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The budget changed SSA benefits in a way that will greatly lower the benefits for people under 40 years old and future generations. Starting in 2015, the cost of living adjustment (COLA) will use a new formula. It will still use the Consumer Price Index (CPI) to figure the COLA. However the CPI has been altered to result in a decrease of .5% per year. The COLA this year using the old CPI was 1.5%. If it had been under the new formula, the COLA would have been 1%. That reformulation will result, with the compounding effect, in a few percentage point loss to current and near future beneficiaries.

The big loss will be to younger people. Social Security uses a three tier formula to compute benefits. The first tier pays 90% of the average indexed monthly earnings (AIME). The second tier pays 32% of the AIME and the

third tier pays 15%. The first and second tier increase each year based on the CPI. Starting next year the first 2 tiers will be lower as they use the CPI as the basis for reformulating the tiers each year. For younger workers, the tiers will be significantly lower when they retire under the new formula.

Both the AARP and groups representing the younger constituency have been very quiet about this change. It will seem almost insignificant because the difference in benefits each year will be small but it will result in substantially lower benefits in the future.