

Social Security Basics

Prepared by the Democratic Staff of the Committee on Ways and Means
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54 Million People Depend on Social Security

- 34.6 million retired workers
- 8.2 million disabled workers
- 4.3 million children
- 6.9 million widows/widowers or spouses of retired or disabled workers
- 1 in 4 households receive income from Social Security

Social Security Benefits are Earned

- Employers and employees pay payroll (FICA) taxes of 6.2% each on all wages up to \$106,800
 - To be eligible for individual and family benefits, workers must work a specified number of quarters at a minimum income
 - Although structure is progressive, benefit amounts are based on earnings while working
 - 157.8 million workers (93% of all workers) pay in to Social Security
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Social Security Benefits Are Modest Yet Vital

- Average Social Security retirement benefit: \$14,000 per year
- Median income of senior households: \$25,000 per year
- 6 in 10 seniors rely on Social Security for the majority of their income
- 1 in 3 beneficiaries depend on Social Security for 90 percent or more of their income
- Only 7 percent of seniors have total incomes above \$100,000 (Social Security plus all other income) Chart

Social Security Financing

- Social Security's trust fund has three sources of income:

Payroll (FICA) taxes from employers and employees (82% of TF income in 2010)

Income taxes on Social Security income for higher-income beneficiaries (3% of TF income in 2010)

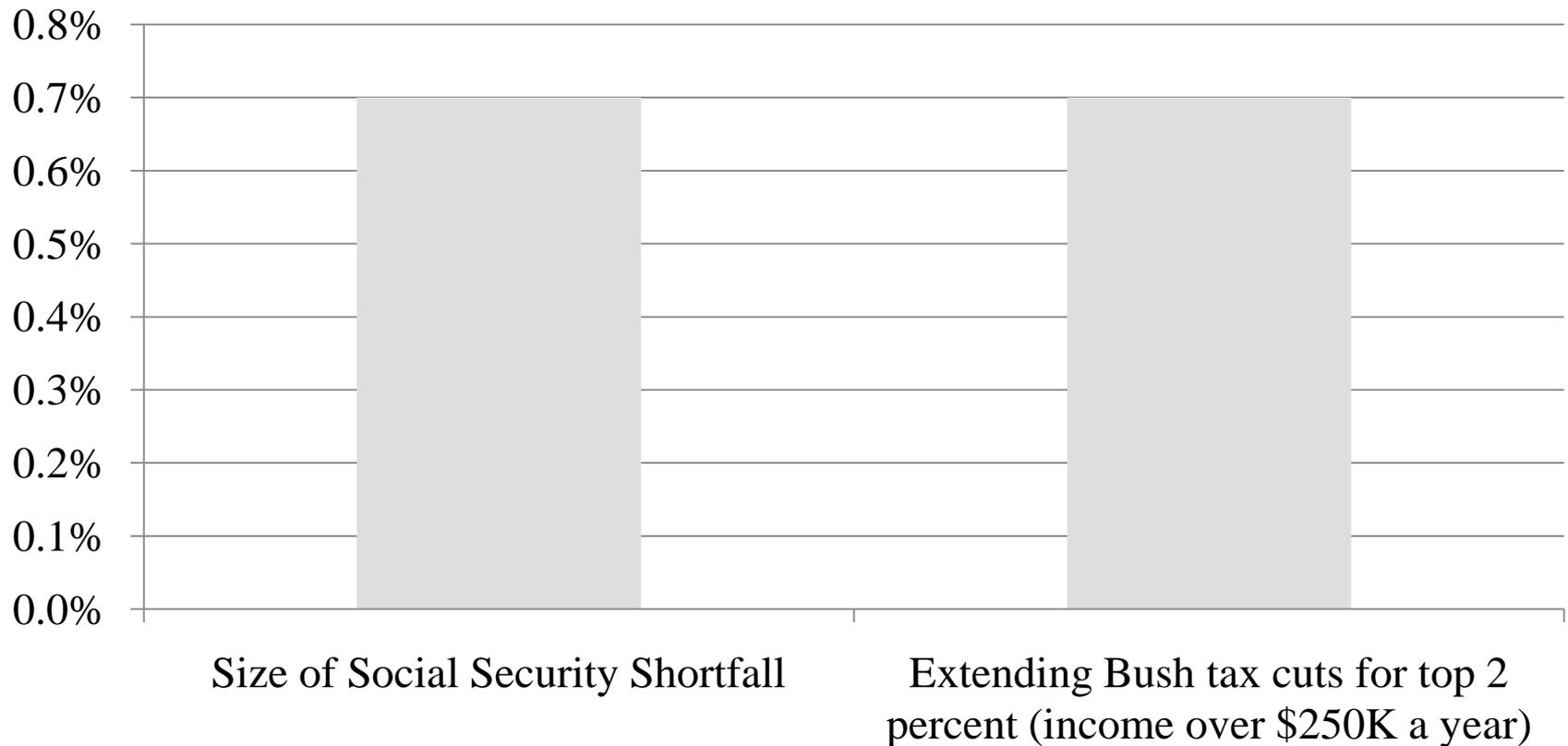
Interest earnings on Treasury bonds in the trust fund (15% of TF income in 2010)

- Social Security currently has over \$2.6 trillion in U.S. Treasury bonds in its trust fund
- Social Security is fully solvent until 2036. After 2036, Social Security could pay three-quarters of scheduled benefits out of current income Chart

Is Social Security Affordable?

Cost of Upper-Income Tax Cuts Same as Shortfall Size

Cost over the Next 75 Years (as % of GDP)



Source: 2011 Social Security Trustees Report and Center on Budget and Policy Priorities