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Social Security Benefits Lose 40% of Buying Power

Soaring inflation has caused Social Security benefits to lose 40% of their buying power since the year 2000, according to the latest update of an ongoing study by TSCL. Purchasing power plummeted by 10 full percentage points in just the past year, from March of 2021 to March 2022—the largest such drop since TSCL began the study in 2010.

That loss of buying power is putting the oldest retirees in a financial bind—particularly lower-income households that depend on Social Security for most, or all, of their income. Nearly three-quarters of participants in TSCL's Senior Survey said that their monthly expenses have increased by at least $96 to more than $144 per month from 2021 to 2022, while the annual Cost-of-Living Adjustment (COLA) increased average Social Security benefits by less than $93 per month. Consequently, about one out-of-two older adults spent through their emergency savings over the past 12 months and 43% report they are carrying debt on consumer credit cards, according to TSCL's Senior Survey conducted early this year.

TSCL's Loss of Buying Power study compares the growth in the Social Security COLAs with increases in the price of 37 goods and services

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HHS OFFICE OF INSPECTOR GENERAL: Medicare Advantage Plans Often Deny Medically Necessary Care

Every year, tens of thousands of Medicare beneficiaries who are enrolled in private Medicare Advantage health plans are denied medically necessary care that otherwise would have been covered by traditional fee-for-service Medicare. The denials are for services and treatments that should be covered by their plan according to new report from the Office of Inspector

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Can Inflation Be a Good Thing If it Means a High Social Security COLA?

By Mary Johnson, editor

Is inflation ever a good thing if it means getting a high Cost-of-Living Adjustment (COLA)? The person asking me that question could be forgiven since that young adult had never experienced inflation this high in their lifetime. I regularly am consulted by younger journalists who are unfamiliar with Social Security benefits, and help them develop their media stories.

The journalist who asked this question received a good swift NO! COLAs, no matter how high, don't typically keep pace with inflation experienced by Social Security recipients. Higher COLAs are an indication that Social Security recipients have lost more buying power in the previous year. The COLA that's paid is not based on the inflation that's occurring today which in 2022 is even worse than 2021. Even with a 5.9% COLA this year—the highest in 4 decades—Social Security benefits are still falling woefully short of rising prices.

What are some of the reasons for this, and what can we do about them? There are several common ways that COLAs can fall short. Here are

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Benefit Bulletin

First Hurdle to Fixing Social Security? Every Member of Congress

Rick Delaney, TSCL Chairman of the Board

Rick Delaney, Chairman of the Board, TSCL

When it comes to fixing Social Security, Congress has no success stories. The last time that major Social Security reform legislation became law was almost 4 decades ago in 1983. The fact is, fixing Social Security's financing issues presents potential conflicts of interest for the very lawmakers who must introduce and vote on the legislation to fix the program. It's a vote that would hit every single Member of the House and Senate square in the pocket.

To bring Social Security back into balance, Members of Congress would have to raise payroll taxes or, cut benefits, or some combination of the two. The people affected by the changes not only includes constituents, but every Member of Congress themselves. Despite what you otherwise may have heard, since 1983, Members of Congress have paid into, and eventually can receive Social Security benefits when they meet other eligibility requirements.

One of the most common misconceptions is that Members of Congress don't pay into Social Security. That's not entirely true. The federal government withholds Social Security payroll taxes up to the annual taxable maximum ($147,000 in 2022) for every lawmaker. But because Members of Congress earn $174,000 per year (or more for House and Senate leadership), your Representative and Senators are only subject to payroll taxes on the first $147,000 of their earnings. As is true of all workers, no Social Security taxes are withheld for the amount over $147,000—or $27,000 in the case of most Members of Congress. As many of you have pointed out in the past, the salaries of all Members of Congress and the residents of the White House are paid for by U.S. taxpayers.

Time is growing short for Social Security's solvency. The most recent Social Security Trustee report indicates that the program is expected to become insolvent around 2034, leaving little more than 10 years or so to phase in the changes required to reduce deficits. The Social Security Trustees have estimated that if Congress does nothing to resolve the financing issues, when insolvency occurs, Social Security benefits of all beneficiaries would be reduced by about 22% to match payroll tax revenues still received by the program.

So far Congress has never allowed Social Security to become insolvent but, waiting until the last minute can have steep costs for workers and Social Security recipients. The last time Social Security ran low, in the late 70's and early 80's the program was only weeks away from insolvency. Congress enacted major legislation that included not just a benefit cut, but multiple types of benefit cuts and tax increases that affect retirees and workers today. Some of the benefit cuts which went into effect quickly, were controversial and highly contentious for decades. Every worker and retiree was affected differently, but TSCL's review of archival materials from this period revealed that millions of people close to retirement wound up with benefit reductions of up to 25%.

It comes as no surprise that 65% of participants in TSCL's Seniors Priority Plan Survey want Congress to focus on Social Security changes that raise tax revenues without benefit cuts. Only 5% thought Congress should focus on plans that combine benefit cuts and tax increases and another 4% thought benefits should be cut to avoid raising taxes.

Of proposals to strengthen Social Security's revenues, the one with the most support among survey participants (48%) would eliminate taxable maximum on wages (currently $147,000) and apply the Social Security payroll tax to 100% of earnings. Another 17% of survey participants thought that Congress should very gradually increase the rate of Social Security taxes paid by workers and matched by employers from 12.4% to 13.4%. Fifteen percent of survey

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Legislative Update

Seniors Are Facing a Tax Cliff Due to High COLAs

By Doug Osborne, TSCL Legislative Liaison

Doug Osborne, TSCL Legislative Liaison

Recently we received the following from one of our members:

"I'm trying to find out if anyone is aware of the IRS (tax) cliff that seniors on Social Security are facing? With the current COLA increase and possibly a larger increase next year, seniors are most likely to lose any raise due to the tax rule for a married couple making over $32,000, or a single filer making over $25,000; will have to pay tax on half of their Social Security if they are even a dollar over that limit. With the COLA increase seniors could wind up paying more in taxes than what the COLA increase is in some cases, and this will continue every year because high inflation and the COLA put them over that limit. This limit has not been changed since 1983 or adjusted for inflation, your help would be greatly appreciated."

Yes, TSCL is aware of the tax cliff faced by Social Security recipients and is working with Members of Congress to address the problem. A significant number of retired and disabled Social Security recipients are likely to face higher taxes during the 2023 tax season due to the 5.9% COLA in 2022, and another expected high COLA in 2023 which we are currently forecasting to be around 8.6% based on consumer price data through April 2022. Congress does know there's a problem, but it's not on the front burner yet. We need your help to change that!

Are you affected? As many as half of all Social Security households pay federal income taxes on a *portion* of their benefits. As much as 85% of Social Security benefits can be taxable for Social Security recipients whose "provisional income" is higher than the income thresholds that were set by law in 1983. Provisional income is figured by adding your adjusted gross income, plus certain otherwise tax-exempt income, to 50% of your Social Security benefits.

As you point out the income thresholds have not been changed since 1983 unlike tax brackets which are adjusted annually. Thus, each year more Social Security recipients are impacted by the tax when their benefits are adjusted for the COLA. The 5.9% COLA this year and the COLA which we anticipate for 2023 are the highest COLAs in 4 decades, and sure to cause record numbers of Social Security recipients to pay tax on a portion of their benefits for the first time. So far though, TSCL does not know of any legislation that would permanently adjust these income thresholds over the long term—a problem we are working to change.

To see how the calculation of taxable Social Security benefits works, see the table on page 8. The table is from the IRS Publication #915 *Social Security and Equivalent Railroad Retirement Benefits.*

To better understand just how much of your Social Security benefits are taxable, you can find a worksheet in the IRS 1040 instructions.

It's important to note that revenues from the taxation of Social Security benefits flow into the Social Security and Medicare Trust Funds to help pay benefits. The 50% level of taxation goes to the Social Security Trust Fund, and the 85% level goes to the Medicare hospital insurance Trust Funds. Lawmakers could look for new sources of revenues, to offset the loss of revenues by adjusting the income threshold. A temporary fix

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The Social Security & Medicare Advisor © 2022 is published by The Senior Citizens League (TSCL). TSCL is an organization of active seniors concerned about the protection of their earned Social Security, Medicare, military, and other retirement benefits. TSCL's supporters participate in a number of grassroots lobbying and public education campaigns to help ensure governmental bodies live up to their commitments. Current active contributors to The Senior Citizens League are entitled to receive *The Social Security & Medicare Advisor.* Readers wishing to contact TSCL should address correspondence to The Senior Citizens League, 1800 Diagonal Road, Suite 600, Alexandria, VA 22314. TSCL website: www.SeniorsLeague.org. Editor: Mary Johnson.

CONGRESSIONAL CORNER

It's Time to Bolster and Expand Social Security

by Representative Matt Cartwright (PA-08)

Social Security is a unifying force in America. It is the single most important and effective income support program ever introduced in the United States.

Its premise is simple: You pay into Social Security out of every paycheck during your working years and then the benefits are there when you need them most. Millions of Americans, ranging from retired seniors to disabled war veterans to children who have lost a parent, rely on it. It's been credited with alleviating the burden of poverty for millions of Americans, particularly the elderly.

Since 1935, the Federal Government has delivered on its promise that if you contribute to Social Security, you retire with dignity. And while Social Security has been hailed as a successful program from all sides of the aisle, we know that all successful programs require fine-tuning from time to time. Such is the case with Social Security.

That's why I co-sponsored the Social Security 2100 Act (H.R. 5723) in the U.S. House of Representatives, with more than 200 of my fellow House Members joining me in this crucial effort. I think it is Congress' responsibility not just to safeguard Social Security but also to ensure that benefits keep up with American expenses.

So, what does Social Security 2100 propose? First and foremost, it provides a benefit bump to current and new beneficiaries to make up for inadequate, long-overdue Cost-of-Living Adjustments that haven't been updated since 1972.

This new legislation will also protect low-income workers by setting the new minimum benefit at 25 percent above the poverty line and would tie it to increases in wage levels nationwide to ensure the minimum benefit does not fall behind.

Social Security 2100 also adds a caregiver credit so that people—disproportionately women—who take time out of the workforce to care for children or other loved ones aren't penalized when the time comes to retire.

Other highlights of the Social Security 2100 Act include:

- Repealing the Windfall Elimination Provision and Government Pension Offset that currently reduces Social Security benefits for public servants, including teachers.
- Improving Social Security benefits for widows and widowers in two income households so they are not penalized for having two incomes.
- Ending the 5-month waiting period for disability benefits to kick in so those diagnosed with severe disabilities, like terminal cancer, no longer have to wait.
- Increasing access to Social Security dependent benefits for children who live with their grandparents or other relatives.

It's important to note that these Social Security enhancements, as well as a number of others, are fully paid for by the proposed Act.

Representative Matt Cartwright, (PA-08)

High income Americans currently stop paying into Social Security after their first $147,000 of annual income. Social Security 2100 would require them to pay the same rate as the rest of us on their very high incomes.

I have noted with dismay that protecting and expanding Social Security has become a partisan issue. Senator Rick Scott (FL) has actually proposed a five-year "sunset" for both Social Security and Medicare, which could kill both programs. That's a foolish and dangerous idea.

We need to strengthen Social Security which is why I'm leading a group of Members who are calling for a House floor vote on the 2100 Act. I'd love to help deliver a victory for the American people, and my hope is that it can be bipartisan. It's time to vote for a plan to bolster Social Security. ■

Congressman Matt Cartwright is a member of House Democratic Leadership team and serves as Chairman of the Commerce-Justice-Science Appropriations Subcommittee. He represents Pennsylvania's 8th Congressional District, which includes Lackawanna, Wayne, and Pike Counties and portions of Luzerne and Monroe Counties.

The opinions expressed in "Congressional Corner" reflect the views of the writer and are not necessarily those of TSCL.

BEST WAYS TO SAVE

Is Senior Home Sharing a Good Idea?

Online home sharing match-up programs are helping to match seniors with compatible individuals seeking safe, affordable housing. Home sharing agreements can sometimes include provision of some assistance (such as meal preparation or driving) in exchange for some of the rent. For many aging homeowners and their families, renting out a portion of the family home can seem like a way to keep mortgage and housing costs more manageable. Some families may also worry about their mother or dad living alone after the death of a spouse. In addition, almost everyone worries about the cost of assisted living options which can be cost prohibitive. But how well does it work?

Certainly, the need for affordable senior housing is growing. According to TSCL's recent Senior Survey, almost one-out-of-four survey participants hunted for affordable rent over the past year. Email that we receive cites spare bedrooms, basement, or spare "granny units,", as the most that some retirees can afford.

But before deciding to let a tenant move in, there's a lot to consider. While home sharing can enable older homeowners to stay independent longer, this would be so only if potential housemates help with some sort of household duty such as transportation to medical appointments, laundry,

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ASK THE ADVISOR

What is the Status of the "Securing a Strong Retirement Act"?

Q: I was born in 1951 and turn 71 this year. I understand that a second round of legislation was passed by the House that would increase the age for taking required minimum distributions from a 401(k). Could you tell me more about the bill and about the status of the bill in the Senate?

—L.W., NC

A: The Securing a Strong Retirement Act (H.R. 2954) would raise the age at which older adults must take required minimum distributions (RMDs) from traditional 401(k) and IRA retirement accounts, among several other changes that would make it easier to save more for retirement. There's a reasonable chance that Congress will pass the bill this year, because of strong bipartisan support, but the final bill may differ in some provisions from the House passed version.

The RMD age was recently raised from 70½ to 72 by the Secure Act of 2019. This new legislation which passed in the House with a 414 to 5 vote, would increase the age at which you must start taking required minimum distributions (RMDs) from age 72 to 73, starting on January 1, 2023. It would continue to raise the age for RMDs to age 74 on January 1, 2030, and the age would rise to 75 on January 1, 2033.

It would also address penalties for failing to take RMDs on time. Under current law if you fail to take your full RMD by your age 72 deadline, you could be taxed 50% on the shortfall. According to an article co-authored by Jackie Stewart and Joy Taylor of *Kiplinger*, "That's one of the harshest penalties you can face from Uncle Sam."

The bill would also change "catch-up" contributions. Under current law individuals who are 50 years and older can make catch-up contributions to their retirement accounts on top of the standard annual contributions limits of $20,500 for 401(k) plans and $6,000 for traditional IRA accounts in 2022. Older savers who qualify can put in an extra $6,500 in their 401(k) or $1,000 in their IRA.

Under the new legislation employees would be able to make up to $10,000 in catch-up contributions to 401(k) plans. Those enrolled in SIMPLE plans would be allowed $5,000 in catch up contributions up from the current $3,000. These limits would be indexed for inflation.

TSCL is monitoring the Senate Committees on Finance and on Health, Education, Labor and Pensions for mark up and passage of their version of the "Secure Act 2.0." "We expect the legislation may come up for a vote later this fall," says TSCL's Executive Director Shannon Benton. ■

Sources: "Secure Act 2.0: 14 Ways the Proposed Law Could Change Retirement Savings," Jackie Stewart, Joy Taylor, Kiplinger, *April 1, 2022.*

Social Security Benefits Lose 40% of Buying Power; continued from page 1

typically used by retirees. While prices rose in virtually every spending category this year, benefits were most impacted by sharp increases in energy costs for home heating, gasoline, higher food prices, and a steep 14.5% increase in Medicare Part B premiums in January of this year.

Fastest Growing Costs of Older Americans March 2021–March 2022

Item	Cost in March 2021 Average cost $ or numeric data*	Cost in March 2022 Average cost $ or numeric data*	Percent increase since March 2021
1. Home heating oil (gal.)	$2.86	$5.13	79%
2. Gasoline (all grades, gal.)	$2.86	$4.33	51%
3. Used vehicles	153.873*	208.216*	35%
4. Propane gas (gal.)	$2.30	$2.98	30%
5. Eggs (dz.)	$1.63	$2.05	26%
6. Bacon (lb.)	$5.85	$7.20	23%
7. Oranges (lb.)	$1.27	$1.48	16.5%
8. Coffee (lb.)	$4.67	$5.41	16%
9. Medicare Part B premium (mo.)	$148.50	$170.10	14.5%
10. Ground chuck (lb.)	$4.31	$4.87	13%

**Source U.S. Bureau of Labor Statistics (BLS), data through March 2022. Where no average prices are available, numeric data as calculated by the BLS are used.*

High inflation has caused Social Security benefits to lose 40% of their buying power since the year 2000, according to the latest update of an ongoing study by TSCL.

The study examines expenditures that are typical for people ages 65 and up, comparing the growth in the prices of these goods and services to the growth in the annual COLAs. It includes cost increases in Medicare premiums and out-of-pocket health care costs that *are not tracked* under the CPI-W, the consumer price index currently used to calculate the COLA.

This year the study found that since 2000, COLAs have increased Social Security benefits by a total of 64%, while the typical expenses of older households grew by more than double that rate—130% through March 2022. In 2000, the average Social Security benefit was $816 per month. That benefit grew to $1,336.90 by 2022 due to COLA increases. But because retiree costs are rising so much faster than the COLA, this study found that a Social Security benefit of $1,876.70 per month or $539.80 per month ($6,477.60 per year) more than currently paid would be required *just to maintain the same level of buying power as in 2000.* The following table, above, illustrates the top ten fastest-growing costs for older consumers from March 2021 to March 2022.

What can Congress do to improve the purchasing power of Social Security benefits? The Senior Citizens League supports a combination of legislative approaches that would offset the loss of buying power and strengthen benefits in three ways:

1 **Provide a boost of 2% of an individual's benefit.** A boost of this size would permanently increase benefits on average, by about $30 per month and would offset the erosion in buying power that occurred by the time the 2022 COLA of 5.9% became effective in January. Even though that was the highest COLA paid in 40 years, actual inflation as measured by the CPI-W had continued to climb to 7.8% through December of 2021. Thus, Social Security beneficiaries started 2022 behind by 1.9%. Inflation has continued in January until now so this would provide only partial remediation.

2 **Tie the COLA to an index that better tracks the costs of Social Security recipients.** Medicare Part B premiums, prescription drug out-of-pocket costs, and other healthcare costs are typically the fastest growing cost in retirement. But these costs aren't fairly measured by the CPI-W. Although the CPI-W is used to determine the COLA, the index doesn't measure the spending patterns of households older than 62 who are retired, but instead measures the costs of younger working adults. Retirees, and disabled Social

Social Security Benefits Lose 40% of Buying Power; continued from page 6

Security recipients make up the majority of those receiving Social Security and people 65 and older and the disabled, spend a much greater portion of their household budgets on healthcare. Thus, COLAs undermeasure healthcare, which is a key source of inflation experienced by Social Security recipients.

Today's high rate of inflation is not normal and won't last forever. In fact, in the 12 years prior to 2022 the COLA averaged just 1.4% per year. In many of those years Social Security recipients with the lowest benefits and the lowest COLAs would see the Part B premium increase take the entire amount of their COLA, leaving little or nothing left over to address all other rising costs. The Senior Citizens League wants to see COLAs tied to an index that more fairly reflects seniors' rising medical costs.

3 **Provide a minimum COLA of 3%.** Since 2010 there have been four years when inflation was so low, that no COLA or almost no COLA was payable. In 2010, 2011, and 2016, the COLA was zero, and in 2017, it was only 0.3%. Even though inflation soared at the fastest rate in 40 years in 2021, the COLA had only increased benefits by 1.3% in January of 2021, leaving the buying power of Social Security recipients virtually unprotected from the rapid rise in prices that followed. TSCL believes that COLA increases should never be lower than 3%. ■

HHS Office of Inspector General Says Medicare Advantage Plans Often Deny Medically Necessary Care; continued from page 1

General (OIG) of the Department of Health and Human Services. Federal investigators recently called upon the Centers for Medicare and Medicaid Services to strengthen oversight and to increase enforcement against plans with a pattern of improper denials.

Medicare Advantage plans have become increasing popular with enrollment more than doubling over the past 10 years. Often the plans attract enrollees with low or even no premiums, and other benefits such as discounts on dental services or glasses. As many as half of all Medicare beneficiaries are expected to receive their Medicare covered health care services through these Medicare Advantage plans in the next few years.

The federal government uses a capped reimbursement model for Medicare Advantage, which provides an incentive for these plans to deny access to services and payments to providers to boost profits of these plans, according to the HHS OIG. While Medicare Advantage Organizations approved most requests received for services and payments to providers, they issue millions of denials every year. The OIG found that Medicare Advantage Organizations sometimes delayed or denied beneficiaries' access to services, even though the requests met Medicare's coverage rules. The Medicare Advantage Organizations also denied payments to providers for some services that met both Medicare coverage rules and Medicare's billing rules.

The OIG audit found that 13% of prior authorization requests and 18% of legitimate claims from healthcare providers were wrongly denied by Medicare Advantage Organizations and should have been approved under Medicare coverage rules. Two common causes of pre-authorization denials had to do with the Medicare Advantage Organization imposing requirements to receive care that are not contained in Medicare coverage rules. For example, Medicare Advantage plans can require an X-ray before approving more advanced imaging. Of the 18% of payment denials, the most common cause was said to be human error during the claims-processing reviews, such as overlooking a document or system error.

The report noted that these denials can harm Medicare Advantage enrollees. Denials can lead to delay or even prevent many beneficiaries from receiving medically necessary care. It can also lead to beneficiaries paying out-of-pocket for services that should be covered by their health plan. In addition, denials create an administrative burden for beneficiaries, their caregivers, and their doctors when an appeal is necessary to overturn a denial for services that should be covered. The audit noted that reversals often occurred when a beneficiary or provider appealed or disputed the claim denial. ■

Sources: "Some Medicare Advantage Organization Denials of Prior Authorization Requests Raise Concerns About Beneficiary Access to Medically Necessary Care," U.S. Department of Health and Human Services, Office of Inspector General, April 2022.

Can Inflation Be a Good Thing If it Means a High Social Security COLA? continued from page 1

two of them that are having an outsized impact in 2022:

- ***The three months gap between when the COLA is calculated and when the COLA is paid.*** The Social Security COLA is calculated by determining the rate of increase or decrease in the average rate of inflation during the third quarter (July, August, and September) of the current year versus the previous year. But Social Security recipients must wait until January of the following year to receive the first boost in their Social Security check. By the time the 5.9% COLA for 2022 became payable in January, inflation was 7.8%—nearly one third higher than the actual COLA received! TSCL is working to get legislation introduced that could remedy this problem by boosting benefits by 2% to make up for the COLA shortfall, or Congress could enact a one-time emergency payment, such as a one-time $1,400 check for all Social Security recipients to offset the shortfall.
- ***Medical and prescription drug price increases are not fairly accounted for in the consumer price index (CPI) used to calculate the COLA.*** The CPI-W which is used to determine the COLA, does not account for the annual increase in Medicare Part B premiums or other out-of-pocket healthcare costs that older and disabled Social Security recipients must pay. The CPI-W is based on the spending patterns of younger working households under the age of 62. Younger consumers only spend an estimated 7.5% of their budgets on healthcare costs. Older adults 65 and up spend roughly two times that amount—about 14%–16.3%— on healthcare. TSCL supports tying the COLA to a consumer price measure that more fairly measures inflation experienced by older and disabled consumers. The Medicare Part B premium and out-of-pocket costs need to be tracked and more accurately weighted to reflect the portion of income that beneficiaries spend on those costs.

When the annual COLA falls short, that's money that can't be made up and it really adds up over time. Those who have been retired the longest, have lost the most buying power in their Social Security benefits—40% since 2000.

What can you do to help address these efforts to improve Social Security benefits? Be sure to get prepared for fall elections. Do you know where your candidates for federal office stand on this issue? That's not always easy to find out. Visit the websites. See what the candidate is discussing as priority issues, and what has not been discussed, or discussed in detail. Send email with questions on positions and talk with local party workers to learn what they know about the candidates record on the issues. ■

Seniors Are Facing a Tax Cliff Due to High COLAs; continued from page 3

is simply to specify that the Trust Funds be "held harmless" or made whole from general revenues.

Rest assured, we are discussing this issue in our contacts with Congress. To learn more, watch your email for TSCL's Weekly Updates. ■

Calculation of Taxable Portion of Social Security Benefits

Provisional Income	Taxable Social Security Benefits
	Single Taxpayer
A. Less than $25,000	None
B. $25,000 to $34,000	Lesser of 50% of benefits or 50% of provisional income above $25,000 (maximum of $4,500)
C. Greater than $34,000	Lesser of 85% of benefits or 85% of provisional income above $34,000, plus income from line B
	Married Taxpayers
D. Less than $32,000	None
E. $32,000 to $44,000	Lesser of 50% of benefits or 50% of provisional income above $32,000 (maximum $6,000)
F. Greater than $44,000	Lesser of 85% of benefits or 85% of provisional income above $44,000 plus amount from line E

First Hurdle to Fixing Social Security?
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participants didn't support either option and 20% were uncertain about these proposals.

To maintain the strength of Social Security's financing, Congress needs to act sooner rather than wait until it's too late. It's in everyone's interest to find out what your Members of Congress say about cutting Social Security benefits and raising taxes. That's a tall order. But taking no action at all to address Social Security's finances is not an option either. Doing nothing, and waiting could mean a 22% benefit cut for everyone current and future retirees, may be coming by the end of the next decade. To prevent that, it's important for every one of us to get involved to defend earned benefits. It's an election year. It's a good time to make sure your voter registration is up-to-date and to get up to speed on where your candidates stand on Social Security. ■

Is Senior Home Sharing a Good Idea?
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outdoor and other routine chores to reduce the rent. But home sharing tenants are not primary caregivers. Having someone to interact with may provide valuable companionship. On the other hand, the homeowner needs to thoroughly perform background checks of potential tenants, get references, and to think how difficult it might be to adjust to a stranger moving in. If the homeowner or the tenant has some sort of disability (such as early stages of Alzheimer's) it may be difficult for both.

There's a long list of other important considerations, because renting out a spare room can backfire. Here are a few of the major things to think about:

- **Rental income is taxable.** In figuring out the amount of income you would need to collect in rent, you will need to factor in the amount of additional taxes you would pay for each dollar of additional income. The additional income could potentially push you into a higher tax backet, and it would increase the taxable amount of your Social Security benefits. If your income is over the threshold, you could also wind up paying higher income-related Medicare premium surcharges for your Part B and Part D premiums. Before settling on a monthly rental amount, you may need to discuss the idea with a tax advisor. You would be allowed to deduct costs that you have, such as repairs and depreciation which could potentially offset some of the extra income.
- **Rental increases may not match inflation.** A lease often states whether there is an automatic annual increase. Five percent is routinely charged, but what happens in a year when inflation is higher than 5% and you need to make costly repairs, such as getting rid of a moldy area in the bathroom, or fixing leaky plumbing? Where would the money come from?
- **Check your state and local laws that pertain to renting rooms in your house.** Some areas limit how many unrelated people can occupy a house, and you may be legally responsible for maintenance of the property. If you are part of a homeowners' association (HOA), check the bylaws of your HOA before accepting a tenant.
- **Talk to your insurance agency.** Renting out a room increases the risk of property damage and your liability. Check your homeowner's policy to see if you need to add any coverage, such as landlord insurance. Insurance companies can prohibit renting or may charge a higher rate if you have tenants.
- **Your health or financial situation may change.** Your lease needs to stipulate what happens if the arrangement doesn't work out or if other changes were to occur, such as selling your home. How would the lease end and the tenant move out? How would emergencies be handled? What happens if you need to go to the hospital and stay in rehab? Will your tenant pay full rent and utilities while you are gone?

It can be daunting to work out a housing plan as you age, let alone to become a live-in landlord. Before making any arrangements if may be helpful to discuss your lease with an attorney. ■

Sources: "What's Senior Home Sharing? Pros, Cons, How it works", Amanda Lambert, MS, CMC, ALCP, Cake.com. Senior Home Sharing, Valerie Keene, Attorney, NOLO.com, April 28, 2022.