

## SOCIAL SECURITY

# The Shrinking Social Security Benefit

THE PANDEMIC THAT SHUTTERED BUSINESSES AND LEFT 40 million Americans unemployed also means fewer dollars flowing into Social Security's coffers. What does the pandemic economy bode for people already collecting benefits or who hope to do so one day?

The good news is that Social Security can pay 100% of benefits for the next dozen or so years and about 75% of benefits thereafter, even if 1 in 5 people are unemployed for the next 24 months, according to the Center for Retirement Research at Boston College.

The bad news is that changes baked into the program are coming home to roost, and the effect is that benefits keep getting stingier. "Once we get through this pandemic, the attention should be on fixing the program," says CRR's director Alicia H. Munnell.

Fixing Social Security isn't insurmountable. Hiking payroll taxes 1.6% for employers and employees would fully fund the program for the next 75 years, according to a CRR report. Social Security is already tapping interest from the program's trust fund to pay benefits and will begin dipping into fund assets next year, the first time that's happened since 1982. Left alone, the fund could be depleted by 2033, two years sooner than originally projected because of the pandemic economy.

After that, the program would rely entirely on annual payroll tax revenue. At first, retirees would get 79 cents for every dollar they'd earned in benefits, dropping to 73 cents per dollar by the end of the century. No one, of course, expects that to happen. "Politically, it's untenable," says Nancy Altman, president of Social Security Works, a nonprofit advocacy group.

But even if Congress fixes Social Security's funding, benefits are still shrinking. In fact, they have been for some time because of the rising retirement age. In 1983, Congress gradually raised the full retirement age for people born between 1938 and 1960. Because of the way Social Security's actuarial formula is calculated, the replacement rate—the amount of money a beneficiary receives compared to preretirement earnings—fell as the retirement age rose, with the steepest cuts hitting those born in 1960 or later.

Social Security's benefits table bears this out. The full retirement age for someone born in 1937 is 65. A

monthly benefit of \$1,000 drops to \$800 if that individual retires early at 62, which makes sense given that benefits accrue the longer you wait to take them.

But someone born a year later in 1938, who would have received \$1,000 at the full retirement age of 65 and two months, gets just \$791 per month at age 62. The benefit amount continues to drop with those born in 1960 or later getting just \$700 at age 62 of the \$1,000 benefit they would have received at the full retirement age of 67. "Raising the retirement age is cutting benefits," says Munnell. As long as Congress keeps the full retirement age at 67, the replacement rate will level off in 2022 and benefits should stop shrinking.

Unfortunately, the same can't be said for their purchasing power, which continues to fall. Social Security's annual cost of living adjustments can't keep up with health care costs, which have been rising faster than other goods and services, translating into a 30% loss of buying power for benefits since 2000, according to a Senior Citizens League study. Seniors spend more than twice as much on health care as younger adults.

Benefits are also staying frozen more often. Since COLAs began in 1975, only three years—2010, 2011 and 2016—had no increases, but all occurred in the past decade. The pandemic's weak economy and crashing oil prices mean no COLAs are expected for 2020.

If there's a bright side, says Kurt Czarnowski of Czarnowski Consulting, a Social Security and retirement planning firm, it's this: "There's no provision for taking money away from beneficiaries," in years when the cost of living doesn't increase. **K CATHERINE SISKOS**

## Shortchanged Over Time

Raising retirement ages reduces monthly benefits.

BIRTH YEAR	FULL RETIREMENT AGE	MONTHLY BENEFIT* AT AGE 62
1943-1954	66	\$750
1955	66, 2 months	\$741
1956	66, 4 months	\$733
1957	66, 6 months	\$725
1958	66, 8 months	\$716
1959	66, 10 months	\$708
1960 and later	67	\$700

\*Amount based on \$1,000 benefit at full retirement age  
Source: Social Security Administration