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Social Security and Financially Disadvantaged Groups

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AMERICAN ACADEMY OF ACTUARIES
1850 M STREET NW, SUITE 300, WASHINGTON, D.C. 20036
202-223-8196 | WWW.ACTUARY.ORG

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Social Security and Financially Disadvantaged Groups¹

Executive Summary

Social Security replaces a portion of one's earnings from work with monthly benefits that are based on those earnings. Benefits are not affected by such factors as race, ethnicity, gender, or other protected classes of Title VII of the *Civil Rights Act*. In addition to earnings, factors such as whether a job is covered by Social Security, family size, marital history, and lifespans also impact the value of one's benefits. Due to people's different earnings histories, Social Security provides less retirement security for some groups, on average, than others. The American Academy of Actuaries (Academy) Social Security Committee discussed this issue regarding gender in its [Women and Social Security](#) issue brief. This concern is also relevant for other groups, which is the focus of this paper.

Chapter 1 briefly describes Social Security benefits and how they incorporate safety net (or social adequacy) features to provide financially disadvantaged individuals a reasonable retirement income in relation to their prior earnings. Although these features are not specifically targeted to groups such as racial, ethnic, and LGBTQ² Americans, Social Security's progressive benefit formula reduces income disparities that exist in the working years by redistributing income from higher-income workers to lower-income workers, their dependents, and survivors. Since lifespans also impact the total value of benefits received, mortality differences by income, education, race, ethnicity, and other socioeconomic factors are also analyzed.

¹ By "financially disadvantaged groups," we mean groups with higher poverty rates than the average among those age 65 and over.

² Lesbian, gay, bisexual, transgender, and queer.

Chapter 2 provides poverty rates for various groups. The 9% average poverty rate for people age 65 and over is lower than the 11% poverty rate for people of working ages, which shows a positive impact of Social Security. However, the poverty rates are still relatively high for some retiree groups, such as those who are separated (25%), never married (21%), divorced (16%), Hispanic and African Americans³ (17%), unmarried LGBTQ partners, and people in more than one of those groups, such as unmarried LGBTQ couples who are also African American (23%).

Chapter 3 discusses some reasons why certain financially disadvantaged groups have high poverty rates in retirement. The primary reason is lower earnings during the working years. For example, many that fall into financially disadvantaged groups did not have full careers in consistently well-paying jobs, which directly impacts their Social Security benefits. Some of the reasons for that may be the lack of education and availability of good-paying jobs in

Immigrants and those without good English skills, plus disabled and incarcerated people, also have the challenge of not being able to get well-paying jobs.

the inner cities, rural areas, and tribal lands. Discrimination may also be a reason for higher poverty rates among some racial and ethnic minorities, as well as for some LGBTQ people. Immigrants, particularly undocumented and recent ones, and those without good English skills, plus disabled and incarcerated people, also have the challenge of not being able to get well-paying jobs. People with disabilities also have high poverty rates because many of them do not receive a Social Security benefit.⁴

Chapter 4 discusses Social Security reform proposals that could help members of certain financially disadvantaged groups regarding their benefits. Examples of such proposals include increasing benefits for those at the low end of the earnings spectrum (which would benefit many in the Hispanic and African American communities and single people), increasing survivor benefits (of particular significance for widowed people, especially those from low-income two-earner couples), earnings sharing between spouses (which would benefit separated and divorced spouses with lower earnings), and restoring child benefits while in college (which would provide relief for families with children).

³ Similar to the Census Bureau, we use the words “African American” to include people who self-identify as Black Americans, and “Hispanics” to include people who identify as Latinos, Latinas, Latinx, and Latine.

⁴ Due to not satisfying Social Security’s stricter requirements for being disabled, not having the necessary work history to be disability-covered under Social Security, or not having satisfied the five-month waiting period for the initial benefit.

Chapter 5 discusses proposals that address Social Security's financial problems so that it can provide full scheduled benefits in the future. Social Security is very important for retirees, particularly those with low income, as it may be their only source of income. However, some provisions can adversely impact people in financially disadvantaged groups. These effects should be understood before enactment, so they are briefly discussed here.

Chapter 6 provides the conclusion and notes that poverty in retirement is mostly due to people having lower average earnings while working (which means they have smaller Social Security benefits), a greater likelihood of inadequate retirement savings, lower rates of marriage (which means that they are less likely to receive Social Security spousal and survivor benefits, and have less support), poorer health, and less education (often resulting in increased unemployment or lower paying jobs). Social Security cannot fix all these problems by itself, so solutions outside the system may also be needed to address various socioeconomic problems that contribute to and result from such factors as low earnings, short work histories, poor health, lower levels of education, shorter lifespans, and families with only one parent.

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Certain financially disadvantaged groups have high poverty rates in retirement.

Chapter 1

Social Security Subsidizes Some People

The Old-Age, Survivors, and Disability Insurance system (“Social Security”) replaces a portion of one’s earnings from work with monthly benefits that are based on those earnings. They are not based on one’s race, ethnicity, religion, gender (which includes LGBTQ identity⁵), national origin (ancestry), and genetic information (including family medical history), which are all protected classes of Title VII of the Civil Rights Act. For example, African and Hispanic Americans receive the same monthly benefits as white Americans with the same earnings record. However, if they have smaller earnings than the average worker, their Social Security benefits will also be smaller on average.⁶ Even when earnings are the same, differences in whether their jobs are covered by Social Security, their family size, years in retirement, and marital status can lead to Social Security providing more or less, on average, to some groups than others.

Social Security provides benefits to disabled and retired workers (and their dependents and survivors) calculated using the workers’ Average Indexed Monthly Earnings (AIME), which is the average of their 35 highest-paid years⁷ (after indexing earnings to age 60).⁸ Benefit amounts reflect the interaction between two fundamental principles underlying Social Security:

Individual Equity

Workers with larger earnings pay more in taxes, but also receive larger benefits, as shown in Figure 1. If a person pays more, they get more. However, the benefits are not proportionately larger, due to Social Security’s second principle.

⁵ The U.S. Equal Employment Opportunity Commission (EEOC) interprets Title VII’s prohibition of discrimination based on sex to include discrimination due to pregnancy, orientation (LGB), or gender identity and expression (T). The Supreme Court upheld their position with respect to *employment* in *Bostock v. Clayton County, Georgia*, 17-1618 - S. Ct. 6/15/20.

⁶ In the United States, Social Security replaces a portion of earnings. Due to President Franklin D. Roosevelt’s position that benefits be individually equitable, Social Security benefits depend on one’s earnings history rather than being a flat amount for everyone. The United Kingdom, Canada, and Australia have paid a flat benefit, which could eliminate poverty, if large enough. In the U.S., there is a means-tested flat benefit known as **Supplemental Security Income (SSI)** that is payable to Americans who are disabled (unable to perform *any* substantially gainful activity), blind, or over 65 (including people receiving Social Security benefits), if they meet certain poverty-related criteria. Many people with income below the poverty level don’t receive the federal SSI benefits due to complex rules, including a means test that hasn’t been updated since 1989 (\$2,000 in assets excluding one’s home and auto for an individual, \$3,000 if married). The Federal SSI annual benefit amounts in 2023 are \$10,970 for single people and \$16,454 for a couple, which are less than the federal poverty level, and have a marriage penalty (i.e., the married couple limit is less than twice the limit for single people, so people on SSI lose benefits if they marry). The benefit amount is reduced by income received (including unearned income—such as Social Security benefits—over \$20 per month and half of earned income over \$65 per month). If someone gets SSI, they may be eligible for Medicaid, Supplemental Nutrition Assistance Program (SNAP) formerly called Food Stamps, and additional income and social services depending on the state where they live.

⁷ Only earnings up to the taxable maximum are used. The maximum was \$160,200 in 2023.

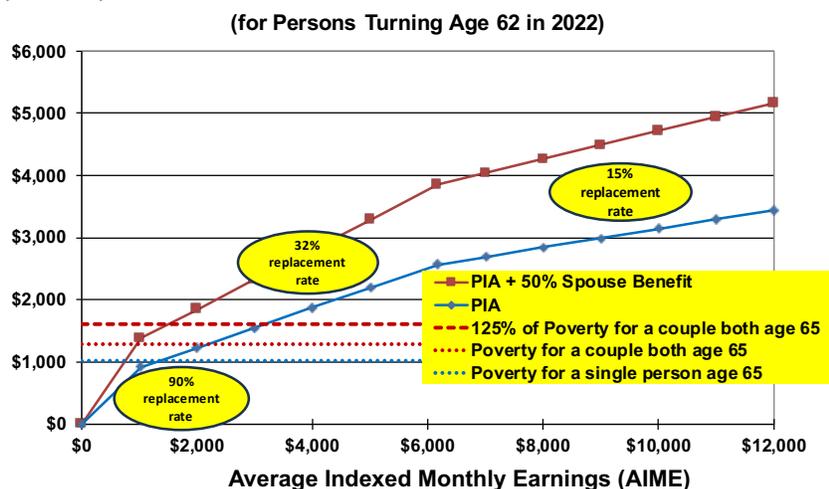
⁸ For disabled workers, the AIME is the average over their non-disability years, and the earnings are indexed to the calendar year two years before the disability.

Social Adequacy

As discussed in the Academy's *Individual Equity and Social Adequacy* issue brief, Social Security provides safety net features to assist low-income people to have a more adequate retirement income based on their earnings history.⁹ These features include its progressive benefit formula, known as the Primary Insurance Amount (PIA).¹⁰

Even though all workers pay at the same tax rate of their earnings below the taxable maximum,¹¹ Social Security replaces a much greater percentage of income for a low-income person than a high-income person. Someone with an AIME of \$1,000/month (\$12,000/year, which is close to the poverty level for an individual) will have a Social Security PIA that replaces 90% of their AIME. While their benefit will be less than the poverty level, it is worth two to three times what they (and their employer) contributed. Someone with an AIME of \$13,350/month (\$160,200/year, the taxable maximum in 2023) will have a PIA that replaces only about ¼ of their AIME. Although this progressive benefit formula is not specifically targeted at racial and ethnic minorities, many of them benefit from it.

Figure 1: Monthly Primary Insurance Amount (PIA) Formula



PIA formula does not include Cost of Living Adjustments provided starting after age 62.

) Poverty levels were used because the poverty statistics used from the United States Census Bureau are from 2019.

9 A 2023 [Vanguard paper](#) says many retirees will still be in poverty. Reasons such as wages below the poverty level, not saving, and no company pension cannot be solved by Social Security alone, so other areas also need to be addressed.

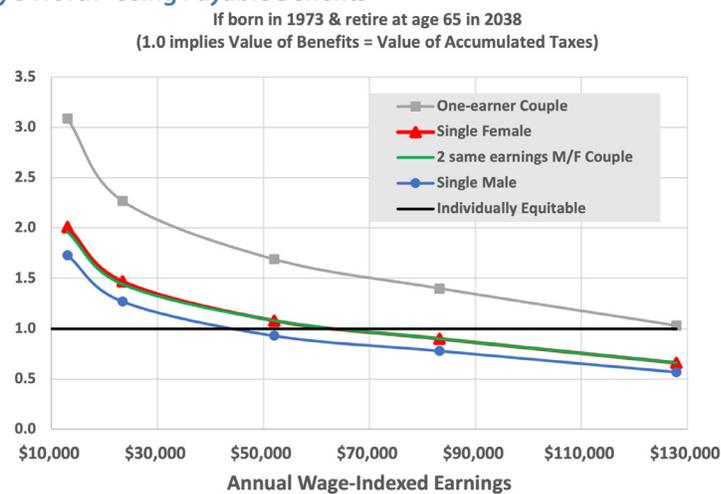
10 The 2023 PIA equals 90% of the first \$1,115 of AIME, plus 32% of the next \$5,606 of AIME, plus 15% of any AIME over \$6,721. The \$1,115 and \$6,721 wage-indexed amounts are known as *bend points*. Cost-of-living adjustments (COLAs) are added to the PIA after age 62. The PIA formula is discussed further in the Academy issue brief [Social Security Reform: Benefit Formula Options](#). The approximate Social Security tax rate of 9.2% for Old Age benefits could buy a benefit at retirement that would replace about 1/3rd of one's income. The 1/3rd can vary depending on years worked, the actual returns on the funds, the wage increases experienced, the inflation rate, the year of birth, and the tax rates paid. Surprisingly, the 1/3rd doesn't vary much more than plus or minus 5%. The Social Security Normal Retirement Age would impact it more. The Accumulated Taxes at Retirement Age (RA) was approximated by $9.2\% * \text{Pay@RA} * \text{PV of Benefits} = \text{Benefit@RA} * \text{Replacement Rate} = \text{Benefit@RA} / \text{Pay@RA}$.

11 The taxable maximum in 2023 was \$160,200. It is the amount above which there are no Social Security payroll taxes.

Money's Worth

Due to the social adequacy principle, lower-income retirees can expect to receive more in benefits from Social Security than they (and their employer) contributed. This can be seen from Figure 2 that shows money's worth ratios, which are calculated as the benefits an individual or couple receives divided by what they contributed (both in present values).¹² money's worth ratios can help policymakers discuss who should and who should not be given subsidies in Social Security.

Figure 2: "Money's Worth" Using Payable Benefits



Source: SSA/OCACT [Actuarial Note 2021.7](#)

Figure 2 shows that:

- **Lower-income people** get a higher money's worth than higher-income people (all other things being equal).
 - This is due to the progressive benefit formula discussed earlier.
 - The benefits on earnings below \$1,115/month are worth two to three times the value of the taxes paid on those earnings, while the benefits on earnings above \$6,721/month are worth about half the value of the taxes paid on those earnings. In effect, the employer's match on those earnings helps pay for the subsidies provided to lower-income people.
- **Single¹³ women** (red line—which mostly overlaps with the green line) receive a higher money's worth than single men (blue line).
 - This is mainly due to women living longer than men on average.¹⁴
 - Social Security monthly benefit amounts are determined on a unisex basis, so a single woman will receive the same benefit amount as a similarly situated single man, but the value is larger, due to her greater expected longevity.

¹² See the [Social Security Administration's Actuarial Note 2021.7](#) for more details on their determination.

¹³ Pages 3 and 5 of [Actuarial Note 2021.7](#) state that the SSA actuaries used a single person who is never married and does not have any children and a married couple with 2 children whose marriage is lifelong.

¹⁴ In addition to women, married people and those with more income and/or education tend to live longer on average, so their individual money's worth would be higher.

- **Two-earner male/female married couples who both earn the same amount** (green line) receive about the same money's worth as single women (red line).
 - This two-earner couple receives no advantage from the spousal dependent benefit.
 - One might think that the green line for the male/female two-earner couple (with the same earnings) would fall between the single male and single female graph lines. However, children's benefits bring the couple's green line up to the single female line.
 - Male/Male married couples would receive a slightly smaller money's worth on average due to their shorter life expectancies, especially if they have no children.
 - Female/Female couples would receive a slightly higher money's worth on average, due to their longer life expectancies and greater likelihood of having children.
- **One-earner married couples** (gray line), who are more likely to be higher-income people (because a second income is less likely to be needed),¹⁵ get a money's worth that is about 150% of the money's worth of single people and two-earner (same earnings) married couples.
 - This is because one-earner couples can receive the 50% spousal dependent benefit without having to pay any additional taxes for it.
 - They can also receive children's benefits and survivor benefits which is why the gray line is slightly more than 150% of the green line.
 - Imposing a 50% greater tax rate on married people for the 50% spousal dependent benefit would be problematic, as their spouse may *not* receive that dependent benefit in retirement due to divorce, death, or may have a benefit based on their own work history.
 - The original Social Security law enacted the 50% spousal benefit when the traditional family only had one wage earner, which is not as common today.
- **Married couples (where the spouses earn different incomes)** have money's worths between the green and gray lines, depending on how far apart their incomes are.

Social Security also provides a good money's worth to workers who receive a monthly disability benefit.

¹⁵ This is [particularly true of top male earners](#). It can also be true of the [lowest-income earners](#).

Social Security also provides a good money's worth to workers who receive a monthly disability benefit, especially those who become disabled after paying into the system for only a short period. Also, the old age retirement benefit for a disabled person is not adversely affected by periods of little or no earnings when disabled, because those years are not counted when determining the AIME. Workers who die *before* retirement can also achieve a good money's worth, if they have a surviving spouse, child, and/or parent who gets a benefit for many years.

In summary, Social Security results in a redistribution of income from:

1. High-income people → Low-income people
2. Single people → Married people
3. Shorter-lived retirees → Longer-lived retirees
4. Healthy people → Disabled people

Who Subsidizes Whom

The redistributions from higher-income people to lower-income people (and from healthy people to disabled people) are from groups that are financially advantaged to groups that are not. However, the list above also indicates that single workers “subsidize” married workers, even though single people have on average some of the highest poverty rates. In addition, high-income one-earner married couples receive some of the largest subsidies in absolute value. They receive the spousal dependent and survivor benefits (without having to pay anything more than those who do not receive them) and they live longer on average, so they can expect to receive more years of benefits. In addition, many high-income people also can live off their other assets and then receive the late retirement benefit which is subsidized for people who live longer on average. Figure 2 shows that married one-earner couples making \$100,000/year receive about 125% of what they contributed to Social Security, which is a higher percentage than single people (except those earning below \$30,000/year).

Differential Mortality by Income

Some people are on both sides of the above list. For example, the low-income group loses some of the value of the progressive benefit formula (in #1) due to not living as long on average as the higher-income group (in #3). [Actuarial Study #124](#) by the Social Security Administration (SSA) actuaries shows that, on average, retirees with lower AIMEs tend to have shorter lifespans than retirees with higher AIMEs;¹⁶ and as a result, in the aggregate, they won't receive their Social Security retirement benefits as long.

¹⁶ Reasons include less access to health care, poorer nutrition, obesity, more accidents, stress, homicides, drug use, and despair. Studies also show that mortality has not improved significantly for lower-income people in recent decades.

Figure 3: Old Age Benefits/Accumulated Taxes

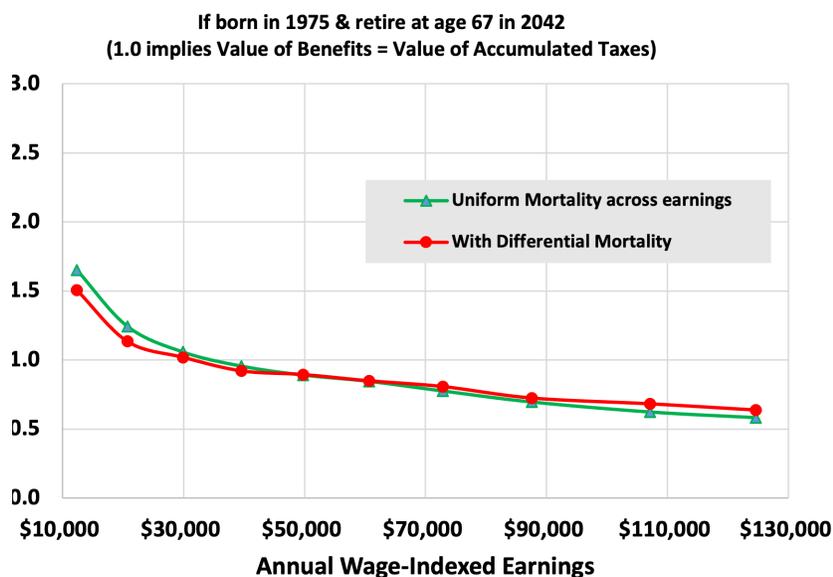


Figure 3 shows the impact that differences in post-retirement mortality between high- and low-income *retirees* have on individual equity. The green line shows the value of Old Age benefits at retirement divided by the accumulated value of contributions using a single male who retired at age 67 as an example.¹⁷ The red line uses the post-retirement mortality differentials from SSA's Actuarial Study #124 to adjust the green line to reflect differential mortality based on AIME. It lowered the ratios for the lowest-income decile by about 9% and increased them by about 9% for the highest-income decile. The red line in Figure 3 reflecting this differential mortality shows that low-income *retirees* have slightly lower ratios of benefits to contributions when differential mortality is taken into account, but they still receive more from Social Security than they paid in. The higher-income workers have slightly better ratios when differential mortality is reflected, but they still do not exceed 100%.

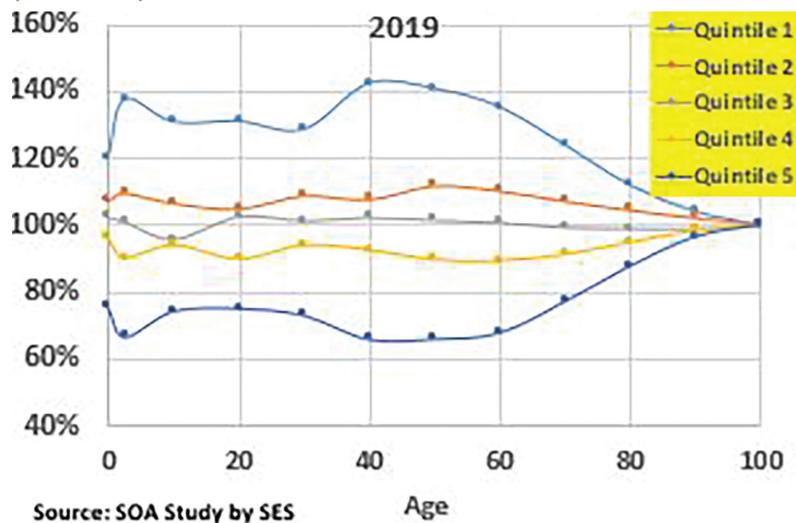
Thus, Social Security's benefit formula is still progressive after reflecting the impacts of differential mortality experienced by lower-income *retirees*. However, Figure 3 does not reflect differential mortality in the pre-retirement years, which will be discussed next.

¹⁷ The Academy's Social Security Committee produced an issue brief titled *Individual Equity and Social Adequacy* from which the green line in Figure 3 was taken. It used a male who worked from age 18 to age 67 and commenced benefits at age 67 in 2042. The payroll tax rate used was 9.2% (as approximately 1.4% is needed for the survivor benefits and only the Old Age Benefits are in the numerator), so the Academy only included the portion of the tax that was needed for Old Age benefits. The calculation is simpler than the more involved calculations in Social Security's money's worth calculations but produces a result that is similar to the single male money's worth ratio from Social Security (the blue line in Figure 2). If the SSA actuaries' assumption that the retiree worked from age 21 to age 65 and commenced benefits at age 65 had been used by the Academy, it would have *increased* results by about 15%. On the other hand, about 16% of people won't live long enough to receive Social Security benefits, so that brings the number back down to the blue line.

Differential Mortality by Socioeconomic Status (SES)

The Society of Actuaries (SOA) study *Mortality by Socioeconomic Category in the United States* shows differential mortality in both the pre- and post-retirement years. Instead of using *income* to separate people, the SOA grouped people by which *U.S. counties* they lived in based on the county's socioeconomic characteristics. The 20% of people living in counties with the lowest scores on education, occupations, employment, income, and housing prices and quality were placed in Quintile 1. The 20% in counties with the highest scores were placed in Quintile 5. Education had the greatest weights per pages 12 and 13 of the paper. Figure 4 using the SOA data shows mortality ratios (the mortality rates in each quintile divided by the mortality rate of the average person that age in all counties combined). For example, the mortality rates for quintile 1 at ages 40 to 50 are about twice as high as the mortality rates for quintile 5. The ratios are very similar for males and females, so they are not shown. Figure 4 also shows that mortality varies much less in the post-retirement years than the pre-retirement years, because retirees are a more select group of people, and probably due to the almost universal availability of Medicare for people age 65+. Mortality ratios by urbanization show similar results, so a graph with them was not provided. Major cities and suburbs had the lowest ratios, rural areas the highest, and smaller towns were in between.

Figure 4: Mortality Ratios by Quintile—2019



Also note that the mortality rates for the inner 3 quintiles are quite close to the mortality rates for the average person, while mortality for the lowest SES quintile is much higher,¹⁸ and mortality for the highest SES quintile is much lower. The study also showed that the disparities between quintiles 1 and 5 have increased over the past 30 years even though life expectancies have increased for all quintiles (except in the past few years due to COVID-19, a slowdown in improvement from cardiovascular diseases, greater obesity, accidents, homicides, drug overdoses, and deaths from firearms).

From these mortality ratios (applied to the projected male mortality table used in the 2022 Social Security Trustees Report), we determined the life expectancies and annuity values¹⁹ at Social Security’s Normal Retirement Age 67 and the probability of someone living from age 22 to age 62 (i.e., the probability of a new worker being able to get an old age retirement benefit from SSA).

Figure 5: SOA Study Using SES by County

Quintile	Life Expectancy at age 67 (years)	Ratio to years for all	Annuity value at age 67	Ratio to value for all	Probability of living from age 22 to age 62	Annuity value at age 67	Ratio to value for all
1	16.8	94%	\$13.38	95%	78%	\$12.68	90%
2	17.5	98%	\$13.82	98%	82%	\$13.50	96%
3	17.9	100%	\$14.13	100%	83%	\$14.15	101%
4	18.2	102%	\$14.35	102%	85%	\$14.75	105%
5	18.9	106%	\$14.80	105%	89%	\$15.57	111%
All	17.8	100%	\$14.07	100%	84%	\$14.07	100%

Source: SSA Actuarial Study by AIME

Both the life expectancies and the annuity prices by SES in Figure 5 show that retirees living in the lowest-quintile counties get about 5% less in value (on average) due to their shorter lifespans, and retirees living in the highest-quintile counties get about 5% more in value (on average) due to their longer lifespans. The 5% differences from this study using SES are smaller than the comparable differences in the SSA study (10% lower to 11% higher), probably because high-quintile counties have low-income people and low-quintile counties have high-income people. Also, the differences using annuity values determined from SSA mortality differentials are close to the 9% differences in Figure 3.

¹⁸ For a discussion of some reasons why elderly people in the lowest SES quintile have greater mortality, see “[Golden Years? Social Inequality in Later Life](#).” Typical reasons are poverty, chronic illness, unsafe housing, social isolation, and mistreatment by their caretakers. The author shows how socioeconomic status, race, and gender affect most aspects of older adults’ lives. For example, due to the propensity for heart disease or cancer, Black seniors fare worse than White seniors. Older adults’ physical and mental health are also associated with their social networks and the strength of their relationships with spouses, families, and friends, which can moderate some of the health declines associated with aging. Women— especially women of color—are more likely than men to live alone and often cannot afford home health care services. Rising economic inequality, the Great Recession, and escalating rates of obesity and opioid addiction, contribute to even greater disparities.

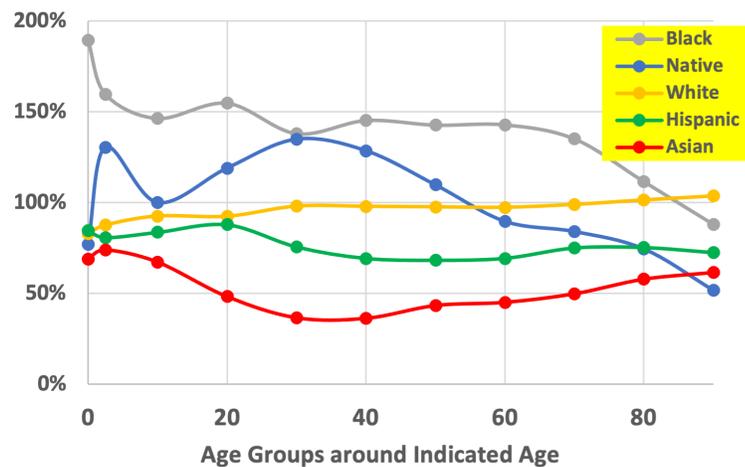
¹⁹ The annuity values for \$1 per year for life were determined using an interest rate of 2.3%, which is the ultimate real interest rate used in the 2023 Social Security Trustees Report.

The probabilities of someone living from age 22 to age 62 suggest that fewer people in quintile 1 (78%) will reach age 62 and be able to receive a benefit from Social Security than people in quintile 5 (89%). If these percentages were incorporated into Figure 3, they would lower the red line and the progressivity of the Social Security benefit formula would be reduced. However, that will be offset somewhat because workers who die before retirement have a greater likelihood of receiving disability benefits and their dependents are more likely to receive survivor benefits sooner.

Differential Mortality by Race and Ethnicity

The [Centers for Disease Control and Prevention \(CDC\)](#) provides [data on deaths and populations](#) by race, ethnicity, age, gender, county, level of urbanization, and cause of death, but not income, because it is not included on death certificates. We determined the probabilities of death by age from them. Figure 6 shows mortality ratios by race and ethnicity in 2019.²⁰ Comparable graphs from the 1990s would show mortality ratios for younger African Americans around 200%. Their mortality rates improved by 25% a couple decades ago. In addition, the mortality rates for Hispanic, Asian, and older Native Americans improved more than mortality rates of White Americans over the past two decades.

Figure 6: Mortality Ratios by Race and Ethnicity as a % of Total Population Mortality - 2019



Data from CDC Wonder

²⁰ More recent data than 2019 was not used due to the large increases in mortality due to COVID-19. Males and females were combined because their ratios are very similar (except males are higher around age 20). The ratios at the younger ages for Native Americans are more variable due to small numbers of deaths.

The mortality ratios for Hispanic Americans are always lower than the mortality ratios of White Americans, and the Asian American mortality ratios are even lower.

While the mortality rates for African American and Native Americans are higher at younger ages,²¹ they are lower than the average at the oldest ages (possibly because White Americans are less of a select group at the older ages and maybe also due to the almost universal availability of Medicare for all people over age 65). In fact, Figure 6 shows that Native Americans around age 60 had lower mortality ratios than White Americans.

Also note that the mortality ratios for Hispanic Americans are always lower than the mortality ratios of White Americans, and the Asian American mortality ratios are even lower. Their lower mortality rates could be due to:

1. Hispanic and Asian Americans have a larger proportion of immigrants.
 - Immigrants usually have lower mortality rates, because unhealthy people are less likely to take on the difficulties of immigration.
2. The importance of family and community for them.
 - The percentage of Hispanic and Asian Americans 65+ being married are much higher than the percentage of Black Americans and Native Americans 65+ per Figure 12.
 - The marriage percentages for people of working ages are very similar to the marriage percentages of those 65+ in each group of Figure 12.
 - The poverty rates for married people in all groups are less than half the poverty rates of those not married, especially for those 65+, which demonstrates the strong positive impact of marriage.
3. They have lower smoking rates which helps reduce their mortality rates.
 - The smoking rates are 5% and 8% for Asian and Hispanic Americans, and 12% and 13% for Black and White Americans.²²

Using the mortality ratios determined from CDC data, we determined the life expectancies and annuity values at Social Security's Normal Retirement Age 67 and the probability of someone living from age 22 to age 62 by race and ethnicity. Figure 7 shows that African American retirees, on average, get 5% less value from Social Security due to not living as long in retirement. That percentage may not be as large as might otherwise be expected because the life expectancies of African American *retirees* are not much different from the average American retiree, as noted earlier. A larger concern is that African American

²¹ This [paper by the SSA Office of Research, Evaluation, and Statistics](#) shows that much of the differential in life spans before age 65 for African Americans is a function of socioeconomic factors such as education and income. More of SSA's research on Race and Ethnicity issues can be found at this website [Racial Equity Research, Statistics, and Data Resources](#).

²² Per the CDC's website on [Current Cigarette Smoking Among U.S. Adults Aged 18 Years and Older](#).

workers who paid Social Security taxes are less likely to reach retirement and receive a Social Security old age retirement benefit than the overall average worker. Only 77% will reach age 62, so there is great interest in whether African Americans receive their money’s worth from Social Security.

Figure 7: CDC Mortality and Populations by Race and Ethnicity—2019

Race/ethnicity	Life expectancy at age 67 (years)	Ratio to number for all	Annuity values at age 67	Ratio to number for all	Probability of living from age 22 to 62
African	17.0	95%	13.41	95%	77%
Native	21.4	120%	16.11	114%	83%
White	17.7	99%	14.02	100%	84%
Hispanic	20.4	114%	15.63	111%	88%
Asian	22.6	126%	16.99	121%	93%
All	17.8	100%	14.07	100%	84%

The 2006 Center on Budget and Policy Priorities (CBPP) document [African Americans and Social Security](#) cited papers by Treasury, SSA, the Urban Institute, and the Government Accountability Office (GAO) which all determined that an average cohort²³ of African Americans got a slightly better return on their Social Security contributions (even after reflecting their lower likelihood of receiving old age benefits) than White Americans. Some reasons are due to Social Security’s progressive benefit formula, the minimum benefit, the 35-year earnings average (which allows for some low-earnings years to be ignored), and the fact that African Americans are more likely to benefit from the Disability and Survivor programs.

On the other hand, a paper by [Goda, Shoven, and Slavov](#) and some papers discussed by [Jeffrey Brown](#) suggest that differential mortality can reverse Social Security’s progressivity in certain situations.²⁴ These studies did not reflect that those with higher mortality receive more value in disability, dependent, and survivor benefits—on average—than the amounts contributed through the payroll tax for those benefits, so those benefits also need to be included in a money’s worth analysis. Differential disability rates by race and income (or education) are needed, in addition to differential mortality rates, to determine a comprehensive money’s worth. Unfortunately, the CDC does not publish mortality data by income level. We will be able to update this work when the CDC provides data by education level, which they hope to provide in the future.²⁵

23 Studies of cohorts are better than studies that only include the tax income and distributions during a certain period. They miss future distributions earned from the taxes paid.

24 Some of those studies included the marital subsidy (which high-income couples are more likely to receive) and that reduces the progressivity. Neither these papers nor the red and green lines in Figure 3 include disability and pre-retirement survivor benefits, which increase progressivity, as those benefits are very valuable to groups with higher average disability and mortality. Of course, people without any dependents who die before receiving any benefit do very poorly in terms of money’s worth. A retirement program can’t avoid that problem unless, for example, it gives large death benefits to their estates, which is not an objective of Social Security. Other solutions to this concern would be to improve health outcomes for low-income people and others in the lower socioeconomic statuses.

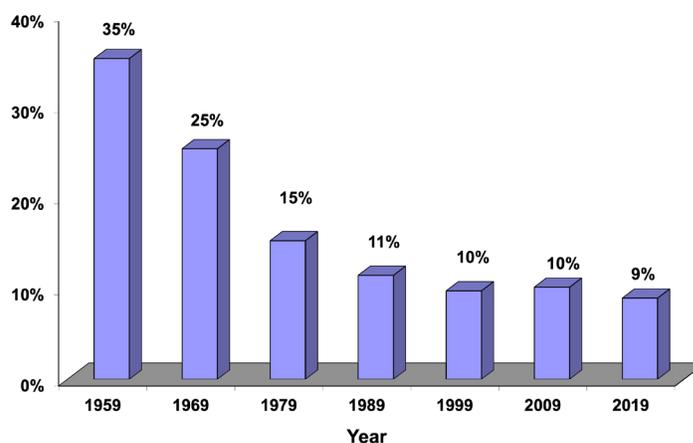
25 Education could be a better indicator than income, because it is relatively stable after one’s 20s, whereas income can change; for example, when someone becomes disabled, they can fall out of their quintile right before they die. [This Brookings study](#) used education (bachelor’s or not) for their analysis of mortality differentials. ALIME can avoid this concern as it is a cumulative amount over one’s working lifetime.

Chapter 2

Background on Poverty

The incidence of poverty among individuals and households is influenced by factors such as gender, age, race/ethnicity, location (urban vs. rural), availability of or access to jobs, English language proficiency, immigration status, time since immigration, employment status, incarceration, disability, health, access to and/or level of educational attainment, marital status, and whether dependents are being supported. In this chapter, we examine the poverty rates among several population segments, referred to in this paper as “financially disadvantaged groups.” We compare income-based poverty rates rather than wealth-adjusted poverty rates, as the latter are not available for all these groups).²⁶

Figure 8: Poverty Rates For People Age 65 and Older



Social Security (along with SSI & Pensions) reduced the percentage of elderly in poverty below the percentage for people of working age. The 2019 Census Bureau poverty threshold for someone over 65 is \$12,261 (\$15,468 for a couple). The thresholds increase by only CPI (another reason why percents fell).
Source: Census Bureau's CPS (Current Population Survey) at census.gov

Historic Poverty Rates: As shown in Figure 8, poverty rates for people aged 65 and older have decreased from 35% in 1959 to just 9% in 2019, which is why many members of Congress often refer to Social Security as one of the most successful programs of the U.S. government.

²⁶ U.S. poverty rates are lower when reflecting the ability to consume out of wealth. *Economic Well-Being at Older Ages* by Hurd and Rohwedder (2006) found that consumption-based poverty rates were much lower for elderly women, because they also use wealth for consumption.

Different Measures of Poverty

For this paper, the Census Bureau's 2019²⁷ *poverty thresholds*²⁸ are used. These poverty thresholds are based on the cost of living in 1961, increased by the consumer price index (CPI) since then, and compared with pre-tax income.²⁹ This official poverty measure does not consider the impact of tax credits, non-cash government benefits, child support, necessary expenses like health care, cohabitation, and geographic differences in costs, all of which can affect economic well-being. The *Supplemental Poverty Measure* (SPM),³⁰ developed to address these concerns, has much lower poverty rates for children (mostly due to including child tax credits, child support, school lunches, and SNAP—the Supplemental Nutrition Assistance Program, formerly known as the Food Stamps Program)³¹ and higher poverty rates for older groups (mostly due to reflecting higher out-of-pocket medical costs).³² The SPM measure was not graphed because it is not available for some of the financially disadvantaged groups discussed in this paper. When it is available, its implications are discussed, such as in the footnotes for this paragraph.

Poverty Rates by Age

In the 1950s and 1960s, before Social Security paid benefits to most elderly people, poverty rates for people over age 65 (“retirees”) were higher than the poverty rates for workers and children. However, in 1974, “retiree” poverty rates fell below the poverty rate for children, and in the 1990s they fell below the poverty rate for people of working ages.³³ Other reasons for the lower poverty rates for retirees would be due to the enactment of Supplemental Security Income and more retirees with employer-sponsored retirement plans.

27 The 2019 poverty rates were used because there was a lower survey response rate in 2020 than prior years due to COVID-19, which skewed their results. Respondents in 2020 had relatively higher income and were more educated than nonrespondents, which inappropriately lowered poverty rates.

28 *Poverty guidelines* (or federal poverty level) published by the U.S. Department of Health and Human Services are used for benefit determination and administrative (not statistical) purposes. They are a simplification of the *poverty thresholds*.

29 Since the poverty thresholds are only increased by the inflation rate, some academics feel that they are no longer adequate. The authors of “[How strong is the Social Security safety net?](#)” use their “Elder Index” to assess economic security and find that the average Social Security benefit is inadequate in every county in the United States.

30 [2019 Supplemental Poverty Measure](#) Figure 3 on page 5. The [2020 SPM](#) published 9/14/2021 had lower poverty rates due to \$400+ billion in pandemic [stimulus payments which lifted 11.7 million people \(3.6% of the country\) out of poverty](#). Because the stimulus was temporary, that was another reason that we didn’t use the 2020 and 2021 poverty rates.

31 See “[Expanded Safety Net Drives Sharp Drop in Child Poverty](#)” and the following footnote.

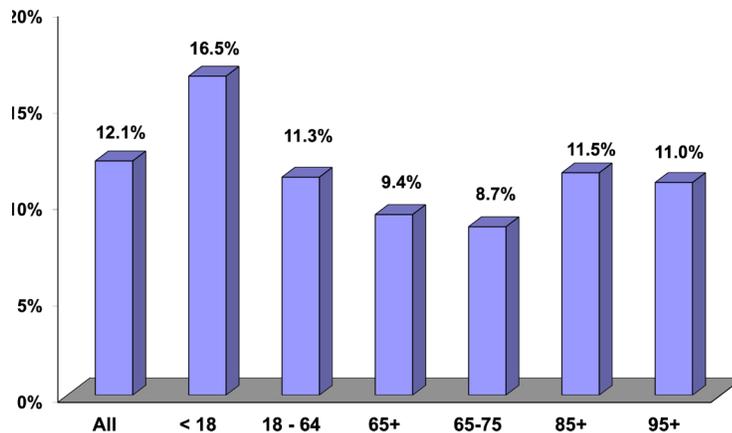
32 The SPM is about 400 basis points higher than the official poverty rate for the age 65+ group in 2019 due mostly to their higher out-of-pocket medical costs. It would be about 200 basis points lower than that if it included health insurance benefits per Korenman et al. (2021) in “[The importance of a health inclusive poverty measure](#),” *Journal of the Economics of Aging*. Even with the net increase of 200 basis points, the “retiree” poverty rate is still well below the child poverty rate and below the SPM’s “working age” poverty rate.

33 2021 Congressional Research Service (CRS) report (Updated 2022) [Poverty Among the Population Aged 65 and Older](#), page 2, and this [Census Bureau chart](#). Also see the [2020 SPM](#) Figure 5 and this [paper providing a history of SPM rates](#).

The Elderly

The poverty rate³⁴ for people aged 85+ is 2 percentage points more than the poverty rate for people aged 65+, mostly because the 85+ group includes proportionally more single³⁵ and female individuals, who have higher poverty rates than other groups.³⁶ Their 11.5% poverty rate is close to the poverty rate for people of working ages and much lower than the poverty rate for children. As will be seen on charts that follow, it is also much lower than the poverty rates for the financially disadvantaged groups discussed in this paper. Thus, Social Security mostly addresses the concerns of the elderly through its COLA, but it is not addressing them as well for many single and female individuals in that age group. It is interesting to note that people aged 95+ have a lower poverty rate than people aged 85+, possibly because (in addition to the COLA's impacts) people who live longer are more likely to have had higher earnings, retirement savings, and been married.³⁷

Figure 9: Poverty Rates in 2019 by Age



Source: 2019 American Community Survey (using www.census.gov/mdat)

³⁴ We calculated poverty rates for Chapters 2 and 3 from the [Census Bureau's American Community Survey \(ACS\) Public Use Microdata Sample \(PUMS\)](#), a subset of the full ACS sample, using their [MDAT](#) database. The Census Bureau encourages use of the ACS for racial/ethnic subgroups because (a) it has a larger sample size (1% of the population) than CPS (Current Population Survey) and SIPP (Survey of Income and Program Participation), (b) it is required to be completed, and (c) it includes both institutional and noninstitutional group quarters (e.g., college dormitories, prisons, barracks, shelters, and nursing homes). ACS cannot distinguish between beneficiary types (e.g., retired worker, disabled, survivor) and their Social Security and income amounts are self-reported (and thus may not be as accurate—they may even be SSI amounts). Figure 10 could not be determined with Social Security data, because the SSA doesn't have adequate data on race, ethnicity, and LGBTQ identity.

³⁵ When we refer to the poverty rates for single people in this chapter, we mean people who are *currently* single. The poverty rate for single people aged 85+ is 13.5% (7.5 percentage points more than for those who are married).

³⁶ The poverty rate for women aged 85+ is 13.3% (about 5 percentage points greater than for those who are men).

³⁷ While not impacting the official poverty measure, the needs of people at these oldest ages may change due to less needs for travel and entertainment but greater needs for health care, such as Long-Term Care, which is not covered by Medicare.

The Recently Retired

The poverty rate for those aged 65 to 75 is the lowest of all the poverty rates in Figure 9, possibly because they can be receiving wage income from their employers and/or retirement income their retirement plans, individual retirement accounts (IRA), and Social Security. In addition, some retirees spend their retirement assets at a rate to maintain their standard of living.³⁸ They may also take lump sums from their retirement plans and spend them too quickly³⁹ instead of taking an income payable for life. Unfortunately, these issues can lead to poverty later in life. Social Security pays valuable *inflation-indexed* benefits for one's *full lifetime* and does not give people a choice of taking it too quickly or too slowly.

Children

The poverty rate for children is the highest of all age groups, partly because people in poverty tend to have more children on average than those in higher-income families. Children in poverty are more likely from financially distressed groups, including single-parent families and immigrant families. This calls for increased attention to be given to poor families with children. Proposals to provide Social Security benefits to children in college and those living with grandparents, plus child-care wage credits are discussed in Chapter 4. Because only dependent children of people receiving benefits and surviving children of deceased workers can receive Social Security benefits, this problem cannot be addressed by Social Security alone. Approaches to address this issue would need to be found elsewhere, such as through school lunch programs, affordable daycare, expanded nursery school availability, Head Start, Child Tax Credits,⁴⁰ and considering the inclusion of children in Medicare or Medicaid, which is beyond the scope of this paper.

The poverty rate for children is the highest of all age groups, partly because people in poverty tend to have more children on average than those in higher-income families.

³⁸ This depends on how people record their income in questions 43/44 of their [ACS Questionnaire](#). Unlike qualified retirement money, retirees may not include spending their non-qualified money as income for current expenses.

³⁹ See footnote 20 in the CRS report [Poverty Among the Population Aged 65 and Older](#).

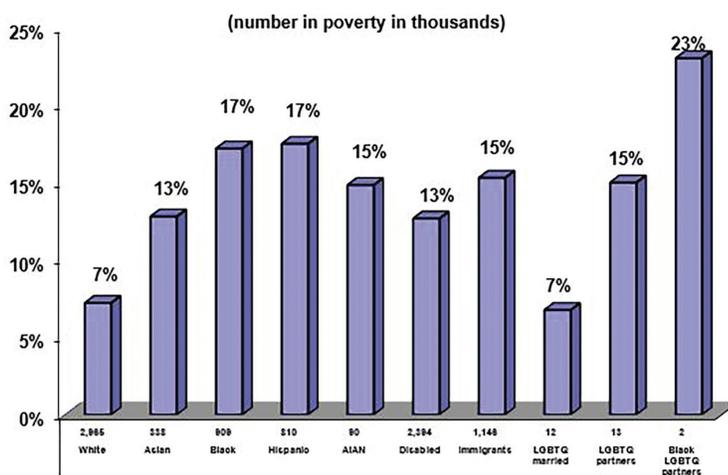
⁴⁰ The increased 2021 Child Tax Credit in the American Rescue Plan significantly reduced child poverty temporarily.

Poverty Rates for Financially Disadvantaged Groups

The 9% poverty rate in 2019 is an average for everyone aged 65 and over. The *average* obscures the higher poverty rates for several subgroups. For example, those who identify as African American⁴¹ or Hispanic American have average poverty rates just above 17%. The Asian American⁴² poverty rate is 13%, while the poverty rate for non-Hispanic white Americans⁴³ is only 7%.⁴⁴ Within each group are subgroups with very different poverty rates, as discussed later in Chapter 3.

Figure 10 also shows poverty rates for disabled people 65+ (13%), immigrants 65+ (19%), and LGBTQ couples 65+.⁴⁵ It provides the poverty rates separately for *married* and *unmarried* same-sex couples as they are quite different; both poverty rates are much larger than the poverty rate for the comparable percentage for all married people over age 65 (3.9% as shown in Figure 11). It also shows that poverty rates are even greater at the intersection of groups that have experienced discrimination. For example, the poverty rate for LGBTQ unmarried *partners* who are also African American is a much higher 23%. Another example is elderly women of color, as discussed in a paper from the National Women’s Law Center.⁴⁶

Figure 10: Poverty Rates for People Age 65 and Over



Source: 2019 American Community Survey (using www.census.gov/mdat)

41 The African American poverty rate is 17% whether or not it includes Hispanic or mixed race because (a) the Hispanic poverty rate is also 17% and (b) only 5% of African Americans identify as mixed race or Hispanic.

42 The Asian American poverty rate is 13%, whether Asian Only or non-Hispanic, as few are Hispanic or mixed-race. The CPS Asian poverty rate is lower, but the chief of the Census Bureau’s Poverty Branch said this difference is possible due to different data and methodologies per [this U.S. Census paper](#).

43 Including Hispanic white Americans and mixed race would increase the white poverty rate from 7.2% to 8.0%.

44 The Supplemental Poverty Measure’s poverty rates are different, but in the same order as the official poverty rates.

45 In Figure 10, “partners” means an unmarried couple. There is no variable in ACS that indicates whether someone is LGBTQ. The Census Bureau only has data on married and unmarried LGBTQ couples who live together. A transgender person may be included if married to someone of the same gender, but that is not the same as being transgender, which depends on one’s *gender identity*, not on the gender(s) they love.

46 [Supporting the Economic Security and Health of Older Women of Color](#); Justice in Aging; Oct. 6, 2021.

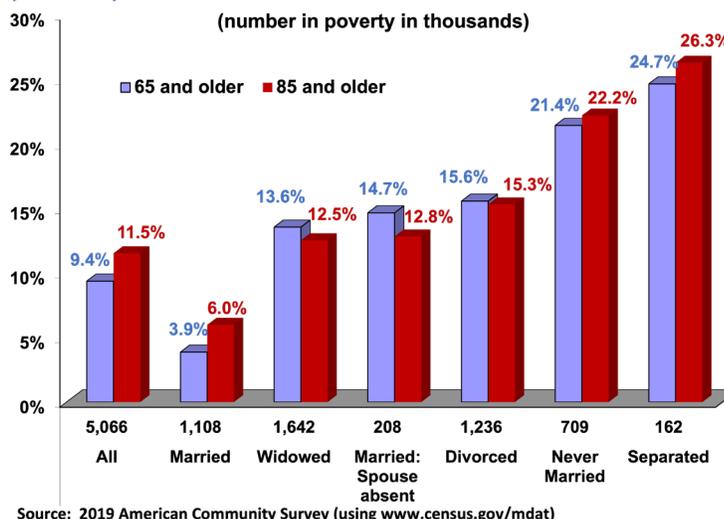
Poverty Rates by Marital Status

Poverty rates vary greatly by marital status. Single people have much higher poverty rates than married people, particularly those who have never been married and those who are separated.

Marital Status, not Age

As shown in Figure 11, poverty rates for those aged 85 and older are only slightly worse than the poverty rates for those age 65 and older (and they are lower for the widowed, divorced, and where the spouse is absent). Part of the reason the overall poverty rate increases with age was discussed in the earlier section on the recently retired. Most of the reason is because the percentage of elderly married couples (who have much lower poverty rates) decreases from 53% to 27%. If the age 85+ group had the same proportion in each marital status as the age 65+ group, the age 85+ poverty rate would be 10.2% (much closer to the 9.4% age 65+ poverty rate). Thus, the higher overall poverty rate at older ages is more due to no longer having a spouse, so the most efficient ways to reduce poverty at older ages would be to increase Social Security benefits to widowed, divorced, and single people (which will be discussed in Chapter 4) and to encourage lifetime pensions, annuities, and joint and survivor benefits. As two-earner couples become increasingly more common, more married couples will experience a drop in Social Security benefits up to 50% upon the first death, so the concern for low-income survivors will continue. Improvement in the amount of Supplemental Security Income (SSI) benefits⁴⁷ is another way to address this concern.

Figure 11: Poverty Rates by Marital Status



⁴⁷ See [S.2065—Supplemental Security Income Restoration Act of 2021](#).

A Pew Research Center paper corroborates this concern for unpartnered people (ages 25 to 54). It notes that unpartnered men fare much worse than partnered men.⁴⁸ The Pew paper notes that 36% of unpartnered men have incomes less than 150% of poverty, whereas it is only 13% of partnered men. It is difficult to determine cause and effect here, as factors that diminish success, such as low income, incarceration, disability, and other health issues, also make it less likely for partnering. For women, the comparable percentages were only 1 percentage point apart (37% and 38%, respectively), possibly in part because married women are less likely to have permanent full-time jobs. The percentages employed had similar disparities.

The number of people aged 65 and older in poverty includes 1.6 million widowed people and 1.2 million divorced people.

Figures 10 and 11 also show the number of people in poverty for each status. For example, the number of people aged 65 and older in poverty includes 1.6 million widowed people and 1.2 million divorced people. Both numbers are larger than the number in poverty for any of the groups in Figure 10 by race, ethnicity, or LGBTQ status. Proposals that reduce the poverty levels of the widowed and divorced would significantly reduce poverty rates for retirees in all financially disadvantaged groups.

⁴⁸ [Rising Share of U.S. Adults Are Living Without a Spouse or Partner](#). An increasing percentage of young people are not getting married. Could this just be a delay in getting married, or does it mean there will be fewer married people and more poverty in the future?

Chapter 3

Issues for Financially Disadvantaged Groups

Even though Social Security reduces income disparities by its progressive formula, there are still many people with small Social Security benefits (and small employer-provided pensions and small savings).⁴⁹ This chapter discusses why that may be. It is most often because they had lower lifetime earnings and worked in jobs without employer-sponsored retirement plans but it could also be due to (a) they did not have full work histories, for example due to incarceration, immigration, or unpaid work at home or (b) their marital histories did not satisfy the Social Security requirements for a benefit⁵⁰ or (c) they did not satisfy the disability definition or waiting period. Figure 12 was derived from the 2019 American Community Survey and is useful for the following discussion.⁵¹

Figure 12

Group	People in Working Ages 25-55			People in Retirement Ages 65+				Poverty Rate 65+	
	Poverty Rate	Average Wages	Ratio to All	Poverty Rate	Avg SS Benefit	Ratio to All	% Married	Married	Not Married
White	9%	\$60,807	104%	8%	\$ 15,591	102%	57%	4%	14%
Black	16%	\$43,287	74%	17%	\$ 13,424	88%	37%	7%	23%
Hispanic	13%	\$42,919	74%	17%	\$ 12,106	80%	51%	11%	24%
Asian	7%	\$75,729	130%	13%	\$ 13,323	88%	63%	8%	20%
AIAN	17%	\$44,440	76%	15%	\$ 13,608	89%	46%	7%	22%
LGBTQ married	5%	\$69,372	119%	7%	\$ 15,608	103%	89%	5%	-
LGBTQ partners	15%	\$57,576	99%	15%	\$ 15,733	103%	-	-	15%
Black LGBTQ partners	17%	\$40,520	70%	23%	\$ 13,463	88%	-	-	23%
Disabled	25%	\$38,555	66%	13%	\$ 14,509	95%	44%	6%	18%
Immigrants	12%	\$56,484	97%	15%	\$ 12,977	85%	55%	10%	21%
No English	27%	\$27,313	47%	27%	\$ 8,914	59%	46%	22%	31%
All	10.2%	\$58,207	100%	9.4%	\$ 15,224	100%	56%	4%	16%

49 Testimony on June 23, 2021, before the House Committee on Education and Labor by Nari Rhee, Ph.D., Director, Retirement Security Program Center for Labor Research and Education at the University of California–Berkeley.

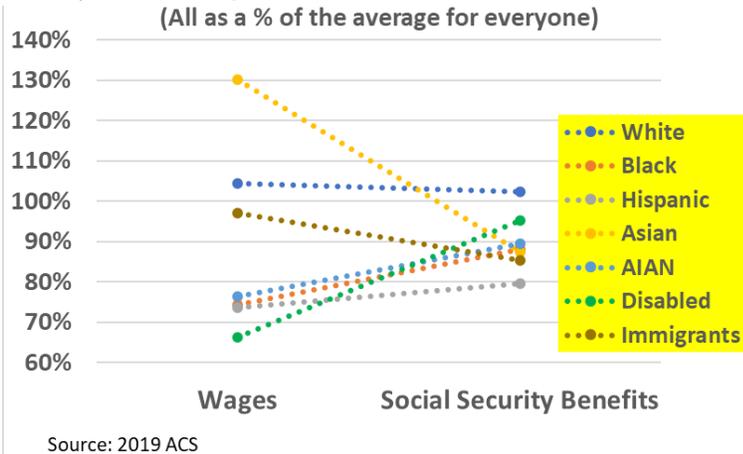
50 See the SSA paper [Marriage Trends and Women's Benefits: Differences by Race-Ethnicity and Nativity](#) for more details.

51 Source: 2019 ACS PUMS. The ACS cannot distinguish between retired workers and beneficiaries, so the average Social Security Benefit is the average for all beneficiaries aged 65 and over. Also, these average incomes and benefits are means, as medians could not be determined easily from the ACS website, as discussed with the Census Bureau. Medians are often preferred as they are less influenced by very high amounts. When using ACS, one must be careful to determine average benefits (and wages) by using a denominator that only includes people with a positive benefit (or wage). The SSA is once again providing information by race and ethnicity, such as median earnings for [men](#) and [women](#) aged 20-59, due to a [Biden Executive Order](#) (using SSA data linked to the Current Population Surveys). More discussion on this can be found [here](#).

Figure 13 draws a dotted line from average wages for each group (as a ratio of the average for all) to their average Social Security benefit (as a ratio of the average for all). Note that Social Security benefits are less disparate than wages. For example, the average wages for African American workers were \$43,271 in 2019, 25% less than the average for all workers (\$58,207), but the average annual Social Security retirement benefit for African Americans was \$13,424, only 12% less than the \$15,224 average benefit for all retirees in 2019. The fact that African American workers earned 25% less but receive Social Security benefits that were only 12% less, shows that Social Security’s progressive benefit formula is an important factor in reducing disparities among retirees.

Other examples in Figure 13 show the impact of immigration on Social Security benefits. Immigrants had average wages that were close to the average for everyone. However, their Social Security benefits are much less than the average person’s benefit because many of them did not have a full working career in Social Security covered employment. This also impacts the Asian and Hispanic average benefits, which are lower than they would otherwise have been because a large percentage of them are immigrants who did not have a full career in Social Security covered employment.

Figure 13: Social Security Reduces Disparities



AFRICAN AMERICANS (5.3 million age 65 and over in 2019 ACS)

As discussed above, Social Security benefits for African Americans are 12% less than the average benefit for all retirees in 2019. A large reason for this is their lower average wages. Studies of wealth also find correspondingly large disparities, as the median wealth of African American baby boomers is only 6% of White Americans,⁵² and their debt amounts are also much greater.⁵³

As discussed in a 2019 Urban Institute paper,⁵⁴ Social Security benefits are more significant for African Americans than for average Americans. During their working years, African Americans are more likely to receive Social Security disability benefits than the average worker because their jobs tend to be more hazardous and physically demanding, which leads to an increased rate of disability and pre-retirement mortality.⁵⁵ As a result, their children are also more likely to receive dependent or survivor benefits during those years. Savings and inheritances are also significantly smaller on average, so their Social Security benefits in retirement are more important than for the average family.

Although African Americans participate in 401(k) plans at levels comparable to similarly situated white Americans, differences in earnings result in lower 401(k) contributions, which results in lower wealth (even when comparing African Americans at the same educational level as white Americans).⁵⁶ Other reasons for lower incomes in retirement include the greater likelihood of having jobs with no retirement benefits, and greater rates of unemployment and incarceration (which reduce average earnings used to determine Social Security benefits). State-administered IRAs and requiring a Federal Insurance Contributions Act (FICA) tax on unemployment income and SSI payments are potential remedies for this.

52 Per Table 5 of the NIRS (National Institute on Retirement Security) paper [Stark Inequality: Financial Asset Inequality Undermines Retirement Security](#). See also Stephen Wendel's [Race/Ethnicity, Saving, and Postretirement Outcomes](#) in the Retirement Income Institute Literature Review, #007-2022 (August 2022). The [St. Louis Federal Reserve Bank's paper on Wealth Gaps](#) also noted that a typical white family had about \$184,000 in net worth in 2019 while the typical African American family had \$23,000. The 2021 Boston Federal Reserve Bank paper [A New Look at Racial Disparities Using a More Comprehensive Wealth Measure](#) (page 26) noted that disparities in 2019 wealth between African Americans and white Americans are cut in half if defined benefit (DB) plans (Social Security, employer DB plans, and especially government plans) are included in wealth (as proportionately more African Americans work in the public sector). This also explains why the trend from employer-sponsored Defined Benefit Plans to 401(k) plans is particularly deleterious for blacks as discussed at [Wharton's 2023 Pension Research Council Symposium](#).

53 Debts of African and Hispanic Americans were 46% of their assets in 2019, versus 29% for White Americans per [EBRI](#) (Employee Benefit Research Institute). Also, 21% of African American borrowers were behind on student loan payments, compared with 6% of white borrowers, according to [a 2020 study by the Aspen Institute](#). And African American home buyers pay significantly higher mortgage interest rates on average than comparable white borrowers, and the difference is larger for women, per [the Joint Center for Housing Studies at Harvard University](#).

54 [African American Economic Security and the Role of Social Security](#) by Kilolo Kijakazi, et al.

55 *Ibid.*, page 13. Page 14 states: "Research shows that structural racism, including inequities in employment, earnings, occupations, as well as in education, housing, and asset building, damages health and is a driver of health disparities ... and also affects racial differences in life expectancy."

56 *Ibid.*, page 6: "When workers of color and white workers have similar circumstances, they make similar choices regarding participation in a retirement plan and contribution level". This is also corroborated by [Munnell and Sullivan \(2009\)](#) and a [study by EBRI](#), which noted that "labor market barriers result in African Americans having less access to retirement plan coverage than white workers and fewer earnings from which to contribute to a plan."

As lower-income African Americans have higher-than-average rates of unemployment and part-time work, Social Security's use of just the highest 35 years of earnings is important to African Americans as it allows several years of lower earnings to be ignored when determining AIME. Some proposals would increase the number of years used in the averaging period to emphasize Social Security's individual equity principle. This would adversely affect African Americans (and women) more than the average person.

A 2019 Urban Institute paper⁵⁷ notes that initially most African Americans did not benefit from Social Security. At enactment in 1935, only workers in commerce and industry were covered. Farm, domestic, government, railroad workers,⁵⁸ the self-employed, and the military were not covered until the 1950s. Thus, most African Americans, who commonly worked in these excluded areas, were not covered until the 1950s, which means they missed out on some of Social Security's most subsidized benefits. The initial Social Security beneficiaries received much more than they contributed, because they received full career benefits even though they paid into Social Security for only a short period at a very low tax rate.⁵⁹ The Urban Institute paper cited researchers who suggested that Social Security's implementing law was racially motivated.⁶⁰ Whether this was intentional or not is discussed in an SSA paper⁶¹ which noted that "it was not feasible for the IRS to collect payroll taxes from domestic workers and farm workers." Our research found that when these other occupations were brought into Social Security in the 1950s, the calculation rules were reset to look at coverage and wages starting in 1950, so African Americans who were close to retirement age got benefits which were almost as subsidized as the initial benefits in the 1940s.⁶²

The initial Social Security beneficiaries received much more than they contributed, because they received full career benefits even though they paid into Social Security for only a short period at a very low tax rate.

⁵⁷ [African American Economic Security and the Role of Social Security](#).

⁵⁸ Per the [2021 Railroad Retirement Handbook](#), railroad workers were covered under the Railroad Retirement Act of 1937, but that retirement plan did not have full-career benefits for older people who worked only a few years, nor did it provide large subsidies to workers with low earnings, like Social Security. In 1951, railroad workers with less than 10 years of service were included in Social Security for all benefits, and coordination between the Railroad Retirement Board (RRB) and Old-Age, Survivors, and Disability Insurance (OASDI) systems was expanded.

⁵⁹ For example, the first Social Security recipient Ida Mae Fuller only contributed \$25 over her three years in covered employment, but received \$22,889 in Social Security benefits, per [SSA Research Note #3](#).

⁶⁰ They noted this was another situation like the Homestead Act of 1862 and the GI Bill, where African Americans were not able to access benefits as well as white Americans. Also see the [Federal Reserve Bank of St. Louis](#) paper "Wealth Gaps between White, African and Hispanic Families in 2019"; the *New York Times* article "[How redlining's racist effects lasted for decades](#)," and Katznelson's book *When Affirmative Action Was White* and *The Color of Law* by Richard Rothstein.

⁶¹ [The Decision to Exclude Agricultural and Domestic Workers from the 1935 Social Security Act](#).

⁶² The September 1976 History of OASDHI by Bob Myers shows that in 1950, the definitions of Fully Insured and Average Monthly Wage were changed to only include years after 1950.

HISPANIC AMERICANS (4.6 million age 65 and over in 2019 ACS)

Hispanic Americans have many financial characteristics similar to those of African Americans.⁶³ For example, their wages and wealth are also much lower than those of the average worker. The average wages of Hispanic Americans were \$42,919 in 2019, only 74% as much as the average worker in the U.S. (\$58,207). It is 99% of the average for African Americans. The average Social Security benefit of Hispanic Americans is \$12,106 (90% of the average for African Americans). This 90% is lower than the 99% above, probably because (1) there is a higher percentage of Hispanics who are immigrants, with fewer years of participation in Social Security and (2) less of their wages are reported (or are reported using false Social Security Numbers⁶⁴). Another issue is that some Hispanics are unauthorized immigrants⁶⁵ who pay into Social Security but, according to [SSA Actuarial Note 151](#), do not receive benefits.

Hispanics are much more likely to be working in the informal economy.⁶⁶ They can improve their Social Security benefits by reporting more of their income. However, that may not be easy, as they may value and need current income more than deferred income (or they may not have work authorization). Low-income people can receive up to three times as much back in benefits from Social Security (compared to what they and their employer contribute). In addition, many can have all their Social Security payroll taxes refunded through the Earned Income Tax Credit (EITC)—and up to 4 times as much if they have children.⁶⁷ They need to be a U.S. citizen or a permanent resident (green card holder) to receive the EITC.

Hispanic retirees also rely on Social Security for a greater share of their income than the average American.⁶⁸ Only 26% of Hispanic households have retirement accounts (compared to 57% of non-Hispanic white Americans and 35% of non-Hispanic African Americans).⁶⁹ In addition, Hispanic American family sizes have tended to be larger and they are 15% more likely to be caregivers.⁷⁰ These issues create additional challenges for Hispanic individuals to save for retirement, generating a disproportionate reliance on Social Security income and support from families. The importance of family and community may also be a positive factor in their living longer as discussed in Chapter 2. In addition, Hispanics have lower smoking rates, which helps reduce their mortality rates.

63 A paper [Living Below the Line: Racial and Ethnic Disparities in Economic Security among Older Americans](#) (2022) notes that financial insecurity is particularly high for elderly people of color living alone: 61% of those who are Black and 67% of those who are Hispanic have incomes below the author's Elder Index, and this is especially true for single women of color.

64 There are barriers for immigrants to claim Social Security benefits: Pre-2004 immigrants may have challenges producing wage histories that show their payroll taxes, while post-2004 immigrants must change their legal status to receive benefits. Getting false Social Security Numbers became much more difficult after 2001, as discussed in the Immigrants section.

65 54% of Hispanic Americans aged 65+ are immigrants per ACS PUMS, but the percent undocumented is not available.

A [Pew Research Center paper](#) using 2017 data estimated that 77% of the 10½ million undocumented immigrants (of any age) are Hispanic.

66 "[Racial and ethnic differences stand out in the U.S. gig workforce](#)"; Pew Research Center; Dec. 15, 2021.

67 The Tax Policy Center's [Key Elements of the U.S. Tax System](#).

68 Nearly 1/3 of older African and Hispanic Americans in families that receive Social Security rely on it for more than 90% of their family income. Social Security keeps about 30 percent of them out of poverty, per this [AARP paper](#).

69 Source: Federal Reserve Board [Survey of Consumer Finances \(SCF\)](#).

70 Figure 2 on page 15 of a [2015 AARP/National Alliance for Caregiving report](#).

Studies by the U.S. Government Accountability Office (GAO), SSA, the Urban Institute, and a 2005 Center for Budget and Policy Priorities (CBPP) paper⁷¹ show that Social Security provides Hispanics a higher return on their contributions⁷² than African Americans due to applying the progressive formula to their lower average earnings, and because they live longer on average than African Americans, and have more children (in 2020 about 1.94 children per Hispanic woman compared with 1.77 for African American females). Hispanics have a similar high incidence of disability as African Americans, possibly for the same reasons as African Americans, which would be worth investigating.

Reasons why Hispanic Americans age 65+ have a slightly higher poverty rate than African Americans aged 65+ include (1) a large percentage are immigrants (55%)⁷³ who tend to have higher poverty rates⁷⁴ (20% of Hispanic immigrants are in poverty) and (2) many (9%) Hispanic Americans over age 65 were born in the U.S. territories⁷⁵ where there are high poverty rates (22%).

The cost of living can be higher for Hispanic Americans.

The 17.5% poverty rate for Hispanic Americans aged 65+ are quite different by subgroup. They vary from around 4% for those born in Uruguay and Paraguay to 32% for those born in the Dominican Republic. The poverty rates also differ by how long they have lived in the United States. For example, those who have been in the United States for a longer period tend to have lower poverty rates, particularly those from Cuba. In addition, states with the highest numbers of Hispanic Americans have somewhat lower poverty rates for them.⁷⁶

Finally, the cost of living can be higher for Hispanic Americans: 32% of Hispanics (and 46% of African Americans) are unbanked or underbanked⁷⁷ which increases their financing costs. In addition, social determinants of health impact Hispanic Americans more, such as chronic conditions, increasing their medical costs. For example, Hispanics are 70% more likely to be diagnosed with diabetes.⁷⁸

71 [The Importance of Social Security to The Hispanic Community.](#)

72 This paper also notes that (a) they could not do better in a privatized system, (b) Social Security reduced their poverty rate from 51% down to 18%, and (c) half of Hispanics receiving Social Security receive 90% or more of their income from Social Security (as they are less likely to receive good pensions than even African Americans – 29% versus 45%).

73 Likely even more, but many immigrants do not participate in surveys.

74 Interestingly, the paper by the Urban Institute titled [Hispanics' Retirement Security](#) notes that among working-age adults, US-born Hispanic men are somewhat less likely to participate in the labor force than non-Hispanic white men, while foreign-born Hispanics are more likely to participate.

75 Mostly from Puerto Rico. The U.S. Supreme Court held in *U.S. v. Vaello-Madero* (4/21/22) that the equal protection clause in the Fifth Amendment to the Constitution does not require Congress to extend SSI benefits to residents of Puerto Rico, because they don't pay most federal taxes (even if the individual paid them while working in the states or D.C.). They were excluded from SSI benefits when SSI was created in 1972, which explains the higher poverty rate in Puerto Rico. Vaello-Madero was required to return his SSI payments received after moving to Puerto Rico (with interest and penalties), even though he was not told that he'd lose them if he moved. Exclusions like this that hurt the vulnerable more than others are inconsistent with the spirit of the SSI program. To the extent that this type of situation is felt to be unfair, Congress could reconsider it.

76 [ABC News 2013 article on Latino poverty levels.](#)

77 Per [this Federal Reserve Board data](#) from its *Report on the Economic Well-Being of U.S. Households in 2019*.

78 Per [this U.S. Department of Health and Human Services website.](#)

ASIAN AMERICANS (2.5 million age 65 and over in 2019 ACS)

Asian Americans share certain characteristics with Hispanic Americans. For example, they have a similarly high percentage of immigrants. In fact, Asian Americans are projected to be the largest group of immigrants by mid-century in the United States.⁷⁹

Asian Americans 65 and over have lower poverty rates (13%) than either African or Hispanic Americans, but it is higher than the poverty rate for all Americans 65 and over (9%). Their average wages are much higher (even higher than the average for White Americans, as shown in the Figure 10 at the beginning of this chapter). A 2021 survey by the Society of Actuaries⁸⁰ indicates that Asian Americans are more likely to have a college degree or higher (69% compared to 32% for African Americans and 27% for Hispanic Americans), have savings over \$100,000 (52% compared to 24% for African Americans and 32% for Hispanic Americans), and own their homes (72% compared to 49% for African Americans and 55% for Hispanic Americans).

However, the Asian American population is very diverse.⁸¹ Averages obscure a wide range in age 65+ poverty rates.⁸² Their poverty rates range from less than the 9% U.S. average for Indian, Filipino, and Japanese Americans up to 17% for Chinese, Vietnamese, and Indonesian Americans and 23% for Cambodian Americans. Averages “often obscure higher poverty rates for elderly people who immigrated more recently and lack savings and a social safety net, compared with Asian Americans whose ancestors immigrated in the late 1800s.”⁸³ Those who immigrated long ago could have full careers covered under Social Security (and thus they would have larger benefits on average). There are many Asian immigrants who have not been (or worked) in the United States long, which explains why the average Asian Social Security benefit is only 88% of the average for all races, even though the average Asian wage is 131% of the average for all races. Another reason is that Asians (like Hispanics) are less likely to speak English (11% and 15% respectively) and are therefore less likely to seek and receive social services and financial assistance, and are socially isolated in impoverished neighborhoods, all of which contribute to their higher level of poverty. Barriers to understanding the restrictions and complications of Social Security, SSI, and the EITC are discussed in the Communications section.

⁷⁹ Per April 29, 2021, [report of the Pew Research Center](#).

⁸⁰ Table 1 of [Financial Perspectives Across Race and Ethnicities](#).

⁸¹ See this [blog](#) by the Economic Policy Institute.

⁸² Per this [2017 Urban paper on Asian American seniors](#).

⁸³ For example, for all immigrants in the U.S. aged 65 and over, the poverty rate is 10% if they immigrated in the 1940s through the 1960s, 12% if in the 1970s through the 1990s, and 19% for those who immigrated in the 2000s.

INDIGENOUS PEOPLE (0.6 million age 65 and over in 2019 ACS)

The American Indian and Alaska Native (AIAN) population shares many of the same socioeconomic characteristics as African Americans, resulting in similar financial disadvantages. The average wages for AIAN people aged 25 to 55 is \$44,440, which is 76% of the comparable figure for all races. The 76% is similar to the percentage for African and Hispanic Americans (74%). The average annual Social Security benefit in 2019 received by American Indian and Alaska Native 65 years and older was \$13,608. This is very close to the average Social Security benefit of African Americans (and greater than those of Hispanic Americans for the same reasons discussed in the Hispanic section).

It is difficult to find data on the AIAN population, but they generally have less wealth, less access to education, and are in poorer health⁸⁴ than the general population. Those of working ages have higher rates of poverty and disability⁸⁵ and experience shorter lifespans and are less likely to be married—all of which influence the benefits received from Social Security. Many live in remote areas, leading to additional hardships such as high unemployment, limited well-paying job opportunities, high incidence of alcohol and drug addiction,⁸⁶ and less access to quality medical care. Social Security could facilitate mitigation of their financial and related risks for the 65-and-over population, but some issues cannot be addressed by Social Security entirely.

About 15% of the AIAN group aged 65 and over live below the poverty level, which is better than comparable statistics for African Americans and Hispanics. However, the poverty rates are much higher for AIAN children (25%) and those of working age (19%). The lower poverty rates for those aged 65+ could indicate that Social Security is doing a good job lifting some retired AIAN out of poverty. Another reason is that, due to the short life expectancies for the AIAN group,⁸⁷ those who do live to age 65 are more likely to be financially better off financially.

Some recent changes, such as the Tribal Social Security Fairness Act of 2018 (allowing federally recognized Indian tribes to extend Social Security coverage to tribal council positions on a voluntary basis), have broadened coverage to those serving their tribal communities. In 2022, the Social Security Administration established the Office of Native

84 See a more thorough discussion in this [paper by the National Academy of Social Insurance](#).

85 See [statement](#) from the Social Security Advisory Board (SSAB) on greater challenges facing the AIAN populations. On page 3, they note that 8.8 Americans identify as AIAN (3.2 million of which identify as AIAN alone), and 87% live outside tribal areas, including 70% who live in urban and suburban areas.

86 [Native Americans: A Guide to Drug Addiction & Recovery](#).

87 "[Demographics](#)"; National Congress of American Indians; June 1, 2020.

American Partnerships within the Commissioner's Office, in order to enhance SSA's relationships with AIAN Tribal communities and to provide better education on Social Security and access to Social Security benefits.⁸⁸

LGBTQ AMERICANS (population over age 65 is unknown)

A survey by UCLA School of Law's Williams Institute⁸⁹ shows that poverty rates for LGBTQ Americans of all ages are higher than that of the general public. The Census Bureau does not ask if someone is LGBTQ, so its data cannot confirm that statement. However, they do have information on same gender couples, and whether they are married. The poverty rate for those aged 65+ in a non-married LGBTQ couple is 15%,⁹⁰ more than twice the poverty rate for married LGBTQ Americans (7%), and both are much higher than the poverty rate for all married Americans 65+ (3.9%).

LGBTQ couples who are not open about their identity may find it more difficult to marry.

The lower poverty rate for married LGBTQ couples may be partially because they can receive Social Security spousal benefits, whereas non-married LGBTQ couples cannot. It could also be because the official poverty rates combine incomes of married couples and compare them with a poverty threshold that is only about one-fourth larger than the poverty level for single people. In addition, married LGBTQ couples have higher incomes in the American Community Survey (ACS) than unmarried LGBTQ couples during their working years. LGBTQ couples who are not open about their identity may find it more difficult to marry. It may be more difficult for them to obtain good jobs, be financially successful, and avoid poverty. According to the ACS, married LGBTQ couples are otherwise similar to unmarried LGBTQ couples. For example, both are close to half male and half female, the education levels of married LGBTQ couples are not much higher than unmarried LGBTQ couples, and their racial makeup is similar. The Williams Institute paper noted the differences for rural LGBTQ individuals of all ages, as their poverty rate was 26.1% compared to 21.0% for urban LGBTQ individuals. In addition, the poverty rate of African American LGBTQ unmarried couples is much higher than married ones.

⁸⁸ Tribal Consultation and Coordination Plan. See this [SSA website](#) for what SSA is doing for AIAN people.

⁸⁹ Its survey [LGBT Poverty in the United States](#) shows that, while the poverty rate for all LGBT people (22%) is higher than the poverty rate for all people, the poverty rates of gay men and lesbians were not much different than for straight cisgender (non-transgender) men and women, and are much better than in the past. The big difference today is that bisexual cisgender women and transgender people have much higher poverty rates (29%). Part of the reason is that they are more likely to be young, people of color, and disabled. The survey found that the poverty rates for the general population are not much different between workers and retirees, but the poverty rate for LGBT people aged 65+ (ranging from 7% to 15%) was much better than the poverty rate for working-age LGBT people. Note, however, that their sample sizes of LGBT people were very small.

⁹⁰ The Supplemental Poverty Measure (SPM) has a lower poverty threshold than the official poverty measure for unrelated people who live together (partly because living together reduces SPM's per person needed expenses). Thus, the SPM poverty rate is lower for non-married couples than the official poverty rate.

Many LGBTQ same-sex couples have advanced financially since their marriages are legal in the United States due to the 2015 Obergefell v. Hodges Supreme Court case, but there is still significant discrimination in other areas.

A study of ACS data by Brookings' Hamilton Project⁹¹ shows that the households of same-sex couples (aged 25 to 54) are more likely than opposite-sex couples to be dual-earning, live in urban areas, and less likely to have a child. Male same-sex couples (aged 25 to 54) in particular are likely to have higher household income than opposite-sex couples.

A 2021 Transamerica retirement survey⁹² indicated that 73% of LGBTQ workers are saving for retirement through employer-sponsored plans, compared to 83% of non-LGBTQ workers and it does not appear that LGBTQ people have saved as much for retirement as the population as a whole. The [2022 Transamerica updated survey](#) says that there is much improvement in the LGBTQ community's financial situation due to changes in the discriminatory laws, interpretations, and culture.

Many LGBTQ same-sex couples have advanced financially since their marriages are legal in the United States due to the 2015 Obergefell v. Hodges⁹³ Supreme Court case, but there is still significant discrimination in other areas. Before Obergefell, many states did not recognize same-sex marriages. Because Social Security relied on the state for determining who was married, same-sex couples previously could not receive the spousal dependent and survivor benefits that opposite-sex married couples received. Post-2015, LGBTQ married couples have been able to receive those benefits like other married couples. In addition, the SSA decided in November 2021 to provide benefits to survivors of LGBTQ couples where the spouse died *before* it was legal to get married, as long as they can show they were in a committed relationship.⁹⁴

Because many states still leave LGBTQ people unprotected from discrimination in other areas (such as employment, adoption, housing, and other accommodations), many LGBTQ people don't marry to avoid discrimination in these areas.⁹⁵ In these cases, they can't receive the many marital advantages in Social Security, tax, and retirement law.⁹⁶ In 2020, the Supreme Court upheld⁹⁷ the EEOC's non-discrimination policy with respect to employment of LGBTQ people, which has improved their job outlook. However, a majority of states still

91 "Examining the economic status of same-gender relationship households"; Brookings Institution; Jan. 20, 2022.

92 [A Compendium of Findings About the Retirement Outlook of U.S. Workers](#) by the Transamerica Center for Retirement Studies dated November 2021.

93 [Obergefell v. Hodges](#).

94 [Thornton v. Commissioner of Social Security](#). See this [article in the New York Times](#) and [SSA's website for same-sex couples](#). Also along these lines of being responsive to LGBTQ people, the SSA in an [October 2022 Press Release](#) allows people to self-select their sex without needing documentation, to decrease administrative burdens.

95 "Dignity 2022: The Experience of LGBTQ Older Adults"; AARP Research; June 2022.

96 [Defense of Marriage Act: Update to Prior Report](#); Government Accountability Office; Jan. 23, 2004.

97 [Bostock v. Clayton County, Georgia](#).

lack adequate protections against discrimination in housing and other accommodations⁹⁸ and in employment with employers with fewer than 10 employees and religious employers, so many LGBTQ individuals still hesitate to marry. Same-sex couples can also have a difficult time adopting children in some states, which eliminates the possibility of receiving child dependent and survivor benefits. The lack of full inclusion of LGBTQ people in the Civil Rights Act could be a possible reason for smaller benefits, as otherwise they could be less likely to fear getting married and adopting children, thus enabling them to receive Social Security's spousal and child benefits, and receive additional tax benefits.

As noted earlier, poverty rates are higher for people in multiple disadvantaged groups, and that is also true for LGBTQ individuals who are also female, disabled, immigrants, or from ethnic or racial minorities. Same-sex couples are more than twice as likely as opposite-sex couples to include someone from an ethnic or racial minority.⁹⁹ In addition, LGBTQ people with children (half of lesbians¹⁰⁰ and half of transgender people¹⁰¹) are more likely to be in poverty during their working years, which impacts poverty rates in their retirement. Finally, there is a paper¹⁰² on retirement and LGBTQ+ people by Alfonso Carrillo that includes an Appendix with much data on this topic from the 2021 Survey of Household Economics and Decision-making.

Those Without Full-Career Work Histories

The final three financially disadvantaged groups (Disabled Americans, Immigrants, and Incarcerated People) have smaller average benefits and higher poverty levels in part due to not having full-career work histories. Social Security addresses that concern partially for disabled people by averaging their earnings over a period that does not include their time disabled. That solution may not however be appropriate for immigrants and incarcerated people.

98 Examples of where adequate discrimination protections in many states are: LGBTQ+ people can be denied services by state and local government agencies, courthouses and jails, transportation systems like buses and trains, recreational areas like libraries, beaches and parks, and privately owned or operated businesses and buildings that offer goods and services to the public, such as stores and shops, restaurants, adoption agencies, day cares, hospitals, gas stations, hotels, motels, or sports and entertainment venues.

99 Page 4 of the 2015 paper [Paying an Unfair Price: The Financial Penalty for LGBT Women in America](#) by the Center for American Progress and MAP (Movement Advancement Project).

100 Ibid—page 1.

101 Ibid—page 1.

102 [A Glimpse at the Financial Journey to Retirement for LGBTQ+ People in the United States](#).

DISABLED AMERICANS (18.9 million age 65 and over in 2019 ACS)

Of the groups analyzed in this paper, disabled people may be the most financially disadvantaged. According to the ACS, the poverty rate of disabled people aged 25 to 55 in 2019 was 24.9% (in contrast to 10.2% for everyone at these ages). The poverty rate for disabled people over age 65 is a much lower 12.7%. As with other groups, poverty rates differ by type of disability, as shown in Figure 14.

Figure 14: Percent in poverty by type of disability

Type of disability	Ages 18 to 64	Ages 65 and above
Cognitively impaired	28.0%	14.7%
Not ambulatory	27.7%	13.6%
Visually impaired	25.1%	16.1%
Hearing impaired	18.5%	10.7%
All disabled	24.1%	12.7%

These high percentages point to a significant reason why the Disability Insurance component of Social Security was added in 1956. If SSA determines that someone is disability insured (i.e., contributed to Social Security for at least 20 quarters¹⁰³) and disabled (unable to do any substantial gainful activity or totally or substantially blind), a disability benefit based on their AIME can begin at the end of a five-month waiting period. The high poverty rates are due to people with disabilities who are not disability insured, or who are in the waiting period, or due to low earnings histories. After age 65 (now age 67), their poverty rates are much lower, because most of them can then receive Social Security benefits as they don't have to meet the disability definition any longer, there is no five-month waiting period, and their AIME does not include earnings in years they were disabled. However, their poverty rates are still higher than the average person aged 65+. Ways to address the higher poverty rates for disabled people discussed in the next Chapter would be to reduce the waiting period for benefits, shorten the period of work required to be insured for disability benefits, and relax the "any job" definition of disabled to "one's job" at older ages (when it is more difficult to train for a new job).

¹⁰³ If under age 31, less than 20 quarters (five years) are needed to be *disability insured*.

A substantial number of disabled people are eligible for Supplemental Security Income (SSI) if they (a) are eligible for Social Security Disability Insurance benefits (or would have been if they had been disability insured¹⁰⁴) and (b) have limited income or financial resources. Because SSI's annual benefit amounts in 2023 are \$10,970 for a single person and \$16,454 for a couple, which are lower than the federal poverty level, they can show up in the Census as being under the poverty line.

IMMIGRANTS (7.8 million age 65 and over in 2019 ACS)

There has always been a wide diversity in the immigrant community of this country. More than 40 million immigrants are currently living in the United States, according to the Pew Research Center, and they are a large portion of the Asian and Hispanic communities, which is why those groups have smaller average Social Security benefits.¹⁰⁵ The makeup of the immigrant population has changed constantly; for example, more Asian immigrants than Hispanic immigrants¹⁰⁶ have arrived in the United States in most years since 2009 and Pew projected Asians to become the largest immigrant group in the United States by 2055, making up 38% of the foreign-born population by 2065, although Hispanics will remain a larger share of the overall population.¹⁰⁷

The makeup of the immigrant population has changed constantly.

Immigrants range from children when arriving in the United States to being parents of prior immigrants. Most immigrants (77%)¹⁰⁸ are in the country legally; but even if not, they may be able to receive benefits.

Immigrants who received a Social Security Number (SSN) prior to 2004 can receive benefits regardless of their legal status, as long as they contributed into the Social Security system and eventually satisfied its requirements.¹⁰⁹ They would need evidence of their payroll taxes (e.g., from W-2s) to determine and receive Social Security benefits (but they can often be difficult to access). Those who receive an SSN after 2003 need work authorization to receive benefits. Immigrants who worked illegally for many years can later change their status, even without amnesty. For example, their children born in this country can sponsor them to stay in the United States legally and receive work authorization. If their parents kept W-2s, their work credits can be reinstated to their new SSNs. Once they receive

¹⁰⁴ You need not have worked under Social Security to qualify for SSI.

¹⁰⁵ See Tables A.1 and B.1 of an SSA paper titled *Social Security as a Retirement Resource for Near-Retirees, by Race and Ethnicity, Nativity, Benefit Type, and Disability Status*.

¹⁰⁶ Immigration from Latin America slowed due to the Great Recession, particularly from Mexico, which has recently seen both decreasing flows into the United States and increases in emigrants back to Mexico (due to its improved economy). Recent increases in violence and climate change in Central America, people fleeing the governments of Nicaragua and Cuba, and the collapse of the Venezuelan economy are fueling more immigration today from those countries.

¹⁰⁷ Pew Research Center (2020), "[Statistical Portrait of the Foreign-Born Population in the United States](#)" and Pew Research Center (2015), "Modern Immigration Wave Brings 59 Million to U.S., Driving Population Growth and Change Through 2065: Views of Immigration's Impact on U.S. Society Mixed."

¹⁰⁸ Ibid.

¹⁰⁹ *Currently Insured* status is needed for child's, mother's, father's, and lump sum survivor benefits. This requires six quarters of coverage within the last 13-quarter period ending with the quarter of death or entitlement to old-age benefits.

work authorization, noncitizens can later file a claim for Social Security benefits. Barriers to understanding the restrictions and complications of Social Security, SSI, and the EITC and how to remedy them are important issues for them, especially when English is not their primary language.

Due to only having a partial work history covered by Social Security, many immigrants will have smaller benefits than the average native-born beneficiary, especially those who arrive here at older ages. In contrast, immigrants with 40 quarters of coverage (10 covered years) can receive the low-income subsidy from Social Security, if their *partial* work history of covered employment makes their AIME look like the AIME of a low-income person.¹¹⁰ In addition, their chances of being eligible for a pro-rated Social Security benefit can be improved if there is a Social Security Totalization Agreement¹¹¹ between the United States and their former country, as the SSA may then be able to count their service in both countries to determine their eligibility for a benefit.

For Americans aged 65 and over, the immigrant poverty rate in 2019 was 15.1% compared to 9.4% for all Americans. For those born in Mexico it was 18.6%, for those born in Central America it was 18.0% and for those born in Eastern/Southeastern Asia it was 13.3%.

Almost 20% of those who immigrated into the United States in the past 20 years are in poverty.

Time since immigration impacts poverty rates. Almost 20% of those who immigrated into the United States in the past 20 years are in poverty, whereas only 10% of those who immigrated into the U.S. in the 1950s and 1960s are in poverty.

Immigrants tend to have long lifespans. One study wrote “Despite being newcomers, immigrants often exhibit better health relative to native-born populations in industrialized societies.”¹¹² Among other factors, this can be attributed to self-selection (that is, those who are relatively healthy tend to take the initiative to emigrate), their behavioral patterns, such as low smoking rates and social capital, such as tight social networks, and potential bias as unhealthy immigrants might return to their country of origin. Research¹¹³ indicates that male foreign-born Americans live seven years longer and foreign-born female Americans live 6.2 years longer than their counterparts in their birth countries. As a result, many members of this group may outlive their financial resources. This also reveals that the financially disadvantaged groups discussed here have a range of characteristics and needs.

110 As long as not offset by the Windfall Elimination Provision and the Government Pension Offset.

111 “[Social Security Totalization Agreements](#)”; *Social Security Bulletin*, vol. 78 no. 4; 2018.

112 From abstract of “Explaining the Immigrant Health Advantage: Self-selection and Protection in Health-Related Factors Among Five Major National-Origin Immigrant Groups in the United States”; *Demography*, 2017

113 “Diminished Advantage or Persistent Protection? A New Approach to Assess Immigrants’ Mortality Advantages Over Time”; *Demography*; 2022.

A way to address these concerns (discussed further in Chapter 4) is to encourage immigrants to report their earnings, pay taxes on them to Social Security, so that they get a valuable Social Security benefit.

INCARCERATED PEOPLE (64,000 age 65 and over per [this ACS website](#))

While the ACS collects information on incarcerated people in the variable Group Quarters/Facilities, that data is not publicly available. The survey overseers did publish a table¹¹⁴ using the 2010 Census that shows there were 2.3 million adults in correction facilities at that time. At the end of 2020 there were 1.7 million American adults who were incarcerated and about 3.9 million who were under community supervision (either on parole or probation).¹¹⁵ Many of those who are or have been incarcerated have experienced multiple adverse conditions in their lifetimes: (1) an unstable family environment, (2) varied access to or completion of education, (3) a weak work history prior to incarceration, (4) a period of incarceration in which no personal savings are accumulated, and (5) after incarceration, challenging work opportunities and environment during which it may be difficult to get good jobs and build up significant savings for retirement.¹¹⁶ Of course, the life history differs widely depending on individual circumstances.

Some of those who work while incarcerated are not taxed by Social Security.¹¹⁷ If they pay Social Security taxes (even if small), they would receive more back than they contributed (because they probably will have a smaller AIME), and they will probably need more income in retirement. In fact, if incarcerated people had jobs while in jail (and taxed by Social Security on their income) and were assisted with getting jobs after they leave prison, they would have much better Social Security benefits (in addition to being able to return to society more easily). Other ideas might include providing institutional living for them after they leave jail.

114 Table 2-1 on page 26 of [The Group Quarters Population and the American Community Survey](#); National Academies of Sciences, Engineering, and Medicine. *Small Populations, Large Effects: Improving the Measurement of the Group Quarters Population in the American Community Survey*. 2012.

115 "Correctional Populations in the United States, 2020 – Statistical Tables"; U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics; March 2022.

116 According to Shannon et al. in "[The Growth, Scope, and Spatial Distribution of People With Felony Records in the United States, 1948–2010](#)"; *Demography*; 2017.

117 Treasury [letter](#) dated Jan. 31, 2014.

Many incarcerated people will experience a financially challenging retirement. African and Hispanic Americans are overrepresented among those in prisons and jails, consisting of more than 60% of that population.¹¹⁸

The Prison Policy Initiative¹¹⁹ indicates that earnings for those previously incarcerated were 41% less than for those who had never been incarcerated of comparable ages. The unemployment rate for those formerly incarcerated is about 27%. Further, a conviction appears to reduce earnings by as much as 22%, depending on the seriousness of the offense,¹²⁰ and imprisonment results in a reduction of 52%. In addition, because of the period of incarceration, their work history is shorter than others, which produces a smaller benefit. Reducing the period of years in the AIME calculation by the number of years incarcerated (as done for disabled workers) would bring their benefit closer to their income when working and the number of years dropped from their AIME calculation could have a maximum, as in the proposals for child-care credits.

Earnings for those previously incarcerated were 41% less than for those who had never been incarcerated of comparable ages.

118 "Prisoners in 2021 – Statistical Tables" U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics; March 2022.

119 [Prisons of Poverty: Uncovering the pre-incarceration incomes of the imprisoned](#); Prison Policy Initiative; 2015.

120 According to this [Brennan Center for Justice website](#).

Chapter 4

Changes to Social Security That Might Benefit the Financially Disadvantaged

Many recent proposals to modify Social Security aim to address the circumstances of people in financially disadvantaged groups.¹²¹ The following describes the major elements of some of the proposals which have been assessed by the SSA actuaries.

Increase benefits at the low end.

Some members of Congress have suggested improving Social Security's Special Minimum Benefit. The 2019 proposal by Rep. Larson (Conn.)¹²² would increase the minimum retiree and disability benefits from 100% to 125% of the poverty level for someone with 30 years of coverage (YOC).¹²³ The minimum benefit would be indexed by national average wage growth (which tends to be larger than that provided under the current rule which uses CPI) and would be phased in from \$0 for someone with 10 years of coverage to the full minimum for someone with 30 years of coverage. Some of the pros and cons for this provision are:

- This would increase Social Security's actuarial deficit by 0.17% of taxable payroll.¹²⁴
- Someone with lower earnings could receive the same benefit as someone earning \$30,000, which would conflict with Social Security's individual equity principle (i.e., if you contribute more, you receive larger benefits). This could result in self-employed lower-income people no longer being incentivized to report earnings once they qualify for each of their YOCs.
- It could make Social Security appear more like a need-based social program, which could impact its acceptance.
- It would provide the minimum benefit to beneficiaries with large pensions or large assets. Requiring means testing would make Social Security much more complex and administratively expensive¹²⁵ and is inconsistent with the rest of Social Security, which provides benefits irrespective of wealth.

121 The 2019 Urban Institute paper [African American Economic Security and the Role of Social Security](#) has a good analysis of reforms for African Americans.

122 Discussed in the Academy's Social Security Committee issue brief [Social Security Reform: Benefit Formula Options](#).

123 The number of years contributing to Social Security where earnings are at least a certain amount (\$16,380 in 2022)

124 Per this SSA/Office of the Chief Actuary [website](#).

125 SSI has 12% of the beneficiaries, but 70% of the administrative costs of Social Security.

- Providing the minimum benefit through Supplemental Security Income (SSI)¹²⁶ as in a Biden proposal¹²⁷ could avoid the problems above, would cost much less,¹²⁸ and could be easier to enact (as it could avoid filibuster). However, some prefer enacting it as a part of Social Security, because many people do not apply for SSI benefits, partly due to its complexity.
- Alternatively, make the Social Security benefit formula more progressive by increasing the 90% replacement rate to 100%.
 - This could be implemented at no additional cost to the program overall, by reducing the 32% and 15% replacement rates at higher incomes. It would not move anyone into poverty.
 - Increasing the 90% replacement rate could facilitate other proposals that reduce benefits (such as increasing the normal retirement age in Chapter 5) to avoid increasing poverty rates for the financially disadvantaged groups.

Restore children's benefits while in college through age 22

This benefit was eliminated in 1981 for cost reasons. This proposal would provide relief for financially disadvantaged groups in two ways—by reducing poverty rates for families with children and by making college potentially more affordable for their children. This would increase Social Security's actuarial deficit by 0.05% of taxable payroll.¹²⁹

Extend dependent benefits

Extending dependent benefits to children living with grandparents or other relatives who receive Social Security benefits would be particularly helpful to address the incidence of families with parents who died from COVID-19, which disproportionately impacted several minority groups (e.g., Hispanics and African Americans).¹³⁰ The increased cost would be minimal, because it would not impact many people.

126 *A Guide to Supplemental Security Income (SSI) for Groups and Organizations*; Social Security Administration; 2023.

127 "The Biden plan for full participation and equality for people with disabilities" (2020 election campaign).

128 A [July 16, 2021, letter from SSA's Chief Actuary Steve Goss](#) to senators Elizabeth Warren, Sherrod Brown, and Bernie Sanders indicates that [S. 2065](#), which improves SSI benefits would cost half a trillion dollars over the next 10 years. Improving the minimum benefit in Social Security would cost much more.

129 Per this SSA/Office of the Chief Actuary [website](#).

130 Figure 4 of NCHS's (National Center for Health Statistics) [Provisional Life Expectancy Estimates for 2020](#) showed that period life expectancy decreased by 3.7 years for Hispanic males, 3.3 years for Non-Hispanic Black males, and only 1.3 years for Non-Hispanic white males between 2019 and 2020. The respective decreases for females were 3.3, 2.0, and 1.1.

Relax requirements for receiving disability benefits

Approaches include reducing the five-month waiting period before benefits can be paid and reducing the five-year work requirement before someone is disability insured.¹³¹ Sen. Bernie Sanders proposed eliminating the waiting period in 2018¹³² and the 2020 Biden campaign proposed eliminating the five-year work requirement.¹³³

- Eliminating the five-month waiting period would increase Social Security's actuarial deficit by 0.10% of taxable payroll.¹³⁴ In addition, there would be added administrative costs and resource demands, as determining whether someone is permanently disabled for a short period can be onerous and difficult to justify. Caseloads, which are already very backlogged, would increase dramatically. Short-term disabilities are already better handled by other means (such as employee benefits) for most people with jobs.
- Congress might consider reducing the five-year work requirement instead of eliminating it, because Social Security was created to replace *earnings*. If there was no work requirement, what *earnings* would be replaced?

Expand child-care wage credits

Provide child-care wage credits of half the SSA average wage index for up to five years to parents who provide care to their children under age 6. Some proposals reduce the wage credits by a portion of earnings of the caregiver. This would benefit people who stay home to care for their children. It would increase Social Security's actuarial deficit by 0.23% of taxable payroll.¹³⁵ Another idea to help low-income families with children would be to provide them a stipend for each child (which is done in [many European countries](#)). That would also address a concern that U.S. fertility rates are decreasing, which hurts Social Security.

Another idea to help low-income families with children would be to provide them a stipend for each child.

¹³¹ One must be disability insured: contributed to Social Security for at least 20 quarters (five years) in the last 10 years, plus be fully insured, to get a Disability Benefit, per this [SSA website](#). If under age 31, less than five years are needed.

¹³² Per this [June 27, 2018, letter to Sen. Sanders from the SSA chief actuary](#).

¹³³ Per footnote 9 of this 2020 Urban Institute [paper](#).

¹³⁴ Per this SSA/Office of the Chief Actuary [website](#).

¹³⁵ Per this SSA/Office of the Chief Actuary [website](#).

Provide a 5% benefit increase starting around age 85

This may have been proposed to provide financial assistance for larger medical and long-term care needs at those later ages.

- President Biden’s campaign proposed a flat amount equal to 5% of the average Social Security benefit (not the individual’s benefit), which would make this increase a progressive one (i.e., more beneficial to those with lower incomes).
- This provision would not be as helpful at reducing the poverty rates to those with a shorter lifespan, as they will not live to collect this larger benefit.
- Per Chapter 2, poverty rates for ages 85+ are only somewhat higher than the poverty rates for ages 65+. They are higher mostly due to the greater prevalence of widowed and separated people at the oldest ages, than the increase in age. Thus, improvements to survivor benefits—using earning sharing, improving SSI benefits, and making the formula more progressive—would be more efficient at addressing this problem. Giving the 5% boost to everyone would not be as efficient, as it would go to married people 85+ who have a much lower poverty rate of 6% and a higher average benefit than single, survivors, and the widowed.
- It would be more efficient to provide medical and long-term care payments directly to those in need through other programs that already exist, rather than through increases in Social Security benefits.
- This would increase Social Security’s actuarial deficit by 0.12% of taxable payroll.¹³⁶

It would be more efficient to provide medical and long-term care payments directly to those in need through other programs that already exist.

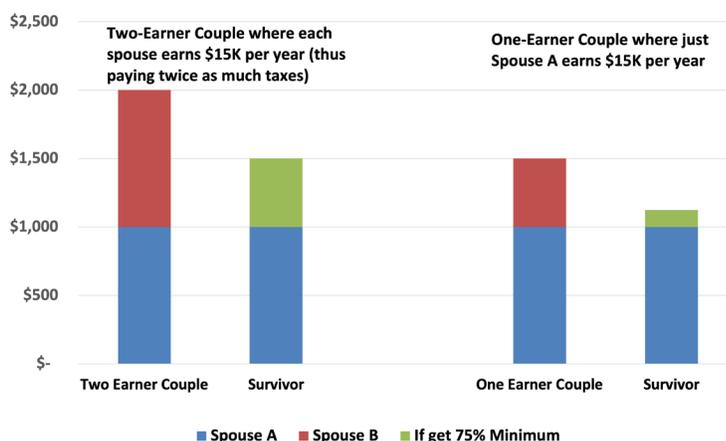
¹³⁶ Per this SSA/Office of the Chief Actuary [website](#).

Increase survivor benefits to the widowed

Increasing survivor benefits to the widowed to a minimum of 75% of the total benefit paid while both were living would decrease the high poverty rates of not only the widowed, but also other financially disadvantaged groups (where there are many widowed people). The 75% is close to the ratio of the poverty threshold for people over age 65 for one person to the threshold for two people. Because this provision would increase benefits of survivors with the largest benefits the most, proposals often limit the minimum to the benefit of an average person. That makes the proposal progressive and less expensive. It increases Social Security's actuarial deficit by 0.11% of taxable payroll.¹³⁷

- As shown in Figure 15 (the two left columns), if each spouse works and receives a benefit of \$1,000/month (for a total of \$2,000/month), then under current rules the survivor receives \$1,000/month (for a 50% decline in income). Under this proposal, the survivor would receive 75% of \$2,000 = \$1,500/month (reducing the decline to 25%).
- If only one spouse works (as in the two right columns) and receives a benefit of \$1,000/month, the couple also receives an additional \$500/month dependent benefit under the current rules, for a total of \$1,500/month. Upon the first death, the survivor receives \$1,000/month (for a 33% decline in income). Under this proposal, the survivor would receive 75% of \$1,500/month = \$1,125/month (for a 25% decline). Note that this one-earner couple only paid half as much in taxes as the couple in (a).

Figure 15: Monthly Social Security Benefits for Couples in Proposal With 75% Minimum Survivor Benefit



- This proposal increases the survivor benefit of the two-earner couple (the green portion) more than the one-earner couple. Note that the two-earner money's worth would still not be as good as that of the single-earner couple, because the two-earner couple was taxed twice as much.

¹³⁷ Per this SSA/Office of the Chief Actuary [website](#).

- This proposal's enhanced survivor benefit facilitates reducing the poverty rates of survivors, where the largest *number* of people are in poverty. Alternatively, the SSI benefit could be increased for them.
- This does not benefit divorced and separated spouses, who have the highest poverty *rates*. Providing them assistance would require a more equal splitting of Social Security benefits, as discussed next.

Earnings Sharing

Under earnings sharing approaches, a married couple's earnings would be added together and split evenly each year. That could entail considerable administrative effort, as Social Security would need the Social Security Number of a worker's spouse.¹³⁸ An SSA study of earnings sharing¹³⁹ suggested that this would reduce Old-Age Survivors and Disability Insurance (OASDI) costs, because reducing or eliminating the spousal dependent benefit would save more than the cost of increased benefits to the lower earning spouse.

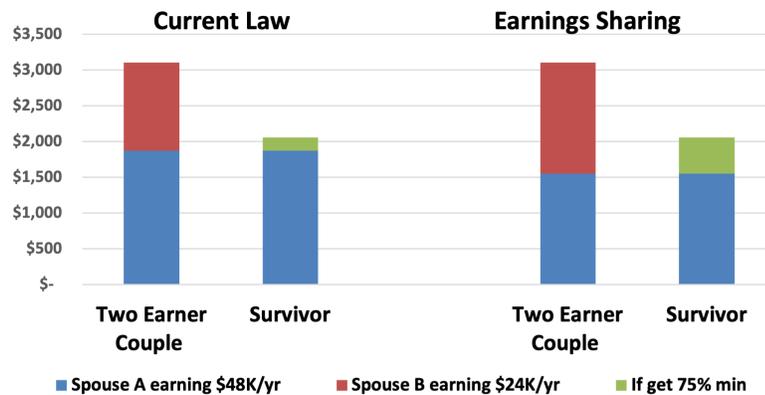
- Earnings sharing would increase the Social Security benefits of many separated and divorced spouses who had less earnings than their spouse (or no earnings), particularly if they were married less than 10 years, as it could enable them to receive a benefit.
- It could make more sense for people who were married more than once. Instead of receiving a benefit based on the lifetime earnings of their highest-earning spouse, their benefit could be based on the earnings shared from all their spouses.
- The benefits of some dual-earner couples could increase because earnings would be moved to the lower-income spouse, who often has a higher replacement rate. However, this might be offset by losing the 50% dependent spousal benefit minimum. The net result could go in either direction, depending on which change is greater. Figure 16 shows an example where the net result would be no change in total benefits, assuming it is enacted with the minimum 75% survivor benefit.¹⁴⁰

138 It would be administratively simpler for Social Security if workers named the spouse annually. With the spousal dependent benefit eliminated, most couples would find that sharing their earnings would provide them a larger total benefit, due to earnings moving to a higher replacement rate. If annual, it would eliminate the need (a) to know the spouse at each paycheck and (b) to share the earnings with multiple spouses in the same calendar year. Couples who aren't married could designate their partner if desired (which would also benefit LGBTQ couples who decide not to marry). The rules could also allow earnings sharing to be halted upon divorce or when both spouses determine that their earnings exceed the taxable maximum for both of them in a calendar year, which would simplify tax filings, as workers would not have to file for refunds when overpaying Social Security taxes.

139 "Earnings Sharing in Social Security: Projected Impacts of Alternative Proposals Using the MINT Model"; *Social Security Bulletin*, vol. 69, no. 1; 2009.

140 In this example, the total benefit while both are living is the same, because both working spouses' AIMEs were in the 32% replacement rate range and the lower-earning spouse did not receive any of the 50% spousal dependent benefit under the current rules. One-earner couples (even low-income ones) could see a benefit reduction because they would lose all of the spousal benefits (thus, proposals may want to consider keeping the dependent spouse benefit for low-income people). If the couple had high earnings, they would not gain anything from the 75% survivor minimum benefit due to it being limited to an average benefit. For other examples, use [this spreadsheet](#).

Figure 16: Social Security Benefits for Couples



- After divorce, the lower-earning spouse would receive a larger Social Security benefit and the higher-earning spouse would receive a smaller benefit, as it would be split 50/50. Their survivor benefit would be the same if the 75% survivor benefit is also enacted.
- Earnings sharing proposals could require a working spouse to pay taxes on earnings up to twice the taxable maximum, so that half of their earnings credits could go to the non-covered spouse. In that case, they would end up with greater benefits while both are alive and similar benefits after the death of a spouse. Their greater payroll taxes (on earnings above the taxable maximum) would also help the financial condition of Social Security.¹⁴¹
- With earnings sharing, money's worth would be about the same for married and single people at the same pay levels. Married couples could still get the 75% survivor benefit minimum, if their benefit was less than the average worker, which would result in a slightly better money's worth than for a single person.
- Since eliminating the spousal dependent benefit can reduce benefits for high-income single-earner married couples, Congress might consider phasing it in gradually.

141 If both spouses made more than the taxable maximum, they could file IRS Form 843 to receive their overpayment just as is done now when someone has two jobs and pays too much payroll tax. Employers could be required to pay their FICA tax up to twice the taxable maximum to avoid this complexity, and not receive anything back. This complexity would be eliminated if Social Security taxes all earnings (for example, when the taxable maximum reaches \$400,000 as proposed during the Biden campaign in 25 to 30 years).

Figure 17: Cost of Provision Over 75 Years

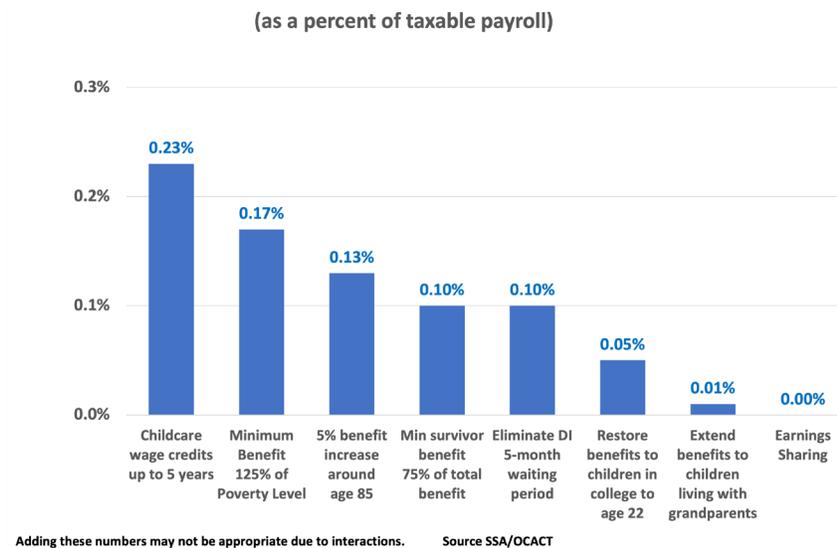


Figure 17 shows the cost of these provisions as a percentage of taxable payroll. Enacting the provisions would of course, increase the cost of Social Security, and thus make it a little more difficult to resolve Social Security’s financial problems. In fact, that is one of the reasons why the most recent version of Representative Larson’s “Social Security 2100 Act” does not achieve solvency over the next 75- year period.

Other ideas that could help financially disadvantaged groups

Enhanced communication by the IRS and/or SSA in the following areas:

Reporting income to SSA has financial advantages.

- Low-income people who work in the informal and gig economies can receive as much as three times back in benefits from Social Security, as shown in Figure 2.
- Reporting income will not increase the taxes of low-income people, as they can receive the *refundable* Earned Income Tax Credit (EITC) which returns all of their Social Security and Medicare taxes, and up to four times as much, if they have children.¹⁴²
- Thus, many can increase their total income by reporting it.

¹⁴² This [2021 paper by the Tax Policy Center](#) has an excellent graph showing how much people can get from the EITC.

Working longer and delaying commencement of the benefit can be very valuable for those who are healthy.

- **Working longer** can improve their Social Security benefit because:
 - Their most recent earnings can exceed their prior indexed earnings which are only indexed up to age 60.
 - Working longer is especially beneficial if they have less than 35 years of earnings covered by Social Security, as they will have many zeros in their 35-year average earnings upon which benefits are determined.
 - These ideas are especially applicable for those who are healthy.
- **Delaying commencement** of Social Security benefits to age 70 is especially valuable to healthy people as the benefit increases by 8% for each year of delay (which is better than an actuarial increase) and the benefit is inflation-protected, which is a very valuable provision.
 - For a married couple, delaying commencement to age 70 is valuable for the spouse with the greater earnings (if healthy)
 - Earlier commencement can be valuable for the spouse with the smaller earnings (if they can retire earlier than the higher-earning spouse). That is because the survivor benefit payable to the smaller-earning spouse (using the higher earner's work history) and the higher earning spouse's benefit are not reduced due to commencing benefits early.

Retirement savings can be used to delay one's Social Security benefit to age 70 if continued employment is not feasible or if in ill health. Low-income people need not be concerned about tax considerations, as they may not have enough income to be taxed.

- **Regular communication on the restrictions and complications of Social Security, SSI, and the EITC, particularly to those with limited English proficiency, older people, recent immigrants, and those living in U.S. territories.** The best methods to reach these groups could be assessed using methods such as focus groups.
 - Restrictions (such as the SSI exclusion in U.S. territories like Puerto Rico) that adversely affect the vulnerable are inconsistent with the intent of the Social Security and SSI programs.

Eliminating Marriage Penalties

Such a change would promote greater stability of families. For example, SSI could eliminate its marriage penalty by providing benefits that are twice as much for a married couple as for a single person, as in the Biden SSI proposal. Currently, SSI encourages couples to divorce or never marry to receive larger total benefits.

Applying the FICA tax to unemployment compensation and SSI payments

This change would give people with irregular work histories a better Social Security benefit.

Simplify the SSI application process

Many people don't apply for SSI due to its complexity.¹⁴³ Additionally, keeping Social Security's Field Offices would be a boon for those applying for benefits, as they are especially important in helping low-income people file for SSI and DI benefits, as noted in this [Urban Institute report](#).

As noted elsewhere in this paper, Social Security's progressive benefit cannot by itself eliminate poverty among the elderly. Other areas that need to be addressed are: increasing other sources of pension income and wealth for those with low incomes and improving health care and quality education in K-12 (which may require more state and federal support as poor inner city and rural schools often have to rely on the inadequate tax bases of their low-income constituents).

¹⁴³ As noted in this [report](#) of the SSAB on the AIAN populations.

Chapter 5

Changes to Social Security That Could Negatively Impact the Financially Disadvantaged

There are many proposals to reduce Social Security's long-term financial challenges, to help it continue to pay full benefits. This is important to many people from financially disadvantaged groups, whose Social Security benefit comprises all their income. However, some of their provisions may at the same time adversely affect current and future beneficiaries, especially those in financially disadvantaged groups. Some can be modified to reduce their adverse effects. The following discusses these modifications and their effect on some of those in financially disadvantaged groups.

Reduce benefits¹⁴⁴

It is the manner of reduction that could disproportionately affect those in financially disadvantaged groups. For example, reducing all benefits by the same percentage could have a greater financial effect on those with lower earnings.

Reducing all benefits by the same percentage could have a greater financial effect on those with lower earnings

- A more progressive benefit formula could mitigate the impact on those individuals. For example, only benefits above the first bend point, which is around the poverty level, could be reduced by holding the current 90% replacement rate steady and reducing only the 32% and 15% replacement rates.

¹⁴⁴ Discussed in the Academy's Social Security Committee issue brief [Social Security Reform: Benefit Formula Options](#).

Raise the Normal Retirement Age¹⁴⁵

Some proposals would increase the Social Security Normal Retirement Age (SSNRA) beyond the current age 67, due to longer expected lifespans for most people.¹⁴⁶ This is equivalent to a benefit reduction for future retirees who retire under this new retirement rule.

- Raising the SSNRA could encourage some people to work longer, which could help the economy—but it would also disproportionately hurt those with lower incomes who tend to have a shorter life expectancy. For example, a two-year increase in the SSNRA to age 69 would result in 10% fewer payments for someone expected to live 20 years beyond that retirement age, but 20% fewer payments for people expected to live only 10 years.
- Those in physically demanding jobs, in ill health, or whose life expectancy is short may still want or need a benefit beginning at the earliest age for Social Security benefits—age 62. If the SSNRA is increased from 67 to 69, the benefit commencing at age 62 would be reduced from 70% of their PIA to 60% of their PIA, which is equivalent to a 14% benefit reduction, unless they can satisfy the requirements for disability benefits. It may not be practical for them to receive training for a less-physically demanding occupation, so further relaxation of the definition of disability from “can’t perform any job” to “can’t perform one’s current job” at ages close to SSNRA may benefit these people.
- The impact of a two-year increase in SSNRA on people below the poverty level could be fully offset by increasing the 90% replacement rate to 102%. This would gradually dissipate for people with larger incomes, especially if the 32% and 15% marginal replacement rates were reduced (to eliminate the cost of raising the 90%).
- Unlike a reduction in the benefit formula, deferring the SSNRA does not reduce disability benefits, which are important to many of the groups discussed in this paper.

¹⁴⁵ Discussed in the Academy’s Social Security Committee issue brief [Raising the Social Security Retirement Age](#).

¹⁴⁶ [Mortality by Socioeconomic Category in the United States](#); Society of Actuaries; 2022—Figure E.1. Many studies have shown that life expectancy has not improved for those with lower income for the last several decades.

Increase Social Security's income¹⁴⁷

Raising the payroll tax rate affects everyone, while increasing the taxable maximum and increasing the rate or return on Social Security's special-issue Treasuries by, say, 2% or 3%¹⁴⁸ would not impact low-income people, and in fact, would reduce the need to cut benefits which hurts many of those in financially disadvantaged groups.

- Proponents of raising the taxable maximum point out that 90% of earnings were taxed in 1983 when it was last reset, while now only 83% of earnings are taxed. That happened because people with higher incomes had larger increases than those with lower incomes.¹⁴⁹

Reduce the cost-of-living adjustments

Proposals reducing cost-of-living adjustments (COLAs) by using a chain-weighted CPI that reflects the substitution of cheaper goods for more expensive goods would result in lower future benefits, especially for the oldest people.

- Although this may not have as large an adverse effect for people with shorter lifespans, it would adversely affect those who live longer.
- This proposal would impact not only future retirees, but also current retirees, which is one of the reasons why it has such a large financial impact.¹⁵⁰ Many believe that everyone should be a part of the solution, especially current retirees, as their poverty rates are lower than the poverty rates for workers.
- Implementing this reform means other reform measures would not need to have as deep an impact.
- The combination of this proposal and a proposal to use the CPI-E (which uses a typical basket of goods purchased by the elderly) would reduce the impact by about two-thirds.

Reducing the COLA would impact not only future retirees, but also current retirees.

¹⁴⁷ Discussed in the Academy's Social Security Committee issue brief [Social Security Reform: Taxation Options](#).

¹⁴⁸ This would compensate Social Security for restrictions on its investments to only government bonds. The 2% or 3% would raise returns to what a typical diversified pension portfolio would receive, and thus put Social Security on a more equal footing with investments that individuals could make on their own.

¹⁴⁹ Returning the taxable maximum to 90% of earnings would reduce the actuarial deficit by 0.77% of taxable payroll. Per this SSA/Office of the Chief Actuary [website](#), assuming the additional taxes earn credits for additional benefits.

¹⁵⁰ This substitute COLA is expected to decrease Social Security's actuarial deficit by 0.62% of taxable payroll, per this SSA/Office of the Chief Actuary [website](#).

Chapter 6

Conclusions

Social Security’s progressive benefit formula and its survivor, disability, and child benefits help financially disadvantaged groups, which has resulted in it being referred to as the “Great Equalizer.”¹⁵¹ Proposals for additional benefits to address the needs of financially disadvantaged people are discussed in Chapter 4. However, Social Security cannot eliminate all poverty for retirees by itself, as many of the relevant factors that produce low incomes are outside the scope and reach of Social Security. Such factors (or root causes of disparity) include low earnings, inadequate educational opportunities, lack of access to affordable childcare, lack of access to well-paying jobs and short work histories, poorer health, lack of retirement planning, shorter life spans, discrimination, and family fragmentation.

The problems of higher poverty rates among retirees in financially disadvantaged groups are not due to Social Security’s benefit structure per se (because Social Security provides subsidized benefits to lower-income people). Rather, the high poverty rates in retirement are due to lower earnings while working (resulting in less adequate retirement savings especially for those who depend fully on Social Security), lower rates of marriage¹⁵² (which means they are less likely to receive Social Security spouse and survivor benefits), poorer health,¹⁵³ and less education (often resulting in increased unemployment or lower-paying jobs).¹⁵⁴

Policymakers who evaluate options for Social Security reform should address the program’s long-term financial condition so that Social Security can pay its scheduled benefits, while also recognizing that Social Security is an extremely important source of retirement income especially for people who have lower earnings, including those who are members of financially disadvantaged groups. Their heavy reliance on Social Security for financial security suggests that proposals need to take into account the unique issues

151 Per this [paper](#) from Center for Retirement Research at Boston College and this [blog](#) on a Pension Research Council at the Wharton website.

152 Source: 2019 ACS—Only 34% of African Americans are married, compared with 53% of the total population.

153 Mortality differentials pre-65 were cut in half over the past 30 years, particularly in areas such as cancer, homicide, AIDS, and causes originating in the fetal or infant period, according to NBER paper [Inequality in Mortality between African and White Americans by Age, Place, and Cause, and in Comparison to Europe, 1990-2018](#).

154 The 2014 SSA Research and Statistics note on African Americans (below Table 6): 37.9% of African American beneficiaries over age 61 never completed high school vs 22.3% of all beneficiaries over age 61. This education gap is shrinking for younger African Americans: 27.3% of those aged 25–61 never completed high school vs 24.2% of all beneficiaries aged 25–61.

experienced by financially disadvantaged groups. Proposals should be studied carefully and modeled to understand their impacts in a variety of scenarios as they are considered. In addition, policymakers may need to take a broader view of the options outside of Social Security that address the root causes of such disparities.

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1850 M STREET NW, SUITE 300, WASHINGTON, D.C. 20036
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