



## Study Methodology: 2014 Annual Survey of Senior Costs

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### **Summary:**

The Social Security Cost of Living Adjustment (COLA) is intended to protect the purchasing power of benefits received by older and disabled Americans. However, typical senior costs have increased much faster than COLAs over the past fourteen years. COLAs have been growing at record low levels recently, averaging just 1.4% per year over the past five years. As a result, beneficiaries who have been retired over the past 14 - year period have just 69 percent of the buying power that they had in 2000, making it more difficult to afford basic necessities such as medical care, food, and housing.

### **Methodology:**

This study examined the increase in costs of 33 key goods and services between 2000 and 2014. The items were chosen because they are typical of the costs that seniors must bear.

In order to track how the purchasing power of Social Security benefits is affected from year to year, we examined the average benefit in 2000, and tracked it through January 2014. The average Social Security benefit was \$816 in 2000, and it increased to \$1,146.80 in 2014, an increase of 41 percent over the 14 - year period.

However, our study found that costs have risen by 84 percent for 33 essential items since 2000, meaning that seniors would have required benefits to increase to \$1,501.40 per month *just to maintain their year 2000 level of buying power*. That amount can be calculated by multiplying the 2000 benefit of \$816 by 84 percent (1.84) and rounding to the next tenth of a dollar, as is Social Security protocol.

The loss of buying power was then determined by dividing the difference in the amount that beneficiaries would need to keep up, \$354.70, by the amount actually received in 2014, \$1,146.80. That represents a 31 percent loss of buying power since 2000.

The 33 items analyzed fall within the eight major expenditure categories: housing, transportation, medical, food, recreation, communication, apparel, and other. The

categories were weighted to ensure that each represented the portion of income seniors spend on each category. For example, housing costs were weighted higher than food or recreation costs, since housing costs account for a much greater share of a senior's budget.

<b>Category</b>	<b>Expense</b>	<b>Cost in Jan 2000</b>	<b>Cost in Jan 2014</b>	<b>Percent Increase, 2000-2014</b>
Housing	Own	N/A*	N/A*	40% <sup>1</sup>
Housing	Apartment rental	N/A*	N/A*	51% <sup>2</sup>
Housing	Homeowner's insurance (annual)	\$508.00	\$1,135.00	123% <sup>3</sup>
Housing	Real estate tax (annual)	\$690.00	\$1,405.44	104% <sup>4</sup>
Housing	Heating oil (gallon)	\$1.15	\$4.02	251% <sup>5</sup>
Housing	Natural gas (dollars per gallon)	\$1.01	\$2.83	180% <sup>6</sup>
Housing	Electricity (per kilowatt hr.)	\$.08	\$.12	50% <sup>7</sup>
Transportation	New & used vehicles	N/A*	N/A*	0% <sup>8</sup>
Transportation	All grades gas (gallon)	\$1.31	\$3.41	160% <sup>9</sup>
Transportation	Oil change	\$23.11	\$45.31	96% <sup>10</sup>
Transportation	Maintenance/repair	N/A	N/A	51% <sup>11</sup>
Medical	Total out-of-pocket medical expenses	\$1,074.50	\$1,289.53	20% <sup>12</sup>
Medical	Prescription drugs, generic, brand, special.	\$623.70	\$548.35	-12% <sup>13</sup>
Medical	Dental, general visits	\$377.40	\$510.38	35% <sup>14</sup>
Medical	Medicare Part B premiums (monthly)	\$45.50	\$104.90	131% <sup>15</sup>
Medical	Medicare Part D premiums average weighted for enrollment	\$25.93	\$39.90	54% <sup>16*</sup> since 2006
Food	Potatoes (10 lbs.)	\$2.98	\$5.98	101% <sup>17</sup>
Food	Butter (lb.)	\$2.52	\$3.55	41% <sup>18</sup>
Food	Milk (gal.)	\$2.78	\$3.55	28% <sup>19</sup>
Food	Eggs (dz.)	\$0.93	\$2.01	116% <sup>20</sup>
Food	Ground chuck (lb.)	\$1.90	\$3.59	89% <sup>21</sup>

Food	Chicken (lb.)	\$1.06	\$1.53	44% <sup>22</sup>
Food	Coffee (lb.)	\$3.54	\$5.03	42% <sup>23</sup>
Food	Bread, white (loaf)	\$.91	\$1.36	49% <sup>24</sup>
Food	Apples (lb.)	\$.95	\$1.28	35% <sup>25</sup>
Food	Oranges (lb.)	\$.61	\$1.12	84% <sup>26</sup>
Recreation	Movie ticket	\$5.39	\$8.54	58% <sup>27</sup>
Recreation	(Category)	N/A	N/A	13% <sup>28</sup>
Communication	Basic phone service, 2 land lines, local	\$55.37	\$76.01	37% <sup>29</sup>
Communication	First class postage	\$0.33	\$0.45	36%
Apparel	Clothing	N/A*	N/A*	(-2%) <sup>30</sup>
Other	Personal care products	N/A*	N/A*	6% <sup>31</sup>
Other	Personal care services	N/A*	N/A*	37% <sup>32</sup>

\*N/A indicates that actual national average price information was “not available.” Numeric price data from the Bureau of Labor Statistics was used instead to determine price change.

#### Weighting:

We used the weighting of the Consumer Price Index for the Elderly (CPI-E)<sup>33</sup> to suggest our weighting guidelines.

Expenditure Group	CPI-E	TSCL Survey
Housing	44.5	46.3
Transportation	14.5	14.1
Medical	11.3	13.6 <sup>34</sup>
Food	12.8	12.9
Recreation	5.3	4.2
Communication	3.8	3.2
Apparel	2.4	2.4
Other	5.4	3.3

<sup>1</sup> Home Owners, CPI-U, January 2000 through January 2014 Bureau of Labor Statistics, February 20, 2014.

<sup>2</sup> Rental of Primary Residence CPI-U, January 2000 through January 2014, Bureau of Labor Statistics, February 20, 2014.

<sup>3</sup> Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, March 12, 2014. <http://www.iii.org/media/facts/statsbyissue/homeowners/>

Methodology: Rate of increase extended from 2011 through 2014 based on historic average rate of increase. To be adjusted year to year.

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- <sup>4</sup> Real estate tax, Orange County Virginia, files of Mary Johnson, 2000 through December 2013.  
Methodology: According to state data collected by the Tax Foundation, Virginia property taxes rank about in the middle nationally. <http://www.taxfoundation.org/taxdata/show/1913.html>.
- <sup>5</sup> Retail prices of residential heating oil 2000-2014, Energy Information Administration, February 1, 2014. [http://www.eia.doe.gov/oil\\_gas/petroleum/info\\_glance/petroleum.html](http://www.eia.doe.gov/oil_gas/petroleum/info_glance/petroleum.html) From 01/03/2000 -01/06/2014.
- <sup>6</sup> Residential prices natural gas 2000 -2014, Energy Information Administration, February 1, 2014. <http://tonto.eia.doe.gov/dnav/ng/hist/n3010us3m.htm> From 1/03/2000 to 1/06/2014.
- <sup>7</sup> Average retail price of electricity to customers, 2000-2014, Energy Information Administration, March 13, 2014 , [http://www.eia.gov/cneaf/electricity/epm/table5\\_3.html](http://www.eia.gov/cneaf/electricity/epm/table5_3.html).
- <sup>8</sup> New and &used motor vehicle costs, CPI-U, January 2000 through January 2014, Bureau of Labor Statistics, February 20, 2014.
- <sup>9</sup> Retail prices of gasoline, all grades 2000-2014, Energy Information Administration, February 1, 2014. From 01/03/2000 -01/06/2014. [http://www.eia.gov/dnav/pet/pet\\_pri\\_gnd\\_dcus\\_nus\\_w.htm](http://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_w.htm).
- <sup>10</sup> Oil change four qts. oil and oil filter, files of Mary Johnson, 2000 through 2014.
- <sup>11</sup> Maintenance and repair data, CPI-U, January 2000 through January 2014, Bureau of Labor Statistics, February 20, 2014.
- <sup>12</sup> Medical Expenditure Panel Survey, Total Health Services Table 1, Agency for Healthcare Research and Quality, March 12, 2014. [http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)  
Methodology: Data through 2011 used to project spending through December 2013. Adjusted using CPI-U medical care index from Dec-Dec. Percentage of out-of-pocket held at most recent data.
- <sup>13</sup> Ibid, Medical Expenditure Panel Survey, Table 2: Prescription Medicines, Agency for Healthcare Research and Quality, March 12, 2014. [http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)  
Methodology: Data through 2011 used to project spending through December 2013. Adjusted using CPI-U medical care index Dec-Dec. each year's change. Percentage of out-of-pocket data used to determine out-of-pocket costs.
- <sup>14</sup> Ibid. Medical Expenditure Panel Survey, Table 3.1.a. General Dental Visits, Agency for Healthcare Research and Quality, March 12, 2014. [http://www.meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables\\_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search](http://www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=1&subcomponent=0&year=-1&tableSeries=1&searchText=&searchMethod=1&Action=Search)  
Methodology: Data through 2011 used to project spending through December 2013. Adjusted using CPI-U medical care index Dec-Dec. Percentage of out-of-pocket data used to determine out-of-pocket costs.
- <sup>15</sup> Medicare Premiums for 2014, CMS, October 28, 2013.
- <sup>16</sup> "Medicare Part D: A First Look at Plan Offerings in 2014," Kaiser Family Foundation, October 2013.
- <sup>17</sup> Sam's Club Charlottesville Virginia, 2000 through 2014, 10 pound Gold potatoes, [www.sams.com](http://www.sams.com).
- <sup>18</sup> Retail Dairy Prices, Butter/lb. Agricultural and Applied Economics, University of Wisconsin, April 24, 2013. Adjusted by CPI rise January 2013 - January 2014 data, Bureau of Labor Statistics, February 20, 2014. [http://future.aae.wisc.edu/data/monthly\\_values/by\\_area/302?tab=prices](http://future.aae.wisc.edu/data/monthly_values/by_area/302?tab=prices)
- <sup>19</sup> Retail Dairy Prices Fresh Whole Milk Retail (GAL), Agricultural and Applied Economics, University of Wisconsin, March 12, 2014. [http://future.aae.wisc.edu/data/monthly\\_values/by\\_area/301?tab=prices](http://future.aae.wisc.edu/data/monthly_values/by_area/301?tab=prices)
- <sup>20</sup> Food data 2000 through January 2014, Bureau of Labor Statistics, March 5, 2014.
- <sup>21</sup> Ibid.
- <sup>22</sup> Ibid.
- <sup>23</sup> Ibid.
- <sup>24</sup> Ibid.
- <sup>25</sup> Ibid.
- <sup>26</sup> Ibid.
- <sup>27</sup> Movie ticket: Average Ticket Prices, The National Association of Theater Owners, March 12, 2014. <http://www.natooonline.org/statisticstickets.htm> Methodology: Price through 2014 projected using average movie ticket price since 2000. To be adjusted.
- <sup>28</sup> Recreation, CPI-U data January 2000-January 2014, Bureau of Labor Statistics, February 20, 2014.

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<sup>29</sup> Basic local residential phone service (2 lines), Verizon, 2000 through 2014.

<sup>30</sup> Apparel data from CPI-U, January 2000 through January 2014, Bureau of Labor Statistics, February 20, 2014.

<sup>31</sup> Personal care data from CPI-U, January 2000 through January 2014, Bureau of Labor Statistics, February 20, 2014.

<sup>32</sup> Ibid.

<sup>33</sup> 2011-2012 Weights for CPI-E, Bureau of Labor Statistics, March 2013.

<sup>34</sup> "Health Care On a Budget," Kaiser Family Foundation, March 2012.