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Social Security raise set at 3.3%: Increase for '07 checks gets mixed reviews

By Bob Moos

Oct. 19--The federal government's release of its monthly consumer price index isn't something folks normally pay much notice. But Wednesday morning's announcement finalized the increase that 53 million Americans will get in their Social Security checks next year, sending Dallas-area seniors to their calculators to tally up the impact.

Renee Hallmark, 80, of Dallas isn't exactly overwhelmed by the 3.3 percent increase, but she's still thankful.

"For me, it'll mean an extra \$39 a month," she said. "That won't pay many bills. But without Social Security, I'd be in a pickle."

The typical retired worker will receive an additional \$33 each month beginning in January.

The average check for a retiree will increase from \$1,011 to \$1,044. The average benefit for a couple will rise from \$1,658 to \$1,713. And the average check for a disabled worker will go from \$947 to \$979.

The 3.3 percent increase is smaller than this year's 4.1 percent but larger than the cost-of-living allowance has been for eight of the last 10 years.

The COLA amount is based on the rise in the consumer price index in the July-September quarter of this year compared to the same quarter in 2005. The Labor Department announced Wednesday that consumer prices actually fell by 0.5 percent in September, reflecting a big drop in energy prices.

Laurie Young, director of the Older Women's League, called the 2007 increase "inadequate" because it won't cover seniors' rapidly escalating health care costs, which are outpacing the overall inflation rate.

"Since 2000, Social Security's average benefit has increased by less than 30 percent, while Medicare's premiums for doctors' visits have more than doubled," she said. "Each year, seniors are falling farther behind."

Drug coverage

But some policy analysts say seniors and their advocates are forgetting that older Americans are benefiting from Medicare's new drug coverage, which will save them an average of \$1,200 a year.

"I don't doubt that cost-of-living adjustments are a good thing, but many of us younger workers wonder whether we'll collect any Social Security when we retire," said Matt Moore, who's 30 and a senior analyst at the National Center for Policy Analysis in Dallas.

"I'll be retiring in 2042, and I'll be lucky to get any of what I've been promised," he said. "Without substantive reforms, Social Security will be looking at cost-of-living decreases, not increases."

To those analysts, the prescription drug benefit, which will cost taxpayers \$67 billion next year, represents another burden on the younger generations.

As a reaction to projected generational shortfalls, Medicare will tie premiums for

physician services to seniors' incomes for the first time in 2007. Older adults with incomes below \$80,000 will pay \$5 more each month, or \$93.50. Wealthier seniors will pay up to \$73.60 more, or as much as \$162.10.

Meanwhile, Social Security increases payments to protect beneficiaries from inflation.

Premium costs for Medicare's drug coverage vary widely depending on the plan a senior chooses. Seniors are choosing drug plans now for next year's coverage.

Not expecting much

To seniors, the drug benefit seems to be water under the bridge -- and a leaking life raft against the rising tide of health care costs.

Ellen Fratus, 80, of Dallas said she doubts she'll see much of an increase in her \$950 monthly Social Security check once the government deducts the higher Medicare premiums scheduled for next year.

Ms. Fratus said she relies on her own thriftiness and help from her four children.

"I watch what I spend, and I search for ways to save a few dollars here and there," she said. "I've been drying my clothes on my porch. It's kept my electric bills down, and the clothes smell fresher, anyway."

Ms. Hallmark has calculated that her check will increase from \$1,190 to \$1,229 in January. But she also intends

to buckle down and economize more next year, clipping more coupons from the newspaper and eating out less.

"I guess I'll live by that old saying, 'Every little bit helps.' "

Seniors' reaction is an indication of what is facing the country should Social Security benefit decreases come to pass.

Molly Bogen, director of the Senior Source in Dallas, said the bigger checks will be crucial for the one-third of seniors who depend on Social Security for almost all of their income.

For one in five seniors, it's the only source.

"Those checks are a lifeline for many people, particularly women," she said.

The average \$33 increase won't begin to cover the larger medical and utility bills that seniors are receiving, Ms. Bogen said.

"It's a desperate situation for many seniors," she said. "We continue to have hundreds of people seeking help from our agency's elder support program each month, many because of skyrocketing electric bills."

Besides referring those older adults to financial assistance programs in the community, the Senior Source's money management counselors work with them to draw up budgets and reduce their debts, Ms. Bogen said.

Even more critical

Jerri Locke, who oversees senior programs for Methodist Health System in Dallas, said the 3.3 percent Social Security increase may look appealing to workers who expect smaller pay raises next year, but she said that's not a fair comparison.

"I doubt many of those people are trying to live on \$1,000 or less a month," she said.

Even if seniors began retirement with income other than Social Security, many have outlived their nest eggs, Ms. Locke said.

As more businesses scale back or end their traditional pensions, Social Security's inflation-protected benefit is likely to become even more critical, said David Sloane, director of government relations for AARP.

Phil Stuart, 75, of Dallas said he's given up expecting much from Social Security. After a career in Hollywood's special effects departments, he supplements his \$640 Social Security check by building and selling model aircraft.

"A 3.3 percent increase? The government's just throwing us a bone," he said. "I look at how little Congress does for everyday people and then what it pays itself, and all I want to do is vote every incumbent out of office."

Judging by that sentiment, any benefit politicians were hoping to get for having pushed through the drug benefit is long gone.

Medical costs

Advocates for seniors say the government should improve how it calculates Social Security benefit increases because the current method doesn't fully count older adults' disproportionately large medical costs.

"The consumer price index tracks the spending habits of younger workers, who typically don't spend as much

on health care as older people do," said Mary Johnson, a policy analyst for the Senior Citizens League.

Ms. Johnson said the government should use a price index specially tailored to seniors' spending habits. If it did, she said, retirees would be eligible for thousands of dollars in additional benefits.

Critics of the idea say it would only add to Social Security's

costs and exacerbate the system's long-term financing problems.

The government also announced Wednesday that 11 million taxpayers will pay higher taxes next year because the maximum amount of Social Security earnings subject to the payroll tax will rise from \$94,200 to \$97,500. An estimated 163 million workers will pay Social Security taxes in 2007.