2018 Loss of Buying Power Study
Social Security Benefits Lose 34% Of Buying Power Since 2000

The Senior Citizens League
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Summary:

Over the past 18 years, Social Security benefits have lost 34 percent of their buying power, according to the findings of this study. Many of the goods and services purchased by typical retirees increased several times faster than annual Social Security cost of living adjustments (COLAs) from January 2000 through January 2018.

This trend is eroding the buying power of more than 60 million Social Security beneficiaries. For every $100 a retired household spent in 2000, the same household can only buy about $66 worth of goods and services today. Take home heating oil, for example. Older homeowners with an oil tank that holds 500 gallons paid $575.00 to fill up in January of 2000. In 2018 however, the same household had to come up with $1,610 for that amount of heating oil. In 2000, the average Social Security benefit was $844.60 per month. A retired householder with average benefits could fill the tank and still have money left over. In 2018, however, COLAs had only increased the monthly benefit to $1,193.10. The household had to borrow to cover the full cost of a fill-up, or dip into savings.

The Social Security Cost of Living Adjustment (COLA) is intended to protect the purchasing power of benefits received by older and disabled Americans. In recent years, inflation and COLAs have been at record low levels — averaging just 1.2 percent per year since 2010 — with no COLA payable at all in 2016, and just a 0.3 percent COLA in 2017. In 2018, Social Security beneficiaries received a COLA of 2 percent. Yet costs for goods and services purchased by older households well outpaced their COLA.

The erosion in the buying power of Social Security benefits in 2018 has hit the worst since 2012. When the loss of buying power in 2018 was 34 percent was the deepest loss in buying power recorded by this study to date. With the majority of retirees depending on Social Security for more than half of their income, the erosion in buying power suggests that millions of retirees, especially the almost 4 million age 80 and over[1] who have been retired since 2000, are at high risk of a declining standard of living.

Major Findings

Having sufficient income in retirement is a universal concern, and there's good reason for the focus on finances. Social Security benefits lose buying power over time. In fact, benefits have lost 34 percent of buying power since 2000.

The 2018 findings represent a substantial 4 percent loss in Social Security benefit buying power from January 2017 through January 2018. The loss deepened — from 30 percent in 2017 to 34 percent in 2018. Housing and medical costs — particularly home heating expenses and Medigap premiums — were among the most rapidly - rising costs over the past year. The study examines the growth in prices of goods and services since 2000 that are typical for retired and disabled households, and compares that to the growth in Social Security COLAs over the same period.

Over the eight years that The Senior Citizens League has conducted this study there is only one other year when the loss of buying power was also this large — in 2012. The 34 percent loss in buying power recorded in 2012 was is the largest loss recorded by this study to-date.

The Senior Citizens League also conducts national senior surveys, to collect general household expenditure changes reported by retirees. The 1,057 participants who participated in the survey conducted from January through March of 2018 said that their monthly household expenses in 2017 increased far in excess of the amount that the COLA increased their benefits. More than half, 56 percent, indicated their monthly expenses went up by more than $79. Yet 50 percent of survey respondents said that their COLA increased benefits less than $5 per month after the increased Part B premium for 2018 was deducted from their Social Security benefits.

Background

Since 2000, COLAs have increased Social Security benefits a total of just 46 percent, while typical senior expenses grew more than twice as fast — 96.3 percent. Table 1 illustrates ten of the fastest growing costs since 2000. Medicare Part B premiums and prescription drugs top the list. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used. Table 2 shows the fastest growing costs from January 2017 to January 2018. Home heating oil, and Medicare supplemental insurance known as Medigap, top the list for fastest growing costs over the past year.

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

Item	Cost in 2000 Average cost $ or numeric data	Cost in 2018 Average cost $ or numeric value*	Percent Increase
1. Medicare Part B monthly premium	$45.50	$134.00	195%
2. Prescription drugs Annual average out-of- pocket	$1,102.00	$3,172.72	188%
3. Home heating oil (gal.)	$1.15	$3.22	181%
4. Homeowner's insurance (annual)	$508.00	$1,342.05	164%
5. Medigap	$119.00	$306.64	158%
6. Propane gas (gal.)	$1.01	$2.60	157%
7. Real estate taxes	$690.00	$1,579.06	129%
8. Total medical out-of-pocket expenses national average people age 65 and up	$6,140.00	$13,304	117%
9. Oranges (lb.)	$.61	$1.33	117%
10. Pet services and vets	109.300*	233.317*	114%

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

Table 2. Fastest Growing Costs of Older Americans 2017 - 2018

Item	Cost in 2017 Average cost $ or numeric data*	Cost in 2018 Average cost $ or numeric value*	Percent Increase
1. Heating oil (gallon)	$2.63	$3.22	22%
2. Medigap premiums Average, all plans	$264.45	$306.64	16%
3. 10 lbs potatoes	$5.14	$5.98	16%
4. Tomatoes (lb.)	$2.05	$2.34	14%
5. Gasoline, all grades, per gallon	$2.41	$2.72	13%
6. Oranges (lb.)	$1.19	$1.33	12%
7. Eggs (dz.)	$1.60	$1.77	11%
8. Total medical expenses	$12,125.00	$13,304.00	10%
9. Motor vehicle insurance	510.919*	554.166*	9%
10. Propane gas (gallon)	$2.39	$2.60	9%

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

The national average Social Security benefit in 2000 was $816 per month. That benefit grew to $1,193.10 by 2018 due to COLA increases. However, because retiree costs are rising at a substantially faster pace than the COLA, a Social Security benefit of $1,601.80 per month in 2018 would be required *just to maintain the same level of buying power as in 2000*.

A majority of the 59 million Americans who receive Social Security depend on it for at least 50 percent of their total income, and one – third of all beneficiaries rely on it for 90 percent or more of their income. To help protect the buying power of benefits, The Senior Citizens League supports legislation that would strengthen the COLA in three ways:

1. Calculate COLAs based on the consumer price index that better reflects the spending patterns of retirees - the Consumer Price Index for the Elderly (CPI-E).
2. Provide a modest boost in monthly benefits to retirees to make up for years when no COLA or only a negligible COLA was payable.
3. Guarantee a minimum COLA of no less than 3 percent.
   To learn more, visit www.SeniorsLeague.org.

Methodology:

The study examined the increase in costs of 39 key items purchased by people age 65 and older, between 2000 and January 2018 (Table 5.). The items were chosen not only because they are typical of the costs that older people must bear, but also because they include common expenditures, such as Medicare Part B and D premiums, that the government doesn't track under the consumer price index used to adjust Social Security benefits. Of the 39 costs analyzed, 26 exceeded the percentage of increase in the COLA over the 2000 to 2018 period.

In order to determine how the purchasing power of Social Security benefits is affected from year to year, we examined the average benefit in January of 2000, and adjusted it using COLA increases through January 2018. The average Social Security benefit was $816 in 2000. COLAs increased benefits 46 percent over the 18-year period, increasing this benefit to $1,193.10 in 2018.

The study found that typical retiree expenditures have increased over the same period by 96.3 percent for 39 essential items. That means the $816 average benefit in 2000 would have needed to increase to $1,601.80 per month *just to maintain the same level of buying power as in 2000*. (That amount can be calculated by multiplying the 2000 benefit of $816 by 1.963 rounded to the next tenth of a dollar, as is Social Security protocol.)

The loss of buying power was then determined by dividing the difference in the amount that beneficiaries would need to keep up, $408.70, by the amount actually received in 2017, $1,193.10. That represents a 34 percent loss of buying power since 2000.

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

Table 3. TSCL's Social Security Loss of Buying Power Study Long Term Trends for Period Since 2000

Year	Loss of Buying Power	Loss or Gain in Buying Power	COLA (Announced in October, effective January 1 the following year.)
2010	24%		0%
2011	32%	(- 8%) loss	3.6%
2012	34%	(- 2%) loss	1.7%
2013	31%	+ 3% gain	1.5%
2014	31%	No change	1.7%
2015	22%	+ 9% gain	0%
2016	23%	(- 1%) loss	0.3%
2017	30%	(- 7%) loss	2.0%
2018	34%	(-4%) loss	

The chart below illustrates the changes in item costs from 2000 to 2018. Where no average prices are available, numeric values from the U.S. Bureau of Labor Statistics CPI-U are used.

Table 4. Loss of Buying Power Item Cost Changes Since 2000

Category	Expense	Average cost or numeric value* in Jan 2000	Average cost or numeric value* in Jan 2018	Percent Increase, 2000-2018
Housing	Own	195.700*	310.828*	59%[2]
Housing	Rental	180.800*	314.788*	74%[3]
Housing	Homeowner's insurance (annual)	$508.00	$1,342.05	164%[4]
Housing	Real estate tax (annual)	$690.00	$1,579.06	129%[5]
Housing	Heating oil (gallon)	$1.15	$3.22	181%[6]
Housing	Propane gas (dollars per gallon)	$1.01	$2.60	157%[7]
Housing	Electricity per kilowatt hr	$.08	$.14	75%[8]
Transportation	New vehicles	143.300*	146.996*	3%[9]
Transportation	Used vehicles	153.900*	136.555*	(-11%)[10]
Transportation	All grades gas (gallon)	$1.31	$2.72	108%[11]
Transportation	Maintenance/repair	174.600*	283.305*	62%[12]
Transportation	Services including public transportation, airline fare	193.000*	315.764*	64%[13]
Transportation	Motor vehicle insurance	395.974*	554.166*	40%[14] (since 2012)

Medical	Total medical expenses, not including premiums	$6,140.00	$13,304.00	117%[15]
Medical	Prescription drugs, generic, brand, special	$1,102.00	$3,172.72	188%[16]
Medical	Dental, general visits	$492.00	$883.87	80%[17]
Medical	Medicare Part B premiums (monthly)	$45.50	$134.00	195%[18]
Medical	Medicare Part D premiums average weighted for enrollment	$25.93	$41.00	58%[19]* since 2006
Medical	Medigap average premium, all plans	$119.00	$306.64	158%[20]
Food	10 lbs. potatoes	$2.98	$5.98	101%[21]
Food	1 lb. butter	$2.52	$3.80	51%[22]
Food	Milk (gal.)	$2.79	$2.96	6%[23]
Food	Eggs (dz.)	$0.93	$1.77	81%[24]
Food	Ground chuck (lb.)	$1.90	$3.67	93%[25]
Food	Chicken (lb.)	$1.06	$1.51	42%[26]
Food	Coffee (lb.)	$3.54	$4.29	21%[27]
Food	Bread, white (loaf)	$.91	$1.28	41%[28]
Food	Apples (lb.)	$.95	$1.25	31%[29]
Food	Oranges (lb.)	$.61	$1.33	117%[30]
Food	Tomatoes	$1.44	$2.34	62%[31]
Recreation	(all items in category)	102.300*	118.647*	16%[32]
Recreation	Movie ticket	$5.39	$9.30	73%[33]
Recreation	Pets and pet products	144.300*	170.822*	18%[34]
Recreation	Pet services including veterinary	109.300*	233.317*	114%[35]
Communication	Basic phone service, land lines, local	$27.69	$54.30	96%[36]
Communication	First class postage	$0.33	$0.50	52%

Apparel	Clothing	126.800*	123.878*	(-2%)37
Other	Personal care products	152.800*	163.616*	7%38
Other	Personal care services	174.900*	228.771*	31%39

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

Table 5. Ten Costs That Grew Slower Than the COLA Since 2000

Item	Cost in 2000 Average cost $ or numeric data*	Cost in 2018Average cost $ or numeric value*	Percentage Increase
1. Used vehicles	153.900*	136.555*	(-11%)
2. Clothing	126.800*	123.878*	(-2%)
3. New vehicles	143.300*	146.996*	3%
4. Milk (gal.)	$2.79	$2.96	6%
5. Personal care products (toothpaste, shampoo)	152.800*	163.616*	7%
6. Recreation (all items in category	102.300*	118.647*	16%
7. Pets and pet products	144.300*	170.822*	18%
8. Coffee (lb.)	$3.54	$4.29	21%
9. Apples (lb.)	$.95	$1.25	31%
10. Personal care services	174.900*	228.771*	31%

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

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

Expenditure Group	CPI-E	TSCL Survey
Housing	46.5	46.5
Transportation	14.6	13.0
Medical	12.9	14.5
Food	12.1	12.1
Recreation	5.6	5.6
Communication	3.4	3.4

Apparel	1.9	1.9
Other	3. 0	3.0

[1] Social Security Annual Statistical Supplement, data through December 2016.

[2] Home Owners, CPI-U, January 2000 through January 2018 Bureau of Labor Statistics, February 14, 2018.

[3] Rental of Primary Residence CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, February 14, 2018.

[4] Average Premiums For Homeowners and Renters Insurance, Insurance Information Institute, May 03, 2018. http://www.iii.org/media/facts/statsbyissue/homeowners/
Methodology: Rate of increase extended from 2015 through 2018 based on historic average rate of increase. To be adjusted year to year.

[5] Real estate tax, Orange County Virginia, files of Mary Johnson, 2000 through December 2018. Virginia ranks approximately 34 for highest state real estate tax rates.

[6] Retail prices of residential heating oil 2000- through January 30, 2018, Energy Information Administration, May 03, 2018.
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPD2F_PRS_NUS_DPG&f=W.

[7] Residential prices natural gas 2000 –through January 30, 2018, Energy Information Administration, May 3, 2018.
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_NUS_DPG&f=W

[8] Average retail price of electricity to customers, 2000-2018, Bureau of Labor Statistics Average Price Data through January 2018.

[9] New motor vehicle costs, CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, May 4, 2018.

[10] Used motor vehicle costs, CPI-U January 2000 through January 2018, Bureau of Labor Statistics, May 4, 2018.

[11] Retail prices of gasoline, all grades 2000- through January 30, 2018, Energy Information Administration, May 4, 2018.
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W .

[12] Maintenance and repair data, CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, May 4, 2018.

[13] Transportation services, CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, May 4, 2018.

[14] Transportation Motor Vehicle Insurance, CPI-U, January 2012 through January 2018, Bureau of Labor Statistics, May 4, 2018.

[15] 2017 Medicare Trustees Report, July 13, 2017,Table II.B1. Medicare Data for Calendar Year 2016, page 10, Adjusted using Total Medicare growth 3.7% for 2017, page 13.

[16] Medical Expenditure Panel Survey, Prescription Medicines Table 2, Agency for Healthcare Research and Quality, March 2, 2017.
Methodology: Data through 2014 used to project spending through December 2016. Adjusted using historical rate of change since 2000. Adjusted for 2017 using National Health Expenditures 2016 Highlights, CMS Actuary.

[17] Ibid. Medical Expenditure Panel Survey, Table 3.1.a. General Dental Visits, Agency for Healthcare Research and Quality, May, 2017.
Methodology: Data through 2014 used to project spending through December 2016. Adjusted using historical rate of change since 2000. Adjusted for 2017 using National Health Expenditures 2016 Highlights, CMS Actuary.

[18] Medicare Premiums for 2018, CMS, November 2017.

[19] "Medicare Part D: A First Look at Plan Offerings in 2018," Kaiser Family Foundation, October 2017.

[20] Starting premium: "Estimation of Hedonic Pricing Model For Medigap Insurance, Table 2 Average Premiums by Plan — Year 2000, " John Robst, Health Services Research, National Institute of Health, 2006. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1955311/pdf/hesr0041-2097.pdf. "Medigap Spotlight on Enrollment, Premiums, and Recent Trends, Kaiser Family Foundation, April 2013.

http://kff.org/medicare/report/medigap-enrollment-premiums-and-recent-trends/ Data through 2016 estimated based on historical rate of increase. Healthmarkets.com posted average premium by plan, averaged across all plans, accessed May 07, 2018.

[21] Sam's Club Charlottesville Virginia, 2000 through 2018, 10 pound Gold potatoes, www.sams.com.

[22] Retail Dairy Prices, butter/lb. Agricultural and Applied Economics, University of Wisconsin, May 7, 2018. http://future.aae.wisc.edu/tab/prices.html#99

[23] Food data 2000 through January 2018, Bureau of Labor Statistics, May 07, 2018.

[24] Food data 2000 through January 2018, Bureau of Labor Statistics, May 07, 2018.

[25] Ibid.

[26] Ibid.

[27] Ibid.

[28] Ibid.

[29] Ibid.

[30] Ibid.

[31] Ibid.

[32] Recreation, CPI-U data January 2000-January 2018, Bureau of Labor Statistics, May 7, 2018.

[33] Movie ticket: Average Ticket Prices, The National Association of Theater Owners, May 07, 2018. http://natoonline.org/data/ticket-price/. Rate of increase through January 2018 uses data through 2017 and extended based on historic rate of increase.

[34] CPI-U data January 2000-January 2018, May 7, 2018.

[35] Ibid.

[36] Basic local residential phone service Verizon, 2000 through 2018.

[37] Apparel data from CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, February 14, 2018.

[38] Personal care data from CPI-U, January 2000 through January 2018, Bureau of Labor Statistics, February 14, 2018.

[39] Ibid.

[40] 2015-2016 Weights for CPI-E, Bureau of Labor Statistics, May 2018.