

For immediate release

April 12, 2023

Inflation Had Long-Term Impacts on Older Households

The rate of inflation, as measured by the Consumer Price Index that is used to calculate the Social Security cost of living adjustment (COLA), has fallen to 4.5% in March. If inflation continues to fall at the current rate it appears that the COLA for 2024 will be lower than 3%. Although easing inflation should relieve older consumers, new survey findings from The Senior Citizens League (TSCL) indicate that recent steep inflation has had long-lasting financial impacts on many older households making recovery difficult.

The good news is that 8.7% COLA increase in 2022 exceeded the actual rate of inflation in every month so far this year by an average of 2.6%. That's about \$44.90 per month based on an average Social Security benefit of \$1,694.00. But that so-called cushion is *completely consumed* by the \$164.90 per month Medicare Part B premiums which is automatically deducted from Social Security benefits. *(The average used here is the average benefit of all recipients, including retirees, widows/widowers, and disabled.)*

Research by The Senior Citizens League indicates that average benefits fell short of inflation by roughly \$1,054 from January 2021 to December of 2022. Average benefits in 2023 have only recovered about \$179.40 in total since the start of the year, and that's the amount *before* the deduction of the Part B premium.

The financial impact of the past two years of inflation has had some far-reaching consequences, especially for modest and middle income retirees. The Senior Citizens League's new survey of 1,055 older participants found a sizable jump in the number reporting they have *depleted a retirement account* over the past 12 months, from 20 percent in the third quarter of 2022 to 26 percent in the first quarter of 2023. The survey also found that those who reported they carried debt on consumer credit cards for more than 90 days climbed to 45 percent — the highest level recorded by this survey despite the recent rise in interest rates.

How much do older adults spend on healthcare? The answer to that turns out to be a lot more than the COLA accounts for. The index used to determine the annual COLA, the Consumer Price Index for Urban Wage Earners, and Clerical Workers (CPI-W), assumes consumers spend about 7 percent of their household budget on healthcare. But according to TSCL's latest Senior Survey, 60 percent of survey participants say they spend more than double that amount, at least 16 percent of their income on healthcare.

Here is why it matters: In many years, Medicare premiums and out-of-pocket costs are among the fastest-growing costs in retirement. An inflation measure that does not adequately measure and accurately accounts for the portion of income spent on healthcare tends to undercount the actual rate of inflation and shortchange the Social Security COLA.

Surveys by The Senior Citizens League find strong support for tying the COLA to an index that better reflects how older adults spend their incomes. In a recent survey of 1,429 participants, 72 percent support tying the COLA to the Consumer Price Index for the Elderly (CPI-E) to calculate the annual COLA. Based on *February* data the CPI-E is 6.5% vs. this time a year ago, compared to the CPI-W which is 5.8%. A difference of this magnitude is usually caused by higher housing and medical costs when energy prices are dropping. (Please check back with us for March data comparison. CPI-E data is posted later than CPI-W data.)

How Inflation Is Taking a Toll on Older Americans
Which of the following financial actions have you taken over the past 12 months?
 (Survey participants were told to check all that apply.)

Action	2020 – 2021-Q3	2021- 2022-Q1	2021- 2022-Q3	2022- 2023-Q1
Spent emergency savings	36%	50%	38%	49%
Depleted a retirement or savings account.	<i>Not asked</i>	21%	20%	26%
Refinanced a home mortgage.	10%	7%	6%	6%
Carried debt on a consumer credit card for more than 90 days.	<i>Not asked</i>	43%	35%	45%
Went back to work or have taken a new job.	10%	9%	8%	10%
Applied for a pharmacy assistance program for one or more expensive prescription drugs.	9%	15%	10%	9%
Used Good Rx coupons when cheaper than filling prescription through Part D or health plan	<i>Not asked</i>	<i>Not asked</i>	<i>Not asked</i>	25%
Applied for Medicare Savings Program or Medicare Extra Help to assist with medical and/or prescription drug costs.	11%	20%	13%	14%
Visited a food pantry or applied for SNAP benefits.	22%	47%	33%	35%
Applied for rental assistance.	5%	13%	9%	11%
Applied for real estate tax relief program	<i>Not asked</i>	6%	6%	8%
Applied for assistance with heating and cooling costs.	10%	25%	17%	21%
Moved in with family or shared housing costs with friend or family.	<i>Not asked</i>	<i>Not asked</i>	<i>Not asked</i>	10%
Provided food, transportation, cash, or other assistance to family members or others who need help.	<i>Not asked</i>	<i>Not asked</i>	23%	29%

Source: The Senior Citizens League, April 12, 2023.
Retirement Survey 2021 — 911 survey participants
Senior Survey 2022 — 3,056 survey participants
Retirement Survey 2022 — 1,028 survey participants
Senior Survey 2023 — 1,055 survey participants

Note to journalists:

Our 2023 update of our report on the Social Security Loss of Buying Power and the start of our forecasts of the COLA for 2024 will be May 10, 2023.