



2021 Social Security Loss of Buying Power Study

Social Security Buying Power Falls as Inflation Soars

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The Senior Citizens League, October 2021



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Summary:

Social Security benefits are adjusted annually for inflation to protect the buying power of beneficiaries as prices rise. Without an accurate and adequate adjustment that keeps pace with rising costs, beneficiaries can lose purchasing power, especially over the course of a 20- or 30-year retirement.

In May of 2021, this study found that Social Security benefits lost 30% of buying power since 2000. This new update finds that the loss in buying power has deepened to 32% since 2000, based on consumer price index data through July 2021.

As of January 2021, consumer price data for all consumers, including older adults, was only 1.4 percent higher than January of 2020 — just 0.1 percentage point higher than the 1.3 percent cost of living adjustment (COLA) that boosted Social Security beneficiaries' checks in 2021. But, by July of 2021, soaring inflation caused the consumer price index to climb by 5.4% over 12 months. This record setting rate of inflation over such a short period of time creates significant financial pressures for retired and disabled Americans when Social Security benefits don't buy as much this month as benefits did at the beginning of the year.

Background

When prices rise rapidly at the same time that retirees receive a very low COLA, Social Security benefits don't buy as much as they did even just a few months ago. This shortfall can produce a vicious cycle with long-term impacts. It can increase the need to use savings, causing more rapid depletion than planned. When no savings are available, this leaves borrowing and carrying debt. Interest rates can rapidly cut into scarce resources of moderate to low - income households.

Those with the lowest income and resources may seek help from safety net programs such as Medicare Extra Help, SNAP or rental assistance. But when older households don't or can't seek help from programs, family, or others, they often cut back on meals and prescription medications which affects their health, further driving up their costs.

In updating this study, we found that, from January of 2000 and July of 2021, Social Security COLAs increased benefits by 55 percent, but the costs of goods and services purchased by typical retirees rose by 104.9 percent. This means that for every \$100 a retired household spent in 2000, that household can only buy about \$68 worth of the same goods and services today. For example, in 2000, the average annual cost of homeowners' insurance was \$508 per year. In 2021 however, the average cost is \$1,414, an increase of 178 percent over the period. In 2000, the average Social Security benefit was \$816 per month. A retiree with \$816 could pay their entire annual homeowners insurance bill of \$508 and still have money left over. By 2021, however, COLAs increased the \$816 benefit to just \$1,246.20. Households with a benefit of \$1,246.20 must make insurance payments over several months, dig deeper into savings, or borrow to cover the annual cost of their policy.

The COLA is intended to protect the purchasing power of the benefits received by older and disabled Americans. A 32 percent loss in buying power over a 21 - year retirement period — the length of a typical retirement — indicates the COLA is failing to provide that protection.

Major Findings

In 2021, more than 62 million Social Security recipients received a 1.3 percent annual COLA, which raised the average retiree benefit of \$1,523 by \$19.80 per month. However, for many retirees age 65 and up, much, or even all of their COLA is offset by rising Medicare Part B premiums, supplemental and drug plan premiums, deductibles, and out-of-pocket costs. A recent survey conducted by TSCL found that 45.3 percent of survey participants reported that, after the deduction for just the Part B premium alone, their COLA increased their Social Security benefit by less than \$15. In addition, another 7.9 percent of the survey's respondents report no net increase to their benefits at all.

In this year's study, price data through July 2021 indicate that Social Security benefits lost 32 percent of buying power since 2000. The 2021 findings showed a temporary improvement in benefit buying power of 2 percentage points from January 2000 through January 2021, but that improvement was completely wiped out by inflation through July of 2021.

Since 2000, COLAs have increased Social Security benefits a total of 55 percent, yet typical senior expenses through July 2021 grew 104.9%. Table 1 of this report illustrates ten of the fastest growing costs since 2000. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used. Table 2 shows the fastest growing costs from our list of 39 items from July of 2020 to July 2021.

Table 1. Top Ten Fastest Growing Costs of Older Americans Since 2000

Item	Cost in Jan. 2000 Average cost \$ or numeric data*	Cost in July 2021 Average cost \$ or numeric data*	Percent Increase Since 2000
1.) Prescription drug out of pocket, generic, brand, specialty (per yr.)	\$1,102.00	\$4,096.93	272%
2.) Medicare Part B premiums (per mo.)	\$45.50	\$148.50	226%
3.) Homeowner's insurance (per yr.)	\$508.00	\$1,414.00	178%
4.) Potatoes (10 lbs.)	\$2.98	\$7.98	168%
5.) Home heating oil (per gal.)	\$1.15	\$2.98	160%
6.) Veterinarian services	109.300*	282.180*	158%
7.) Gasoline (per gal.)	\$1.31	\$3.33	154%
8.) Bacon (per lb.)	\$2.75	\$6.86	149%
9.) Total medical out of pocket costs (per yr.)	\$6,140.00	\$14,846.00	142%
10.) Ground chuck (per lb.)	\$ 1.90	\$4.32	138%

Table 2. Fastest Growing Costs of Older Americans July 2020 – July 2021

Item	Cost in July 2020 Average cost \$ or numeric data*	Cost in July 2021 Average cost \$ or numeric data*	Percent increase since July 2020
1.) Gasoline (all grades, per gal.)	\$2.24	\$3.33	48.3%
2.) Used cars and trucks	141.493	200.425	41.7%
3.) Home heating oil	\$2.13	\$2.98	39.0%
4.) Natural gas (tie)	166.536	198.207	19.0%
4.) Airline fares (tie)	204.785	243.613	19.0%
5.) Bacon (per lb.)	\$5.78	\$6.86	18.7%
6.) Eggs (per dz.)	\$1.40	\$1.64	17.2%
7.) Beef (per lb.)	\$5.67	\$6.37	12.3%
8.) Whole milk (per gal)	\$3.26	\$3.63	11.4%
9. Care of invalids and elderly at home	127.651	139.893	9.6%
10.) Fresh seafood (per pound)	\$7.69	\$8.40	8.5%

*Source U.S. Bureau of Labor Statistics, data through July 2021. Where no average prices are available, numeric data are used.

What the Average Benefit Would Need to be to Maintain Buying Power

The average Social Security benefit in 2000 was \$816 per month. That benefit grew to \$1,262.40 by 2021 due to COLA increases. However, because retiree costs are rising at a far more rapid pace than the COLA, this study found that a Social Security benefit of \$1,671.20 per month in 2020 would be required (\$408.80 more) *just to maintain the same level of buying power as in 2000*.

The majority of the 62 million Americans who receive Social Security depend on their benefits for at least 50 percent of their total income, and one – quarter of all beneficiaries rely on it for 90 percent or more of their income. To help protect the buying power of benefits, The Senior Citizens League supports legislation that would strengthen the COLA in three ways:

1. Calculate COLAs based on the consumer price index that better reflects the spending patterns of retirees – such as the Consumer Price Index for the Elderly (CPI-E).
2. Provide a modest boost in monthly benefits to retirees to make up for years when no COLA or only a negligible COLA was payable.
3. Guarantee a minimum COLA of no less than 3 percent.

To learn more, visit www.SeniorsLeague.org.

Methodology:

This study examined the increase in costs of 39 key items purchased by people age 65 and older, between 2000 and July 2021 (Table 4). The items were chosen not only because they are typical of the costs that older people must bear, but also because they include common expenditures, such as Medicare Part B and D premiums, that are not tracked under the CPI-W.

In order to determine how the purchasing power of Social Security benefits is affected from year to year, the average benefit in January of 2000 was adjusted using COLA increases through January 2021. The average Social Security benefit was \$816 in 2000. COLAs increased benefits 55 percent over the 21-year period, increasing this benefit to \$1,262.40 in 2021.

The study found that typical retiree expenditures have increased over the same period by 104.8 percent for the 39 expenditure items. That means the \$816 average benefit in 2000 would have needed to increase to \$1,671.20 per month *just to maintain the same level of buying power as in 2000*.

The loss of buying power was then determined by dividing the difference in the amount that beneficiaries would need to keep up, \$408.80, by the amount actually received in 2020, \$1,262.40. That represents a 32 percent loss of buying power since 2000.

The 39 selected items represent eight categories, weighted by expenditure. The study uses somewhat similar weightings to those used in calculating the Consumer Price Index for the Elderly (CPI-E).

Table 3. illustrates trends for the COLA for the year following the year of our Loss of Buying Power Study findings.

Table 3.
TSCL’s Social Security Loss of Buying Power Study and COLA Trends for 2010-2021

Year	Loss of Buying Power Findings	Loss or Gain in Buying Power	COLA (Announced in October, effective January 1 the following year.)
2010	24%		0%
2011	32%	- 8%	3.6%
2012	34%	- 2%	1.7%
2013	31%	+ 3%	1.5%
2014	31%	No change from previous year	1.7%
2015	22%	+ 9%	0%
2016	23%	- 1%	0.3%
2017	30%	- 7%	2.0%
2018	34%	- 4%	2.8%
2019	33%	+ 1%	1.6%
2020	30%	+ 3%	1.3%
2021	32% (through July)	- 2%	

The chart below illustrates the changes in item costs from 2000 to July 2021. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.

Table 4.
Loss of Buying Power Data Sources 2021

Category	Expense	Average cost or numeric value Jan 2000	Average cost or numeric value Jan 2021	Percent Increase 2000 – Jan 2021	Average cost or numeric value Jul 2021	Percent Increase 2000-Jul 2021
Housing	Own	195.700	338.181	73%	343.293	75% ¹
Housing	Rental	180.800	344.758	91%	348.469	93% ²
Housing	Homeowner’s insurance (annual)	\$508.00	\$1,414.00	178%	\$1,414.00	178% ³
Housing	Real estate tax (annual)	\$690.00	\$1,494.00	117%	\$1,494.00	117% ⁴
Housing	Heating oil (gallon)	\$1.15	\$2.46	115%	\$2.98	160% ⁵

Housing	Propane gas (dollars per gallon)	\$1.01	\$2.01	99%	\$2.30	127% ⁶
Housing	Electricity per kilowatt hr.	\$.08	\$.14	70%	\$.14	75% ⁷
Transportation	New vehicles	143.300	149.377	4%	157.203	10% ⁸
	Used vehicles	153.900	149.659	-3%	200.425	30% ⁹
Transportation	All grades gas (gallon)	\$1.31	\$2.34	79%	\$3.33	154% ¹⁰
Transportation	Maintenance/repair	174.600	310.662	78%	314.66	80% ¹¹
Transportation	Services including motor vehicle insurance, airline fare	193.000	311.312	61%	318.031	65% ¹²
Medical	Total medical expenses, not including premiums	\$6,140.00	\$14,846.00	142%	\$14,846.00	142% ¹³
Medical	Prescription drugs, generic, brand, special.	\$1,102.00	\$4,096.93	272%	\$4,096.93	272% ¹⁴
Medical	dental, general visits	\$286.00	\$560.83	96%	\$560.83	96% ¹⁵
Medical	Medicare Part B premiums (monthly)	\$45.50	\$148.50	226%	\$148.50	226% ¹⁶
Medical	Medicare Part D premiums average weighted for enrollment	\$25.93	\$41.00	58% since 2006	\$41.00	58% ¹⁷ since 2006
Medical	Medigap average premium, all plans	\$119.00	\$232.90	96%	\$232.90	96% ¹⁸
Food	10 lbs. potatoes	\$2.98	\$6.98	134%	\$7.98	168% ¹⁹
Food	1 lb. cheddar cheese	\$3.84	\$5.79	54%	\$5.63	50% ²⁰
Food	Milk (gal.)	\$2.79	\$3.47	25%	\$3.63	30% ²¹
Food	Eggs (dz.)	\$0.98	\$1.47	51%	\$1.64	68% ²²
Food	Ground chuck (lb.)	\$1.90	\$4.31	127%	\$4.52	138% ²³
Food	Chicken (lb.)	\$1.06	\$1.60	50%	\$1.44	35% ²⁴
Food	coffee (lb.)	\$3.54	\$4.59	30%	\$4.56	29% ²⁵
Food	Bread, white (loaf)	\$.91	\$1.55	70%	\$1.49	64% ²⁶
Food	Apples (lb.)	\$.95	\$1.54	62%	\$1.54	62% ²⁷
Food	Oranges (lb.)	\$.61	\$1.30	113%	\$1.35	121% ²⁸
Food	Tomatoes	\$1.44	\$1.93	34%	\$1.83	27% ²⁹
Food	Bacon	\$2.75	\$5.83	112%	\$6.86	149% ³⁰
Recreation	(all items in category)	102.300	122.140	19%	123.567	21% ³¹

Recreation	Movie ticket	\$5.39	\$9.16 (2019) theaters closed 2020	70%	\$9.16 (2019) theaters closed 2020	70% ³²
Recreation	Pets and pet products	144.300	182.431	25%	185.297	25% ³³
Recreation	Veterinarian services	109.300	287.364	163%	282.180	158% ³⁴
Communication	Basic phone service, land lines, local	\$27.69	\$58.12	110%	\$58.12	110% ³⁵
Communication	First class postage	\$0.33	\$.55	67%	\$.55	67%
Apparel	Clothing	126.800	177.785	-7%	119.078	-6% ³⁶
Other	Personal care products	152.800	156.281	2%	156.281	2% ³⁷
Other	Personal care services	174.900	239.535	37%	241.735	38% ³⁸

Weighting:

We used the weighting of the Consumer Price Index for the Elderly (CPI-E)³⁹ to suggest our weighting guidelines.

Expenditure Group	CPI-E	TSCL Survey
Housing	46.3	47
Transportation	13.5	11.6
Medical	12.2	14.1
Food	13.2	13.4
Recreation	5.5	4.9
Communication	4.2	4.2
Apparel	2.0	1.8
Other	3.1	3.0

¹ Homeowners, CPI-U, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.

² Rental of Primary Residence CPI-U, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.

³ Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, March 1, 2021. <http://www.iii.org/media/facts/statsbyissue/homeowners/>

Methodology: Rate of increase extended from 2018 through 2021 based on percentage of historic average rate of increase from 2009 - 2018.

⁴ Real estate tax, Orange County Virginia, files of Mary Johnson, 2000 through January 2021. Virginia ranks approximately 29th of 50 as a percentage of median income. <http://www.tax-rates.org/virginia/property-tax>.

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- ⁵ Retail prices of residential heating oil 2000 - through July, 2021, Energy Information Administration, August 11, 2021. http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPD2F_PRS_NUS_DPG&f=W.
- ⁶ Residential prices natural gas 2000 –through August, 2021, Energy Information Administration, August 11, 2021. http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_NUS_DPG&f=W
- ⁷ Average retail price of electricity to customers, 2000-2021, Bureau of Labor Statistics Average Price Data through July 2021.
- ⁸ New motor vehicle costs, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.
- ⁹ Used motor vehicle costs, CPI-U January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.
- ¹⁰ Retail prices of gasoline, all grades 2000- through July, 2021, Energy Information Administration, http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W .
- ¹¹ Maintenance and repair data, CPI-U January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.
- ¹² Transportation services, CPI-U, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.
- ¹³ 2020 Medicare Trustees Report, April 22, 2020, Table V.D1. Beneficiary Costs, page 188.
- ¹⁴ Medicare Part D Utilization, Average Annual Prescription Drug Fills, Gross Costs, [MDCR UTLZN D 4, Medicare Statistical Supplement](https://www.cms.gov/research-statistics-data-systems/cms-program-statistics/2019-medicare-utilization-and-payment), accessed April 7, 2021. <https://www.cms.gov/research-statistics-data-systems/cms-program-statistics/2019-medicare-utilization-and-payment>. Cost for 2020 projected using prescription drug CPI for Jan 2020.
- ¹⁵ Costs through 2020 based on National Health Expenditures 2019, CMS, accessed April 7, 2021. Drilling Down on Dental Coverage and Costs For Medicare Beneficiaries, Kaiser Family Foundation, March 13, 2019. <https://www.kff.org/medicare/issue-brief/drilling-down-on-dental-coverage-and-costs-for-medicare-beneficiaries/> .
- ¹⁶ Medicare Premiums for 2021, CMS, November 2020.
- ¹⁷ “Medicare Part D: A First Look at Prescription Drug Plans 2021,” Kaiser Family Foundation, October 29, 2020.
- ¹⁸ Starting premium: “Estimation of Hedonic Pricing Model For Medigap Insurance, Table 2 Average Premiums by Plan — Year 2000, ” John Robst, Health Services Research, National Institute of Health, 2006. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1955311/pdf/hesr0041-2097.pdf> “Medigap Spotlight on Enrollment, Premiums, and Recent Trends, Kaiser Family Foundation, April 2013. <http://kff.org/medicare/report/medigap-enrollment-premiums-and-recent-trends/> Data through 2016 estimated based on historical rate of increase. Medigap plan comparison, prices for ABCDGF averaged, <https://www.healthmarkets.com/resources/medicare/cost-of-supplemental-health-insurance-for-seniors/>
- ¹⁹ Sam’s Club Charlottesville Virginia, 2000 through 2021, 10 pound Gold potatoes, www.sams.com.
- ²⁰ U.S. Retail price of cheddar cheese 1995-2020, Statista.com, accessed April 8, 2021, Jan 2021 CPI for cheese products used to project price for 2021.
- ²¹ Average price data 2000 through July 2021, Bureau of Labor Statistics, accessed on August 11, 2021.
- ²² Ibid.
- ²³ Ibid.
- ²⁴ Ibid.
- ²⁵ Ibid.
- ²⁶ Ibid.
- ²⁷ Average apple price based on average per pound cost all varieties Walmart, April 8, 2021.
- ²⁸ Average price data 2000 through July 2021, Bureau of Labor Statistics, accessed on August 11, 2021.
- ²⁹ Ibid.
- ³⁰ Ibid.
- ³¹ Recreation, CPI-U data January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.
- ³² Movie ticket: Average Ticket Prices, The National Association of Theater Owners, April 16, 2020. <http://natoonline.org/data/ticket-price/>. Rate of increase through January 2019 uses data through 2018 and extended based average annual amount of increase. No data available for 2020. Theaters closed due to COVID-19.

³³ CPI-U data January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.

³⁴ Ibid.

³⁵ Basic local residential phone service Verizon, January 2000 through July 2021.

³⁶ Apparel data from CPI-U, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.

³⁷ Personal care data from CPI-U, January 2000 through July 2021 Bureau of Labor Statistics, August 11, 2021.

³⁸ Ibid.

³⁹ 2017-2018 Weights for CPI-E, Bureau of Labor Statistics, April 20, 2021.