

Strengthening Social Security: What Do Americans Want?

Report Highlights

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — about \$1,260 on average¹ — they are the main source of income for most seniors. Two-thirds of elderly beneficiaries count on Social Security for more than half of their income, including a third who rely on it for almost all (90% or more) of their income.² The program keeps more than 21 million Americans out of poverty.³

Social Security has sufficient funds to pay all scheduled benefits for the next two decades. Reserves are projected to grow to \$3.1 trillion by the end of 2020.⁴ After that, if projections do not change and Congress does not act to strengthen the program's finances, the reserves would be drawn down to pay benefits. In the unlikely event that Congress does not act before 2033, the reserves would be depleted, and revenue continuing to come into the system from workers' and employers' payroll taxes and from taxation of benefits would cover about 75 percent of scheduled benefits. The projected financing gap can be closed by raising revenues, reducing benefits, or some combination of both. Steps could also be taken to improve the adequacy of benefits.

To better understand Americans' perspectives on Social Security and their preferences regarding options to strengthen the program for the future, the National Academy of Social Insurance partnered with Mathew Greenwald & Associates to conduct a multigenerational study. The study included an online survey of 2,000 Americans ages 21 and older to explore working and retired Americans' attitudes toward Social Security and the importance of benefits to beneficiaries' incomes. The study also included an innovative application of trade-off analysis — a technique widely used in market research—to learn which package of Social Security policy changes Americans prefer.

What This Study Found

Americans Don't Mind Paying For Social Security

Americans don't mind paying for Social Security because they value it for themselves (80%), for their families (78%), and for the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers (84%) (Table 1).

Across political parties, Americans agree they don't mind paying for Social Security:

- Those who don't mind paying Social Security taxes because they expect to receive it when they retire include 69% of Republicans, 86% of Democrats and 80% of independents.
- Those who don't mind paying Social Security taxes because they know that, without it, they would have to support their parents, grandparents or other relatives include 68% of Republicans, 82% of Democrats and 80% of independents.
- Those who don't mind paying Social Security taxes because it provides security and stability to millions of other people – retirees, disabled individuals and children and widowed spouses of deceased workers – include 74% of Republicans, 91% of Democrats and 86% of independents.

Table 1. Willingness to Pay for Social Security

<i>Questions</i>	<i>Percent Agree</i>	<i>Percent Strongly Agree</i>
I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire.	80%	48%
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.	78	40
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.	84	46

Source: National Academy of Social Insurance Survey, September 2012

Americans Agree Benefits Are Critically Important and Could Be Improved

89% of Americans agree that “Social Security benefits now are more important than ever to ensure that retirees have a dependable income.”

84% believe current Social Security benefits do not provide enough income for retirees, and 75% believe we should consider raising future Social Security benefits.

Americans Are Willing to Pay More for Social Security

Social Security is financed mainly by payroll taxes deducted from workers' paychecks and matched by their employers. Only earnings up to a cap (\$113,700 in 2013) are taxed and counted toward benefits. About 5% of all workers earn more than the cap; they and their employers stop paying into Social Security when they reach the cap. Some proposals call for raising or eliminating the taxable earnings cap, which would affect the 5% of workers whose earnings exceed the cap. Other proposals would increase the 6.2% tax rate that workers and employers each pay, which would affect all workers who pay into Social Security.

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:

- 82% of Americans — including 74% of Republicans, 88% of Democrats and 83% of independents — agree it is critical to preserve Social Security for future generations even if it means increasing Social Security taxes paid by working Americans.
- 87% of Americans — including 71% of Republicans, 97% of Democrats, and 86% of independents — want to preserve Social Security for future generations even if it means increasing taxes paid by wealthier Americans.



Social Security is now about 5% of the economy. As Boomers continue to retire, that share will rise to about 6.4% by 2035, and will then drop back and level off at about 6%. When asked, “Do you agree or disagree that Social Security, as a share of the economy, is affordable?” 72% of Americans agree that the program is affordable.

Trade-Off Analysis: Americans’ Preferred Package of Policy Changes

This study went beyond simply asking participants whether they would favor particular changes to Social Security. For inclusion in the trade-off exercise, NASI selected 12 policy options (Table 2), all of which are or have been topics of active discussion among policymakers:

- 4 revenue increases: two that increase payroll taxes and two that lift the taxable earnings cap;
- 4 benefit cuts: raising the full retirement age in two ways, reducing the COLA, and means-testing benefits; and
- 4 benefit increases: increasing the COLA, increasing benefits across the board, increasing benefits for long-service low-paid workers, and reinstating student benefits for children of disabled or deceased workers up to age 22.

In the trade-off exercise, survey participants were assigned 10 different screens of three packages of the above Social Security policy options (including an estimate of how much each package would reduce or increase Social Security’s financing gap) and a fourth package with no change to Social Security, which would maintain the status quo. On each of their 10 assigned screens, participants chose the package they considered most appealing.

As noted, trade-off analysis is widely used in market research to determine consumer preferences when choosing among product features. This study is a new application of trade-off analysis to assess public opinion about Social Security policy options. The findings from the complex trade-off exercise are consistent with the findings yielded by asking simple attitudinal questions, reinforcing a conclusion that Americans do in fact have clear preferences about strengthening Social Security.

The most favored package of changes is preferred over the status quo by seven in 10 Americans across generations and income levels (Figure 1). It would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 5% of workers who earn more than the cap (now \$113,700) would pay into Social Security all year, as other workers do.
- Gradually, over 20 years, raise the Social Security tax that workers and employers each pay from 6.2% of earnings to 7.2%. The increase would be so gradual that someone earning \$50,000 a year would pay about 50 cents a week more each year.
- Increase Social Security’s cost-of-living adjustment (COLA) to more accurately reflect the inflation actually experienced by seniors, who typically pay more out-of-pocket for medical care than other households.
- 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 (\$10,788 for one person aged 65 or older in 2011). Currently, lifetime low-wage workers are at risk of falling into poverty in old age, even after paying Social Security taxes throughout their working lives.

These changes would eliminate 115% of the long-term financing gap projected by Social Security’s trustees, providing a margin of safety.



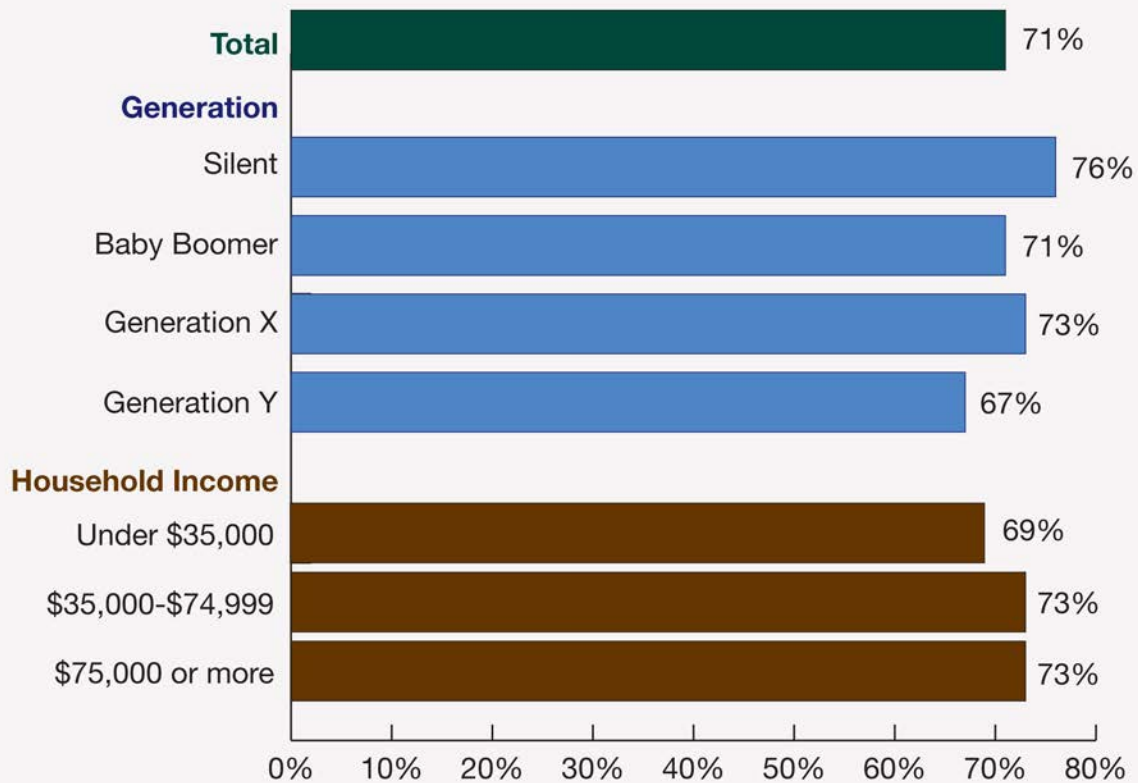
Table 2. Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security Financing Gap

<i>Policy Option</i>	<i>Percent Change in Financing Gap</i>
Cap on Earnings Taxed for Social Security	
• Eliminate the earning cap over 10 years so that 100% of earnings are taxed	-71
• Lift the cap over a 5 year period to tax 90% of earnings	-30
• No change	0
Social Security Tax Rate	
• Over 20 years, raise the tax by 1/20th of 1% per year for employees and employers	-53
• Raise the current tax for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-77
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-15
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to prove they need benefits to receive them	-20
• No change	0
Children's Benefits for Students	
• Reinstate student benefits to children whose working parents have died or become disabled, up to 22 years of age	+3
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by \$60 a month for all beneficiaries	+28
• 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	+7
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation for the elderly	+13
• Lower the Social Security COLA	-20
• No change	0

Source: National Academy of Social Insurance, based on the information in Appendix E of the full report available at www.nasi.org.



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



Source: National Academy of Social Insurance Survey, September 2012

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options – that is, increase the likelihood that a survey participant would choose that particular package:

- 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%.
- Increase the tax rate that workers and employers each pay in two steps, from 6.2% to 7.2% in 2022 and to 8.2% in 2052.
- Keep Social Security's current full retirement age at 67.
- Do not means-test eligibility for Social Security benefits.

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

- Not increase revenues for Social Security.
- Raise Social Security's full retirement age to 70.
- Means-test eligibility for Social Security benefits.



Americans Are Counting on Social Security - But Are Not Confident About Its Future

Of those currently receiving Social Security, 96% say it is important to their monthly income, and 72% 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. Of those not currently receiving Social Security, 87% say it will be important to their income when they begin receiving benefits.

57% of Americans say they are not confident about the future of the program. Among those not yet receiving Social Security benefits, 69% lack confidence that they will receive all their earned benefits when they retire.

Americans' Views Change When They Are Given Accurate Information

Official projections show that Social Security has sufficient funds to pay all benefits until 2033. Just 18% of Americans knew that Social Security would still be able to pay 75% of scheduled benefits after 2033. Most of the rest did not know, or thought Social Security's finances would be in far worse shape.

After learning that raising Social Security payroll taxes from 6.2% to 7.6% for both workers and employers would ensure that the program could pay full benefits for 75 years, those who considered Social Security financing to be a crisis or a significant problem dropped from 57% to 26%, while those who thought it was a manageable problem or not a problem at all rose from 43% to 74% (Figure 2).

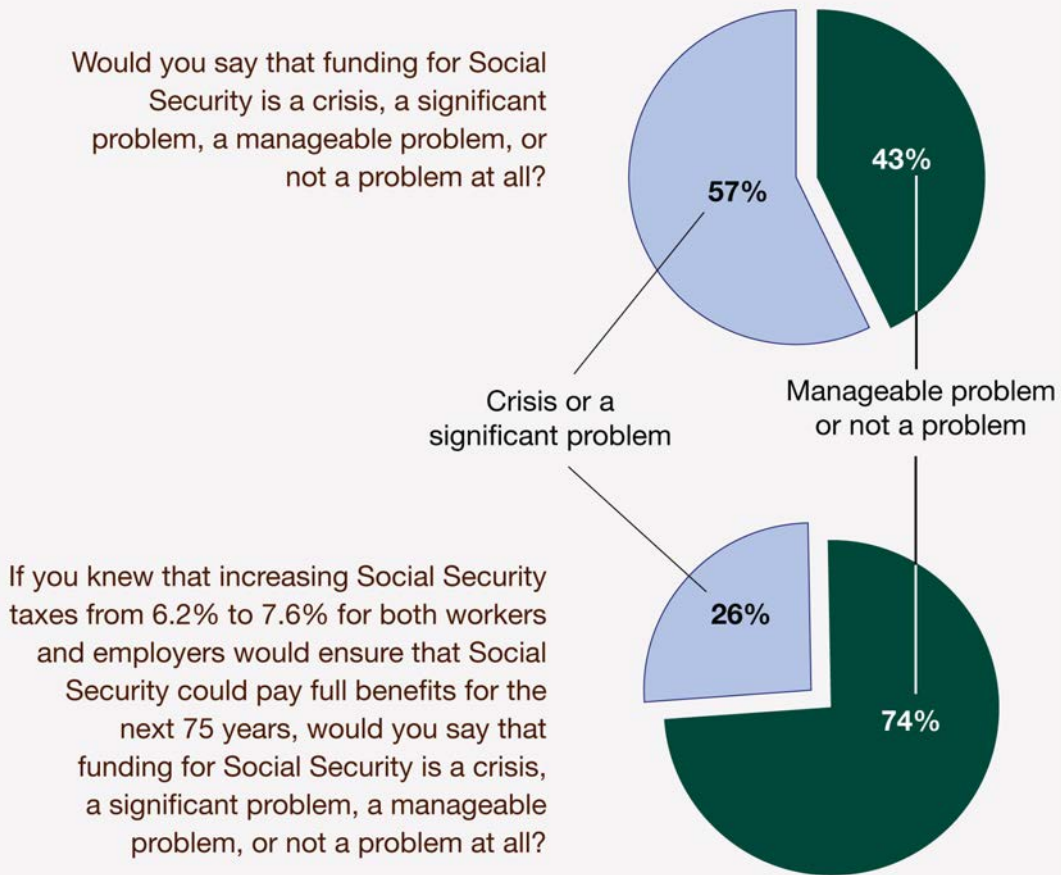
Implications for Policymakers

Americans want to strengthen Social Security's finances and are willing to contribute more to the program. They clearly want to close the system's projected financing gap. But rather than doing so in part by reducing benefits, they prefer a package of changes that closes the gap without benefit cuts — and pays for benefit improvements.

Americans' willingness to pay more for Social Security shows that they view it as a vital program that provides a measure of economic security for themselves, their families and their communities. This view is held across generations, income levels, and political party affiliations. And, although Americans lack confidence in Social Security's future, their views change dramatically when they have accurate information about the program — underscoring the need for bipartisan policy deliberations focused on facts.



Figure 2. **Perception of Social Security Shortfall:
Effect of New Information**



Source: National Academy of Social Insurance Survey, September 2012

Notes

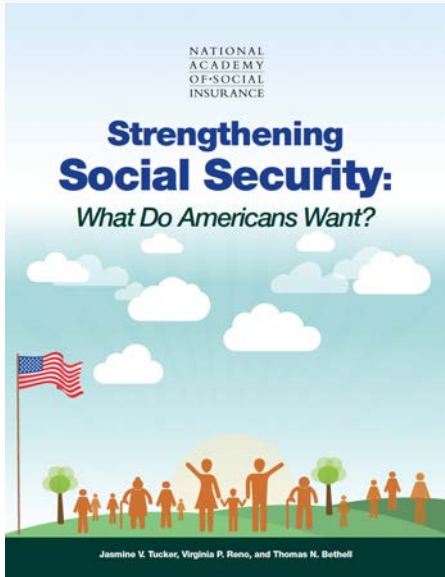
¹Social Security Administration. 2012. "Beneficiary Data: Number of Social Security recipients at the end of Dec 2012." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. <http://www.socialsecurity.gov/cgi-bin/currentpay.cgi>.

²Social Security Administration. Income of the Population 55 or Older, 2010: Table 8.A1. http://www.ssa.gov/policy/docs/statcomps/income_pop55/index.html.

³NASI calculations based on U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement (2012) (using CPS Table Creator II), <http://www.census.gov/cps/data/cpstablecreator.html>.

⁴Board of Trustees. 2012. Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. Washington, DC: Social Security Administration.





The full report, *Strengthening Social Security: What Do Americans Want?* is available at www.nasi.org.

THE NATIONAL ACADEMY OF SOCIAL INSURANCE

Founded in 1986, the National Academy of Social Insurance (NASI) is a nonprofit, nonpartisan organization made up of the nation's leading experts on social insurance. Social insurance encompasses broad-based systems that help workers and their families pool risks to insure against loss of income due to retirement, death, disability, or unemployment, and to ensure access to health care. NASI's mission is to advance solutions to challenges facing the nation by increasing public understanding of how social insurance contributes to economic security. For more information, visit: www.nasi.org.

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