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The Senior Citizens League
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Summary:
The Social Security Cost of Living Adjustment (COLA) is intended to protect the purchasing power of the benefits received by older and disabled Americans. In recent years, inflation and COLAs have been at record low levels— averaging just 1.1 percent per year since 2010 — with no COLA payable at all in 2016 and just a 0.3 percent COLA in 2017.

According to annual surveys of older Americans conducted by The Senior Citizens League (TSCL), as well as annual research of inflation data, typical senior costs increase over a retirement period at several times the pace of COLAs. As a result, in 2017, average Social Security benefits lost 30 percent of their buying power. Beneficiaries have just 70 percent of the buying power that they did in 2000, making it more difficult for retirees, particularly those who have been retired the longest, to afford basic necessities such as medical care, food, and housing.

Major Findings:
Having enough income to live on in retirement is a universal concern, and there's good reason for the focus on finances. Social Security benefits lose buying power over time. In fact benefits have lost nearly one – third of their buying power since 2000.

The 2017 findings represent a substantial 7 percent loss in Social Security benefit buying power over the past 12 months — from 23% in 2016 to 30% in 2017. This occurred as inflation began to climb, but people receiving Social Security benefits received a COLA of just 0.3 percent for 2017. Housing and medical costs —particularly for prescription drug expenses — were among the most rapidly - rising spending categories over the past year.

The study's findings illustrate the impact on the buying power of Social Security benefits when the economy moves from extreme periods of low inflation, to more typical rates of inflation. **Over the period that TSCL has conducted this study there has been only one other time when the loss in buying power was larger – 8 percent in 2011.** The trend can indicate that a jump in the COLA may be ahead. Similar to the situation in 2017, in 2011 there was no COLA, but inflation grew more rapidly that year. (See Table 2.) In 2012, Social Security benefits were increased by 3.6 percent due to higher inflation.

Based on consumer price index (CPI) data through April of 2017, **TSCL estimates that the COLA for 2018 may be 2.1 percent — significantly higher than in recent years, which has averaged only 1% since 2012.** This estimate could still change, however, as there are several months to go before all the data is in.

Respondents to TSCL's annual Senior Survey, conducted from January through March of 2017 through the mail and online, confirm that monthly household expenses made steep increases in 2016. The majority, 67%, indicated their monthly expenses went up by more than $79. With today's Social Security benefit averaging $1,320 per month, that leaves people living on fixed income digging more deeply into savings, if they have any savings. Those who don't may be going into debt or going without.

Background

Since 2000, COLAs increased Social Security benefits a total of just 43 percent while typical senior expenses have jumped 86 percent. Table 1 illustrates ten of the fastest growing costs since 2000. Medicare Part B premiums and prescription drugs top the list. * (Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.)

Table 1. Top Ten Fastest Growing Costs of Older Americans Since 2000

Item	Cost in 2000 Average cost $ or numeric value	Cost in 2017 Average cost $ or numeric value*	Percent Increase
1. Medicare Part B monthly premium	$45.50	$134.00	195%
2. Prescription drugs Annual average out-of- pocket	$1,102.00	$3,132.00	184%
3. Homeowner's insurance national average annual premium	$508.00	$1,292.00	154%
4. Real estate tax (annual)	$690.00	$1,701.50	147%
5. Propane gas per gallon	$1.01	$2.39	137%
6. Heating oil	$1.15	$2.63	130%
7. Medigap supplement average monthly premium all plans	$119.00	$264.45	122%
8. Pet care services including veterinary	109.300*	232.317*	113%
9. Total medical out-of-pocket expenses national average people age 65 and up	$6,140.00	$12,125.00	97%
10. Oranges (lb.)	.61	$1.19	95%

The national average Social Security benefit in 2000 — $816 per month — grew to $1,169.80 by 2016 due to COLA increases. Because retiree costs are rising at a substantially faster pace than the COLA, however, a Social Security benefit of $1,517.80 per month in 2017 would be required *just to maintain the same 2000 level of buying power*.

A majority of the 57 million senior and disabled Americans who receive Social Security depend on it for at least 50 percent of their total income, and one – third of all beneficiaries rely on it for 90 percent or more of their income. To help protect the buying power of benefits, TSCL supports legislation that would base COLAs on the Consumer Price Index for the Elderly (CPI-E).

To learn more, visit www.SeniorsLeague.org.

Methodology:

The study examined the increase in costs of 39 key items between 2000 and January 2017. (Table 4.) The items were chosen not only because they are typical of the costs that older people must bear, but also because they include common expenditures, such as Medicare Part B and D premiums, that the government doesn't track under the consumer price index used to adjust Social Security benefits. Of the 39 costs analyzed, 26 exceeded the percentage of increase in the COLA over the same period.

In order to determine how the purchasing power of Social Security benefits is affected from year to year, we examined the average benefit in January of 2000, and adjusted it using COLA increases through January 2017. The average Social Security benefit was $816 in 2000. COLAs increased benefits 43 percent over the 17 - year period, increasing this benefit to $1,169.80 in 2017.

The study found that costs have increased over the same period by 86 percent for 39 essential items. That means the $816 average benefit in 2000 would have needed to increase to $1,517.80 per month *just to maintain the same 2000 level of buying power*. That amount can be calculated by multiplying the 2000 benefit of $816 by 1.86 rounded 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, $348, by the amount actually received in 2017, $1,169.80. That represents a 30 - percent loss of buying power since 2000.

The 39 selected items represent eight categories, weighted by approximate expenditure. The study used the same weightings that the government uses in calculating the Consumer Price Index for the Elderly, (CPI-E).

Table 2. TSCL's Social Security Loss of Buying Power Study Trends 2010-2017

Year	Loss of Buying Power	Loss or Gain in Buying Power	COLA (Announced in October, effective January 1 the following year.)
2010	24%		0%
2011	32%	(- 8%) loss	3.6%
2012	34%	(- 2%) loss	1.7%
2013	31%	+ 3% gain	1.5%
2014	31%	No change	1.7%
2015	22%	+ 9% gain	0%
2016	23%	(- 1%) loss	0.3%
2017	30%	(- 7%) loss	2.1% (Estimate)

Table 3. Ten Slowest Growing Senior Costs That Grew Slower Than the COLA Since 2000

Item	Cost in 2000 Average cost $ or numeric value	Cost in 2017 Average cost $ or numeric value	Percentage Increase
1. Used vehicles	153.900	142.668	(-11%)
2. Clothing	126.800	123.088	(-3%)
3. New vehicles	143.300	148.848	4%
4. Personal care products	152.800	161.816	6%
5. Cheddar cheese (lb.)	$3.84	$4.36	14%
6. Milk (gal.)	$2.79	$3.32	19%
7. Coffee (lb.)	$3.54	$4.47	26%
8. Personal care services	174.900	226.017	29%
10. Chicken (lb.)	$1.06	$1.42	34%

The chart below illustrates the changes in item costs. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.

Table 4. Loss of Buying Power Item Cost Changes 2017

Category	Expense	Average cost or numeric value in Jan 2000	Average cost or numeric value in Jan 2017	Percent Increase, 2000-2017
Housing	Own	195.700	301.181	54%[1]
Housing	Rental	180.800	303.467	67%[2]
Housing	Homeowner's insurance (annual)	$508.00	$1,292.00	154%[3]
Housing	Real estate tax (annual)	$690.00	$1,701.53	147%[4]
Housing	Heating oil (gallon)	$1.15	$2.63	130%[5]
Housing	Propane gas (dollars per gallon)	$1.01	$2.39	137%[6]
Housing	Electricity per kilowatt hr	$.08	$.13	68%[7]
Transportation	New vehicles	143.300	148.848	4%[8]
	Used vehicles	153.900	142.668	(-11%)[9]
Transportation	All grades gas (gallon)	$1.31	$2.41	84%[10]
Transportation	Maintenance/repair	174.600	279.523	60%[11]
Transportation	Services including motor vehicle insurance, airline fare	193.000	303.718	57%[12]
Transportation	Motor vehicle insurance	395.974	510.919	29%[13] (since 2012)
Medical	Total out-of-pocket medical expenses, not including	$6,140.00	$12,125	97%[14]

	premiums			
Medical	Prescription drugs, generic, brand, special.	$1,102.00	$3,132.	184%[15]
Medical	dental, general visits	$492.00	$845.00	72%[16]
Medical	Medicare Part B premiums (monthly)	$45.50	$134.00	195%[17]
Medical	Medicare Part D premiums average weighted for enrollment	$25.93	$42.17	63%[18]* since 2006
Medical	Medigap average premium, all plans	$119.00	$264.45	122%[19]
Food	10 lbs. potatoes	$2.98	$5.14	72%[20]
Food	1 lb. cheddar cheese	$3.84	$4.36	14%[21]
Food	Milk (gal.)	$2.79	$3.32	19%[22]
Food	Eggs (dz.)	$0.93	$1.60	64%[23]
Food	Ground chuck (lb.)	$1.90	$3.62	91%[24]
Food	Chicken (lb.)	$1.06	$1.42	34%[25]
Food	coffee (lb.)	$3.54	$4.47	26%[26]
Food	Bread, white (loaf)	$.91	$1.35	48%[27]
Food	Apples (lb.)	$.95	$1.25	31%[28]
Food	Oranges (lb.)	$.61	$1.19	95%[29]
Food	Tomatoes	$1.44	$2.05	42%[30]
Recreation	(all items in category)	102.300	117.337	15%[31]
Recreation	Movie ticket	$5.39	$8.86	64%[32]
Recreation	Pets and pet products	144.300	170.0	18%[33]
Recreation	Pet services including veterinary	109.300	232.317	113%[34]
Communication	Basic phone service, 2 land lines, local	$55.37	$100.49	81%[35]
Communication	First - class postage	$0.33	$0.47	42%
Apparel	Clothing	126.800	123.088	(-3%)[36]
Other	Personal care	152.800	161.816	6%[37]

	products			
Other	Personal care services	174.900	226.017	29%38

Weighting:

We used the weighting of the Consumer Price Index for the Elderly (CPI-E)39 to suggest our weighting guidelines.

Table 5. Weighting

Expenditure Group	CPI-E*	TSCL Survey
Housing	46.3	46.3
Transportation	13.9	13.9
Medical	12.1	12.1
Food	13.0	13.0
Recreation	5.3	5.3
Communication	4.4	4.4
Apparel	2.2	2.2
Other	3.1	3.1

*CPI-E weights add up to more than 100 due to rounding.

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With 1.2 million supporters, The Senior Citizens League is one of the nation's largest nonpartisan seniors groups. Its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of The Retired Enlisted Association. Visit www.SeniorsLeague.org for more information.

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[2] Rental of Primary Residence CPI-U, January 2000 through January 2017, Bureau of Labor Statistics, February 15, 2017.

[3] Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, February 28, 2017. http://www.iii.org/media/facts/statsbyissue/homeowners/
Methodology: Rate of increase extended from 2014 through 2017 based on historic average rate of increase. To be adjusted year to year.

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[5] Retail prices of residential heating oil 2000- through January 30, 2017, Energy Information Administration, February 28, 2017.
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[7] Average retail price of electricity to customers, 2000-2017, Bureau of Labor Statistics Average Price Data through January 2017.

[8] New motor vehicle costs, CPI-U, January 2000 through January 2017, Bureau of Labor Statistics, February 15, 2017.

[9] Used motor vehicle costs, CPI-U January 2000 through January 2017, Bureau of Labor Statistics, February 15, 2017.

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Methodology: Data through 2014 used to project spending through December 2016. Adjusted using historical rate of change since 2000.

[16] Ibid. Medical Expenditure Panel Survey, Table 3.1.a. General Dental Visits, Agency for Healthcare Research and Quality, March 2, 2017.
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[25] Ibid.

[26] Ibid.

[27] Ibid.

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[33] CPI-U data January 2000-January 2016, February 15, 2017.

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[35] Basic local residential phone service (2 lines), Verizon, 2000 through 2017.

[36] Apparel data from CPI-U, January 2000 through January 2017, Bureau of Labor Statistics, February 15, 2017.

[37] Personal care data from CPI-U, January 2000 through January 2017, Bureau of Labor Statistics, February 15, 2017.

[38] Ibid.

[39] 2013-2014 Weights for CPI-E, Bureau of Labor Statistics, May 2017.