

SOCIAL SECURITY FACTS

A Checklist: Effect of Proposed Changes on People with Disabilities & Their Families

Social Security benefits are critical for almost 7 million people with disabilities and their families. They get benefits from Social Security's retirement, survivors and disability insurance programs. All 3 programs use the same benefit formula so changes in it affect them all. The need for disability benefits is critical. About 3 in 10 men and 1 in 4 women become disabled before reaching normal retirement age. Even with Social Security, the poverty rate for workers with disabilities and their families is 18 percent, a figure twice that of others who get benefits. Without Social Security, the poverty rate would rise to 55 percent.

A lot of people are talking about how to make Social Security "solvent" or able to pay future benefits. It is possible to make it more secure financially with small changes over 20 to 30 years. But it is not necessary to make any drastic changes right away. Any changes should follow these principles:

- Keep Social Security's current structure based on payroll taxes.
- Preserve Social Security as a social insurance program for everyone who is eligible.
- Guarantee monthly benefits adjusted for inflation.
- Preserve Social Security to meet the needs of people who are eligible now and in the future.
- Restore Social Security's long-term financial stability.

This checklist helps to evaluate how proposed changes will affect all individuals with disabilities and their families.

DOES THE PROPOSED CHANGE:

- ✓ **Ensure a benefit formula that does not force more people with disabilities into poverty?** A common idea is to change the formula that sets the monthly benefit. A proposal to lower the Primary Insurance Amount (PIA) will cut both retirement and disability benefits because they are set by the same formula. Reducing the PIA will force more people with disabilities further into poverty. It is essential to set benefits at adequate levels.
- ✓ **Provide protection against inflation?** Social Security benefits are adjusted for inflation to protect their value. This is called a "cost-of-living adjustment" or COLA. Reducing the COLA by even a small amount makes a big difference over time: reducing the COLA by 1 percent will cause a 20 percent benefit reduction after 20 years. Also, the current benefit formula is tied to the "wage index." Switching to a formula based on the "price index" would seriously reduce benefits and the standard-of-living for all future beneficiaries, especially over time. It is essential to maintain a benefits formula that provides adequate future income.
- ✓ **Protect disabled adult children and other family members with disabilities?** Family members with disabilities get different types of Social Security benefits. They include disabled surviving spouses and disabled adult children [people who become disabled before age 22 who are unable to work above a certain level]. Changing the benefit formula and COLA will reduce their benefits. Under current proposals, it is not clear if family members will share a single private account or have access to the one set up by the worker. It is essential to provide adequate income for people who depend on workers who retire, die or become disabled.

✓ **Protect the disability insurance program from pressure caused by raising the retirement age?** Raising the normal retirement age (NRA) will increase the number of older workers who apply for disability benefits. Many manual laborers must stop working when they can no longer do physical labor. These workers do not get private pensions so many may apply for disability insurance. This could substantially increase people receiving disability insurance benefits. It is essential to maintain the important roles of the disability and retirement insurance programs.

IF INDIVIDUAL PRIVATE ACCOUNTS ARE CREATED, DOES THE PROPOSAL:

✓ **Provide the same level of benefits?** There is no guarantee that people with private accounts will do better than people who get fixed monthly Social Security benefits. In 2001, the Government Accountability Office [GAO] studied several plans to change Social Security. It concluded that, compared to the current program, people with disabilities would get *much lower benefits* under plans that would use payroll taxes to create individual private accounts.

✓ **Provide adequate benefits at retirement age?** Upon reaching normal retirement age, disabled workers switch from disability to retirement benefits. At this point, disabled workers could find that they have very small private accounts because while not able to work, they did not contribute and their investments did not grow. And if benefits are reduced for everyone, then disabled workers who reach retirement age will have even less income. Many disabled adult children will have very small or no private accounts at retirement age since they have a limited ability to work and save for old age.

✓ **Include protections if annuities and disability insurance must be purchased?** Some proposals may require people to buy an “annuity” [a monthly payment for a set time period, possibly until death] or disability insurance. But when workers die, they may have spent their entire private account, leaving nothing for a disabled adult child or spouse. A typical annuity does not pass on to surviving dependents. Insurance companies typically do not index disability policies for inflation [unless that extra coverage is purchased] and do not cover family members as Social Security does. Generally, people with disabilities or other health conditions cannot buy private disability insurance.

✓ **Minimize risk and address capacity to manage accounts?** The ability to manage private accounts to make a profit in the stock market requires education and money management skills. Many people are unable to make major financial decisions. These concerns are even greater for people with cognitive impairments [such as mental retardation] or mental illness. Individual private accounts remove the shared-risk protection of social insurance. They greatly increase the personal risk for millions of people, both with and without disabilities.

✓ **Consider adequately the impact on people with disabilities and their families?** The disability community urges Congress to request a **beneficiary impact statement** on every major component of any serious proposal. In a program that affects millions of individuals of all ages, it is essential for policymakers to look beyond the budgetary changes to understand the actual impact on people’s daily lives.

Produced by the **Consortium for Citizens with Disabilities**, 1660 L Street NW, Suite 701, Washington, DC 20036. See www.c-c-d.org. CCD, a coalition of over 100 national consumer, provider & advocacy organizations, advocates for national public policy to ensure the self determination, independence, empowerment, integration & inclusion of the 54 million children and adults with disabilities living in the United States.