

News For Older Americans

The Social Security Cost Of Living Increase Is Not Keeping Up

by *Ralph McCutchen*

(NAPSA)—Is the COLA (Cost Of Living Adjustment) losing its fizz? Many seniors now feel that the annual Social Security cost of living increase is failing to keep up with the soaring prices of everything from gas and heating bills to groceries and prescription drugs. As a result, seniors are suffering, and they're suffering badly.

In 2005, for example, the Social Security cost of living increase was just 2.7 percent. But if you filled up your car at the gas pump, you probably noticed the 28 percent jump in gas prices. And when you paid your heating bill, you probably noticed that the price of home energy soared by double digits as well.

Meanwhile, the Federal Reserve kept raising its rate last year as well, meaning that seniors watched helplessly as their already diminished spending power was cut even further as they paid higher rates on credit card bills, car loans and adjustable rate mortgages.

The absence of a fair Social Security cost of living increase affects seniors in a very real way. Fran, a TREA Senior Citizens League (TSCL) member from New Hampshire, is typical of our members. She follows the news, knows what's happening with her friends and detects even subtle changes in prices. She recently told us that even her beloved oranges are getting too expensive to buy at her local grocery store.

"I don't think the politicians care about seniors at all," she told us. "I have friends whose sole source of income is Social Security, and they struggle each month to make ends meet. Each year, it gets worse. The politicians don't care about people like them!"

How The COLA Hurts You

The COLA is tied to changes in



In recent years, the annual Cost Of Living Adjustment that seniors depend on to keep up with rising costs has fallen short of doing so.

the Consumer Price Index (CPI). While the public commonly thinks of the CPI as one index, this is not the case. There are several CPIs—each of which measures inflation rising in different rates, depending on which “market basket” the government is looking at.

However, the government calculates COLAs using one of the most slowly growing indexes—the Consumer Price Index for Urban Wage Earners and Clerical Workers. It surveys the goods and services that younger workers use. But younger workers have far different spending habits than seniors, who must spend a much greater percentage of their income on health care.

When the government calculates the COLA for an 80-year-old war veteran using the spending patterns of a 28-year-old young mother, something has gone terribly awry.

How Underpayments Affect You

The government does track senior costs, however, and has done so since 1983—maintaining the Consumer Price Index for Elderly Consumers (CPI-E). If the

government had used the CPI-E, seniors would have received a COLA increase of 3.1 percent last year instead of 2.7 percent. Does such a small percentage increase matter? In a single year, not much. Over time, it certainly does.

For example, if Fran retired with an average benefit of \$360 in 1984, she would have received about \$8,629 more over the past 21 years had the government used the CPI-E to calculate her COLA. With compound interest, that means that she would have had tens of thousands of dollars more to help with medical expenses, home energy costs, and mortgage payments—and she could have purchased as many oranges as she would have liked.

What We Can Do

Over the past three months, we've been hearing from hundreds of seniors across the country. And what they've told us has come as a surprise. Even though Medicare is dominating the headlines, the Cost Of Living Allowance is dominating their thoughts.

They want action, and their message is clear. They're tired of partisan squabbling in Washington. Although we seniors turn out in high numbers during each election cycle, our representatives too often take our votes for granted. Only by presenting a unified message in large numbers will we influence legislators to take us with the seriousness we deserve.

To learn what you can do to increase the COLA, visit www.tscl.org or call (800) 333-8725.

Ralph McCutchen is the volunteer Chairman of TREA Senior Citizens League, an organization that educates and alerts senior citizens about their rights and freedoms as U.S. citizens, and protects and defends the benefits senior citizens have earned and paid for.