

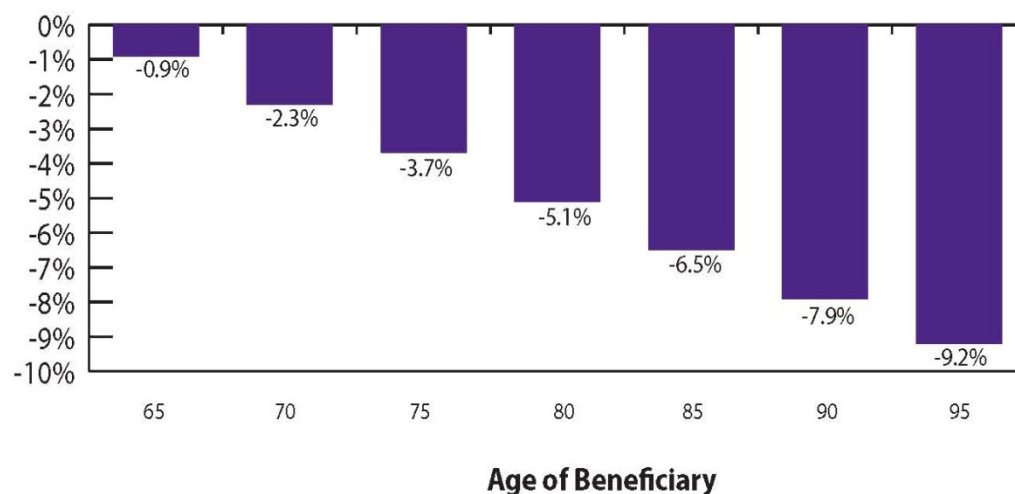
Switching to the Chained CPI Means Painful Cuts to Social Security Benefits - Especially for Women

The current index used to calculate the cost-of-living adjustment (COLA) in Social Security already underestimates inflation for the elderly; switching to the chained CPI would erode benefits more deeply.

- The current index, the CPI-W, measures changes in the cost of items purchased by consumers generally. But elderly consumers (65+) spend twice as much of their budgets on health care, where costs rise much more rapidly.
- The CPI-W *understated* inflation from 1983-2009 by 0.3 percentage points per year compared to the CPI-E, an experimental CPI for the elderly developed by the Bureau of Labor Statistics.
- Switching to the chained CPI would reduce the COLA by 0.3 percentage points per year compared to the CPI-W (SSA Actuary).

Cuts from the chained CPI get deeper with every year of benefit receipt.

Figure 1. Percent cut in monthly benefits from chained CPI, compared to current-law benefits



Source: NWLC calculations based on Office of the Chief Actuary's Memo, Dec. 1, 2010.

Cuts from the chained CPI would make it harder for elderly women to meet their basic needs.

- For an individual with an initial benefit of \$1,100 per month (\$13,200 annually) – the median benefit for single women 65 and older – benefits would be reduced by \$56 per month (\$672 annually) at age 80, \$101 per month (\$1,212 annually) at age 95.
 - The average monthly cost of food per month for a single elderly person is \$53 per week. Thus, a benefit cut of \$56 per month is equivalent to the loss of over a week's worth of food per month or 13 weeks of food that year. By age 95, the loss would be equivalent to nearly two weeks' worth of food per month or over 23 weeks of food that year.

Figure 2. Weeks of food lost annually from chained CPI, single elderly woman with monthly benefit of \$1,100

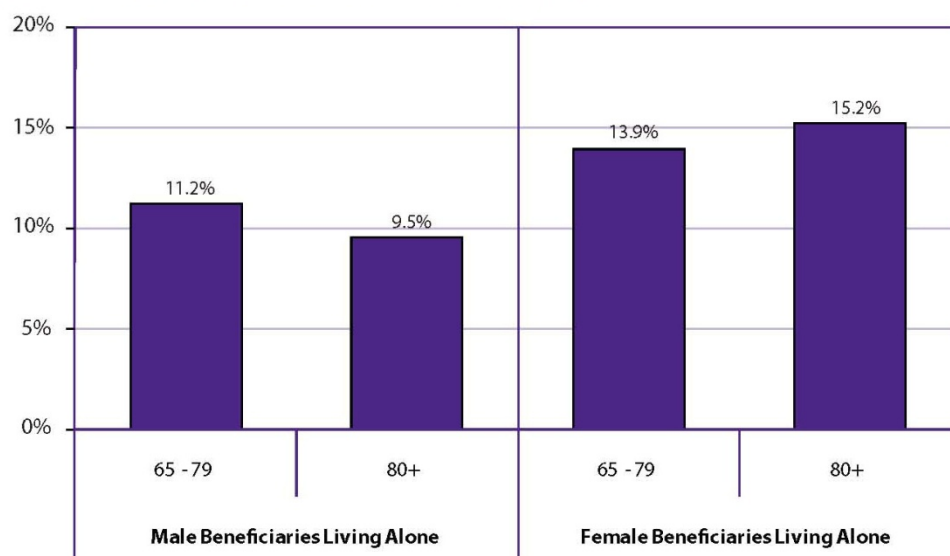


Source: NWLC calculations based on CPS 2010, Office of the Chief Actuary's Memo, Dec. 1, 2010, and Elder Economic Security Standard Index.
1 Empty Grocery Cart=1 Week of Food (\$53 value in \$2010)

Switching to the chained CPI would be especially painful to women for several reasons.

- Women live longer than men, so are more likely to experience larger percentage reductions in benefits. At age 65, women are 1.6 times as likely as men to live to 90 and twice as likely to live to 95.
- Women rely more on Social Security, especially as they age. Social Security is virtually the only source of income for 38 percent of women age 80 and older v. 25 percent of men age 80 and older.
- Older women are already more likely to be poor.

Figure 4. Poverty of Social Security beneficiaries by age



Source: NWLC calculations based on CPS 2010.

For more information, see: Joan Entmacher and Kate Gallagher Robbins, National Women's Law Center, *Cutting the Social Security COLA by Changing the Way Inflation Is Calculated Would Especially Hurt Women* (June 2011), available at <http://www.nwlc.org/resource/cutting-social-security-cola-changing-way-inflation-calculated-would-especially-hurt-women>