



**2019 Loss of Buying Power Study
Social Security Benefits Lose 33% Of Buying
Power Since 2000**

**The Senior Citizens League
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Summary:

Between October of 2018, and January 2019, inflation fell. Effective January 1, 2019, Social Security beneficiaries received a cost – of – living adjustment (COLA) of 2.8 percent. This combination of higher benefits, and low inflation, typically should translate into more money for retirees in the short term. But this does not seem to be the case for most Social Security recipients. Any benefit improvement in 2019 was offset by stiff increases in costs of other essentials, particularly out-of-pocket spending on prescription drugs that aren't adequately reflected in the inflation measure used to index Social Security benefits. Consequently, although the buying power of Social Security benefits improved very slightly in our study, it was not a significant change.

Social Security benefits have lost one-third (33 percent) of their buying power since the year 2000. That represents a very small 1 percent improvement in Social Security buying power, from a loss of 34 percent in from 2000 to 2018 to 33 percent from 2000 to 2019. On the other hand, the tepid growth in price inflation suggests that the COLA may be low, under 2 percent, in 2020.

From January 2000 through January 2019 many of the goods and services purchased by typical retirees increased several times faster than annual Social Security cost - of - living adjustments (COLAs). Between these years, COLAs increased Social Security benefits by 50 percent, but the cost of goods and services purchased by typical retirees rose more than twice as fast — 100.3 percent.

This trend erodes the buying power of more than 60 million Social Security beneficiaries, particularly over time. The same \$100 a retired household spent in 2000, can only buy about \$67 worth of goods and services today. Take home heating oil, for example. Older homeowners with an oil tank that holds 500 gallons paid \$575.00 to fill up in January of 2000. In 2019 however, the same households had to come up with \$1,545.00 for that amount of heating oil. In 2000, the average Social Security benefit was \$816.00 per month. Retired householders with average benefits could fill the tank and still have money left over. By 2019, however, COLAs increased the monthly benefit to only \$1,226.60. Average benefit households had to borrow to cover the full cost of a fill-up, dip into savings, or go without adequate heat.

The Social Security Cost of Living Adjustment (COLA) is intended to protect the purchasing power of benefits received by older and disabled Americans, who paid into the system during their working years through payroll taxes. Yet over the past decade, inflation and COLAs have been at unprecedented low levels — averaging just 1.4 percent

per year since 2010 — with no COLA payable at all in 2010, 2011, 2016, and just a 0.3 percent COLA in 2017. But during that time a number of essential retiree costs continued to climb.

With the majority of retirees depending on Social Security for more than half of their income, the erosion in buying power suggests that millions of retirees, especially the roughly 9.9 million age 80 and over who have been retired since 2000, are at high risk of a declining standard of living, unless Congress moves to strengthen COLA benefits.

Major Findings

Social Security benefits lose buying power over time. In this 2019 study, price data indicate that Social Security benefits have lost 33 percent of buying power since 2000. The 2019 findings represent a tepid “improvement” in benefit buying power of 1 percent from January 2018 through January 2019. Food and healthcare costs — particularly for fresh fruits and vegetables and prescription drugs — were among the two most rapidly - rising retiree expenses over the past year. The study examines the growth since 2000 in prices of goods and services that are typical for retired and disabled households, and then compares that to the growth in Social Security COLAs over the same period.

In addition to this study of price data, The Senior Citizens League also conducts national surveys of older Americans to collect some general household expenditure information. Those who participated in the survey conducted from January through April 2019, indicated that their monthly household expenses in 2018 increased far in excess of the amount that the COLA increased their benefits. While the 2.8 percent COLA raised the average monthly Social Security benefit of \$1,400 by about \$39, only 15 percent of respondents in The Senior Citizens League’s 2019 Senior Survey said that their monthly expenses rose by less than \$39.00 per month. Twenty percent reported that monthly expenses rose between \$40 to \$79 per month. Twenty - two percent reported expenses rising between \$79 to \$119 per month. Thirty-six percent said their monthly expenses rose by more than \$119 per month.

Background

Since 2000, COLAs have increased Social Security benefits a total of 50 percent, yet typical senior expenses grew more than twice as fast — 100.3 percent. Table 1 illustrates ten of the fastest growing costs since 2000. Out-of-pocket spending on prescription drugs, homeowner’s insurance, and Medicare Part B premiums top this year’s list. 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 January 2018 to January 2019. Increases in the price of potatoes, apples and prescription drugs are the fastest growing prices over the past year.

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

Item	Cost in 2000 Average cost \$ or numeric data	Cost in 2019 Average cost	Percent Increase Since 2000
1. Prescription drugs, generic, brand, special, average out-of-pocket annual. (annual)	\$1,102.00	\$3,891.90	253%
2. Homeowner's insurance (annual)	\$508.00	\$1,518.97	199%
3. Medicare Part B premiums (monthly)	\$45.50	\$135.50	198%
4. Home heating oil (gallon)	\$1.15	\$3.09	170%
5. 10 lbs. potatoes (gold)	\$2.98	\$7.98	168%
6. Propane gas (gal.)	\$1.01	\$2.43	141%
7. Medigap (average monthly premium, all plans)	\$119.00	\$279.55	135%
8. Real estate tax (annual)	\$690.00	\$1,579.06	129%
9. Total medical costs, not including premiums (annual)	\$6,140.00	\$13,665.00	123%
10. Oranges (lb.)	\$.61	\$1.34	120%

Table 2. Fastest Growing Costs of Older Americans 2018 - 2019

Item	Cost in 2018 Average cost \$ or numeric data*	Cost in 2019 Average cost \$ or numeric value*	Percent Increase since 2018
1. 10lbs. potatoes (gold)	\$5.98	\$7.98	33%
2. Apples (lb.)	\$1.25	\$1.62	30%
3. Prescription drugs, generic, brand, special, average out-of-pocket (annual).	\$3,172.72	\$3,891.90	23%
4. Homeowner's insurance (annual)	\$1,342.05	\$1,518.97	13%
5. First class postage	\$.50	\$.55	10%
6. Housing (rent)	314.788*	325.597*	3% (.034)
7. Motor vehicle insurance	554.166*	572.950*	3% (.033)
8. Housing (own)	310.828*	320.789*	3% (.032)
9. Total medical expenses, not including premiums	\$13,304.00	\$13,665.00	3% (.027)
10. Transportation maintenance/ repair	283.305*	\$290.758*	3% (.026)

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

The average Social Security benefit in 2000 was \$816 per month. That benefit grew to \$1,226.60 by 2019 due to COLA increases. However, because retiree costs are rising at a substantially faster pace than the COLA, this study found that a Social Security benefit of \$1,634.50 per month in 2019 would be required *just to maintain the same level of buying power as in 2000*.

A majority of the 60 million Americans who receive Social Security depend on it for at least 50 percent of their total income, and one – third 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:

The study examined the increase in costs of 39 key items purchased by people age 65 and older, between 2000 and January 2019 (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 the government doesn't track under the consumer price index used to adjust Social Security benefits. Of the 39 costs analyzed, 25 exceeded the percentage of increase in the COLA over the 2000 to 2019 period.

In order to determine how the purchasing power of Social Security benefits is affected from year to year, we examined the average benefit in January of 2000, and adjusted it using COLA increases through January 2019. The average Social Security benefit was \$816 in 2000. COLAs increased benefits 50 percent over the 19-year period, increasing this benefit to \$1,226.60 in 2019.

The study found that typical retiree expenditures have increased over the same period by 100.3 percent for 39 essential items. That means the \$816 average benefit in 2000 would have needed to increase to \$1,634.50 per month *just to maintain the same level of buying power as in 2000*. (That amount can be calculated by multiplying the 2000 benefit of \$816 by 2.003 and rounding to the next tenth of a dollar, as is Social Security protocol.)

The loss of buying power was then determined by dividing the difference in the amount that beneficiaries would need to keep up, \$407.90, by the amount actually received in 2018, \$1,226.60. That represents a 33 percent loss of buying power since 2000.

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

Table 3. illustrates COLA 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 2019 we estimate the COLA for 2020 will be very low, about 1.X%. This number could change with subsequent inflation data. The Social Security Administration announces the COLA (payable effective January,) in October.

Table 3.
TSCL's Social Security Loss of Buying Power Study and COLA Trends for Period Since 2010

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%) loss	3.6%
2012	34%	(- 2%) loss	1.7%
2013	31%	+ 3% gain	1.5%
2014	31%	No change	1.7%
2015	22%	+ 9% gain	0%
2016	23%	(- 1%) loss	0.3%
2017	30%	(- 7%) loss	2.0%
2018	34%	(-4%) loss	2.8%
2019	33%	+ 1% gain	

The chart below illustrates the changes in item costs from 2000 to 2019. 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 2019

Category	Expense	Average cost or *numeric value in Jan 2000	Average cost or *numeric value in Jan 2019	Percent Increase, 2000-2019
Housing	Own	195.700*	320.789*	64% ²
Housing	Rental	180.800*	325.597*	80% ³
Housing	Homeowner's insurance (annual)	\$508.00	\$1,518.97	199% ⁴
Housing	Real estate tax (annual)	\$690.00	\$1,579.06	129% ⁵
Housing	Heating oil (gallon)	\$1.15	\$3.09	170% ⁶
Housing	Propane gas (dollars)	\$1.01	\$2.43	141% ⁷

	per gallon)			
Housing	Electricity per kilowatt hr.	\$.08	\$.14	75% ⁸
Transportation	New vehicles	143.300*	147.059*	3% ⁹
	Used vehicles	153.900*	138.800*	-10% ¹⁰
Transportation	All grades gas (gallon)	\$1.31	\$2.33	78% ¹¹
Transportation	Maintenance/repair	174.600*	290.758*	67% ¹²
Transportation	Services including motor vehicle insurance, airline fare	193.000*	322.216*	67% ¹³
Transportation	Motor vehicle insurance	395.974*	572.950*	45% ¹⁴ (since 2012)
Medical	Total medical expenses, not including premiums	\$6,140.00	\$13,665.00	123% ¹⁵
Medical	Prescription drugs, generic, brand, special, average out-of-pocket annual.	\$1,102.00	\$3,891.90	253% ¹⁶
Medical	dental, general visits	\$286.00	\$408.97	43% ¹⁷
Medical	Medicare Part B premiums (monthly)	\$45.50	\$135.50	198% ¹⁸
Medical	Medicare Part D premiums average weighted for enrollment	\$25.93	\$41.21	59% ^{19*} since 2006
Medical	Medigap average premium, all plans	\$119.00	\$279.55	135% ²⁰
Food	10 lbs. potatoes	\$2.98	\$7.98	168% ²¹
Food	1 lb. cheddar cheese	\$3.84	\$5.19	35% ²²
Food	Milk (gal.)	\$2.79	\$2.91	4% ²³
Food	Eggs (dz.)	\$0.93	\$1.55	59% ²⁴
Food	Ground chuck (lb.)	\$1.90	\$3.73	96% ²⁵
Food	Chicken (lb.)	\$1.06	\$1.47	39% ²⁶

Food	Coffee (lb.)	\$3.54	\$4.29	21% ²⁷
Food	Bread, white (loaf)	\$.91	\$1.27	40% ²⁸
Food	Apples (lb.)	\$.95	\$1.62	70% ²⁹
Food	Oranges (lb.)	\$.61	\$1.34	120% ³⁰
Food	Tomatoes	\$1.44	\$2.23	55% ³¹
Recreation	(All items in category)	102.300*	120.265*	18% ³²
Recreation	Movie ticket	\$5.39	\$9.32	73% ³³
Recreation	Pets and pet products	144.300*	174.918*	21% ³⁴
Recreation	Pet services including veterinary	109.300*	236.410*	116% ³⁵
Communication	Basic phone service, land lines, local	\$27.69	\$54.36	96% ³⁶
Communication	First class postage	\$0.33	\$0.55	67%
Apparel	Clothing	126.800*	122.422*	-3% ³⁷
Other	Personal care products	152.800*	163.316*	7% ³⁸
Other	Personal care services	174.900*	232.227*	33% ³⁹

Weighting:

We used the weighting of the Consumer Price Index for the Elderly (CPI-E)⁴⁰ to suggest our weighting guidelines.

Expenditure Group	CPI-E	TSCL Survey
Housing	47.0	47.0
Transportation	14.4	13.0
Medical	12.1	14.1
Food	12.0	12.0
Recreation	5.6	5.6
Communication	4.0	3.4
Apparel	1.9	1.9
Other	3.0	3.0

¹2017 Social Security Annual Statistical Supplement, data through December 2016.

² Home Owners, CPI-U, January 2000 through January 2019 Bureau of Labor Statistics, February 13, 2019.

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- ³ Rental of Primary Residence CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ⁴ Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, February 18, 2019. <http://www.iii.org/media/facts/statsbyissue/homeowners/>
Methodology: Rate of increase extended from 2015 through 2019 based on historic average rate of increase. To be adjusted year to year.
- ⁵ Real estate tax, Orange County Virginia, files of Mary Johnson, 2000 through December 2018. Virginia ranks approximately 29th of 50 states as a percentage of median income. <http://www.tax-rates.org/virginia/property-tax>.
- ⁶ Retail prices of residential heating oil 2000 - through January 7, 2019, Energy Information Administration, April 19, 2019.
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPD2F_PRS_NUS_DPG&f=W.
- ⁷ Residential prices natural gas 2000 – through January 7, 2019, Energy Information Administration, April 19, 2019.
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_NUS_DPG&f=W
- ⁸ Average retail price of electricity to customers, 2000-2019, Bureau of Labor Statistics Average Price Data through January 2019.
- ⁹ New motor vehicle costs, CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ¹⁰ Used motor vehicle costs, CPI-U January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ¹¹ Retail prices of gasoline, all grades 2000 - through January 7, 2019, Energy Information Administration., http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W .
- ¹² Maintenance and repair data, CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ¹³ Transportation services, CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ¹⁴ Transportation Motor Vehicle Insurance, CPI-U, January 2012 through January 2019, Bureau of Labor Statistics, February 13, 2019.
- ¹⁵ 2019 Medicare Trustees Report, April 22, 2019, Table V.D1. Beneficiary Costs, page 185.
- ¹⁶ Medicare Part D Average Annual Gross Drug Costs Per Capita, Centers for Medicare and Medicaid Services. Methodology: Data through 2017. Adjusted for 2018 using National Health Expenditures 2018 Projections of National Health Expenditures, CMS Actuary, February 20, 2019.
- ¹⁷ National Dental Expenditures per Capita, through 2016, American Dental Association, 2017. Costs for 2017 and 2018 projected based on National Health Expenditures 2017, CMS, April 25, 2019.
- ¹⁸ Medicare Premiums for 2019, CMS, October 12, 2018.
- ¹⁹ “Medicare Part D: A First Look at Plan Offerings in 2019,” Kaiser Family Foundation, October 2018.
- ²⁰ 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. Healthmarkets.com posted average premium by plan, averaged across all plans, September 26, 2018. <https://www.healthmarkets.com/resources/medicare/cost-of-supplemental-health-insurance-for-seniors/>
- ²¹ Sam’s Club Charlottesville Virginia, 2000 through 2019, 10 pound Gold potatoes, www.sams.com.
- ²² Average price data, Bureau of Labor Statistics through Jan 2019, accessed on April 25, 2019.
- ²³ Average price data 2000 through January 2019, Bureau of Labor Statistics, accessed on April 25, 2019.
- ²⁴ Average price data 2000 through January 2019, Bureau of Labor Statistics, accessed on April 25, 2019.
- ²⁵ Ibid.
- ²⁶ Ibid.
- ²⁷ Ibid.
- ²⁸ Ibid.
- ²⁹ Apple prices as tracked in the Produce Blue Book, January 2019, accessed on April 25, 2019.
- ³⁰ Ibid.

³¹ Ibid.

³² Recreation, CPI-U data January 2000-January 2019, Bureau of Labor Statistics, February 13, 2019.

³³ Movie ticket: Average Ticket Prices, The National Association of Theater Owners, April 25, 2019.
<http://natoonline.org/data/ticket-price/>. Rate of increase through January 2019 uses data through 2018 and extended based average annual amount of increase.

³⁴ CPI-U data January 2000-January 2019, February 13, 2019.

³⁵ Ibid.

³⁶ Basic local residential phone service Verizon, 2000 through 2019.

³⁷ Apparel data from CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2018.

³⁸ Personal care data from CPI-U, January 2000 through January 2019, Bureau of Labor Statistics, February 13, 2019.

³⁹ Ibid.

⁴⁰ 2015-2016 Weights for CPI-E, Bureau of Labor Statistics, April 30, 2019.