On the money: Many express insecurityabout Social Security

By Gail MarksJarvis
Posted: 11/29/2015 12:01:00 AM CST

TwinCities.com

On the money: Many express insecurityabout Social Security

Can you count on Social Security being there for you when you need it?

About 63 percent of Americans are not confident that they will get what's been promised, according to a survey by the Employee Benefit Research Institute (EBRI), a nonpartisan think tank. And only 9 percent of current workers are very confident about getting Social Security.

The younger you are, the more likely you are to expect Social Security to let you down. That's not surprising given that government estimates indicate that Social Security benefits will have to be cut about 25 percent by 2034 if nothing is done to change the system.

With 77 million baby boomers reaching retirement age, and the population of people over 90 almost triple what it was in 1980, the system is going to be stressed by so many aging people.

But it's not just the young who are insecure about Social Security benefits. Only 16 percent of current retirees are very confident they will keep getting Social Security monthly checks that will be comparable in value to those they get now.

And those checks are crucial to most seniors. About 65 percent depend on Social Security for a majority of their income, according to the Center on Budget and Policy Priorities. Close to half of the nation's elderly would be poor without Social Security. About 47 percent of 80-year-olds depend on Social Security for nearly all of their income. Clearly, if they run low on money at 80, they aren't likely to find jobs.

Yet, the average Social Security benefit is modest.

In June, the average monthly check going to retirees was $1,335, or roughly $16,000 a year.

So it's no wonder that Social Security insecurity erupts at times like this fall, when the government announced that retirees will not get their usual bump in pay for the next year. Typically, people on Social Security get what's called a cost-of-living adjustment, or COLA, every year to cover the impact of inflation on their living expenses. And this year the measure of inflation used for calculating Social Security didn't show costs jumping.

The COLAs are a touchy topic for senior advocates such as AARP. They claim that while the economy in general might not be showing inflation, seniors get punished by higher living expenses than the usual American because their medical costs are so large.

They've been pushing for legislation that would require that Social Security COLAs be calculated using what's called the CPI-E, or the cost of living for the elderly, instead of the Consumer Price Index for Urban Wage Earners and Clerical Workers. Still, the elderly calculation is controversial. Research done by the Center for Retirement Research recently found little difference between the regular inflation calculation and the elderly calculation.

To young people far from retirement, the COLA may seem like an issue for grandma and grandpa or mom and dad. It's certainly dwarfed by whether the Social Security system will run short in general.

But COLAs affect younger people, too, because inflation is built into calculating the payment stream people will eventually get from Social Security, whether they are 25 or 65. Each year of payments affects the next. Consider a $1,000 a month Social Security benefit now. A 3 percent inflation rate next year will lift monthly payments to $1,030. All the COLAs year after year compound to generate a large sum of Social Security retirement money.

If you doubt Social Security will be there for you, you need to save heavily. A rule of thumb: In your 20s save 10 percent of pay for retirement in a 401(k) or IRA -- a nest egg that pays what Social Security doesn't. To see what you might need if you get no Social Security, try the "ballpark" estimate at choosetosave.org and turn off the feature that provides a Social Security payment.

Contact Gail MarksJarvis at gmarksjarvis@tribune.com.