

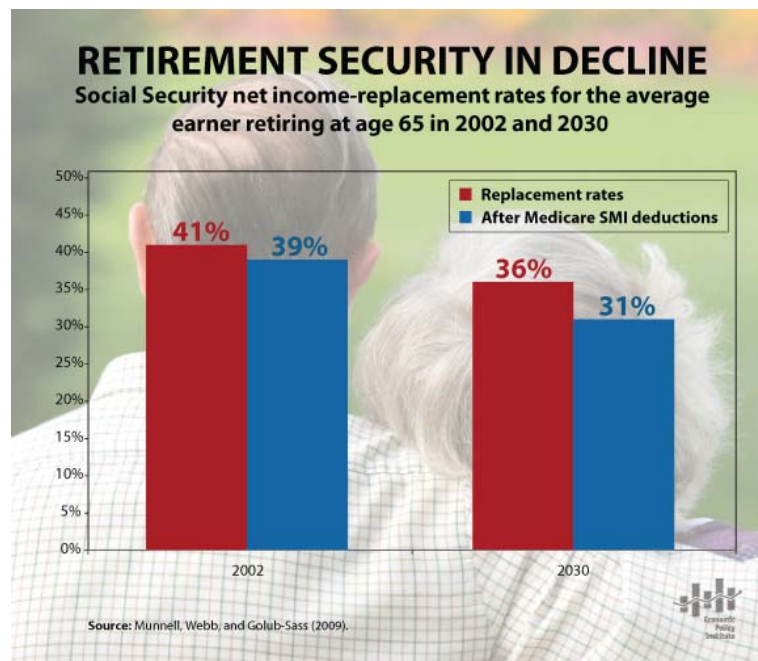


Social Security Replacing Smaller Portions of Workers' Income

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At a time when many policymakers are debating different ways to reduce Social Security benefits, it is worth pointing out that these benefits are already modest and the portion of workers' income that Social Security replaces is falling. In 2010, the average Social Security benefit was \$14,052, less than the minimum wage for a full-time worker.

The **chart** shows Social Security *income replacement rates* in 2002, compared with projected replacement rates in the year 2030. The income replacement rate, which was 41% in 2002, is projected to fall to 36% by 2030.



The reduced replacement rate results from Congressional action in 1983, which raised the normal retirement age in gradual steps, from 65 to 67, for workers born between 1938 and 1960. When the change is fully effective, for all workers born in 1960 or later, the average benefit at age 65 will be reduced by about 13%.

Moreover, even that low 36% replacement rate does not take into account other costs that will further reduce senior's net benefits. When Medicare Supplementary Medical Insurance (SMI) is factored in, the Social Security income replacement rate will fall to about 31% in 2030.