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2021 Social Security COLA Likely To Be About 1.3% Says The Senior Citizens League

(Washington, DC) – Social Security recipients are likely to get a 1.3 percent cost of living adjustment (COLA) in 2021, making it the second lowest ever paid, according to [The Senior Citizens League \(TSCL\)](#). “Our forecast is based on CPI data through August, and there is still one more month of consumer price data to come in before we get the official announcement in October, says Mary Johnson, Social Security policy analyst for The Senior Citizens League.

Based on historic trends, there’s only a 5 percent chance that the COLA could rise above 1.3 percent and a 15 percent chance that it could be lower. Although the inflation rate during May through August suggests the COLA could go up to 1.4 percent, the more recent three - month rate from June through August, and a new downward trend in gasoline prices seem to indicate it will probably be 1.3 percent,” Johnson says.

Should the forecast prove to be correct, this would make the 5th time since 2010 that there will be an extremely low, or even no, annual inflation adjustment. “This is more evidence that our system to adjust benefits for inflation, is broken,” Johnson says.

The COLA was zero in 2010, 2011, and 2016. It was just 0.3% in 2017. Since 2010, annual COLAs have averaged just 1.4 percent. That’s less than half the 3 percent that COLAs averaged between 1999 and 2009. This has occurred at the same time that other costs experienced by retirees, particularly for healthcare and housing, have grown several times faster than the overall rate of inflation. But those costs have not been accurately reflected in the COLA.

Why not? One major reason has to do with whose “market basket” the government is using to measure inflation and to calculate the annual adjustment. Under current law, the Social Security COLA is determined by the percentage of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). That market basket belongs to younger working adults under the age of 62 and doesn’t include the households of people who are retired.

The CPI-W gives greater weight (or mathematical importance) to consumer items purchased more frequently by younger people like gasoline and electronics. Conversely,

the CPI-W gives less importance to housing and medical expenses, two expenditure categories which form the biggest share of spending in households of older consumers. Those two categories have increased rapidly over the past decade but are not accurately reflected in COLAs. If that weren't enough, the COLA doesn't include Medicare premiums. Research for The Senior Citizens League has found that Medicare Part B premiums are one of the fastest growing costs in retirement.

The COLA is intended to protect the buying power of Social Security benefits from eroding when prices go up. But when the annual inflation adjustment doesn't go up in sync with rising costs, the buying power of benefits erodes. That chips away at the standard-of-living of all benefit recipients. Research by Johnson has found that Social Security benefits have lost about 30 percent of buying power over the past 20 years.

Questions about the fairness and accuracy of the COLA, which TSCL's research, surveys, and supporters have raised, are getting attention in Congress. Recently the U.S. Government Accountability Office (GAO) was asked to review efforts to measure the cost of living for older populations. In its [report](#), the GAO found that "*the U.S. Bureau of Labor Statistics (BLS) faces accuracy, timeliness, and relevancy challenges developing consumer price indexes (CPI) for subpopulations of blue-collar workers and older Americans.*" The GAO went on to say, "*BLS has not evaluated the extent to which its existing data are adequate to produce CPIs that reflect what these subpopulations pay, where they shop, and what they purchase... Without an evaluation, **federal retirement benefits could be subject to adjustment based on potentially inaccurate information.***"

TSCL is working to ensure that Members of Congress are made aware that there could be an extremely low COLA in 2021, and that corrective action will be needed, especially to address the potential of surging Medicare premiums. TSCL is proposing an emergency COLA of at least 2.5 percent. The Social Security COLA is expected to be announced October 13, 2020.

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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.

Attention journalists: — For more information see the following—
[2020 Loss of Buying Power Study: Social Security Benefits Lose 30% of Buying Power Since 2000](#)
[An Emergency COLA Boost in 2021 Would Prevent Economic Insecurity](#)