

# *Demystifying Social Security*

## How Does It Work? Benefit Adequacy

Presentation by

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2012 Summer Academy

National Academy of Social Insurance

Barbara Jordan Conference Center

Kaiser Family Foundation

Washington, DC

11 July 2012

# Average Social Security Benefits

	Monthly (December 2011)	Annual (2011)
Retired Worker	\$1,217	\$14,604
Disabled Worker	1,111	13,332
Aged Widow(er)	1,184	14,208

Source: SSA, <http://www.ssa.gov/oact/FACTS/index.html>

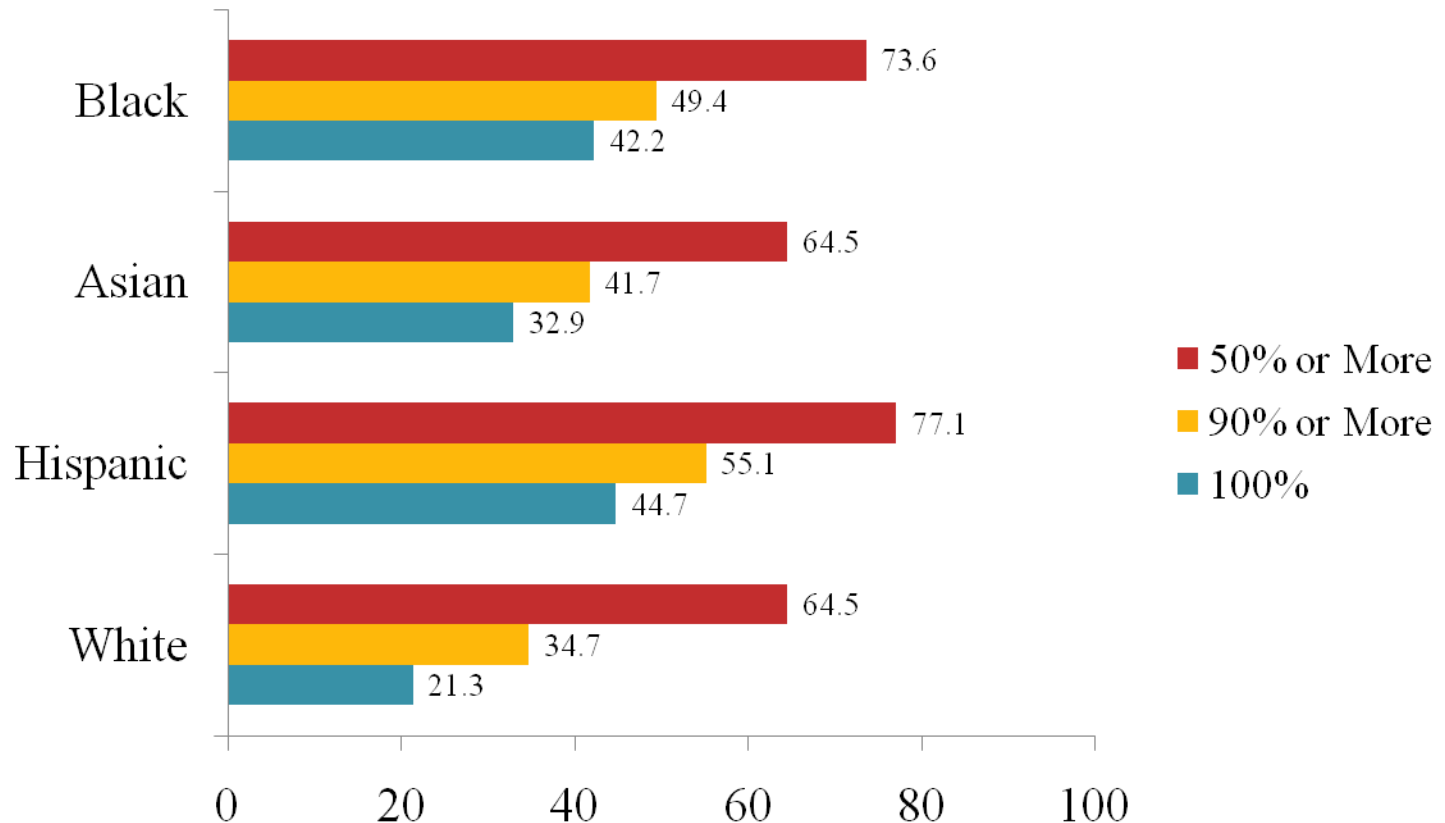
# Assessing Benefit Adequacy

- ... compare annual benefit levels to federal poverty threshold
- ... examine the percentage of income that Social Security benefits constitute

# Social Security benefits exceed the federal poverty threshold for many.

Size of Family Unit (Per Poverty Threshold Measurements)	Weighted Average Poverty Threshold (2011)	Corresponding Average Annual Social Security Benefits (2011)
One person, under age 65	\$11,702	Disabled--\$13,332 Survivors -- 14,208
One person, 65 years and over	10,788	Retired-- \$14,604
Two persons, with householder under age 65	15,063	
Two persons, with householder 65 years and over	13,596	

# Social Security benefits also constitute the majority of income for many.



Percent of Income from Social Security Beneficiary Units Ages 65+ (2010)

SSA, *Income of the Population 55 or Older, 2010*, Table 9.A3 at <http://www.ssa.gov>

# Amount received in Social Security benefits is determined by many factors.

- ... whether credited for employment in covered occupations
- ... amount of earnings per quarter
- ... number of years worked
- ... eligibility age for full benefits
- ... marital status
- ... number of years benefits received

Based on these factors, some are more likely to receive inadequate benefits than are others. For example, ...

<b>Factors</b>	<b>Example of Subgroups Likely to Receive Inadequate Benefits</b>
Whether credited for covered employment	Farm workers
Earnings per quarter	Domestic workers
Number of years worked	Chronically unemployed; unpaid caregivers
Eligibility age for full benefits	Persons affected by increase of eligibility age for full retirement benefits from 65 to 67
Marital status	Never-married beneficiaries
Number of years benefits received	Oldest beneficiaries

Inadequacy of benefits can be addressed at the same time that solvency is addressed for Social Security system.

- The report of the *Commission to Modernize Social Security* presents a set of revenue-enhancing options to guarantee fiscal solvency for the program that would also support the cost of increasing benefits for many recipients.



# Revenue-Enhancing Options

(per *Commission to Modernize Social Security*)

- Increase the payroll tax rate
- Eliminate the wage cap and modify the benefit formula for high wage earners
- Enroll all new state and local government workers in the Social Security program
- For tax purposes, treat all salary reduction plans the same as 401(k) plans

## Options to Increase Benefit Adequacy (per *Commission to Modernize Social Security*)

- Increase benefits for recipients age 85 or older
- Increase benefits for widowed spouses
- Provide 5 years of child care credits
- Update the special minimum benefit
- Restore the student benefit up to age 22
- Increase overall benefit level

# Conclusion

- The Social Security system provides a safety-net level of benefits for recipients.
- Thus, though average benefits are above the federal poverty threshold, benefits are not adequate to cover living expenses for all beneficiaries.
- Benefit adequacy and the system's fiscal health, however, can be enhanced simultaneously.