statements.

The Problem Solver prints the $150,059 on paper and all the assumptions needed, asks for a handsome payment and then stamps the document "Fed treatment" and " Pay as you go". The $1 Million debt is gone from being measured and disclosed.

MADOFF FAILURE

(Reference: Wikipedia: Recovery of funds from the Madoff investment scandal). According to the reference, Madoff investors had $65 Billion in investments based on fictitious investment statements when the failure became public in December of 2008. Madoff had a checking account with less than $1 Billion. There were no investments that were tied to the false statements. A Cleveland attorney was hired to claw back monies from the “winners” that received payouts prior to the failure. The recovery focused on $19 Billion mostly through a claw back effort with the largest payouts. They ultimately obtained $14 Billion. The attorney’s law firm received $1 Billion in fees.

In the OAS situation, the outcome may have similar unfunded measures but with Trillions instead of Billions. The Promises at trust asset depletion may total $90 Trillion. These OAS Promises are documented just like the Madoff statements. There will be no underlying assets to make payments. The claw back recovery target will be those receiving the higher OAS benefits. They have assets accumulated in tax deferred accounts and unrealized investment gains. There are very little assets in the bottom half of OAS recipients. Attorneys will also get significant fees because lawsuits will be made against the federal government to seek remedy for this catastrophe.

OAS ELEMENTS THAT WILL LEAD TO FAILURE

There have been many failed schemes including what Charles Ponzi and Bernie Madoff orchestrated. Most failed schemes have 4 main elements that OAS has: 1) Benefit promises significantly higher than the deposit (tax in OAS situation), 2) no material investments 3) the later participants pay the earlier participants and 4) there are important measures that are not transparent.

1) JOE AND LUCY BENEFIT COMPARISON TO TAX ILLUSTRATIONS

Joe is an average worker that will get an OAS benefit for retiring at age 67 and starting his benefit in 2025. Illustration and calculation details are attached and noted with earnings for an average worker. During his 45 years of employment, he always earned the average wage that social security calculates each year. The payments Joe and his wife Melanie get if they live an average lifetime will total $871,000. The FICA tax paid by Joe while employed totaled $83,000. His employer, the Gadget Company, also paid $83,000. Joe knows that all those taxes were paid to past retirements very soon after the monies entered the OAS trust fund. Joe and Melanie will receive over $44,000 in 2025. More than the tax collected from 4 workers earning $176,100 (maximum tax base in 2025) or over 11 times the average worker tax expected in 2025. The maximum OAS FICA Tax Employee portion is $9,333 in 2025. The average OAS FICA Tax Employee portion will be close to $3,800 in 2025.

Lucy is also illustrated. She has always earned over the maximum OAS taxable wages each year. For Lucy and her husband Matthew, they will collect $1,400,000 in expected payments if they live an average life span. Lucy paid $200,000 over her career in FICA taxes. Almost 8 maximum earning workers or almost 20 average workers are needed to pay Lucy and Matthew $72,000 in 2025.

2) NO MATERIAL INVESTMENTS

The Social Security trust has promissory notes but most of the tax collected is paid out very shortly after entering the trust. The interest payments into the trust over 90 years totals 12% of the tax collected and 12% of the benefits paid. The investments are not material.

3) LATER PARTICIPANTS PAY EARLIER PARTICIPANTS

The current Workers and Employers are paying the retirees. There is a trust that collects the tax, but the liquidity needs of the trust cause the monies to have a short stay in the trust before being paid to the former workers.

4) IMPORTANT MEASURES ARE NOT TRANSPARENT

Measures about the comparison of benefits and tax for closed records are not publicly provided. The unfunded Promises or something similar are not provided nor is the annual increase in new unfunded Promises.

GET PREPARED FOR THE CATASTROPHE!

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Attachments: 2025 Retirement Benefit and Tax Illustrations

Calculation of Promise/Tax Ratio								$871,000 Payments
		Earnings	Indexed			Earnings	Indexed	$83,000 Tax Paid
Age	Year	(Avg Worker)	Earnings	Age	Year	(Avg Worker)	Earnings	10.5 Times!!
22	1980	$12,513	$50,322	47	2005	$36,953	$50,322	
23	1981	$13,773	$50,322	48	2006	$38,651	$50,322	
24	1982	$14,531	$50,322	49	2007	$40,405	$50,322	
25	1983	$15,239	$50,322	50	2008	$41,335	$50,322	
26	1984	$16,135	$50,322	51	2009	$40,712	$50,322	
27	1985	$16,823	$50,322	52	2010	$41,674	$50,322	
28	1986	$17,322	$50,322	53	2011	$42,980	$50,322	
29	1987	$18,427	$50,322	54	2012	$44,322	$50,322	
30	1988	$19,334	$50,322	55	2013	$44,888	$50,322	
31	1989	$20,100	$50,322	56	2014	$46,482	$50,322	
32	1990	$21,028	$50,322	57	2015	$48,099	$50,322	
33	1991	$21,812	$50,322	58	2016	$48,642	$50,322	
34	1992	$22,935	$50,322	59	2017	$50,322	$50,322	
35	1993	$23,133	$50,322	60	2018	$52,146	$52,146	
36	1994	$23,754	$50,322	61	2019	$54,100	$54,100	COLAS
37	1995	$24,706	$50,322	62	2020	$55,629	$55,629	1.3%
38	1996	$25,914	$50,322	63	2021	$60,575	$60,575	5.0%
39	1997	$27,426	$50,322	64	2022	$63,460	$63,460	8.7%
40	1998	$28,861	$50,322	65	2023	$66,621	$66,621	3.2%
41	1999	$30,470	$50,322	66	2024	$69,000	$69,000	2.5%
42	2000	$32,155	$50,322					
43	2001	$32,922	$50,322					
44	2002	$33,252	$50,322					
45	2003	$34,065	$50,322					
46	2004	$35,649	$50,322					

	Earnings	$1,569,271	$2,333,762	Indexed Earnings
	5.3% Tax	$83,171	$1,830,543	Best 35 yrs
	First	Second	$52,301	Avg Indexed
Bend points	$12,288	$ 74,064	$29,436	Annual Payment
(in 2020)			$44,153	Annual Payment (spouse gets half)
			$750,605	Average years paid (17)
PIA	$23,863 35%		$870,702	Inflation Effect (at 2%)
PIA w/COLAS	$29,436		10.5	Payments/Tax Paid

Calculation of Promise/Tax Ratio

$1,400,000	Payments
$200,000	Tax Paid
7 Times!!	

Age	Year	Earnings (Max Worker)	Indexed Earnings	Age	Year	Earnings (Max Worker)	Indexed Earnings	
22	1980	$25,900	$104,155	47	2005	$90,000	$122,560	
23	1981	$29,700	$108,513	48	2006	$94,200	$122,643	
24	1982	$32,900	$113,932	49	2007	$97,500	$121,429	
25	1983	$35,700	$117,886	50	2008	$102,000	$124,177	
26	1984	$37,800	$117,890	51	2009	$106,800	$132,011	
27	1985	$39,600	$118,457	52	2010	$106,800	$128,963	
28	1986	$42,000	$122,015	53	2011	$106,800	$125,045	
29	1987	$43,800	$119,616	54	2012	$110,100	$125,005	
30	1988	$45,000	$117,124	55	2013	$113,700	$127,463	
31	1989	$48,000	$120,174	56	2014	$117,000	$126,667	
32	1990	$51,300	$122,766	57	2015	$118,500	$123,977	
33	1991	$53,400	$123,200	58	2016	$118,500	$122,592	
34	1992	$55,500	$121,771	59	2017	$127,200	$127,200	
35	1993	$57,600	$125,301	60	2018	$128,400	$128,400	
36	1994	$60,600	$128,381	61	2019	$132,900	$132,900	COLAS
37	1995	$61,200	$124,656	62	2020	$137,700	$137,700	1.3%
38	1996	$62,700	$121,756	63	2021	$142,800	$142,800	5.0%
39	1997	$65,400	$119,998	64	2022	$147,000	$147,000	8.7%
40	1998	$68,400	$119,260	65	2023	$160,200	$160,200	3.2%
41	1999	$72,600	$119,901	66	2024	$168,600	$168,600	2.5%
42	2000	$76,200	$119,252					
43	2001	$80,400	$122,893					
44	2002	$84,900	$128,483					
45	2003	$87,000	$128,519					
46	2004	$87,900	$124,081					

	Earnings	$3,832,200	$5,657,312	Indexed Earnings
	5.3% Tax	$203,107	$4,497,549	Best 35 yrs
	First	Second	$128,501	Avg Indexed Earnings
Bend points	$12,288	$74,064	$48,098	Annual Payment
(in 2020)	90%	32%	$72,147	Annual Payment (spouse gets half)
	15% After	Second	$1,226,498	Average years paid (17)
PIA	$38,993	23%	$1,422,738	Inflation Effect (at 2%)
PIA w/COLAS	$48,098		7.0	Payments/Tax Paid