

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Why Social Security Beneficiaries and Veterans Deserve a Lump-Sum Payment in 2016

In 2016, for only the third time in 40 years,ⁱ Social Security beneficiaries, veterans, and others will see no cost-of-living adjustment (COLA) in their benefitsⁱⁱ—despite the fact that their costs of living *will* go up, and their benefits are already generally inadequate. While Congress has ensured that millions of Americans will not see their Medicare premiums rise unsustainably as a result of this, Social Security beneficiaries, veterans, and others remain threatened by the inability to meet important living and healthcare expenses in the next year. To ensure that Social Security beneficiaries and veterans are not harmed by the failure of benefits to keep pace with their costs of living, Senator Elizabeth Warren has introduced the [Seniors and Veterans Emergency Benefits Act \(SAVE Benefits Act\)](#), which would give about 70 million Social Security beneficiaries, veterans, and others a one-time, emergency payment of approximately \$580, paid for by the closure of a loophole in the taxation of the compensation of the highest paid CEOs.ⁱⁱⁱ The benefit amount equals 3.9 percent of the average Social Security benefit; 3.9 percent is the average increase in pay last year for the nation's top 350 CEOs.^{iv} If passed, the SAVE Benefits act would make a vital difference in the lives of seniors, people with disabilities, veterans, children who have lost parents, and others.

Social Security Benefits Are Already Too Modest

Social Security benefits serve as a vital earned benefit, insuring workers and their family members against the loss of wages due to retirement, disability, or death. Yet Social Security's benefits are quite modest: the average benefit in 2015 is \$14,698,^v just \$2,928 over the poverty limit for an individual.^{vi} Many Social Security beneficiaries depend on these modest benefits for most, if not all, of their income. In 2012, nearly two-thirds (64.6 percent) of beneficiaries age 65 and older received half or more of their incomes from Social Security—and over one-third (36.1 percent) received at least 90 percent of their incomes from Social Security.^{vii} And Social Security becomes even more important to beneficiaries as they age—nearly half (46.7 percent) of all beneficiaries aged 80 and older receive 90 percent or more of their incomes from Social Security.^{viii}

Social Security's benefits are especially modest in light of the living expenses faced by many beneficiaries. Even for seniors in good health, who own their homes mortgage-free, the average Social Security benefit falls short of the income required to meet basic needs—by just over \$5,000.^{ix} Yet, seniors and people with disabilities often have higher health care costs than the general population, and not all are in good health. For those who have higher healthcare costs, or do not own their own homes, free of debt, Social Security benefits are even more inadequate. Furthermore, these high health care costs are not captured by the current cost-of-living index used by Social Security and veterans' benefits—meaning that these already inadequate benefits fail to keep pace with the costs of living experienced by those who depend upon them most.^x

Veterans and their Families Deserve a COLA Increase

Over 9.4 million veterans received Social Security benefits in 2014.^{xi} In addition to receiving Social Security benefits,^{xii} many veteran families also receive benefits from the Department of Veterans Affairs.

Many of these benefits are indexed to the same inadequate cost-of-living index used by Social Security, including Disability Compensation benefits, Pension benefits, Military Retirement Pay,^{xiii} the Subsistence Allowance for veterans participating in vocational rehabilitation and employment services programs, survivor annuities for deceased veterans' family members,^{xiv} educational allowances for veterans' surviving family members,^{xv} and Veterans' Monetary Burial Benefits (a plot allowance). For veterans and their family members who receive Social Security as well as any of these other benefits, the lack of a COLA increase will have a double, triple, or greater impact.

Lump Sum Payments Will Boost Economic Security for Millions

An extremely important byproduct of our Social Security system's wage insurance is that it is the nation's strongest anti-poverty program. Without Social Security, 21.4 million Americans—including nearly 14.5 million seniors and 1.1 million children—would have fallen below the poverty line in 2013.^{xvi} Yet, without a cost-of-living adjustment in 2016, many Social Security beneficiaries and their dependent family members will see their costs of living increase, without any increase in their already modest incomes. This inability to keep pace with the inflation experienced by the elderly and people with disabilities will result in increased poverty.

According to Senator Warren, the lump sum payments proposed in the SAVE Benefits Act would lift over one million Americans out of poverty.^{xvii} And, because Social Security benefits are usually not saved, but spent instead, these payments would contribute directly to economic activity across the nation.^{xviii} Indeed, the last time Social Security beneficiaries, veterans and others received a lump sum in lieu of a COLA, in 2009, the payments were regarded as a vital component of the economic stimulus which raised GDP, created millions of jobs, and kept unemployment from growing.^{xix}

Perhaps most importantly, these emergency payments will make a substantial impact in the lives of those who receive them. As noted above, Social Security benefits are quite modest, already inadequate for large numbers of beneficiaries, and slowly but surely eroding, as a result of an inadequate measure of cost of living. For many beneficiaries, this payment would be vital, allowing them to maintain their standards of living even as their costs of living increase. These proposed payments of \$580—nearly \$50 a month—can be used to cover critical living expenses. For some beneficiaries, this may mean being able to buy nearly three-and-a-half months of groceries for an older adult.^{xx} For others, it may cover the average Medicare out-of-pocket spending on prescription drugs.^{xxi}

Americans are Threatened by a Growing—and Unequal—Retirement Income Crisis

The news that Social Security beneficiaries, veterans, and others will not receive a cost-of-living adjustment in 2016 is especially troublesome in light of the fact that Americans are facing a growing retirement income crisis. In 2011, nearly half (48 percent) of all seniors were economically vulnerable.^{xxii} And in 2013, 52 percent of working-age households were at risk of being unable to maintain their standards of living in retirement.^{xxiii} Furthermore, a recent report reveals that not only is the retirement security of many Americans at risk, but the nation faces [a vastly unequal retirement crisis as well](#). Of CEO retirement funds, the hundred largest together are worth \$4.9 billion—an amount equal to the combined retirement account savings of 41 percent of American families.^{xxiv} And on average, these CEOs can expect to receive a \$277,686 *monthly* retirement check for the rest of their lives^{xxv}—compared to the average monthly Social Security benefit of \$1,225 in September 2015.^{xxvi}

While this disparity is certainly a symptom of the larger trends in inequality in incomes and wealth, it is also a direct result of policies that favor executives over working Americans. The SAVE Benefits act would target one of these policies—a “performance pay” loophole that allows unlimited corporate tax deductions for executive pay, against the intent of Congress to limit that pay to an extremely generous

\$1 million.^{xxvii} Closing this loophole would cover the full cost of the SAVE Benefits Act, improve Social Security's long-term actuarial balance,^{xxviii} and represent an important first step in slowing the nation's perilous upward redistribution of wealth.

Without a cost-of-living increase to their benefits, Social Security beneficiaries, veterans, and others will face added challenges in meeting critical living and healthcare expenses over the next year. If passed, the SAVE Benefits act would help to bolster the economic security of roughly 70 million Americans who will not receive a COLA in 2016. The bill would also serve as an important solution to a number of challenges. It would supplement the income of those who have contributed over their lifetimes but are struggling to make ends meet. The payment would provide a stopgap to give Congress time to expand benefits and then allow them to keep pace with a more accurate cost-of-living adjustment. And it would, in a small way, be a response to the last three decades of upward redistribution of wealth to the richest among us.

ⁱ Social Security Administration (SSA), "Cost-of-Living Adjustments," accessed November 13, 2015.

<https://www.ssa.gov/oact/cola/colaseries.html>

ⁱⁱ Social Security, Supplementary Security Income (SSI), veterans' pensions, military retirement benefits, and Civil Service Retirement System (CSRS) benefits all use the same formula, based on the CPI-W, to calculate cost-of-living adjustments. Consequently, beneficiaries of all of these programs will not receive a cost-of-living adjustment in 2016. Gary Sidor, "Social Security: Cost-of-Living Adjustments," Congressional Research Service, October 29, 2014:

<https://fas.org/sgp/crs/misc/94-803.pdf>

ⁱⁱⁱ Elizabeth Warren, "Seniors and Veterans Emergency (SAVE) Act," accessed November 13, 2015.

http://www.warren.senate.gov/files/documents/SAVE_Benefits_One_Pager_Press.pdf. State level fact sheets on the impact of the bill are available at http://www.warren.senate.gov/?p=press_release&id=997

^{iv} Elizabeth Warren, "Seniors and Veterans Emergency (SAVE) Act," accessed November 13, 2015.

http://www.warren.senate.gov/files/documents/SAVE_Benefits_One_Pager_Press.pdf

^v Annual benefit calculated on basis of average monthly benefit in September 2015 times 12. SSA, "Monthly Statistical Snapshot, September 2015," October 2015. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/

^{vi} U.S. Department of Health and Human Services, "2015 Poverty Guidelines," September 3, 2015.

<http://aspe.hhs.gov/2015-poverty-guidelines>

^{vii} SSA, "Income Sources," *Income of the Aged Chartbook, 2012*, April 2014.

https://www.ssa.gov/policy/docs/chartbooks/income_aged/2012/iac12.html#chart16

^{viii} SSA, *Income of the Population 55 or Older, 2012*, April 2014, table 9A.1.

https://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/index.html

^{ix} The average annual Social Security benefit is \$14,698 in 2015. In contrast, the estimated annual income needed by a retired older adult, in good health and owning a home without a mortgage, to meet basic needs—without assistance or spending on "extras" such as entertainment, vacations, or meals out—is \$20,076. Average Social Security benefit: Social Security Administration (SSA), "Monthly Statistical Snapshot, September 2015," October 2015. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/. Income estimate calculated by Wider Opportunities for Women, "Economic Security Database," accessed November 13, 2015.

<http://www.basiceconomicsecurity.org/Default.aspx>

^x Alicia H. Munnell and Anqi Chen, "Do We Need a Price Index for the Elderly?" Center for Retirement Research at Boston College, no. 15-18, October 2015. http://crr.bc.edu/wp-content/uploads/2015/10/IB_15-18.pdf

^{xi} SSA, "Veteran Beneficiaries," March 2015. <https://www.ssa.gov/retirementpolicy/fact-sheets/veteran-beneficiaries.html>

^{xii} Many military members and their families receive monthly benefits indexed to the CPI from Social Security. As full participants in the Social Security system, military personnel are in general entitled to the same benefits and are subject to the same eligibility criteria and rules as other employees. For more see DOD Office of the Actuary, "Statistical Report on the Military Retirement System. Fiscal Year 2011," May 2012, p. 13.

<http://actuary.defense.gov/Portals/15/Documents/statbook11.pdf>

^{xiii} For information on the interaction and offsets between military retired pay and VA disability payments, and on the relationship between military members and Social Security, see DOD Office of the Actuary, "Statistical Report

on the Military Retirement System. Fiscal Year 2011,” May 2012, pp. 11-13.

<http://actuary.defense.gov/Portals/15/Documents/statbook11.pdf>

^{xiv} Dependency and Indemnity Compensation (DIC) is an annuity paid to spouses, children, and parents of service members and veterans who are deceased or totally and permanently disabled by a service-connected disability. The basic monthly rate of DIC, effective December 1, 2012, is \$1,215 for an eligible surviving spouse. The rate is increased for each dependent child, and also if the surviving spouse is housebound or in need of aid and attendance. In 2011, 355,474 surviving family members of veterans received DIC, with benefits averaging \$14,529. Nationwide, \$5.2 billion were spent on DIC benefits in 2011. Survivors Pension is a needs-based benefit paid to surviving spouses and children of wartime veterans, who meet certain age, disability, and marriage requirements. Nationwide in 2011, 201,955 surviving family members received Survivors Pension, for benefits totaling \$1.2 billion. <http://benefits.va.gov/BENEFITS/factsheets/survivors/dic.pdf>

^{xv} The Educational Assistance Allowance is provided under the Survivors' and Dependents' Educational Assistance Program.

^{xvi} Kathleen Romig, “Social Security Lifts 21 Million Americans out of Poverty,” Center on Budget and Policy Priorities, November 9, 2015. <http://www.cbpp.org/blog/social-security-lifts-21-million-americans-out-of-poverty-0>

^{xvii} Elizabeth Warren, “Senators Introduce SAVE Benefits Act to Boost Social Security and Other Critical Benefits for Seniors, Veterans,” November 5, 2015. http://www.warren.senate.gov/?p=press_release&id=997

^{xviii} Gary Koenig and Al Myles, “Social Security’s Impact on the National Economy,” AARP Public Policy Institute, October 2013. http://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2013/social-security-impact-national-economy-AARP-ppi-econ-sec.pdf

^{xix} In 2009, Social Security and SSI beneficiaries received a one-time emergency payment of \$250 as part of the American Recovery and Reinvestment Act (ARRA). Josh Bivens and Kathryn Anne Edwards, “Down Payment on Economic Recovery: Why Temporary Payments to Social Security and Supplemental Security Income Recipients are Effective Stimulus,” Economic Policy Institute, September 14, 2010.

http://epi.3cdn.net/c075eb40125787cd60_ufm6bxq4k.pdf

^{xx} Average taken of the monthly costs of food for men and women in older age groups (ages 51-70 and ages 71 and up) following a “Thrifty” food plan. U. S. Department of Agriculture, “Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, September 2015,” October 2015.

<http://www.cnpp.usda.gov/sites/default/files/CostofFoodSep2015.pdf>

^{xxi} The average annual out-of-pocket spending on prescription drugs for Medicare beneficiaries was \$542 in 2010. Kaiser Family Foundation, “How Much is Enough? Out-of-Pocket Spending Among Medicare Beneficiaries: A Chartbook,” July 2014. <http://files.kff.org/attachment/how-much-is-enough-out-of-pocket-spending-among-medicare-beneficiaries-a-chartbook-report>

^{xxii} Here, economically vulnerable is defined as “having an income that is less than two times the supplemental poverty threshold.” Elise Gould and David Cooper, “Financial Security of Elderly Americans at Risk,” Economic Policy Institute, June 6, 2013. <http://www.epi.org/publication/economic-security-elderly-americans-risk/>

^{xxiii} Alicia H. Munnell, Wenliang Hou, and Anthony Webb, “NRRRI Update Shows Half Still Falling Short,” Center for Retirement Research at Boston College, no. 14-20, December 2014. http://crr.bc.edu/wp-content/uploads/2014/12/IB_14-20-508.pdf

^{xxiv} Sarah Anderson and Scott Klinger, “A Tale of Two Retirements,” Center for Effective Government and Institute for Policy Studies, October 28, 2015. <http://www.foreffectivegov.org/files/pdfs/two-retirements.pdf>

^{xxv} Sarah Anderson and Scott Klinger, “A Tale of Two Retirements,” Center for Effective Government and Institute for Policy Studies, October 28, 2015. <http://www.foreffectivegov.org/files/pdfs/two-retirements.pdf>

^{xxvi} SSA, “Monthly Statistical Snapshot, September 2015,” October 2015.

https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/

^{xxvii} Elizabeth Warren, “Seniors and Veterans Emergency (SAVE) Act,” accessed November 13, 2015.

http://www.warren.senate.gov/files/documents/SAVE_Benefits_One_Pager_Press.pdf

^{xxviii} If passed, the SAVE Benefits Act would use the additional revenue saved by closing the “performance pay” loophole to bolster the solvency of the Social Security trust funds. Elizabeth Warren, “Seniors and Veterans Emergency (SAVE) Act,” accessed November 13, 2015.

http://www.warren.senate.gov/files/documents/SAVE_Benefits_One_Pager_Press.pdf