

Quiz: How much do you know about the proposal to use the chained CPI-U to measure the Social Security COLA?



Adopting the chained CPI-U to calculate the Social Security COLA (cost of living adjustment) . . .

1. . . . is a benefit cut for Social Security beneficiaries.
 True False
2. . . . would not impact seniors currently over 55.
 True False
3. . . . would result in roughly a quarter of a million Americans falling into poverty in 2050.
 True False
4. . . . compounds over time, hurting the oldest Americans the most.
 True False
5. . . . would utilize the most accurate measure of inflation for elderly.
 True False
6. . . . would provide a timely measure of inflation.
 True False
7. . . . would improve the current COLA by accounting for consumer substitution of goods within the same category.
 True False
8. . . . would raise more revenue for the government by changing how personal income tax brackets are indexed.
 True False
9. . . . is opposed by senior groups like the National Committee to Preserve Social Security and Medicare, the Alliance for Retired Americans, the National Council on Aging and AARP.
 True False
10. . . . would reduce our national deficit.
 True False

Answers

1. True. The chained CPI-U will decrease the benefits you have earned every year into the future. The Congressional Budget Office (CBO) estimates that a switch to the chained CPI-U would cut benefits by \$112 billion in the first ten years alone.
2. False. The chained CPI-U would hit today's beneficiaries. This is after two years of no COLA.
3. True. According to Social Security Administration, 245,000 people would be driven into poverty by 2050 by the dramatically lower benefits resulting from a switch to the chained CPI-U.
4. True. The cuts to Social Security would compound each and every year for Social Security beneficiaries. For example, for a medium earner retiring at 65 would face a cut of \$560 (or 3.7%) at age 75. But at 85, the cut in benefits would be \$984 (or 6.5%). At age 95, they would face a \$1,392 (or 9.2%). Furthermore, older Americans face increased healthcare costs and often outlive whatever savings they have.
5. False. The government developed the CPI-E, or Consumer Price Index for the Elderly, in 1988 specifically to measure the spending patterns of elderly Americans over the age of 62. Many senior advocates believe this measurement should be used to determine the Social Security COLA.
6. False. Unlike other CPIs, which are available almost immediately, the chained CPI-U takes 2 years to finalize. Beneficiaries will face significant hardship during periods of high inflation.
7. False. The CPI-W, which is the current measurement for the Social Security COLA, already accounts for consumer "substitution" of goods within the same category and has done so since 1999.
8. False. The Social Security COLA and personal income tax brackets are completely independent and separate from each other. Currently, Social Security measures its COLA with the CPI-W, while personal income tax brackets are indexed to the CPI-U.
9. True. The major senior advocacy organizations recognize the negative impact switching to the chained CPI-U would have and have all opposed such a change.
10. False. Social Security has never contributed a single penny to the deficit and is barred by law from doing so. It is an independent off-budget program with its own dedicated revenue stream.