



Highlights of [GAO-05-303T](#), a report to the Special Committee on Aging, U.S. Senate

# SOCIAL SECURITY

## Long-Term Challenges Warrant Early Action

### Why GAO Did This Study

Social Security is the foundation of the nation's retirement income system, helping to protect the vast majority of American workers and their families from poverty in old age. However, it is much more than a retirement program and also provides millions of Americans with disability insurance and survivors' benefits. Over the long term, as the baby boom generation retires and as Americans continue to live longer and have fewer children, Social Security's financing shortfall presents a major program solvency and sustainability challenge that is growing as time passes.

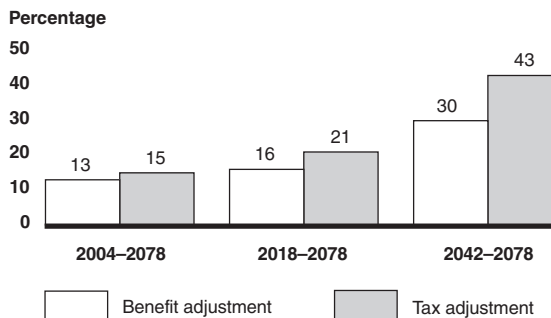
The Chairman and Ranking Member of the Senate Special Committee on Aging asked GAO to discuss the future of the Social Security program. This testimony will address the nature of Social Security's long-term financing problem and why it is preferable for Congress to take action sooner rather than later, as well as the broader context in which reform proposals should be considered.

### What GAO Found

Although the Social Security system is not in crisis today, it faces serious and growing solvency and sustainability challenges. Furthermore, Social Security's problems are a subset of our nation's overall fiscal challenge. Absent reform, the nation will ultimately have to choose among escalating federal deficits and debt, huge tax increases and/or dramatic budget cuts. GAO's long-term budget simulations show that to move into the future with no changes in federal retirement and health programs is to envision a very different role for the federal government. With regard to Social Security, if we did nothing until 2042, achieving actuarial balance would require a reduction in benefits of 30 percent or an increase in payroll taxes of 43 percent. In contrast, taking action soon will serve to reduce the amount of change needed to ensure that Social Security is solvent, sustainable, and secure for current and future generations. Acting sooner will also serve to improve the federal government's credibility with the markets and the confidence of the American people in the government's ability to address long-range challenges before they reach crisis proportions.

However, financial stability should not be the only consideration when evaluating reform proposals. Other important objectives, such as balancing the adequacy and equity of the benefits structure need to be considered. Furthermore, any changes to Social Security should be considered in the context of the broader challenges facing our nation, such as the changing nature of the private pension system, escalating health care costs, and the need to reform Medicare and Medicaid.

**Size of Action Needed to Achieve Social Security Solvency**



Source: Office of the Chief Actuary, Social Security Administration.

Note: This is based on the intermediate assumptions of the 2004 Social Security trustees' report. The benefit adjustments in this graph represent a one-time, permanent change to all existing and future benefits beginning in the first year indicated. Estimates cover the time period from January 1st of the first year to December 31, 2078.

[www.gao.gov/cgi-bin/getrpt?GAO-05-303T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-303T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg (202) 512-7215 or [bovbjergb@gao.gov](mailto:bovbjergb@gao.gov).