



## Press Brief Inflation - COLA Update

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For immediate use

### **Average Social Security Benefits Fell Short of Inflation by More Than \$1,050 Since the Start of Pandemic. Can Seniors Recover?**

New Analysis from The Senior Citizens League

**Inflation appears to be moderating but will Social Security recipients “catch up”?** Inflation as measured by the same index that’s used to calculate the cost - of - living adjustment (COLA) was 6.3% through December. That’s lower than the new 8.7% COLA starting this month. Will 2023 be the year that seniors catch up? “Before anyone can answer that question, we first need to have a measure of just how far Social Security benefits fell short due to cost-of-living-adjustments (COLAs) that didn’t match up to actual inflation,” says Mary Johnson, Social Security and Medicare policy analyst for The Senior Citizens League.

**A new analysis by Mary Johnson of The Senior Citizens League indicates that since the start of the COVID-19 pandemic in 2020, Social Security benefits have fallen short of COLAs by about \$1,054 on average through 2022.** Johnson calculated how much benefits would have needed to increase each month from January of 2020 to December of 2022 to keep pace with actual inflation and compared it to the amount of the average COLA.

Catching up this year is uncertain because that will depend on prices coming down significantly. The moderation of inflation just announced would shrink the shortfall, by only about \$38.70 for the month before the deduction for Medicare Part B premiums which is \$164.90.

#### **The analysis found in:**

- *2020, the 1.6 percent COLA kept pace with inflation, but only after March, when COVID-19 shut down the economy, gasoline prices plummeted, and deflation temporarily set in. Average benefits ended the year ahead by \$53 prior to deductions for Medicare Part B premiums. The Medicare Part B premium however, was \$144.60 per month, an increase of 6.7 percent over the previous year. Annual Medicare Part B premium costs of \$1,735.20 ate up the \$53 that exceeded inflation.*
- *2021, the 1.3 percent COLA left Social Security recipients with virtually no inflation protection, falling behind on average by 261 percent per month. In terms of dollars the average benefit fell behind (\$612) for the year, (\$51) per month. This is prior to the deduction for Medicare Part B premiums of \$148.50 per month, and \$1,782 for the year.*
- *2022, the 5.9 percent COLA fell short on average by 46 percent per month. In terms of dollars, average benefits fell behind (\$495) for the year or (\$41.25) per month. This is*

prior to the deduction for Medicare Part B premiums of \$170.10 per month, \$2,041.20 for the year and one of the largest increases in Medicare program history.

- **COLA shortfall since the start of 2020 (not counting Part B deductions): \$53.20 – \$612 – \$495 = (\$1,053.60).**

### **How much will older Americans spend on healthcare in 2023?**

Surveys conducted by The Senior Citizens League, in 2023, suggest:

- 50 percent of Medicare beneficiaries will spend up to \$4,800 for premiums, out-of-pocket costs, and for services such as dental and eye exams that are not covered by Medicare.
- 30 percent will spend more than \$4,800 up to \$12,828.
- 20 percent will spend more than \$12,828 — particularly those who need costly long-term care, hospitalization, or to undergo therapies for very serious chronic health conditions.

The estimates are based on answers provided by more than 3,000 participants.

**Social Security recipients can owe taxes on a portion of their Social Security benefits when their “combined income” is greater than \$25,000 (single filers) or \$32,000 (couples filing jointly).** A growing percentage of older taxpayers are hit with the tax on Social Security every year because the income thresholds subjecting benefits to taxation are fixed, unlike tax brackets which are adjusted for inflation. Had these income thresholds been adjusted since the tax on Social Security benefits became effective in 1984, the \$25,000 level today would be about \$73,040 and the \$32,000 level would be \$93,491.

### **Fifty-seven percent of older taxpayers are worried their tax bill will be higher this year due to the 5.9% COLA in 2022.**

According to a recent survey by The Senior Citizens League, 57 percent of those taking the survey are worried that they would pay taxes on a higher portion of their Social Security benefits this year. More than one - out - of - five is concerned they may pay the tax on their Social Security benefits for the first time this year due to the 5.9% COLA. The survey had 1,429 participants.

Here’s the formula to determine whether Social Security benefits are taxable:

Adjusted gross income + non-taxable interest + one half of Social Security benefits = “combined income.” More info can be found here:

<https://www.ssa.gov/benefits/retirement/planner/taxes.html>.

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