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Think Strategically

How to Achieve $100,000 of Financial Fulfillment and Escape the Social Security Time Bomb

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Francisco Rodríguez-Castro, President & CEO

How Investors Can Balance Today's Pressures with Tomorrow's Dreams

In an era marked by global uncertainty, rising living costs, and rapid technological disruption, fellow Puerto Ricans, as well as most in the United States, cannot rely on Social Security, for two key reasons it was not designed to be your sole retirement income and when created in 1935 the life expectancy for men it was 59 years old and for women 63 years old. The other reason is that the system was designed to provide modest financial support for those who lived past age 65, a milestone that many Americans at the time did not reach. It was a revolutionary idea: a self-funded, contributory insurance program where today's workers paid for today's retirees. We will discuss how to prevent Social Security from running out of funds, thereby maintaining the safety net. In case this is not addressed, we will provide you with a generation-by-generation view of how to Achieve Financial Fulfillment using the 60/20/20 plan to save $100,000 in 8 years or less.

Social Security at a Crossroads: Reforming the Promise for a New Generation

When President Franklin D. Roosevelt signed the Social Security Act into law in 1935, the average life expectancy in the United States was just over 61 years. In Puerto Rico, it was even lower, closer to 46 to 50 years. The system was designed to offer modest financial support to those fortunate enough to reach retirement age—then set at 65—at a time when many Americans never made it that far. It was not designed for long retirements, high longevity, or wide-scale dependency. It was a compact between generations: today's workers would support today's retirees, with the understanding that future workers would do the same.

Time is no longer a luxury. The longer lawmakers wait to act, the more severe and abrupt the necessary changes will have to be. Modest reforms implemented today—whether through revenue adjustments, benefit recalibration, or eligibility adjustments can stabilize the system for future generations without disrupting retirement for those currently collecting or nearing retirement age.
The nation faces a clear decision: either allow across-the-board benefit cuts to take effect when the trust fund runs dry, or forge a new social compact one that reflects 21st-century demographics and economics, while still honoring the principles of equity, dignity, and intergenerational solidarity that defined Social Security's founding.

Social Security was never just a check in the mail; it was a promise. A contract between generations. A pillar of retirement security in the United States and Puerto Rico alike. Now, that promise is at risk not because it failed, but because it succeeded beyond expectation in a world that has changed dramatically.

The Original Social Security Design Under Stress

Fast forward to 2025, and that original design is under growing pressure. Americans are living well into their 70s and 80s, and many retirees now draw benefits for two decades or more. Meanwhile, declining birth rates mean fewer workers are contributing to the system to support a rapidly aging population. This demographic imbalance is stretching the program to its limits.

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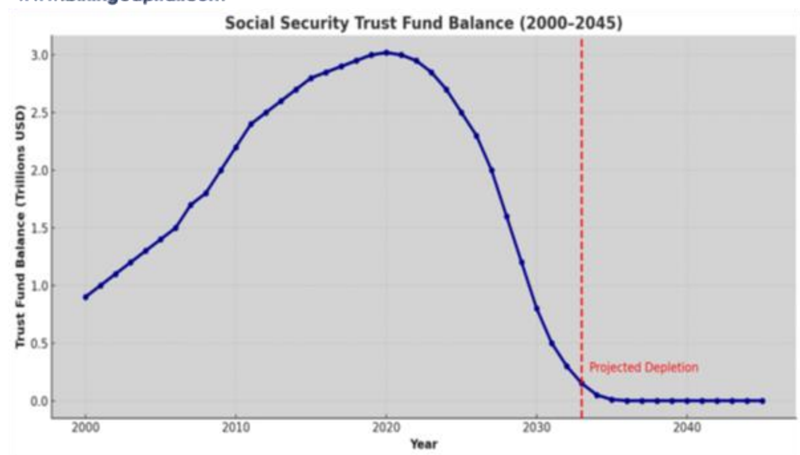
U.S. Social Security Trust Fund Balance 2000-2045



According to the **2024 Social Security Trustees Report, the Old-Age and Survivors Insurance (OASI) Trust Fund is projected to be exhausted by 2033**. When that happens, unless Congress intervenes, Social Security will only be able to pay about **77% of promised benefits** using ongoing payroll tax revenues. While the Disability Insurance (DI) Trust Fund is in somewhat better condition, the long-term outlook for the combined system is clear. Without action, automatic benefit cuts are imminent.

At the Core: The Income Cap on Payroll Taxes

At the center of this looming shortfall is a structural limitation few Americans fully appreciate: the **income cap** on Social Security payroll taxes. As of 2025, workers and employers each contribute **6.2% of wages, but only on income up to $168,600 per year**. Any earnings above that are **not subject to Social Security tax**. This cap was initially designed to maintain a link between what workers pay into the system and what they receive in return.

However, over time, it has become a source of fiscal imbalance and a focal point of policy debate. For someone earning $250,000 or even $1 million, the **effective Social Security tax rate drops sharply** as income rises beyond the cap. Critics argue that this structure **is inherently regressive**, exempting high earners from contributing a proportionate share while still capping the benefits they can receive. Others say that lifting the cap would compromise the program's contributory design.

What If We Lifted the Cap to $5 Million?

In light of the impending shortfall, policymakers have proposed several reform measures. One of the boldest—and most financially impactful—is the idea of raising the income cap significantly, even up to $5 million in annual earnings. Such a move would transform Social Security's revenue outlook. Based on current wage and income distributions, **raising the cap to $5 million would generate approximately $1.32 trillion in additional revenue over just five years**. That funding would come almost entirely from the top 1% of earners, whose incomes have soared over the past two decades and are shielded mainly under today's system.

This influx of funding could extend the life of the Trust Fund by multiple decades, potentially stabilizing it through the end of the century. And importantly, it could do so without raising taxes on the middle class, reducing benefits, or pushing back the retirement age.

Some reform plans would apply the full payroll tax rate only to incomes above a certain threshold (e.g., reintroducing the tax for income above $250,000). In contrast, others would allow for complete application up to $5 million. Whether benefits are adjusted upward for those making higher contributions would determine whether the system remains strictly contributory or shifts toward greater progressivity.

The question before us is not whether we value Social Security, but whether we are willing to adapt and preserve it. Raising the income cap to $5 million would be a bold, economically impactful, politically symbolic, and generational step. The promise endures. But to keep it, we must act.

Embracing Financial Fulfillment

Financial Fulfilment is a more holistic and emotional goal, aiming to achieve a sense of purpose, satisfaction, and alignment between your money and your values, dreams, and lifestyle.
The key elements include:

- Spending in line with your values
- Supporting causes you believe in
- Experiencing freedom and joy in how you use money
- Building a legacy

Thus, our goal is no longer to pursue wealth solely for its own sake. Across generations, investors are seeking **financial fulfillment,** a combination of Security, freedom, and purpose.
For many, the pursuit of a fulfilling financial life means having enough to weather challenges, support family, and experience life, without constantly worrying about money. Yet each generation faces this journey from a different starting line.
The Layers of Financial Fulfillment?
In 2025, "financial fulfillment" is being redefined:

- **83%** of investors define it as *feeling secure enough to enjoy life without financial stress*
- **68%** associate it with *being able to help others—children, parents, community*
- **72%** say *living debt-free* is one of the most fulfilling financial outcomes

Financial fulfillment is no longer a destination—it's a way of living, rooted in discipline, clarity, and flexibility.

A Snapshot of the Generations: Goals, Issues & Strategies

Millennials (Born 1981–1996): The Builders and Balancers Average age in 2025: 29–44

Primary challenge: Building a strong financial foundation amid delayed wealth accumulation and economic headwinds
Millennials are reshaping the narrative around financial independence. They want more than just a paycheck; they want control over their time, flexibility in their careers, and the ability to live with intention. However, many feel unprepared.

The Wealth Gap Reality

- Only **39%** of Millennials have more than $25,000 saved.
- Over **56%** still carry student loans.
- Home affordability remains a barrier: the average age of first-time homebuyers has risen to **36.**

Generation X (Born 1965–1980): The Pragmatists and Providers Average age in 2025: 45–60

Primary challenge: Balancing financial obligations to both parents and children while catching up on retirement
Gen X is in a high-pressure financial phase. They're expected to **accumulate**, **protect**, and **prepare**—often all at once.

Pain Points:

- 73% feel behind on retirement savings
- 39% are helping adult children financially
- 44% expect to support aging parents within the next five years

Planning Priorities:

- Maximize tax-advantaged accounts (401(k), Roth IRAs, HSAs)
- Diversify across taxable and tax-deferred buckets
- Shift from accumulation to distribution planning
- Build a financial "bridge" between now and Social Security eligibility

Gen Xers are encouraged to evaluate their retirement readiness target—often $1.5–$2.5 million—and reverse-engineer the savings required using automated contributions, investment growth, and reduced discretionary spending.

Baby Boomers (Born 1946–1964): The Transitioners and Legacy Builders Average age in 2025: 61–79

Primary challenge: Ensuring income longevity and transferring wealth with intention
Baby Boomers control more than 50% of household net worth in the U.S., but are actively transitioning from growth to income and legacy preservation.

Core Concerns:

- **66% worry about** running out of money in retirement
- **52%** plan to leave a financial inheritance
- **36%** are actively gifting wealth during their lifetimes

Top Priorities:

- Securing income through annuities, dividends, and RMD strategies
- Minimizing taxes on IRAs and inherited assets
- Preparing for long-term care (LTC) expenses, averaging $108,000 per year for full-time skilled care
- Using trusts, QCDs, and family meetings to pass on both assets and values

The Wealth Transfer Wave: Planning Beyond the Balance Sheet

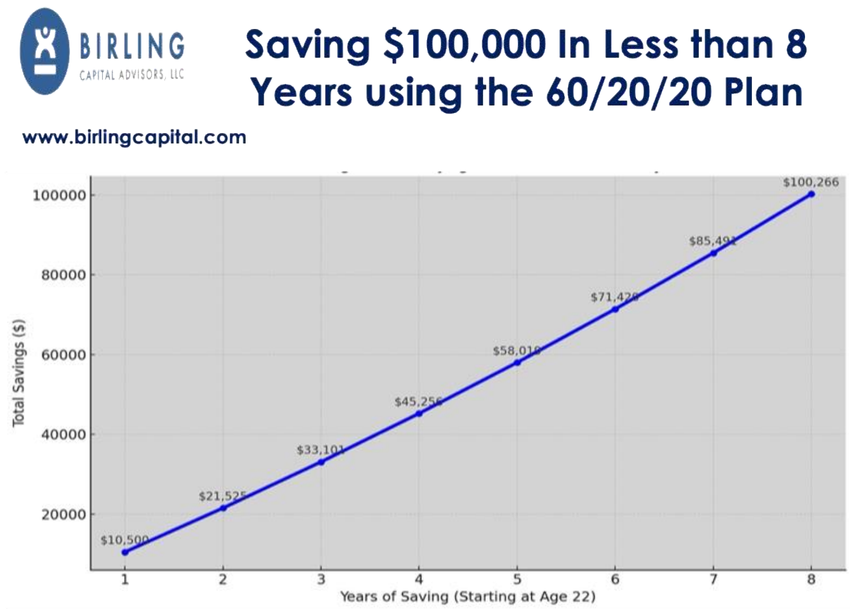
With over **$84 trillion** expected to be transferred by 2045, the excellent wealth transfer is no longer theoretical—it's happening now.

Investor insights:

- 61% say they want to pass on *financial values* just as much as *financial assets*
- 1 in 3 families experience conflict during inheritance if expectations aren't communicated
- Only 24% of heirs feel adequately prepared to manage inherited wealth

Best practices for legacy planning:

- Involve heirs early through family financial meetings
- Create living trusts to avoid probate and preserve control
- Gift during life using the annual gift exclusion ($18,000/person in 2025)
- Combine charitable giving with estate strategy (e.g., donor-advised funds, charitable remainder trusts).



Strategy for the Years Ahead

Whether you're 28 or 78, the same principles apply:

1. **Define your purpose**: Align money with meaning
2. **Set clear goals**: Short-term flexibility + long-term sustainability
3. **Diversify with intent**: Tax, asset class, and income stream diversification
4. **Stay disciplined**: Budget, automate, and adapt to change
5. **Plan for others**: Legacy is more than what you leave; it's what you teach

Anyone Can Save $100,000 in 8 years or less

A growing number of financial planners recommend that by age 30, individuals aim to have **at least $100,000 in total savings** (including cash, retirement, and investment accounts). This benchmark is not just aspirational—it's achievable through structured budgeting and long-term discipline, and it can be achieved at any age.

The 60/20/20 Rule: A Roadmap to $100K

To get there, many Millennials are turning to the 60/20/20 plan:

- **60% of income**: Essential expenses (housing, food, insurance, transportation)
- **20% of income**: Financial goals (savings, investing, debt repayment)
- **20% of income**: Lifestyle (entertainment, travel.

Reaching $100,000 by Age 30 with a $50,000 Salary:

Anyone earning $50,000 can reach a savings milestone of $100,000 by age 30, but it requires an earlier start, strategic discipline, and consistent investing.

Let's break it down:

- **Annual income**: $50,000
- **Savings target (20%)**: $10,000 per year
- **Savings period**: 8 years (ages 22–30)
- **Investment return assumption**: 5% annually

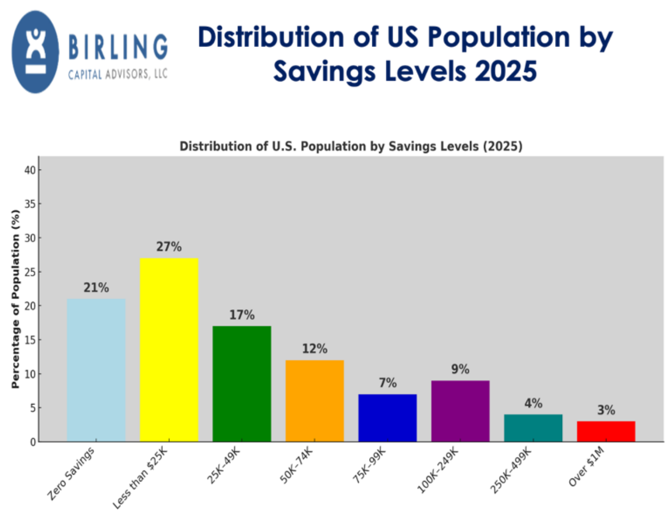
If this person saves $10,000 annually and invests it with a 5% annual return, they can reach **$100,265** by age 30. This relies on staying consistent, living below their means, and avoiding lifestyle inflation.

How to make it work:

- **Automate savings** monthly
- **Invest early** using Roth IRAs or low-fee ETFs
- **Control lifestyle inflation** even as income rises
- Maximize **401(k) employer matches** or side income to boost totals.
- The key is not perfection, but persistence. Starting early—even with modest amounts—builds the resilience and momentum needed to thrive financially.

This savings milestone is about building resilience, giving young investors the freedom to navigate job changes, start families, or pursue opportunities without being financially trapped. This example is suitable for all age groups and is designed to help individuals who are starting to save towards a goal.

The Final Word: Financial Security Beyond Retirement



Proper financial Security in 2025 is no longer defined by chasing the highest return or timing the market perfectly. It is about something far more meaningful: creating the conditions to live well, give generously, and sleep soundly.

In a world where volatility is constant and lifespans are extending, Security is found in the confidence that your finances will support your purpose, not just your expenses. It begins with benchmarks that give structure to your ambitions:

- Saving $100,000 by age 30 builds the foundation of resilience and opportunity.
- Securing sustainable income through age 90 ensures you outlive your money, not the other way around.
- Understanding the mechanics of wealth reinforces just how much planning truly matters.

For example, if your goal is to generate even a **modest $6,250 per month in passive income**—equivalent to $75,000 annually—you would need approximately **$1.5 million in invested assets**, assuming a conservative **5% withdrawal rate**. That's the silent reality of retirement math: living off your assets requires a deliberate accumulation plan decades in advance.

This underscores the truth: you're not just building a portfolio—you are engineering a future. Whether you are a Millennial building your first $100K, a Gen Xer bridging to retirement, or a Boomer preparing to transfer wealth and wisdom.

Security is the platform that allows fulfillment to flourish. Security is not the finish line; it is the launching pad, from which you build a life of purpose, peace, and a lasting legacy.

Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430