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The Gap Remains: Social Security Benefits Continue to Fall Short of Covering Basic Cost of Living for Older Americans, 2015-2020

Jan E. Mutchler and Yang Li

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Older Americans rely heavily on Social Security to support an independent lifestyle. Recent estimates suggest that among adults aged 65 years or older, more than half rely on Social Security for at least 50% of their family income, while nearly a quarter depend on Social Security for 90% or more of their family income.

Despite this substantial reliance on Social Security among older adults, Social Security benefits fall short of what is required to cover a basic cost of living across the United States, according to new estimates based on the Elder Index, a county-by-county measure of the income older adults need to secure an independent lifestyle. Nationally, the average Social Security benefit fulfills just 70% of basic living expenses of housing, food, transportation, and health care for a single renter in 2020, and 82% for an older couple.

Each September, a cost of living adjustment (COLA) is determined for Social Security benefits, based on the Consumer Price Index (CPI-W), and incorporated into the coming year's benefit adjustment. Typically, the COLA results in a modest

increase in benefits, although benefit adjustments have been set at zero three times since 2009. The COLAs used for benefit adjustment do not account for expenses that disproportionately impact older adults, such as medical care, nor do they incorporate differences in costs of living across geographic locations.

In this report, we document spatial and temporal aspects of Social Security benefits' coverage of older Americans' cost of living by comparing average Social Security benefits to the Elder Index in 2015 and 2020. First, we briefly introduce the Elder Index and how it is calculated to measure cost of living specific to older adults. Second, we document the extent to which average Social Security benefits cover cost of living for older adults at the national and county levels in 2020. Third, we compare patterns of coverage between 2015 and 2020, identifying states where Social Security benefits' coverage of the Elder Index has increased, stayed flat, or decreased over time. We conclude by discussing policy implications.

The 2020 Elder Index

The Elder Index™ measures the cost of fulfilling basic needs for people age 65 years or older who live independently in one- or two-person households, calculated county-by-county for the entire United States (Mutchler, Shih, Lyu, Bruce, & Gottlieb, 2015). Costs are stratified based on whether a person lives alone (single) or with another older adult (couple); whether the residence is rented or owned (with or without a mortgage); and also based on health status (excellent, good, or poor). Recognized by the Congressional Budget Office (CBO) as the only adequacy measure tailored to older people by taking into account older adults' unique demands for housing and medical care (CBO, 2017), the Elder Index is a publicly available tool to gauge economic security among older Americans at the county, state, metropolitan, and national levels.

The 2020 Elder Index indicates that, on average in the U.S., people living in their owned homes without a mortgage require \$21,396 annually to cover necessary expenses if they live

alone, and \$32,496 if they live with another older adult. Relative to costs for owners without a mortgage, estimated costs are higher for renters (\$25,884 for singles and \$36,984 for couples) and for those who are paying off a mortgage (\$32,676 for singles and \$43,776 for couples). As illustrated in **Table 1**, the most sizable costs for older adults are housing and health care expenses.

Values of the 2020 Elder Index for every state and county in the U.S., released in November 2020, can be viewed at www.ElderIndex.org.

Social Security benefits are not adequate to cover necessary expenses

Social Security is a critically important source of income for most older adults. More than half of adults age 65 year or older rely on Social Security for at least 50% of their family income, while nearly a quarter depend on Social Security benefits for 90% or more of family income (Dushi, Iams, & Trenkamp, 2017).

Table 1: The Elder Index for the United States, 2020

Expense	Older Person			Older Couple		
	Owner without Mortgage	Renter	Owner with Mortgage	Owner without Mortgage	Renter	Owner with Mortgage
Housing	\$559	\$933	\$1,499	\$559	\$933	\$1,499
Food	\$272	\$272	\$272	\$498	\$498	\$498
Transportation	\$240	\$240	\$240	\$370	\$370	\$370
Health Care	\$415	\$415	\$415	\$830	\$830	\$830
Miscellaneous	\$297	\$297	\$297	\$451	\$451	\$451
Elder Index Per Month	\$1,783	\$2,157	\$2,723	\$2,708	\$3,082	\$3,648
Elder Index Per Year	\$21,396	\$25,884	\$32,676	\$32,496	\$36,984	\$43,776

Source: The Elder Index (2020).

Despite this substantial reliance on Social Security among older Americans, Social Security benefits alone are not meant to adequately support an independent lifestyle. For decades, Social Security has been seen as one of the three pillars of the metaphorical “three-legged stool” of retirement security (DeWitt, 1996), intended to be supplemented with additional sources of income in retirement, including pensions and private savings (Ghilarducci, 2008; Martin & Weaver, 2005).

In reality, however, many older adults do not have other sources of income such as pensions, savings, or work income to supplement Social Security benefits. Indeed, more than 40% of older adults receive income exclusively from Social Security in retirement, and less than 7% of older adults receive income from all three sources described as part of the three-legged stool (Social Security benefits, pensions, and savings; Bond & Porell, 2020).

Supplementing retirement income with work income is not an option for many older adults, including those who are unable to work due to

disability, health conditions, or caregiving responsibilities (Jacobs, Van Houtven, Laporte & Coyte, 2017; Munnell, Sanzenbacher & Rutledge, 2015). Moreover, continuing to work may be especially challenging for those who could most benefit from the added income, predominantly individuals of lower socioeconomic position (Sanzenbacher & Sass, 2017).

A cost-of-living adjustment (COLA) is determined each September for Social Security benefits based on the Consumer Price Index (CPI-W) and incorporated into the coming year’s benefit increase (Social Security Administration, n.d.). However, the COLAs do not incorporate differences in costs of living across geographies, neglecting the substantial variabilities in cost of living across locations in the U.S. As well, the COLA typically results in a modest increase in benefit, and has been set at zero three times since 2009, leaving beneficiaries less covered over time in some states where the modest increases in COLA fail to catch up with more sizable increases in cost of living.

Table 2: Coverage of U.S. Elder Index by Average Social Security Benefits, 2015 and 2020		
	Singles living alone	Couples living independently
2020		
Elder Index	\$25,884	\$36,984
Average SSB	\$18,034	\$30,217
% of Index covered by SSB	69.7%	81.7%
Amount uncovered	\$7,850	\$6,767
2015		
Elder Index	\$23,088	\$33,504
Average SSB	\$15,943	\$26,009
% of Index covered by SSB	69.1%	77.6%
Amount uncovered	\$7,145	\$7,495

Source: authors’ calculation based on data from the Elder Index (2020) and the U.S. Social Security Administration. *Note:* Elder Index values assume older renters in good health. SSB = Social Security benefits. Coverage is defined as the percentage of the Elder Index fulfilled by the average Social Security benefit in the United States.

Comparing the average Social Security benefit to the Elder Index yields an estimate of the extent to which Social Security benefits cover a modest cost of living for older adults. As shown in **Table 2**, in 2020, the average Social Security benefit covers just 70% of basic living expenses for a single renter for the nation as a whole and for a two-person household in which both members are aged 65 years or older, the coverage rate is 82%.

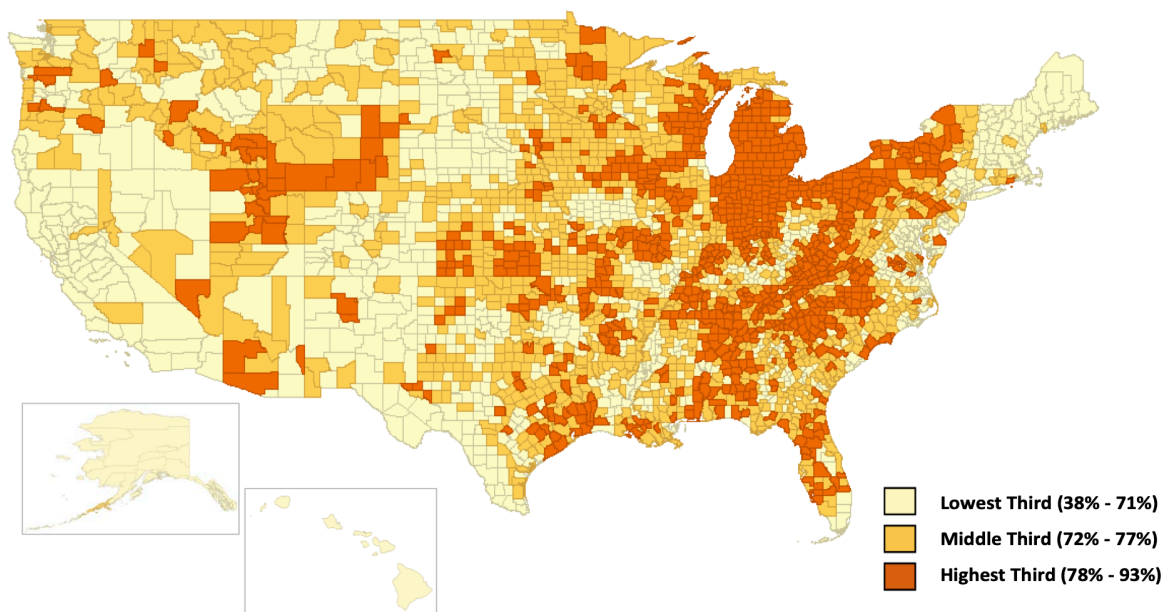
The gap between basic cost of living, as indicated by the Elder Index, and the average Social Security benefit remains for both older singles and couples. For singles living alone, the coverage gap amounts to nearly \$8,000 a year and for couples the coverage gap is just under \$7,000. Between 2015 and 2020, the percentage

of necessary expenses covered by the average Social Security benefit remained stable for singles, and improved slightly for couples. Nonetheless, Social Security benefits continue to fall short of what is needed to fulfill the living cost of an independent lifestyle.

Social Security benefits go farther in some locations than in others

The extent to which Social Security benefits cover basic cost of living varies substantially by county. This is not only due to the vast differences in living costs across locations, but also because the average Social Security benefit varies considerably across counties. When both factors are taken into account, the average

Map 1: Percent of Elder Index Covered by Average Social Security Benefits by County, 2020



Source: authors' calculation based on data from the Elder Index (2020) and the U.S. Social Security Administration. *Note:* Elder Index values assume single older renters in good health. Coverage is defined as the percentage of the Elder Index fulfilled by the average Social Security benefit in each county.

benefit fulfills as much as 93% of the basic costs of living for a single renter aged 65 years or older in Wyoming County, West Virginia, a small rural county in the southwest portion of West Virginia. By contrast, just 38% of the living expenses associated with an independent lifestyle for older adults is covered by the average Social Security benefit in San Francisco County, California, one of the most expensive areas in the country.

Map 1 illustrates the proportion of the Elder Index covered by the average Social Security benefit in every U.S. county. In some areas, the discrepancy between the average benefit and the cost of living is fairly small and may be bridged with a few hours of paid work weekly, a small pension, or a modest housing or health care subsidy. In Wyoming County, West Virginia, for example, the gap is less than \$1,400 annually. In other counties, however, the shortfall is substantial and would require far more extensive remedies. For example, in San Francisco County, California, the gap between the Elder Index and the average Social Security benefit for an older retiree is more than \$28,000. Overall, the average Social Security benefit covers the smallest share of older adults' living costs in the U.S. Northeast, coastal areas, California, Alaska, and Hawaii.

The gap remains: Social Security benefits continue to fall short of basic expenses

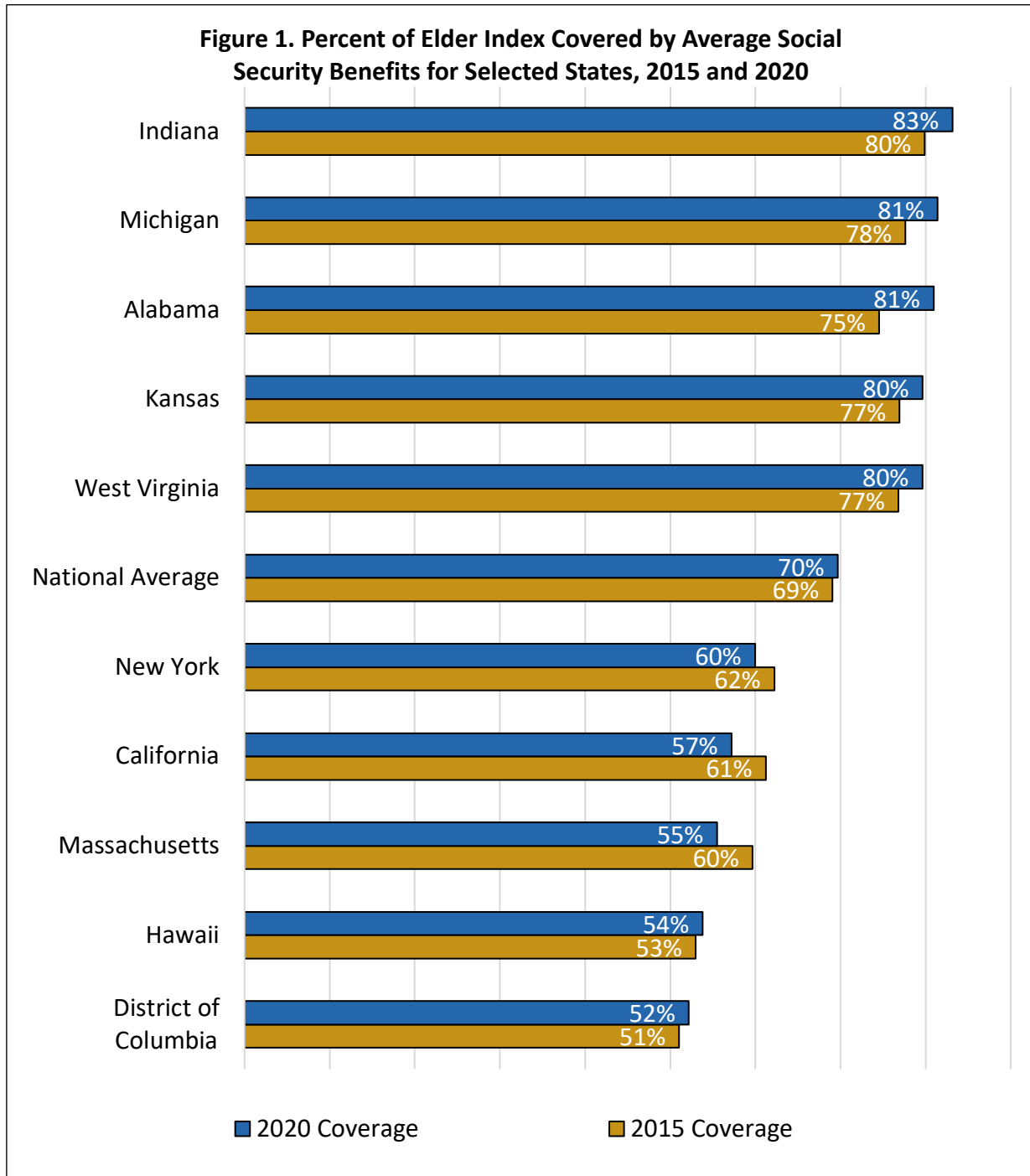
Although Social Security benefits account for change in cost of living over time through cost-of-living adjustment, the extent to which COLAs reflect actual change in cost of living over time is variable across geographies. Nationally, the proportion of the Elder Index fulfilled by the

average Social Security benefit rose only marginally between 2015 and 2020 for older singles living alone—up from 69.1% to 69.7%—and slightly more for older couples, from 77.6% in 2015 to 81.7% in 2020. These increases reflect the persistent gap between the average benefit and actual cost of living encountered by older adults, as indicated by the Elder Index.

Figure 1 presents the proportion of the Elder Index for single renters covered by the average Social Security benefit in selected states between 2015 and 2020 for single older adults. The coverage levels in 2020 are highest in the state of Indiana, where on average 83% of the Elder Index expenses are covered by the Social Security benefit for a retired worker, followed by Michigan and Alabama (81%). Coverage levels rose modestly in each of these three states between 2015 and 2020, where the Elder Index is lower than the national average. Indeed, increases in the proportion of the Elder Index covered by Social Security benefits typically occurred in low-cost states with relatively higher increases in benefits.

By contrast, coverage levels are far lower in the states of Hawaii (54%) and Massachusetts (55%), as well as in the District of Columbia (52%). These three locations have the highest values of the Elder Index nationwide, due in large part to the high cost of housing. In these three locations, coverage levels remained fairly stable between 2015 and 2020, or declined slightly. Still, many states have seen virtually no change in the share of Elder Index covered by the average Social Security benefit from 2015 to 2020. See **Table 3** for Social Security benefits coverage rates in every state, for 2015 and 2020.

Despite variability in the proportion of the Elder Index fulfilled by Social Security benefits in any given year as well as over time, and despite



Source: authors' calculation based on data from the Elder Index (2020) and the U.S. Social Security Administration. *Note:* Elder Index values assume single older renters in good health. Five states each with the highest and lowest coverage rates in 2020 were selected. Coverage is defined as the percentage of the Elder Index fulfilled by the average Social Security benefit in each state.

increases in the coverage level in many states since 2015, the average Social Security benefit in 2020 covers at most 83% of statewide basic cost of living for food, housing, transportation, health care, and other essentials that are necessary for older adults to remain independent (see Indiana). These findings highlight the persistent gap between Social Security benefits and the income needed to make ends meet and age in place with dignity across the U.S.

Conclusion and implications

Older Americans rely on Social Security for income in retirement. Yet, Social Security benefits alone are insufficient to allow older adults to fulfill necessary expenses and age in place. Older adults wishing to live independently anywhere in the U.S. require additional sources of income. Yet, in reality, many older adults are unable to acquire income from a pension, private savings, or paid work.

While Social Security remains the foundation of economic security for older Americans, we show that the average Social Security benefit falls short of covering basic cost of living in every U.S. county. We also show that the magnitude of the gap between basic cost of living and Social Security benefits varies across localities, suggesting that Social Security plays a considerably larger role in contributing to a secure retirement in some locations than in others. Moreover, from 2015 to 2020, while Social Security benefits' fulfillment of basic cost of living increased marginally in some states, the extent of coverage has decreased or remained the same in other states.

Although Social Security benefits are adjusted annually for cost of living, COLAs have not measurably improved the extent to which Social Security benefits alone fulfill older Americans' basic cost of living, as indicated by the Elder Index. With the COLA for 2021 set at 1.3%, we do not expect improvements in coverage levels across the country, particularly given that the biggest expenses for older adults, the cost of housing and medical care, are unlikely to decline in 2021.

Worse still, if the COVID-19 pandemic prompts some older adults to start taking Social Security benefits earlier than planned, due to job loss, cutbacks in hours, or health conditions limiting their ability to work, their Social Security benefits may be permanently impacted with long-term negative consequences and increased gaps between Social Security benefits and the cost of living independently.

Given the sizable gap between the average Social Security benefit and the cost of living, policies that expand access to economic resources beyond Social Security—including pensions and paid work—must be strengthened in order to achieve economic security for a greater share of the older population. As well, programs that promote affordability of core expenses—especially housing and medical care, but also nutrition, transportation, and other necessary expenditures—are necessary to improve economic security. In addition, the scope of interventions required to fill the persistent gap between cost of living and Social Security benefits must consider the geographic variability in both cost of living and Social Security benefits, as both vary across localities.

**Table 3. Percent of Elder Index Covered by Average Social Security Benefits
for All States in 2020 and 2015**

State	Singles		Couples	
	2015	2020	2015	2020
Alabama	74.6%	80.9%	80.3%	91.0%
Alaska	61.8%	63.0%	70.5%	73.7%
Arizona	75.7%	78.0%	84.6%	90.0%
Arkansas	73.8%	77.4%	77.9%	84.8%
California	61.2%	57.2%	72.8%	71.7%
Colorado	71.0%	68.1%	79.4%	80.9%
Connecticut	63.5%	68.5%	73.6%	82.5%
Delaware	70.4%	74.9%	79.4%	86.6%
District of Columbia	51.1%	52.2%	60.9%	64.2%
Florida	71.4%	72.5%	82.2%	86.8%
Georgia	73.7%	73.9%	81.2%	85.1%
Hawaii	53.0%	53.8%	63.2%	65.7%
Idaho	74.6%	77.4%	79.5%	85.2%
Illinois	70.9%	71.9%	79.5%	84.3%
Indiana	79.9%	83.1%	85.9%	93.2%
Iowa	76.0%	78.8%	81.1%	86.9%
Kansas	77.0%	79.6%	82.9%	88.3%
Kentucky	73.0%	77.9%	77.2%	86.0%
Louisiana	70.4%	73.2%	77.0%	83.3%
Maine	65.6%	67.1%	72.7%	77.3%
Maryland	60.8%	61.6%	70.6%	73.0%
Massachusetts	59.7%	55.5%	69.0%	67.7%
Michigan	77.6%	81.4%	83.8%	91.7%
Minnesota	72.2%	75.2%	78.7%	85.4%
Mississippi	69.8%	74.1%	74.8%	81.4%
Missouri	75.6%	78.9%	81.9%	88.4%
Montana	72.7%	73.0%	78.2%	80.5%
Nebraska	74.4%	77.2%	79.8%	85.7%
Nevada	71.9%	77.7%	82.8%	90.8%
New Hampshire	64.4%	67.3%	72.5%	77.8%
New Jersey	61.8%	66.0%	72.6%	81.4%
New Mexico	71.5%	72.7%	78.1%	81.5%
New York	62.2%	60.0%	73.6%	73.3%
North Carolina	75.3%	77.9%	81.8%	88.0%
North Dakota	69.9%	71.9%	74.7%	79.7%
Ohio	76.2%	79.1%	82.2%	88.5%
Oklahoma	75.4%	77.2%	80.5%	85.4%

Table 3. (Continued)

State	Singles		Couples	
	2015	2020	2015	2020
Oregon	71.7%	69.0%	78.8%	80.7%
Pennsylvania	72.3%	76.9%	80.1%	88.6%
Rhode Island	68.7%	71.1%	78.2%	84.3%
South Carolina	74.3%	77.7%	80.7%	88.5%
South Dakota	71.9%	74.2%	76.8%	81.9%
Tennessee	76.0%	79.3%	82.5%	89.6%
Texas	73.0%	72.6%	81.4%	84.6%
Utah	75.9%	77.7%	83.0%	88.5%
Vermont	61.6%	61.3%	68.5%	69.2%
Virginia	67.1%	69.3%	76.4%	81.2%
Washington	69.1%	67.1%	77.1%	80.0%
West Virginia	76.8%	79.6%	81.3%	87.4%
Wisconsin	75.5%	78.6%	82.0%	88.3%
Wyoming	76.0%	77.1%	82.2%	85.4%
National Average	69.1%	69.7%	77.6%	81.7%

Source: authors' calculation based on data from the Elder Index (2020) and the U.S. Social Security Administration. *Note:* Elder Index values assume older renters in good health. Coverage is defined as the percentage of the Elder Index fulfilled by the average Social Security benefit in each state.

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ABOUT THE ELDER INDEX

The Elder Index™ is a one-of-a-kind, county-by-county measure of the income needed by older adults to maintain independence and meet their daily living costs while staying in their own homes. Developed by the Gerontology Institute at the University of Massachusetts Boston in collaboration with a national Advisory Board, the Elder Index defines economic security as the income level at which older people can cover basic and necessary living expenses and age in their homes, without relying on means-tested income support programs, loans or gifts. The Congressional Budget Office (2017) cites the Elder Index as the only retirement adequacy measure that is oriented specifically to older people and takes into account the unique demands of housing and medical care on older budgets.

For more information about the Elder Index, including county-level Elder Index values for renters and homeowners, and values for older adults in poor or in excellent health, see ElderIndex.org. For Elder Index reports see the Center for Social and Demographic Research on Aging at www.umb.edu/demographyofaging.

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Created by the Massachusetts Legislature in 1984, the Gerontology Institute conducts research and policy analysis in the field of aging, and offers lifelong learning and pension protection services to older adults. The Institute's priorities include income security, long-term services and supports, healthy aging, age-friendly communities and social and demographic research on aging.

Located within the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston, the Institute furthers the university's educational programs in Gerontology, including a Ph.D. program in Gerontology, a Master's program in the Management of Aging Services, and undergraduate programs in Gerontology.