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First Things First
How Social Security Reform Can Eliminate Old-Age Poverty

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In this brief, we examine how Social Security proposals could eliminate poverty and near poverty (defined as having low income relative to average wages in the economy) for all older adults as well as for people who receive Social Security Disability Insurance benefits. Almost all recent Social Security proposals make limited but largely unsuccessful gestures in this direction, including proposals that include annual benefit increases of hundreds of billions of dollars over the next 45 years above what retirees receive today, even adjusting for inflation. Here we examine how beneficiary poverty can essentially be eliminated through a basic minimum benefit that can be provided step by step for different groups of people who would otherwise remain in or near poverty. We add such adjustments to three prominent Social Security proposals and find that the cost is moderate enough that any of these proposals could be adjusted to address poverty and still provide significantly higher levels of real benefits across the board for future generations of retirees and disabled workers.

Time to address Social Security's long-known financing shortfalls is running out. Whether driven by insufficient trust fund assets to pay full Social Security benefits within the next decade (Board of Trustees 2020; Congressional Budget Office 2020), the impact of ever-rising Social Security deficits on government's debt, or the declining share of the budget devoted to many other social and economic needs, members of Congress and others have recently put forward a number of Social Security proposals aimed at achieving long-term solvency. To examine what it would take for a Social

Security proposal to truly address old-age poverty, we build stronger antipoverty elements onto current law's scheduled benefits and onto three of these proposals:

- The **Johnson proposal**: Former representative Sam Johnson (R-TX), previous chair of the Subcommittee on Social Security of the House Ways and Means Committee, introduced the "Social Security Reform Act of 2016," which achieves solvency almost entirely by **reducing the rate of growth of benefits**.

- The **Larson proposal**: Representative John Larson (D-CT), chair of the same subcommittee in 2019 and 2020, was the leading sponsor of the "Social Security 2100 Act," which achieves solvency entirely through **revenue increases**.

- The **BPC proposal**: the Commission on Retirement Security and Personal Saving, organized by the Bipartisan Policy Center (BPC 2016), achieves solvency through a proposal that would increase taxes and reduce benefits in roughly equal proportions.

To address poverty for older individuals without entitlement to Social Security benefits, we also add a higher level of Supplemental Security Income benefits.

For this study, we use the Urban Institute's Dynamic Simulation of Income model (DYNASIM4), a microsimulation model that projects the level of benefits, taxes, worker incomes, and their distribution over the next 75 years using the assumptions adopted by the Social Security trustees (Board of Trustees 2019).[1] Johnson and Smith (2020) provide more information and DYNASIM estimates of the Johnson and Larson proposals, and Bipartisan Policy Center (2016) provides more information and DYNASIM estimates of the BPC proposal. For this study, we confine our analysis to full-year adult Social Security beneficiaries and their households, whether on Old Age and Survivors Insurance (OASI) or Disability Insurance (DI), as well as Supplemental Security Income (SSI) recipients age 62 and older. For the poverty analysis, we exclude part-year Social Security beneficiaries who might be measured as poor in a given year even though they often would not be considered poor in months they receive their Social Security benefit. We also exclude Social Security beneficiaries with negative investment income, who typically have substantial assets. In some examples, we confine our analysis to Social Security recipients and exclude the SSI-only recipients.

For measuring absolute poverty, we stick with the official US Census Bureau poverty level of $12,043 for a single person and $15,178 for a couple age 65 and older in 2018.[2] For relative poverty, we index the 2018 poverty levels by the National Average Wage Index (AWI)[3] used by Social Security to index both a person's past earnings and to adjust bracket bend points in Social Security's benefit formula to help ensure that future benefits rise along with the population's standard of living.

In this study, we create a new enhanced minimum benefit equal to 100 percent of the federal poverty level for a single person in 2018,[4] indexed thereafter by the AWI. Within Social Security, we provide the enhanced minimum benefit to each individual, so a couple can receive two of these enhanced benefits and avoid a penalty from marrying or staying married.

These parameters, of course, could be adjusted in a formal proposal. Nonetheless, we believe they provide an illustrative example of how a Social Security proposal could essentially eliminate poverty, at least under official definitions, for Social Security beneficiaries and all other older adults. We focus particularly on minimum benefits indexed by wage growth to address relative poverty as time progresses.

Policy Context of Social Security Proposals

Most proposals to date have been organized mainly around one goal: restoring fiscal balance. As can be seen by the three proposals outlined above, debate often centers on whether that goal should be met through tax increases, benefit reductions, or something in between. But Social Security doesn't exist to eliminate its own deficit. When President Franklin Roosevelt signed the Social Security Act in 1935, he said "we tried to frame a law that will give some measure of protection to the average citizen...against poverty-ridden old age." By many accounts, Social Security has been very successful at meeting that goal, with poverty rates among adults age 65 and older falling from 35 percent in 1959 to 8.9 percent in 2019 (DeNavas-Walt, Proctor, and Smith 2007; US Census Bureau 2020). But the current Social Security benefit formula still leaves many Social Security beneficiaries and other older adults with income below the federal poverty level (FPL), especially among unmarried women, caregivers, and workers with disabilities (Favreault 2010).

With or without changes, Social Security revenues grow as wages grow. Yet primarily because of a decline in the number of workers relative to beneficiaries, benefits are scheduled to grow faster than revenues, depleting Social Security trust funds and forcing the need for restoring balance. The Social Security actuaries project the ratio of cost to noninterest income to grow from 1.07 in 2010 to 1.3 by 2070, depleting trust fund reserves by 2035 and leading to rising deficits thereafter (Board of Trustees 2020; Goss and Glenn 2020). The Congressional Budget Office's 2020 estimates, which were made after the onset of the COVID-19 pandemic, set that depletion date as 2031 (CBO 2020). Almost all government programs other than those for Social Security and health care do not have such large built-in rates of growth in spending, both in total and per capita.

Any large growth in benefits maintained in reform proposals over time gives legislators a variety of options for allocating whatever total benefits they provide to achieve a variety of goals, including both poverty reduction and financial sustainability, while still allowing each cohort of retirees to collect higher real lifetime benefits than previous cohorts. Under current law, for instance, a person born in the 1990s with median lifetime earnings is currently scheduled to receive about $454,000 in present value of lifetime Social Security benefits in 2018 price-adjusted dollars, whereas the median new retiree born in the 1940s will receive about $260,000 (table 1). Under current-law-scheduled benefits and the Johnson, Larson, and BPC proposals, respectively, the growth in lifetime benefits is still substantial, with median earners born in the 1990s getting $194,000, $101,000, $220,000, and $142,000 more lifetime benefits than new retirees born 50 years earlier.

TABLE 1
Median Present Value of Lifetime Social Security Benefits for Selected Lifetime Earnings Quintile by Birth Year and Plan

Among adults who survive to age 65 (2018 price-adjusted dollars)

Birth year	Current-law scheduled	Johnson	Larson	BPC
Bottom lifetime earnings quintile				
1940–49	125,000	124,000	126,000	133,000
1950–59	153,000	149,000	162,000	177,000
1960–69	165,000	150,000	189,000	192,000
1970–79	171,000	143,000	207,000	199,000
1980–89	195,000	162,000	250,000	225,000
1990–99	212,000	184,000	249,000	238,000
Middle lifetime earnings quintile				
1940–49	260,000	257,000	267,000	258,000
1950–59	293,000	279,000	309,000	286,000
1960–69	316,000	271,000	338,000	296,000
1970–79	362,000	279,000	385,000	330,000
1980–89	400,000	314,000	426,000	360,000
1990–99	454,000	361,000	480,000	402,000
Top lifetime earnings quintile				
1940–49	315,000	304,000	325,000	311,000
1950–59	367,000	323,000	389,000	357,000
1960–69	430,000	299,000	458,000	383,000
1970–79	495,000	273,000	524,000	403,000
1980–89	561,000	318,000	598,000	458,000
1990–99	628,000	365,000	671,000	501,000

Source: DYNASIM4 ID980.

Notes: Includes all adults born between 1940 and 1999 who survive to age 65 with lifetime earnings in selected quintiles. Restricting the sample to people who survive to age 65 helps to illustrate the effects for typical retirees but understates the effects of different mortality rates by income on expected benefits. Couples divide earnings and benefits evenly in years in which they are married. The present value is calculated at age 65 using a 2.6 percent real discount rate in 2018 price-adjusted dollars. Current law lifetime benefits are calculated based on scheduled benefits regardless of whether Social Security would have enough funding to provide them.

The Larson and BPC proposals, like current law, concentrate the highest level of benefit increase in absolute dollars on households with higher lifetime earnings. For instance, under current law, bottom-quintile earners born in the 1990s can expect about $87,000 more price-adjusted lifetime benefits than those born 50 years earlier, whereas the top-quintile earners born in the 1990s would see $313,000 more than those born 50 years earlier. The Larson proposal promises $223,000 more growth in lifetime benefits to top-quintile lifetime earners relative to bottom-quintile lifetime earners. Benefit growth for top earners is $85,000 higher under the BPC proposal than for bottom earners. Under the Johnson proposal, top earners get about the same increase in lifetime benefits as bottom earners but can still expect nearly double the lifetime benefits as bottom-quintile earners.

Whatever total benefit increases are provided under a proposal, we suggest they can be allocated based on principles and well-specified social goals. Determining how benefits will grow simply by tinkering with some formula is not a principled way to approach policy and becomes particularly

questionable when that formula schedules benefit changes decades or centuries into the future without adjusting to need, changing economic and social environments, or new knowledge.

In this report, we examine what it would take to pursue one primary goal of programs for the older adults and people with disabilities envisioned by Roosevelt: protect participants from the threat of poverty and near poverty. We argue that the policy proposal process can first decide how future Social Security, supplemented where necessary by Supplemental Security income, should meet the needs of the most vulnerable populations—those households with low and lower-middle incomes— before pursuing the more contentious debate over how much other households should pay to bring the system back into balance through other tax increases or reductions in the projected rate of growth in future benefits. Many Social Security reform efforts directly or indirectly spend most attention to the latter debate because no matter what, most of the tax increases or benefit cuts needed to restore solvency must turn to those who have most of the money: above-average-income workers and beneficiaries. That shouldn't prevent legislators of different suasions from reaching a consensus and placing priority on how to allocate a moderate share of future benefit increases to the older adults in greatest need and citizens with disabilities.

Social Security has now been paying benefits for 80 years; by 2065, it will have been paying benefits for 125 years. For those who think that a nation with the vast increase in riches it has achieved can and should eliminate poverty among older adults, this study shows a way.

Why Most Proposals Fail to Do More for Low-Income Households

We use the three proposals chosen for this study to see what happens when legislators and commissions fail to organize first around ultimate economic and social objectives such as the elimination of beneficiary poverty and instead calculate some set of winners and losers near the end of the 21st century relative to what might have been scheduled for those populations by policymakers in 1983. That's when the last major Social Security changes were enacted, failing even then to provide the revenues to finance scheduled spending growth.

Let's now see why all three plans analyzed here, like so many of their predecessors, make limited progress toward eliminating poverty.

One must begin with the limitations of today's measure of the poverty threshold, or the income level below which a person is designated to be poor. That traditional measure, derived in 1963–64 by Mollie Orshansky of the Social Security Administration,[5] has increased over time only with inflation, not wage growth. Social Security proposals are often designed for the long term, centered around solvency for the succeeding 75 years. Over decades, average real or price-adjusted income levels rise substantially. Accordingly, the official poverty levels fall over 75 years relative to an average wage in the economy by roughly half when the real average wage increases 1 percent annually and by about three-quarters when the real average wage increases 2 percent annually. Those higher average wages

support a larger basket of goods—better health care, improvements in rental housing, better communication systems, and so on—for most households. Individuals receiving a poverty threshold benefit unadjusted for wage growth, however, would find themselves sharing an ever-declining share of some average market basket, falling further behind relative to workers, increasingly unable to access other goods and services now common to most people in society and, because of fewer resources, being further segregated from the rest of society.

Since 1972, Social Security has provided a special minimum benefit that provides a higher benefit to long-term, low-income workers (Olsen and Hoffmeyer 2002). That minimum benefit does not adjust for wage growth, only for inflation. By contrast, "regular" Social Security benefits for workers are indexed to grow with wages so that long-term workers with substantial years of contributions have seen their regular benefits grow by more than inflation. This increasing gap between the minimum benefit and regular benefit levels has made the existing minimum benefit increasingly irrelevant, and its share of total Social Security costs has been reduced to a small fraction. Most importantly, the special minimum benefit does little to help those with limited work histories, even though some features of Social Security, such as spousal and survivor benefits, sometimes provide the highest level of help to those with no work history at all. Other features, such as the progressive benefit formula itself, favors those with limited work histories, such as by providing a very high replacement rate to someone with high earnings but for relatively few years.

The National Commission on Retirement Policy reported out a bipartisan plan in 1999 that recommended, partly at the suggestion of one of us as a member of that commission, a new minimum benefit as a way to start addressing issues of beneficiary poverty and near poverty (NCRP 1999). Since that time, minimum benefits of various sorts have been included in almost all major Social Security proposals. Minimum benefits, of course, operate very differently depending on the extent to which they are paired with benefit reductions and revenue increases.

Unfortunately, almost all or all of those proposals do little to tackle the problem. Although they slightly increase the progressivity of the proposed Social Security system, addressing poverty often comes about only after other major revenue and benefit decisions have been made. Planning groups and commissions tend to debate each provision (such as spousal benefits and years of contributions) independently rather than setting specific goals and principles and adjusting minimum benefits, rate structure, spousal benefits, and other features to achieve an overall goal like progressivity in the most target-efficient way. As noted, these groups also tend to look at winners and losers relative to what was promised in 1983 rather than setting some appropriate standard for future lifetime benefits.

Another tactic within these proposals is to shove some concerns about what to do about low-income older adults off to other programs. The Social Security Administration, however, already administers SSI, a related program mainly for the poor and disabled that was established in Title 16 of the same Social Security Act. Nothing prevents a commission or Congressional committee from following the standard of the original Social Security Act and addressing elderly poverty in a more comprehensive way. By failing to tackle the issue holistically, the low-income older people who have dual Social Security and SSI benefits or who fail to qualify for Social Security likely will continue to

suffer the same fate over time as did those dependent upon the special minimum benefit—a decline in their status relative to workers in a growing economy.

We can see how these developments play out in the three proposals, each of which provides only modest Social Security add-ons for lower-income workers and no adjustments to SSI. Box 1 provides information on minimum benefit provisions under the three proposals. Figures 1 and 2 show trends in the official price-indexed poverty rate and the wage-indexed poverty rate from 2010 to 2093 under the current-law scheduled scenario, the current-law payable scenario, and the three proposals under wage growth and other demographics assumptions consistent with the Social Security trustees' projections. Thus, they provide a measure of quite plausible outcomes. Starting out at 9 percent of the Social Security beneficiary population in 2015, projected official poverty rates fall over time as wage growth increases future Social Security benefits (figure 1). The official poverty rate among beneficiaries rises sharply after 2035 if Social Security limits benefits to payable amounts after the trust funds are depleted.

BOX 1

Minimum Benefit Provisions for Alternate Plans

- The Johnson proposal would provide a new minimum benefit to workers with more than 10 years of covered work phased in for newly eligible beneficiaries beginning in 2023. The monthly minimum benefit would be zero for workers with fewer than 11 years of work. It gradually increases from 3 percent of AWI divided by 12 for workers with 11 years of covered work to 35 percent of AWI divided by 12 for workers with 35 years of covered work. A year of work is defined as a year in which a worker earns at least $10,875 in 2017 wage-indexed dollars. The years of covered work requirements are adjusted for workers receiving disability benefits based on years without a severe disability.

- The Larson proposal would provide a minimum benefit to newly eligible beneficiaries beginning in 2021. The monthly minimum benefit for a worker with 30 or more years of covered work would be set to 125 percent of the 2019 federal poverty level for a single individual divided by 12. After 2021, the minimum initial benefit would increase by the change in the AWI. Beneficiaries with at least 10 years of covered work could qualify for a prorated share of the minimum, ranging from 6.25 percent of the FPL divided by 12 for workers with 10 years of covered work increasing to 125 percent of the FPL for workers with 30 or more years of covered work. A year of work is defined as a year in which the worker has four covered quarters (i.e., earns more than $5,600 in 2020, increased annually by AWI). After the initial year of eligibility, the minimum benefit is increased by Social Security's cost-of-living adjustment (COLA).

- The BPC plan would create a new basic minimum benefit (BMB) limited to Old Age and Survivors Insurance beneficiaries who have attained the full retirement age (FRA). The BMB would be calculated on a household basis and split equally among members of the household. In the case of a married couple, both spouses would need to claim Social Security benefits before they could receive the BMB. If both spouses have claimed and one is at full retirement age or above and the other has not yet attained FRA, only the half of the BMB for the spouse over full retirement age would be paid. In 2015 dollars, the monthly BMB amount would equal $604 for single people and $906 for couples. The BMB would be reduced by 70 percent of the total household monthly Old Age and Survivors Insurance benefit (not including any BMB) until the

BMB equals zero. The base BMB for single and married beneficiaries would be updated annually for changes in the AWI. To ensure the BMB would not go to families with substantial non–Social Security income, single filers with adjusted gross income over $30,000 and joint filers with adjusted gross income (including taxable Social Security benefits) over $45,000 would be subject to a clawback of the BMB through personal income tax filings, equal to one dollar for every dollar of income above the thresholds. The AGI thresholds (in 2015 dollars) would increase after 2015 by changes in the chained consumer price index.

Projected wage-indexed poverty rates increase under every option, though the rise is modest under the Larson proposal (figure 2). Other economic events, such as significant increases in the incomes of very low–income individuals, might provide a more optimistic projection, but the results shown here are driven mainly by the modest share of growing resources under both current law and the proposals that are devoted to the lowest-income beneficiary population.

FIGURE 1

Percentage of Full-Year Social Security Beneficiaries with Family Income below the Federal Poverty Level by Year and Plan
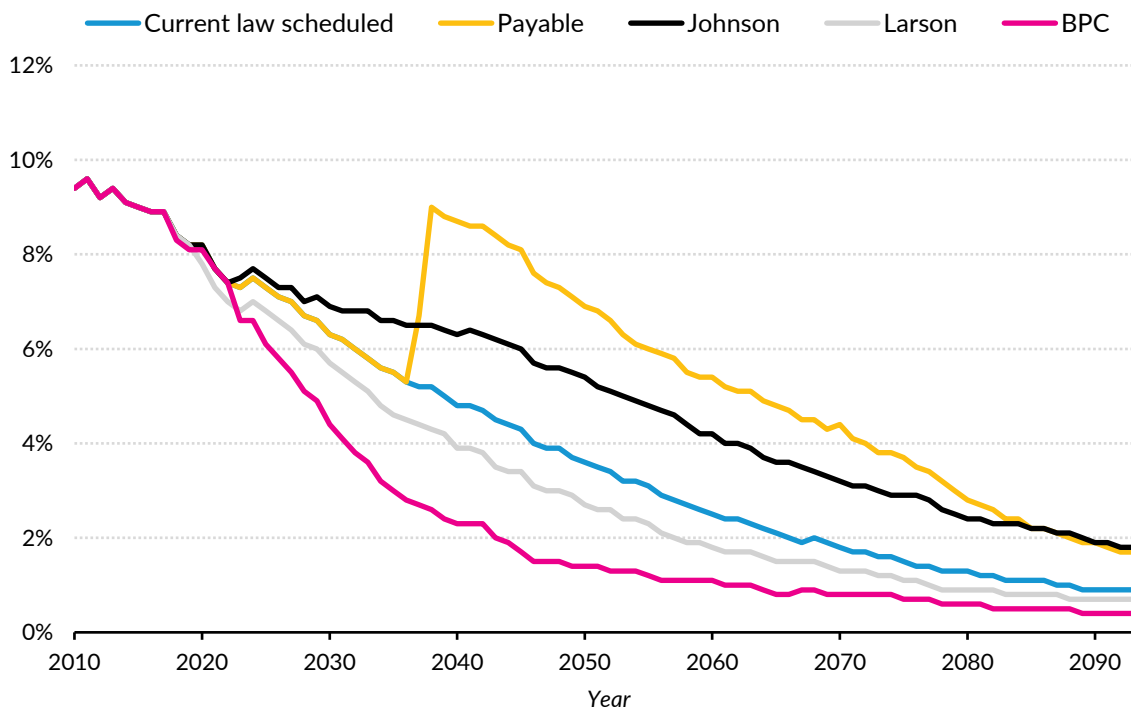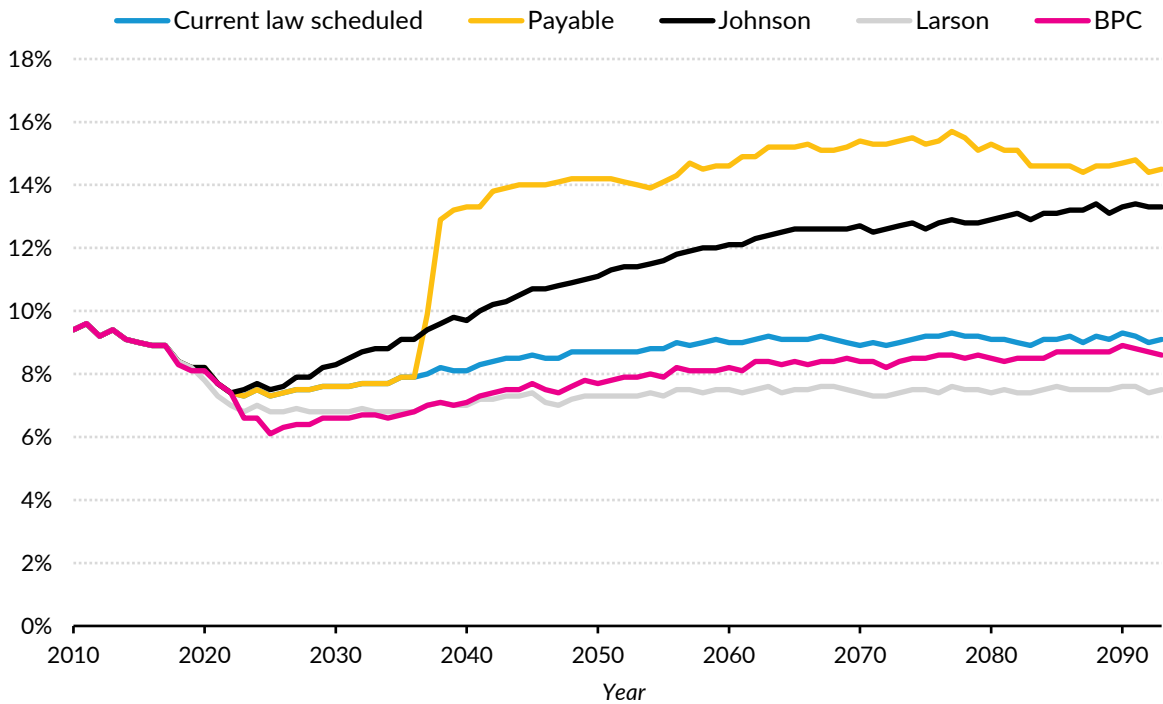

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Source: DYNASIM4 ID980.
Notes: Includes full-year adult Social Security beneficiaries and excludes beneficiaries with negative investment income. "Current-law scheduled" pays promised benefits as if funding was unlimited. "Payable" considers only benefits that Social Security could afford to pay based on program revenues.

FIGURE 2

Percentage of Full-Year Social Security Beneficiaries with Family Income Below Wage-Indexed Federal Poverty Level by Year and Plan

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Source: DYNASIM4 ID980.

Notes: Wage-indexed poverty is the federal poverty level indexed after 2025 by changes in the AWI. The figure includes full-year adult Social Security beneficiaries and excludes beneficiaries with negative investment income. Current law scheduled pays promised benefits as if funding was unlimited. Payable considers only benefits that Social Security could afford to pay based on program revenues.

Achieving the Progressivity Often Claimed for Social Security and Advancing Racial Inclusion

Beyond the original poverty-related goal of Social Security, more recent research provides two further justifications for increasing the antipoverty effectiveness of Social Security as reform is undertaken. First, attention to those with the lowest incomes provides one way to establish some of the progressivity often asserted for Social Security. Second, many of the existing structures for redistribution, ranging from spousal benefits to intergenerational transfers, have benefited white people more than people of color and indirectly reinforced the problem of structural racism, however unintended.

Achieving the Progressivity Often Claimed for Social Security

Social Security has always been designed to make significant transfers to relieve poverty and advance progressivity. Until recently, older adults had a higher rate of poverty than the rest of the population, and Social Security programs in the United States and other developed countries arose in part to address this problem. Had older adults not been poorer than the rest of the population in those early decades, the government system of transfers, both for older and younger adults, likely would have had a very different design.

The original Social Security Act of 1935 went far beyond what today we call Social Security to address adequacy for a large portion of the population by providing for the "general welfare" not just through a system of federal old age benefits, but "by enabling the States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and [more]," including unemployment insurance. Today, the term "Social Security" has been relegated mainly to apply to Old Age, Survivors, and Disability Insurance, though the Social Security tax also covers a part of Medicare costs and SSI is also part of the Social Security Act.

In addition to its broad concern for adequacy, the 1935 and 1938 design of this new program for "old-age benefits" also imitated private pension systems in providing some replacement of earnings for workers at all income levels.

These two primary approaches to designing an old-age system—adequacy and replacement of earnings—led to many compromise features. Unlike private pension systems, substantial redistributions would be related only loosely, and sometimes not at all, to contributions paid. For the first generations of retirees, starting in 1940, benefits were largely transfers from future cohorts, because early beneficiaries had paid into the system for only a few years (five in 1940). Although many in these early cohorts were very likely to be poor (thus justifying many such transfers), Social Security actually made the largest net transfers—benefits well in excess of taxes—to the richest of those retirees.[6] Even today, only 10 years of contributions are required to receive what often amounts to substantial transfers from working populations.

Perhaps the most progressive element of Social Security has been a benefit formula that redistributes to lower-earning workers by giving a very high replacement rate (90 percent) for the first dollars of lifetime earnings and a very low replacement rate (15 percent) for the last dollars of earnings for higher earners. Note, however, that benefits have been related to earnings, not contributions or taxes, so that the benefit earned on an indexed dollar of wages taxed at 6.0 percent in 1960 can be as high as the benefit earned on an indexed dollar of wages taxed at a 9.6 percent in 1970 or 12.4 percent in 1990 and later, thus continuing a system of transfers to earlier decades of workers who paid lower tax rates than later workers.

Social Security spousal and survivor benefits were designed to provide a no-cost supplement mainly for households with a stay-at-home spouse and for which no additional contribution is required.[7] The benefit is provided generally only to the extent that it exceeds half of one's own worker benefit for a spouse or one's own worker benefit for a survivor. Accordingly, single workers and some

two-earner couples with relatively equal earnings get neither a spousal nor survivor benefit, though in a large sense they contribute equally toward those benefits.

The system also only counts 35 years of wages in determining benefits, so that wages earned and contributions made for additional work years yield zero benefit, and a worker with 30 years of wages at $40,000 earns a significantly higher worker (and, potentially, spousal and survivor) benefit than a worker with 40 years of work at $30,000.

Most of these features were intended to promote Social Security adequacy by redistributing to some group, such as stay-at-home spouses and earlier generations, that on average might need more assistance. Yet many beneficiaries did not need more assistance, and therefore these backdoor approaches were often poorly targeted both on grounds of progressivity and equal justice or equal treatment of equals.

Recent research, in fact, finds that Social Security old-age assistance may not be progressive at all (Steuerle, Carasso, and Cohen 2004). Mortality differences by income classes, along with features such as the spousal benefit, offset the progressivity of the Social Security rate structure and result in a benefit-to-tax ratio that is roughly proportional for old age recipients within each generation. Only disability insurance within Social Security appears to make the combined system progressive.

The point of all these examples is to show how often Social Security provides windfalls, often for the purpose of helping prevent poverty or increasing progressivity, but then targets people inefficiently. An argument that Social Security only worries about wage replacement belies both its history and current ways of distributing income.

Advancing Racial Inclusion and Mitigating Structural Racism

We can now see how provisions weakly targeted to lower-income households play out through the lens of racial inclusion and structural racism. Though various provisions of Social Security may derive from good intentions, they have had the perverse consequence of redistributing at times from Black people, Hispanic people, and other people of color to white people.

Consider, first, the requirement to annuitize benefits. Though necessary, of course, to ensure adequate income for those who live long lives, it redistributes from those with higher average mortality rates, such as Black people, to those with lower average mortality rates. This is different than an insurance feature designed for those with an equal ex ante risk, even though ex post differences in outcomes would arise. Features such as minimum benefits or some term-certain payments could have offset the effect of different mortality rates for certain groups (at least in aggregate), but they were not adopted.

Next consider the impacts of spousal and survivor benefits by race. Because no additional contribution is required to garner these benefits, they effectively require single workers to contribute for a benefit they cannot receive. In the United States, as opposed to many foreign countries, the benefit is proportional to the worker benefit, thereby providing the highest benefit to spouses and

survivors of the highest-earning workers. Moreover, for many decades, Black women were much more likely than white women to work and, because they were more likely to be unmarried, to be ineligible for spousal and survivor benefits (Kijakazi, Smith, and Runes 2019). In a sense, the spousal benefit was meant to subsidize child raising, but then why subsidize the stay-at-home spouse with or without children more than a single person working and raising children? As a result, Black women in Social Security's early decades got fewer total benefits relative to the taxes they paid than white women. Today, they are still more likely to contribute for a benefit they cannot receive. For instance, they will be less likely to get a significant bump up in benefits in later years as a survivor. With many more two-earner couples today, the survivor benefit turns out to be much more important than the spousal benefit.

Finally, consider how Social Security increasingly requires higher taxes over time from the young relative to the benefits they will receive. This almost inevitably will continue in the future once the higher taxes or lower benefits required to achieve solvency in Social Security are assessed, whether within Social Security or the rest of the government budget. Because people of color have been forming an ever-larger share of the population, it turns out that generations with the largest windfalls of benefits over taxes are predominantly white, while Black, Hispanic, and Asian people fall more and more within those lower-return later generations. When this factor is added to others such as mortality, empirical work shows that Social Security has likely redistributed from Black and Hispanic people to white people (Steuerle, Smith, and Quakenbush 2013) and, absent attention to this issue in future proposals, will likely continue doing so.

Social Security proposals could be far more target efficient at meeting the needs of Black and Hispanic people and other disadvantaged groups by targeting its redistributive efforts more progressively and directly to those with the lowest lifetime earnings, especially given the critical role that labor market discrimination plays in undermining retirement security.

Covering Poor Older Adults and People with Disabilities with a Minimum Benefit Package

Our process to tackle poverty among older adults and people with disabilities was to identify the characteristics of Social Security beneficiaries in poverty under current law and the three Social Security proposals we considered. We then targeted a wage-indexed minimum benefit to beneficiaries exhibiting each characteristic, pursuing in stepwise fashion who was left in poverty after successively removing from poverty those with one characteristic or another until we reduced the poverty rate close to zero.

Based on past research (Bosworth, Burtless, and Steuerle 2001), we know that many older adults had very different work histories from the norm, averaged across all workers, of slowly rising earnings until late middle age relative to average earnings in the economy, then a period of declining earnings until retirement. People are more interesting than any stereotype. Although most have rising earnings in younger decades, many have declining earnings; peaks and troughs are common, and employment is

often scattered as people both voluntarily come into and out of the workforce or suffer bouts of unemployment. Some state and local government employees can end up without either state pensions or Social Security. Women, particularly, have more discrete jumps in employment because they still are more likely than men to drop out of the formal workforce or work less than full time to care for children and older adults.

To reduce poverty among older adults and people with disabilities, we considered six benefit enhancements that we label poverty elimination provisions (PEPs). We first examined what would happen if we provided, beginning in 2020, all Social Security beneficiaries who had 40 or more covered quarters (effectively 10 years of covered work) with a minimum benefit equal to 100 percent of the 2018 FPL indexed for wage growth (table 2). We deliberately set the index to begin in 2018 to try to provide a benefit greater than the poverty level measured by the time of enactment. Note that just before the COVID-19 pandemic, the Social Security trustees projected an average inflation rate from 2020 to 2030 of about 2.6 percent a year.[8]

TABLE 2

Description of Provisions to Eliminate Poverty among Social Security Beneficiaries

Step	Option	Description
1	Add Social Security minimum benefit	For all Social Security beneficiaries with 40 or more covered quarters, provide a wage-indexed poverty level minimum monthly benefit. The minimum benefit is equal to the 2018 FPL indexed annually by wage-growth.
2	Add caregiver credits	Allocate four covered quarters for each year that a parent cares for a child under age 16. This provision affects the calculated covered quarters but does not change annual earnings. The additional quarters help caregivers qualify for the minimum benefit.
3	Add minimum benefit for DI beneficiaries	Allow all DI worker beneficiaries to qualify for the minimum benefit regardless of the number of covered quarters.
4	Add auxiliary minimum benefit	Allow spouse and widow beneficiaries to qualify for the minimum benefit regardless of the number of covered quarters.
5	Add SSI enhancement at ages 62 and older	Provide a wage-indexed poverty-level SSI benefit for all DI beneficiaries and individuals at or above age 62.
6	Add child SSI minimum benefit	Provide a wage-indexed poverty-level SSI benefit for all DI beneficiaries and individuals at or above age 62 and their dependent children.

Notes: We assume all provisions are enacted in 2020.

Next (step 2), we add caregivers by allocating four covered quarters to each parent caring for a dependent child up to age 15. The quarters of coverage do not add to earnings and would not change the calculation of average indexed monthly earnings that determines the size of regular benefits. Those quarters mainly would enable more caregivers to qualify for a minimum benefit (and occasionally a regular benefit). This type of approach could be expanded, because it seems to be fairer

to all child care providers than the existing spousal and survivor benefits. Caregiver credits could be paid for by reducing spousal and survivor benefits paid to beneficiaries with higher incomes, while also requiring workers, as in the private sector, to cover the cost of a survivor benefit. We do not pursue that issue further here because our focus is on poverty and we sense this issue is one of many that could be dealt with better once a meaningful minimum benefit is in place.

In step 3, we qualify adult Social Security disability beneficiaries without 40 covered quarters, for the minimum benefit, thus extending the proposal beyond the older population. Still finding poor Social Security beneficiary households, in step 4 we extend the minimum benefit to widows and divorced spouses of all Social Security recipients. In this case, we increase the minimum benefit not per capita but by the incremental wage-indexed poverty amount for each dependent spouse and child.

In the remaining two steps, we turn to the older adult population not eligible for Social Security benefits to address poverty among this group as well. We first grant the minimum benefit as an SSI enhancement for all adults age 62 and older who would qualify for SSI because of age or disability (step 5), and then we extend SSI to their dependent children regardless of the child's age (step 6).

Note that these SSI additions aim to eliminate remnants of old-age poverty. Although we think these issues should be tackled in a holistic way, this brief does not address what particular revenue source should be used for these last SSI enhancements. SSI currently is paid out of general revenues, not out of the Social Security payroll and income taxes. For that matter, we did not address many other Social Security revenue and benefit provisions that might be pursued to fund the PEPs, because we want to show how a poverty focus can be made a part of almost any package of changes.

One advantage of putting almost all older adults and people with disabilities on the same minimum benefit structure is that the Social Security Administration can easily contact and administer programs for beneficiaries. During the COVID-19 pandemic, for example, the Social Security Administration worked with the Internal Revenue Service (IRS) to distribute special payments to almost all households. Another reason to consider the SSI benefit enhancement at the same time as Social Security proposals is that any cost savings from ignoring SSI when pursuing Social Security changes is fictitious if the spending or saving changes are just moved somewhere else in the budget. Indeed, many Social Security proposals have reverberating effects on SSI, and commissions that focus only on Social Security balances and not the overall budget are incomplete. A third (and closely related) advantage is that it makes it administratively possible to integrate some of the Social Security and SSI benefit administration for people who otherwise today would become dually eligible.

We do not claim that our proposed provisions would eliminate poverty among nonelderly disabled beneficiaries not receiving Social Security Disability Insurance benefits, given the difficulty of measuring degrees of disability and eligibility for benefits. Certainly, the type of approach demonstrated here would virtually eliminate poverty for all older people, whether through Social Security or SSI, and for nonelderly disabled people who qualify for Social Security.

Effect on Wage-Indexed Poverty

Figure 3 shows projected wage-indexed poverty rates for Social Security beneficiaries in 2065 under the current-law scheduled scenario and the current-law payable scenario. Ignoring any financing constraints, the figure also shows the reduction in poverty rates when adding the various PEP steps to the current-law scheduled scenario, though the effects tend to be somewhat similar when added to any proposal, so are not shown here. By itself, the step 1 benefit enhancement reduces wage-indexed poverty more than 80 percent, from 9.1 percent (under current law scheduled) to 1.5 percent. Extending credits to caregivers lowers the poverty rate from 1.5 percent to 1.3 percent, and the marginal reduction in wage-indexed poverty rates is quite small with each successive benefit enhancement provision. After extending the enhanced SSI benefit to dependent children, we have virtually eliminated poverty among older adults. The remaining people in poverty generally have assets that exceed the SSI asset limits; eliminating the asset test added significantly to cost, and we did not analyze further options with that elimination.

Percent of Full-Year Social Security Beneficiaries with Family Income below the Wage-Indexed Federal Poverty Level by Option, 2065

Percent below wage-adjusted poverty level
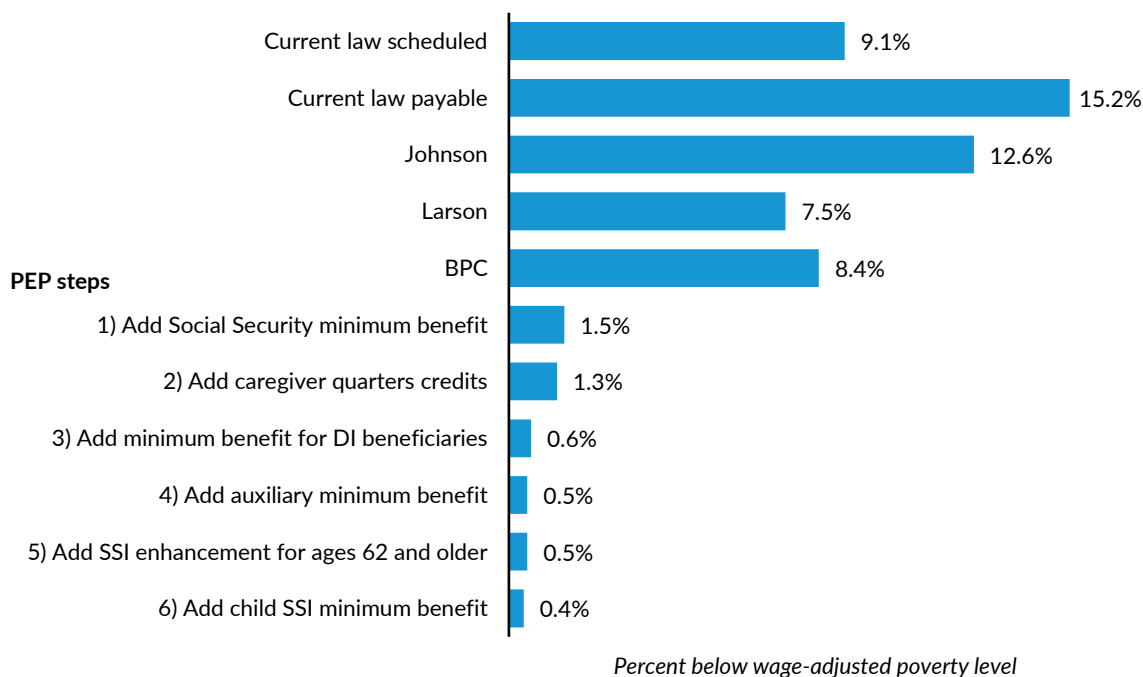
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Source: DYNASIM4 ID980.
Notes: Wage-indexed poverty level is the 2025 federal poverty level indexed to 2065 by the change in the AWI. The figure includes full-year adult Social Security beneficiaries in 2065, and excludes beneficiaries with negative investment income. Current law scheduled is promised benefits regardless of whether Social Security would have enough funding to provide them. Current law payable includes only benefits that Social Security could afford to pay based on program revenues. PEP options 1 to 6 are added incrementally to current law scheduled benefits.

Effect on Costs

The long-term actuarial balance summarizes Social Security's financial condition throughout the 75-year projection period. We compute the long-term actuarial balance as the present discounted value of noninterest revenues over the period plus the value of the trust fund assets at the start of the period, minus the present discounted value of projected costs over the period and the present discounted value of projected costs in the 76th year. These values are expressed as a percentage of the present discounted value of taxable payroll projected over the period. Because SSI is not included in Social Security accounts and because changes in Social Security benefits also affect SSI benefits and income tax revenues, we also calculate the present discounted value of the unified federal budget over 75 years. DYNASIM's projected Social Security actuarial deficit for 2019 to 2093 is 2.59 percent of taxable payroll.[9]

Figure 4 shows the change in the 75-year actuarial balance and net federal budget as a percentage of taxable payroll relative to current-law scheduled for each added step in our poverty-elimination package. By far the costliest step is the first one: providing a basic minimum benefit for those already with 40 quarters of coverage but eligible for a regular Social Security benefit that falls short of the proposed the minimum benefit (43 percent increase in the actuarial deficit). It is also the step with the greatest impact on poverty. Other provisions, at least when adopted in the order shown, are much less costly, though obviously they would be more costly if previous steps had not already qualified more beneficiaries for a minimum benefit. The second-most-costly step is adding the SSI enhancement to the dependent children of SSI beneficiaries. Other than this last provision, added spending for Social Security reduces spending for SSI and could also affect Medicaid eligibility and expenditures.

FIGURE 4

Estimated Change in the Long-Range Social Security Actuarial Balance and Net Federal Budget by Step in Poverty-Elimination Package

As a percentage of taxable payroll for 2019 to 2093
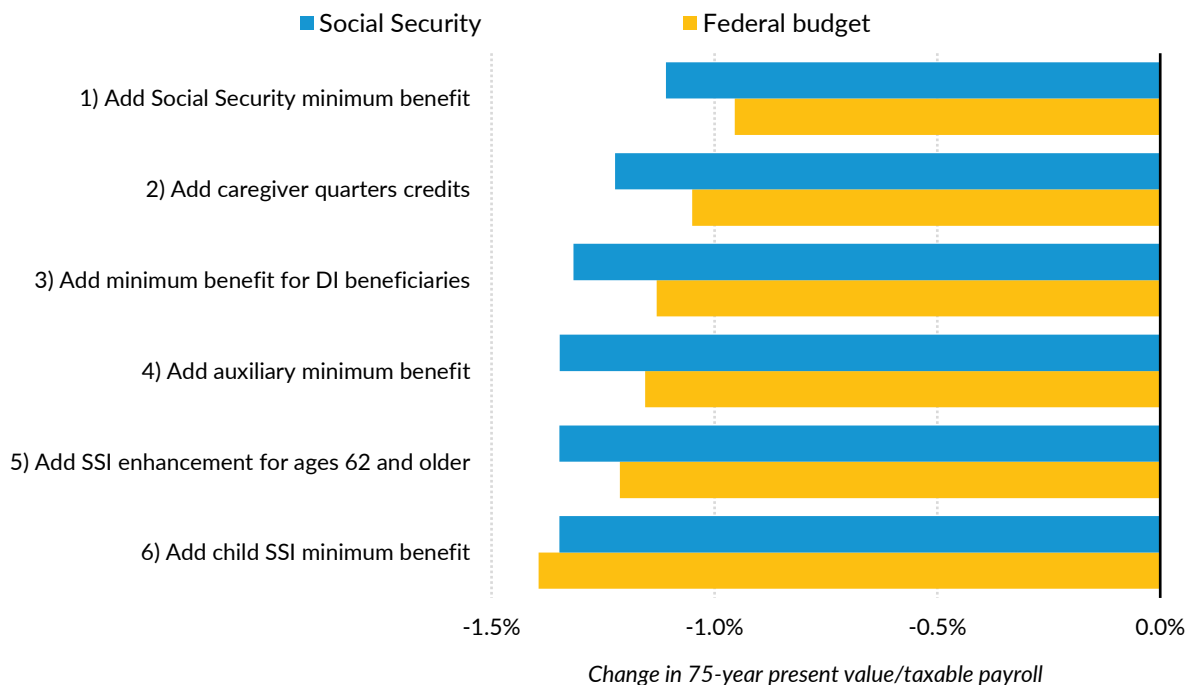
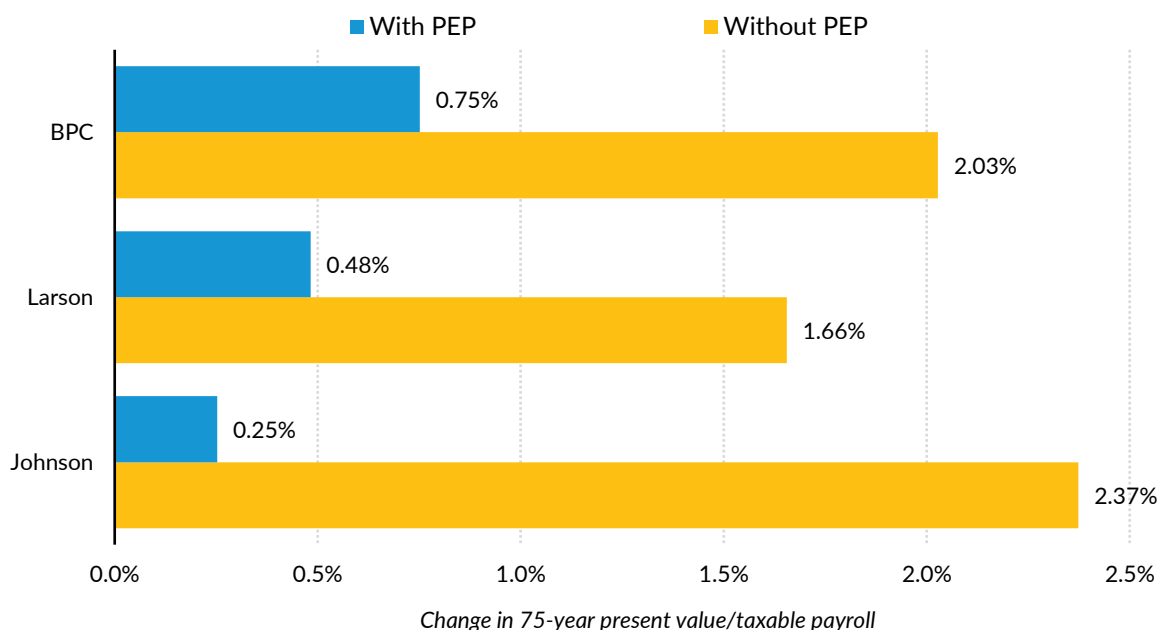*Change in 75-year present value/taxable payroll*

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Source: DYNASIM4 ID980.

Notes: The change is calculated relative to current law scheduled program rules. The OASDI actuarial balance uses 2019 Social Security trustees' discount factors calculated from 2019 to 2093. The change in the federal budget is limited to the change in the sum of federal income tax, payroll tax, Medicare surtax, and Medicare premiums minus the sum of Social Security, SSI, and Medicare cost. See "Table VI.G6—Selected Economic Variables, Calendar Years 1970–2095," Social Security Administration, accessed January 13, 2021, https://www.ssa.gov/oact/tr/2019/lr6g6.html.

In figure 5, we show the present value of the change in the net federal budget relative to current-law scheduled for the Larson, Johnson, and BPC proposals with and without our full poverty-eliminating provisions. These proposals generally improve the budget outlook as currently structured, so the extent of budget improvement is reduced by the poverty-related provisions. The difference may be considered one measure of what additional changes would be required to pay for the poverty-related provisions. Ignoring behavioral changes, for instance, to restore BPC to its former level of budget balance would require a payroll tax increase of approximately 1.28 percent of taxable payroll. In many ways, the significant change in net costs arises because these existing proposals currently do little to tackle beneficiary poverty, leaving our poverty-eliminating provisions to fill a substantial gap.

FIGURE 5

Estimated Change in the Long-Range Social Security Actuarial Balance with and without the Poverty-Eliminating Provisions

Change in 75-year present value/taxable payroll

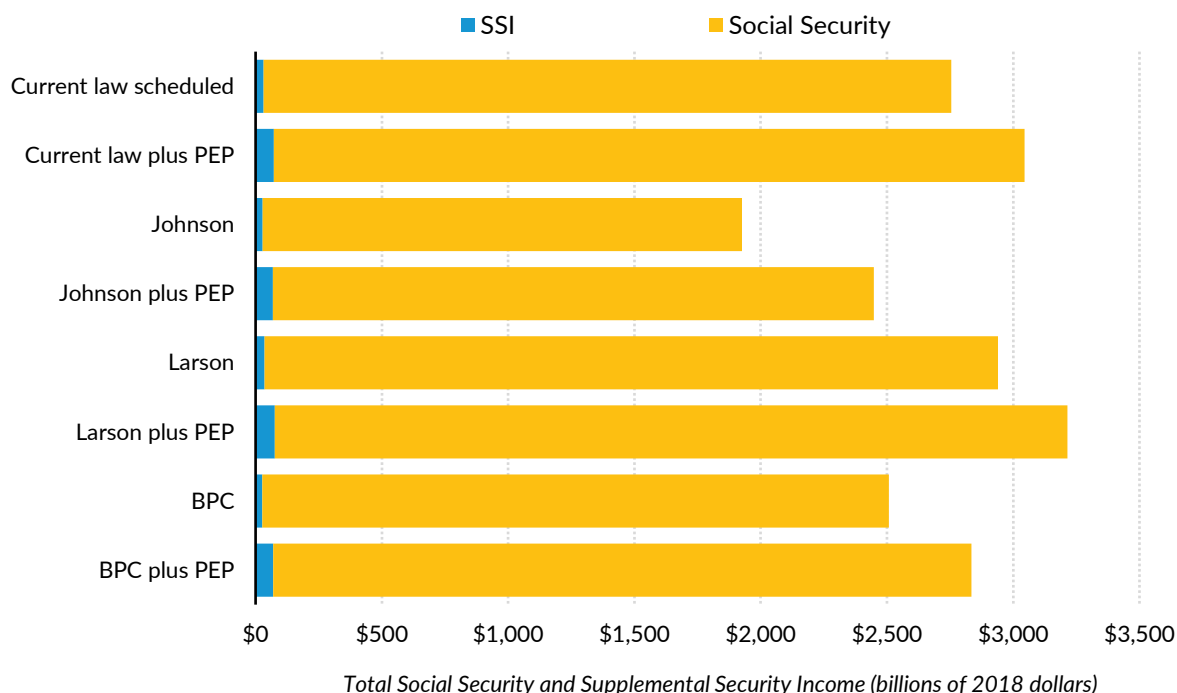URBAN INSTITUTE

Source: DYNASIM4 ID980.
Notes: The change is calculated relative to current law scheduled program rules. The present value calculation uses 2019 Social Security trustees' discount factors calculated from 2019 to 2093. See "Table VI.G6—Selected Economic Variables, Calendar Years 1970–2095," Social Security Administration, accessed January 13, 2021, https://www.ssa.gov/oact/tr/2019/lr6g6.html. The change in the federal budget is limited to the change in the sum of federal income tax, payroll tax, Medicare surtax, and Medicare premiums minus the sum of Social Security, SSI, and Medicare cost. PEP plans include all six poverty-eliminating provisions described in table 2.

Figure 6 shows projected total Social Security and SSI benefits paid in 2065 in billions of 2018 price-adjusted dollars for scheduled benefits and the three reform plans with and without the PEP. Adding the PEP to each plan essentially eliminates wage-indexed poverty among all full-year Social Security beneficiaries. Combining the PEP with current-law scheduled benefit rules increases spending 10 percent compared with current-law scheduled ($3,044 billion versus $2,755 billion) and by similar amounts under the BPC proposal ($2,834 billion versus $2,508 billion). Adding the PEP to Johnson's plan increases spending 27 percent ($2,488 billion versus $1,926 billion) because Johnson's plan has a large increase in the poverty rate absent the type of effort demonstrated here. Again, this gives us some idea of how much more must be raised in taxes or in reduced benefits to achieve a 75-year balance at the levels achieved in those plans.

Total Social Security and Supplemental Security Income Benefits by Plan, 2065

Billions of 2018 price-adjusted dollars

Total Social Security and Supplemental Security Income (billions of 2018 dollars)

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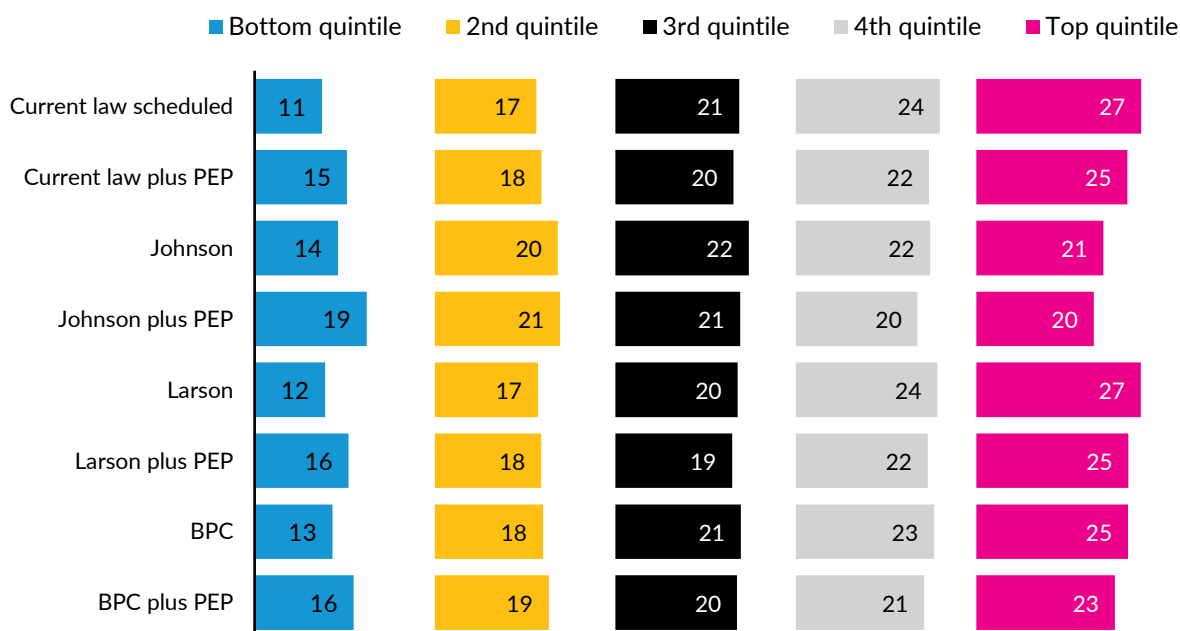
Source: DYNASIM4 ID980.

Notes: The table includes all Social Security and SSI benefits in 2065 in 2018 price-adjusted dollars. Current-law scheduled is promised benefits regardless of whether Social Security would have enough funding to provide them. Costs include Social Security and SSI benefits paid to all beneficiaries including dependent children. PEP plans include all six poverty-eliminating provisions described in table 2.

Distributional Effects

Here we examine how Social Security and SSI expenditures net of income taxes paid on benefits are distributed in 2065 by beneficiaries' lifetime earnings quintile. If benefits were evenly distributed among all beneficiaries, 20 percent of benefits would be paid to each lifetime earnings quintile. Under current-law scheduled, 27 percent of projected net Social Security and SSI benefits in 2065 will be paid to beneficiaries with lifetime earnings in the top quintile, and 11 percent will be paid to beneficiaries in the bottom quintile (figure 7). If these poverty-reducing provisions were added to current law, the bottom-quintile lifetime earners would instead get 15 percent of the net benefits. Similar increases take place in most other plans, with the bottom-quintile share rising by 3 to 5 percentage points and beneficiary poverty being essentially eliminated. Each of the full PEP plans still pay over 20 percent of benefits to the top earners while effectively eliminating Social Security beneficiary's wage-indexed poverty, though the Johnson proposal is basically proportional (i.e., it pays

roughly the same average benefit within every quintile) after the bottom quintile even without these poverty adjustments.

Distribution of Net Social Security and Supplemental Security Income Expenditure Paid to Beneficiaries by Shared Lifetime Earnings Quintile by Plan in 2065

Percent of net Social Security and Supplemental Security Income expenditure
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Source: DYNASIM4 ID980.
Notes: Figure includes all adults with positive Social Security or SSI benefits in 2065. Expenditure amounts are net of income taxes paid on Social Security benefits. Shared lifetime earnings are the sum of annual wage-indexed earnings from age 22 to 62. Couples split earnings in years of marriage. Beneficiaries are grouped by current-law scheduled shared lifetime earnings quintile in 2065. Current law scheduled is promised benefits regardless of whether Social Security would have enough funding to provide them. PEP plans include all six poverty eliminating provisions described in table 2.

In 2065, average scheduled Social Security and SSI benefits net of income taxes paid on benefits among adult beneficiaries under current law is projected to be $24,100 in 2018 price-adjusted dollars (table 3). Beneficiaries with the lowest 20 percent of lifetime earnings receive 62 percent of the average projected net benefits while beneficiaries with the highest 20 percent of lifetime benefits receive 136 percent of the average projected net benefits. Female beneficiaries receive lower-than-average benefits (95 percent) than men (106 percent), and non-Hispanic white people receive higher benefits (107 percent) than Black people (90 percent) and Hispanic people (87 percent). Adding the PEPs increases the share of benefits paid to bottom lifetime earners (83 percent), women (96 percent), Black people (95 percent), and Hispanic people (93 percent).

TABLE 3
Average Net Social Security and Supplemental Security Income Benefits among Adult Beneficiaries and the Percentage of Average Net Benefits by Selected Subgroups, 2065
2018 price-adjusted dollars

	Current-law scheduled	Current law plus PEP	Johnson	Johnson plus PEP	Larson	Larson plus PEP	BPC	BPC plus PEP
	2018 price-adjusted dollars							
Average net Social Security and SSI	24,100	26,300	17,800	22,300	25,300	27,300	22,100	24,600
	Average net subgroup benefit as a percentage of average population net benefit							
Lifetime earnings								
Bottom quintile	62	83	76	99	63	81	71	89
2nd quintile	82	86	98	100	82	85	87	92
3rd quintile	99	95	108	101	99	95	100	98
4th quintile	118	109	111	101	117	110	113	106
Top quintile	136	125	106	98	138	128	126	116
Sex								
Female	95	96	96	99	95	96	97	99
Male	106	104	105	101	106	104	103	101
Race or ethnicity								
White non-Hispanic	107	104	104	100	108	105	106	103
Black non-Hispanic	90	95	98	100	91	95	94	97
Hispanic	87	93	92	100	85	92	88	94

Source: DYNASIM4 ID980.

Notes: Includes all adults with positive Social Security or SSI benefits in 2065. Expenditure amounts are net of income taxes paid on Social Security benefits expressed in 2018 price-adjusted dollars. Shared lifetime earnings equal the sum of annual wage-indexed earnings from age 22 to 62. Couples split earnings in years of marriage. Beneficiaries are grouped by current-law scheduled shared lifetime earnings quintile in 2065. Current-law scheduled is promised benefits regardless of whether Social Security would have enough funding to provide them. PEP plans include all six poverty-eliminating provisions described in table 2.

Similar gains in the share of benefits going to disadvantaged or lower-income groups occur in all of the proposals when PEPs are added.

Covering the Costs

In the table 3 comparisons, we added the poverty-eliminating provisions to each plan without regard to solvency. To show that we can eliminate wage-indexed poverty in a solvent plan, we build on the BPC plan as an example, though our general point applies to any plan. We generate a solvent BPC plan including our poverty-elimination provisions by reducing BPC promised benefits roughly 12 percent beginning in 2020 while maintaining the roughly 12 percent cost increase from the minimum Social Security benefit and enhanced SSI provisions.

To be clear, this is *not* a complete plan; it is merely used to demonstrate in the later years how the distribution of benefits would change under a solvent plan that also eliminated old-age poverty. In particular, we implemented this plan without addressing the phase-in provisions that would avoid reducing benefits for current and near-term higher-income beneficiaries beginning in 2020. We are

also not speculating on the right mix of other benefit and tax changes, but in this simple example we maintain BPC's current mix of tax increases and benefit reductions, since total benefits and total taxes remain roughly the same as in the original plan.

Figure 8 shows that relative to BPC, this particular version of a solvent BPC-plus plan would increase the net benefit spending and the share of spending paid to low lifetime earners, women, Black people, and Hispanic people. Compared with the BPC plan, our payable BPC plus PEP plan would increase projected average net Social Security and SSI benefits in 2065 by about $5,900 (37 percent) for low lifetime earners, $2,000 (9 percent) for Black people, and $2,800 (14 percent) for Hispanic people in 2018 price-adjusted dollars. The average net annual benefit gains are even larger compared with current-law payable. Compared with current-law payable, our payable BPC plus PEP plan would increase average net benefits by $9,900 (85 percent) for low lifetime earners, $5,800 (34 percent) for Black people, and $6,000 (37 percent) for Hispanic people. The gains in net benefits can be paid for by slowing the benefit growth among high earners and adding the modest tax increases included in the BPC plan.

Turning to lifetime benefits, we see a similar pattern (figure 9), with a further flattening of benefits by income. As with annual net benefits, compared with BPC, our payable BPC plus PEP plan would increase projected present value of lifetime Social Security and SSI benefits for 65-year-olds born between 1990 and 1999 by $141,000 (53 percent) for low lifetime earners, $50,000 (13 percent) for Black people, and $80,000 (24 percent) for Hispanic people. Compared with current law payable, our payable BPC plus PEP plan would increase median lifetime benefits by $211,000 (107 percent) for low lifetime earners, $114,000 (35 percent) for Black people, and $126,000 (44 percent) in 2018 price-adjusted dollars.

FIGURE 8

Average Net Social Security and Supplemental Security Income Benefits for Selected Subgroups in 2065

2018 price-adjusted dollars
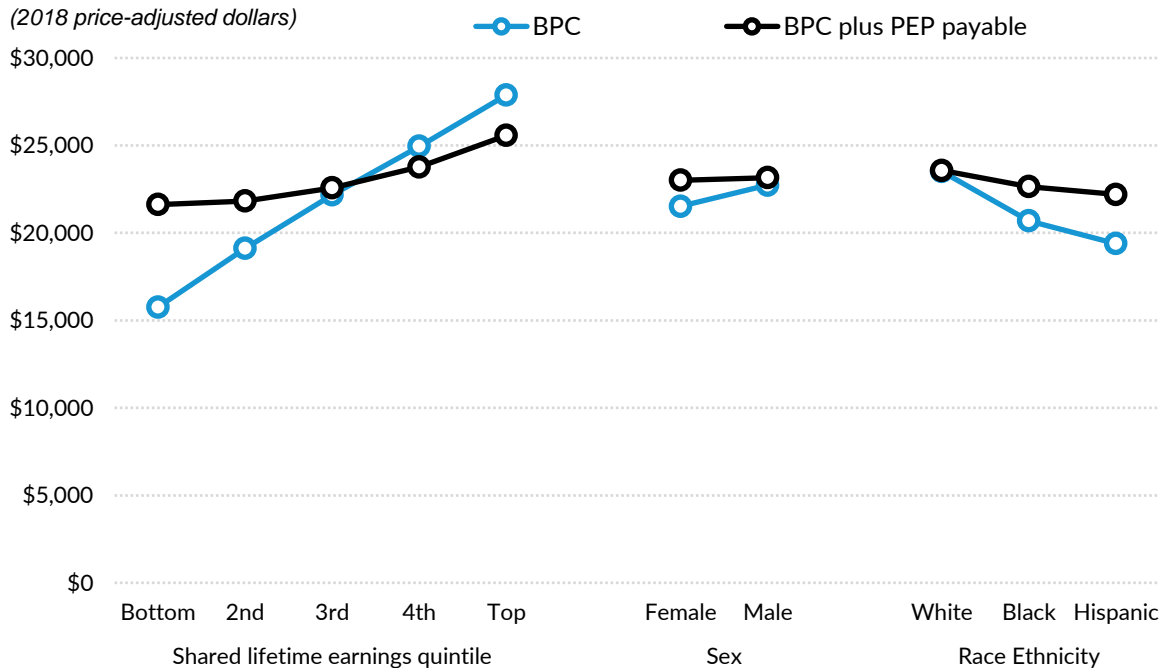
Source: DYNASIM4 ID980.

Notes: The table includes all adults with positive Social Security or SSI benefits in 2065. Expenditure amounts are net of income taxes paid on Social Security benefits. Shared lifetime earnings equal the sum of annual wage-indexed earnings from age 22 to 62. Couples split earnings in years of marriage. Beneficiaries are grouped by current law scheduled shared lifetime earnings quintile in 2065. The PEP payable plan includes all six poverty eliminating provisions described in table 2.

Figure 9 also demonstrates that lifetime benefits continue to be much higher for future beneficiaries than for those today, demonstrating once again that there is much room for achieving both poverty-related and solvency goals while still allowing real benefits per person to grow substantially over time. Today's 20- to 30-year-old white people, Black people, and Hispanic people, of every income group and sex would still receive on average hundreds of thousands of dollars more in real Social Security benefits than today's 70- to 80-year-old retirees within the same classes.

Median Present Value of Lifetime Net Social Security and SSI Benefits for People Born from 1940 to 1949 and 1990 to 1999 by Selected Characteristics and Plan

Among adults who survive to age 65 (2018 price-adjusted dollars)
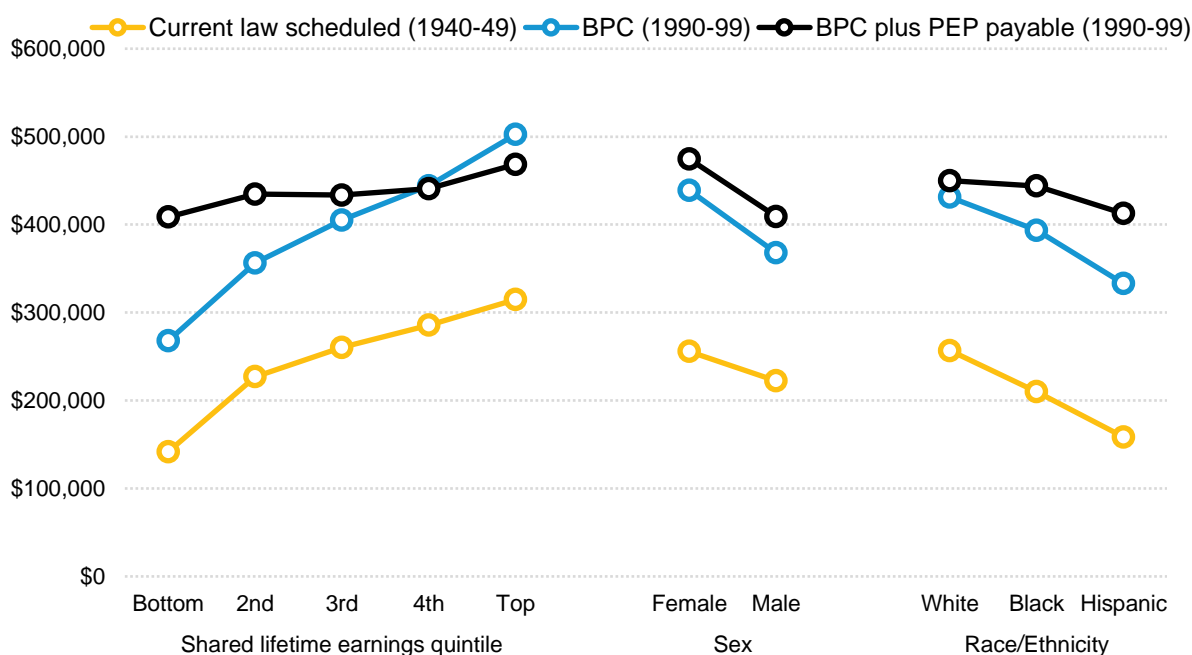
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Source: DYNASIM4 ID980.

Notes: Includes all adults born between 1940 and 1949 and between 1990 and 1999 who survive to age 65. Restricting the sample to people who survive to age 65 helps to illustrate the effects for typical retirees but understates the effects of different mortality rates by income on expected benefits. Couples divide earnings and benefits evenly in years in which they are married. The present value is calculated at age 65 using a 2.6 percent real discount rate in 2018 price-adjusted dollars. The PEP plan includes all six poverty-eliminating provisions described in table 2.

Our purpose in this brief has been to show how a proposal could both eliminate poverty and target Social Security's redistributive efforts—efforts always designed at some level to help those most in need—more efficiently. A more direct way to achieve this objective in any future reform effort would be to address the needs of the poor and near-poor first in Social Security provisions and seek the most efficient and fairest way of achieving that goal. In our case, we came in at the end, leaving in place several less-efficient means of redistribution within current law and various proposals and thereby overstating the required cost of such an effort. By tackling poverty first, the debate for how much higher-income individuals will pay through higher taxes or through lesser growth in lifetime benefits can come later. Many efforts, as noted, reverse the timing of decisionmaking and then find out accidentally that their approaches do little for older people most in need despite adding hundreds of thousands of dollars of higher real benefits over time to almost all groups.

Still, many amendments could be made to the process we outline here, depending on how much cost increase or saving is sought for dealing with poverty and near-poverty needs. We use the BPC plan as a base for comparison not because we believe it has dealt sufficiently with many issues of efficiency and equity but simply to show that poverty alleviation can be added to almost any plan while it still attains its basic goals.

Many other options exist to adjust the type of plan outlined in this brief, only some of which we list here:

On the tax side, the tax base (both the maximum earnings subject to tax and the exclusions for employer-provided benefits) and tax rates could be further adjusted in many ways. As noted, a package might well pay for SSI enhancements out of general revenues. Other general revenue increases may also be sought, and shortfalls in Social Security financing may also require some short-term borrowing from general revenues, especially when many Social Security changes must be phased in over time. The general revenue issue takes us well beyond the subject of this study, because allocation of general revenues, or any increase in use of a general revenue source, also requires consideration of whether those revenues would be better spent on non–Social Security programs and whether this implicitly or explicitly adds to long-term deficits.

On the benefit side of the ledger, we list here only options highly correlated with our general topic—targeting benefits to those with the greatest needs:

- Basing the wage-indexed minimum benefit on the poverty level in a year later than 2018 (for cost savings) or earlier than 2018 (to provide more near-poverty relief).

- Increasing the age at which minimum benefits are first made available to a full retirement age that is indexed over time, or to some older age when health is more likely to have declined and more people are likely incapable of work; increasing the retirement age simultaneously increases revenues to Social Security as people work longer and delay claiming at any given tax rate.

- Adjusting downward some of the rates at which benefits are provided in the benefit formula (e.g., dropping the 90 percent first rate to 80 percent), because the minimum benefit already provides substantial redistribution in the bottom two quintiles of the income distribution.

- Adjusting downward the spousal and survivor benefits that are currently available to higher-income households while requiring worker benefits to be shared with spouses in the same way as in private pension systems; simultaneously, one can add to the earnings base for determining benefits some dollars of credit for child care, effectively providing higher benefits above the minimum level demonstrated here and dealing further with the poor targeting of that part of the benefit structure.

Conclusions

By 2020, Social Security had been paying benefits for 80 years, with total payments far exceeding what would be required to provide a poverty-level income for all elderly persons and those receiving Social Security Disability Insurance benefits. Despite a growing economy and ever-higher average lifetime benefits, our systems of care for older adults have not fully dealt with poverty among people with disabilities and those in old age. In fact, relative poverty rates will likely rise in the future under many proposals. Here we demonstrate how poverty elimination can be added to almost any proposal while allowing real lifetime benefits to increase substantially at all income levels for future generations of retirees relative to current retirees.

Notes

[1] More information about DYNASIM4, including documentation, reports, and interactive validation tools, is available at https://www.urban.org/policy-centers/cross-center-initiatives/program-retirement-policy/projects/dynasim-projecting-older-americans-future-well-being. Smith and colleagues (2018) provide DYNASIM validation analysis.

[2] "Poverty Thresholds," US Census Bureau, last revised August 21, 2020, https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html.

[3] "National Average Wage Index," Social Security Administration, accessed January 12, 2021, https://www.ssa.gov/oact/cola/AWI.html.

[4] "Prior HHS Poverty Guidelines and Federal Register References," US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, accessed January 12, 2021, https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[5] "History of Poverty Thresholds," US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, January 1, 1997, https://aspe.hhs.gov/history-poverty-thresholds.

[6] This complicated issue is explained by Steuerle and Bakija (1994). Most benefits were windfalls, and though the benefit to tax ratio might have been lower for upper-income households, the absolute difference between benefits and taxes was higher for them, as well. This distinction continued for several decades, not just for the first cohort of beneficiaries.

[7] Gene Steuerle, "Recent Social Security Reform Doesn't Fix Unfair Spousal Benefits," Committee for a Responsible Federal Budget blog, November 10, 2015, http://www.crfb.org/blogs/gene-steuerle-recent-social-security-reform-doesn%E2%80%99t-fix-unfair-spousal-benefits.

[8] "Table V.B.1—Principal Economic Assumptions, Calendar Years 1960–2093," Social Security Administration, accessed January 12, 2021, https://www.ssa.gov/OACT/TR/2019/lr5b1.html.

[9] The Social Security trustees project a 75-year actuarial balance as of January, 2019 of 2.78 percent of taxable payroll (Board of Trustees 2019). DYNASIM projects slightly more revenue from taxation of Social Security benefits, generating a slightly smaller 75-year actuarial balance (2.59 percent of taxable payroll) than the Social Security trustees project.

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