

## Social Security: Who's Counting on It?

- ✓ This is an update of Fact Sheet 154, *Social Security: Ten Facts That Matter*, using 2009 administrative data and 2008 survey data.
- ✓ In 2009, nearly 53 million people received some sort of Social Security benefit.
- ✓ In 2008, Social Security kept almost 36 percent of older Americans out of poverty.

Social Security insures families against the loss of income caused by retirement, disability, or death, with nearly universal coverage. Social Security has been a success; however, the program has a long-term solvency challenge. Over the next 75 years, Social Security's actuarial deficit is projected to be 2.0 percent of taxable payroll.<sup>1</sup> This deficit needs to be addressed soon, without changing the fundamental structure of the program or eroding the protections it offers to almost all workers and their families. Here are some important facts to remember as the future of Social Security is discussed.

### Social Security Insurance Protects All Age Groups.

Social Security not only provides retirement income for older Americans, it also protects workers of all ages and their families against the risks of death and disability (see figure 1). In 2009, 52.5 million people, including about 16 million under age 65, received some sort of Social Security benefit.<sup>2</sup>

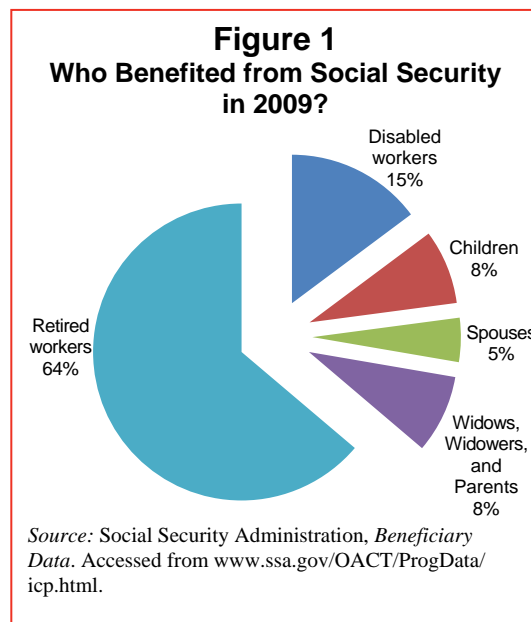
- Ninety-seven percent of people aged 20 to 49 in covered employment earned survivorship protections for their family.<sup>3</sup>
- Ninety-one percent of people aged 21 to 64 in covered employment can depend on a monthly cash benefit in

the case of a severe and prolonged disability.<sup>4</sup>

### Social Security Benefits Are Adequately Funded for Another 27 Years.

Beginning in 2037, according to the Social Security trustees, the Social Security trust fund, which is currently in surplus, will be exhausted. Without any changes, Social Security taxes (primarily payroll taxes) still will be enough to pay 76 percent of scheduled benefits in 2037 and 74 percent of scheduled benefits in 2083.<sup>5</sup>

Social Security benefits are tied to a worker's lifetime earnings, which are indexed to



average wage growth in the economy. Because wages typically grow faster than inflation, benefits equal to 76 percent of scheduled benefits in 2037 and 74 percent in 2083 are projected to be higher in inflation-based dollars than today's benefits.

**Social Security Is the Principal Source of Family Income for Nearly Half of Older Americans.**

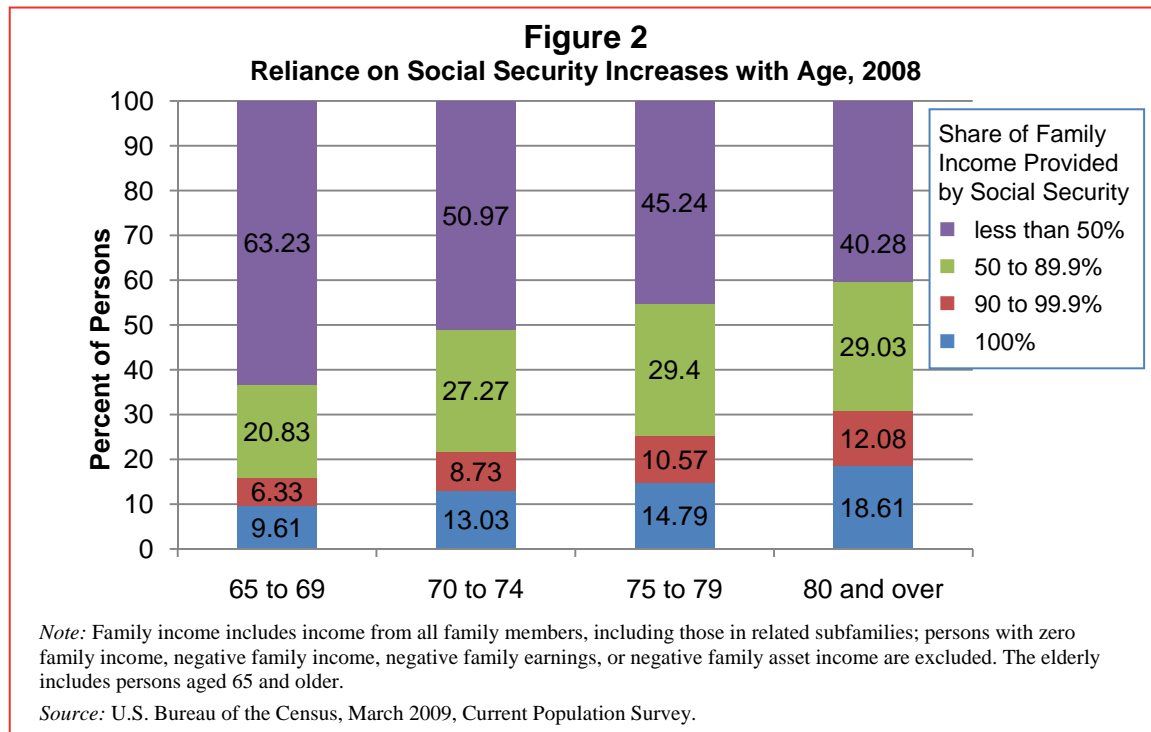
Twenty-three percent of those aged 65 and over live in families that depend on Social Security benefits for 90 percent or

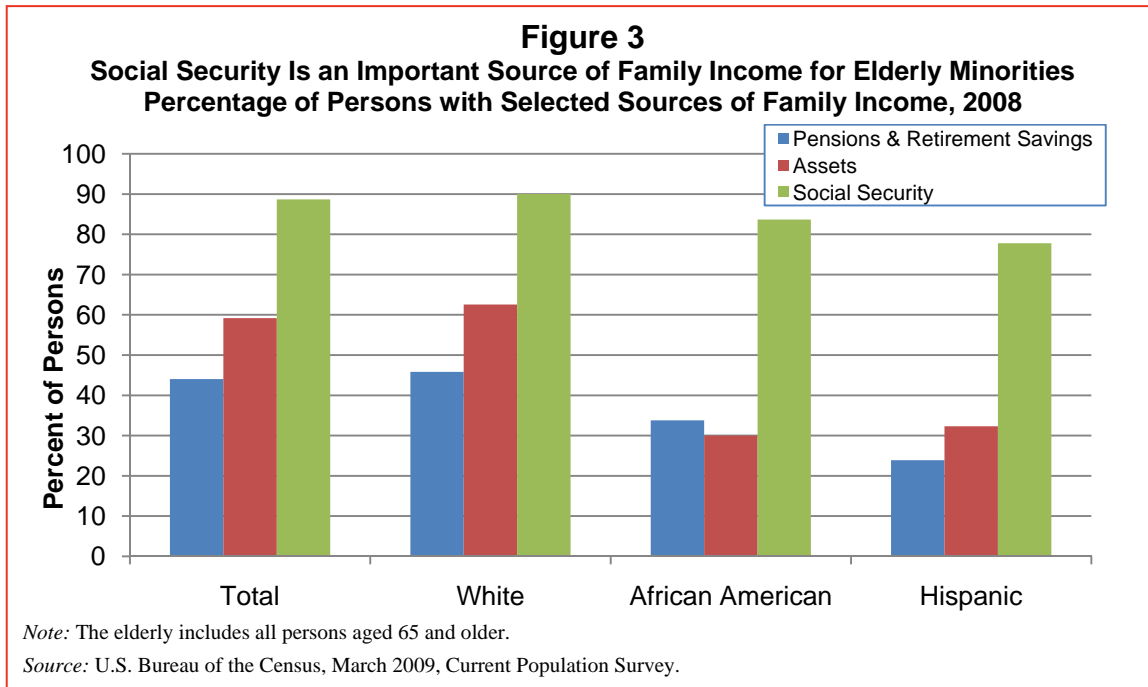
more of their income, and another 26 percent receive at least half of their family income from Social Security (see table 1).<sup>6</sup> Social Security benefits are particularly important for women, because, on average, women live longer and earn less than men. Fifty-three percent of all women aged 65 and older depend on Social Security benefits for 50 percent or more of their family income.<sup>7</sup> Additionally, reliance on Social Security as a source of guaranteed income increases with age (see figure 2).

**Table 1**  
**Elderly Individuals Depend on Social Security for a Substantial Share of Family Income**  
**Percentage of Family Income Provided by Social Security**

	100%		90 to 99.9%		50 to 89.9%		less than 50%		Total	
	thousands	percent (persons)	thousands	percent (persons)	thousands	percent (persons)	thousands	percent (persons)	thousands	percent (persons)
2005	4,682	13.5	3,392	9.8	9,572	27.5	17,105	49.2	34,751	100.0
2006	4,544	13.6	2,935	8.8	9,157	27.4	16,786	50.2	33,422	100.0
2007	5,217	14.4	3,015	8.3	9,682	26.7	18,300	50.5	36,214	100.0
2008	5,120	13.8	3,427	9.2	9,708	26.1	18,893	50.9	37,148	100.0

*Note:* Family income includes income from all family members, including those in related subfamilies. Persons with zero family income, negative family income, negative family earnings, or negative family asset income are excluded. The elderly includes persons aged 65 and older.  
*Source:* U.S. Bureau of the Census, March 2005–2009, Current Population Survey.





Eighty-nine percent of individuals aged 65 and over include Social Security benefits as a source of family income, which is more than double the number of individuals receiving income from pensions and retirement savings (see figure 3). Social Security retirement benefits are guaranteed for life and are adjusted to keep pace with inflation. In contrast, pensions and retirement savings accounts are rarely indexed to inflation, and retirees may outlive those assets.

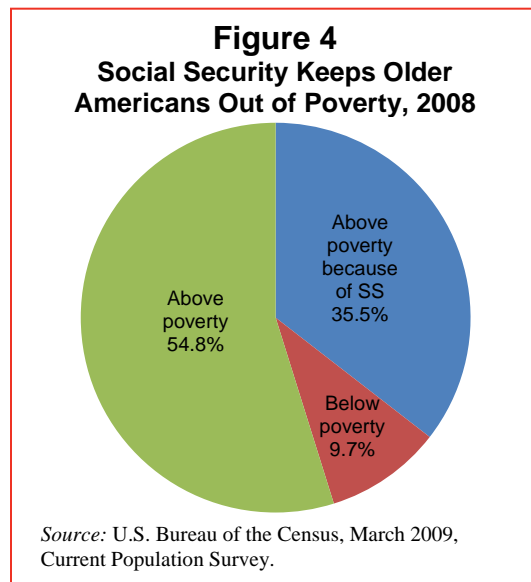
**Social Security Keeps Older Americans Out of Poverty.**

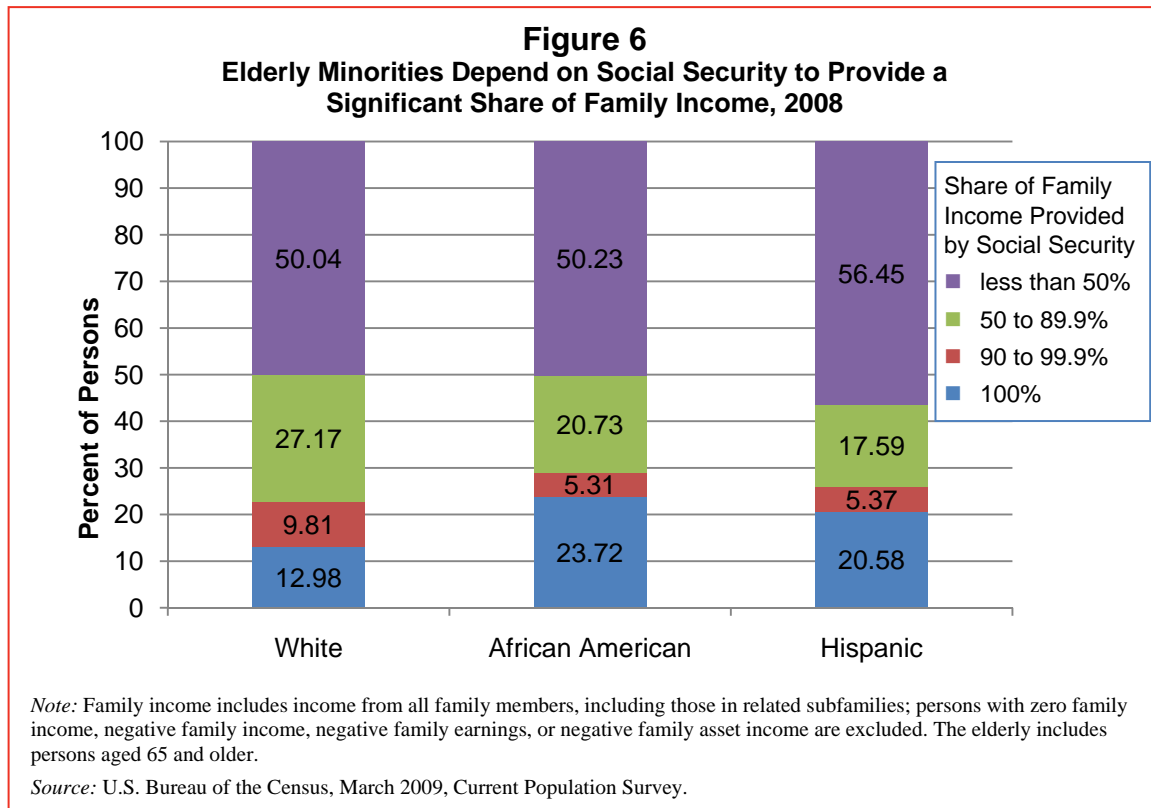
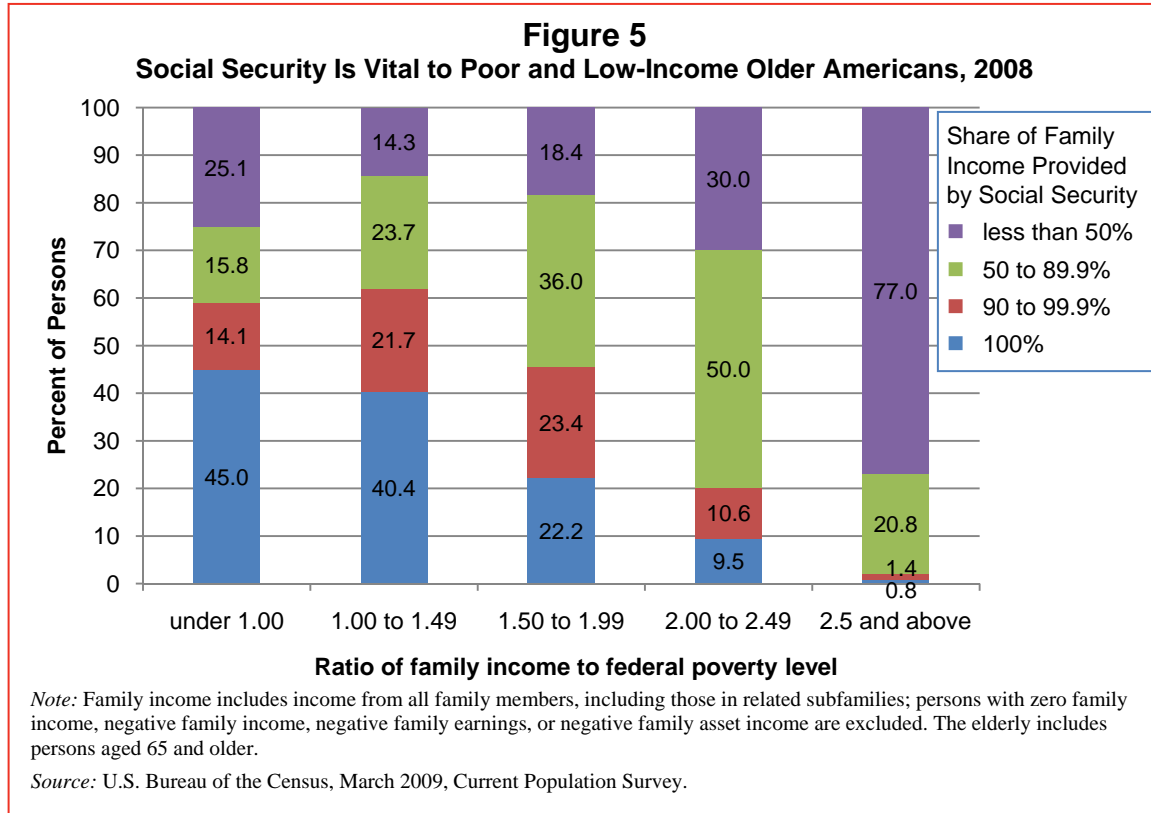
As the only guarantee of income in retirement, Social Security has performed admirably over the years in keeping older Americans out of poverty. In 2008, Social Security income kept roughly 36 percent of older Americans out of poverty (see figure 4). The poor and near-poor also rely on Social Security for a significant share of their income; in 2008, more than half of the poor and near-poor relied on Social Security for 90 percent or more of their family income (see figure 5).

**Social Security Provides Critical Income Support to Minorities.**

African Americans and Hispanics make up a disproportionately large segment of workers earning low or moderate wages.

The progressive Social Security benefit formula ensures that these lower-wage workers and their families receive a higher benefit relative to their contributions than higher-wage workers.





Older African Americans and Hispanics are less likely than whites to have income from pensions and other retirement savings or assets (see figure 3). However, 84 percent of African Americans over age 65 and 78 percent of Hispanics over age 65 have income from Social Security. Older African Americans and Hispanics are more likely than older whites to depend on Social Security for 90 percent or more of their family income (figure 6).

### **Social Security Is the Foundation of Workers' Retirement Security, But It Was Never Intended to Be the Only Source.**

Social Security was intended to provide vital basic protections for workers and their families. However, savings and pensions are important components of overall retirement income security. On average, Social Security replaces only 41 percent of a medium earner's wages.<sup>8</sup> For a comfortable retirement, many financial planners suggest that an individual's total savings, pensions, and personal savings, plus Social Security income, should replace at least 70 percent of preretirement income.<sup>9</sup>

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<sup>1</sup> Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*. Washington, DC, May 2009. Accessed February 20, 2010 at [www.ssa.gov/OACT/TR/2009/tr09.pdf](http://www.ssa.gov/OACT/TR/2009/tr09.pdf).

The actuarial deficit is the difference between income (payroll tax contributions and income from the taxation of scheduled benefits) and

scheduled benefits and administrative costs. A deficit of 2.0 percent of taxable payroll means that a payroll tax increase of 2.0 percentage points would close the deficit.

<sup>2</sup> Number of beneficiaries as of December 31, 2009. Social Security Administration, *Social Security Beneficiary Statistics*. Accessed February 20, 2010 at [www.ssa.gov/OACT/STATS/OASDIbenies.html](http://www.ssa.gov/OACT/STATS/OASDIbenies.html); Social Security Administration, "Social Security Program Fact Sheet, December 31, 2009." Accessed February 20, 2010, at [www.ssa.gov/OACT/FACTS/](http://www.ssa.gov/OACT/FACTS/).

<sup>3</sup> Social Security Administration, "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program." Accessed February 20, 2010, at [www.ssa.gov/OACT/FACTS/](http://www.ssa.gov/OACT/FACTS/).

<sup>4</sup> Ibid.

<sup>5</sup> Op. cit., note 1.

<sup>6</sup> These tabulations take account of the income of the entire family in estimating the extent to which older individuals depend on Social Security. See <http://assets.aarp.org/rgcenter/ppi/econsec/fs178-socsec-tables.pdf>

for estimates of dependence on Social Security by state.

<sup>7</sup> AARP Public Policy Institute tabulation of U.S. Bureau of the Census, March 2009 Current Population Survey.

<sup>8</sup> Social Security Administration, "2009 Social Security/SSI/Medicare Information." Accessed February 20, 2009, at [www.ssa.gov/legislation/2009factsheet.pdf](http://www.ssa.gov/legislation/2009factsheet.pdf).

<sup>9</sup> Investopedia.com, "Mutual Fund Basics Tutorial." Accessed at [www.investopedia.com/university/mutualfunds/](http://www.investopedia.com/university/mutualfunds/).

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