PREPARING FOR THE OAS CATASTROPHE

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The publication of this manuscript was paid for by Mike Kirchner Growing Assets.

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INTRODUCTION

My paper focuses on Old Age and Survivor (OAS) benefits and Federal Insurance Contributions Act (FICA) tax. 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).

There are two trusts related to Social Security. Attachment A at the end provides summary information about the trusts. Social Security is already applying pressure to us financially.

The evidence is occurring: Social Security is the largest financial outlay of our federal government and thus influences our federal shutdowns. Also, there were accelerated cash flows related to the OAS Promissory Notes during 2024.

What else should we look toward for evidence:
Increases In: Bankruptcies, Homeless, Taxes, Those in Poverty, Suicides
Decreases In: Asset Values, Home Ownership, Standard of Living, Worker Ambition, Small Business Ownership

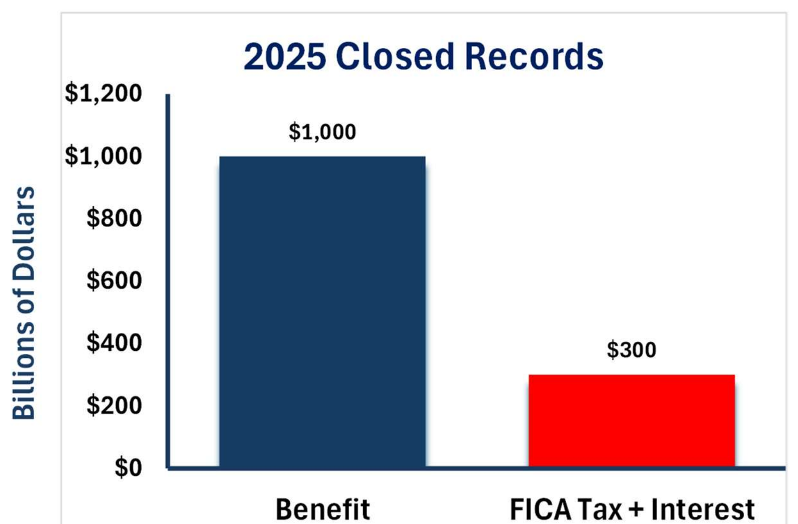
OAS ELEMENTS THAT WILL LEAD TO FAILURE

There have been many failed schemes including what Charles Ponzi and Bernie Madoff orchestrated. Most failed schemes have 4 main elements that OAS has. These are each explained in the following sections:

1) BENEFIT PROMISES SIGNIFICANTLY HIGHER THAN TAX

Attachment B and C at the end of this document have over 20 Real-life examples of individuals who are receiving OAS benefits, or are close to receiving, or have passed (Closed records). The Promises section estimates the total benefits each person is expected to receive over an average lifetime. The Amount Paid to Ancestors section estimates the OAS FICA taxes paid during each person's working years, plus a small amount of interest. For each example, the estimated promised benefits exceed the estimated taxes and interest paid by $150,000 to $1,000,000.

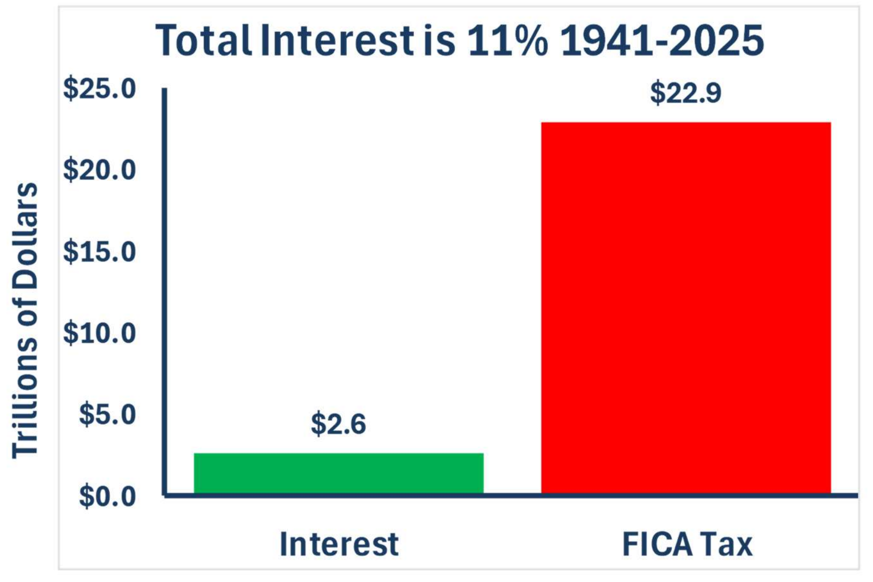
Applied to the 2025 closed records (3 million that died in 2025), this method suggests about $1 trillion in benefits received versus about $300 billion in taxes paid. The taxes paid and a minor interest have been fully distributed to our ancestors.



On Attachment D, there are 2026 Start payment illustrations named Jeffrey, Debra, Mark, and Joseph that determine the overpromises between $300,000 and $1.1 million.

2) NO MATERIAL INVESTMENTS

The OAS trust receives OAS FICA taxes and interest from promissory notes. Both are paid out very shortly after entering the trust. The interest payments into the trust over 85 years totals 11% of the tax collected. An 11% return over 85 years is likely not considered material to investors.



Source: TRTables_TR2026.xls sheet VI_A

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. On attachment E, Jeffrey, Debra, Mark and Joseph need between 3 and 12 average workers in 2026 to pay the benefit to them.

4) IMPORTANT MEASURES ARE NOT TRANSPARENT

Publicly available data does not show yearly comparisons of benefits and taxes for **closed records**. They also do not disclose unfunded promises, or a similar measure, nor the annual growth in those unfunded promises. These measures are developed in the next section called Estimate and Explain Important Measures. The next sections address my goals for doing this document.

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 Benefit Accruals in 2027

We are headed toward a catastrophe. Our elected officials may be planning for the outcomes but there is no publicly known game plan. 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: ESTIMATE AND EXPLAIN IMPORTANT MEASURES

MEASURING BENEFIT OBLIGATION (ACCORDING TO GAAP ACCOUNTING STANDARDS)

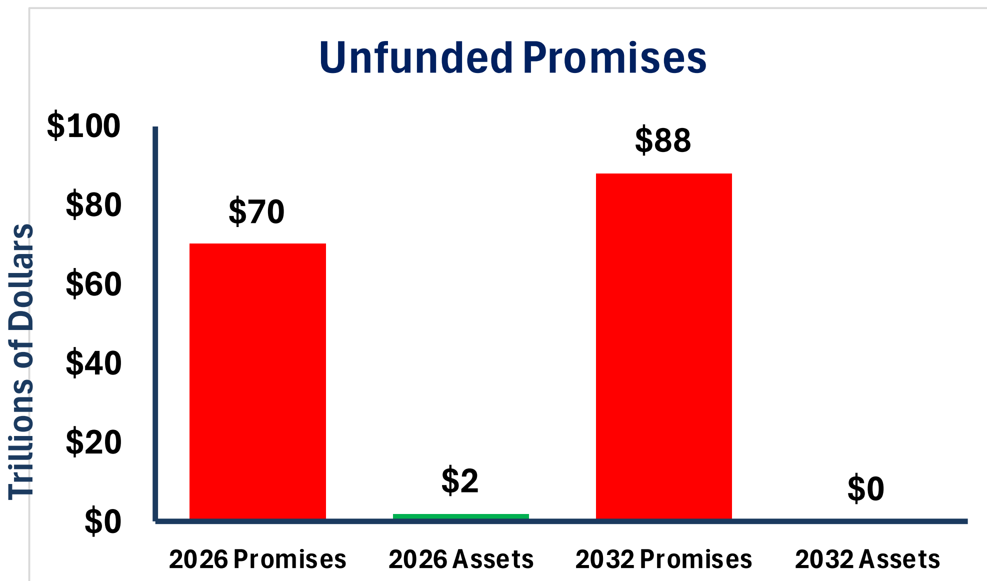
Starting in the 1980's, generally accepted accounting principles (GAAP) made all companies who sponsored pension plans, whether funded or not, measure an Accumulated Benefit Obligation (ABO). The ABO measure uses benefits based on employment history and wages up to the valuation date. The unfunded ABO had to be listed as a liability on the company's balance sheet. Similar standards were added for government entities over 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 $68 Trillion in OAS Promises that have not been funded. Here is a development of the estimate:

Dec 31, 2025	Workers	Retirees	Total
A. How Many?	150 Million	60 Million	
B. Avg Annual Benefit	$22,000/yr at 67	$24,000/yr	
C. Avg years to pay	17 Years	10 Years	
Promises (A x B x C)	$56 Trillion	$14 Trillion	$70 Trillion
Assets			$2 Trillion
Unfunded Promises			$68 Trillion

GROWTH IN UNFUNDED PROMISES



From 2026 through 2032 (trust exhausting estimate), there is expected to be $30 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. So, when the OAS trust has no money, we will have almost $90 Trillion in Promises (and not measured).

GOAL 2: COMMUNICATE BENEFIT REDUCTION DIRECTLY

Currently, the benefit payment forecast is presented in our benefit statement to lessen the urgency to prepare.

Current Language Through a Statement Link - ssa.gov/ThereForMe

It says the benefits will be paid in full and on time until 2034. The Social Security trust assets will then be depleted and 83% of the benefits will still be payable each year. This forecast uses the disability trust monies for OAS payments.

A cutback earlier than 2034 should be noted in the statement and presuming we will use the disability trust monies is further easing the urgency to prepare.

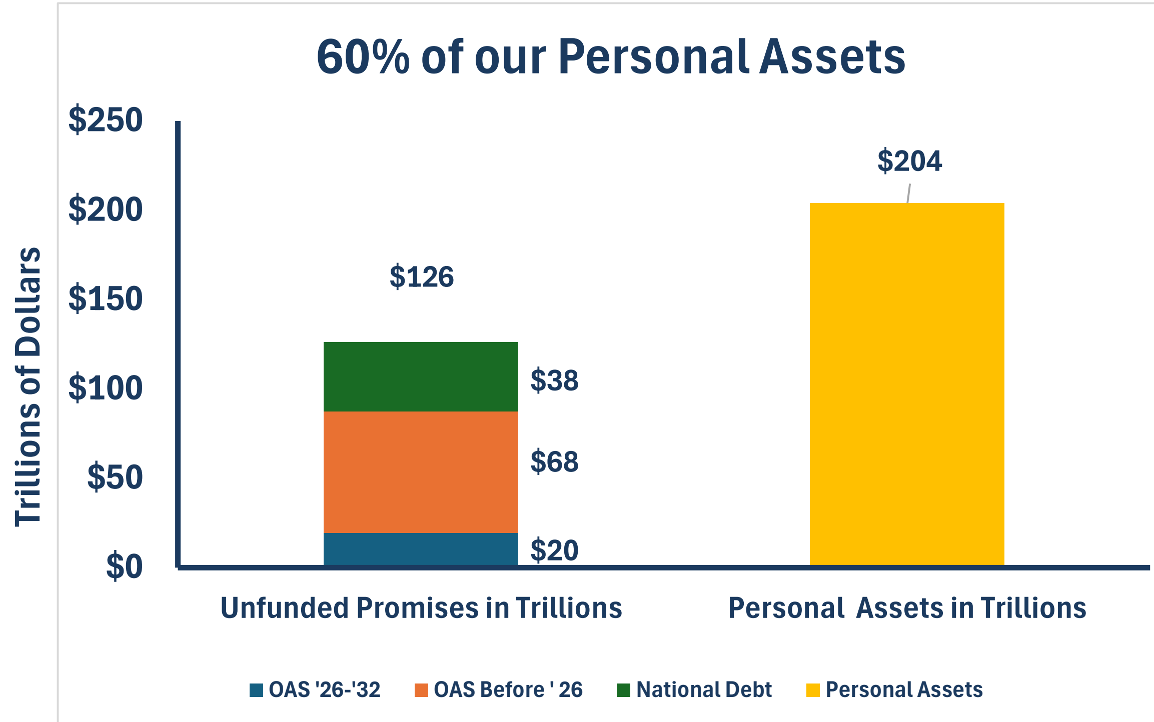
More Direct Approach
Indicate that the social security administrators have projections that result in 2031 payments at 70%.

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 on OAS benefits. Below are a graph and discussion about the magnitude of asset decline.



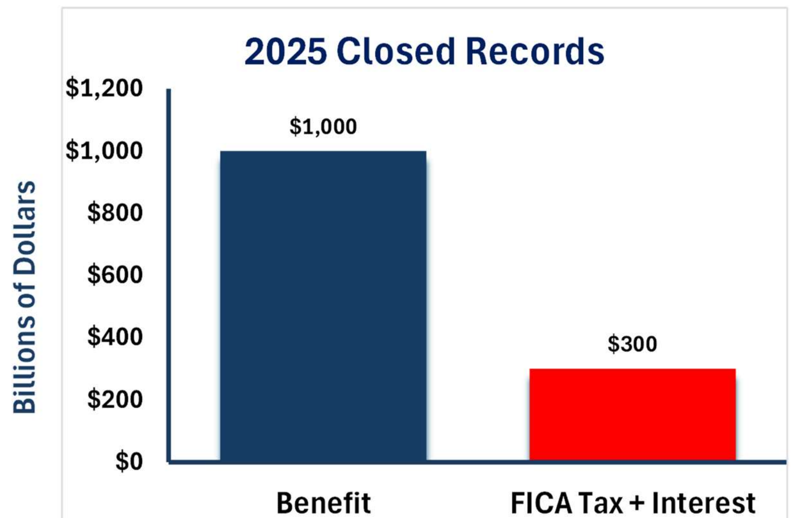
According to federalreserve.gov, there is $204 Trillion in personal assets among Americans as measured in the 4th quarter of 2025. If taxpayers must pay for the national debt and promises like OAS, increased taxes will cause a liquidation of these assets. Over 60% of our assets equate to the sum of the federal debt of $38 trillion as of December 31, 2025, plus $68 trillion for past unfunded OAS promises, plus $20 trillion for future unfunded OAS promises through 2032. A small portion of the OAS promises are paid for by income taxes and interest. Thus, 60% of our assets may be needed to satisfy these responsibilities.

GOAL 4: GET ACCRUALS STOPPED FOR 2027

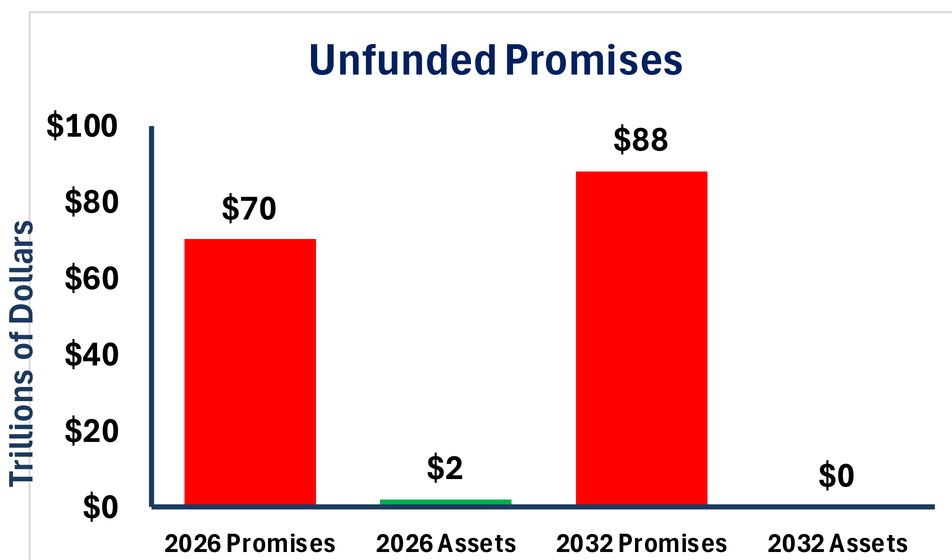
I called this Mission Impossible in prior write-ups. Getting new OAS benefit accruals stopped for 2027. This was labeled Mission Impossible because Social Security is called a Mandatory expense in our financial budgeting. Most Americans and likely all elected officials think this scheme benefit accrual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

SOLUTION START: STEP 1 – IMPROVE TRANSPARENCY AND GET IMPORTANT MEASURES NOTED IN GOAL 1

Evidence of Overpromise



Unfunded Promises:



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.

This is summarized on Attachment F.

BROAD PLAYOUTS AFTER OAS TRUST ASSETS DEPLETE

When the assets are depleted, we will be $500 Billion short 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 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 $500 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.

4) **FICA Tax Above Wage Base**: The amount available if we FICA tax the worker/employer wages above the maximum wage base is almost $400 Billion per year if you included the disability FICA tax portion and you had no adjustments from the targeted workers getting this tax increase. These individuals are helping to maintain our economic strength. Each will decide how to reduce the tax effect or may opt to terminate/retire.

5) **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.

6) **TAKE FROM DISABILITY TRUST:** Use Disability trust assets to pay OAS benefits until that trust also depletes. This is built into the benefit statement forecast of 83% paid in 2034.

GET PREPARED FOR THE CATASTROPHE!

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Supplement to this Document

There is a supplement to this document that contains:
Discussion about OAS Predictions
Assumptions about Promise Measure
Present Value of Obligation that Social Security Actuaries Measure
Annual Deficit
Data Discrepancy
Analogies:
Turn off the overpromise faucet
Calculate debt properly
Madoff similarities

ATTACHMENTS:

A. **Social Security Structure**
B. **Real Life Illustrations of Promises and Payments to Ancestors**
C. **Real Life Illustrations of Over Promises**
D. **Overpromise Illustrations for 2026 Starting Payments**
E. **Number of Average Workers Needed to Fund 2026 Payments**
F. **Comparison of Current to Proposal**

Attachment A

Social Security Structure

Old Age and Survivor (OAS)	Disability Insurance (DI)
Who gets paid?	**Who gets paid?**
Worker with 10 Years	Eligible Disabled
Spouse if Married 10 Years	
Former Spouse if Married 10 Years	
Beneficiary (Spouse)	
Beneficiary (Certain Children Under 20)	
When is it Paid?	**When is it Paid?**
Full Retirement Age is 67	Until Age 67
Can Start Early after 62	Then OAS Trust pays at 67
OAS Trust Assets at December 31, 2025	**DI Trust Assets at December 31, 2025**
$2.3 Trillion	**$0.2 Trillion**

Assets: Promissory Notes by Federal Government dedicated to the respective trusts

Notes are valued at par value (value paid at maturity). Each pays interest.

Source: 2026 Annual Trustee Report dated June 9, 2026 (page 9 of the 286 pages)

Attachment B

Real Life Examples (names have been changed)

Promises and Payments to Ancestors

				Promises			Amount Paid to Ancestors			
				Thru 2025						
Names	Earnings When Working	Age	Soc Sec Annual Benefit	Total Benefit Received	Future Benefit if Avg Life	Total When Closed	OAS FICA Tax Paid Employee	OAS FICA Tax Paid Employer	Interest	Total
James	Very High	64	$70,000	$0	$1,400,000	**$1,400,000**	$200,000	$200,000	$20,000	**$420,000**
Mary	High	61	$60,000	$0	$1,200,000	**$1,200,000**	$160,000	$160,000	$16,000	**$336,000**
Michael	Very High	82	$30,000	$590,000	$150,000	**$740,000**	$40,000	$40,000	$4,000	**$84,000**
Patricia	Very High	63	$45,000	$30,000	$855,000	**$885,000**	$120,000	$120,000	$12,000	**$252,000**
Joseph	High	55	$45,000	$0	$900,000	**$900,000**	$155,000	$155,000	$15,500	**$325,500**
Robert	Very High	82	$50,000	$500,000	$300,000	**$800,000**	$130,000	$130,000	$13,000	**$273,000**
Elizabeth	Average	73	$45,000	$90,000	$675,000	**$765,000**	$120,000	$120,000	$12,000	**$252,000**
Linda	Above Avg	78	$40,000	$425,000	$320,000	**$745,000**	$120,000	$120,000	$12,000	**$252,000**
Jennifer	Above Avg	71	$40,000	$120,000	$600,000	**$720,000**	$130,000	$130,000	$13,000	**$273,000**
David	Average	96	$30,000	$600,000	$0	**$600,000**	$80,000	$80,000	$8,000	**$168,000**
Susan	Above Avg	68	$35,000	$60,000	$595,000	**$655,000**	$110,000	$110,000	$11,000	**$231,000**
Richard	Very High	76	$40,000	$240,000	$400,000	**$640,000**	$130,000	$130,000	$13,000	**$273,000**
William	Very High	62	$35,000	$0	$700,000	**$700,000**	$195,000	$195,000	$19,500	**$409,500**
Jessica	Average	96	$20,000	$400,000	$0	**$400,000**	$60,000	$60,000	$6,000	**$126,000**
Karen	High	55	$30,000	$0	$600,000	**$600,000**	$165,000	$165,000	$16,500	**$346,500**
Chris	Lower	75	$15,000	$150,000	$150,000	**$300,000**	$30,000	$30,000	$3,000	**$63,000**
Sarah	Average	61	$10,000	$0	$200,000	**$200,000**	$2,000	$2,000	$200	**$4,200**
Thomas	Average	71	$25,000	$25,000	$375,000	**$400,000**	$100,000	$100,000	$10,000	**$210,000**
Charles	High	62	$10,000	$0	$200,000	**$200,000**	$5,000	$5,000	$500	**$10,500**
Lisa	Average	57	$8,000	$0	$160,000	**$160,000**	$1,000	$1,000	$100	**$2,100**
Daniel	Above Avg	62	$8,000	$0	$160,000	**$160,000**	$2,000	$2,000	$200	**$4,200**

Sarah, Charles, Lisa and Daniel are public workers that received annual increases under the FAIRNESS Act of $7,000

Future Benefit is based on average life. There is no cost of living increase included.

Attachment C

Real Life Examples Over Promise

			Promises	Paid to Ancestors	
Names	Earnings When Working	Age	Total When Closed	Total FICA+ Interest	Over Promise
James	Very High	64	$1,400,000	$420,000	$980,000
Mary	High	61	$1,200,000	$336,000	$864,000
Michael	Very High	82	$740,000	$84,000	$656,000
Patricia	Very High	63	$885,000	$252,000	$633,000
Joseph	High	55	$900,000	$325,500	$574,500
Robert	Very High	82	$800,000	$273,000	$527,000
Elizabeth	Average	73	$765,000	$252,000	$513,000
Linda	Above Avg	78	$745,000	$252,000	$493,000
Jennifer	Above Avg	71	$720,000	$273,000	$447,000
David	Average	96	$600,000	$168,000	$432,000
Susan	Above Avg	68	$655,000	$231,000	$424,000
Richard	Very High	76	$640,000	$273,000	$367,000
William	Very High	62	$700,000	$409,500	$290,500
Jessica	Average	96	$400,000	$126,000	$274,000
Karen	High	55	$600,000	$346,500	$253,500
Chris	Lower	75	$300,000	$63,000	$237,000
Sarah	Average	61	$200,000	$4,200	$195,800
Thomas	Average	71	$400,000	$210,000	$190,000
Charles	High	62	$200,000	$10,500	$189,500
Lisa	Average	57	$160,000	$2,100	$157,900
Daniel	Above Avg	62	$160,000	$4,200	$155,800

Attachment D

Overpromise Illustrations for 2026 Starting Payments

	Earnings When Working	2025 Earnings	Start Age	Start Year	2026 Annual Social Security	
					Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**$22,000**	**$33,000**
Debra	Average	$72,000	67	2026	**$31,000**	**$46,500**
Mark	Half Avg	$36,000	67	2026	**$20,000**	**$30,000**
Joseph	Maximum	$176,000	67	2026	**$50,000**	**$75,000**

	Earnings When Working	2025 Earnings	Start Age	Start Year	Expected Payments	
					Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**$506,000**	**$759,000**
Debra	Average	$72,000	67	2026	**$620,000**	**$930,000**
Mark	Half Avg	$36,000	67	2026	**$400,000**	**$600,000**
Joseph	Maximum	$176,000	67	2026	**$1,000,000**	**$1,500,000**

Expected Payments: Assumes average life and 2% Cost of Living Annual Increases.

	Earnings When Working	2025 Earnings	Start Age	Start Year	Payments to Ancestors	
					Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**$140,000**	**$140,000**
Debra	Average	$72,000	67	2026	**$180,000**	**$180,000**
Mark	Half Avg	$36,000	67	2026	**$95,000**	**$95,000**
Joseph	Maximum	$176,000	67	2026	**$440,000**	**$440,000**

Payments to Ancestors: Employee and Employer OAS FICA Tax and interest.

	Earnings When Working	2025 Earnings	Start Age	Start Year	Overpromise	
					Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**$366,000**	**$619,000**
Debra	Average	$72,000	67	2026	**$440,000**	**$750,000**
Mark	Half Avg	$36,000	67	2026	**$305,000**	**$505,000**
Joseph	Maximum	$176,000	67	2026	**$560,000**	**$1,060,000**

Attachment E

Number of Average Workers Needed to Fund 2026 Payments

					Average Workers Making $72,000 OAS FICA TAX Employee+Employer	
	Earnings When Working	2025 Earnings	Start Age	Start Year	Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**3**	**4**
Debra	Average	$72,000	67	2026	**4**	**6**
Mark	Half Avg	$36,000	67	2026	**3**	**4**
Joseph	Maximum	$176,000	67	2026	**7**	**10**

The $72,000 is the 2025 average wage used to index past wages

					Average Workers Making $58,000 OAS FICA TAX Employee+Employer	
	Earnings When Working	2025 Earnings	Start Age	Start Year	Single	W/Spouse
Jeffrey	Average	$72,000	62	2026	**4**	**5**
Debra	Average	$72,000	67	2026	**5**	**8**
Mark	Half Avg	$36,000	67	2026	**3**	**5**
Joseph	Maximum	$176,000	67	2026	**8**	**12**

The $58,000 results from taking 2025 FICA payroll divided by 185 million covered workers. Social Security reports the 185 million covered workers for 2025.

Attachment F

Comparison of Current to Proposal

Effective 2027	Tax %	Current	Proposed
Old Age and Survivor			
Employee FICA Tax	5.3%	Goes in OAS Trust	Goes into Tax Deferred Account (401k,403b,IRA)
		Then Gets Paid to Ancestors	Grows with return
Possible?			Stable Value investment
Possible?			Limit Use until 62
Employee Benefit		Includes all past and future earnings	EXcludes 2027 and future earnings
Wage Index		Yes	Yes, pre 2027 earnings
Inflation		Yes	Yes
Employer FICA Tax	5.3%	Goes in OAS Trust	Goes in OAS Trust
Disability			
Employee FICA Tax	0.9%	Goes in Disability Trust	Goes in Disability Trust
Employer FICA Tax	0.9%	Goes in Disability Trust	Goes in Disability Trust
Benefit		Continues Unchanged	Continues Unchanged

PREPARING FOR THE OAS CATASTROPHE

What happens when the promises of a retirement system exceed the resources available to fulfill them?

Preparing for the OAS Catastrophe! examines the financial pressures facing the Old Age and Survivor (OAS) portion of Social Security and argues that the system may be approaching a critical point. Drawing on benefit examples, tax comparisons, trust-fund data, and estimates of unfunded promises, Mike Kirchner explores the growing gap between expected benefits and the resources supporting them.

The book identifies four elements that the author believes contribute to the system's vulnerability: benefit promises significantly higher than taxes paid, limited material investment of trust funds, later participants financing earlier participants, and a lack of transparency around important financial measures.

Kirchner then considers what could happen when OAS trust assets are depleted—including potential benefit reductions, additional federal debt, higher FICA or income taxes, and pressure on personal assets—and presents proposed steps intended to improve transparency and address future benefit accruals.

More than an examination of numbers, this book is a call to **understand the potential risks, consider the possible outcomes, and prepare before the financial consequences become unavoidable.**

MIKE KIRCHNER