



Social Security 101

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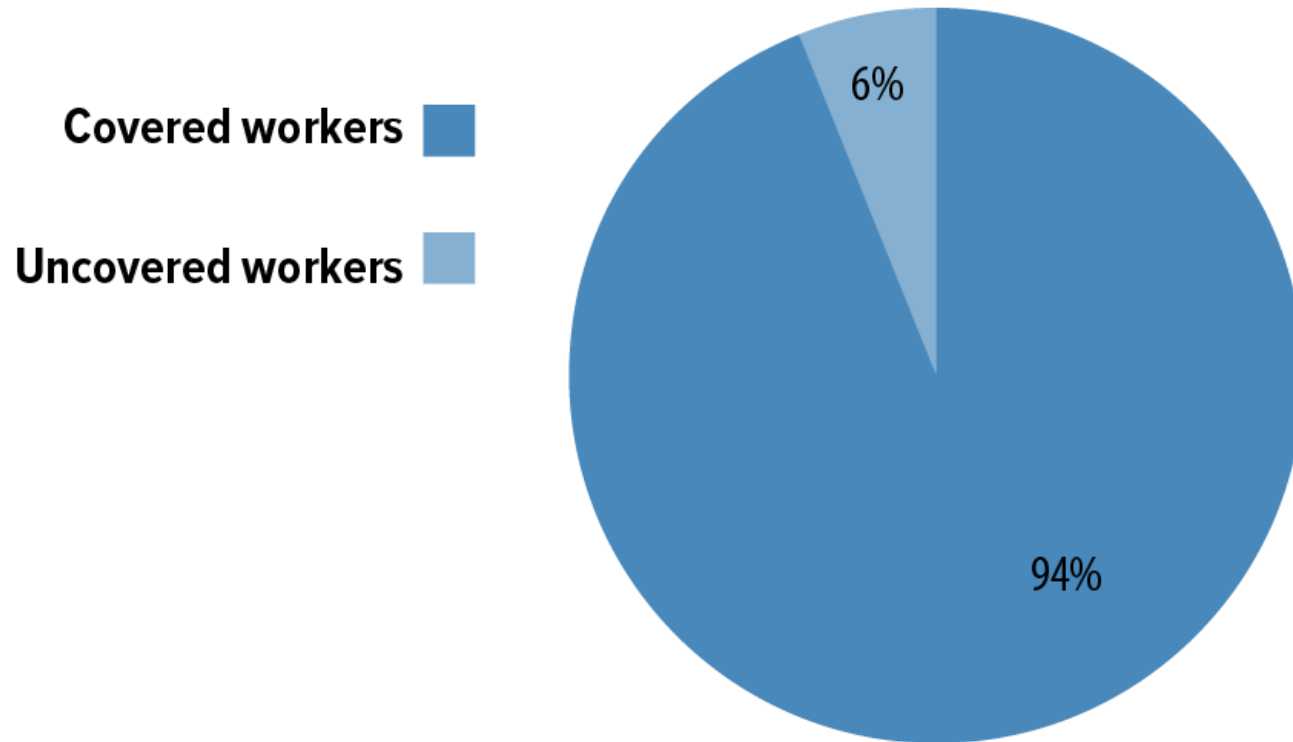
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Social Security Covers Nearly All Americans

Percentage of workers contributing to Social Security





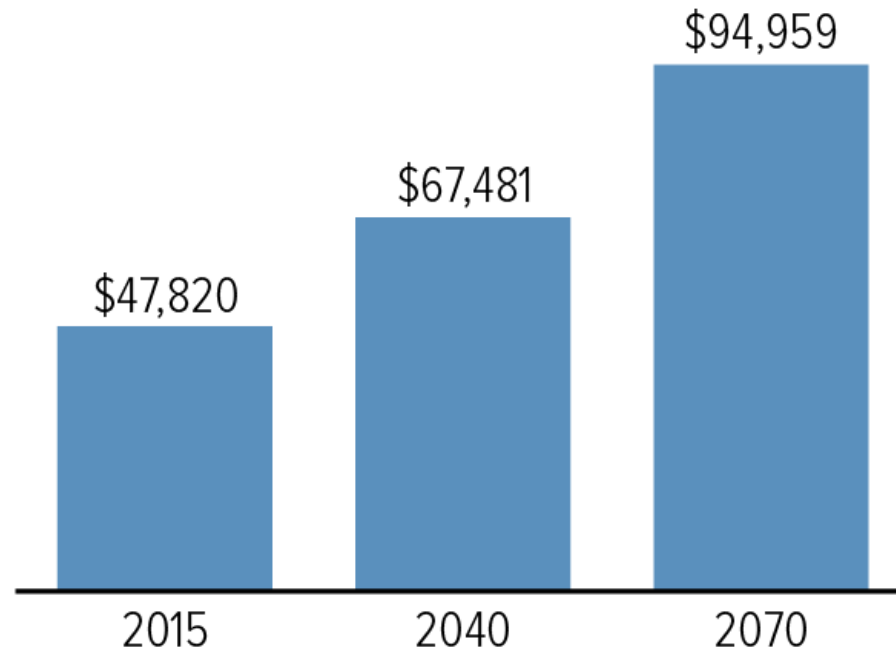
How We Pay For Social Security

Employee tax rate	6.2%
Employer tax rate	6.2%
Cap on taxable wages	\$118,500
What's taxed	<ul style="list-style-type: none">• Earnings• Contributions to 401(k)s
What's not taxed	<ul style="list-style-type: none">• Fringe benefits (<i>employer-sponsored</i> health care premiums, flexible spending accounts, etc.)• Investment income• Other sources of income



Future Workers Expected to Earn More

Average earnings of wage and salary workers in 2015 dollars

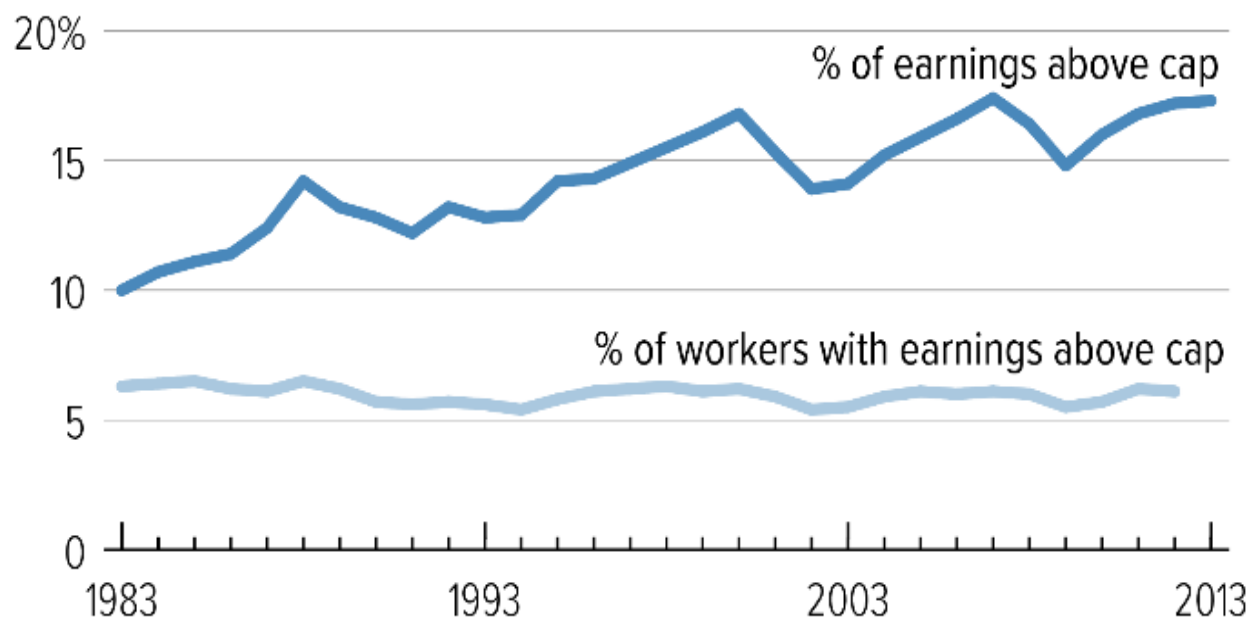


Source: CBPP based on Social Security Administration data



Rising Income Inequality Means Fewer Earnings Are Taxed

Percent of workers and earnings above Social Security's payroll tax cap



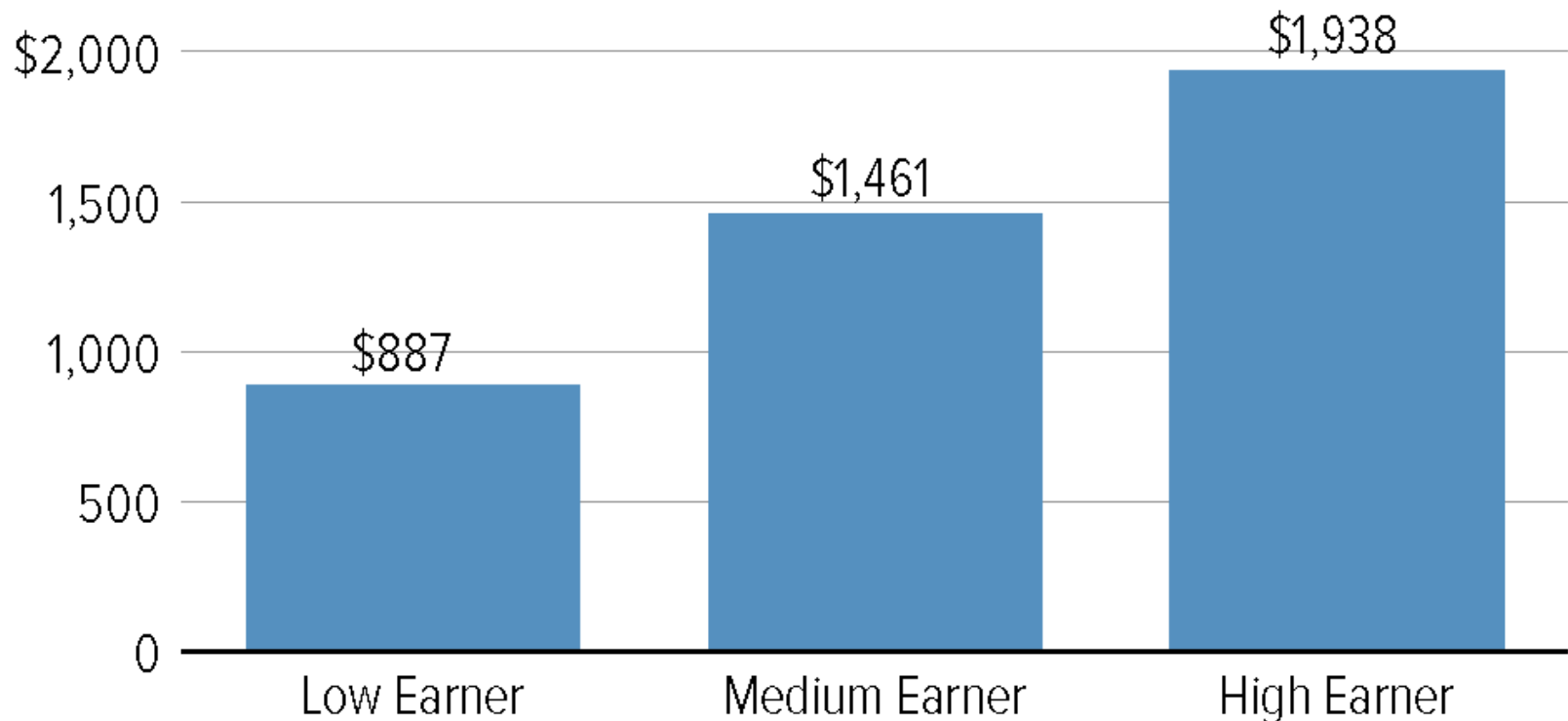
Note: Social Security's Payroll tax cap in 2016 is \$118,500 and rises annually to take account of increases in average wages.

Source: Social Security Administration, Annual Statistical Supplement, 2014



Social Security Benefits are Based on Earnings

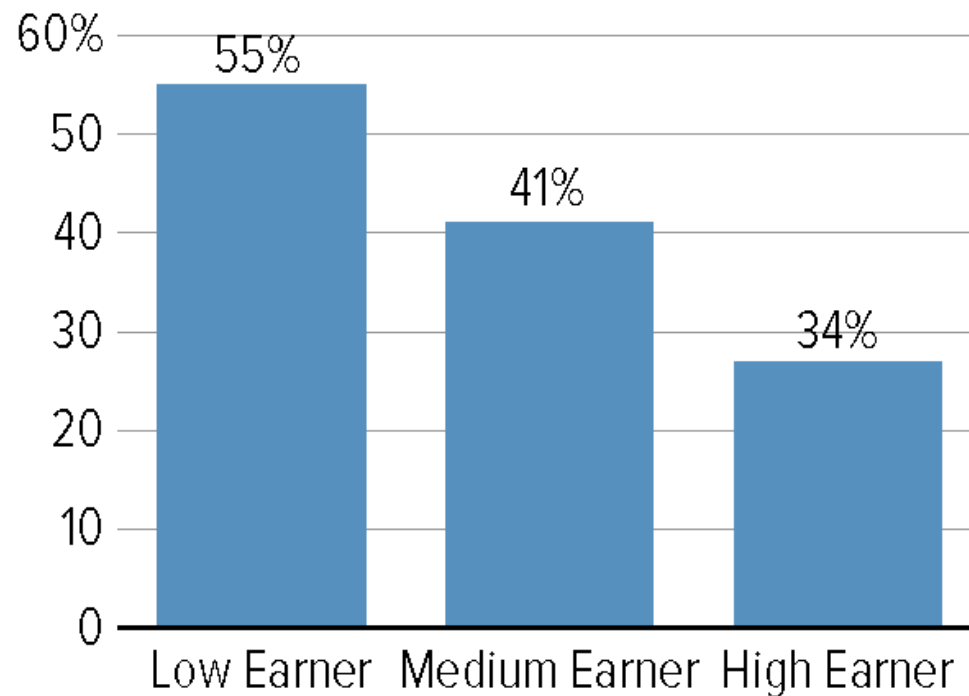
Monthly Benefit Amounts





Social Security Benefits are Progressive

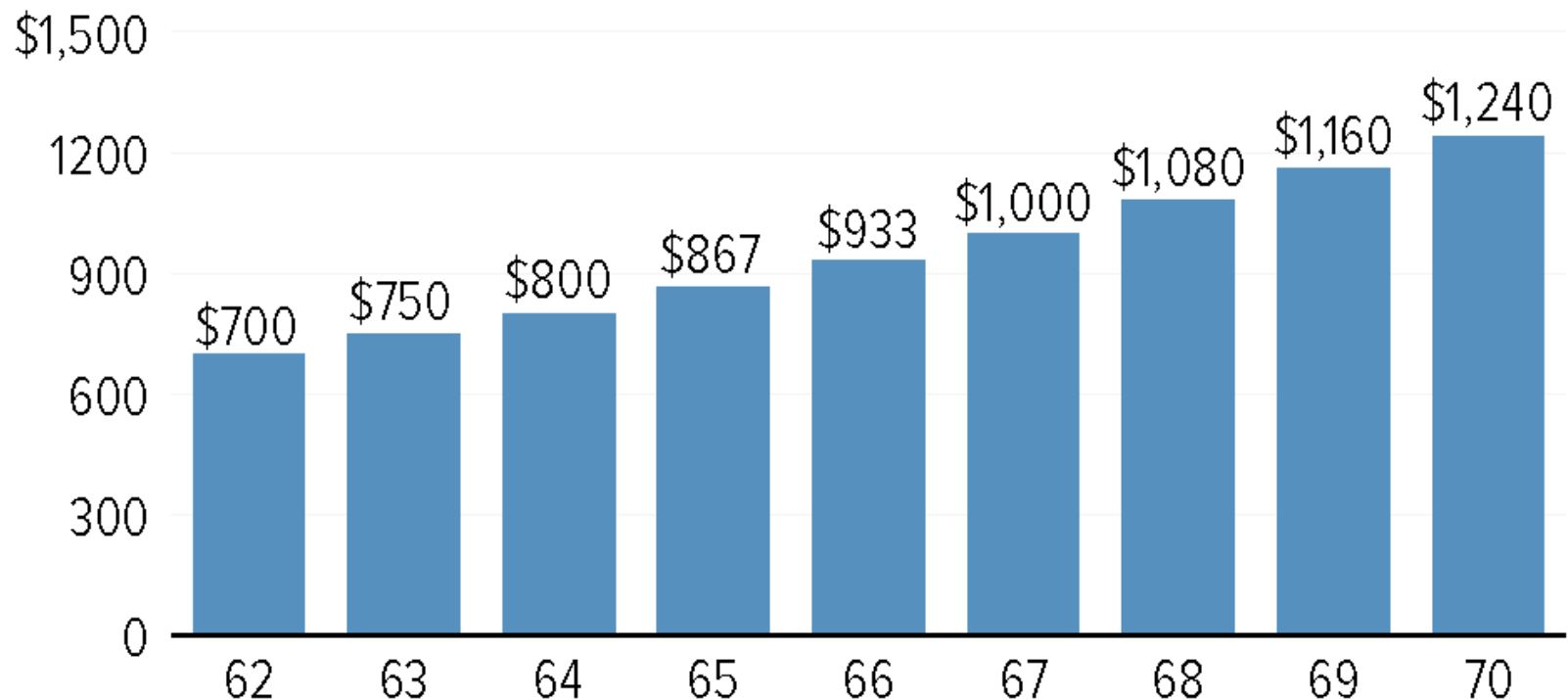
Replacement Rates



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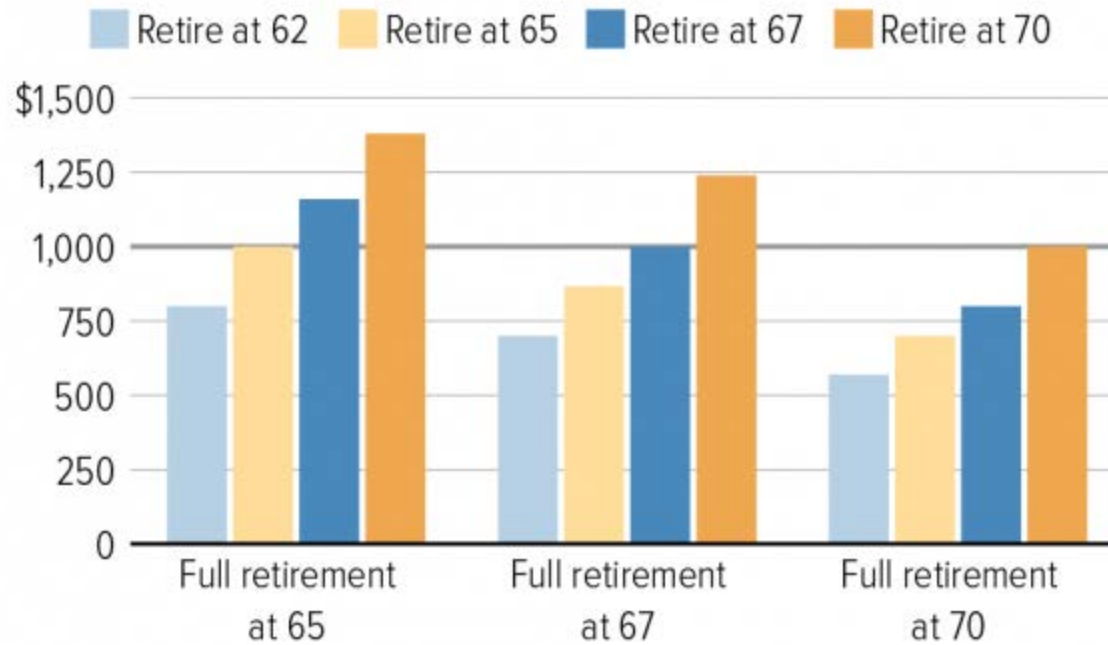
How Much You Get Depends on When You Retire





Raising Social Security's Full Retirement Age Cuts Benefits for *All* Retirees

Based on a \$1,000 monthly benefit at "full retirement age"*



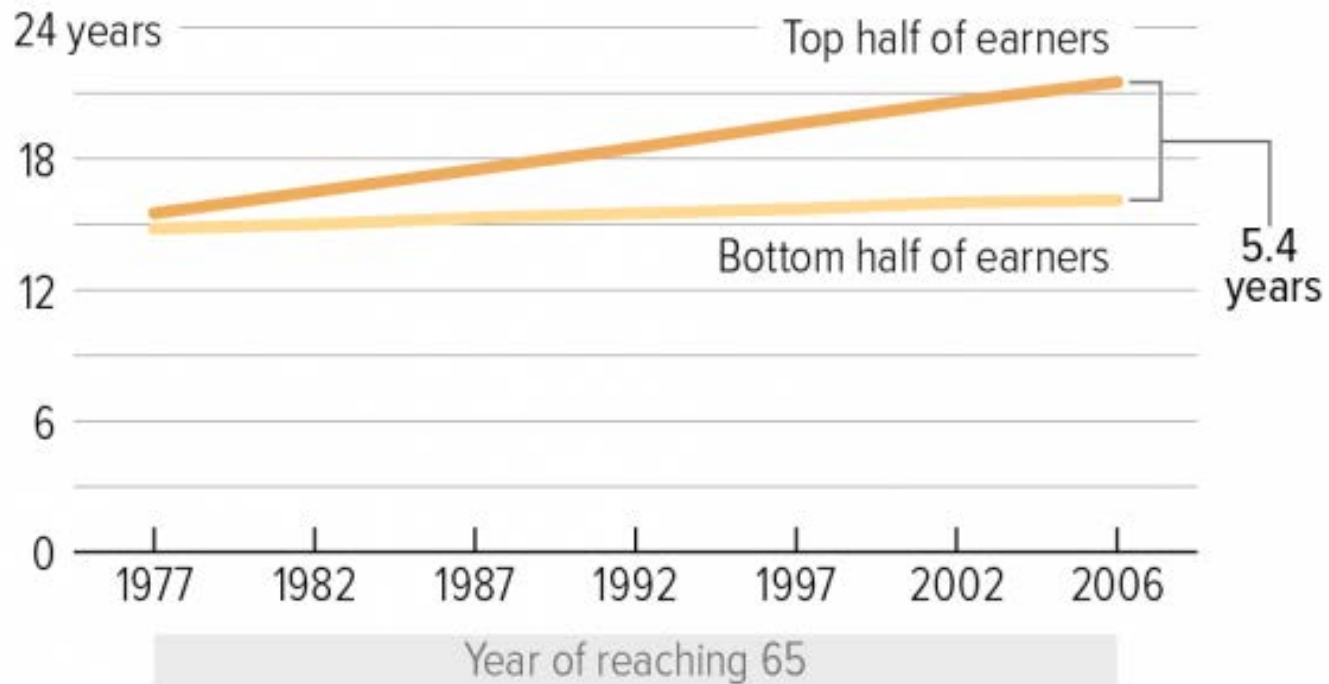
*The "full retirement age" is the age at which a retiree receives what are considered full benefits. Retirees who claim benefits before that age receive a lower monthly benefit, while those who wait to claim benefits at a later age receive a higher monthly benefit.

Source: CBPP based on Social Security Administration



Life Expectancy Rising Faster for Higher Earners

Years of life expectancy once a man* reaches age 65

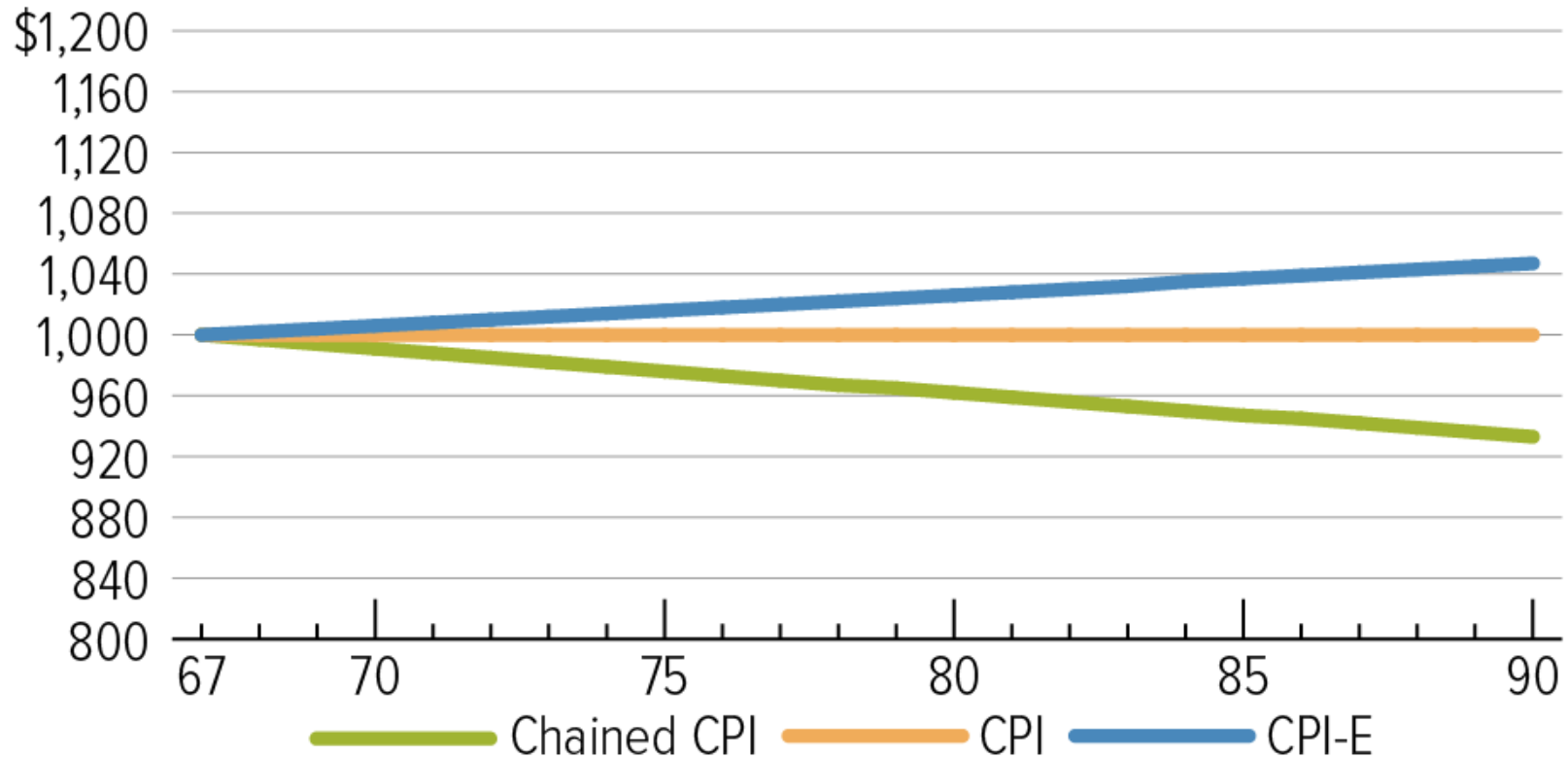


*Male Social Security-covered workers

Source: Hilary Waldron, "Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Socioeconomic Status," Social Security Bulletin, Nov. 2007.



Changes to COLA Compound Over Time





Poverty Rates Rise with Age--Especially for Women

