

Adopting a Chained CPI Targets the Oldest, Poorest Americans

The Longer You Live, the More Social Security You Lose

Calculating Social Security's annual cost-of-living adjustment (COLA) using a chained consumer price index (CPI) would cut benefits the most for the oldest Americans—those who are least able to afford it.¹

- **The greatest impact of the COLA cut will be on the oldest Americans.** The chained CPI would cut *one full month's income* from a 92-year-old beneficiary's annual Social Security benefits. That's because the impact of the chained CPI on benefits increases significantly over time.
- **The oldest can least afford a COLA cut.** Americans in their 80s and 90s generally have less income, fewer financial assets, and are more dependent on Social Security than younger beneficiaries. They face increasing out-of-pocket medical costs and are at greatest risk of poverty.
- **The poorest are hit the hardest.** The chained CPI will cut living standards most deeply for the poorest households, which tend to rely on Social Security for all or most of their income. Any cut to Social Security benefits is a cut to their total income. Because chained CPI benefit reductions would apply equally to both high- and low-income beneficiaries, the poorest will lose the largest share of income.
- **Women lose more than men.** Women tend to live longer than men and make up a larger share of the population as it ages. They also tend to have lower incomes, are more dependent on Social Security, and are more at risk of falling into poverty.²

Important facts to consider about Social Security benefits and older Americans:

- **Social Security benefits are modest.** In 2010, the average annual benefit was about \$15,000 for men age 80 and older and about \$13,000 for women.³
- **The oldest Americans count on Social Security the most.** One-third (33.9 percent) of all beneficiaries—and nearly four in ten (38 percent) women beneficiaries—age 80 and older rely on Social Security for nearly all of their family income (90 percent or more).⁴ That compares to only 19 percent of beneficiaries age 65 to 69.
- **Income falls as Americans age.** In 2010, half of married couples and single people ages 65–69 had income of \$37,200 or less. By age 80 and older, half had income less than \$19,500.⁵
- **Poverty rates are highest for the oldest old.** In 2011, according to the official poverty measure, Americans age 85 and older were 50 percent more likely to be in poverty than those age 65–69 (11.5 percent vs. 7.5 percent).⁶
- **Nearly one in six older Americans live in poverty.** Under an updated measure of poverty that takes health care costs into account and is endorsed by the National Academy of Sciences, 15.1 percent of Americans age 65 and older were in poverty in 2011.⁷ Almost 19 percent of Americans age 80 and older are in poverty under this updated measure.⁸
- **Older Americans carry growing debt.** Over the past 20 years, Americans age 75+ had a larger increase in average debt than any other age group. From 1989 to 2010, average total debt for those age 75+ increased 529 percent. Average mortgage debt increased by 812 percent and mean credit card debt increased by 813 percent.⁹

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- **Few older families have retirement savings.** In 2010, two out of three families headed by a person age 75 or older had no money in retirement savings accounts. Half of those with savings had less than \$54,000.¹⁰
- **Health care cost burdens rise as Americans age.** The median out-of-pocket health care costs for people age 85+ is 28 percent of income, compared to 11 percent for those age 65–69.¹¹
- **The oldest Americans have the highest foreclosure rate among the 50+ population.** Americans age 75+ had a foreclosure rate of 3.2 percent in 2011.¹²
- **The high cost of long-term care hits many older families.** The likelihood of needing daily assistance increases with age. Typical private-pay assisted living costs (2012) are about \$40,000 per year. Median nursing home costs are about twice as much and can exceed \$100,000 annually.¹³ Medicare pays for very limited nursing home care and does not pay for assisted living, so most families pay these expenses out of pocket.

Endnotes

¹ Gary Koenig and Mikki Waid, *Proposed Changes to Social Security's Cost-of-Living Adjustment: What Would They Mean for Beneficiaries*, <http://www.aarp.org/work/social-security/info-10-2012/proposed-changes-to-cola-insight-AARP-ppi-econ-sec.html>.

² Joan Entmacher and Katherine Gallagher Robbins, *Cutting The Social Security COLA by Changing the Way Inflation is Calculated Would Especially Hurt Women*, June 2011. <http://www.nwlc.org/sites/default/files/pdfs/cuttingSOCSECOLAFinalReportJune2011.pdf>.

³ AARP Public Policy Institute calculation based on data from the Social Security Administration's *Annual Statistical Supplement, 2011*, <http://www.ssa.gov/policy/docs/statcomps/supplement/2011/5a.html#table5.a1.1>.

⁴ Social Security Administration, *Income of the Population 55 and Over, 2010*, Table 9.B2: Relative Importance of Social Security for Persons 65 or Older in Beneficiary Families—Percentage distribution of persons in beneficiary families, by sex and age, 2010, http://www.ssa.gov/policy/docs/statcomps/income_pop55/2010/sect09.html#table9.b2.

⁵ Social Security Administration, *Income of Aged Chartbook, 2010*. http://www.ssa.gov/policy/docs/chartbooks/income_aged/2010/iac10.html#.

⁶ AARP Public Policy Institute analysis of the U.S. Census Bureau's Current Population Survey, March 2012 supplement.

⁷ Kathleen Short, *The Research Supplemental Poverty Measure: 2011*, U.S. Census Bureau, P60–244, November 2012. http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf.

⁸ AARP Public Policy Institute tabulation of the U.S. Census Bureau's 2011 SPM research file.

⁹ AARP Public Policy Institute analysis of the Federal Reserve Board's Survey of Consumer Finances, 1989 and 2010.

¹⁰ Federal Reserve Board, *2010 Survey of Consumer Finances Chartbook*, http://www.federalreserve.gov/econresdata/scf/files/2010_SCF_Chartbook.pdf.

¹¹ Claire Noel-Miller, *Medicare Beneficiaries' Out-of-Pocket Spending for Health Care*, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/medicare-beneficiaries-out-of-pocket-spending-AARP-ppi-health.pdf.

¹² Lori Trawinski, *Nightmare on Main Street: Older Americans and the Mortgage Market Crisis*, <http://www.aarp.org/money/credit-loans-debt/info-07-2012/nightmare-on-main-street-AARP-ppi-cons-prot.html>.

¹³ Genworth, "Executive Summary Genworth 2012 Cost of Care Survey," http://www.genworth.com/content/non_navigable/corporate/about_genworth/industry_expertise/cost_of_care.html.

Fact Sheet 270, December, 2012
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