

Every generation has paid more than the one before. Here is exactly how much more.

This page back-tests the payroll tax against the national average wage, all the way back to the first FICA cheque. Then it asks the obvious follow-up question — what if you had simply invested the money instead — and answers it honestly, including the parts of the answer that cut the other way.

How to read every figure here. The worker is a hypothetical who earns exactly the *national average wage* every year of a 45-year career. “FICA” means both halves — the employee’s and the employer’s — because economists generally treat the employer half as coming out of wages too. Dollars are converted to 2026 purchasing power. The nominal figures are always available in the table views.

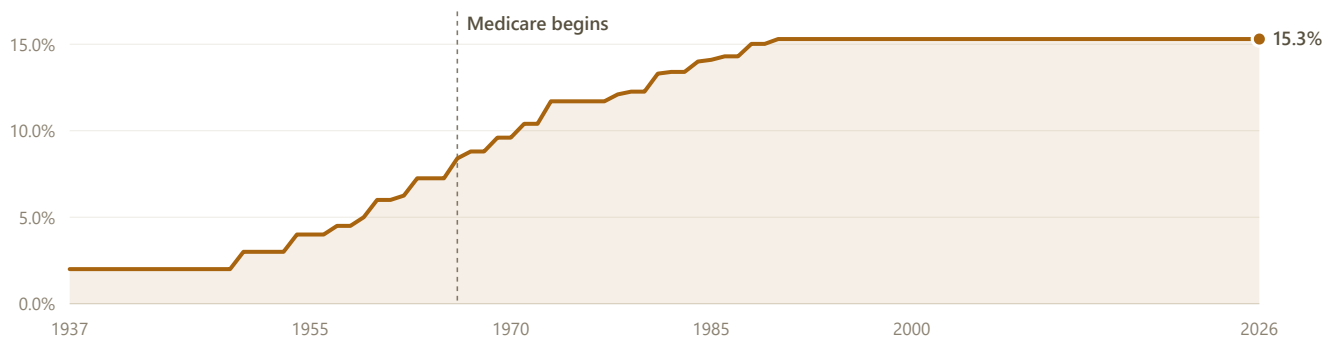
THE RATE

2 → 15.3

The combined payroll tax rate went from **2.0%** of covered wages in 1937 to **15.3%** in 1990, and has sat there ever since. Nearly eight times the original rate.

Combined payroll tax rate, employee plus employer

OASDI plus Medicare Hospital Insurance. Medicare's share appears in 1966 and the rate has been frozen at 15.3 % since 1990.



Source: SSA, *Social Security & Medicare Tax Rates (FICA & SECA)*. Excludes the 0.9 % additional Medicare tax on high earners introduced in 2013.

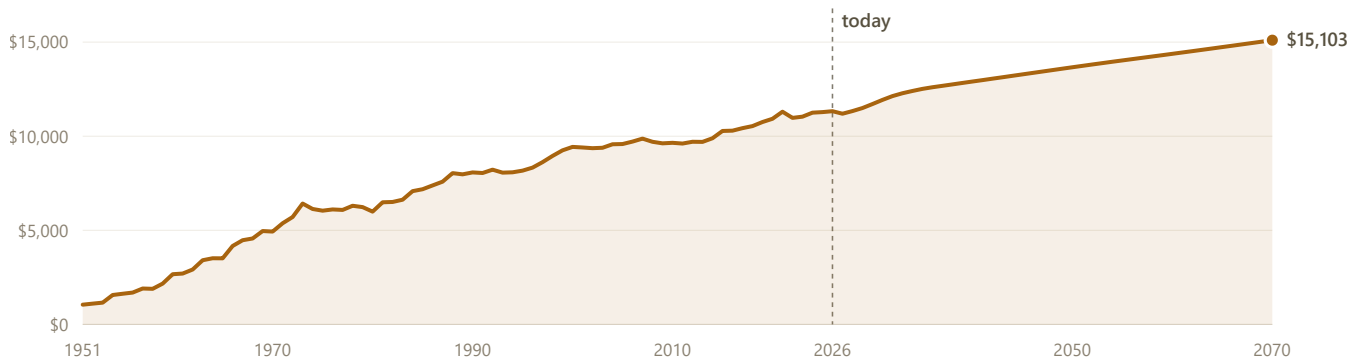
THE BILL, IN TODAY'S MONEY

The rate rose eight-fold. The bill rose eleven-fold.

The rate is only half the story. Real wages also grew, so the same percentage takes a bigger real bite. An average earner in 1951 handed over the equivalent of **\$1,048** a year in today's money. In 2026 it is **\$11,329** — and on the Trustees' own wage projections it reaches **\$13,664** by 2050.

Annual payroll tax at the national average wage

Both halves, in constant 2026 dollars. Historical through 2025; the Trustees' projected wage path after that, at today's statutory rate.



Source: rates from SSA; average wage from SSA's AWI series and the 2026 Trustees Report table VI.G1; deflated with that report's CPI series spliced to CPI-U before 1970.

● AT THE KITCHEN TABLE

If your grandfather started work in the mid-1950s, he paid about **a tenth** of what you pay, in the same money, for the same programs.

He also got a far better deal on the way out, because he paid in for only part of a career at low rates and drew a full benefit.

■ IN THE COMMITTEE ROOM

The rate has not changed since 1990. Every increase in the real burden since then has come from wage growth, not legislation — which is why the tax has become more expensive without ever being voted on.

Closing both programs' gaps outright would take OASDI to 16.65% and Medicare's HI to 3.46% — a combined **20.11%**, a third above today.

THE RATIO YOU ASKED FOR

A lifetime of contributions, generation by generation.

Same worker, same average wage, 45-year career — only the birth year changes. Everything is in 2026 dollars, so these are real comparisons, not the illusion of a bigger number.

45-YEAR CAREER AT THE AVERAGE WAGE	OASDI	MEDICARE	VS 1933
Born ~1933 Worked 1955–1999 · total \$260,195	\$219,698	\$40,498	1.00×
Born ~1948 Worked 1970–2014 · total \$358,223	\$292,491	\$65,732	1.38×
Born ~1963 Worked 1985–2029 · total \$430,611	\$348,723	\$81,888	1.65×
Born ~1982 Worked 2004–2048 · total \$513,759	\$416,380	\$97,379	1.97×
Born ~2004 Works 2026–2070 · total \$603,665	\$489,245	\$114,420	2.32×

All figures in constant 2026 dollars. Careers extending past 2025 use the Trustees' projected wage path at today's statutory rate – so if the rate ever rises to close the gaps, the later rows are *understated*.

SOMEONE STARTING WORK TODAY 2.32× the lifetime bill of the 1933 cohort	RATE INCREASE, 1937 TO NOW 7.7× 2.0% to 15.3%	REAL ANNUAL BILL, 1951 TO 2026 10.8× \$1,048 to \$11,329	RATE NEEDED TO CLOSE BOTH GAPS 20.11% 16.65% OASDI + 3.46% HI
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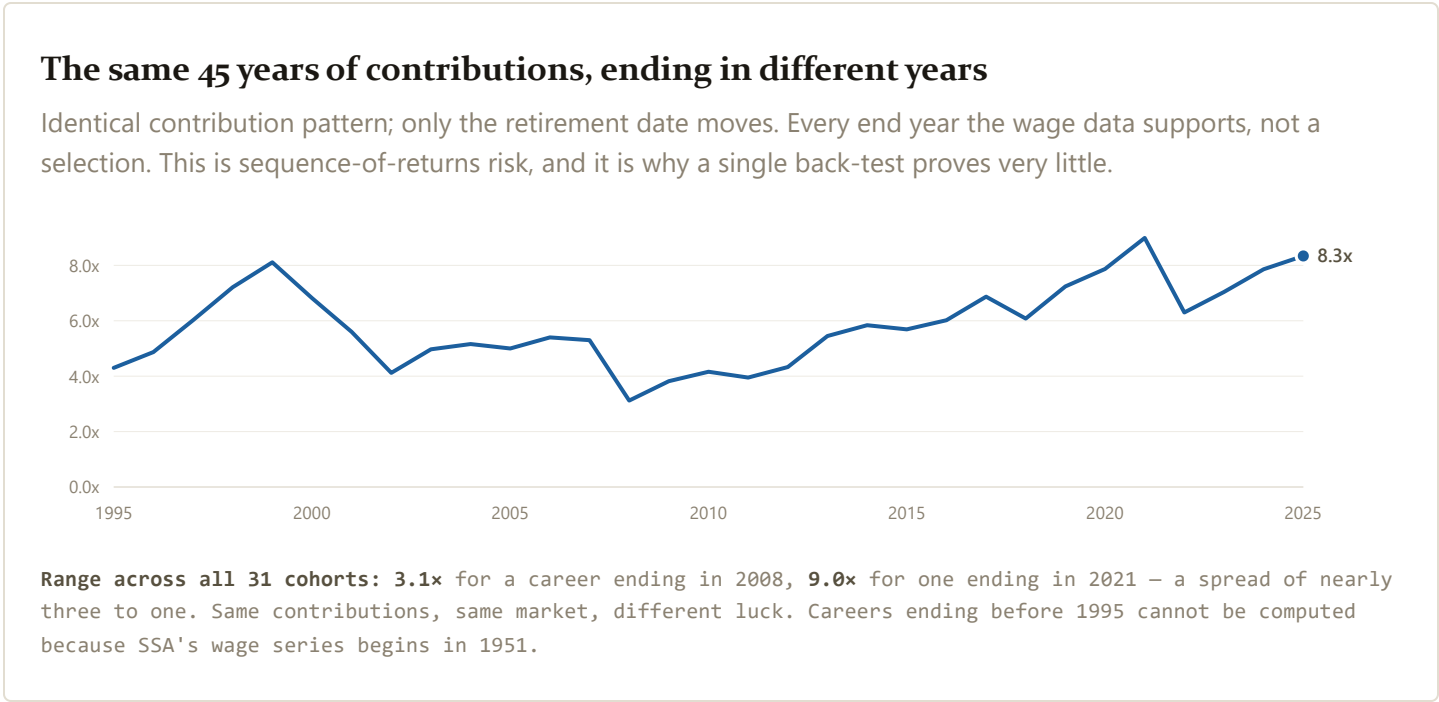
THE HYPOTHETICAL

What if you had just invested it instead?

Take only the OASDI half — the retirement and disability part, not Medicare — and put every year's contribution into the S&P 500 at that year's actual total return. This is a back-test on real market history, not a projection.

OASDI CONTRIBUTIONS, INVESTED IN THE S&P 500	PAID IN	ENDS WITH	MULTIPLE
Career 1955–1999 Retires into the dot-com peak	\$219,698	\$1,780,965	8.1×
Career 1965–2009 Retires into the financial crisis	\$272,721	\$1,041,435	3.8×
Career 1970–2014	\$292,491	\$1,708,402	5.8×
Career 1981–2025 Retires today	\$333,533	\$2,781,572	8.3×

All in 2026 dollars. Contributions are made at each year end and earn returns from the following year. Source: S&P 500 annual total returns (with dividends), 1928–2025, NYU Stern (Damodaran) from Federal Reserve and S&P data.



THE REPLACEMENT COST

What you would have to invest to buy the same benefit.

A career-average earner turning 62 in 2026 has a scheduled benefit of **\$2,608 a month** — **\$31,301 a year**, inflation-indexed for life. They pay **\$9,182** a year in OASDI tax to get it. So: what annual investment, over the same 45 years, would fund the same income?

TO FUND \$31,301 A YEAR AT A 4% WITHDRAWAL RATE	REAL RETURN	PER YEAR	OF THE OASI TAX
S&P 500, 1928–2025 The full 98-year record, including 1929 and 1974	6.77%	\$2,935	37.4%
S&P 500, 1986–2025 The last 40 years only	8.44%	\$1,768	22.5%
Nasdaq 100, 1986–2025 Price return; the index did not exist before 1985	11.02%	\$788	10.0%

Capital required at a 4% withdrawal rate: \$782,537 in 2026 dollars. At 3% it is \$1,043,382 and the S&P figure becomes \$3,913 a year; at 5% it is \$626,029 and \$2,348. Returns are geometric and real, deflated by CPI. **The denominator is the OASI share of the tax** – 10.60 of the 12.40 combined points, or \$7,849 of the \$9,182 – because the benefit being replaced is a retirement benefit. Disability insurance is the other 1.80 points and buys something this comparison does not replace.

● AT THE KITCHEN TABLE

On the raw arithmetic, roughly **37%** of the retirement slice of your payroll tax, invested in a broad index over a full career at its long-run historical return, would have funded the same retirement income.

That gap is real, and it is the honest reason this argument never goes away. What the arithmetic leaves out is in the next section, and it is not small.

■ IN THE COMMITTEE ROOM

The comparison is a *rate-of-return* comparison, and a pay-as-you-go system cannot win one. Its return is roughly the growth of the wage base, which is far below equity returns by construction.

That is not evidence of waste. It is what happens when the first generation of a pay-as-you-go scheme receives benefits it never funded — every later cohort carries that cost forever.

Five reasons the number above is not the whole answer.

01 The money is not free to divert

Today's payroll taxes pay today's retirees. If workers redirected theirs into private accounts, the benefits already promised would still be owed — a **\$29.3 trillion** present-value obligation that does not disappear because the funding did. You cannot pay the same dollar to a retiree and to a brokerage account.

02 It is not only a pension

Of the 70 million people Social Security paid in December 2025, about **8 million** were disabled workers and their families and **6 million** were survivors of workers who died. An index fund pays nothing extra if you are disabled at thirty or die at forty leaving children. That insurance is a large part of what the tax buys.

03 A portfolio is not an annuity

Social Security is a guaranteed, inflation-indexed income for life, with spousal and survivor protection. A 4% withdrawal is a rule of thumb, not a guarantee — run out and there is no backstop. Buying an equivalent guarantee on the open market costs materially more than the figures above.

04 Timing is not skill

The same 45 years of contributions produced anywhere from **3.1x to 9.0x** depending only on the year of retirement. Social Security's benefit does not depend on whether you turned 67 in 2009 or 2021.

05 The Nasdaq figure is the weakest one here

That series is a **price return** — it excludes dividends, so it understates the index — but it also covers only **40 years** containing a single extraordinary technology cycle, and the index is reconstituted to drop losers. Projecting 11% real for 45 years forward is an extrapolation, not a finding. It is shown because it was asked for, not because it is a forecast.

And the obvious one. Nobody can actually opt out, so this is a thought experiment about program design, not a decision anyone gets to make. It is also

not investment advice — I am not a licensed adviser, past index returns are not a promise of future ones, and the averages here conceal enormous variation between individuals. Social Security's formula deliberately replaces a much larger share of a low earner's wage than a high earner's; an average-wage comparison hides exactly that.

SOURCES — EVERY FIGURE ON THIS PAGE

Tax rates — SSA Office of the Chief Actuary, *Social Security & Medicare Tax Rates*, 1937 to present.

Average wages — SSA national Average Wage Index, 1951–2024; projected wages from the 2026 OASDI Trustees Report table VI.G1.

Inflation — the CPI series underlying the 2026 Trustees Report (2026 = 100), spliced to CPI-U (FRED, series CPIAUCNS) for years before 1970. The two agree within 0.4% where they overlap.

Benefit formula — 2026 primary-insurance-amount bend points from the Trustees Report figure V.C1: 90% of the first \$1,286, 32% to \$7,749, 15% above.

Market returns — S&P 500 annual total returns 1928–2025, NYU Stern (Damodaran). Nasdaq 100 annual price returns 1986–2025, Slickcharts; the partial 2026 year is excluded.

The \$29.3 trillion — 75-year open-group unfunded obligation, 2026 OASDI Trustees Report p. 7.

The hypothetical worker earns the national average wage for 45 unbroken years, which almost nobody does. Real careers have gaps, part-time years, and earnings well above or below the average, and the benefit formula treats those very differently. Every dollar comparison here is inflation-adjusted to 2026 and the nominal figures are in the table views. This is analysis of a public program, not financial advice.