

## SOCIAL SECURITY: BASIC DATA

### **Who Benefits from Social Security?<sup>1</sup>**

More than 47.5 million people receive monthly Old Age, Survivors and Disability Insurance benefits (OASDI). Today the poverty rate for those age 65 and older is 10.2 percent. Without Social Security that rate would rise to almost 50 percent.

#### **Retired Workers:**

Almost two-thirds of Social Security beneficiaries (62.8 percent) are retired workers. Of all retired-worker beneficiaries, 51.5 percent are men and 48.5 percent are women.<sup>2</sup> Almost 9 percent of retired workers are age 62-64.

#### **Disabled Workers:**

Thirteen percent of all beneficiaries, or more than 6.1 million, are disabled workers. Of these, 53 percent are men and 47 percent are women. The average age of disabled workers is 51.

#### **Spouses:**

More than 2.6 million beneficiaries are wives and husbands of retired workers, and more than 150,000 are spouses of disabled workers. Spouses represent approximately 6 percent of all beneficiaries.

#### **Survivors of Deceased Workers:**

Just over 10 percent of beneficiaries are aged widows or widowers and aged parents;

<sup>1</sup> [http://www.ssa.gov/policy/docs/statcomps/oasdi\\_monthly/2004-09.html](http://www.ssa.gov/policy/docs/statcomps/oasdi_monthly/2004-09.html). Accessed November 23, 2004.

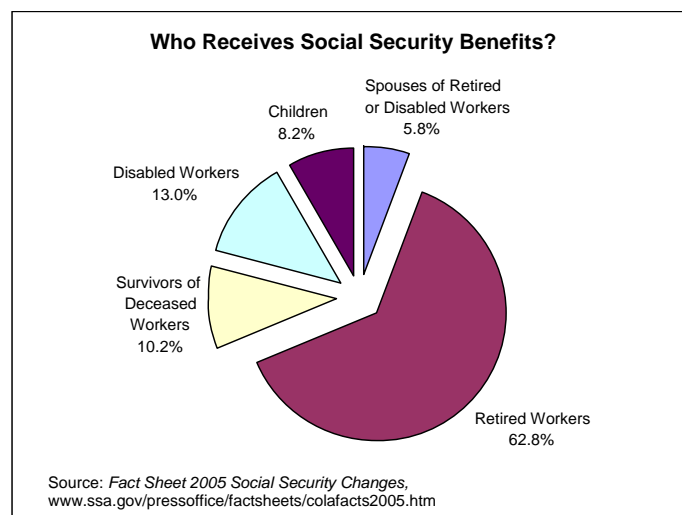
<sup>2</sup> Over six million (about one-fifth of) retired workers have dual entitlement, i.e., they receive benefits as both a worker and as a spouse. (Persons entitled to both a worker's benefit and a spousal or widow[er]'s benefit that is higher receive the worker's benefit amount plus the difference between this benefit and the spousal or widow[er]'s benefit amount. They are not entitled to receive both full benefits.)

disabled widows or widowers; or widowed mothers and fathers with child beneficiaries in their care.

#### **Children:**

Children represent 8.2 percent of beneficiaries. Of these four million children:

- 79% are under age 18
- 19% are disabled and are age 18 or older
- 12% are children of retired workers
- 48% are children of deceased workers
- 40% are children of disabled workers
- 1% are students age 18-19



### **How Much Do Beneficiaries Receive in 2005?<sup>3</sup>**

#### **Average Monthly Retirement Benefits:**

Retired Worker	\$ 955
Aged Couple, both Beneficiaries	\$1,574

#### **Average Monthly Survivor Benefits:**

Aged Widow (er) Alone	\$ 920
Widowed Mother & Two Children	\$1,979

<sup>3</sup> [http://www.ssa.gov/policy/docs/statcomps/oasdi\\_monthly/2004-09.html](http://www.ssa.gov/policy/docs/statcomps/oasdi_monthly/2004-09.html). Accessed November 23, 2004.

## Average Monthly Disability Benefits:

Disabled Worker .....	\$895
Disabled Worker, Spouse & One Child .....	\$1,497

## Who Depends on Social Security?

Social Security is the dominant source of income for people age 65 and older.

- More than two-thirds of all those older than 65 depend on Social Security for more than 50 percent of their income.
- Close to 80 percent of African Americans and 76 percent of Hispanics age 65 and older depend on Social Security for more than 50 percent of their income.
- Almost 75 percent of unmarried women rely on Social Security for half or more of their income.

## Who Pays for Social Security?<sup>4</sup>

Today, almost 159 million people work in jobs covered by Social Security. Of these workers, about 90 percent are wage and salaried taxpayers and 10 percent are self-employed taxpayers.<sup>5</sup> The FICA taxes workers paid in 2004 represented more than \$553 billion in Social Security revenue.

Some beneficiaries also contribute to the system by paying taxes on a portion of their benefits. Income to the OASDI trust funds from taxation of benefits in 2004 was \$15.7 billion.

The Social Security trust funds are invested in interest-bearing U.S. securities. In 2004, the effective annual rate of interest earned on the OASDI trust funds was 5.7 percent. In 2004, the interest earned on these investments represented \$89 billion in Social Security income.

<sup>4</sup> <http://www.ssa.gov/policy/docs/statcomps/supplement/2003/4b.html#table4.b2>.

<sup>5</sup> Workers with earnings in both wage and salary employment and self-employment are counted in each type of employment but only once in the total.

## Social Security Solvency<sup>6</sup>

According to the Social Security actuaries, the OASDI trust funds are not solvent for the long term primarily as result of demographics—low fertility rates and eligibility of the oldest baby boomers for early retirement in 2008. Income, excluding interest earned on the trust fund assets, will be less than outlays beginning in 2017. The first year that outgo exceeds income, including interest, will be 2027. After 2027, the trust fund assets (held in the form of Treasury securities) will be redeemed until they are depleted in 2041. (The Congressional Budget Office projects the depletion date will be ten years later in 2052.<sup>7</sup>) At this time, because there are still workers paying into Social Security, about 74 percent of promised benefits can be paid.

The actuarial deficit of the OASDI trust funds for the 75-year period beginning 2005 is 1.92 percent of taxable payroll. According to the Social Security Trustees, solvency for the next 75 years could be achieved by a permanent 12.8 percent reduction in benefits starting in 2005. Alternatively, solvency for the next 75 years could be achieved by increasing the current Social Security tax rate (FICA) from 12.4 percent to 14.32 percent.

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<sup>6</sup> Except where noted, projections based on intermediate cost assumptions, from *2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Trust Funds and Status of the Social Security and Medicare Program*, p. 16.

<sup>7</sup> Projection from *The Outlook for Social Security*, Congressional Budget Office, released June 2004