



THE DEBT-TO-WEALTH REVIEW

VOLUME 10 / EDITION 20

OCTOBER 20, 2026

FINANCIAL EDUCATION | RETIREMENT | DEBT CONVERSION

SOCIAL SECURITY: THE 1935 PROMISE, THE 2026 REALITY

And the retirement wealth Americans could be building

A closer look at payroll taxes, America's retirement safety net, and how debt freedom could create room for personal wealth.

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A QUESTION EVERY WORKING AMERICAN SHOULD ASK

If a lifetime of earnings can build government retirement benefits and creditor profits, what portion of that same income could also build wealth you control?

The promise that began in 1935

On August 14, 1935, President Franklin D. Roosevelt signed the Social Security Act, creating a nationwide system of old-age economic protection during the Great Depression. Millions of Americans had lost work, savings, and the means to support themselves in later life.

Social Security payroll taxes began in 1937 at 1% of covered employee wages, matched by another 1% from employers. The program expanded in 1939 to include eligible spouses and survivors; monthly retirement benefits began in 1940. Disability coverage was added later, and Medicare arrived in 1965.

The original goal was a basic safety net—not a personalized retirement investment account. Today that distinction matters more than ever.

From a 1% tax to 7.65% of today's paycheck

In 2026, most employees pay 6.2% of covered wages for Social Security plus 1.45% for Medicare: a combined employee payroll tax of 7.65%. Employers generally match this amount. The Social Security portion applies to earnings up to \$184,500 in 2026; regular Medicare tax has no wage cap, and an additional Medicare tax may apply at higher incomes.

A worker earning \$60,000 annually illustrates the size of the ongoing deduction:

2026 payroll taxes on \$60,000 wages	Annual amount
Employee Social Security — 6.2%	\$3,720
Employee Medicare — 1.45%	\$870
Total employee payroll deduction	\$4,590
Employer matching payroll taxes	\$4,590
COMBINED EMPLOYEE + EMPLOYER	\$9,180





That employee's share alone is \$382.50 each month. The taxes finance social insurance; they do not create an individually owned investment account accumulating a market return. Eligibility and benefit amounts are determined by law.

Why some people compare it to a Ponzi scheme—and why that comparison has limits

Social Security largely uses taxes collected from current workers to pay benefits to current retirees and other beneficiaries. This is known as pay-as-you-go financing, and it is the feature that fuels the sometimes-provocative “Ponzi scheme” comparison.

But Social Security is not a fraudulent Ponzi scheme. It is a publicly established social insurance system funded by law, with trust funds holding U.S. Treasury securities. It offers inflation-adjusted lifetime retirement payments for eligible recipients, along with disability and survivor protections that a standard savings balance does not automatically provide.

The valid concern is sustainability: as the population ages and workers finance growing benefit obligations, the program faces a long-term financing gap. Debate about solutions should be informed by facts, not by the expectation that retirement benefits are guaranteed to remain unchanged.

The 2026 trustees' warning: pressure is real

The Social Security trustees' report released June 9, 2026 projects that reserves of the Old-Age and Survivors Insurance (OASI) Trust Fund will be depleted in the fourth quarter of 2032. Continuing income at that point is projected to cover about 78% of scheduled OASI benefits if Congress makes no changes.

On a hypothetical combined retirement, survivors, and disability (OASDI) basis, trust-fund reserves would be depleted in 2034, with continuing revenues sufficient to cover approximately 83% of scheduled benefits. The two trust funds are legally separate; combining them would require legislation.

THE PLANNING TAKEAWAY

Social Security is projected to continue paying benefits, but its future financing is uncertain. Building assets and reducing costly debt can strengthen a household's retirement resilience.

The power of compounding: what could those dollars become?

Consider a hypothetical comparison—not a proposal to stop paying taxes. If a worker could independently invest the equivalent of \$382.50 per month for 40 years and earn 6% annually, compounded monthly, the account might grow as follows:

Hypothetical 40-year investment	Amount
Monthly investment	\$382.50
Total contributions	\$183,600
Illustrative investment growth	\$578,145
ILLUSTRATIVE ENDING BALANCE	\$761,745





This is not a legitimate dollar-for-dollar comparison with Social Security benefits. The 7.65% figure includes Medicare; investment returns can fluctuate; and the example excludes taxes, fees, inflation, withdrawals, and the insurance value of Social Security. Mandatory payroll taxes generally cannot be redirected to a personal retirement account.

The more useful lesson is the potential of consistent saving over time—especially when households first stop allowing unnecessary debt costs to crowd out that saving.

The retirement drain we can actually examine: debt

A worker may have little discretion over required payroll taxes, yet may have meaningful choices about borrowing costs, payoff order, financial organization, and the use of future debt-payment savings. Credit-card interest, automobile loans, personal loans, and mortgages can absorb thousands of dollars annually.

Every payment toward principal builds a path to debt freedom. Every unnecessary dollar of interest consumes money that might otherwise support emergency savings, retirement contributions, or family priorities.

The 33%–40% opportunity: restoring household cash flow

Suppose a family brings home \$6,000 per month after taxes and withholding, but pays \$2,100—35% of its take-home income—to creditors. That is \$25,200 per year committed to debt obligations.

With a feasible repayment strategy, debts may be eliminated earlier or with lower overall interest expense. After those obligations are paid off, the household could redirect the previously required \$2,100 per month to other goals. The family has not received a payroll-tax refund or a wage increase; it has recovered flexibility in how it uses the same take-home income.

For families whose monthly debt obligations occupy 33%–40% of net income, freeing some or all of that committed cash flow represents a compelling long-term objective—not a guaranteed result. Timing and amounts vary by loan balances, interest rates, payment capacity, and actual repayment progress.

The MBA Financial Debt Conversion Program

Our Debt to Wealth Strategy Session begins with the numbers behind the household: income, net cash flow, creditors, balances, rates, loan terms, monthly obligations, tax circumstances, and retirement goals.

We look for opportunities to coordinate payments, prioritize expensive debt, accelerate principal reduction when feasible, and project an achievable debt-freedom timeline. Some families may benefit from lower total interest costs or an improved repayment sequence; others may need income stabilization, spending adjustments, or professional advice about creditor options.

Our framework is deliberately practical:

A ROADMAP FROM PRESSURE TO POSSIBILITY

DISCOVER → STRATEGIZE → REDUCE DEBT → RESTORE CASH FLOW → BUILD WEALTH

There is no universally applicable debt shortcut. The program seeks to identify a sustainable approach based on each household's actual financial position and the terms of its obligations.





What restored cash flow could mean for retirement

If that illustrative household eventually eliminates its \$2,100 monthly debt obligation and then invests the full amount each month for 20 years, a hypothetical 5% annual return compounded monthly would produce:

Hypothetical investment after debt payoff	Amount
Monthly retirement contribution	\$2,100
Total invested over 20 years	\$504,000
Illustrative investment growth	\$359,171
ILLUSTRATIVE ENDING BALANCE	\$863,171

The 20-year investing period in this example starts after the debt payment has been fully eliminated. Returns are not guaranteed, and the illustration does not adjust for taxes, investment costs, inflation, volatility, or changes in household needs.

The lesson is not that every American can immediately recover 35% of pay. It is that a household can establish a path to redirect money from past obligations toward future financial assets.

Social Security should be a foundation, not the full plan

Social Security has provided essential income security to generations. Its lifetime and survivor protections are especially valuable to people who live longer than expected, become disabled, or support family members.

Yet government retirement benefits are only one part of a resilient retirement plan. Manageable obligations, emergency reserves, personal savings, and appropriate investments can create greater financial independence.

You may not determine the federal payroll-tax rate or the timing of legislative reforms. But you can examine what your debt costs today, what options are appropriate for your situation, and which future payments could eventually be redirected toward your own goals.

A message from Matthew-Anthony Baker

For more than three decades, my experience in tax and financial services has reinforced a straightforward principle: financial freedom is not just about how much you earn. It is also about how efficiently you use what remains after taxes, what debts you carry, and what you do with the financial capacity you create.

The retirement safety net established in 1935 remains important. But retirement should mean more than wondering whether a monthly government check will cover the bills. Our work is about helping people evaluate concrete opportunities to reduce obligations, strengthen cash flow, and plan for greater long-term independence.





THE CENTRAL IDEA

Social Security can support your retirement. Debt freedom may help you build the additional resources that give retirement more choices.

Your next step: schedule a Debt to Wealth Strategy Session

What share of your take-home pay currently goes to debt? How much interest might you pay over the remaining life of those obligations? And what would your future look like if those payments were eventually available for your savings and retirement goals?

Find your starting point with MBA Financial Tax & Accounting LLC and explore whether our Debt Conversion Program fits your circumstances.

BE TRULY TAX FREE. BE TRULY DEBT FREE.

Request your Debt to Wealth Strategy Session

www.taxdebtwise.com | (989) 686-6633

Looking ahead | Next edition

Volume 11, Edition 21 (planned): “The Hidden Cost of Debt: How to Find Your Personal Debt-Freedom Day.” Our continuing Debt-to-Wealth Review series will examine debt conversion, tax awareness, retirement planning, and practical steps toward greater household financial control.

Planned editorial calendar | The Debt-to-Wealth Review

Our new newsletter series is planned as a monthly resource. Topics and publication dates may be adjusted to reflect changes in tax law, markets, and reader questions.

Future newsletter editions (planned)	Planned topic
Vol. 11 · Ed. 21 November 2026	Hidden Cost of Debt
Vol. 12 · Ed. 22 December 2026	Year-End Debt and Tax Checkup
Vol. 27-01 · Ed. 23 January 2027	Your 2027 Financial Reset
Vol. 27-02 · Ed. 24 February 2027	Retirement Readiness Review

Watch for future educational articles at www.taxdebtwise.com. Each issue will connect a timely personal-finance concern to practical steps households can evaluate.





EDITORIAL & FINANCIAL DISCLOSURE

This newsletter presents general financial education and commentary, not individualized investment, legal, or tax advice. Social Security and Medicare taxes generally remain mandatory. Debt-payment ratios of 33%–40% illustrate a possible household debt burden and are not a verified national average, a pay increase, or a guaranteed amount recovered. Debt-repayment results depend on individual income, balances, interest rates, creditor terms, and circumstances. All investment projections are hypothetical, assume steady compounding, and omit taxes, fees, inflation, and losses. No specific debt reduction, elimination date, investment return, or retirement balance is promised.

SOURCES & FURTHER READING

1. [SSA — History of Social Security and the 1935 Act](#)
2. [SSA — 2026 Payroll Tax & Social Security Fact Sheet](#)
3. [SSA — 2026 OASDI Trustees Report, Key Results](#)
4. [SSA — June 9, 2026 Trustees Report Release](#)
5. [CFPB — Understanding Debt Consolidation](#)

