

Social Security Works for North Carolina

Debate rages in Washington about how to reduce our nation's growing federal deficit, and pundits and politicians alike propose cutting Social Security.

It doesn't seem to matter that Social Security has not caused the federal deficit, and the program has a \$2.5 trillion surplus today, which is projected to grow to \$4.2 trillion by 2025.¹ Nor does it seem to matter that the housing equity and retirement savings of many Americans collapsed during the nation's Great Recession. Cutting Social Security's protections – especially for middle-aged and young workers – will undermine Social Security as a financial foundation, and often a financial lifeline.

Social Security is paid for through dedicated taxes contributed by workers and their employers. That is why Social Security is a promise, a bond between generations that belongs to the people who have worked hard all their lives and to their families.

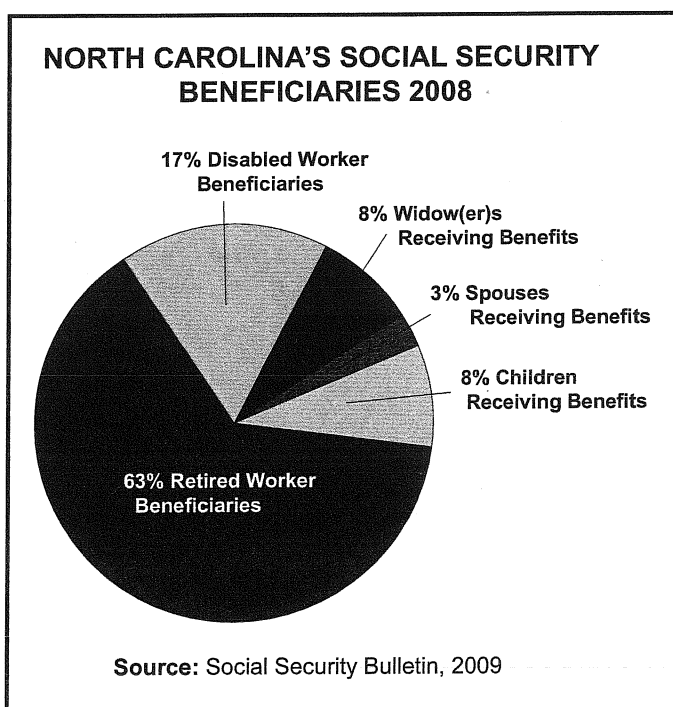
Social Security is family insurance protection against lost wages due to old age, disability, or death. The importance of Social Security's earned protections cannot be overstated:

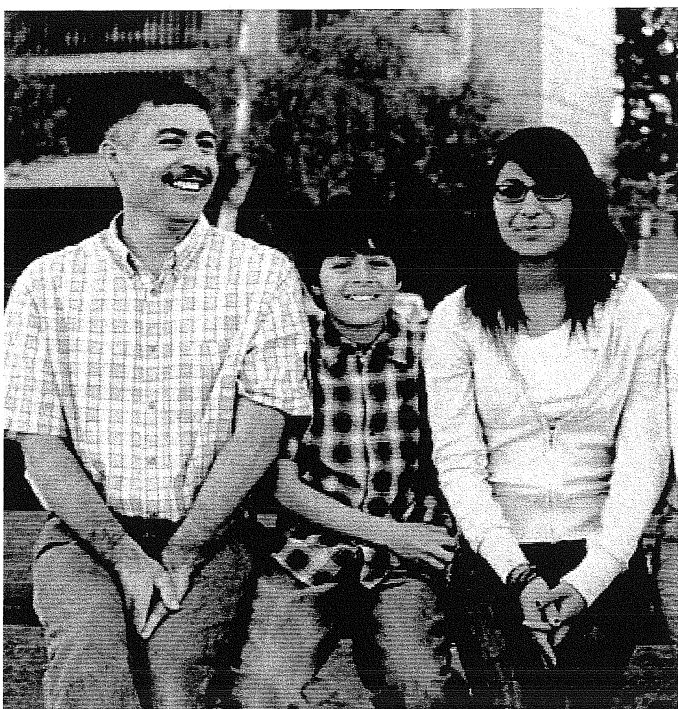
- 53 million beneficiaries – around one in four households—receive Social Security.²
- 1 out of 3 Social Security beneficiaries is not a senior citizen.³
- Almost two out of three seniors rely on Social Security for half or more of their income.⁴
- The average Social Security benefit is less than \$13,000 a year (\$14,000 for retirees).⁵
- Social Security is the nation's largest disability

program, without which more than half of disabled workers would have incomes below the poverty line.⁶

- Nearly 9 percent of all U.S. children – about 6.5 million – receive Social Security or live in households where all or part of the income of the household comes from Social Security.⁷ Consequently, Social Security is the nation's largest and, despite its modest benefits, most generous children's program.

Clearly Social Security works for the nation and for the residents of every state and congressional district too. Social Security's average benefit is very modest, which is why America cannot afford to cut it. Instead, Congress should work hard to strengthen Social Security.





Social Security Works for North Carolina's Economy

- Social Security provides benefits to nearly 1,631,300 people, more than 1 out of 6 residents (17.7 percent).⁸
- North Carolina residents receive Social Security benefits totaling over \$20.5 billion per year, an amount equivalent to 5 percent of the state's annual GDP (the total value of all goods and services produced).⁹

Social Security Works for North Carolina's Retired Workers

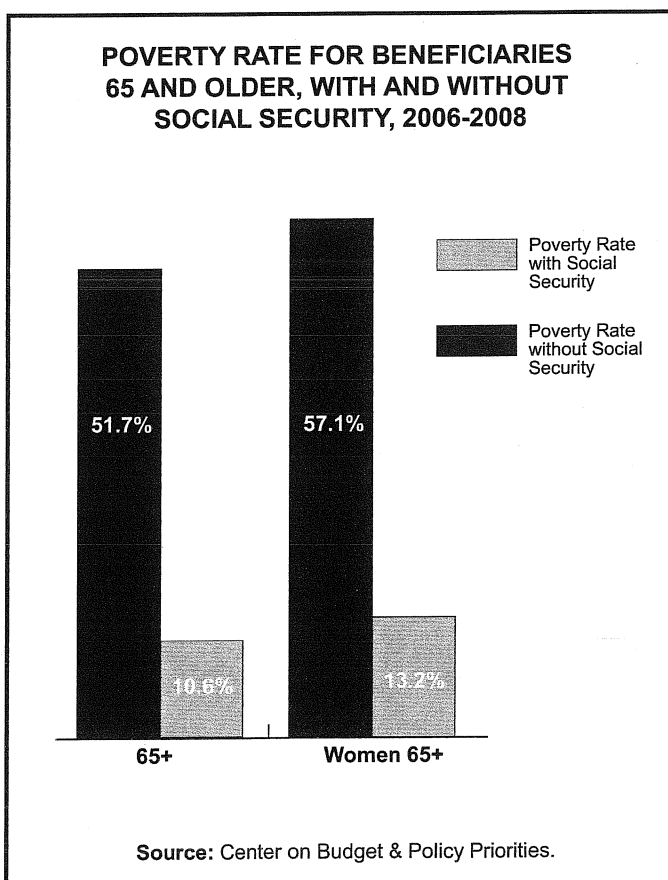
- Social Security provides benefits to about 1,031,800 retired workers, more than 1 out of 10 residents (11.2 percent) and 6 out of 10 beneficiaries (63.3 percent).¹⁰
- The median benefit received by a retired worker in North Carolina is about \$13,500 annually.¹¹
- Social Security lifts out of poverty 461,000 North Carolina residents aged 65 and older. Without Social Security, more than half (51.7 percent) of those residents would have income below the poverty line.¹²

Social Security Works for North Carolina Women

- Social Security provides benefits to about 856,900 residents, more than 1 out of every 6 women (18.2 percent).¹³
- Social Security provides benefits to nearly 54,600 spouses, most of whom are women.¹⁴
- Women make up 58.2 percent of beneficiaries aged 65 and older in North Carolina.¹⁵
- Without Social Security, nearly 6 out of 10 (57.1 percent) North Carolina women aged 65 and older would have income below the poverty line.¹⁶

Social Security Works for North Carolina Workers with Disabilities¹⁷

- Social Security provides disability benefits for nearly 281,500 workers, more than 1 out of 6 (17.3 percent) of all beneficiaries.¹⁸
- The median benefit received by a disabled worker in North Carolina is about \$11,900 annually.¹⁹



Social Security Works for North Carolina Widow(er)s

- Social Security provides survivors' benefits to nearly 127,300 North Carolina widow(er)s, 7.8 percent of all beneficiaries.²⁰
- The median benefit received by a widow(er) in North Carolina is about \$12,800 annually.²¹

Social Security Works for People of Color in North Carolina

- In North Carolina, nearly 1 out of 6 (15.8 percent) African American residents, and more than 1 out of 4 (27.8 percent) residents who are described as "some other race," receive Social Security benefits, or 308,000 and 96,000 people, respectively.²²
- Nationwide, Social Security provides nearly three-quarters (72.4 percent) of the income of African American elderly households, on average. Social Security is 100 percent of the total income for 4 out of 10 (39.5 percent) African American households with beneficiaries aged 65 and older, on average. Social Security provides three-quarters (75.4 percent) of the total income of Hispanic elderly households, on average. Social Security is 100 percent of the income for more than 4 out of 10 (44.2 percent) Hispanic households with beneficiaries aged 65 and older, on average.²³
- Nationwide, 3 out of 10 (30.1 percent) of all nonwhite beneficiaries, including African Americans and residents who are described as "some other race," receive disability benefits; for white beneficiaries it was about half of that number (15.2 percent).²⁴

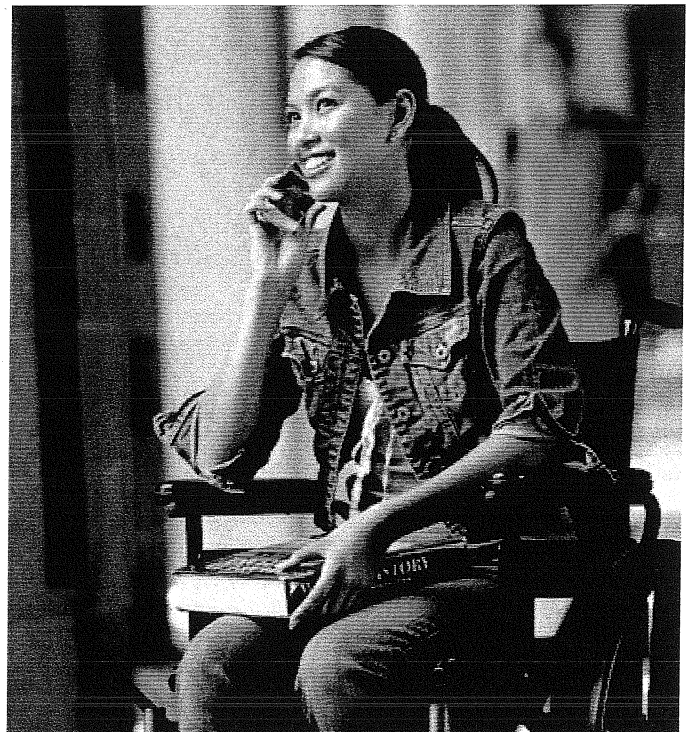
Social Security Works for North Carolina Children²⁵

- Social Security is the major life and disability insurance protection for more than 95 percent of North Carolina's 2,240,131 children.²⁶
- Social Security provides benefits to more than 136,100 children, 8.3 percent of all beneficiaries.²⁷
- Social Security is the most important source of

income for the more than 288,800 children living in North Carolina's grandfamilies, which are households headed by a grandparent or other relative.²⁸

Social Security Works for North Carolina's Working Families

- Through their hard work and payroll tax contributions, nearly all North Carolina workers earn Social Security's retirement, disability and survivorship protections for themselves and their families.
- Social Security is the most valuable disability and life insurance protection for most North Carolina workers. Nationwide, an estimated 3 out of 10 working-aged men and 1 out of 4 working-aged women will become severely disabled before reaching retirement age. An estimated 1 out of 11 working-aged men and 1 out of 17 working-aged women will die before reaching retirement age.²⁹
- A 30-year-old worker who earns about \$30,000 and who has a spouse and two young children, receives Social Security insurance protection equivalent to private disability and life insurance policies worth \$465,000 and \$476,000, respectively.³⁰



STRENGTHEN SOCIAL SECURITY

...don't cut it.

Raising the Social Security Retirement Age: A Big Benefit Cut that Harms Everyone, Especially Low-Income and Minority Workers

- **Raising the retirement age is a big benefit cut when benefits are already low.** Raising Social Security's full retirement age from 67 to 69 is a 13% cut in benefits, no matter what age an eligible worker retires.ⁱ This is on top of a 13% benefit cut that occurred when the retirement age was increased from age 65 to 67 for people born after 1960.ⁱⁱ Benefits are already too low – the average retiree receives less than \$14,000 a year from Social Security, which is less than full-time minimum wage work.ⁱⁱⁱ
- **Many older workers cannot find work or cannot work until age 67, let alone to age 69.** In 2009, nearly three-quarters of new retirees—2 million out of 2.7 million Americans—claimed retired worker benefits early, resulting in a permanent benefit reduction of as much as 25%.^{iv} Many retire early because they have no other options. They may have been laid-off and are unlikely to get re-employed; they have health and physical challenges; and they face age discrimination, often because older workers cost employers more. Many older workers have little likelihood of getting back into the workforce whether the retirement age is 67 or 69, but they should not be penalized for their lack of options.
- **Raising the retirement age greatly disadvantages lower-wage workers, who, on average, have seen little or no increase in life expectancy.** Over the past quarter century, life expectancy among men in the lower half of the income distribution has increased by only one year (as the retirement age increased by one year), while the life expectancy of upper-income men *increased* by 5 years. Among lower-income women, life expectancy has actually *declined*.^v
- **Raising the retirement age penalizes workers in physically demanding jobs, among which minority workers are disproportionately represented.** Some 8.5 million older workers—nearly half of those aged 58 and older—work in jobs that are either physically demanding or have difficult working conditions. They are disproportionately African American, Latino and low-income workers: 62.4% of Latino male and 53.2% of black male older workers are in physically demanding or difficult jobs, compared with 42.6% of their white male counterparts.^{vi}
- **Raising the retirement age will increase elderly unemployment.** Because of age discrimination, older workers have a much harder time finding new work after being laid off. Indeed, half of all workers age 55 or older who lose their jobs end up retiring.^{vii} During

the current recession, the frequency of age discrimination has increased. The U.S. Equal Employment Opportunity Commission reported that there was a nearly 30% increase in age discrimination charges from 2007 to 2008.^{viii}

- **Raising the retirement age will create even longer delays with the disability claims process.** The average wait-time for a Social Security disability claims hearing was 491 days in 2009.^{ix} Faced with a large benefit cut for retiring early if the retirement age increases, more workers will apply for Disability Insurance benefits, according to an analysis by the Government Accountability Office.^x More disability claims will likely increase the already unacceptable wait-time for a disability hearing.
- **Raising the retirement age will reduce the economic security of millions of elderly spouses, divorced spouses, and widow(er)s, most of whom are women.** If the retirement age is increased, retired workers will receive lower benefits than they would under current law, whether they claim benefits at age 62, age 70, or any age in between. These lower benefits reduce the benefits of spouses and divorced spouses, and may translate into lower benefits for widow(er)s.^{xi}

ⁱ Social Security Administration (SSA), "Effect of Early or Delayed Retirement on Retirement Benefits," 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

ⁱⁱ Social Security's full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at age 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at <http://www.ssa.gov/retire2/agereduction.htm>

ⁱⁱⁱ SSA, "Table 5.A1.1—Number and average monthly benefit for retired workers, by sex, age, and race, December 2009," in *Annual Statistical Supplement, 2010* [herein *Ann. Stat. Supp.*], August 2010. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5a.html>

^{iv} SSA, "Table 6.B3—Number and percentage distribution with and without reduction for early retirement, by sex and monthly benefit, 2009," in *Ann. Stat. Supp.*, August 2010. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/6b.html#table6.b3>

^v Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, "Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect," Economic Policy Institute, August 6, 2010, p. 8. Available at http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

^{vi} Hye Jin Rho, "Hard Work? Patterns in Physically Demanding Labor Among Older Workers," Center for Economic and Policy Research, July 2010, p. 1. Available at <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>

^{vii} Government Accountability Office (GAO), "Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls," November 2010, p. 25. Available at <http://www.gao.gov/new.items/d11125.pdf>

^{viii} *Washington Post*, "Age Discrimination Claims Jump, Worrying EEOC, Worker Advocates," July 2009. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/15/AR2009071503760.html>

^{ix} SSA, "Annual Performance Plan for FY 2012 and Revised Final Performance Plan for FY 2011," February 2011, p. 18. Available at <http://www.socialsecurity.gov/budget/2012APP.pdf>

^x GAO, *Ibid.*, p. 27. Available at <http://www.gao.gov/new.items/d11125.pdf>

^{xi} For more information, see Amy N. Stuart; David A. Weaver, and Kevin Whitman, "Widowed Before Retirement: Social Security Benefit Claiming Strategies," *The Journal of Financial Planning*. Available at <http://www.fpanet.org/journal/CurrentIssue/TableofContents/WidowedBeforeRetirement/>

STRENGTHEN SOCIAL SECURITY

...don't cut it.

House Republican Budget Ends Medicare As We Know It and Slashes Medicaid

At press time, the House Republican Budget was expected to be approved largely on a party-line vote on April 15. If it becomes law, this is what it will do:

Republican Budget Ends Medicare as We Know it

- **Privatizes Medicare and turns care over to insurance companies.** Currently, Medicare pays for *all* medically necessary health care without limits. Under the Republican plan, current workers under 55 would be given a voucher worth a set amount of money to purchase a private insurance plan when they are eligible for Medicare. Traditional Medicare will end.
- **Drastically increases out-of-pocket payments.** The Republican plan would *not* be indexed for medical inflation. According to the Congressional Budget Office, by 2030 the Medicare vouchers would be about \$9,750 a year while annual medical costs would be about \$30,460, leaving seniors with an average \$20,700 to pay out-of-pocket.
- **Raises the Medicare eligibility age to 67, from 65.** To get health care, seniors aged 65 to 66 would have to get covered on the job, if they have one, pay for an expensive insurance plan on their own, or become impoverished to be eligible for Medicaid, if their state provides them with coverage.
- **Eliminates many Medicare benefits, repeals health reform.** The Republican plan repeals the Affordable Care Act; thus, all the benefits for seniors in the law will be terminated, such as requiring *no* co-payments for preventive services, free annual visits and closing the Medicare prescription drug doughnut hole.
- **Promotes rationing by private insurance companies.** With rising health care costs and limited funding, insurers will have every incentive and motive to deny care. Your doctors will have less control over your medical decisions.

Republican Plan Guts Medicaid by Slashing \$1.4 Trillion from the Program

- **Endangers long term care services for seniors and the disabled.** Medicaid pays about 62% of all long-term care spending. Seniors make up 57% of the individuals receiving nursing home coverage and home care under Medicaid. By cutting one-third of Medicaid's funding, it will be difficult for states to continue to adequately fund these benefits.
- **Jeopardizes eligibility under Medicaid.** The Republican plan converts Medicaid into a block grant paid to states by the federal government. This means states will receive a limited amount of money, and they will be hard pressed to provide the benefits they do today; most will likely restrict eligibility or increase cost sharing for individuals.
- **Jeopardizes low-income assistance for seniors.** Currently, Medicaid pays the monthly Medicare Part B premiums for low-income Medicare beneficiaries. Under a block grant proposal there is no guarantee this coverage will continue.

Fact sheet prepared by the Alliance for Retired Americans