



2021 Social Security Loss of Buying Power Study

Temporary Improvement in Social Security Buying Power Wiped Out with Soaring Inflation

Social Security Benefits Lose 30% Of Buying Power Since 2000

By Mary Johnson, Social Security Policy Analyst
The Senior Citizens League, May 2021



2021 Social Security Loss of Buying Power Study

Temporary Improvement in Social Security Buying Power Wiped Out with Soaring Inflation

Social Security Benefits Lose 30% Of Buying Power Since 2000

By Mary Johnson, Social Security Policy Analyst
The Senior Citizens League, May 2021

Summary:

In mid - March of 2020, the COVID-19 shutdown orders caused businesses across the United States and the world to shutter while workers and consumers came under orders to stay at home to prevent the spread of COVID-19. The upending of business as usual in the U.S. and abroad caused an abrupt contraction in our nation's economy. This sent prices of many goods and services plunging as workers were laid off or lost jobs and consumers could no longer afford to spend and buy as they did prior to the pandemic.

At the same time, consumer demand for certain items changed. The pandemic caused supply chain disruptions and shortages, while increased demand for certain goods and services, caused prices for these items to soar at rates rarely, if ever, seen in the past two decades. On the other hand, demand for other types of items, such as clothing, plummeted.

Based on data through January 2021, consumer price data 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 inflation suddenly roared upward in February and, by the end of March 2021, the consumer price index (CPI) was 2.6 percent higher than March of 2020. For this reason, The Senior Citizens League expanded this study (which typically looks at data from a 12 month period of January of the previous year to January of the current year, in order to learn how this abrupt rise of inflation affects the buying power of Social Security benefits today.

As of 2020, this study by The Senior Citizens League found that Social Security benefits lost 30% of buying power since 2000. By the end of January of 2021, the prices of the goods and services most typically used by retirees age 65 and over had *dropped* from 2020, enough to temporarily *improve* the buying power of Social Security benefits by about 2 full percentage points. Instead of a loss of 30%, this study found that Social Security benefits had lost 28% since 2000.

But by March 2021, inflation was so significant that it completely *wiped out the temporary gain* in buying power. As of consumer price data through March 31, 2021, Social Security benefits have once again have lost 30 percent of buying power since 2000. If inflation in 2021 continues to climb through the end of the year, this loss of buying power could deepen.

The 2021 Social Security Loss of Buying Power study, now in its twelfth year, looks at 39 expenditures that are typical for people age 65 and up, comparing the growth in the prices of these goods and services to the growth in the annual COLAs. Based on consumer price index data through March 2021, it appears that the next COLA will be considerably higher in 2022 than the 1.3 percent COLA paid in 2021. The Senior Citizens League (TSCCL) is forecasting that the 2022 COLA could be 4.7%, making it the highest since 2009. But with such a high level of inflation volatility, this estimate could change several times, before the COLA is announced in October 2021.

Background

When prices rise rapidly at the same time that retirees receive a very low COLA, their Social Security benefits won't buy as much as before. This shortfall can produce long-term impacts for retirement income needs, retiree savings, debt levels, and even good health, when older people can't afford prescriptions or to seek necessary medical care. This, in turn, causes retired households to draw down savings more rapidly than planned, and many to carry debt — especially for healthcare costs. Lower income households may go without enough food, without health services such as dental care, or postpone filling medically necessary prescriptions.

Between January of 2000 and March of 2021, Social Security COLAs increased benefits by 55 percent, but the costs of goods and services purchased by typical retirees rose by 101.7 percent. The cost of propane gas, food, and used vehicles were among the most rapidly - rising costs over the past year.

For every \$100 a retired household spent in 2000, that household can only buy about \$70 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 \$1,414.00, 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 \$816.00 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 30 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. The Social Security COLA, as currently calculated, is a poor match to the price changes actually experienced by the people it is intended to protect.

Major Findings

In 2021, more than 61 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 their COLA is offset by rising Medicare Part B, 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.

As noted above, in this year’s study, price data through March 2021 indicate that Social Security benefits lost 30 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 in February and March 2021.

Since 2000, COLAs have increased Social Security benefits a total of 55 percent, yet typical senior expenses through March 2021 grew 101.7%. 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 of the COVID 19 pandemic from January 2020 to March 2021, among our list of 39 items.

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

Item	Cost in Jan. 2000 Average cost \$ or numeric data*	Cost in Mar. 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.) Veterinarian services	109.300*	285.180*	161%
5.) Home heating oil (per gal.)	\$1.15	\$2.86	150%
6.) Total medical out of pocket costs (per yr.)	\$6,140.00	\$14,846.00	142%
7.) Potatoes (10 lbs.)	\$2.98	\$6.98	134%
8.) Propane gas (per gal.)	\$1.01	\$2.30	127%
8.) Ground chuck (per lb.)	\$ 1.90	\$4.31	127%
9. Gasoline (per gal.)	\$1.31	\$2.86	118%
10. Real estate taxes (per yr.)	\$690.00	\$1,494.00	117%

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

Item	Cost in 2020 Average cost \$ or numeric data*	Cost in Jan 2021 Average cost \$ or numeric data*	Percent Increase since January 2020	Cost in Mar 2021 Average cost \$ or numeric data*	Percent increase since January 2020
1. Propane gas (per gal.)	\$2.01	\$2.01	0%	\$2.30	14.4%
2. Bread, white (loaf)	\$1.35	\$1.55	14.8%	\$1.53	13.3%
3. Used vehicles	136.064*	149.659	9.9%	153.873	13%
4. Basic land line phone service	\$51.64	\$58.12	12.5%	\$58.12	12.5%
5. Coffee (per lb.)	\$4.17	\$4.59	10%	\$4.67	11.9%
6. Eggs (per dz.)	\$1.46	\$1.47	0%	\$1.63	11.6%
7. Chicken (per lb.)	\$1.41	\$1.60	13.4%	\$1.54	9.2%
8. Cheddar (per lb.)	\$5.32	\$5.79	8.8%	\$5.79	8.8%
9. Electricity (per kilowatt hr.)	\$.13	\$.14	7.6%	\$.14	7.6%
10. Gasoline (all grades, per gal.)	\$2.67**	\$2.34	-12.3%	\$2.86	7.1%

*Where no average prices are available, numeric data from the U.S. Bureau of Labor Statistics CPI-U are used.

What the Average Benefit Would Have 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 \$1,645.60 per month in 2020 would be required *just to maintain the same level of buying power as in 2000*.

The majority of the 60 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 - 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 March 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 consumer price index used to adjust Social Security benefits. Of the 39 costs analyzed, 27 exceeded the percentage of increase in the COLA over the 2000 to 2021 period, while 12 grew more slowly.

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 101.7 percent for the 39 expenditure items. That means the \$816 average benefit in 2000 would have needed to increase to \$1,645.60 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, \$383.20, by the amount actually received in 2020, \$1,262.40. That represents a 30 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. Based on inflation through the month of April 2021, we estimate the COLA for 2022 will be about 4.7%, making it the highest since 2009. But with such a high level of inflation volatility, this estimate could change several times before the COLA is announced in October 2021.

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	30% (through March)	No change from previous year	

The chart below illustrates the changes in item costs from 2000 to March 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 2020

Category	Expense	Average cost or numeric value Jan 2000	Average cost or numeric value Jan 2021	Percent Increase 2000 - 2021	Average cost or numeric value Mar 2021	Percent Increase 2000- 2021
Housing	Own	195.700	338.181	73%	339.565	74% ¹
Housing	Rental	180.800	344.758	91%	345.717	91% 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%	\$2.86	150% 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	73% ⁷
Transportation	New vehicles	143.300	149.377	4%	149.321	4% ⁸
	Used vehicles	153.900	149.659	-3%	153.873	0% ⁹
Transportation	All grades gas (gallon)	\$1.31	\$2.34	79%	\$2.86	118% ¹⁰
Transportation	Maintenance/repair	174.600	310.662	78%	314.660	80% ¹¹
Transportation	Services including motor vehicle insurance, airline fare	193.000	311.312	61%	316.345	64% 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%	\$6.98	134% ¹⁹
Food	1 lb. cheddar cheese	\$3.84	\$5.79	54%	\$5.79	54% ²⁰
Food	Milk (gal.)	\$2.79	\$3.47	25%	\$3.35	20% ²¹
Food	Eggs (dz.)	\$0.98	\$1.47	51%	\$1.63	67% ²²
Food	Ground chuck (lb.)	\$1.90	\$4.31	127%	\$4.31	127% ²³
Food	Chicken (lb.)	\$1.06	\$1.60	50%	\$1.54	45% ²⁴
Food	coffee (lb.)	\$3.54	\$4.59	30%	\$4.67	32% ²⁵
Food	Bread, white (loaf)	\$.91	\$1.55	70%	\$1.53	68% ²⁶
Food	Apples (lb.)	\$.95	\$1.54	62%	\$1.54	62% ²⁷
Food	Oranges (lb.)	\$.61	\$1.30	113%	\$1.27	108% ²⁸
Food	Tomatoes	\$1.44	\$1.93	34%	\$1.77	23% ²⁹
Food	Bacon	\$2.75	\$5.83	112%	\$5.85	113% ³⁰
Recreation	(all items in category)	102.300	122.140	19%	123.567	21% ³¹
Recreation	Movie ticket	\$5.39	\$9.16	70%	\$9.16	70% ³²

			(2019) theaters closed 2020		(2019) theaters closed 2020	
Recreation	Pets and pet products	144.300	182.431	25%	183.075	25% ³³
Recreation	Veterinarian services	109.300	287.364	163%	285.180	161% 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%	120.746	-5% 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 Home Owners, CPI-U, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 2021.
- ² Rental of Primary Residence CPI-U, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 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>.
- ⁵ Retail prices of residential heating oil 2000- through March 29, 2021, Energy Information Administration, April 14, 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 March 29, 2021, Energy Information Administration, April 14, 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 March 2021.
- ⁸ New motor vehicle costs, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 2021.
- ⁹ Used motor vehicle costs, CPI-U January 2000 through March 2021 Bureau of Labor Statistics, April 13, 2021.
- ¹⁰ Retail prices of gasoline, all grades 2000- through March 29, 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 March 2021 Bureau of Labor Statistics, April 13, 2021.
- ¹² Transportation services, CPI-U, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 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 March 2021, Bureau of Labor Statistics, accessed on April 14, 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 March 2021, Bureau of Labor Statistics, accessed on April 14, 2021.
- ²⁹ Ibid.
- ³⁰ Ibid.
- ³¹ Recreation, CPI-U data January 2000 through March 2021 Bureau of Labor Statistics, April 13, 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 March 2021 Bureau of Labor Statistics, April 13, 2021.
- ³⁴ Ibid.
- ³⁵ Basic local residential phone service Verizon, January 2000 through March 2021.
- ³⁶ Apparel data from CPI-U, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 2021.
- ³⁷ Personal care data from CPI-U, January 2000 through March 2021 Bureau of Labor Statistics, April 13, 2021.
- ³⁸ Ibid.
- ³⁹ 2017-2018 Weights for CPI-E, Bureau of Labor Statistics, April 20, 2021.