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Americans Make Hard Choices on Social Security:

A Survey with Trade-Off Analysis

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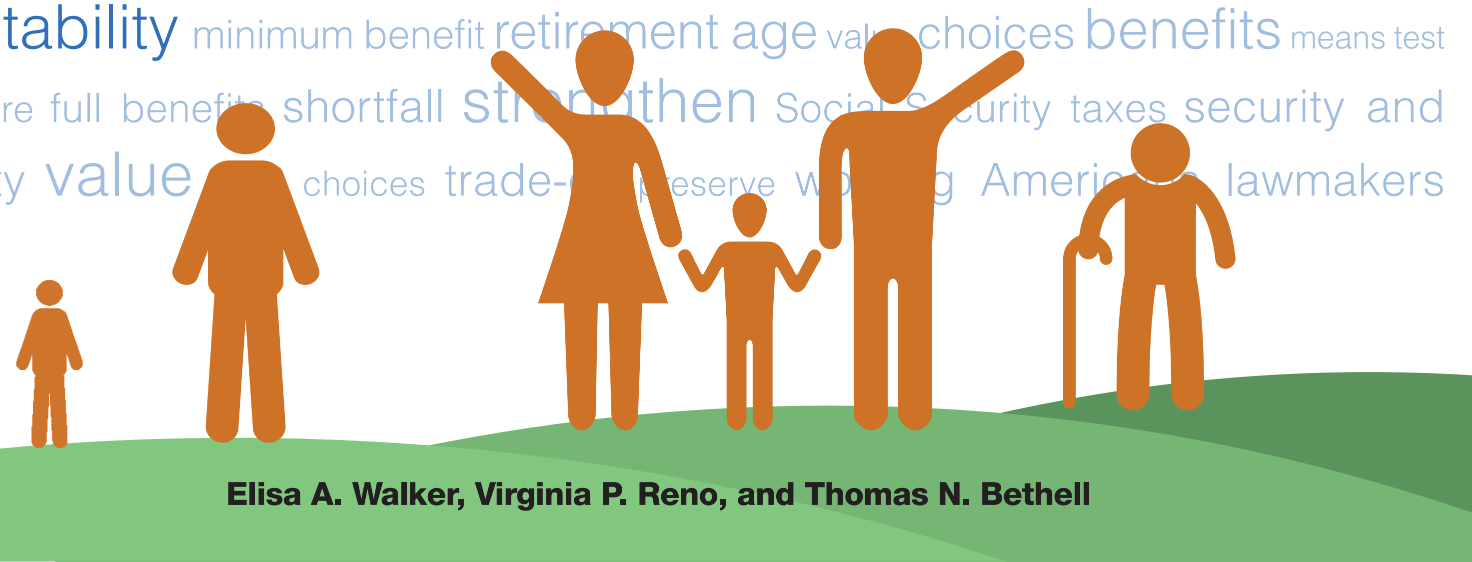

Elisa A. Walker, Virginia P. Reno, and Thomas N. Bethell

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Contents

Executive Summary **1**

Key Findings 1

Social Security Basics **5**

What This Study Found **7**

Attitudes and Knowledge about Social Security 7

Overall Views of Social Security 7

Willingness to Pay for Social Security 7

Views on the Role of Benefits 9

Awareness of Disability and Survivors Benefits 10

Views on Paying More for Social Security 10

Trade-Off Analysis 11

Americans' Preferred Packages of Policy Changes 13

Individual Policy Options in the Trade-off Analysis 16

Views on Individual Policy Options 18

Revenue Increases 18

Benefit Increases 21

Benefit Reductions 23

Confidence in Social Security's Future 25

Americans Are Counting on Social Security – But Lack Confidence in its Future 25

Views about Social Security Change When Facts Are Provided 25

Comparisons with 2012 Study 28

Conclusions **31**

Methodology **33**

Endnotes **35**

Appendices **37**

A. Additional Figures 38

B. Questionnaire 43

C. Trade-Off Analysis Example 54

D. Policy Option Definitions 58

E. Detailed Descriptions and Cost Estimates for Policy Options 61

Executive Summary

Social Security is the foundation of retirement security for almost all Americans. Workers pay for Social Security through deductions from their pay, and employers pay a matching amount. About a third of beneficiaries also pay income taxes on part of their benefits, and these taxes help pay for future benefits. Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security cannot borrow money. If funds are expected to run short, lawmakers must adjust the law to bring income and outgo into balance. The 2014 report of the program's trustees projects that Social Security reserves will be gradually drawn down until they are depleted in 2033.[1] After that, income from workers' and employers' Social Security taxes and beneficiaries' income taxes would cover only about three-quarters of scheduled benefits.

The projected financing gap can be closed by scheduling future revenue increases or benefit reductions, or some combination of both. Steps could also be taken to improve the adequacy of benefits. Doing so would increase program costs, which in turn — in the absence of other changes — would increase Social Security's projected financing gap. This study aims to learn what Social Security changes Americans favor and are willing to pay for.

To better understand Americans' views of Social Security and their preferences regarding options to strengthen the program for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study in June 2014. Two focus groups, convened in March 2014 in Baltimore, MD, helped inform the questionnaire design. The study included an online survey of 2,013 Americans ages 21 and older to explore their attitudes toward Social Security and their views about its future. The study incorporated an innovative application of trade-off analysis, which enabled researchers to examine how survey respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes. A large majority of the respondents (87%) reported that they are registered voters. This study updates the results of a prior study that the Academy conducted in 2012.[2] The methodology section of this report describes the focus groups, the survey, and the trade-off analysis.

Key Findings

Americans value Social Security, want to improve benefits, and are willing to pay for the program.

Americans say they don't mind paying for Social Security because they value it for themselves (73%), for their families (73%), and for the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers (81%).

86% agree that current Social Security benefits do not provide enough income for retirees, and 72% agree we should consider raising future Social Security benefits in order to provide a more secure retirement for working Americans.

77% agree that it is critical to preserve Social Security benefits for future generations, even if it means increasing Social Security taxes paid by working Americans, and 83% agree it is critical to preserve Social Security benefits for future generations, even if it means increasing taxes paid by top earners.

Americans prefer a package of changes that eliminates Social Security's projected financing gap and improves benefits.

The trade-off analysis finds that, rather than maintain the status quo, 71% of respondents would prefer a package of changes that increases Social Security revenues, pays for benefit improvements, and eliminates the projected financing gap. Trade-off analysis is a market research technique often used to learn which combinations of product features – or, in this case, policy changes – consumers prefer *and* are willing to pay for.

The preferred package would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the approximately 6% of workers who earn more than the cap ($117,000 in 2014) would pay into Social Security throughout the year, as other workers do. In return, they would get somewhat higher benefits.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.

- Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher inflation experienced by seniors.

- Raise Social Security's minimum benefit so that a worker who pays into Social Security for 30 years can retire at 62 or later and have benefits above the federal poverty line (currently about $11,670 a year for 1 person).

These four changes together would eliminate 113% of Social Security's projected long-term financing gap, providing a margin of safety. This package is preferred over the status quo by 7 in 10 survey participants across generations, income levels, and political party affiliations (Figure 1).

Certain changes have a strong impact on the appeal of policy packages.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

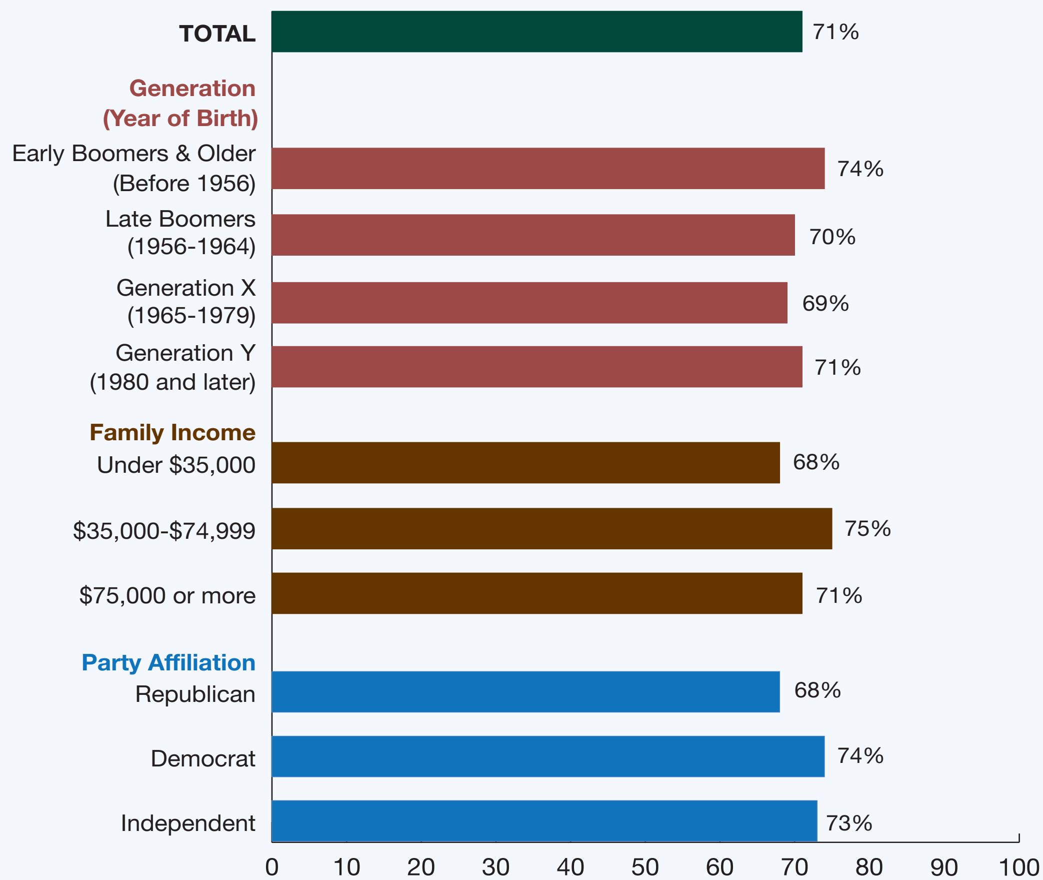
- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.

- Keep Social Security's full retirement age at 67 rather than raising it.

- Increase the COLA by basing it on inflation experienced by the elderly.

Figure 1. **Support for the Preferred Package of Policy Options in Trade-Off Analysis**



Source: National Academy of Social Insurance Survey, June 2014

In contrast, the trade-off analysis shows that options that *strongly decrease* a package's appeal would:

- Not increase Social Security's taxable earnings cap.
- Not increase Social Security's tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA.

Americans are counting on Social Security — but are not confident about its future.

Of respondents currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits.

67% of respondents say that, without Social Security, they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

62% of respondents say that they are not confident about the future of the program. Among those not yet receiving Social Security benefits, 68% lack confidence that they will receive all their earned benefits when they retire.

Americans' views about Social Security change when they are given factual information.

Official projections show that Social Security has sufficient funds to pay all benefits until 2033.[3] Just 24% of study participants know that Social Security would still be able to pay about 75% of scheduled benefits after 2033. Most of the rest think Social Security's finances would be in far worse shape.

After learning that raising Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of respondents who think Social Security financing is a crisis or a significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67%.

About a third of respondents (33%) are not aware of Social Security's disability insurance protection. After learning that the average benefit for a disabled worker is $1,146 a month, just over half (55%) say they think that amount is too low. About 4 in 10 (41%) are not aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die. After learning that the average benefit for a child of a worker who died is $815 a month, nearly half of respondents (48%) say they think that amount is about right, while about 4 in 10 (43%) say they think it is too low.

SOCIAL SECURITY BASICS

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — an average of $1,296 as of January 2014 — they are the main source of income for most seniors.[4] A third of elderly beneficiaries rely on Social Security for almost all (90% or more) of their income; two-thirds count on it for more than half of their income.[5] With its retirement benefits as well as life and disability insurance for workers and their families, Social Security keeps more than 22 million Americans out of poverty — including 1 million children, 6 million adults under age 65, and 15 million seniors.[6]

Workers pay for Social Security through deductions from their pay. They pay 6.2% of their earnings up to an annual cap ($117,000 in 2014) and employers pay a matching amount. In addition, about a third of beneficiaries pay income taxes on part of their benefits; these taxes go to Social Security's trust funds and to Medicare's Hospital Insurance trust fund to pay for future benefits.[7] Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest income for the Social Security trust funds.

By law, Social Security funds can be used only to pay for Social Security benefits and administrative costs, which are low. Less than a penny of every dollar of outgo is spent on administration, while just over 99 cents is paid in benefits to the 58 million Americans who currently receive them.[8]

By law, Social Security cannot borrow money. If funds run short, Congress must adjust the law to bring income and outgo into balance. Every year the Social Security trustees issue a report that projects Social Security income and outgo over the next 75 years to give lawmakers and the public ample time to consider options to keep it in balance. According to the 2013 and 2014 reports, Social Security will have sufficient funds to pay all scheduled benefits until 2033. In the unlikely event that Congress did not act and the projection did not change by 2033, the reserves would be depleted and revenue coming into the system from workers' and employers' Social Security taxes and from beneficiaries' income taxes on benefits would cover only about three-quarters of scheduled benefits.[9]

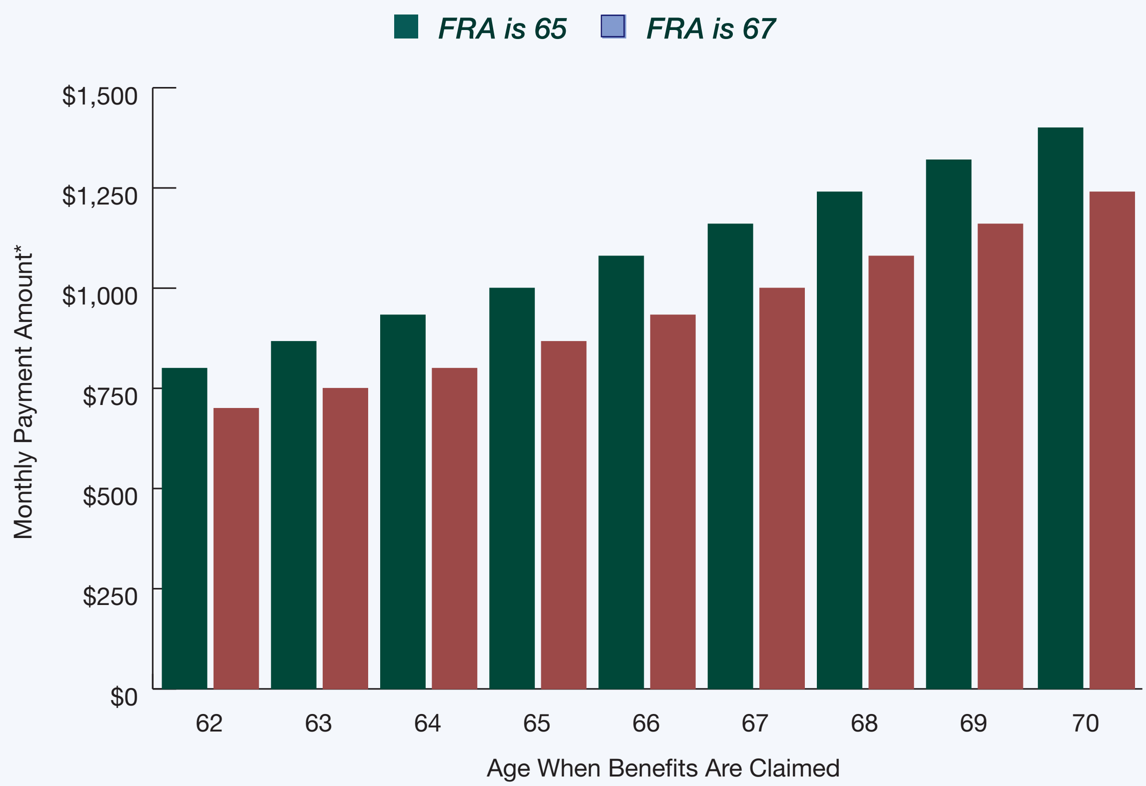
Over Social Security's 79-year history, lawmakers have never failed to act to ensure that legislated benefits are paid. The latest major changes to Social Security were enacted in 1983. The biggest change affecting Baby Boomers and younger workers is the gradual increase in the age of eligibility to receive full retirement benefits, from 65 (for workers born before 1939) to 67 (for workers born in 1960 and later). That increase in the retirement age means that Americans age 54 and younger today face a permanent benefit reduction of 13-14% from what they would have received if the retirement age were still 65 and they claimed at the same age.[10] A second change permanently delayed Social Security's cost-of-living adjustments (COLAs) by half a year. The third important change made Social Security benefits subject to income taxes. Legislation enacted in 1983 and expanded in 1993 provides for taxing part of Social Security benefits for people whose income exceeds a certain limit, and for returning those income-tax revenues to the Social Security and Medicare trust funds.

continued on p.6

The combined effect of raising the full retirement age, delaying the COLA, and taxing benefits is a reduction of about 24%, on average, in after-tax benefit income for retired beneficiaries by 2050.[11] The retirement-age change lowers benefits for all retirees as shown in the chart below; the COLA delay lowers benefits slightly for all beneficiaries; and taxation of benefits lowers net after-tax benefits more for higher-income beneficiaries. The 1983 legislation did not balance these cuts for future beneficiaries with any increase in Social Security taxes paid by future workers and employers, nor has any subsequent action by Congress. This study finds that the public is willing to pay more to preserve Social Security benefits for future generations, and that most Americans prefer to do so by gradually lifting the cap on taxable earnings and gradually raising the Social Security tax rate. Survey respondents also prefer to increase benefits in targeted ways.

Increase in Full Retirement Age (FRA) from 65 to 67 Lowers Benefits

Payment to a retiree entitled to $1,000 a month at FRA when:



Source: Calculations based on Social Security Administration, 2010. "Effect of Early or Delayed Retirement on Retirement Benefits," www.socialsecurity.gov/OACT/ProgData/ar_drc.html

* Monthly payment reflects 8% delayed retirement credit after FRA

What This Study Found

This study updates previous research, including the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?* The findings of this study are consistent with the 2012 study. The survey first asked attitudinal questions to learn participants' overall views of Social Security, their confidence in its future, their willingness to consider increasing or reducing future benefits, and their willingness to pay for the program now and in the future. The survey then asked respondents whether they favor or oppose 14 specific policy changes. Each potential policy change included an official estimate of its effect on Social Security's long-term financing gap. Options that would improve benefit adequacy would increase the financing gap, while options that would raise future revenues or reduce future benefits would reduce or eliminate the gap. The survey questionnaire is in Appendix B.

*More than a third (36%) of respondents **strongly** agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits.*

Twelve of the 14 Social Security policy changes were examined in the trade-off analysis. The trade-off analysis determined which package of policy options is preferred by survey participants and the proportion of participants who favor that package over the status quo – that is, leaving Social Security unchanged. Findings from the trade-off analysis reinforce findings from the attitudinal survey.

Attitudes and Knowledge about Social Security

Overall Views of Social Security

More than 2 in 3 respondents (68%) say they have a favorable view of Social Security. This positive viewpoint is shared across generations (Table 1).

While seniors — those born before or in the early part of the Baby Boom generation — are most likely to view Social Security favorably (79%), that view is shared by approximately two-thirds of respondents in the late Baby Boom generation (65%) and in Generation Y (68%), and by 57% of those in Generation X.

Favorable views of Social Security are reported by large majorities of Americans in all family income groups. Moreover, in contrast to their disagreements on many other issues,[12] majorities of Republicans (59%), Democrats (78%), and independents (65%) share a favorable view of the Social Security program.

Willingness to Pay for Social Security

A more compelling test of Americans' support for the Social Security program is whether they are willing to pay for it. As noted, Social Security is financed mainly by deductions from workers' wages. Workers have 6.2% of earnings deducted from their paychecks to finance Social Security, and employers pay a matching amount.

Large majorities of respondents, both working and retired, say they do not (or did not) mind paying Social Security taxes because it helps millions of people (81%) and because they (73%) or their families (73%) will benefit from it (Table 2).

In a striking show of support, more than a third (36%) of respondents *strongly* agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits — retired and disabled Americans and the children and widowed spouses of deceased workers. Agreement is strong across demographic and

Table 1. **Overall Views of Social Security, by Generation, Family Income and Party Affiliation**

Overall, is your view of Social Security very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable?

Respondent Characteristics	*Percent Favorable*
Total	68%
Generation (Year of Birth)	
Early Boomers & Older (before 1956)	79
Late Boomers (1956-1964)	65
Generation X (1965-1979)	57
Generation Y (1980 and later)	68
Family Income	
Less than $30,000	71
$30,000 to $49,999	69
$50,000 to $74,999	66
$75,000 to $99,999	66
$100,000 or more	65
Party Affiliation	
Republican	59
Democrat	78
Independent	65

Source: National Academy of Social Insurance Survey, June 2014

All subsequent references to generations in this report use the years of birth listed in this table.

Table 2. **Willingness to Pay for Social Security and Views on Increasing Benefits**

Questions	*Percent Agree*	*Percent Strongly Agree*
I don't mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	81%	36%
I don't mind paying Social Security taxes because I know I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	73	32
I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire.	73	39
Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	85	48
Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?	86	38
To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	72	34
Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	45	15

Source: National Academy of Social Insurance Survey, June 2014

party lines; those agreeing include 72% of Republicans, 87% of Democrats, and 81% of independents (Table 3).

Views on the Role of Benefits

Another indicator of support for Social Security is respondents' agreement that benefits are critically important in today's uncertain economy, that benefits are not as adequate as they might wish, and that benefit increases merit consideration (Table 3).

- 85% of participants agree that "Social Security benefits now are more important than ever to ensure that retirees have a dependable income." Those in agreement include half (48%) who strongly agree with the statement.
- 86% believe that Social Security benefits do not provide enough income for retirees, and 72% believe we should consider increasing benefits in order to provide a more secure retirement for working Americans.

Willingness to pay for Social Security and to consider increasing benefits is widespread and shared across generations. Seniors in the early Baby Boom generation, late Boomers in mid-career and approaching retirement, and younger workers in Generation X and Generation Y show consistent agreement on these issues. Higher- and lower-income respondents also agree. Among Democrats, Republicans, and independents, clear majorities agree that Social Security benefits are more important than ever in today's volatile economy; that they don't mind paying Social

Table 3. **Views on Importance of Social Security, Paying Taxes, and Increasing Benefits, by Generation, Family Income and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	Social Security benefits now are more important than ever…	I don't/didn't mind paying Social Security taxes because it provides security and stability to millions…	… we should consider increasing Social Security benefits.
Total	85%	81%	72%
Generation			
Early Boomers & Older	92	87	81
Late Boomers	87	81	71
Generation X	81	76	65
Generation Y	80	77	69
Family Income			
Less than $30,000	88	85	80
$30,000 to $49,999	88	82	79
$50,000 to $74,999	89	81	70
$75,000 to $99,999	81	77	63
$100,000 or more	78	76	61
Party Affiliation			
Republican	80	72	65
Democrat	91	87	79
Independent	86	81	70

Source: National Academy of Social Insurance Survey, June 2014

> *"I'm a registered nurse. Nurses tend not to stay with [one] company, so we normally don't get pensions. I know Social Security will be significant for me."*
>
> – Younger female focus group participant

Security taxes because they see the value of the program to millions of Americans; and that proposals to improve the adequacy of Social Security benefits merit consideration.

Awareness of Disability and Survivors Benefits

Many respondents are unaware of Social Security's disability and survivors insurance protection, even though Social Security is the primary form of those protections for most families. One in 3 is unaware of the program's disability protections, and more than 4 in 10 are unaware of its survivors insurance protection for the children and widowed spouses of workers who die (Table 4).

When given the average benefit amounts for these two programs – in January 2014, those were $1,146 for a disabled worker and $815 for the child of a worker who died – most respondents say the benefit amounts are either too low or about right (Table 5). Fewer than 1 in 10 say the benefits are too high.

Views on Paying More for Social Security

Social Security is financed mainly by a dedicated tax deducted from workers' paychecks and matched by their employers. Only earnings up to a cap ($117,000 in 2014) are taxed and counted toward benefits. About 6% of all workers earn more than the cap; they and their employers stop

Table 4. **Awareness of Social Security's Disability and Survivors Protections**

Are you aware … ?	*Yes, Aware*	*No, Unaware*
… that workers earn disability insurance through Social Security?	67%	33%
… that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?	59	41

Source: National Academy of Social Insurance Survey, June 2014

Table 5. **Views on Disability and Survivors Benefit Amounts**

Questions	*Too Low*	*About Right*	*Too High*
The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is …	55%	38%	7%
The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …	43	48	8

Source: National Academy of Social Insurance Survey, June 2014

paying into Social Security when they reach the cap.[13] In 2014, for example, a worker making $150,000 stopped paying taxes when his or her earnings reached $117,000 in September, while someone making $1 million stopped paying in February. Proposals to increase revenues for Social Security include raising or eliminating the earnings cap. That change would affect the 6% of workers whose earnings exceed the cap. Another way to increase Social Security revenues is to increase the 6.2% tax rate that workers and employers each pay. That would affect all workers who pay into Social Security. The survey explored Americans' views on who might pay more in order to improve Social Security's finances (Figure 2).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans," 77% of respondents agreed, including 36% who strongly agreed. Those agreeing include 69% of Republicans, 84% of Democrats, and 76% of independents (Table 6).

- When asked whether they agreed or disagreed that "It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners," 83% of respondents agreed, including 54% who strongly agreed. Those agreeing include 71% of Republicans, 92% of Democrats, and 84% of independents.

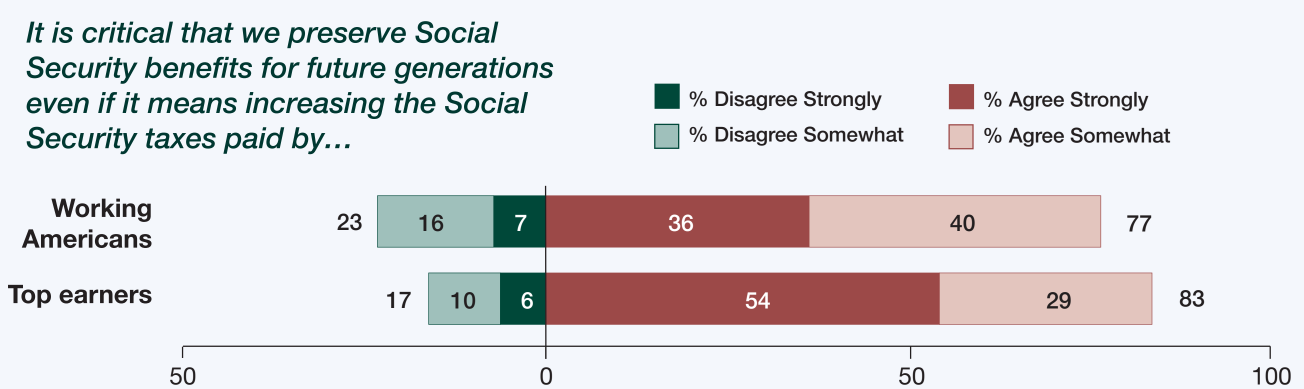
In brief, large majorities of Americans believe that all workers could contribute somewhat more to Social Security if necessary, and that better-off Americans could pay more because they have higher earnings. This holds true across generations, across income groups, and across political parties.

Another question asked respondents to consider two statements and choose which came closer to their views. The results confirm Americans' willingness to pay for Social Security and reluctance to cut benefits (Table 7). Nearly 8 in 10 respondents (79%) agree that "we should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans," while 21% agree that "we shouldn't raise taxes on any American, even if it means reducing Social Security benefits."

Trade-Off Analysis

Americans support Social Security, are willing to increase taxes in order to pay for it, if necessary, and want to consider benefit improvements. The trade-off analysis adds a new dimension to these attitudinal findings by identifying specific packages

Figure 2. **Views on Paying More to Preserve Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 6. **Views on Paying More to Preserve Social Security, by Generation, Family Income, and Party Affiliation**
(Percent Agreeing)

	It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by…	
Respondent Characteristics	***Working Americans***	***Top Earners***
Total	77%	83%
Generation		
Early Boomers & Older	87	87
Late Boomers	77	84
Generation X	71	81
Generation Y	70	81
Family Income		
Less than $30,000	77	84
$30,000 to $49,999	84	90
$50,000 to $74,999	76	85
$75,000 to $99,999	72	79
$100,000 or more	72	77
Party Affiliation		
Republican	69	71
Democrat	84	92
Independent	76	84

Source: National Academy of Social Insurance Survey, June 2014

of policy changes that respondents prefer. Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want *and* are willing to pay for, and to estimate which package is most favored. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. This application of trade-off analysis to Social Security policy was first used in the Academy's 2012 study. The technique allows researchers to calculate which package of Social Security changes is most preferred over the status quo and what proportion of participants prefer that package. More details about the trade-off analysis are in the methodology section of this report; examples of the exercise and descriptions of the policy options that respondents considered are in Appendices C and D, respectively.

The 12 policy options included in the trade-off analysis, and the impact of each option on Social Security's long-term financing gap, are shown in Table 8. Four options to raise revenues — two by raising the cap on earnings subject to Social Security taxes and two by raising the tax rate — reduce the financing gap. Four options to lower future benefits — two by raising the full retirement age, one by means-testing benefits, and one by lowering the annual cost-of-living adjustment — also reduce the financing gap. In contrast, the four options that increase the adequacy of benefits would increase the financing gap.

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits.

Americans' Preferred Packages of Policy Changes

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits. The most favored solution — Package A (Table 9, Figure 1) — is preferred over the status quo by 71% of respondents. It would eliminate 113% of Social Security's financing gap, meaning that it would entirely eliminate the gap and have money left over for a margin of safety.[14]

Package A would:

1. Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 6% of workers who earn more than the cap would pay into Social Security all year, as other workers do. In return, they would get somewhat higher benefits.

2. Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. The increase would be so gradual that a worker earning $50,000 a year would pay about 50 cents a week more each year, matched by the employer.

3. Increase Social Security's cost-of-living adjustment (COLA) to reflect the higher level of inflation experienced by seniors.

4. Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor. (The poverty line in 2014 is about $11,670 a year for one person.)[15] Currently, lifetime low-wage workers are at risk of living in poverty in retirement, even after paying Social Security taxes throughout their working lives.

A second package — Package B — received the next highest level of support (68%) in the trade-off analysis. Package B differed only slightly from Package A. The only difference is that Package B, instead of increasing the minimum benefit as in Package A, would increase benefits across the board by $65 a month (Table 9). It would eliminate more than 90% of the financing gap.

While preferences for Packages A and B vary slightly by segments of the population, these differences are small (Table 9). Although one might expect younger respondents to resist packages that include tax increases — since they will bear the brunt of such increases — this does not appear to be the case. Preferences for Packages A and B,

Table 7. **Preferences on Reducing Benefits or Increasing Taxes**

Which of the two statements below comes closer to your view?	*Percent Agree*
We should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans.	79%
We shouldn't raise taxes on any American, even if it means reducing Social Security benefits.	21

Source: National Academy of Social Insurance Survey, June 2014

Table 8. **Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security's Financing Gap**

Policy Option	*Percent Change in Long-Term Financing Gap*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	-74%
• Lift the earnings cap over 5 years to tax 90% of earnings	-29
• No change	0
Social Security Tax Rate	
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-76
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	-52
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-16
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	-20
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Lower the Social Security COLA	-20
• Increase the Social Security COLA by basing it on inflation experienced by seniors	+14
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	+29
• No change	0
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	+9
• No change	0
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	+3
• No change	0

Source: National Academy of Social Insurance, based on information in Appendix E
Changes in financing gap are based on the projections of the 2013 Social Security Trustees Report.

Table 9. **Comparing Package A and Package B**

Package Features	*Package A*	*Package B*
Common Features	• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed • Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers • Increase the COLA by basing it on inflation experienced by seniors	
Different Features	• Increase the minimum Social Security benefit	• Increase benefits by $65 a month for all beneficiaries
Decline in Financing Gap	113%	93%
Percent Preferring Package to No Change		
Total	71%	68%
Generation		
Early Boomers & Older	74	72
Late Boomers	70	68
Generation X	69	65
Generation Y	71	68
Family Income		
Under $35,000	68	65
$35,000 to $74,999	75	72
$75,000 or more	71	68
Party Affiliation		
Republican	68	66
Democrat	74	71
Independent	73	69

Source: National Academy of Social Insurance Survey, June 2014
Change in financing gap is based on the projections of the 2013 Social Security Trustees Report.

both of which raise taxes, are slightly higher for those in the early Baby Boom and earlier generations, yet nearly two-thirds of Generation X and Generation Y still prefer (over the status quo) packages that increase Social Security revenues and improve benefits. Similarly, one might expect Republicans to prefer packages that do not increase taxes, yet about two-thirds of Republicans prefer Packages A and B over the status quo.

Prior to engaging in the trade-off exercise, survey respondents were also asked whether they would favor or oppose a composite package of policy changes that would entirely eliminate Social Security's financing gap. This package contained the same elements as Package A. Altogether, 76% of respondents favor this package, including 30% who strongly favor it (Figure 3). While this direct question – do you favor or oppose this package? – is different from the methods used in the trade-off analysis, the consistent results reinforce the finding that Americans favor policies that rely on revenue increases to close Social Security's financing gap and pay for modest benefit improvements.

At least 7 in 10 respondents in every generation, family income group, and political party affiliation favor Package A (Figure 3). Support is consistent even in the highest family income group, which includes the top 6% of earners who make more than the taxable earnings cap and who would pay more into Social Security if the cap were gradually eliminated. The gradual increase in the tax rate would affect workers in all income groups. Support is also strong across party lines, with 72% of Republicans and 80% of Democrats in favor of Package A.

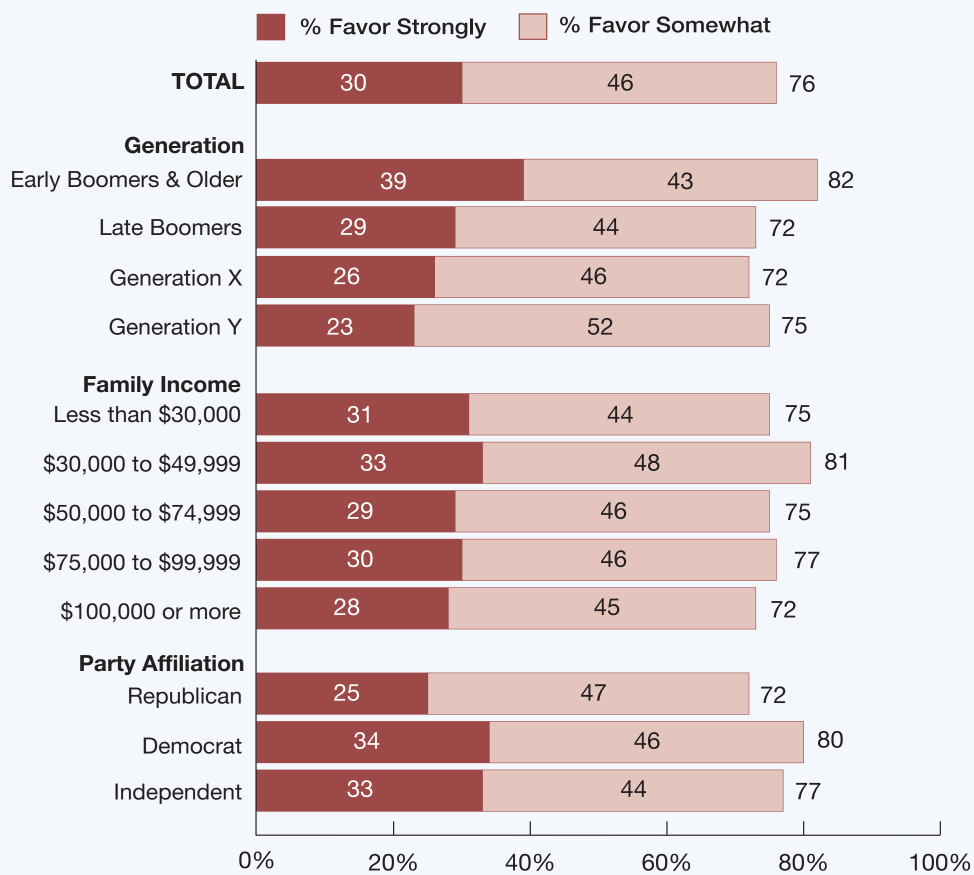
Individual Policy Options in the Trade-off Analysis

Trade-off analysis can estimate the appeal of specific policy options within packages. Table 10 shows the appeal of each of the policy changes examined in the trade-off analysis. For example, when a policy option has a "strong positive" impact, respondents were much more likely to choose a package when that option was included.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.

Figure 3. **Support for Package A, by Generation, Family Income, and Party Affiliation**



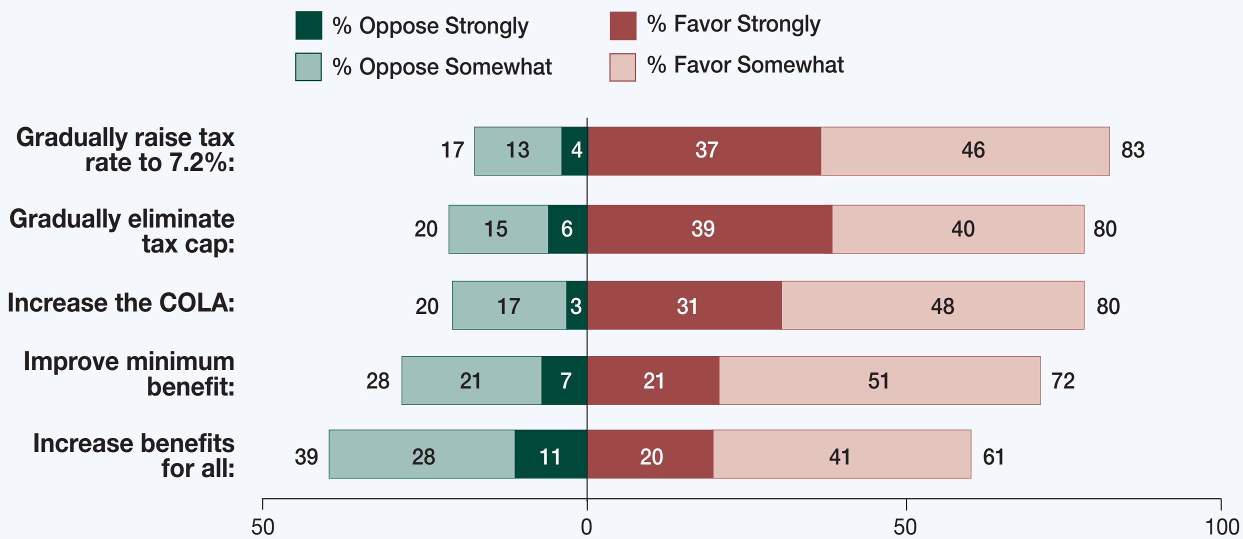
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Table 10. **Individual Policy Changes in Trade-Off Analysis and Impact on the Appeal of a Policy Package**

Policy Option	*Impact on Appeal of a Policy Package*
Social Security's Taxable Earnings Cap	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	**Strong Positive**
• Lift the cap over 5 years to tax 90% of earnings	Weak Positive
• No change	**Strong Negative**
Social Security Tax Rate	
• Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers	**Strong Positive**
• Raise the tax rate for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	Little Impact
• No change	**Strong Negative**
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	Little Impact
• Gradually raise the full retirement age to 70	**Strong Negative**
• No change	**Strong Positive**
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation experienced by seniors	**Strong Positive**
• Lower the Social Security COLA	**Strong Negative**
• No change	Little Impact
Benefits for Lifetime Low-Wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	Weak Positive
• No change	Weak Negative
Benefits for All Beneficiaries	
• Increase benefits by $65 a month for all beneficiaries	Weak Positive
• No change	Weak Negative
Means-Test Social Security	
• Require people to provide proof of eligibility based on income to receive benefits	Weak Negative
• No change	Weak Positive
Children's Benefits for Students	
• Restore the student benefit until age 22 for children whose working parents have died or become disabled	Little Impact
• No change	Little Impact

Source: National Academy of Social Insurance Survey, June 2014

Figure 4. **Five Preferred Policy Options**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Keep Social Security's full retirement age at 67 rather than raising it.
- Increase the COLA by basing it on inflation experienced by seniors.

In contrast, the trade-off analysis shows that options that strongly decrease a package's appeal would:

- Not lift the taxable earnings cap for Social Security.
- Not increase the Social Security tax rate.
- Raise Social Security's full retirement age to 70.
- Lower the COLA by using a new measure of inflation.

Views on Individual Policy Options

The survey also asked respondents their views on policy options one at a time. While this type of direct question – do you favor or oppose this option? – is different from the methods used in the trade-off analysis to estimate the appeal of different options as part of a package, the results are consistent. The five options included in Packages A and B in the trade-off analysis were also strongly favored in the survey questions (Figure 4).

Majorities of respondents support all of the revenue-raising options and all of the options to increase Social Security benefits. Options that would reduce benefits generally received low support. The extent to which respondents favor or oppose individual options to increase revenues, increase benefits, or reduce benefits is discussed next.

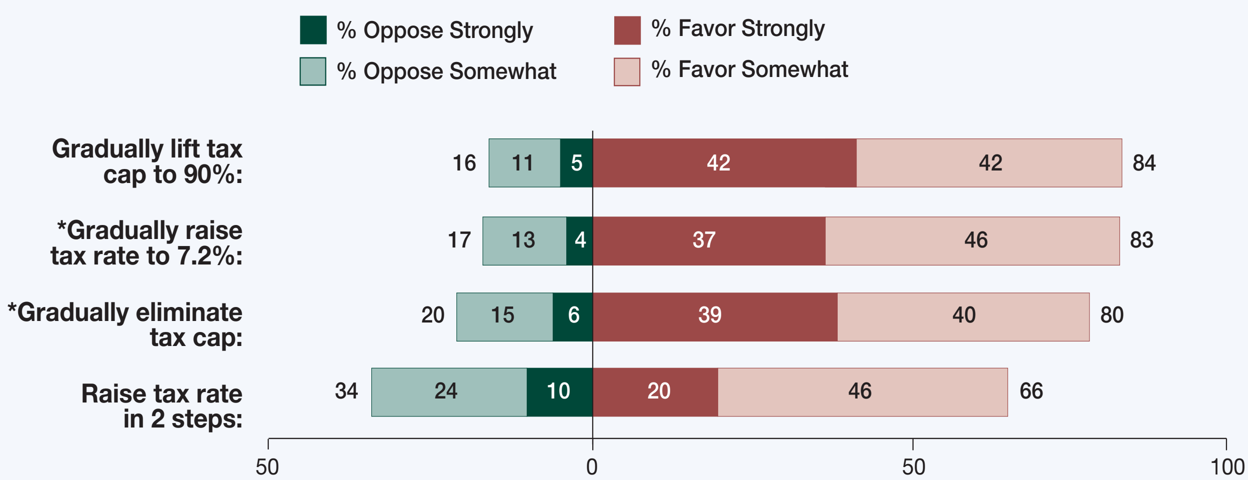
Revenue Increases

Participants examined four options to increase revenues for Social Security. The two that are part of the preferred packages in the trade-off exercise include gradually eliminating the taxable earnings cap and very gradually raising the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%. Two other options include lifting the taxable earnings cap but not eliminating it completely, and raising the tax rate in two steps to 8.2%. All four of the revenue options are favored

"It shouldn't matter what you make.
Everybody should pay into Social Security
12 months of the year."

– Younger female focus group participant, referring to lifting the cap on taxable earnings

Figure 5. **Revenue Options**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

by large majorities in the survey, and three of the options are *strongly* favored by more than a third of respondents (Figure 5).

Findings in these survey questions confirm findings from the trade-off analysis: the two revenue increase options that were part of the preferred packages in the trade-off analysis were also strongly favored in the survey. More than four in five respondents (83%) favor gradually raising the Social Security tax rate to 7.2%, and 80% favor gradually eliminating the taxable earnings cap. Moreover, of respondents favoring these options, nearly half favor them strongly.

Support for each revenue increase is widespread across generations, family income groups, and party affiliations. Table 11 shows the percent of respondents in each demographic group favoring the two revenue options that were part of the preferred packages. These findings regarding specific policy changes confirm earlier findings about Americans' general attitudes: across demographic and party lines, Americans believe that all workers can pay somewhat more to preserve Social Security and that better-off workers can pay more.

Gradually eliminate the taxable earnings cap: Gradually eliminating the tax cap over 10 years would mean that the top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as everyone else does. In return they would receive somewhat higher benefits when they retire. This change would reduce the financing gap by 74%. The trade-off analysis shows that gradually eliminating the taxable earnings cap over 10 years has a strong positive impact on the appeal of a package, and the survey results confirm this finding. Even in the top income group – with family incomes over $100,000 – a large majority

"Fifty cents a week seems negligible. Even [people] working in a fast food place, young kids, can handle 50 cents a week. They won't even notice 50 cents a week."

– Older female focus group participant, referring to gradually raising the Social Security tax rate

Table 11. **Two Preferred Revenue Options by Generation, Family Income, and Party Affiliation**
(Percent Favoring)

Respondent Characteristics	*Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security*	*Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%*
Total	80%	83%
Generation		
Early Boomers & Older	84	88
Late Boomers	81	84
Generation X	79	79
Generation Y	74	79
Family Income		
Less than $30,000	80	85
$30,000 to $49,999	83	86
$50,000 to $74,999	81	82
$75,000 to $99,999	79	81
$100,000 or more	76	77
Party Affiliation		
Republican	79	79
Democrat	80	87
Independent	81	82

Source: National Academy of Social Insurance Survey, June 2014

(76%) favors eliminating the cap on earnings that are taxed for Social Security, a change that would affect the top 6% of earners.

Gradually raise the tax rate: Similarly, gradually raising the Social Security tax rate over 20 years from 6.2% to 7.2% also has a strong positive appeal in both the trade-off analysis and the survey's attitudinal question. For a worker earning $50,000, raising the rate by 1/20 of 1% a year for 20 years would mean, each year, paying about 50 cents more a week, matched by the employer. This change would reduce the financing gap by 52%. In every demographic group surveyed, large majorities (including 83% of all respondents) supported gradually raising the tax rate in this way.

Gradually Lift the Taxable Earnings Cap to Cover 90% of Earnings: When Congress last adjusted the cap, it set the cap to cover 90% of all earnings by American workers. Because the earnings of the highest-paid workers have increased faster than average earnings, the cap now covers only about 83% of all earnings. Survey participants were asked whether they would favor or oppose a proposal that would gradually increase the taxable earnings cap to $230,000 per year, a level that would restore the intent of Congress to subject 90% of all earnings to Social Security taxes. The top-earning 6% would pay more into Social Security and would receive somewhat higher benefits in return. This change would reduce the financing gap by 29%.

In the survey, this option was strongly supported by more respondents than any other individual policy option: 84% of respondents favor it, including 42% who favor it strongly (Figure 5). Trade-off analysis shows that this policy change has a weak positive impact on the appeal of a package: it is preferred over not lifting the cap at all, but it has much less appeal than eliminating the cap altogether (Table 10). Respondents may favor lifting the tax cap when considering options individually, but when considering an entire package of changes – including the package's overall impact on Social Security's financing gap – they strongly prefer eliminating the cap entirely, perhaps because of its larger effect on reducing the financing gap.

Raise Social Security's Tax Rate in Two Steps: This option would increase, in two steps, the Social Security tax rate that workers and employers each pay — from 6.2% now to 7.2% in 2022 and to 8.2% in 2052. Each change would mean an increase of $9.60 per week, matched by the employer, for a worker earning $50,000 per year. A majority (66%) of survey respondents favor this package, but support for this option was lower than for any of the other three revenue options in the survey. Likewise, trade-off analysis shows that this option has little impact on the appeal of a package, likely because respondents strongly prefer to very gradually lift the tax rate to 7.2% over 20 years (Table 10)

Benefit Increases

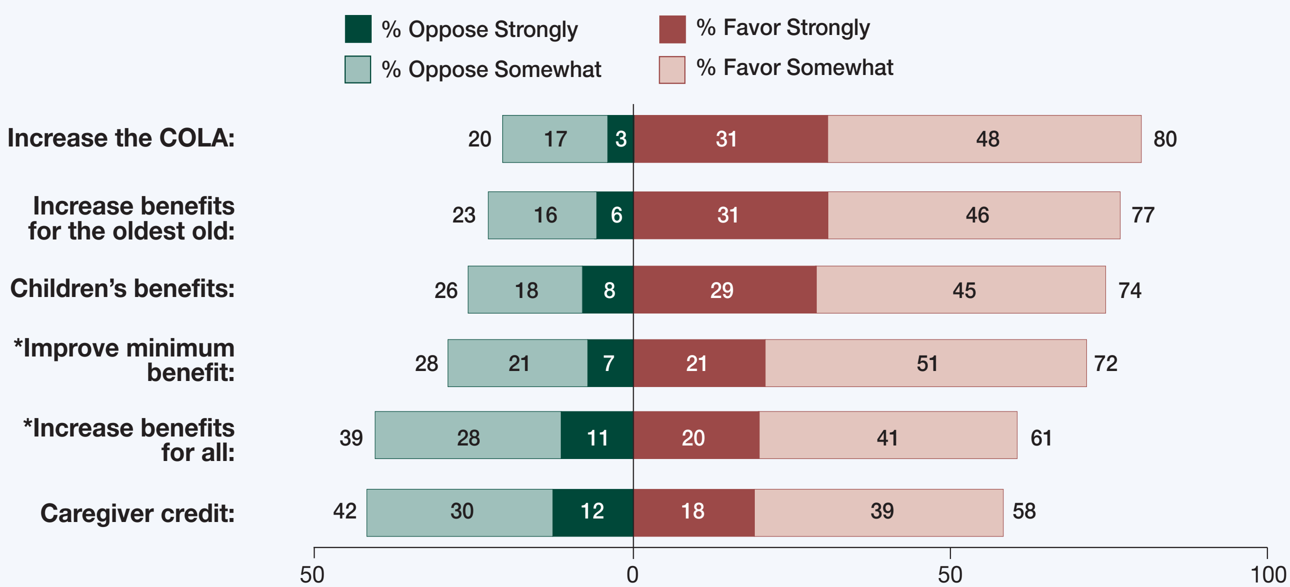
Individual policy questions in the survey asked participants' views on various options to increase Social Security benefits for particular groups or for all beneficiaries. All of these options were favored by a majority of participants (Figure 6). Three of the options were also included in Packages A and/or B in the trade-off analysis, confirming that respondents not only like these options but are willing to pay for them.

Increase the Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to automatically adjust benefits to keep up with inflation. One proposal would base the COLA on inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation. To illustrate, if average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30. While this change would more fully protect seniors against inflation, it would also increase Social Security's financing gap by 14%. Four in five respondents (80%) favor this option, with nearly a third strongly favoring it – putting this among the most strongly favored of all the options included in the survey (Figure 6). Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A1). Similarly, trade-off analysis shows that increasing the COLA strongly increases the appeal of a policy package (Table 10), and it is included in both of the preferred packages of changes.

Increase Benefits for the Oldest Old (85+): Older beneficiaries are most likely to rely on Social Security for most or all of their income. Respondents were asked their opinion of increasing benefits for Social Security beneficiaries by $65 a month at age 85. This change would increase

> *"I support [extending benefits for surviving children] because this was me. My mother died when I was 17. I was in high school. I collected on her Social Security [in college], and it made a big difference in my life."*
>
> – Older female focus group participant, referring to restoring children's benefits for students

Figure 6. **Options to Increase Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Starred options (*) were included in the preferred packages (Package A and/or B) in the trade-off analysis.
Bars may not total due to rounding.

Social Security's financing gap by 4%. More than three quarters (77%) of respondents favor this option, including 31% who favor it strongly.

Children's Benefits for Students: Children whose working parents have died or become disabled receive Social Security benefits until age 18 (or 19 if they are still in high school). In the past, these benefits could continue until age 22 if the child was attending college or vocational school. The survey asked respondents whether they would support restoring those benefits, which would help children in families that have lost a breadwinner's income to complete their education.[16] Restoring these benefits for children of disabled or deceased workers would increase Social Security's financing gap by 3%. About three quarters (74%) of survey respondents favor this option, although trade-off analysis shows that its inclusion has little impact on the appeal of a package (Table 10).

Increase Social Security's Minimum Benefit: Men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked. (For example, the current benefit for a life-long, full-time minimum wage worker retiring at age 62 is $8,230 a year.)[17] One proposal would raise the minimum Social Security benefit to ensure that someone who works and

"I've worked around a lot of low wage workers and you'd be surprised – they're not all teenagers. Not everybody is going to be a manager or an owner. So I think there should be a minimum, if they've worked for 30 years, even if we are putting in a little bit more to make sure [it happens]."

– Older male focus group participant, referring to increasing the minimum benefit for lifetime low-wage workers

pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is currently about $11,670 a year for one person.) This change would increase Social Security's financing gap by 9%. More than 7 in 10 (72%) of survey respondents favor increasing the minimum benefit, including about 1 in 5 (21%) who favor it strongly. Support is consistent across generations, family income levels and political party affiliation (Appendix Figure A2). In the trade-off analysis, this option is part of the preferred package, and including this minimum benefit in a policy package slightly increases the appeal of the package (Table 10).

Increase Benefits for All Beneficiaries: Social Security benefits are modest; the average retirement benefit in January 2014 was $1,296 per month. One proposal would increase Social Security benefits by $65 a month for all beneficiaries. This change would increase the financing gap by 29%. Survey respondents were asked whether they would favor or oppose this benefit increase, and 61% favor it. Support is relatively consistent across generations, family income groups, and political party affiliations, with majorities in almost all groups supporting increasing benefits for all workers (Appendix Figure A3). Only in the highest family income group (with incomes above $100,000) does support fall below half: in that group, 48% support this option. Trade-off analysis shows that this feature is included in Package B, the second most preferred package of changes, and generally has a weak positive effect on the appeal of a package (Table 10).

Caregiver Credit: Social Security benefits are based on the amount of money workers earn over their entire careers. Currently, when a working parent leaves the workforce for a period of time to care for children, that uncompensated time counts as zeros in computing the earnings to be replaced by Social Security benefits. Survey respondents were asked their opinions of a proposal that would count that unpaid time toward the parent's future Social Security benefits so that benefits are not reduced because of this gap in paid work. This change would increase Social Security's financing gap by 8%. A majority (58%) of survey respondents favor this option.

Benefit Reductions

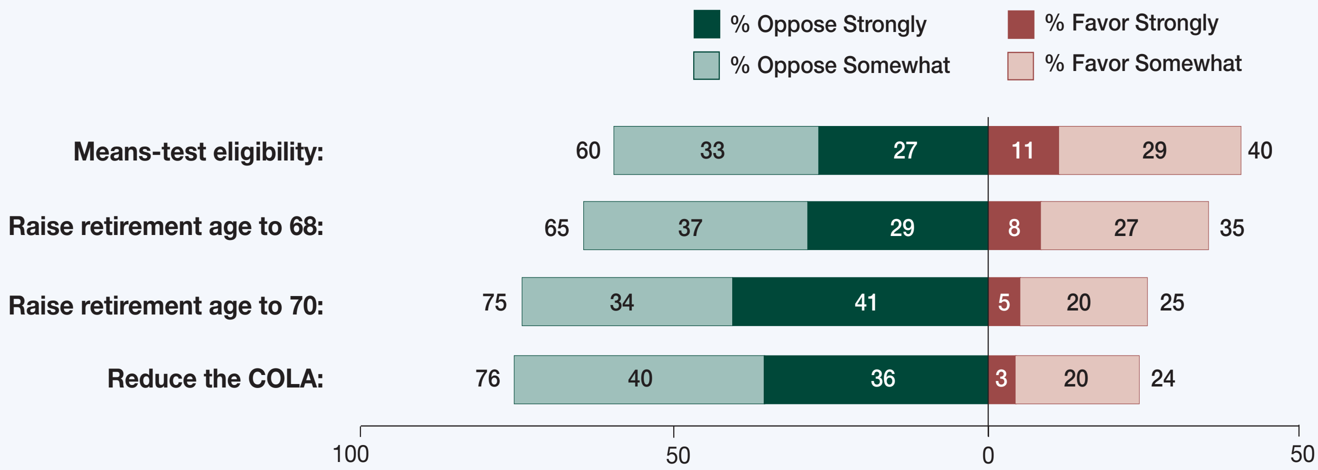
Four survey questions asked respondents about their views on ways that Social Security benefits might be reduced to help balance the system's future finances. Options include reducing the COLA, means-testing eligibility for benefits, and raising the age of eligibility for full retirement benefits from 67 to 68 or 70. The survey finds that Americans are much less inclined to reduce future benefits than to raise future revenues as a way to balance Social Security's long-term financing. None of the options to reduce benefits garnered majority support (Figure 7).

Means-Test Social Security: Means-testing would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000

"With raising the retirement age, there's a lot of construction workers and a lot of [people in] manual labor that just can't do it after 65."

– Older male focus group participant,
referring to raising Social Security's full retirement age

Figure 7. **Options to Reduce Benefits**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

for couples) and eliminated for income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes. This proposal might reduce the financing gap by 20%. More survey respondents (40%) favor means-testing than any other option to reduce benefits, but a majority (60%) oppose it, and trade-off analysis shows that means-testing has a weak negative effect on the appeal of a package (Table 10). Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A4).

Raise the Full Retirement Age to 68 or 70: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can begin collecting Social Security retirement benefits before their full retirement age, starting at age 62, but benefits are reduced. When the full retirement age is higher, the reduction for starting benefits at age 62 (or any given age) is proportionally larger, so increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase from 65 to 67 is a 13% benefit cut.

Further increasing the full retirement age to 68 would reduce retirement benefits by another 6-7% for younger workers. This change would reduce Social Security's financing gap by 16%. Nearly two thirds (65%) of survey respondents oppose increasing the retirement age to 68, with 29% opposing it strongly. Trade-off analysis shows that this change has little impact on the appeal of a package (Table 10).

Raising the full retirement age to 70 drew even more opposition. This change would reduce monthly benefits by about 21% on top of the change from 65 to 67. It would reduce Social Security's financing gap by 25%. Fully three quarters (75%) of survey respondents oppose this change, and more than 4 in 10 oppose it strongly. Opposition is steady across generations, income levels, and political party affiliations (Appendix Figure A5). Similarly, trade-off analysis shows that including this change in a package of policy changes has a strong negative impact on the appeal of the package (Table 10).

Reduce the COLA: This policy option would lower the cost-of-living adjustment (COLA) by using a different measure of inflation (the chained CPI) that generally rises more slowly than the current measure. This change would reduce beneficiaries' protection against inflation, and the small differences would add up over time, so the oldest seniors would experience the biggest benefit cuts overall. This change would reduce Social Security's financing gap by 20%. More than three quarters (76%) of respondents oppose reducing the COLA, including 36% who oppose it strongly. Similarly, trade-off analysis shows that including this change has a strong negative impact on the appeal of a package (Table 10).

Confidence in Social Security's Future

Americans Are Counting on Social Security – But Lack Confidence in its Future

Of those currently receiving Social Security, 95% say it is important to their monthly income; of those not currently receiving Social Security, 85% say it will be important to their income when they begin receiving benefits. Two thirds of respondents (67%) say that without Social Security they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing in retirement.

The survey findings confirm that despite their strong support for Social Security, most Americans do not feel very confident about the program's future (Table 12).

- Most respondents (62%) say they are not very or not at all confident in the future of Social Security.
- When respondents not yet receiving Social Security benefits are asked whether they are confident that they will receive all of the benefits they have earned and are supposed to receive, 68% say they are not confident.

Low levels of confidence are consistent across all generations of Americans not yet receiving Social Security benefits (Table 12). And substantial majorities of people not yet receiving benefits — regardless of income level or political party affiliation — express doubts that the benefits they are supposed to receive when they retire will actually be paid to them.

Views about Social Security Change When Facts Are Provided

Official projections by Social Security's actuaries in both the 2013 and 2014 Social Security Trustees Reports show that the program has sufficient funds to pay 100% of scheduled benefits until 2033. When survey participants are asked what would happen after 2033 if nothing is done to strengthen the program in the meantime, just 24% know that Social Security would still be able to pay about three-quarters of scheduled benefits. Most of the rest think Social Security's finances would be in far worse shape; nearly 3 in 10 (28%) think Social Security would be unable to pay any benefits at all (Table 13).

After learning that raising Social Security's taxes from 6.2% to 7.7% of earnings for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share who think it is a manageable problem or not a problem at all rises from 30% to 67% (Table 14, Figure 8). The availability of factual information substantially allays respondents' concerns about the future of Social Security.

Table 12. **Confidence in Social Security's Future**

Respondent Characteristics	**All Respondents** *How confident are you in the future of the Social Security system?*	**Respondents not yet receiving Social Security** *How confident are you that all of the Social Security benefits you are supposed to get will be available to you when you retire?*
Confident	38%	32%
Not confident	62	68
Respondents by Generation, Family Income, and Party Affiliation (Percent *not* confident):		
Generation		
Early Boomers & Older	46	34
Late Boomers	64	66
Generation X	72	76
Generation Y	68	75
Family Income		
Less than $30,000	56	65
$30,000 to $49,999	54	63
$50,000 to $74,999	68	75
$75,000 to $99,999	66	69
$100,000 or more	63	69
Party Affiliation		
Republican	69	75
Democrat	54	59
Independent	64	71

Source: National Academy of Social Insurance Survey, June 2014

Table 13. **Knowledge of Social Security's Future Financing**

Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?

Social Security would be able to pay 100% of benefits	11%
Social Security would be able to pay 75% of benefits	24
Social Security would be able to pay 50% of benefits	26
Social Security would be able to pay 25% of benefits	10
Social Security would be unable to pay benefits at all	28

Source: National Academy of Social Insurance Survey, June 2014

Table 14. **Perception of Social Security Funding Shortfall**

Would you say that funding for Social Security in the future is … ?

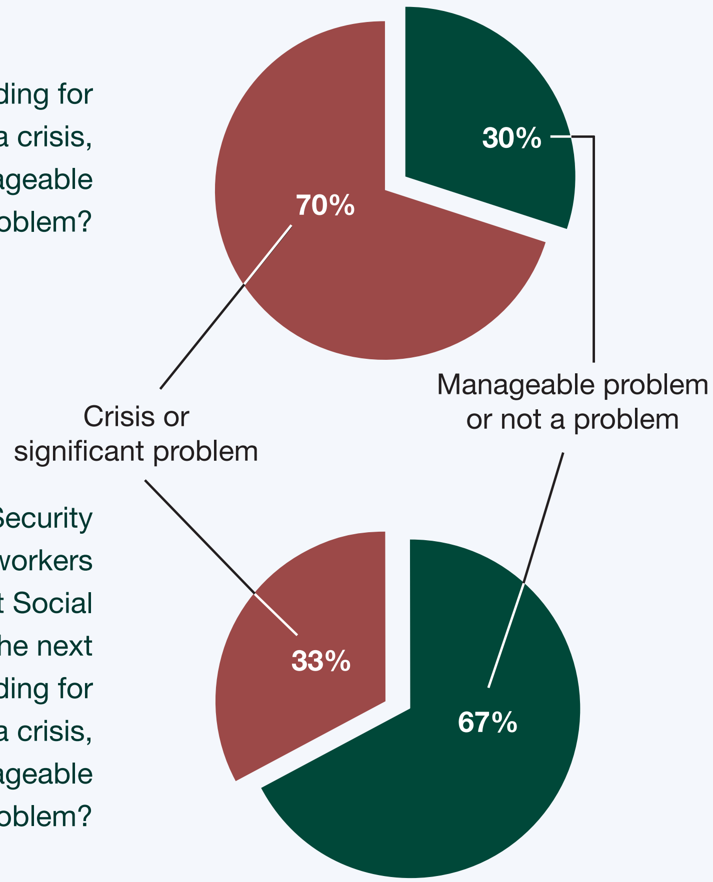
	No new information	*If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years…*
Crisis or significant problem	70%	33%
Crisis	23	9
Significant problem	47	24
Manageable problem, or not a problem	30	67
A manageable problem	27	58
Not a problem	3	9

Source: National Academy of Social Insurance Survey, June 2014

Figure 8. **Perception of Social Security Shortfall: Effect of New Information**

Would you say that funding for Social Security in the future is a crisis, a significant problem, a manageable problem, or not a problem?

If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security in the future is a crisis, a significant problem, a manageable problem, or not a problem?



Source: National Academy of Social Insurance Survey, June 2014

Social Security payments now comprise about 5% of the economy (gross domestic product, or GDP). As Boomers continue to retire, that share will rise to about 6.2% of GDP by 2035, and will then drop back and level off at about 6% for the rest of the next 75 years.[18] When asked whether they agree or disagree that "this means that as a nation we can afford Social Security," a majority (63%) agrees that the program is affordable. Providing economic context helps respondents assess whether Americans in the future can afford to maintain benefits.

Comparisons with 2012 Study

This study updates the Academy's 2012 study, *Strengthening Social Security: What Do Americans Want?*, which was released in January 2013.

In large part, the present study replicates the 2012 study. Both studies included two focus groups, an online survey of 2,000 Americans drawn from a consumer panel, and a trade-off exercise. Many of the same questions were asked in both studies. The key findings are also consistent.

Wording Changes

While the main findings and much of the methodology are consistent between the two studies, some differences in survey questions are worth noting. All of the Social Security data and cost estimates used in the survey and trade-off exercise were updated to reflect the most current data available. Some survey questions and trade-off definitions had wording changes to improve clarity, often in response to feedback from the focus groups. For example, when considering increasing Social Security's minimum benefit for lifetime low-wage workers, several focus group participants asked for information on what wage level is considered "low-wage" and on the poverty line. In response, the description of that option in the present study included examples of low wage earnings ("for example, full-time at the minimum wage") and of the poverty line ("about $11,670 a year, or $970 a month, for one person"). The full text of the survey questionnaire is in Appendix B.

In the 2012 survey, questions asking whether respondents favor or oppose individual policy changes included "not sure" as an answer choice in the middle of the scale, and respondents often chose that answer. In order to encourage respondents to indicate their preferences despite some uncertainties, the new study removed "not sure" as a response choice. Respondents could indicate that they "somewhat" or "strongly" favored or opposed each change.

Table 15. **Removing "Not Sure" as an Answer Choice**

Do you favor or oppose this change [raising the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052]?	*2012 Study*	*2014 Study*
Favor strongly	24%	20%
Favor somewhat	30	46
Not sure	26	-
Oppose somewhat	14	24
Oppose strongly	6	10

Source: National Academy of Social Insurance Surveys, September 2012 and June 2014

To illustrate, Table 15 presents the 2012 and 2014 responses to the question asking respondents' views on raising the Social Security tax rate in two steps in the future. The question wording and answer choices were identical except for removing "not sure" as an answer choice. Without "not sure" as an answer choice, more respondents say they "somewhat" favor or oppose the change.

Because of these wording changes, the responses to many of the survey questions in the present study are not directly comparable to the 2012 results. Moreover, some new questions were added in the present study, for instance questions about Social Security's disability and survivors protections (Tables 4 and 5).

Small Changes in Findings

The present study confirms findings from the 2012 study that Americans across generations, income levels, and party affiliations say they value Social Security, they don't mind paying for it, and they are willing to pay more, if necessary, to preserve benefits for future generations. On some questions, support for Social Security appears to be slightly lower in the present study compared to the 2012 study. For example, 68% of respondents – compared to 72% in 2012 – say they have a favorable view of Social Security, and 72% – compared to 75% in 2012 – say we should consider increasing benefits in order to provide a more secure retirement for working Americans. These changes are small and may simply reflect the normal variations to be expected when conducting surveys over time.

Americans' preferences for strengthening Social Security remain stable. In both studies, trade-off analysis indicates that respondents' preferred package of policy changes to Social Security (Package A) would gradually eliminate the taxable earnings cap, gradually raise the tax rate to 7.2%, raise the minimum benefit for lifetime low-wage workers, and increase the COLA by basing it on inflation experienced by the elderly. Detailed responses to Package A by political party affiliation are newly available in this study and confirm that large majorities of respondents across party lines, as well as across age and income groups, support this package. Moreover, survey responses on individual policy options confirm that, as in 2012, participants support options that would raise revenues for Social Security and increase benefits somewhat. Majorities generally oppose policies that would reduce benefits.

In brief, large majorities value Social Security, don't mind paying for it, and say they are willing to pay more, if necessary, to preserve benefits for future generations.

Conclusions

Americans have a strong preference for strengthening the finances of the Social Security system and are willing to contribute more, if necessary. Respondents clearly want to close the system's financing gap. But rather than doing so in part by reducing benefits, they prefer a package of changes that does not include benefit cuts. Indeed, they prefer targeted benefit improvements, specifically increasing benefits for lifetime low-wage earners and increasing the cost-of-living adjustment (COLA) to better reflect the higher inflation that many older people experience. These preferences underscore the importance that Americans attach to the program.

Americans are aware that Social Security differs from most public programs in being supported by dedicated taxes, and they are willing to contribute more from their earnings if necessary to keep the program strong for the future. In particular, they prefer a funding strategy that strengthens Social Security and eliminates the funding gap by gradually eliminating the cap on earnings subject to Social Security taxes, and by gradually raising the tax rate that workers and employers pay into the system. Majorities of respondents oppose policy options to reduce benefits, and there is strong resistance to reducing the cost-of-living adjustment and raising the full retirement age to 70.

The findings are consistent throughout the different parts of the study. In focus groups, participants were concerned about benefits being too low. In the survey, respondents say they don't mind paying for Social Security and are willing to pay more if necessary. In the trade-off analysis, the preferred package of changes would close Social Security's long-term shortfall by gradually increasing taxes in two ways, and would also increase benefits in two ways.

Americans' widespread willingness to pay more for Social Security shows that they view Social Security as a vital program that provides a measure of economic security for their families, themselves, and their communities. At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that respondents across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

Better information could improve public knowledge about and confidence in Social Security. The survey shows that Americans strongly support Social Security but lack confidence in its future — a paradox that has been reflected in other surveys conducted over the past 30-plus years. Notably, the survey also shows that respondents' confidence in the future of Social Security improves significantly when they have access to factual information. For example, after learning that the program's financing gap could be closed by specified increases in revenues, the share of survey participants who think Social Security financing is a crisis or significant problem drops from 70% to 33%, while the share of participants who think it is a manageable problem or

At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that Americans across political and generational lines not only support Social Security but also agree on specific changes to strengthen it for the future.

not a problem at all rises from 30% to 67%. Similarly, after learning that Social Security as a share of the economy will increase as Boomers retire from just under 5% to about 6.2% in 2035, but will then level off at about 6% for the rest of the next 75 years, nearly two in three of those surveyed conclude that Social Security, as a share of the economy, is affordable. This suggests that systematically improving the quality of information available about Social Security, via a major public education initiative, could markedly improve the public's confidence in the resilience of a system that they want to preserve for future generations.

Methodology

To understand Americans' perspectives on Social Security and their views on possible actions to address the program's long-term financing gap for the future, the National Academy of Social Insurance collaborated with Greenwald & Associates to conduct a multigenerational study. The study included focus groups and an online survey of 2,013 Americans conducted in June 2014. An innovative application of trade-off analysis was used to examine how respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes.

Focus Groups

As a prelude to the survey, Greenwald & Associates convened two focus groups on Social Security. The focus groups were used to refine the survey questionnaire and add depth to the survey findings. One of the focus groups included individuals ages 18-39 with gross personal incomes between $15,000 and $49,999. The second group included older and higher-income individuals, ages 40-64 with gross personal incomes between $50,000 and $124,999. The focus groups explored participants' knowledge of how the Social Security program works, how it has affected them and/or their families, and their opinions about various options to strengthen it. The focus groups were convened in Baltimore, Maryland, on March 31, 2014.

Recruitment for the focus groups excluded individuals with careers (or family members' careers) in the federal government, marketing, public affairs, lobbying, investments, economics, or public relations. All of the nine participants in the younger group were employed full-time. In the older group, nine were employed full-time and one was employed part-time. Participants were recruited to include a mix of educational levels, and no more than two respondents per group had a graduate or professional school degree. Both groups had a mix of political affiliations (Democrats, Republicans, and independents) and a mix of races and ethnicities.

Survey

The survey was conducted online, rather than via telephone interviews, so that respondents could read about the policy options and participate in the deliberative trade-off exercise. The online survey of 2,013 Americans ages 21 and older was conducted from June 12-23, 2014. Respondents were randomly selected from the Research Now consumer panel of nearly 2.2 million individuals in the U.S. Panel members are recruited through a controlled mix of online and other methods to ensure that the panel is representative of the broader population. Quotas by race/ethnicity were used to insure adequate representation from African Americans (225), Asians (150) and Hispanics (250). A large majority of respondents (87%) reported that they are registered voters. Interviews averaged 21 minutes in length.

The first part of the questionnaire explored respondents' knowledge and attitudes about Social Security, their confidence in its future, and the importance of benefits to their incomes now and in the future. The rest of the questionnaire asked whether they would favor or oppose each of 14 specific changes to Social Security, including increasing future taxes, lowering future benefits, or increasing benefits for certain groups. Each policy change included a brief explanation of its effect and an estimate of how it would reduce or increase Social Security's projected long-term financing gap. The survey questionnaire is in Appendix B. Details about the individual policy changes and official estimates of their effects on Social Security's finances are in Appendix E. The survey results were weighted to match data from the March 2013 Current Population Survey by age, gender, education, and work status (full time, part time, or not employed).

Trade-Off Analysis

Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to learn which elements of various packages of product features consumers want and are willing to pay for, and to estimate which package is preferred. In this study, trade-off analysis is used to learn which of various packages of Social Security policy changes Americans want and are willing to pay for. The Academy's 2012 study (which this study updates) was the first application of trade-off analysis to assess public opinion about Social Security policy options. The descriptions of the policy changes used official estimates from the Social Security Administration actuaries of how each option would affect the program's financing gap. The trade-off technique identifies the most appealing combination of policy changes of all of the individual changes that were considered.

Study participants completed the trade-off exercise after answering the questionnaire in Appendix B. Twelve policy changes were included in the trade-off exercise.[19] Four changes call for increasing future revenues: two by raising the cap on earnings subject to Social Security taxes and two by raising the Social Security tax rate for all workers. Four changes call for reducing future benefits: two by increasing the age for receiving full retirement benefits, one by means-testing benefits, and one by lowering Social Security's annual cost-of-living adjustment (COLA). Finally, four changes call for increasing benefits. Two increases would target specific groups: lifetime low-wage workers and children of disabled or deceased workers. Two other increases would affect all beneficiaries: increasing the COLA by basing it on inflation experienced by the elderly, and an across-the-board benefit increase. Appendix D contains descriptions of the 12 changes that respondents read as they completed the trade-off exercise, and Appendix E provides technical details on the changes as well as the official estimates by Social Security Administration actuaries of how the changes affect Social Security's finances.

The trade-off exercise design program generated 100 unique screens organized into 10 blocks of 10 screens each. Each respondent was randomly assigned one of the 10 blocks and completed all 10 screens in the block. On each screen, respondents saw three packages or sets of Social Security changes, including an estimate of how much each set would reduce or increase Social Security's financing gap, and a fourth set with no change to the current system. On each of their 10 screens, participants chose the package of policy changes they preferred — one of the three sets of changes or the current system unchanged. Appendix C shows the instructions for completing the screens and three examples of the 100 screens that were used.

Endnotes

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14 All cost estimates used in this study are based on the projections of the 2013 Social Security Trustees Report, which was the most recent available when the survey fielded in June 2014. Using the projections of the *2014 Trustees Report*, released in July 2014, Package A closes 107% of the projected long-term shortfall.

15 U.S. Census Bureau. 2014. "2014 Poverty Guidelines." Washington, DC: U.S. Department of Health & Human Services, Census Bureau. http://aspe.hhs.gov/poverty/14poverty.cfm

16 Hertel-Fernandez, Alexander. 2010. "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students." *Social Security Brief No. 33.* Washington, DC: National Academy of Social Insurance. www.nasi.org/sites/default/files/research/SS_Brief_033.pdf

17 Social Security Administration, 2014d: Table 2.A26.

18 Board of Trustees, 2014: Table VI.G4

19 Two additional policy changes – increasing benefits for the oldest old, and providing caregiver credits – were included in the survey questionnaire but not in the trade-off exercise, due to limitations of space and time.

Appendices:

Appendix A: Additional Figures

Appendix B: Questionnaire

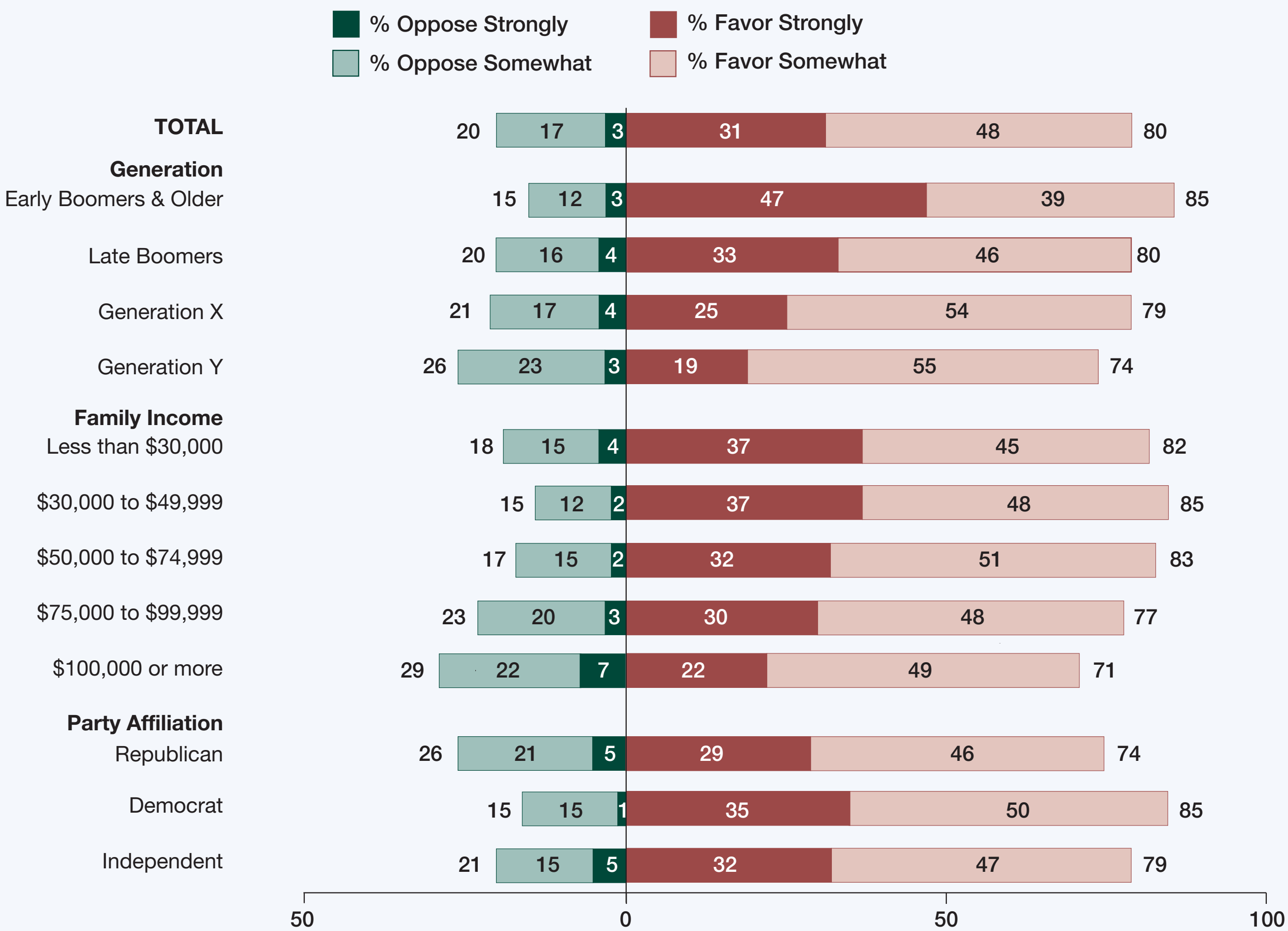
Appendix C: Trade-off Analysis Example

Appendix D: Individual Policy Option Definitions

Appendix E: Detailed Descriptions and Cost Estimates for Policy Options

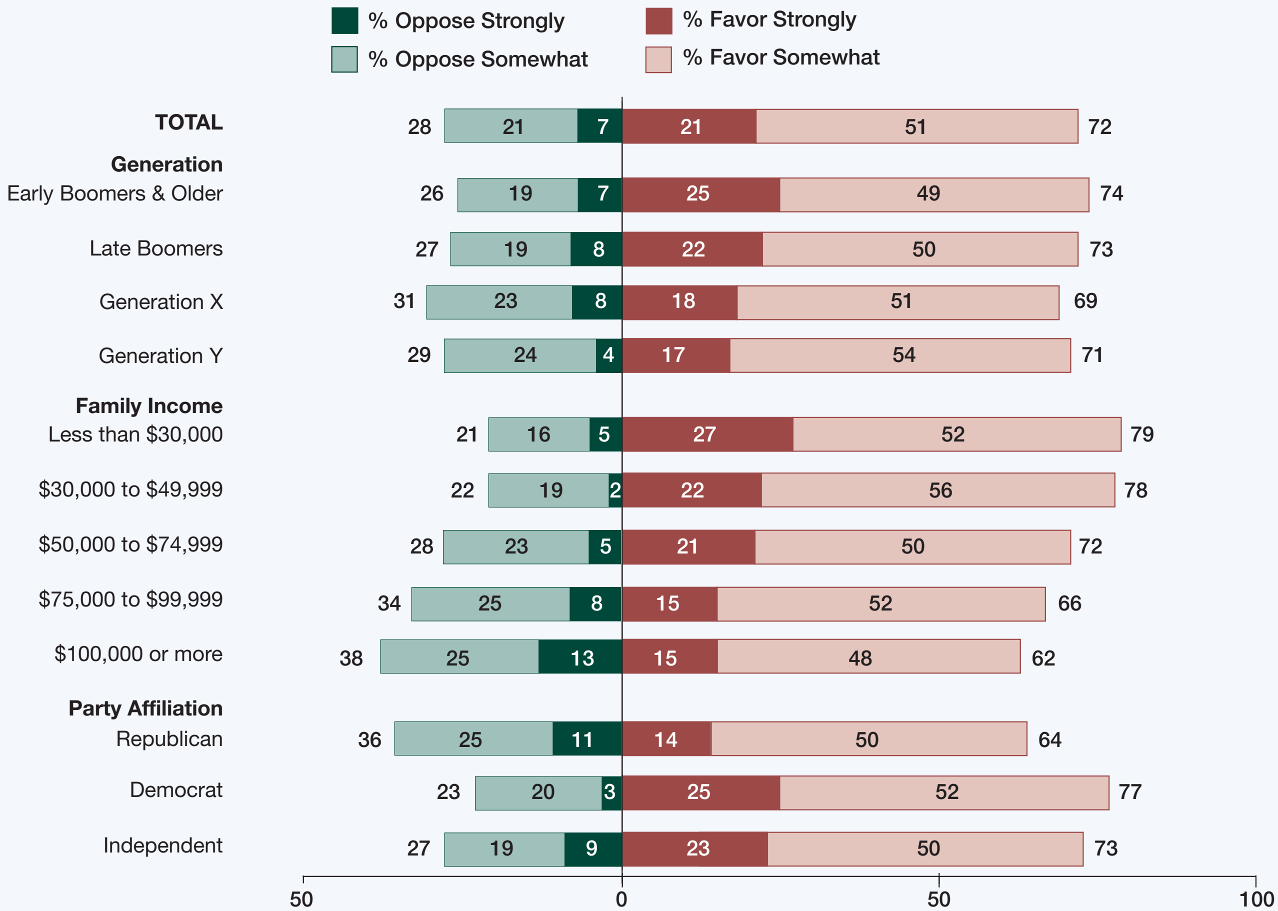
APPENDIX A: Additional Figures

Figure A1. **Increase the COLA to More Fully Protect Seniors against Inflation**



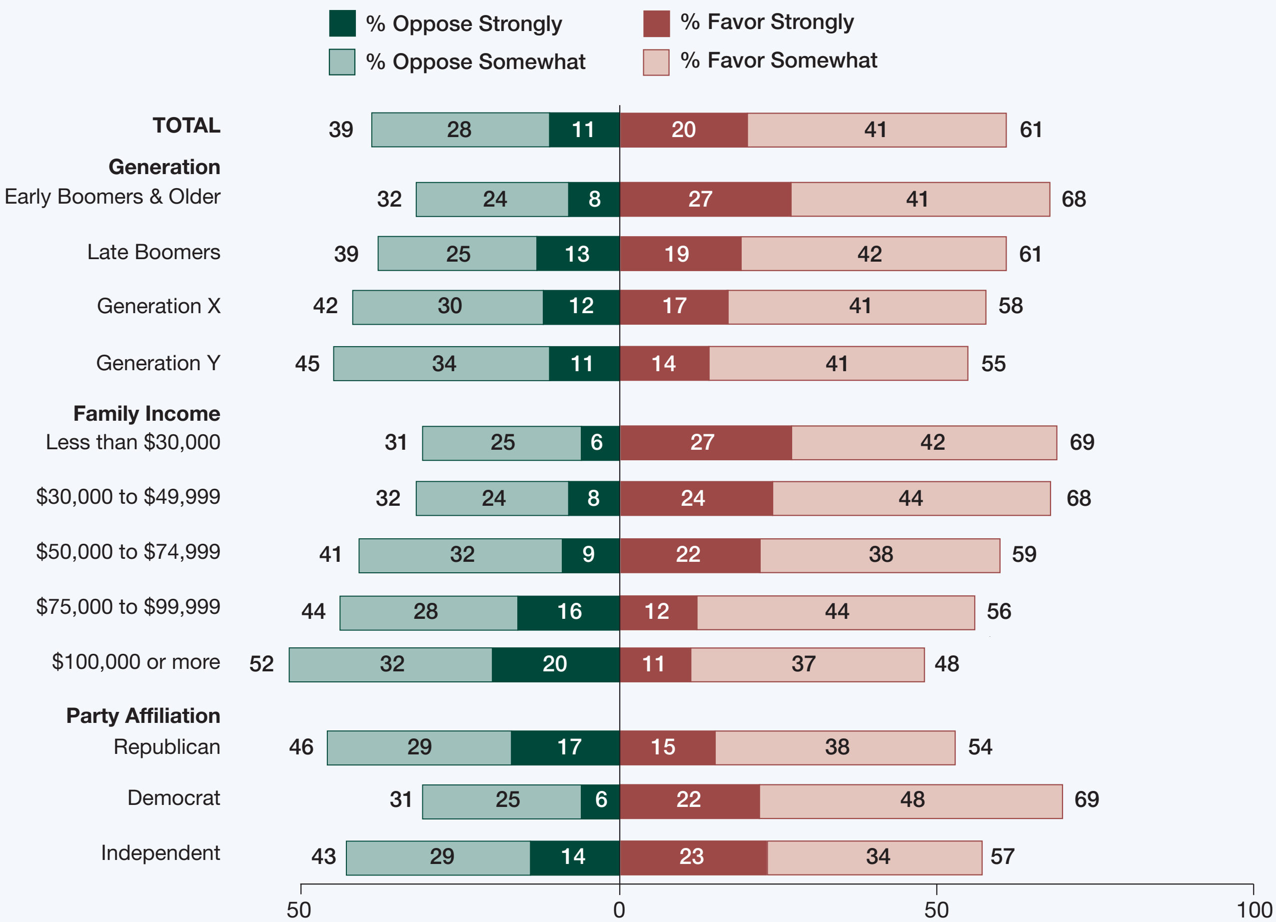
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding

Figure A2. **Increase Social Security's Minimum Benefit**



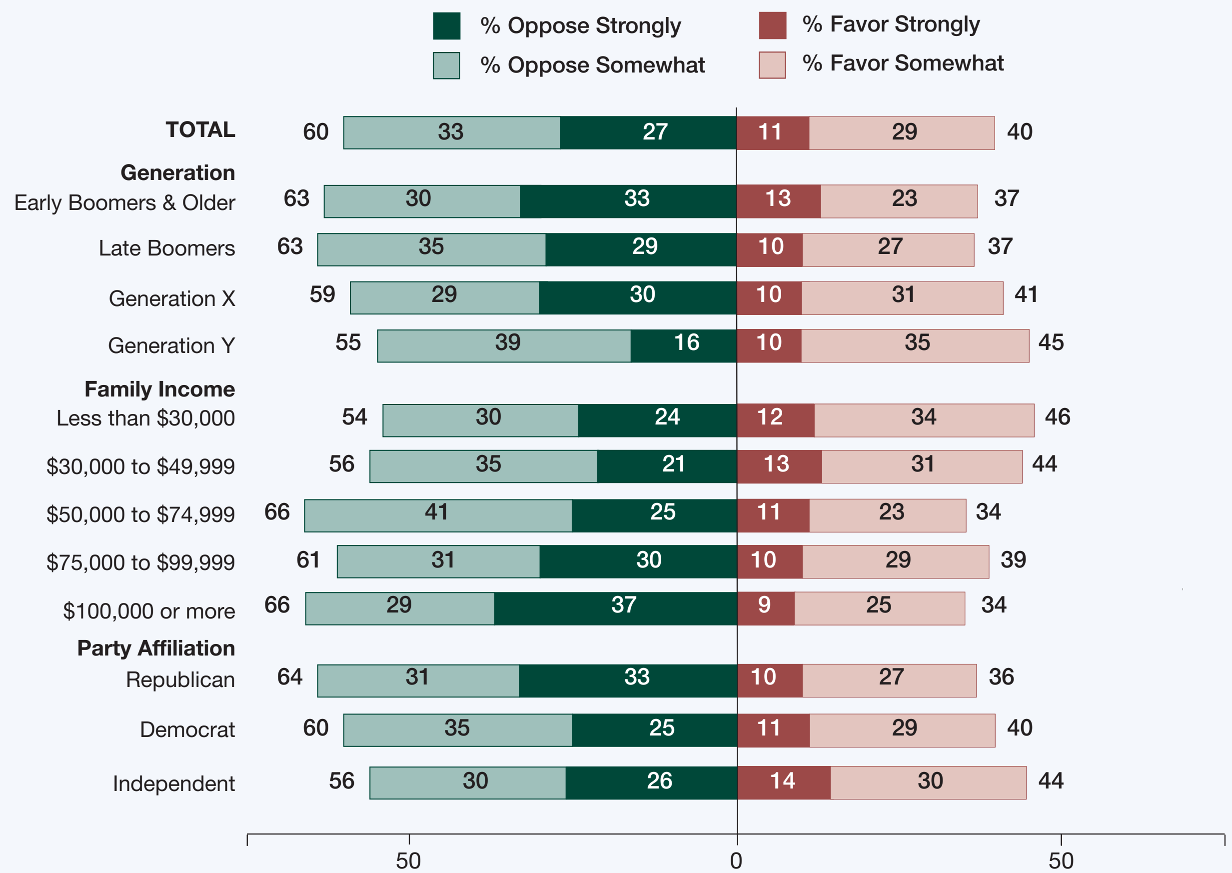
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A3. **Increase Benefits for All Beneficiaries**



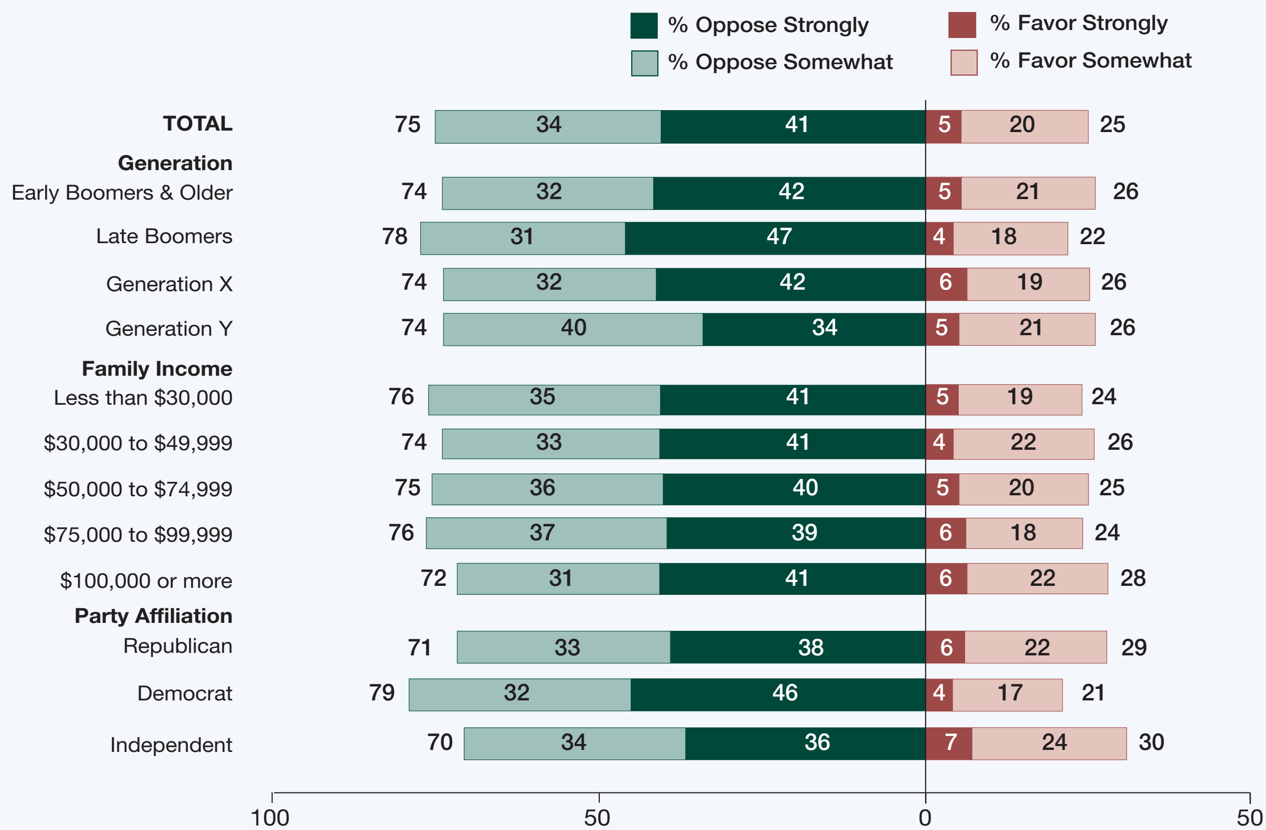
Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A4. **Means-Test Social Security**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

Figure A5. **Raise the Full Retirement Age to 70**



Source: National Academy of Social Insurance Survey, June 2014
Bars may not total due to rounding.

APPENDIX B: Questionnaire

1. To start, we need to ask a few questions about you. In what year were you born?

   ____ ____ ____ ____ [TERMINATE IF YOB > 1992.]

2. Are you…
   Male 1
   Female 2

3. Are you Hispanic or Latino?
   Yes 1
   No 2
   Prefer not to say .... **[TERMINATE]** 3

4. Are you… *(Check all that apply.)*
   African American or Black 1
   Asian or Pacific Islander 2
   Native American 3
   White or Caucasian 4
   Other (Please specify.) ____________________ 5
   Prefer not to say .... **[TERMINATE]** 6

5. What is your current marital status?
   Married 1
   Unmarried, living with a partner 2
   Divorced or separated 3
   Widowed 4
   Single, never married 5

6. What level of education have you completed?
   Some high school or less 1
   High school graduate 2
   Some college/trade or technical school 3
   College graduate (4-year degree) 4
   Graduate or professional degree 5

7. Are you currently…?
   Employed for pay full-time 1
   Employed for pay part-time 2
   Not employed for pay 3

8. Do you consider yourself to be retired?
   Yes 1
   No 2

9. How knowledgeable are you about the way the Social Security system works?
   Very knowledgeable 4
   Somewhat knowledgeable 3
   Not too knowledgeable 2
   Not at all knowledgeable 1

10. Overall, is your view of Social Security …?
Very favorable 4
Somewhat favorable 3
Somewhat unfavorable 2
Very unfavorable 1

11. In general, do you think we spend too much, not enough, or about the right amount on Social Security?
Too much 1
Not enough 2
About the right amount...3

12. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. I think of Social Security as the foundation that I **[IF NOT RETIRED (Q8=2)**: can/**IF RETIRED (Q8=1)**: could**]** build on for my retirement security.	4	3	2	1
b. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	4	3	2	1
c. I **[IF NOT RETIRED**: don't/**IF RETIRED**: didn't**]** mind paying Social Security taxes because I **[IF NOT RETIRED**: know/**IF RETIRED**: knew**]** I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	4	3	2	1
d. **[IF NOT RETIRED]** I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire. **[IF RETIRED]** I didn't mind paying Social Security taxes because I knew that I would be receiving benefits when I retired.	4	3	2	1
e. To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	4	3	2	1
f. Social Security taxes are too high already. We should plan for future benefit cuts rather than raise tax rates further.	4	3	2	1
g. **[IF NOT RETIRED]** I don't know if I'm going to need Social Security when I retire, but I want to know it is there just in case I do need it. **[IF RETIRED]** I didn't know if I would need Social Security when I retired, but I wanted to know it was there just in case I did need it.	4	3	2	1
h. Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	4	3	2	1

13. Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

14. Are you aware that workers earn disability insurance through Social Security?
Yes, aware 2
No, unaware 1

15. The average Social Security benefit for a disabled worker was $1,146 a month in January 2014. Do you think that amount is ...?
Too high 3
Too low 1
About right 2

16. Are you aware that workers earn life insurance through Social Security, which pays benefits to the children and widowed spouses of workers who die?
Yes, aware 2
No, unaware 1

17. The average Social Security benefit for a child of a worker who died was $815 a month in January 2014. Do you think that amount is …?
Too high 3
Too low 1
About right 2

18. **[IF NOT RETIRED (Q8=2)]** At what age do you plan to retire? *(Please provide your best estimate.)*
____ ____

19. **[IF RETIRED (Q8=1)]** At what age did you retire?
____ ____

20. Are you **[IF MARRIED (Q5=1)**: or your spouse**]** currently receiving Social Security benefits?
Yes, I am 1
[IF MARRIED] Yes, my spouse is 2
[IF MARRIED] Yes, we both are 3
No 4

21. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1,3)]** At what age did you start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
____ ____

22. **[IF SPOUSE RECEIVING BENEFITS (Q20=2,3)]** At what age did your spouse start receiving Social Security benefits? **[SHOW DROP DOWN BOX STARTING AT "UNDER 50", THEN EACH AGE WITH TOP CATEGORY OF "75 OR OLDER".]**
____ ____

23. **[IF RESPONDENT RECEIVING BENEFITS (Q20=1-3)]** How important would you say Social Security benefits are to your monthly income?
Very important 4
Somewhat important 3
Not very important 2
Not at all important 1

24. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How important do you think Social Security benefits will be to your monthly income when **[IF NOT RETIRED (Q8=2)**: you retire/**IF RETIRED (Q8=1)**: you begin receiving benefits**]**?
Very important 4
Somewhat important 3
Not very important 2
Not at all important 1

25. If for some reason you did not receive your Social Security benefits, which of the following statements best describes the effect it would have on your lifestyle **[IF NOT RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=2 & Q20=4)**: in retirement/**IF RETIRED AND NOT RECEIVING BENEFITS ADD (Q8=1 & Q20=4)**: in your later years**]**? **[RANDOMLY REVERSE LIST]**
It would have no effect 4
My budget would be tighter but I would get by 3
I would have to make significant sacrifices 2
I would not be able to afford the basics, such as food, clothing or housing 1

26. How confident are you in the future of the Social Security system?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident 1

27. **[IF RESPONDENT NOT RECEIVING BENEFITS (Q20=4)]** How confident are you that all of the Social Security benefits you are supposed to get will be available to you when **[IF NOT RETIRED**: you retire/**IF RETIRED**: you begin receiving benefits**]**?
Very confident 4
Somewhat confident 3
Not very confident 2
Not at all confident 1

28. Would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

29. Social Security is funded by taxes on earnings, with workers paying 6.2% of their earnings and employers paying a matching amount.
If you knew that increasing Social Security taxes from 6.2% to 7.7% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

30. Please tell me if you agree or disagree with the following statements: **[RANDOMIZE]**

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
a. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by working Americans.	4	3	2	1
b. It is critical that we preserve Social Security benefits for future generations, even if it means increasing the Social Security taxes paid by top earners.	4	3	2	1

31. Which of the two statements below comes closer to your view? **[RANDOMIZE]**
We should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans 1
We shouldn't raise taxes on any American, even if it means reducing Social Security benefits 2

32. Which of the following statements comes closest to what you believe Social Security provides to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough to maintain their pre-retirement standard of living 3
Enough to maintain their pre-retirement standard of living 4

33. Which of the following statements comes closest to what you believe Social Security *should* provide to retirees? **[RANDOMLY REVERSE LIST]**
Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough to maintain their pre-retirement standard of living 3
Enough to maintain their pre-retirement standard of living 4

34. Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?
Social Security would be able to pay 100% of benefits 1
Social Security would be able to pay 75% of benefits 2
Social Security would be able to pay 50% of benefits 3
Social Security would be able to pay 25% of benefits 4
Social Security would be unable to pay benefits at all 5

35. Social Security benefit payments currently account for about 5% of the United States economy. As the baby boomers retire, Social Security's share of the economy will increase, reaching 6.2% by 2035, when all of the baby boomers will be retired. Then it will drop back to about 6% and will stay at that level. Some people say this means that as a nation we can afford Social Security. Do you agree or disagree?

Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

Policy Changes:

Social Security benefits are modest – the average retirement benefit in January 2014 was just $1,296 per month. Some people believe that Social Security benefits are not as high as they should be to protect the financial security of retired Americans. Proposals have been put forth to improve benefits for all or some workers. However, Social Security faces a long-term financing gap. Improvements to benefits would increase the financing gap, so they would have to be paid for by increasing Social Security's revenues. We're interested in getting your reaction to some of these proposals. The next 4 proposals would increase benefits.

Increase Benefits for Lifetime Low-Wage Workers

36. Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

One proposal would raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

This change would increase Social Security's financing gap by 9%.

Do you favor or oppose this change?

Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Increase Benefits for All Beneficiaries

37. Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month. One proposal would increase Social Security benefits by $65 per month for all beneficiaries.

This change would increase the financing gap by 29%.

Do you favor or oppose this change?

Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Extend Children's Benefits

38. Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school. One proposal would restore those benefits. This would help children in families that have lost a breadwinner's income to complete their education.

    This change would increase the financing gap by 3%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Cost-of-Living Adjustment (COLA)

39. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the average cost of living increases.

    One proposal would increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

    Example: If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30.

    This change would more fully protect seniors against inflation. It would increase Social Security's financing gap by 14%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

40. Some other ideas have been suggested for strengthening Social Security benefits. Do you favor or oppose each of the following proposals?

	Favor Strongly	Favor Somewhat	Oppose Somewhat	Oppose Strongly
a. When a working parent leaves the workforce for a period of time to care for children, count the unpaid time toward the parent's future Social Security benefits so benefits are not reduced because of this gap in paid work. This would increase the financing gap by 8%.	4	3	2	1
b. Increase benefits by $65 per month for recipients over the age of 85 because they generally depend more heavily on Social Security. This would increase the financing gap by 4%.	4	3	2	1

As stated earlier, Social Security currently faces a projected long-term revenue shortfall. It has enough income to cover 100% of benefits until 2033. After that point, if Congress fails to act, the system will only be able to pay about 75% of benefits. Several proposals have been suggested to help close the financing gap, either by increasing revenues that go into the Social Security system or cutting Social Security benefits. We are interested in getting your reaction to some of these proposals. The next 4 proposals would raise revenues for Social Security, and the 4 after that would reduce benefits.

Increase Social Security's Taxable Earnings Cap

41. Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

    One proposal is to gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the cap to about $230,000).The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits. This change would reduce Social Security's financing gap by 29%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

42. Another proposal would gradually eliminate the earnings cap (currently $117,000) over 10 years. The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits. This change would reduce the financing gap by 74%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

Increase Social Security's Tax Rate

43. Workers currently pay 6.2% of their earnings to Social Security, matched by the employer. One proposal would raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

    Example: For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.

    This change would reduce the financing gap by 52%.

    Do you favor or oppose this change?
    Favor strongly 4
    Favor somewhat 3
    Oppose somewhat 2
    Oppose strongly 1

44. Another proposal would raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

Example: For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.

This change would reduce the financing gap by 76%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

The next 4 proposals would reduce benefits.

Reduce Social Security's Cost-of-Living Adjustment (COLA)

45. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. One proposal would lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

Example: If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.

Benefit cuts add up over time, so the oldest seniors would experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.

This change would reduce seniors' protection against inflation. It would reduce the financing gap by 20%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Increase Social Security's Full Retirement Age

46. Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

One proposal is to gradually raise the full retirement age to 68. That would be an additional 7% benefit cut on top of the 13% cut from 65 to 67. This change would reduce the financing gap by 16%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

47. Another proposal would very gradually raise the full retirement age to 70. This change would be an additional benefit cut of about 21% on top of the change from 65 to 67. It would reduce the financing gap by 25%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

Means-Test Social Security

48. "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Benefits would be reduced for individuals with non-Social Security annual income higher than $55,000 ($110,000 for couples). Benefits would be eliminated for individuals with non-Social Security income higher than $110,000 ($165,000 for couples). Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

This change might reduce the financing gap by 20%.

Do you favor or oppose this change?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

49. The following set of changes would close 100 percent of Social Security's financing gap and pay for benefit improvements:

- Over 10 years, gradually eliminate the cap on earnings that are taxed for Social Security so that the highest 6% of earners pay in throughout the year, as other workers do. Those top earners would also get somewhat higher benefits;
- Over 20 years, gradually raise the 6.2% rate that workers and employers each pay to 7.2%. Someone making $50,000 would pay about 50 cents a week more each year;
- Raise the minimum benefit so that anyone who paid in to Social Security for 30 years can retire on Social Security and not be poor;
- Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the inflation experienced by seniors.

Would you favor or oppose this set of changes to improve and pay for Social Security benefits?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

[INSERT CONJOINT HERE]

50. Now that you have considered the policy options that are available, would you say that funding for Social Security in the future is …? **[RANDOMLY REVERSE LIST]**
A crisis 4
A significant problem 3
A manageable problem 2
Not a problem 1

51. How difficult do you think it is to fix Social Security's funding gap? **[RANDOMLY REVERSE LIST]**
Very difficult 4
Somewhat difficult 3
Not too difficult..2
Not at all difficult..1

52. Are you a registered voter?
Yes 1
No..2

53. Do you consider yourself a Democrat, a Republican, or an independent?
Democrat 1
Republican 2
Independent 3
Other..4

54. What is your ZIP code?

55. How would you rate your health?
Excellent 5
Very good 4
Good..3
Fair 2
Poor 1

56. Do you currently have health insurance coverage?
Yes 1
No..2

57. What is your total annual family income before taxes?
Under $25,000 1
$25,000 to $29,999 2
$30,000 to $34,999 3
$35,000 to $49,999 4
$50,000 to $74,999 5
$75,000 to $99,999 6
$100,000 to $149,999 7
$150,000 or more 8
Prefer not to say..9

58. In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence? Please include all savings and investments, including 401(k), 403(b), and 457 plans and IRAs, but not the value of your home.
Less than $10,000 1
$10,000 to $24,999 2
$25,000 to $49,999 3
$50,000 to $99,999 4
$100,000 to $149,999 5
$150,000 to $249,999 6
$250,000 to $499,999 7
$500,000 or more 8
Prefer not to say..9

APPENDIX C: Trade-off Exercise Example

A trade-off exercise module further explored which changes in the Social Security system respondents favor and are willing to pay for. Rather than having each change rated individually in isolation, this module required participants to specify their preference from a variety of different packages (sets) of changes. The results indicate which specific changes are most favorable and which are least favorable.

After study participants had provided favorability ratings for each of the proposed changes to the current Social Security system *individually*, they were asked to complete the trade-off exercise. The instructions given were as follows:

You will now see a series of 10 screens. Each screen will have 3 different sets of Social Security policy changes, plus a 4th set that has no changes to the current system. The last line of each set shows how much that combination of changes would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would *reduce* the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would *increase* Social Security's financing gap by 10%.

Please assume that the policy changes presented are the only changes being made to Social Security for that set. All other Social Security features will remain the same.

Here is a link to a definition guide that contains further explanations and examples of the options you will see. Please review this guide before moving to the next screen, and keep it open for reference going forward. Each screen will also contain 'hover definitions' that will appear when you move your cursor over the different elements on the screen. These provide a quick reference in addition to the larger definitions guide.

Once you have compared the sets on each screen, including the set with no change to the current system, please select the set that is most appealing to you. You will not be able to move backward once you have finished a screen.

Sample Trade-Off Grids:

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	***Policy Change #2***	***Policy Change #3***	***No Change***
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	No Change	Gradually eliminate the cap over 10 years to cover all earnings	Gradually lift the cap over 5 years to cover 90% of earnings	
SOCIAL SECURITY TAX RATE	Raise the tax for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	I prefer the current system.
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	No Change	Increase the COLA by basing it on inflation for the elderly	Lower the COLA by basing it on a different inflation measure	
CHANGES FINANCING GAP BY:	-76%	-113%	-49%	0%
Which do you most prefer	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	***Policy Change #2***	***Policy Change #3***	***No Change***
SOCIAL SECURITY TAX RATE	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	I prefer the current system.
BENEFITS FOR CHILDREN	Restore student benefits until age 22 for children whose working parents have died or become disabled	No Change	Restore student benefits until age 22 for children whose working parents have died or become disabled	
BENEFITS FOR ALL BENEFICIARIES	Increase benefits by $65 per month for all beneficiaries	Increase benefits by $65 per month for all beneficiaries	No Change	
BENEFITS FOR LIFETIME LOW-WAGE WORKERS	Raise the minimum benefit so 30-year workers can retire and not be poor	No Change	Raise the minimum benefit so 30-year workers can retire and not be poor	
CHANGES FINANCING GAP BY:	-35%	-23%	+12%	0%
Which do you most prefer?	O	O	O	O

Which of the following sets of Social Security policy changes, if any, do you most prefer? Place your mouse cursor over the underlined text to see a further detailed description. Please click the 'next' button at the bottom of the page after you've made your selection.

	Policy Change #1	***Policy Change #2***	***Policy Change #3***	***No Change***
SOCIAL SECURITY'S TAXABLE EARNINGS CAP	Gradually lift the cap over 5 years to cover 90% of earnings	Gradually eliminate the cap over 10 years to cover all earnings	No Change	I prefer the current system.
SOCIAL SECURITY TAX RATE	Raise the tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each	No Change	Raise the tax rate for both employers and workers from 6.2% to 7.2% in 2022 and to 8.2% in 2052	
SOCIAL SECURITY'S FULL RETIREMENT AGE	Gradually raise the full retirement age to 68	Gradually raise the full retirement age to 70	No Change	
MEANS TESTING SOCIAL SECURITY	Require people to prove they are eligible for benefits, based on their income, in order to receive them	No Change	Require people to prove they are eligible for benefits, based on their income, in order to receive them	
CHANGES FINANCING GAP BY:	-122%	-99%	-96%	0%
Which do you most prefer?	O	O	O	O

APPENDIX D: Policy Option Definitions

Financing gap: Social Security currently faces a projected long-term revenue shortfall. Social Security's trust fund reserves plus the revenues being collected to finance Social Security benefits will cover 100% of benefits until 2033. Then, if Congress fails to act, the trust fund reserves will be used up and the revenue continuing to come in from payroll taxes will cover only about 75% of the benefits that recipients expect to receive. There are many ways to close the financing gap.

Each set of changes indicates how much it would reduce (or increase) Social Security's long-term financing gap. For example:

- A negative 80% means the set of changes would *reduce* the financing gap by 80%.
- A negative 120% means the set of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A positive 10% means the set of changes would *increase* Social Security's financing gap by 10%.

Social Security Tax Rate: Workers currently pay 6.2% of their earnings to Social Security, matched by the employer.

Option 1: Raise the Social Security tax rate very gradually over 20 years, by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

- For a worker earning $50,000, this would mean an increase each year of 50 cents per week, matched by the employer.
- This change reduces the financing gap by 52%.

Option 2: Raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

- For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.
- This change reduces the financing gap by 76%.

Social Security's Taxable Earnings Cap: Currently, annual earnings above $117,000 are not taxed for Social Security. About 6% of workers earn more than that amount. Congress originally set the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 83% of all earnings.

Option 1: Gradually lift the earnings cap over 5 years until it once again covers 90% of all earnings by American workers (this would raise the earnings cap to about $230,000).

- The top 6% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits.
- This change reduces the financing gap by 29%.

Option 2: Gradually eliminate the earnings cap over 10 years.

- The top 6% of earners would pay Social Security taxes on all their earnings throughout the year, just as other workers do. In return, they would get somewhat higher benefits.
- This change reduces the financing gap by 74%.

Benefits for Lifetime Low-Wage Workers: Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at very low wages (for example, full-time at the minimum wage) are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

Option: Raise the minimum Social Security benefit to ensure that someone who works and pays into Social Security for 30 years can retire at age 62 or later and not be poor. (The poverty line is about $11,670 a year, or $970 a month, for one person.)

- Does not affect most workers, whose benefits exceed this minimum adequacy level.
- This change increases the financing gap by 9%.

Children's Benefits: Social Security pays benefits to children whose working parents have died or become disabled. Benefits are paid until the age of 18, or 19 if still in high school. In the past, these benefits would continue until age 22 if the child was attending college or vocational school.

Option: Restore the student benefit until age 22.

- Helps children in families that have lost a breadwinner's income to complete their education.
- This change increases the financing gap by 3%.

Benefits for All Beneficiaries: Social Security benefits are modest. The average retirement benefit in January 2014 was just $1,296 per month.

Option: Increase Social Security benefits by about $65 per month for all beneficiaries.

- This change increases the financing gap by 29%.

Social Security's Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to increase benefits to keep up with inflation. The Social Security Administration pays a COLA when the cost of living increases.

Option 1: Increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which generally rise faster than other inflation.

- If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of $30.
- More fully protects seniors against inflation.
- This change increases the financing gap by 14%.

Option 2: Lower the COLA by using a new measure of inflation that generally rises more slowly than the current measure.

- If average inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of $30.
- Reduces seniors' protection against inflation. Benefit cuts add up over time, so the oldest seniors experience the largest cuts. This benefit cut would add up to about 6.5% by the time a retiree reaches age 85.
- This change reduces the financing gap by 20%.

Social Security's Full Retirement Age: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is a benefit cut at any age a worker takes benefits. The increase in the retirement age from age 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

Some people favor increasing the retirement age because Americans are living longer. Others point out that this is not true for everyone. Mostly it's higher-income people who are living longer.

Option 1: Gradually raise the full retirement age to 68.

- Starting in 2023, increase the full retirement age until it reaches 68 in 2028.
- Reduces benefits about 7% on top of the 13% cut from 65 to 67.
- This change reduces the financing gap by 16%

Option 2: Very gradually raise the retirement age to 70.

- Starting in 2023, increase the full retirement age until it reaches 70 in 2069.
- Reduces benefits about 21% on top of the change from 65 to 67.
- This change reduces the financing gap by 25%.

Means-Testing Social Security: "Means-testing" would require people to provide proof of eligibility, based on their income, in order to receive Social Security benefits. Benefits would be reduced or eliminated for retirees with higher incomes. Social Security has never been means-tested: workers have always earned the right to receive benefits by paying Social Security taxes.

Option: Means-test Social Security benefits.

- Reduces Social Security benefits for individuals with non-Social Security income higher than $55,000 ($110,000 for couples).
- Eliminates Social Security benefits for individuals with non-Social Security income higher than $110,000 ($165,000 for couples).
- This change reduces the financing gap by about 20%.

APPENDIX E: Detailed Descriptions and Cost Estimates for Policy Options

This appendix provides documentation of the 14 policy options used in the study and the estimates of their financial effects. The cost estimates were prepared by the Office of the Chief Actuary of the Social Security Administration (SSA) and are among those published on the SSA website.[1]

Social Security's Actuarial Balance

The actuarial balance of the Social Security program is a summary measure of the program's financial status over the next 75 years. It is calculated as the program's starting reserves plus its projected income minus its projected outgo over the next 75 years, expressed as a percentage of taxable payroll over the 75-year period. Taxable payroll includes all U.S. wages, salaries, and self-employment income that are subject to Social Security taxes, up to the taxable earnings cap of $117,000 in 2014. The actuarial balance at the time the survey fielded was -2.72% of taxable payroll, according to the 2013 Social Security Trustees Report.[2] It is a negative number because income is projected to fall short of outgo and thus produce an actuarial deficit, or "financing gap," of 2.72% of taxable payroll.

Effect of Individual Policy Options

The SSA actuaries also estimate the effects of individual policy options as a percentage of taxable payroll. These estimates show how any particular policy change would affect the program's actuarial balance. Any option that raises revenue or lowers outgo would have a positive effect on the actuarial balance and, thus, reduce or eliminate the deficit. Any option that increases benefits or reduces revenue would have a negative impact on the actuarial balance and, thus, increase the deficit. Unless otherwise noted, the cost estimates shown in this appendix were drawn from the website of the Office of the Chief Actuary in May 2014 and are based on assumptions in the 2013 Trustees Report.

In Table E, figures in column (B) are the actuarial estimates of the impact of each individual policy option on the actuarial balance. Positive numbers indicate that the policy would reduce or eliminate the negative actuarial balance, or deficit. Negative numbers indicate that that the policy would increase the deficit. Column (C) indicates where the specific option was found on the website of the Social Security actuaries.

Column (A) shows how the figures in column (B) would change the actuarial deficit of 2.72% of taxable payroll. For example, the first option, which improves the actuarial balance by 2.00% of taxable payroll, would reduce the deficit by 74% (2.00/2.72 = 74%). Figures in column (A) are used to describe the financial effects of the options described in this report. These figures were provided to respondents in the trade-off exercise and the questionnaire, and are also shown in Table 8 of the report.

Combinations of Policy Options

Certain combinations of the individual options produce *interaction effects*, meaning that if the two options were implemented together, their total effect would differ from the simple sum of the two changes individually. For example, when considering a tax rate increase in combination with broadening the tax base, the impact is greater than the sum of the two individual changes due to the interaction effect. The estimates used in the study take account of the interaction among Options 1 through 4, which affect the tax rate and tax base. These combinations are shown at the bottom of Table E. For example, Option 1 (phasing out the taxable earnings cap) and Option 3 (gradually raising the tax rate) combined are estimated to close 136% of the financing gap – slightly more than the sum of the two changes individually, which would be 126%.

Table E. **Policy Options and Estimates of Financial Impact Used in the Study**

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Social Security's Taxable Earnings Cap			
(1) Eliminate the taxable earnings cap, phased in over 10 years between 2015 and 2024. Provide benefit credit for earnings above the current tax cap at a lower rate: 5% above the current cap, and 0.25% above 90% of covered earnings. Phase in both the tax rate and the benefit credit for earnings at a proportional rate over 10 years.	-74%	2.00	[3]
(2) Lift the taxable earnings cap so that 90% of earnings would be covered, phased in over 5 years between 2015 and 2020. Provide benefit credit for earnings up to the revised tax cap.	-29%	0.78	E3.3
Social Security Tax Rate			
(3) Increase the 6.2% payroll tax that employees and employers each pay by 1/20th of 1% per year over 20 years (2019-2038), until it reaches 7.2% in 2038 and later.	-52%	1.42	E1.4
(4) Increase the payroll tax rate (for employers and employees each) to 7.2% in 2022 and to 8.2% in 2052.	-76%	2.06	[4]
Social Security's Full Retirement Age			
(5) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by 2 months every year until the FRA reaches 68 in 2028.	-16%	0.43	C1.2
(6) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by less than 1 month (36/47 of a month) per year, until the FRA reaches 70 in approximately 2050.	-25%	0.69	C2.4[5]
Means-Test Social Security			
(7) Reduce or eliminate Social Security benefits by offsetting the benefit against the individual's other (non-Social Security) income. One such plan would phase out benefits for people with non-Social Security income between $55,000 and $110,000 a year for individuals (and between $110,000 and $165,000 for couples).	-20%	0.54	[6]
Children's Benefits for Students			
(8) Beginning in 2014, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college, or vocational school.	+3%	-0.07	D1

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap[2] (A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for All Beneficiaries			
(9) Beginning in 2014, increase benefits by a uniform dollar amount for all beneficiaries and for all newly-eligible beneficiaries after 2014. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 a month in 2014.	+29%	-0.78	B7.5
Benefits for Lifetime Low-Wage Workers			
(10) Beginning in 2014, reconfigure the special minimum benefit so that the primary insurance amount (PIA)[7] for 30 years of coverage (YOC) is equal to 125% of the monthly poverty level (about $1,164 in 2012). For those with less than 30 YOC, the PIA for each YOC after 10 is $58.20 (or $1,164/20). Index these initial PIA amounts by wage growth. The change would apply to all new and current beneficiaries beginning in 2015.	+9%	-0.25	[8]
Social Security's Cost-of-Living Adjustment (COLA)			
(11) Beginning in December 2015, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). This would *increase* the annual COLA by about 0.2 percentage points, on average.	+14%	-0.37	A6
(12) Beginning in December 2012, compute the COLA using the chained CPI-W. This would *reduce* the annual COLA by about 0.3 percentage points, on average.	-20%	0.52	A3
Caregiver Credit			
(13) Give earnings credits to parents with a child under age 6 for up to 5 years. The earnings credited for childcare equal half of the Social Security average wage index (about $21,858 in 2012). If the parent earned less than the credit, Social Security wage credits would be increased up to the childcare credit level. The credits are available for past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2014. The 5 years are chosen to yield the largest increase in average indexed monthly earnings.	+8%	-0.22	B7.3

Table E. **Policy Options and Estimates of Financial Impact Used in the Study** (continued)

Description of Policy Options	*Percent change in 2.72% financing gap*[2] *(A)*	*Change in balance: % of taxable payroll (B)*	*Option # on SSA's website (C)*
Benefits for the Oldest Old (85+)			
(14) Beginning in 2014, increase the monthly benefit amount of any beneficiary who is (or turns) 85 or older. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $65 in 2014 (5% of the average retired worker benefit of $1,294 in December 2013).	+4%	-0.10	B6.2
Combinations of Options			
Options (1) and (3)	-136%	3.70	9
Options (1) and (4)	-164%	4.47	9
Options (2) and (3)	-86%	2.33	9
Options (2) and (4)	-111%	3.03	9

Source: National Academy of Social Insurance based on information in notes on Appendix E.

Notes on Appendix E:

1. Unless otherwise noted, the cost estimates and descriptions of the options are from SSA's website: http://www.ssa.gov/OACT/solvency/provisions/index.html

2. All estimates in this study use the 2.72% actuarial deficit projected in the 2013 Social Security Trustees Report, which was the latest available at the time the survey fielded. The actuarial deficit in the 2014 Social Security Trustees Report (released in July 2014) is 2.88%.

3. This option is a modification of option E2.10 on SSA's website, which would provide benefit credit for all earnings above the tax cap at a 5% rate. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in May 2014.

4. This estimate was produced in 2009 and cited in the Academy's report *Fixing Social Security: Adequate Benefits, Adequate Financing* (2009). SSA has since revised this proposal to the following: 7.6% in 2026 and 9.0% in 2056. The revised proposal (which is option E1.2 on SSA's website) brings in revenue of 2.93% of taxable payroll, or 108% of the financing gap.

5. This option on SSA's website also includes increasing the earliest eligibility age (EEA) to age 65. Since the EEA is actuarially neutral, the cost estimate does not change significantly by eliminating that part of the option.

6. SSA has not produced an estimate for direct means-testing. The cost estimate shown here is a rough estimate, extrapolated from a Heritage Foundation plan that included means-testing (see Butler et al., *Saving the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity,* The Heritage Foundation, Washington, DC, 2011).

7. PIA, or Primary Insurance Amount, is an individual's basic monthly benefit amount before adjusting for age of claiming.

8. This option is a modification of option B5.2 on SSA's website, which would apply to all new beneficiaries (but not current beneficiaries already receiving benefits) beginning in 2015. The cost estimate for this modified option was obtained via personal communication from Stephen C. Goss, Chief Actuary, in March 2014.

9. National Academy of Social Insurance calculations based on the cost estimates in this table.

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