

# Top Ten Facts About Social Security

Social Security provides a foundation of income on which workers can build to plan for their retirement. It also provides valuable social insurance protection to workers who become disabled and to families whose breadwinner dies.

Eighty-eight years after President Franklin Roosevelt signed the Social Security Act on August 14, 1935, Social Security remains one of the nation's most successful, effective, and popular programs.

## **Fact #1: Social Security is more than just a retirement program. It also provides important life insurance and disability insurance protection.**

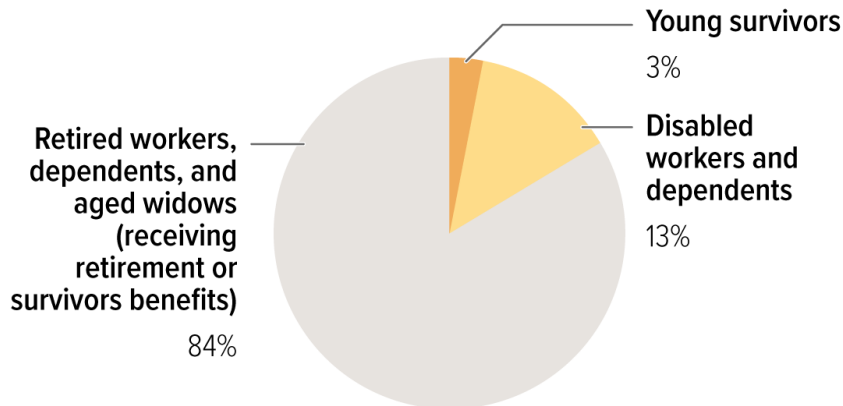
About 67 million people, or about 1 in every 5 U.S. residents, collected Social Security benefits in February 2024. While older adults make up about 4 in 5 beneficiaries, the other one-fifth of beneficiaries received Social Security Disability Insurance (SSDI) or were young survivors of deceased workers.

In addition to Social Security's retirement benefits, [workers](#) earn life insurance and SSDI protection by making Social Security payroll tax contributions:

- About [96 percent](#) of people aged 20-49 who worked in jobs covered by Social Security in 2023 earned life insurance protection through Social Security.
- For a young worker with average earnings, a spouse, and two children, that's equivalent to a life insurance policy with a face value of nearly \$948,000 in 2023, according to Social Security's actuaries.
- About [90 percent](#) of people aged 21-64 who worked in covered employment in 2023 were insured through Social Security in case of severe disability.

The risk of disability or premature death is [greater](#) than many people realize. Some 8 percent of recent entrants to the labor force will die before reaching the full retirement age, and many more will become disabled.

## One-Fifth of Social Security Beneficiaries Receive Disability or Young Survivors Benefits



Source: Social Security Administration, January 2024 data

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### Fact #2: Social Security provides a guaranteed, progressive benefit that keeps up with increases in the cost of living.

Social Security benefits are based on the earnings on which people pay Social Security payroll taxes. The higher their earnings, up to a maximum taxable amount (\$168,600 in 2024), the higher their benefit.

Social Security [benefits are progressive](#): they represent a higher proportion of a worker’s previous earnings for workers at lower earnings levels. For example, benefits for a low earner (with 45 percent of the average wage) retiring at age 65 in 2024 provide \$15,477 a year, replacing about half of their prior earnings. But benefits for a high earner (with 160 percent of the average wage) provide \$33,769, replacing about one third of prior earnings, though they are larger in dollar terms than those for the low-wage worker.

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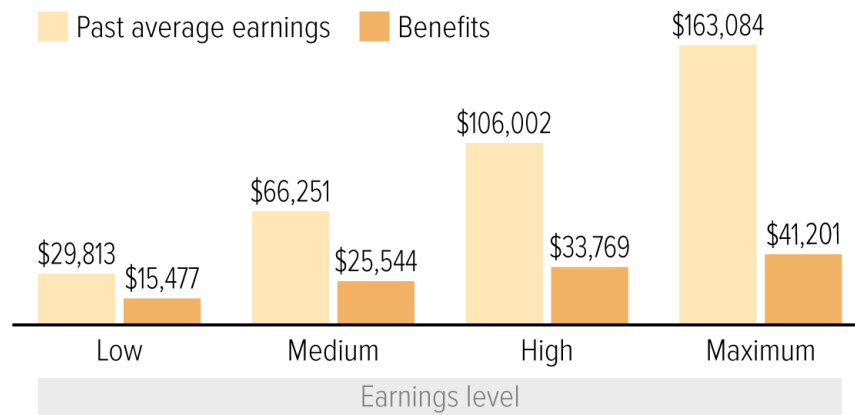
Many employers have shifted from offering traditional defined-benefit pension plans, which guarantee a certain benefit level upon retirement, toward defined-contribution plans such as 401(k)s, which pay a benefit based on a worker’s contributions and the rate of return they earn. Social Security, therefore, will be most workers’ only source of guaranteed retirement income that is not subject to investment risk or financial market fluctuations.

## Policy Basics – Top Ten Facts About Social Security

Once someone starts receiving Social Security, their benefits increase to keep pace with inflation, helping to ensure that people do not fall into poverty as they age. In contrast, most private pensions and annuities are not adjusted (or are only partly adjusted) for inflation.

### Social Security Benefits Are Progressive

Annual benefits and earnings for worker retiring at age 65 in 2024



Source: Social Security Administration, Actuarial Note 2024.9

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### Fact #3: Social Security provides a foundation of retirement protection for nearly all people in the U.S.

Almost all workers participate in Social Security by making payroll tax contributions, and almost all older adults receive Social Security benefits. In fact, 97 percent of older adults (aged 60 to 89) either receive Social Security or will receive it, according to [Social Security Administration estimates](#).

The near universality of Social Security brings many important advantages. It provides a foundation of retirement protection for people at all earnings levels. It rewards personal saving and private pensions because it isn't means-tested — it doesn't reduce or deny benefits to people whose income or assets exceed a certain level. Social Security provides a [higher annual payout](#) than private retirement annuities per dollar contributed because its risk pool is not limited to those who expect to live a long time, no funds leak out in lump-sum payments or bequests, and its administrative costs are much lower.

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## Policy Basics – Top Ten Facts About Social Security

Universal participation and the absence of means-testing make Social Security very efficient to administer. [Administrative costs](#) amount to only 0.5 percent of annual benefits, far below the percentages for private retirement annuities. Means-testing Social Security would impose significant reporting and processing burdens on both recipients and administrators, [undercutting](#) many of those advantages while yielding [little savings](#).

Finally, Social Security’s nearly universal nature ensures its continued popular and political support; [79 percent](#) of Americans oppose cuts to the program.

### **Fact #4: Social Security benefits are modest.**

Social Security benefits are much more modest than many people realize; the [average Social Security retirement benefit](#) in February 2024 was about \$1,862 per month, or about \$22,344 per year. (The average disabled worker and aged widow each received less.) For someone with average earnings who retires in 2024 at age 65, Social Security benefits replace about [39 percent of past earnings](#). Social Security’s “replacement rate” fell as the program’s full retirement age gradually rose from 65 in 2000 to 67 in 2022.

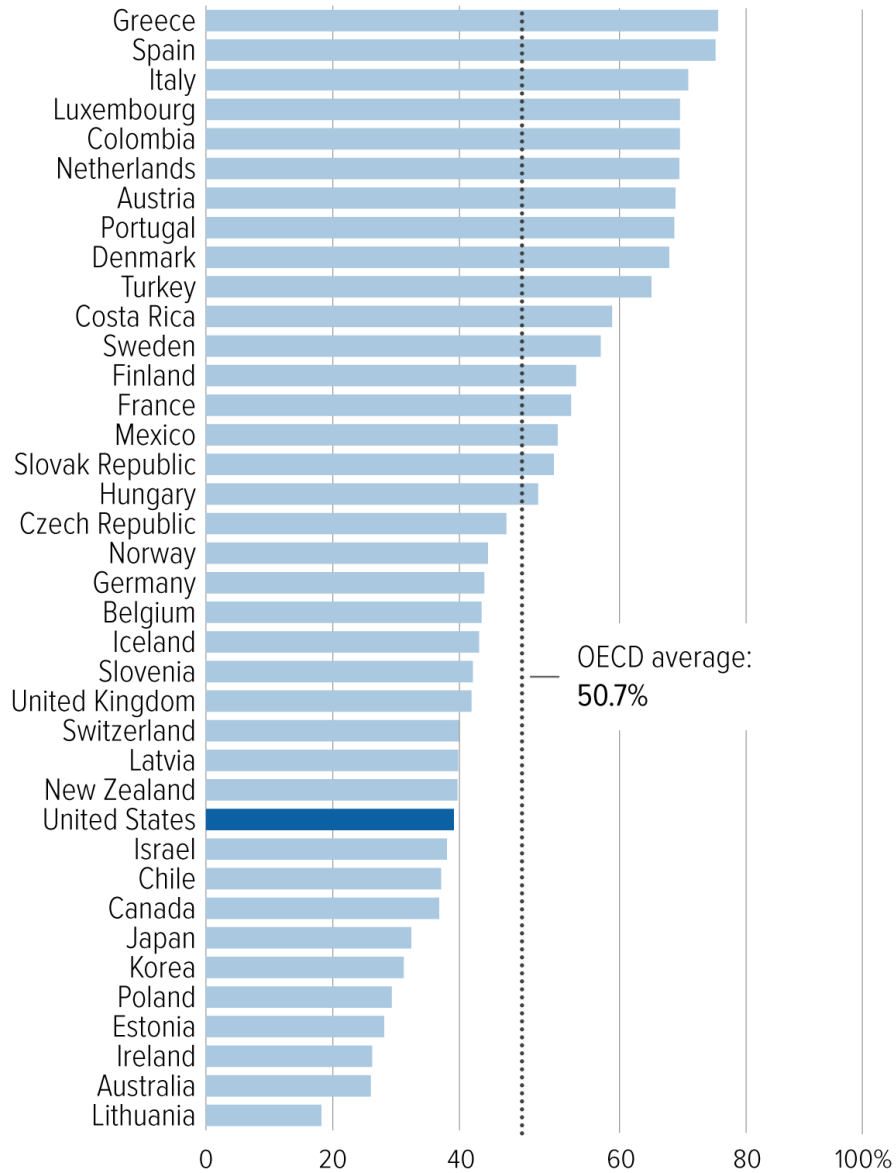
Most retirees enroll in Medicare’s Supplementary Medical Insurance (also known as Medicare Part B) and have Part B premiums deducted from their Social Security checks. As health care costs continue to outpace general inflation, those premiums will take a bigger bite out of their checks.

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Social Security benefits are also modest by international standards. The U.S. ranks in the bottom third of developed countries in the percentage of an average worker’s earnings replaced by the public pension system.

## U.S. Social Security Benefits Are Lower Than in Many Other Peer Nations

Social Security benefits for average worker as a percentage of earnings



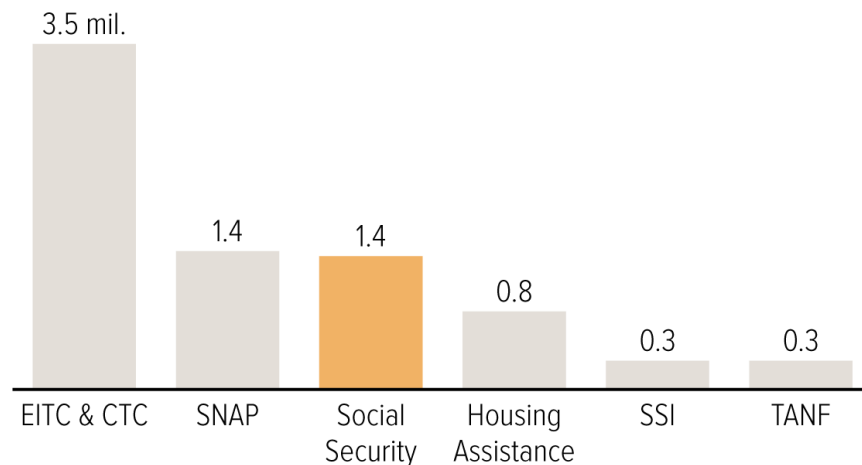
Note: Data depict the gross public pension benefit (in the U.S. context, Social Security) for an average worker in each country who enters the workforce today and works steadily until full pension age (in the United States, age 67), as a percent of pre-tax earnings.

Source: Organisation for Economic Co-operation and Development, Pensions at a Glance 2023

## Fact #5: Children have an important stake in Social Security.

### Social Security Lifts 1.4 Million Children Above the Poverty Line

Number of children lifted out of poverty by selected programs in 2022, in millions



Note: Figures use the federal government's Supplemental Poverty Measure (SPM) and do not correct for the underreporting of benefits. Numbers include benefits paid to children and to their family members. In the first bar, the refundable portion of the Child Tax Credit is included. EITC = Earned Income Tax Credit, CTC = Child Tax Credit, SSI = Supplemental Security Income, TANF = Temporary Assistance for Needy Families

Source: U.S. Census Bureau, Poverty in the United States: 2022, Table B-8

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Social Security is important for children and their families as well as for older adults. Over 5.7 million children under age 18 lived in families who received income from Social Security in 2022. That number included [more than 2.6 million](#) who received their benefits as dependents of retired, disabled, or deceased workers, as well as others who lived with parents or relatives who received Social Security benefits.

Social Security lifted [1.4 million children](#) above the poverty line in 2022, as the chart shows. (The figures in the chart use the comprehensive Supplemental Poverty Measure to show the full effect of non-cash benefits. These published Census Bureau figures do not correct for underreporting. By the more conventional, cash-only official poverty measure, Social Security lifted [900,000 children](#) above the poverty line in 2022.)

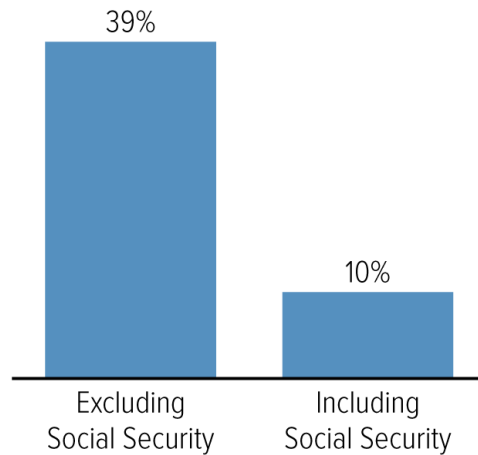
## Fact #6: Social Security lifts millions of older adults above the poverty line.

Without Social Security benefits, nearly 4 in 10 adults aged 65 and older would have incomes below the official poverty line, all else being equal, according to our [estimates](#) based on the U.S. Census Bureau’s March 2023 Current Population Survey. Social Security benefits lift more than 16.5 million older adults above the official poverty line, these estimates show.

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### Social Security Dramatically Cuts Poverty Among Older Adults

Percentage of adults aged 65 or older in poverty, 2022



Note: This analysis uses the official poverty measure.

Source: CBPP analysis of data from the Census Bureau’s March 2023 Current Population Survey

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An important [study](#) on retirement income from the Census Bureau suggests that official Census estimates may overstate older people's reliance on Social Security. Using 2012 administrative and survey data, the study found that 3 in 10 older adults would have been poor without Social Security, and that the program lifted more than 10 million older adults above the poverty line — both lower than the official Census estimates for that year, but significant nonetheless.

No matter how it is measured, it’s clear that Social Security lifts millions of older adults above the poverty line and dramatically reduces their poverty rate.

## **Fact #7: Social Security is the biggest source of retirement income for most retirees.**

Social Security is the largest source of income for most beneficiaries. For 4 in 10 retirees in 2015, it provided at least 50 percent of their income, and for 1 in 7 it provided at least 90 percent of income, according to Social Security Administration (SSA) [research](#) that combines survey and administrative data.

Most retirees have [modest incomes](#). Most low-income older Americans have very little pension income, if any, according to the Census Bureau. Among retiree households in the bottom third of the income distribution, most received no pension income. About 1 in 6 of seniors' households lived on less than \$20,000 in 2015, and about half lived on \$50,000 or less, according to the SSA study.

## **Fact #8: Social Security is particularly important for people of color.**

Social Security is a particularly important source of income for groups with low earnings and less opportunity to save and earn pensions, including Black and Latino workers and their families, who face higher poverty rates during their working lives and in old age. The poverty rate among Black and Latino older adults is [about twice as high](#) as for older white adults. There is a significant racial retirement wealth gap, leading older adults of color to face more retirement insecurity than their white counterparts. Black and Latino workers are less likely to be offered workplace retirement plans and more likely to work in low-paid jobs with little margin for savings. Social Security helps reduce these inequities between older white adults and older adults of color.

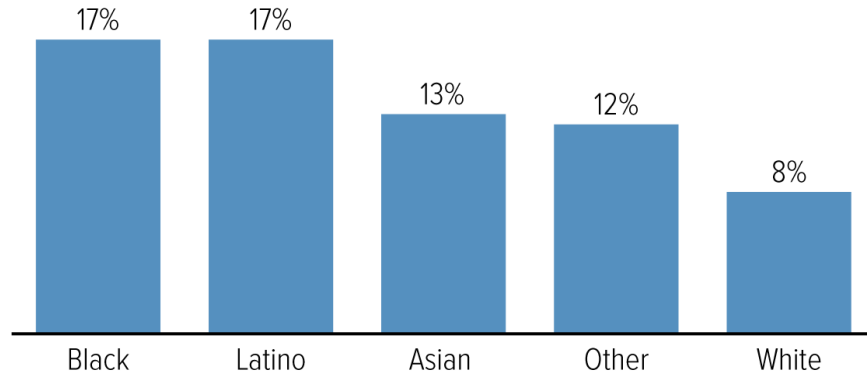
Social Security's importance to families of color goes beyond retirement. Black and Latino workers benefit substantially from Social Security because they have higher disability rates and lower lifetime earnings than white workers, on average, and Black workers have higher rates of premature death. Persistent racial inequities in health care access and quality – and in access to food, affordable housing, high-quality schools, and economic opportunity – mean Black workers are likelier to become disabled or die before reaching retirement. Latino workers are also more likely to become disabled than white workers and have longer average life expectancies than white workers, which means they have more years to collect retirement benefits.



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## Older People of Color Face Higher Poverty Rates

Poverty rate for those aged 65+, by race/ethnicity, 2022



Note: Latino may be of any race, and other races/ethnicities refer to those groups alone and not Latino. “Other” includes individuals who identify as American Indian, Alaska Native, Native Hawaiian, other Pacific Islander, and/or multi-racial (not Latino).

Source: CBPP analysis of Official Poverty Measure data from the Current Population Survey for March 2023

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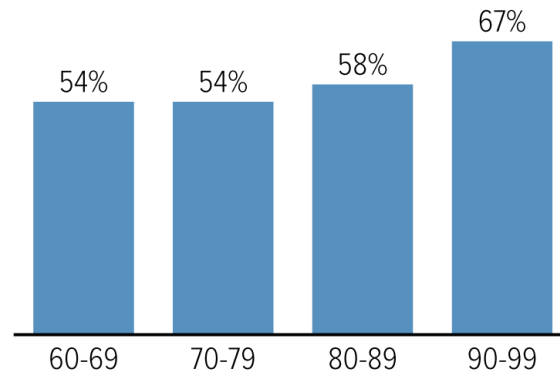
## Fact #9: Social Security is especially beneficial for women.

Social Security is [especially important for women](#), who tend to earn less than men, take more time out of the paid workforce, live longer, accumulate less savings, and receive smaller pensions. Women represent [more than half](#) of Social Security beneficiaries in their 60s and 7 in 10 beneficiaries in their 90s. In addition, women make up [95 percent](#) of Social Security survivor beneficiaries.

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### Older Women Make Up an Increasing Share of Beneficiaries

Percent of female Social Security beneficiaries, by age group



Source: Social Security Administration, Annual Statistical Supplement 2023. Data are for December 2022

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Women benefit disproportionately from the program’s inflation-protected benefits (because they tend to live longer than men), its progressive formula for computing benefits (because they tend to have lower earnings), and its benefits for spouses and survivors.

### Fact #10: Relatively modest changes would place Social Security on sound financial footing.

From the mid-1980s through 2020, Social Security collected more in taxes and other income each year than it pays out in benefits. It has amassed combined [trust funds](#) of about \$2.8 trillion, and the excess income is invested in interest-bearing Treasury securities. But Social Security’s costs will grow in the coming years as more baby boomers retire.

The trustees estimate that if policymakers took no further action, Social Security’s combined Old-Age and Survivors Insurance (OASI) and Disability Insurance trust funds would be exhausted in 2035. After the trust fund reserves are depleted, even if policymakers took no further action, Social Security could still initially pay about [83 percent of scheduled benefits](#), relying on Social Security taxes as they are collected. Alarmists who claim that Social Security won’t be around when today’s young workers retire either misunderstand or misrepresent the projections. The long-term gap between Social Security’s projected income and promised benefits is estimated at 1.2 percent of GDP over the next 75 years.

## Policy Basics – Top Ten Facts About Social Security

Policymakers should address Social Security’s long-term shortfall primarily by increasing Social Security’s tax revenues. Social Security will require an increasing share of our nation’s resources in the coming decades as the population ages, and polls show a broad willingness to support it through higher tax contributions. Recent trends also justify boosting Social Security’s payroll tax revenue: Social Security’s tax base has eroded since policymakers last addressed solvency in 1983, largely due to increased inequality and the rising cost of non-taxed fringe benefits such as health insurance.

*Updated May 31, 2024*