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The Cost-of-Living Adjustment for 2024 Projected at 2.57% *According to The Senior Citizens League*

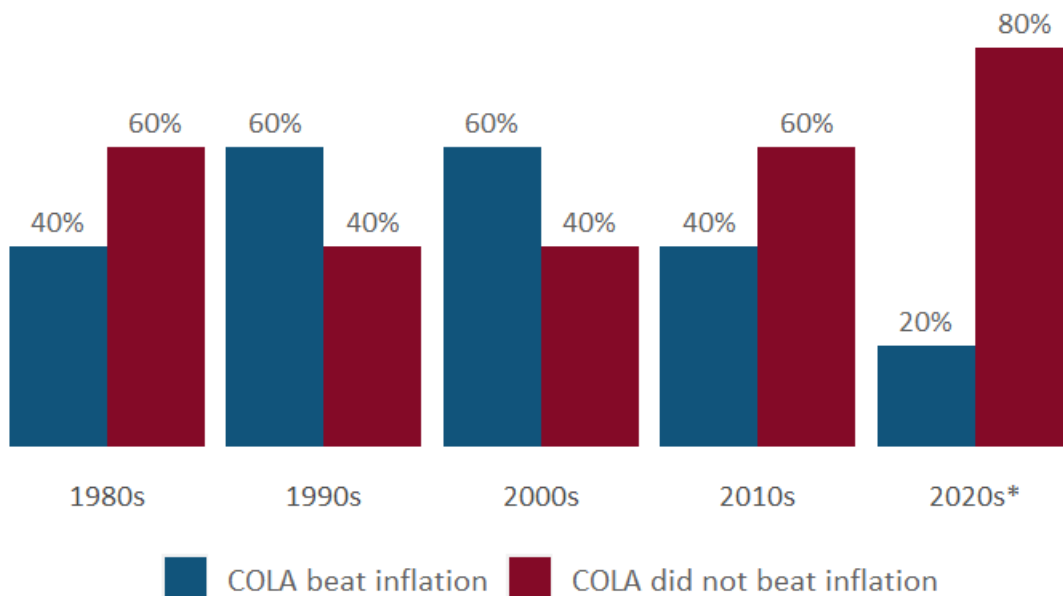
Our model points to a substantially lower COLA for next year after the 3.2% COLA in 2023. “The 2025 COLA prediction is about 2.57%, down from 2.66% last month,” says The Senior Citizens League’s Social Security and Medicare statistician, Alex Moore, managing partner at Blacksmith Professional Services.

This year’s COLA will be important because many seniors said it didn’t keep up with their real-life expenses last year. Among the roughly 1,550 participants in TSCL’s 2024 Senior Survey, 69 percent said their household costs rose faster than the COLA last year, with costs for food and housing leading the way.

The fact is that COLAs have become less and less likely to keep up with inflation over time. As shown in the chart below, just one of the five COLAs implemented so far in the 2020s (20%) has outpaced inflation, compared to 40% in the 2010s and 60% in the 2000s and 1990s.^{i, ii}

COLAs Less Likely to Beat Inflation Since the 2000s

Percentage of years where the COLA implemented was higher than inflation.^{i, ii}



What's worse, when COLAs fall short, it can leave seniors thousands of dollars behind what they expected from Social Security. This is mainly because a COLA shortfall has a long-lasting, cumulative effect. For example, imagine getting a \$1,000 monthly Social Security check in your first year of retirement. You get a 4% COLA, and inflation is 5%, so now your check is \$1,040 but should be \$1,050. Then, the following year, the COLA and inflation are both 5%. Your check is now \$1,092 but should be \$1,102.50—an even bigger gap than the year before! Compound this across 12 checks a year over a 25-to-30-year retirement, and the numbers start adding up quickly!

According to the Social Security Administration, COLAs keeping up with inflation matters because Social Security is the difference between dignity and poverty for about 50% of retirees.ⁱⁱⁱ What's more, TSCL's senior survey found that about half of retirees have dipped into emergency savings over the last year, while a third have visited a food pantry or applied for SNAP benefits, food stamps, to put dinner on the table. A quarter have depleted a retirement or savings account to zero.

ⁱ Social Security Administration. (2024). Cost-Of-Living Adjustments. Social Security Administration; <https://www.ssa.gov/OACT/COLA/colaseries.html>

ⁱⁱ Srinivasan, H. (2024, May 2). U.S. Inflation Rate by Year: 1929 to 2024. Investopedia; <https://www.investopedia.com/inflation-rate-by-year-7253832>

ⁱⁱⁱ Hinkle, M. (2024, May 6). Strong Economy, Low Unemployment, and Higher Job and Wage Growth Extend Social Security Trust Funds to 2035. Social Security Administration; https://www.ssa.gov/news/press/releases/2024/?utm_content=pressrelease&utm_medium=email&utm_source=govdelivery#5-2024-1