

Social Security in 2025: Experts Weigh in on How the Trump Administration's Plans Could Reshape Retirement

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Some proposals not directly related to retirement could impact retirees.

Key Takeaways

- President Donald Trump has made several tax proposals that could drain money from the Social Security trust funds.
- Trump advisor Elon Musk has indicated he believes cost savings can be found in entitlement programs used by many seniors.
- Immigration reform and tariffs can raise prices and the cost of living for seniors.
- Trump may usher in tax cuts and deregulation that could spur stock market gains and boost retirement fund balances.

After being sworn in for his second term, President Donald Trump wasted no time issuing executive orders and proposing policy initiatives. For some, the flurry of activity has sparked concern, while others appreciate that the new administration is quickly getting to work.

Either way, retirement programs such as Social Security and Medicare sit in the crosshairs of many proposed changes.

“There is a clear indication that (Trump) is going to look at things differently,” says Javier Palomarez, president and CEO of the United States Hispanic Business Council in the District of Columbia. That has led to fears about what might happen to retirees, but Palomarez says it’s too early to know the ramifications of potential changes.

Others are optimistic about the reforms that the Trump Administration could usher in. “I think President Trump’s policies may potentially bring benefits to American workers and retirees that many haven’t thought about,” Neal Shah, CEO of caregiving platform CareYaya in Triangle Park, North Carolina, said in an email.

“There’s a lot of unknowns out there,” says Stuart Schiffman, founder and managing partner of Compound Wealth Advisors in San Diego. Still, experts have ideas about how Trump Administration policies could reshape retirement in America.

Tax Proposals Raise Concerns About Social Security Solvency

Social Security is front and center on many people’s minds. The program’s retirement trust fund is expected to run dry in 2033. After that, retired beneficiaries are estimated to receive only 79% of their scheduled benefits.

Suggested reforms to the Social Security system include increasing the full retirement age, reducing benefits, increasing payroll taxes that fund the program and extending payroll taxes to high earners. Right now, though, it seems unclear how Trump prefers to address the impending trust fund shortfall.

“He has promised not to cut benefits, and he has also promised not to raise the retirement age,” Shah said.

However, Trump has been linked to several tax proposals that could exacerbate the funding shortfall. These proposals include the following:

Extending the Provisions of the Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 was one of the most significant pieces of legislation to come out of Trump’s first term. For retirees, the law’s benefits included reducing marginal tax rates and doubling the federal gift and estate tax exclusion.

Most aspects of this law are scheduled to sunset at the end of the year, but it is expected that Republicans will work to extend at least some of them. That may save retirees some money at tax time, but businesses and high-income households may stand to benefit most from an extension. As a result, some groups wonder if money would be better spent elsewhere.

For instance, the nonprofit [Brookings Institution](#) notes that making the TCJA permanent would cost \$5 trillion. If not used for tax cuts, that money could keep Social Security solvent for another 75 years.

Eliminating Income Tax on Social Security

About 40% of Social Security beneficiaries pay income tax on up to 85% of their benefits. However, “If Social Security makes up a very large portion, if not all, of your retirement income, your Social Security will not be taxed,” according to Martha Shedden, co-founder and president of the National Association of Registered Social Security Analysts in Melville, New York.

The 1983 law creating the tax stipulates that all its proceeds must be deposited back into the Social Security trust funds. Trump has proposed eliminating the tax but doing so could accelerate the trust fund's insolvency.

Shedden sees some merit in revisiting the income thresholds that determine whether a portion of Social Security is taxable. But she thinks eliminating the tax completely could hurt retirees in the long run. “It’s a disadvantage to the system as a whole,” she says of the effect on the trust fund solvency.

Eliminating Taxes on Tips and Overtime

Trump has likewise proposed eliminating taxes on tips and overtime. With statements such as “Your tips will be 100% yours” and “Your overtime hours will be tax-free,” the president seems supportive of exempting this income from income tax and the payroll taxes that fund Social Security and Medicare.

This could negatively impact retirees in two ways. First, it would reduce funds to the Social Security trust funds. What’s more, it may mean workers receive smaller Social Security payments after retirement if tips and overtime are not included in the earnings used by the Social Security Administration to calculate benefits, Shedden says.

Efficiency Efforts Might Reduce Senior Services

Trump isn’t the only one proposing changes to federal laws and programs.

Elon Musk – who currently holds the title of the world’s richest person – has been at the head of efforts by the Department of Government Efficiency to “maximize governmental efficiency and productivity.” The nature of Musk’s role and the extent of his authority is not clearly defined, but the billionaire has made his opinions about government spending clear.

“Elon Musk has said he wants to slash entitlements,” says Usha Haley, the W. Frank Barton Distinguished Chair in International Business at Wichita State University.

Entitlement programs – so-called because they entitle benefits to those who meet certain criteria – include Social Security, Medicare and Medicaid, all of which are used by a large number of retirees. Musk claimed on his social media platform X that there is widespread fraud in the programs, although he has not yet shared proof.

Haley says Musk has been given an unprecedented level of power, and that’s worrisome. “There seems to be no checks and balances within the system,” she says.

DOGE officials have reportedly accessed sensitive information, such as Social Security data, and have led efforts to reduce the federal workforce. Schiffman notes that fewer federal workers could mean delays for seniors, such as slower tax refunds or reduced access to government resources.

Departments and agencies affected by federal layoffs include the Consumer Financial Protection Bureau, National Park Service, Department of Veterans Affairs and the Department of Health and Human Services.

The reductions are intended to save money, but Schiffman is skeptical about what will happen with those savings. “Will the money that is being saved ... be put toward Social Security?” he asks. “I don’t think that’s a priority of this administration.”

Health Care Costs Could Be Affected

Medicare and Medicaid could also see changes under the Trump Administration. Medicare is the government’s health insurance program for those 65 and older or disabled. Medicaid covers health care costs for low-income families and is used by many seniors to pay for long-term care, which Medicare does not cover.

“There is some uncertainty surrounding health care policy, but Trump has expressed support for measures that would help seniors minimize their health care costs,” Shah said.

Former President Joe Biden had taken steps to reduce out-of-pocket drug costs for seniors, and some of those initiatives remain in place, although Trump ended experimental drug pricing models. These included one option that would have standardized \$2 co-pays for certain generic drugs used by seniors on Medicare.

As for Medicaid, Schiffman says there has been talk about switching the program from its current model of reimbursing states for actual costs to distributing block grants instead. The recently revealed Republican budget includes fixed reimbursement for Medicaid, and Trump has shared his support for the budget on his social media site Truth Social. This funding model could mean less money is available to pay for health care costs for low-income households, including approximately 7.2 million seniors.

Tariffs May Increase the Cost of Living

Even some proposals not directly related to retirement could impact retirees. “There’s a lot of moves that the Trump Administration could take that will have unintended consequences,” Schiffman says.

One of them is tariffs. Trump has announced his intentions to impose tariffs, which are taxes on imported goods. Palomarez notes that tariffs can be an effective negotiating tool, but they may also raise the cost of goods. That could squeeze the budgets of seniors living on a fixed income.

Although Social Security benefits receive an annual cost-of-living adjustment, Schiffman says that may not be enough to offset rising expenses.

Immigration Reform Could Impact Prices and Social Security

Trump has also promised mass deportations of illegal immigrants. While Palomarez’s organization supports finding and deporting criminals, says he thinks the administration might want to “pump the brakes” on its broader policy and consider how it will affect the overall economy.

Palomarez points to Yuma, Arizona, as an example of where the impact of mass deportations may be felt. The city produces 90% of the country’s lettuce, and the vast majority of workers who harvest the produce are immigrants. The loss of migrant workers could mean lower supplies and higher prices for lettuce and other agricultural goods.

Undocumented workers also pay an estimated \$26 billion in Social Security taxes each year. The loss of that money could accelerate the insolvency of the program’s trust fund.

Economic Gains May Boost Retirement Savings

If Trump’s first term is any indication, the president’s policies could spur economic growth, which may, in turn, boost the balance of retirement nest eggs. During Trump’s first four years in office, the S&P 500 rose 68% despite the upheaval caused by the COVID-19 pandemic.

“The overall economy aims to be boosted by Trump's pro-growth economic policies, which include tax cuts and deregulation,” Shah said. “Fueling increased job creation could lead to more resilient retirement plans for American workers.”