

Impact of Chained-CPI COLA Cut on Seniors

Adoption of Chained-CPI for Social Security Would Harm Current Retirees Deepest Impact on Oldest, Most Vulnerable Beneficiaries

In response to a request from Social Security Subcommittee Ranking Member Xavier Becerra, Social Security's Chief Actuary analyzed the effect of proposals that would reduce Social Security's annual Cost of Living Adjustment (COLA) using the C-CPI-U (usually called the "chained CPI.") [The Actuary's analysis](#) shows that:

- **Adopting the chained CPI cuts benefits for current Social Security beneficiaries**, rather than protecting those at or near retirement from the effects of changes. According to the Chief Actuary:
"[Adopting the chained CPI] would affect all individuals eligible for any OASDI benefit for December 2012 or later, regardless of their age or how long they may have received benefits prior to that date."
- **A chained CPI benefit cut would grow larger as Social Security recipients aged.** The cut compounds over time. As a result, the Chief Actuary estimates that the COLA cut would reduce annual benefits for a typical 65-year-old by about \$130 a year (0.9 percent), but the size of the benefit cut grows every year, so by the time that senior is 95, the annual benefit cut will be almost \$1,400 (9.2 percent). [Chart](#)
- **The seniors who rely the most on Social Security to pay for basic necessities would receive the biggest benefit cuts from the chained CPI.** The Chief Actuary's analysis shows that the chained CPI COLA cut has a disproportionately large impact on the oldest beneficiaries, who have often outlived their non-Social Security sources of income.
 - According to the Congressional Research Service, people over 75 spend two-thirds of their total income on food, housing, and health care (as compared to seniors between 65 and 75, who spend 58 percent of their income on basic necessities.) [Chart](#)
 - The majority of seniors of all ages get most of their income from Social Security. However, reliance on Social Security also increases significantly with age. [According to the Social Security Administration](#), 74 percent of beneficiaries over age 80 rely on Social Security for more than half their income. For more than 40 percent of beneficiaries over age 80, Social Security is essentially their only income. [Chart](#)

- **A chained CPI COLA is an even bigger benefit cut compared to what seniors would receive if benefits were indexed to the most accurate measure of seniors' inflation (CPI-E).** The Chief Actuary's analysis shows that if we adopt the chained CPI COLA cut, by the time a senior reaches 95, that person's Social Security benefits will be nearly 15 percent lower (more than \$2,200 a year for someone middle-income while working) than they would be if benefits had been fully protected against inflation (indexed to the CPI-E). [Chart](#)