

American Retirement Security Act of 2025

Transforming America's Economic Future Through Revolutionary Retirement Reform

A Comprehensive Policy Proposal for Congressional Consideration

Executive Summary

The American Retirement Security Act (ARSA) of 2025 represents the most comprehensive retirement reform in American history. This legislation addresses the \$22 trillion Social Security crisis through strategic tax adjustments while providing every American under 30 with a \$20,000 investment account that could grow to \$1.6 million by retirement.

Key Components:

- \$20,000 investment account for all Americans under 30
- Strategic payroll tax increases to 19.8% (from 15.3%) to close funding gaps
- Current disability benefit calculations maintained with enhanced funding
- Gradual Social Security retirement phase-out over 20-40 years
- 50% inheritance tax generating \$2+ trillion annually by 2070

Economic Impact:

- Eliminates \$15+ trillion in Social Security retirement obligations
 - Creates retirement income 2-3x better than current Social Security
 - Generates massive long-term government revenue through inheritance taxes
 - Provides path to federal debt elimination and future tax reductions
-

The Problem: Social Security's Inevitable Crisis

Unfunded Liabilities

The current Social Security system faces approximately **\$22 trillion in unfunded liabilities** over the next 75 years. Without reform:

- Benefits must be cut by 23% starting in 2034
- Trust fund depletion is mathematically certain
- Current 15.3% payroll tax rate insufficient to maintain promised benefits

Demographics Driving Crisis

- **Aging population:** More retirees per worker each year
- **Longer lifespans:** Benefits paid for decades longer than originally planned
- **Lower birth rates:** Fewer workers to support each retiree
- **Political paralysis:** Decades of delayed action worsen the crisis

Current System Limitations

- **No wealth creation:** Social Security provides income but builds no family assets
 - **No inheritance:** All contributions die with the beneficiary
 - **Poor returns:** Effective return rate of 1-2% compared to 7% stock market average
 - **Benefit inadequacy:** Average benefit of \$28,000 insufficient for comfortable retirement
-

The ARSA Solution: Revolutionary Wealth Creation

Core Mechanism: \$20,000 Investment Accounts

Every American under 30 receives a \$20,000 account invested in broad-market index funds:

Growth Projections (7% Real Returns):

- **Age 25:** \$20,000 → \$300,000 by age 65 (2025 PPP) / \$652,000 nominal
- **Newborn:** \$20,000 → \$1.6 million by age 65 (2025 PPP) / \$10.6 million nominal
- **Annual Income:** \$18,000 to \$96,000 (2025 PPP) / \$39,000 to \$636,000 nominal
- **Family Inheritance:** \$150,000 to \$800,000 per account (2025 PPP) / \$326,000 to \$5.3 million nominal

Strategic Tax Structure

New Payroll Tax Rates:

- **OASDI:** 15.9% (up from 12.4%) - closes Social Security funding gap
- **Medicare:** 3.9% (up from 2.9%) - ensures healthcare sustainability
- **Total:** 19.8% for all workers during transition period

Tax Burden Timeline:

- **2025-2045:** Higher rates fund transition and current retirees
- **2045-2065:** Rates begin declining as Social Security obligations shrink
- **2065+:** Dramatic rate reductions possible as inheritance revenue grows

- **2080+:** Potential elimination of payroll taxes entirely

Disability and Healthcare Protection

Disability Benefits:

- Current calculation methods (PIA formula) completely preserved
- Enhanced funding stability through dedicated tax revenue
- Potential for future improvements as inheritance revenue grows

Healthcare Programs:

- Medicare and Medicaid continue exactly as today
 - Enhanced funding through increased Medicare tax (3.9%)
 - No changes to eligibility, coverage, or benefits
-

Financial Analysis: Superior Returns Despite Higher Taxes

Individual Cost-Benefit Analysis

Annual Tax Impact by Income Level:

- \$30,000 income: +\$1,350/year in additional taxes
- \$50,000 income: +\$2,250/year in additional taxes
- \$75,000 income: +\$3,375/year in additional taxes
- \$100,000 income: +\$4,500/year in additional taxes

Lifetime Return on Investment:

- **Additional lifetime taxes:** \$50,000 - \$180,000 (2025 PPP) / \$54,000 - \$195,000 nominal
- **Account value received:** \$300,000 - \$1,600,000 (2025 PPP) / \$652,000 - \$10.6M nominal
- **Return on investment:** 3x to 30x return on additional taxes paid

Comparative Retirement Income

Current Social Security vs ARSA (Annual Income):

- **Social Security alone:** ~\$28,000 (current dollars)
- **ARSA participant (age 25 start):** ~\$50,000 (2025 PPP) / ~\$109,000 nominal (78% improvement in real terms)

- **ARSA participant (newborn):** ~\$96,000 (2025 PPP) / ~\$636,000 nominal (243% improvement in real terms)

Wealth Creation Comparison:

- **Social Security inheritance:** \$0
 - **ARSA inheritance:** \$150,000 - \$800,000 (2025 PPP) / \$326,000 - \$5.3M nominal
 - **Generational impact:** Transforms family economics permanently
-

Government Budget Impact

Revenue Enhancement

Immediate (2025-2030):

- Higher payroll taxes generate +\$400 billion annually
- Closes existing Social Security and Medicare funding gaps
- Provides stable revenue for enhanced programs

Long-term (2070+):

- Inheritance taxes generate \$2+ trillion annually (2025 PPP) / \$5.3+ trillion nominal
- More than doubles current federal revenue
- Creates unprecedented fiscal capacity

Expenditure Reduction

Social Security Phase-out:

- Gradual reduction in Social Security retirement obligations
- \$15-20 trillion in long-term liability elimination
- Natural transition as traditional recipients pass away

Administrative Efficiency:

- Simplified system reduces bureaucratic overhead
- Market-based growth eliminates government investment risk
- Private account management through existing financial infrastructure

Net Fiscal Impact

2025-2029: Initial investment of \$2.4 trillion (2025 PPP) / \$2.7 trillion nominal creates temporary deficits

2030-2040: Budget improvements begin as revenues increase

2040-2070: Massive surpluses emerge as inheritance taxes grow

2070+: Potential for federal debt elimination and dramatic tax reductions

Implementation Timeline

Phase 1: Age-Based Rollout (2025-2029)

2025: Ages 25-30 + all newborns (24 million accounts)

2026: Ages 20-25 + newborns (24 million accounts)

2027: Ages 15-20 (20 million accounts)

2028: Ages 10-15 (20 million accounts)

2029: Ages 5-10 (20 million accounts)

Total Investment: \$2.4 trillion over 5 years (2025 PPP) / \$2.7 trillion nominal

Phase 2: System Maturation (2030-2070)

- Continued newborn enrollment (4 million annually)
- Account compound growth for decades
- Gradual Social Security retirement phase-out
- Enhanced disability and healthcare funding

Phase 3: Full Implementation (2070+)

- First ARSA participants retire with substantial accounts
 - Inheritance tax revenue reaches maturity (\$2+ trillion annually in 2025 PPP / \$5.3+ trillion nominal)
 - Traditional Social Security retirement effectively ended
 - Potential for dramatic payroll tax reductions
-

Economic Benefits Beyond Retirement

Capital Market Impact

Investment Flow:

- \$2.4 trillion initial investment (2025 PPP) / \$2.7 trillion nominal strengthens U.S. capital markets

- Continued annual investment of \$80+ billion in newborn accounts (2025 PPP) / Growing nominal amounts
- Enhanced market stability through broad-based index investing

Economic Growth:

- Increased consumer spending from tax relief and account distributions
- Enhanced economic confidence from retirement security
- Reduced government borrowing needs improve fiscal stability

Generational Wealth Creation

Family Economics:

- Average inheritance of \$300,000+ (2025 PPP) / \$650,000+ nominal transforms family financial trajectory
- Reduces wealth inequality through universal account ownership
- Creates incentive for financial literacy and long-term planning

Social Benefits:

- Reduced elderly poverty rates approach zero
 - Enhanced family stability through guaranteed retirement security
 - Intergenerational wealth transfer strengthens communities
-

Risk Mitigation and Safeguards

Market Risk Protection

Diversification: Broad-market index funds minimize individual stock risk

Time Horizon: 40+ year investment periods smooth short-term volatility

Historical Performance: 150+ year stock market history shows consistent long-term growth

Account Protection

Constitutional Amendment: Protects accounts from government seizure or benefit reduction

Professional Management: Established financial institutions manage investments

Inheritance Rights: 50% inheritance guaranteed by law

Political Risk Mitigation

Gradual Implementation: 5-year rollout prevents market disruption

Bipartisan Appeal: Benefits all Americans regardless of political affiliation

Popular Support: Superior benefits create strong constituency for protection

Congressional Benefits and Political Considerations

Legislative Legacy

Historical Significance: Pass the most transformative social legislation since Social Security

Problem Resolution: Permanently solve the \$22 trillion Social Security crisis

Economic Leadership: Establish America as the global model for retirement security

Political Advantages

Universal Appeal: Benefits every American under 30 regardless of income or status

Fiscal Responsibility: Honest approach to funding gaps with superior long-term outcomes

Future Generations: Creates unprecedented prosperity for children and grandchildren

Revenue Generation

Long-term Fiscal Capacity: \$2+ trillion annual inheritance revenue (2025 PPP) / \$5.3+ trillion nominal funds national priorities

Debt Elimination: Path to eliminating federal debt within 50 years

Tax Reduction Potential: Future ability to dramatically reduce payroll taxes

Comparative Analysis: ARSA vs Current System

Retirement Income Comparison

Metric	Current Social Security	ARSA Participant (2025 PPP / Nominal)
Average Annual Benefit	\$28,000	\$50,000-\$96,000 / \$109,000-\$636,000
Wealth Accumulation	\$0	\$300,000-\$1,600,000 / \$652,000-\$10.6M
Family Inheritance	\$0	\$150,000-\$800,000 / \$326,000-\$5.3M
Inflation Protection	COLA adjustments	Market growth + withdrawals

Tax Burden Analysis

Income Level	Current Taxes	ARSA Taxes	Additional Cost	Account Value (2025 PPP / Nominal)	ROI
\$30,000	\$4,590/year	\$5,940/year	+\$1,350/year	\$300K-\$1.6M / \$652K-\$10.6M	8x-30x
\$50,000	\$7,650/year	\$9,900/year	+\$2,250/year	\$300K-\$1.6M / \$652K-\$10.6M	5x-18x
\$75,000	\$11,475/year	\$14,850/year	+\$3,375/year	\$300K-\$1.6M / \$652K-\$10.6M	3x-12x
\$100,000	\$15,300/year	\$19,800/year	+\$4,500/year	\$300K-\$1.6M / \$652K-\$10.6M	3x-9x

System Sustainability

Aspect	Current System	ARSA System
Funding Gap	\$22 trillion unfunded	Fully funded through higher taxes
Demographics Risk	High (aging population)	Low (market-based growth)
Political Risk	High (benefit cuts inevitable)	Low (superior benefits create support)
Inheritance Impact	None	Massive wealth creation

Addressing Common Concerns

"Higher Taxes Are Unfair"

Response: ARSA acknowledges the reality that current funding is insufficient. Rather than hiding from this truth, ARSA provides superior benefits that more than compensate for higher taxes. Participants receive 3x to 30x return on their additional tax investment, receiving \$300,000-\$1.6M (2025 PPP) / \$652,000-\$10.6M nominal in account value.

"Market Risk Too High"

Response: 40+ year investment horizons and broad diversification minimize risk. Historical market performance over similar periods shows consistent growth. Even with market downturns, ARSA accounts outperform Social Security benefits.

"Government Shouldn't Pick Winners"

Response: The current system already "picks winners" by providing retirement benefits. ARSA simply provides better benefits through proven market mechanisms rather than government redistribution.

"Implementation Too Complex"

Response: Existing 401(k) and IRA infrastructure can manage ARSA accounts. The system is actually simpler than current Social Security administration, with clear account values and transparent growth.

Call to Action: Congressional Leadership Opportunity

The Moment for Action

- **Crisis Timing:** Social Security insolvency approaches rapidly
- **Political Window:** Bipartisan recognition of system failure
- **Economic Opportunity:** Record-low interest rates favor large-scale investment
- **Generational Justice:** Current delay harms younger Americans

Leadership Benefits

Historical Legacy: Be remembered as the Congress that ended poverty in old age **Fiscal Responsibility:** Solve America's largest fiscal challenge permanently **Economic Prosperity:** Create the most prosperous retirement system in world history **Political Success:** Champion universally popular legislation with tangible benefits

Implementation Requirements

Legislative Action: Single comprehensive bill addressing all components **Constitutional Amendment:** Protect accounts from future political interference **Regulatory Framework:** Establish investment guidelines and account management rules **Public Education:** Communicate benefits and implementation timeline clearly

Conclusion: America's Prosperity Transformation

The American Retirement Security Act of 2025 represents more than retirement reform—it offers America's greatest opportunity for generational prosperity transformation. By acknowledging current system failures and implementing superior alternatives, ARSA creates a future where:

- **Every American** retires with substantial wealth rather than subsistence income
- **Every family** builds generational wealth through guaranteed inheritance
- **Government finances** become sustainably strong through enhanced revenue
- **Economic inequality** decreases through universal wealth creation
- **America leads** the world in retirement security and prosperity

The choice before Congress is clear: continue managing a failing system that impoverishes retirees and bankrupts government, or implement a superior system that creates unprecedented prosperity for all Americans.

The cost of action: Temporary higher taxes and \$2.4 trillion investment (2025 PPP) / \$2.7 trillion nominal

The cost of inaction: \$22 trillion in unfunded liabilities and continued poverty in old age

The benefit of ARSA: The most prosperous society in human history

Congress has the opportunity to pass the most transformative legislation of the 21st century. The American people—present and future—await your leadership.

For detailed financial projections, implementation timelines, and legislative language, visit: [ARSA 2025 Comprehensive Analysis]

Prepared for Congressional Consideration

American Retirement Security Act of 2025

Policy Proposal - [Current Date]