

SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement



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Social Security's COLA Is Set for a 40-Year Leap

Social Security benefits have been indexed to inflation since 1975 via annual cost-of-living adjustments (COLAs). During that nearly half-century, COLAs have approached (9.9% in 1979) or topped double digits (14.3% in 1980, 11.2% in 1981) only 3 times. To put the rarity of a 10%+ COLA into perspective, in all the intervening years between 1981 and the 5.9% COLA of 2021, there has been only one year with a COLA over 7% (1982) and one other year with a 5%+ COLA (1990). For a year-by-year look at COLAs, visit ssa.gov/oact/cola/colaseries.html.

That could be about to change. In July 2022, senior Social Security policy analyst Mary Johnson of The Senior Citizens League (TSLC) estimated the 2023 COLA at about 10.5% but announced it could be as high as 11.4%, depending on the third-quarter inflation numbers. Social Security's next-year COLA is announced in the fourth quarter of each year, based on inflation in the prior 12 months through September.

Johnson noted that a 10.5% increase would add \$175.10 per month to 2022's average monthly retiree benefit of \$1,668. A high-benefit Social Security recipient receiving, say, \$40,000 a year in 2022 would receive \$44,200 in 2023, with that COLA.

That sounds like good news for seniors. However, in June of this year, an ongoing study conducted by TSLC found that, even with COLAs, Social Security benefits had lost 40% of their buying power since 2000. Yes, annual COLAs from 2000 to 2022 have boosted payouts by 64%, altogether. According to the TSLC study, during that time period typical senior expenses have increased by more than double that rate: by 130%!

Between March 2021–March 2022 alone, home heating oil and gasoline prices have shot up by 79% and 51%, respectively, TSLC reports. Many food prices (bacon, eggs, oranges, coffee, ground chuck) have posted double-digit cost increases while the Medicare Part B premium rose by 14.5%. Medical costs tend to be much higher for seniors than for the general nationwide population.

Calculating the COLA

As mentioned, COLAs have provided annual increases in benefit payments under the Old-Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs since 1975. Prior to this time, any benefit increases were set by legislation.

A COLA, when declared, becomes effective in December and is paid in

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