This is a Supplement to my published document called Preparing for the OAS Catastrophe August 2026 by Mike Kirchner. This contains the following sections:

Discussion about OAS Predictions
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DISCUSSION ABOUT OAS PREDICTIONS

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 2032 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: 2026 OASDI Trustees Report:TRTables_TR2026.xlsx – sheet:IV_A)

The high-cost scenario would accelerate the trust's scheduled promissory-note cash flows. These notes are federal obligations to pay interest to the trust and repay principal at maturity. Monitoring those cash flows can help gauge potential pressure on personal taxes.

One assumption in the forecast is the annual percentage change in productivity for the total U.S. economy. It is 1.63% each year from 2036 until

2100. (Source: 2026 OASDI Trustees Report:TRTables_TR2026.xlsx – sheet:II_C).

The actuaries' forecasts have no significant alterations to our economy after the depletion of trust monies, thus resulting in the prediction that the 8 or 9 monthly payments per year will persist. If the OAS trust monies are exhausted in 2032 as predicted by the 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. I believe a further decline in payments is more likely (6 per year) because of the severity of our economic decline.

PROMISES DETERMINATION ASSUMPTIONS

Deaths Prior to benefit Receipt: 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.

Discounting: 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.

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 2026 through

2100 (75 years). It is $29.3 Trillion as of January 1, 2026, and is based on the Intermediate Cost assumptions that the actuaries set and includes both the OAS and Disability benefits and assets (Source: 2026 OASDI Trustees Report Report:TRTables_TR2026.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.

CONTINUED ANNUAL DEFICIT

The projection for FY2026 (October 1, 2025 through September 30, 2026) is the federal government will take in $5.6 Trillion through various taxes/tariffs and will spend $7.4 Trillion. The $7.4 Trillion of spending includes $4.5 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 $1.0 Trillion for other discretionary spending not used for defense.

There will be $40 Trillion in disclosed debt at the end of FY2026. The OAS Promissory Notes are about $2 Trillion of this measured debt – the almost $70 Trillion in Unfunded Promises is NOT nor is the $29.3 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 Statistics (BLS), the U.S. had about 163 million civilian workers each month in 2024, including 135 million full-time workers and 28 million part-time or temporary workers. There are also about 2 million military workers. By contrast, OAS reports 184.7 million covered workers in 2024. The BLS employment figures therefore appear inconsistent with the OAS covered-worker total. I did not repeat the same process for 2025. Mainly because the 2025 covered-worker figure by social security is footnoted and it is still over 20 million higher using the Dec 2025 BLS 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 2030-2032 timeframe and then take in enough tax to pay 70% of the payments a year. (Source: 2026 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 $29.3 Trillion per the 2026 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 $29.3 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.