



Saving Social Security

August 8, 2025

The Social Security trust fund is due to run out of money by 2033, assuming no changes to payroll taxes, retirement ages or overall economic growth. At that rapidly approaching point in time, workers' payroll taxes would be diverted directly to pay the retirees' benefits, unsupplemented by the trust fund's assets. Estimates suggest that benefits would drop to about 75% of what they are today, and inflation adjusted.

Of course, there are many proposals to 'fix' the system, but all of them involve collecting more or giving out less, which are not ideal from a political standpoint. A bipartisan proposal by Senators Bill Cassidy (R-LA) and Tim Kaine (D-VA) would take the discussion in a different direction. They propose that the trust fund borrow \$1.5 trillion, and invest it in a diversified portfolio of stocks, bonds and other investments, like how public and private pension funds invest on behalf of their plan participants.

The trust fund is currently invested exclusively in Treasury bonds, which are not the most exciting options—and some have noted that the trust fund's assets could be characterized as government IOUs, whose interest is also paid by taxpayers.

The Senators have done the math and determined that if the proposed trust fund portfolio addendum were to earn 5% a year, on average, after-tax, it would generate sufficient additional funds to ensure that no Social Security recipient would have to take a benefit cut. They point to the Canadian equivalent program, which is prudently invested in actual risk assets, and has delivered higher returns for Canadian retirees.

Is there a catch? There is, of course, no guarantee that the investments will generate the required rate of return over long time periods. But a bigger risk may be whether Congress will have the discipline to keep its hands off of this tempting pot of money if it grows as projected. The proposal is, on its face, less painful than the alternative funding mechanisms, so you can expect to hear more about it as we get closer to the day when benefits would have to be cut.

Sources:

<https://www.advisorperspectives.com/articles/2025/07/11/social-security-needs-risky-wagers>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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