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Social Security Benefits Continue to Fall Short of Covering Cost of Basic Needs for Older Americans, 2021

Jan E. Mutchler and Nidya Velasco Roldán

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Social Security benefits fall short of what is required to cover the basic cost of living across the United States, according to new estimates based on the Elder Index,TM a county-by-county measure of the income older adults need to secure an independent lifestyle. Nationally, the average Social Security benefit covers just 68% of basic living expenses of housing, food, transportation, and health care for a single renter in 2021, and 81% for an older couple. The gap between Social Security benefits and what it takes to get by is especially problematic for older adults who rely largely or entirely on Social Security, including nearly a quarter of adults age 65 or older who depend on Social Security for 90% or more of their family income.

In this brief report, we compare average county-level Social Security benefits to the Elder Index in 2021. We demonstrate that Social Security benefits remain too low to support a financially secure lifestyle in virtually every community in America.

Social Security is a critically important source of income for most older adults. More than half of adults age 65 years 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).

Social Security was never meant to be the only source of income for older adults. For decades, Social Security has been described 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 pension and private savings (Ghilarducci, 2008; Martin & Weaver, 2005).

Yet in reality, many older adults do not have other sources of income to supplement their Social Security benefits. Fewer 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). Women and persons of color are at amplified risk of depending largely or exclusively on Social Security (Burn et al., 2020; Francis & Weller, 2021), reflecting the racial, ethnic, and gender inequity that is prevalent through the working years and into retirement.

Continuing or returning to work for pay in later life is an important strategy for building retirement security when possible, yet supplementing retirement income with paid work is not an option for many older adults, including those who are unable to work due to disability, health conditions, or caregiving responsibilities (Jacobs et al., 2017; Munnell, Sanzenbacher & Rutledge, 2015). Ageism is recognized as impacting the ability of older adults to remain employed or find new employment, and scholars suggest that the pandemic may have reinforced the stereotype of later life as a stage of universal decline (Morrow-Howell & Gonzales, 2020). 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). Older people who are unable to remain in the workforce and who have few or no income sources to supplement their Social Security benefits face difficult choices about how to pay for necessary expenses.

The 2021 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 et al., 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 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 2021 Elder Index indicates that on average, older people in good health living in their owned homes without a mortgage require \$22,476 annually to cover necessary expenses if they live alone, and \$34,056 if they live with another older adult. Relative to costs for owners without a mortgage, estimated costs are higher for renters (\$27,096 for singles and \$38,676 for couples) and for those who are paying off a mortgage (\$34,104 for singles and \$45,684 for couples). As illustrated in **Table 1**, the most sizable costs for older adults are housing and health care expenses.

Values of the 2021 Elder Index for every state, county, and metropolitan area in the U.S. can be viewed at www.ElderIndex.org.

| Table 1. The Elder Index for the United States, 2021 | | | | | | |
|---|----------------------------------|-----------------|---------------------|-----------------------------------|-----------------|---------------------|
| | Older Person Living Alone | | | Two-person Older Household | | |
| Expense | Owner without Mortgage | Renter | Owner with Mortgage | Owner without Mortgage | Renter | Owner with Mortgage |
| Housing | \$577 | \$962 | \$1,546 | \$577 | \$962 | \$1,546 |
| Food | \$275 | \$275 | \$275 | \$503 | \$503 | \$503 |
| Transportation | \$292 | \$292 | \$292 | \$451 | \$451 | \$451 |
| Health Care (Good Health) | \$417 | \$417 | \$417 | \$834 | \$834 | \$834 |
| Miscellaneous | \$312 | \$312 | \$312 | \$473 | \$473 | \$473 |
| Elder Index <u>Per Month</u> | \$1,873 | \$2,258 | \$2,842 | \$2,838 | \$3,223 | \$3,807 |
| Elder Index <u>Per Year</u> | \$22,476 | \$27,096 | \$34,104 | \$34,056 | \$38,676 | \$45,684 |

Source: The Elder Index (2021).

Social Security benefits are not adequate to cover necessary expenses

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 2021, the average Social Security benefit covers just 68% of basic living expenses for a single renter for the nation as a whole. For a two-person household in which both members are aged 65 years or older, the coverage rate is 81%. For singles living alone, the coverage gap amounts to more than \$8,500 a year; for couples, the coverage gap is about \$7,500. Clearly, Social Security benefits fall short of what is needed to live an independent lifestyle.

| Table 2. Coverage of U.S. Elder Index by Average Social Security Benefits, 2021 | | |
|--|-----------------------------|-------------------------------------|
| | Singles Living Alone | Couples Living Independently |
| 2021 | | |
| Elder Index | \$27,096 | \$38,676 |
| Average SSB | \$18,530 | \$31,175 |
| % of Index covered by SSB | 68.4% | 80.6% |
| <i>Amount uncovered</i> | <i>\$8,566</i> | <i>\$7,501</i> |

Source: Authors' calculation based on data from the Elder Index (2021) 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.

Social Security benefits go farther in some communities than in others

The extent to which Social Security benefits cover the basic cost of living varies substantially across the United States. For example, in Wyoming County—a small rural county in the southwest portion of West Virginia—the average benefit covers **90%** of the basic costs of living for a single renter aged 65 years or older, leaving a gap of about *\$2,100* annually. In this and similar counties, the gap between the Elder Index and the average Social Security benefit could potentially be bridged by a few hours of paid work weekly, a small pension, or a modest housing or health care subsidy. In contrast, just **38%** of the Elder Index is covered by the average Social Security benefit in San Francisco County, California, one of the most expensive areas to live in the country. In that county, the gap between the Elder Index and the average Social Security benefit for an older retiree is more than *\$29,000*. For those living largely or entirely on their Social Security benefits, remaining in high-cost communities such as this may be difficult if not impossible.

Map 1 illustrates the proportion of the Elder Index covered by the average Social Security benefit in every US county. 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 as well as along the border of Mexico. Notably, in some counties, the gap is large because the cost of living is high; but in others, low incomes, leading to low Social Security benefits, measurably contribute to the large gap.

Implications and looking ahead

Social Security serves as the foundation of financial security for most older Americans, yet the average Social Security benefit falls short of covering the basic cost of living in every U.S. county. In this report we illustrate that the magnitude of the gap between the basic cost of living and Social Security benefits varies across communities, suggesting that Social Security plays a considerably larger role in contributing to a secure retirement in some locations than in others.

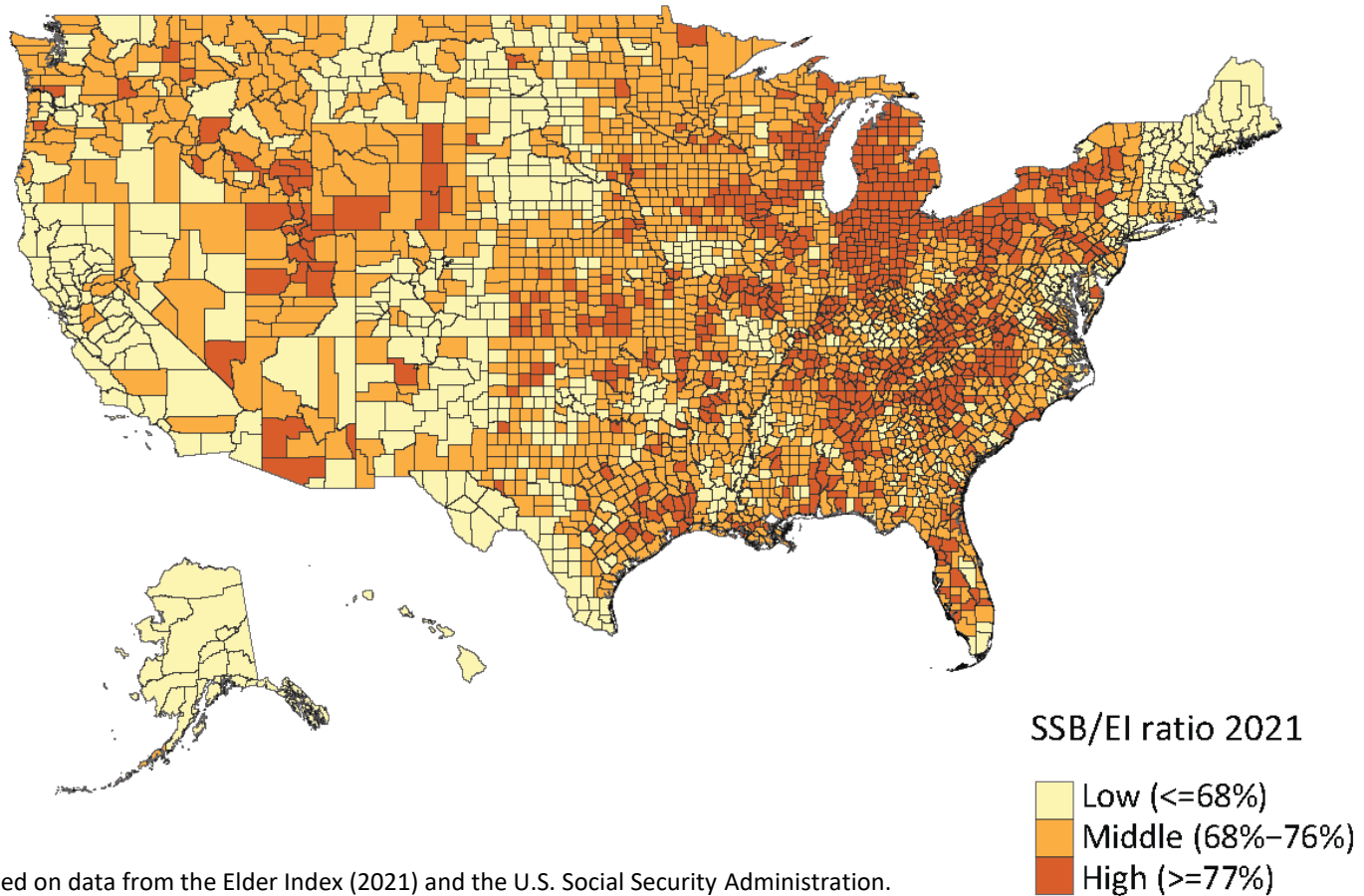
The COVID-19 pandemic has exacerbated this situation. The pandemic increased the rate of job exit among older workers (Quinby, Rutledge & Wettstein, 2021), potentially pushing some into an earlier retirement than planned and negatively impacting their retirement income long-term. Moreover, the spiraling cost of living is squeezing retirees, especially those already living close to the edge. Medicare Part B premiums for 2022 rose by 14.6%, and as of January 2022, food was 7.4% more expensive than a year previously. In addition, transportation expenses are up by 21%, and the cost of fuel and utilities for one's home has increased by 12% in the last year. Although the 2022 cost of living adjustment (COLA) or Social Security benefits was at its highest level in 40 years¹, the Social Security COLA most typically

¹ For the 2022 benefit year, the COLA increase for Social Security was 5.9%. The last time the Social Security COLA approached that level was 2008, when the COLA was 5.8%, and one must go back to 1981 to find a year with a higher COLA, at 11.2%. See <https://www.ssa.gov/oact/cola/colaseries.html>

results in a modest increase in benefits, leaving beneficiaries less covered over time, especially in states where increases in the COLA fail to catch up with sizable increases in the cost of living.

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 financial security for a greater share of the older population. Proposals to increase minimum Social Security benefits sufficient to cover an adequate standard of living would reduce the number of older adults struggling to get by (Altman & Kingson, 2021). As well, programs that promote affordability for core expenses—especially housing and medical care, but also nutrition, transportation, and other necessary expenditures—would improve financial security. Yet as illustrated in this report, all these interventions must consider the geographic variability in cost of living to be effective.

Map 1. Percent of Elder Index Covered by Average Social Security Benefits by County, 2021



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Source: Authors' calculation based on data from the Elder Index (2021) 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. The "low" coverage category includes the lowest 25% of county ratios and the "high" coverage category includes the highest 25% of county ratios. "Middle" includes counties between the 25th and 75% percentile in rankings.

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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.

Elder Index and Elder Economic Security Standard Index are service marks of the University of Massachusetts.

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](#), [Center for Social and Demographic Research on Aging](#), or contact us at CSDRA@umb.edu.