

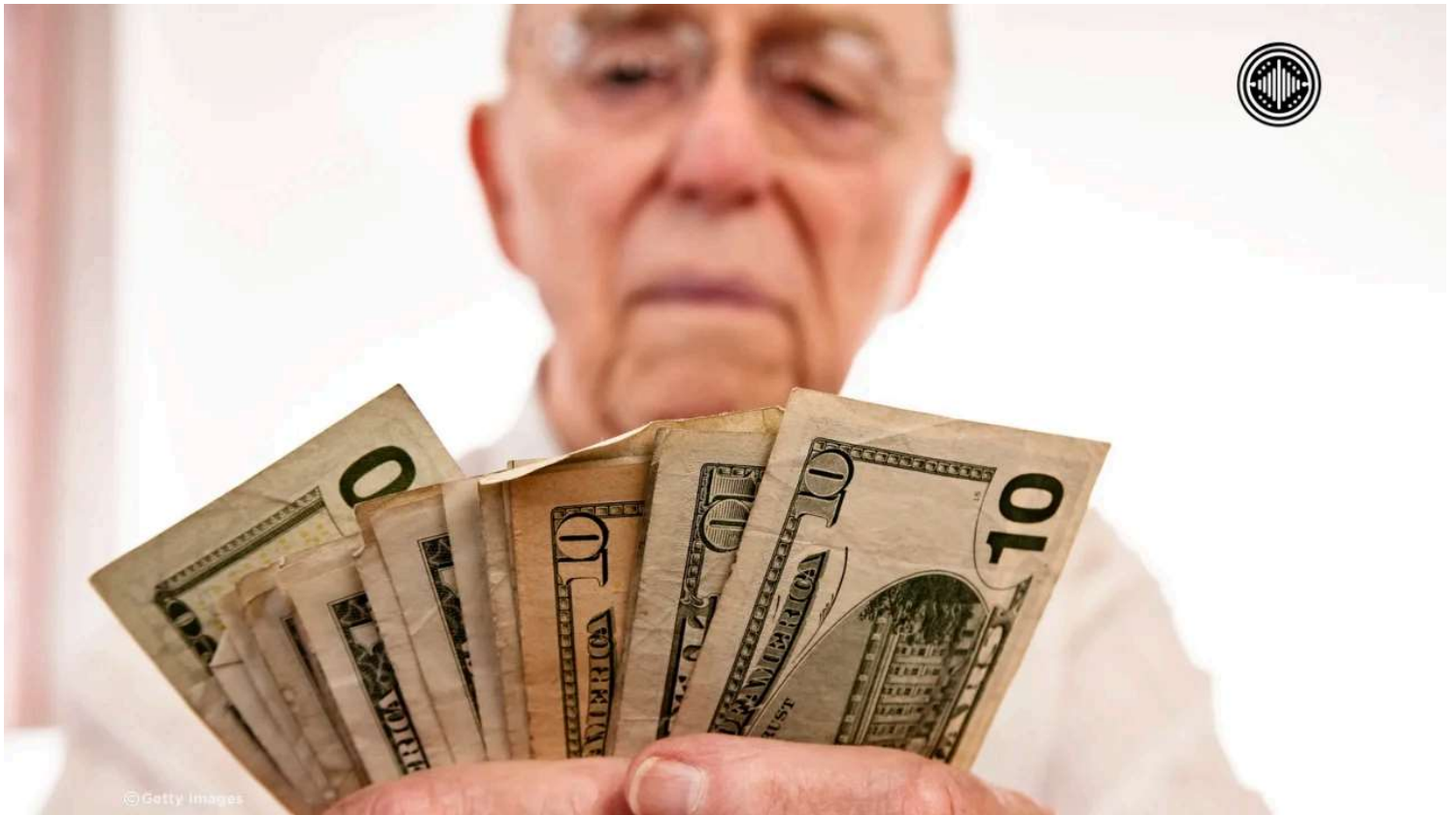
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Social Security Retired-Worker Benefits Could Drop by \$553 Monthly by 2033

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— Categories: Finance



If no changes are made, the average monthly Social Security retired-worker benefit is projected to fall by \$553 in eight years, a significant cut that could impact millions of Americans who depend on this income for their retirement security. The Social Security Board of Trustees' latest report warns that the Old-Age and Survivors Insurance (OASI) trust fund, which finances retired-worker and survivor benefits, is expected to exhaust its reserves by 2033. This depletion could lead to a 23% reduction in monthly benefits.

Social Security remains a vital income source for retirees, with 80% to 90% of beneficiaries relying on it to some degree. Recent surveys show that 86% of retirees view Social Security as a major or minor part of their income. In May 2025, the average monthly benefit for retired workers surpassed \$2,000 for the first time, reaching about \$2,005.05. However, this number is at risk of significant reduction due to demographic changes and funding shortfalls.

The Trustees' 2025 report highlights a growing long-term funding gap for Social Security, currently estimated at \$25.1 trillion over 75 years. The shortfall mainly stems from changes in birth rates, immigration, income distribution, and the ratio of workers to beneficiaries. The OASI trust fund builds reserves from payroll taxes paid by workers and employers, investing these in special government bonds. As retirees grow in number and fewer workers enter the labor force, the inflow of payroll taxes is expected to decline relative to benefit payouts.

Demographic shifts contributing to this outlook include the retirement of baby boomers, a historic low in the U.S. fertility rate, and a slowdown in legal immigration. The reduced number of younger workers entering the workforce affects the balance needed to sustain the Social Security system. Additionally, rising income inequality means more earnings exceed the taxable cap, reducing payroll tax revenue. In 2025, only income up to \$176,100 is subject to the payroll tax, with earnings above that exempt.

While Social Security benefits have typically been adjusted annually through cost-of-living adjustments (COLAs) to keep up with inflation, these increases may not prevent the upcoming cuts. The average COLA over the last 16 years has been 2.3 percent. If that continues, the average monthly benefit might rise to \$2,405 by 2033. However, once the OASI fund is depleted, benefits could be cut by nearly a quarter, lowering the average monthly payment to around \$1,852.

These figures highlight the urgency for lawmakers to address the program's financial challenges. Delaying reforms will only increase the cost and complexity of solutions. Although difficult decisions about payroll taxes, benefit formulas, or retirement ages will be politically sensitive, they are necessary to protect future retirees' financial stability.

For many, Social Security is more than a monthly check. It is a financial foundation. An average monthly reduction of \$553 could strain the budgets of millions of retirees who already rely heavily on these funds. Understanding this reality is crucial as discussions around Social Security reform continue.

Some retirees might benefit from strategies designed to maximize their Social Security income. Experts suggest that optimizing benefit claims and retirement planning could potentially increase individuals' lifetime Social Security earnings by as much as \$23,760 per year. These lesser-known approaches could offer some relief amid uncertain times.