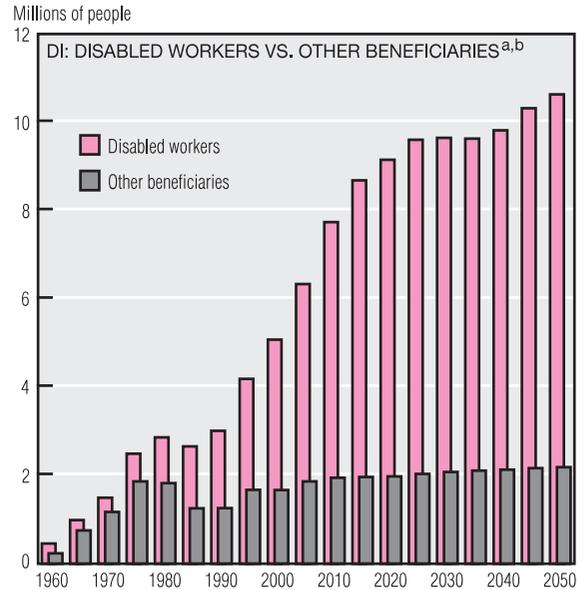
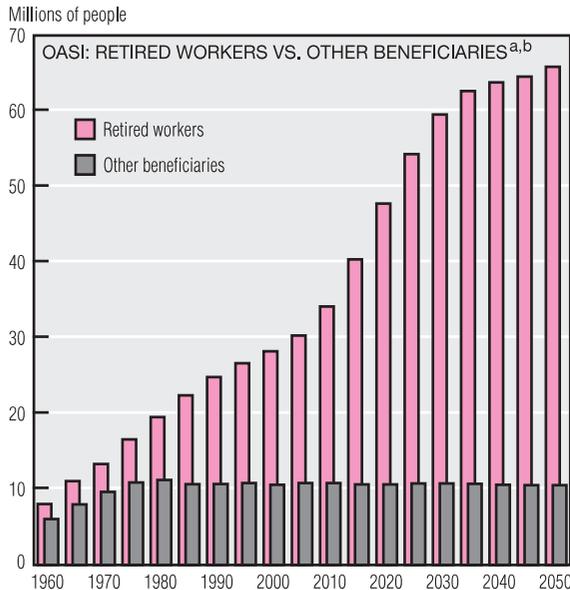
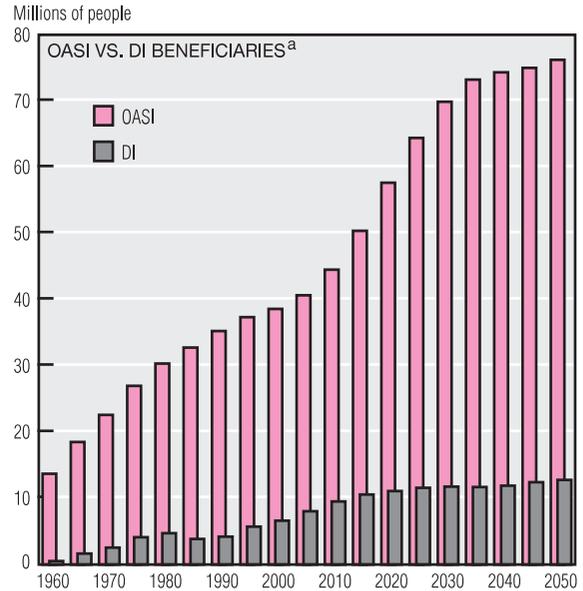
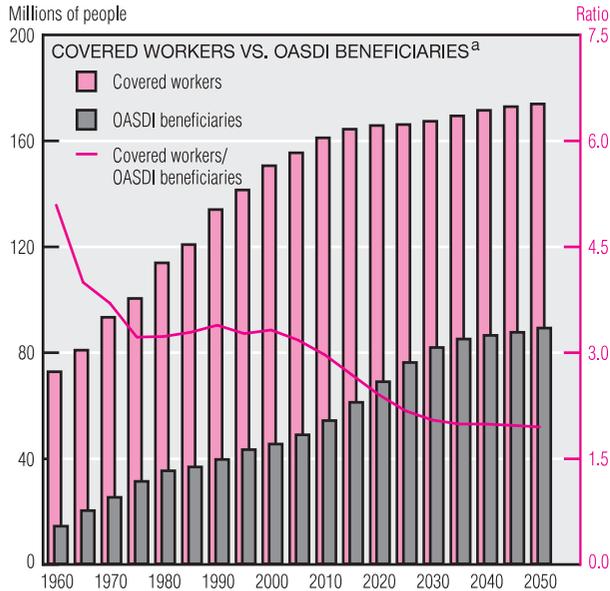


Social Security Beneficiaries



a. OASI stands for Old Age and Survivors Insurance, DI for Disability Insurance, and OASDI for both.
 b. Other beneficiaries include dependent and surviving spouses and children.
 SOURCE: Social Security Administration.

Although it has accumulated surpluses in recent years, Social Security faces a future budget crunch. The ratio of contributing workers to beneficiaries is projected to shrink from 3.4 today to about 2.0 by 2035. Because Social Security is a pay-as-you-go program that disburses nearly all its current revenue as benefits, a drop in the number of contributors per beneficiary will cause shortfalls. Preserving its current structure will force lower benefits or higher payroll tax rates: At the current tax rate of 12.4%, 3.4 workers' contributions suffice to replace 41.2% of one

beneficiary's past earnings. With only two contributors per beneficiary, the same tax rate will replace only 24.8% of those earnings, implying a benefit reduction of over 40%. Alternatively, to guarantee the same replacement rate, tax rates must increase 70%, from 12.4% to 21.1%. Social Security includes Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs. DI outlays have grown fast recently because of higher participation rates for younger workers and more liberal eligibility rules for categories like widowed workers. The projected increase in DI partic-

ipants, however, is more gradual and stabilizes earlier than for OASI participants. The Social Security program provides dependent and survivor benefits to others who may never have contributed, including non-working spouses (current and divorced) and children 18 or younger of retired, disabled, and deceased workers. The Social Security Administration's population estimates for "other recipients" in both OASI and DI show modest increases in future decades compared to those for covered workers.