

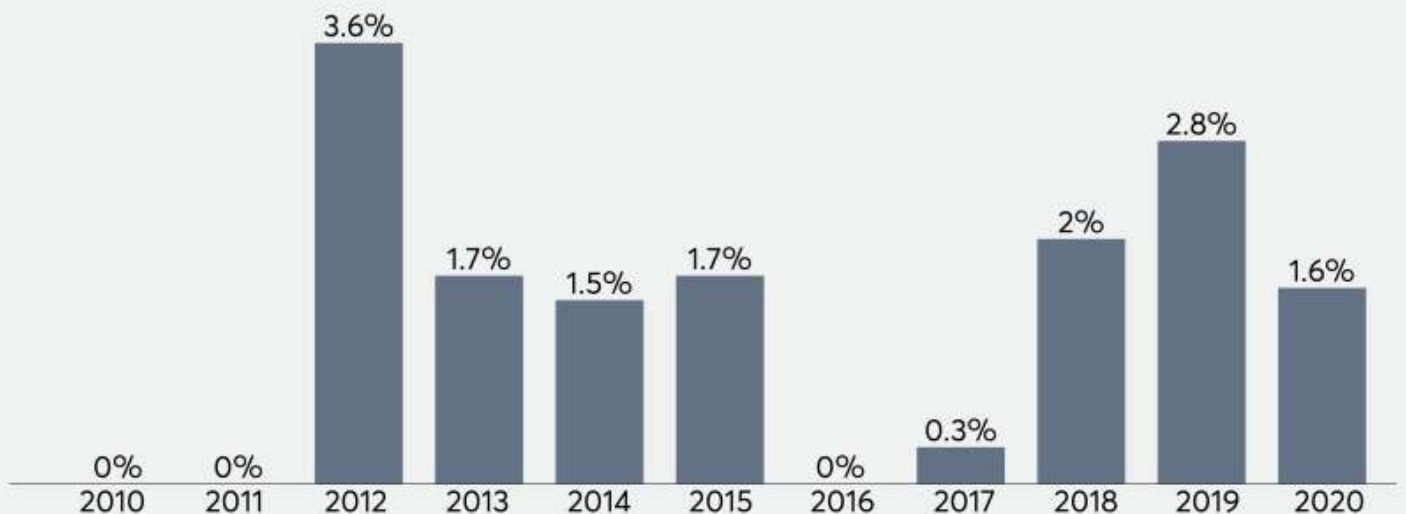
# Will the coronavirus wipe out Social Security COLAs in 2021? It's likely.

By Tobias Salinger

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## Social Security cost-of-living adjustments, 2010-2020



Source: Center for Retirement Research at Boston College, April 2020

Social Security beneficiaries will likely face their fourth year since 2010 without a cost-of-living adjustment next year because of the coronavirus.

The nonpartisan Senior Citizens League made the prediction in a May 12 [study](#) while warning that the price of goods and services bought by most retirees has risen nearly twice as fast as COLAs in the past 20 years. It also

comes as experts foresee the pandemic 's economic fallout [accelerating Social Security's insolvency](#), possibly to within the decade.

Beneficiaries gained three percentage points in buying power last year, in terms of their electric bills and the cost of other items like eggs and produce, the Senior Citizens League says. But the "unprecedented plunge" in oil prices has "all but wiped out the prospect of a Social Security COLA for next year," according to Social Security and Medicare policy analyst Mary Johnson.

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The COLA formula compares the Consumer Price Index for Urban Wage Earners and Clerical Workers in the third quarter with that of the previous year. Beneficiaries got only a 1.6% raise for 2020. Instituted on an automatic basis in 1975, COLAs have taken place every year except 2010, 2011 and 2016, [according](#) to the Center for Retirement Research at Boston College.

The League and other advocates for older adults favor using automatic 3% annual raises or another metric called the Consumer Price Index for the Elderly. Since 2000, COLAs have boosted average monthly benefits by 53% to \$1,246.20. In that span, the cost of 40 routine expenses like Medicare premiums and prescription drugs have soared by 99%.

The buying power of 61 million beneficiaries improved last year, but their checks are still 30% behind their 2000 value. Lower prices can be a boon to seniors in the short term, but "the deflationary trend suggests no COLA in 2021," according to Johnson's report.

"Inadequate COLAs produce long-term impacts for lifetime Social Security income, retiree savings, debt levels, and even good health," Johnson writes. "Due to the loss of the compounding effect of COLAs, the amount of lifetime Social Security income can be substantially less than what retirees may have been counting on, especially in later years."

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The impact, she adds, comes down to retirees spending their savings more quickly than planned or taking on extra debt. Lower-income seniors "may go without enough food, without health services such as dental care, or postpone filling prescriptions," the League's report states.

Johnson's findings follow a series of studies stemming from [the 2020 Trustees Report](#) last month weighing the potential Social Security fallout from the coronavirus. Since policymakers gathered the figures prior to the public health and economic crisis, some of its long term effects are uncertain.

However, what is clear is that tens of millions of lost jobs in the U.S. will lead to lower revenue from payroll and benefits taxes, while interest rates of zero or near it will reduce yields on bonds held by the trust funds, [according](#) to the Bipartisan Policy Center. Extrapolating from economic figures in the Great Recession, the group says the Social Security trust funds could be depleted by 2028.

"In each variation of the Great Recession — even one lasting only two years — the reserves in each Social Security trust fund are depleted in this decade," the report states. "For years, the trustees have warned that policymakers need to act to avoid depletion of reserves in Social Security's trust fund. But now that moment will arrive sooner than anyone expected."

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