

# **Stochastic Infinite Horizon Forecasts for Social Security and Related Studies**

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## Policy Abstract

This study is part of a technical project to better project Social Security finances into the long-term future. It involves extensive and detailed modeling of the many uncertainties that will influence Social Security finances going forward, such as future birth rates, future death rates, and the future growth of wages and the economy. Based on current and past levels, trends, variations, correlations, long-range expectations, and professional opinions about these underlying factors, we are trying to model in as much detail as we can the probability distribution of possible future scenarios for Social Security finances. This study adds to our overall project, first by incorporating projections about the uncertain future of net migration to and from the United States, second by exploring alternative estimation models for the factors influencing Social Security finances (such as wage growth and birth rates), and third by extending our projections from a finite horizon to one that considers the “infinite” future sustainability of the program. In all of our projections, we identify a probability distribution of possible future scenarios for Social Security finances, rather than any single estimate. In the median scenario reported in this study, the payroll tax would need to be increased by 5.1 percent to sustain Social Security permanently (compared with 3.4 percent in the 2004 Trustees Report), a finding that most likely results from differences in the mortality projections that are incorporated in the estimation models.