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# Senate duo's Social Security trust fund gambit would worsen US fiscal predicament

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Imagine yourself in this situation. In a few years, your income will drop to where you can afford to pay only 80% of your mortgage. After a brainstorm, you go to your banker and ask to borrow an additional sum to invest in the stock market with an expectation that profits will prevent a foreclosure. What do you think the banker would say?

Two US senators – Bill Cassidy (R-LA) and Tim Kaine (D-VA) – should be asking themselves a similar question. In the long run, their [proposal](#) to invest part of Social Security's trust fund in equities deserves serious consideration.

However, in the near term, raising cash to invest in the stock market means pushing up US public debt, already at an historic high, even [higher still](#). A Wall Street downturn could hasten Social Security's insolvency.

There are currently no hard assets in Social Security's trust fund that can be invested in stocks, real estate, or any other private asset. More cash now flows out of the trust fund to pay for benefits than comes in from payroll and income taxes.

Social Security's cost has exceeded its non-interest income since 2010. To cover the gap, the program is drawing down reserves, which in essence are intragovernmental IOUs binding the Treasury to pay back Social Security for surpluses the US government previously borrowed at favorable interest rates from the social insurance program to pay for other public expenses. The \$2.7 trillion in 'special' government bonds in the trust fund has no value in the marketplace.

As [noted](#) to the Senate Budget Committee, although "off budget," drawing down Social Security reserves has an impact on the government's finances and the US economy. Because the federal government runs perennial budget

deficits, coming up with hard cash to meet monthly obligations to 74 million Social Security beneficiaries already means having to sell more bonds, which increases the national debt.

Released last month, this year's Social Security trustees report estimates the program will draw down \$181 billion from the combined Old-Age and Disability Insurance trust funds in 2025 with the amount rising to \$405 billion in 2033. However, changes in the just-enacted budget legislation will push those numbers higher. The Committee for a Responsible Federal Budget [calculated](#) Trump's big bill will reduce Social Security income tax revenues by \$30 billion per year — meaning the trust fund would be exhausted several months earlier than the trustees expected, in 2032 rather than in 2033. Once the trust fund is exhausted, Social Security's tax revenue will only be able to cover about 80% of promised benefits. There are many ways that Congress can help Social Security maintain its long-term solvency. Doing this will involve major tax increases or benefit cuts – or a combination of the two.

Congress would have to raise a total of about \$28 trillion more in net present value over the next 75 years – an average of about \$375 billion each year – to pay scheduled Social Security benefits. That's roughly the same amount that the budget bill adds to the national debt each year. (By way of comparison, US annual GDP is now about \$30 trillion. The Congressional Budget Office [estimates](#) that, as a result of the budget legislation, debt held by the public at the end of 2034 will increase from its January 2025 baseline projection of 117% of GDP to 128% of GDP.)

Now, add the billions of dollars that Sens. Cassidy and Kaine would need to buy equities and other market assets for the trust fund – along with the volatility and risk. A recession or market correction at the wrong time could hasten depletion. Many financial analysts already question whether growing levels of US debt will undermine economic growth and possibly national security. What if we unexpectedly need to finance a major war or a response to an emergency like the Covid-19 epidemic?

Getting a higher return from Social Security's trust fund might be worth considering in the long run. But given the deteriorating state of the nation's finances, it doesn't make sense to borrow more money for that purpose now. It would be surprising if Congress has the [stomach](#) for it, especially as lawmakers tread water on dealing with the politics of the program's approaching insolvency.

Karl Polzer is founder of the [Center on Capital & Social Equity](#), which explores inequality and advocates for 'the bottom 50%.' He pays Social Security taxes and receives Social Security benefits.

#### Sources:

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[Cassidy, Kaine propose new funding trust for Social Security](#)

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[Effects on Deficits and the Debt of Enacting H.R. 1 and of Making Certain Tax Policies in H.R. 1 Permanent | Congressional Budget Office](#)

[US needs \\$28 trillion more over 75 years to pay promised Social Security benefits](#)

[Why Social Security's big benefit cut won't happen: The U.S. Treasury already is filling its funding gap – statement to U.S. Senate Budget Committee](#)

[OBBBA Would Accelerate Social Security & Medicare Insolvency-2025-06-27](#)

[A 'conservative/progressive' path to Social Security solvency: bend the benefit cost curve, grow revenue, and protect lower earners – statement to Senate Appropriations Committee](#)

[A Widening Gap in Life Expectancy Makes Raising Social Security's Retirement Age a Particularly Bad Deal for Low-Wage Earners – Society of Actuaries](#)

[Growing inequality has shrunk Social Security's revenue. Revitalizing its tax base could help restore solvency without cutting benefits.](#)

[Center on Capital & Social Equity work on Social Security and retirement savings \(updated January 2025\).](#)

