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Raising Social Security’s Retirement Age Would Cut Benefits for All New Retirees

Harm Would Fall Disproportionately on Seniors With Low Incomes

By Kathleen Romig

Some policymakers, such as those on the Republican Study Committee, have proposed to raise Social Security’s full retirement age to 70 and beyond.¹ Raising the retirement age cuts benefits for all new retirees — that is, those claiming Social Security benefits for the first time. These cuts could be deep, and they would fall hardest on lower- and middle-income beneficiaries because they rely most heavily on Social Security benefits. Moreover, they have not seen the life expectancy gains that higher-income people have experienced and that are often used as the rationale for raising the retirement age.

The full retirement age is the age at which new retirees can receive full Social Security benefits. If beneficiaries claim before full retirement age, they receive permanently reduced monthly benefits; if they claim after, they get a permanent increase. The full retirement age was 65 for most of Social Security’s history. The last major Social Security overhaul, in 1983, gradually raised the age to 67, effectively cutting benefits by 13 percent. Now there is renewed talk of moving the age to 70, which would effectively cut currently scheduled benefits by nearly 20 percent.²

Advocates for raising the retirement age often use two arguments that don’t stand up to scrutiny. The first is that people in the United States are living longer. While average life expectancy at 65 has increased since 1983, longevity for the bottom half of earners has hardly risen at all — and this was true even before the COVID-19 pandemic. The life expectancy gap by income is large and growing, and Black workers in particular still experience lower lifetime earnings and face an average shorter life expectancy than white workers — due in no small part to a long history of structural racism and discrimination in education, housing, health care, and employment as well as systemic bias in the

¹ Republican Study Committee, “Blueprint to Save America: Fiscal Year 2023 Budget,” https://banks.house.gov/uploadedfiles/rsc_2023_budget_final_version.pdf.

² Glenn R. Springstead, “Distributional Effects of Accelerating and Extending the Increase in the Full Retirement Age,” Social Security Administration (SSA), January 2011, <https://www.ssa.gov/policy/docs/policybriefs/pb2011-01.html>.

criminal legal system.³ Additionally, even average life expectancy gains dramatically reversed over the past several years, driven by the pandemic but also reflecting other troubling trends, like rising opioid deaths.⁴

Proponents also argue that big changes to Social Security are necessary to avoid automatic, across-the-board cuts if Social Security’s trust funds become depleted. The irony of that argument is that over time, raising the retirement age would yield the same result that they purport to want to avoid — a large, across-the-board benefit cut. Raising the retirement age to 70 would ultimately cut average lifetime benefits for new retirees by nearly 20 percent, whereas if Social Security’s reserves are depleted, congressional inaction would force a 23 percent cut for all beneficiaries.⁵

Social Security benefits are already modest, and beneficiaries rely on them for most of their income. The facts argue for avoiding cuts in future benefits, which includes not raising the full retirement age — a position that the majority of people across party lines support strongly.⁶ It would be better and more equitable to finance critical Social Security benefits by raising revenues, particularly from higher-income people whose life spans — and incomes — have risen much faster than average.

Raising the Full Retirement Age Cuts Benefits Across the Board

The full retirement age is the age at which full Social Security benefits are paid. Workers can file sooner and collect permanently reduced monthly benefits, or later and get larger monthly benefits. These reductions and credits are designed to be roughly “actuarially neutral,” meaning that a person with average life expectancy will get around the same lifetime benefits — either a smaller monthly benefit for a longer time, or a bigger monthly benefit for a shorter time. Under current law, retirees get 70 percent of their full benefit if they claim at 62, 100 percent if they claim at 67, and 124 percent if they claim at 70 (with a sliding scale for every month between those ages). Raising the retirement age means the early retiree gets a deeper reduction and the delayed retiree gets a smaller increase, but average lifetime benefits are lower by about the same percentage at each claiming age.

As noted, the full retirement age was 65 for most of Social Security’s history. The 1983 overhaul of Social Security gradually raised the age to 67, which it reached in 2022 for those born in 1960 or later — effectively cutting benefits by 13 percent as compared to benefits if the retirement age had remained at 65. Each one-year increase in the full retirement age is equivalent to a roughly 7 percent

³ Kilolo Kijakazi, Karen Smith, and Charmaine Runes, “African American Economic Security and the Role of Social Security,” Urban Institute, July 2019, https://www.urban.org/sites/default/files/publication/100697/african_american_economic_security_and_the_role_of_social_security.pdf; Kathleen Romig, “Social Security Lifts More People Above the Poverty Line Than Any Other Program,” CBPP, April 19, 2022, <https://www.cbpp.org/research/social-security/social-security-lifts-more-people-above-the-poverty-line-than-any-other>.

⁴ Elizabeth Arias *et al.*, “Provisional Life Expectancy Estimates for 2021,” Centers for Disease Control and Prevention, August 2022, <https://www.cdc.gov/nchs/data/vsrr/vsrr023.pdf>.

⁵ *Ibid*; SSA, “The 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,” March 2023, <https://www.ssa.gov/oact/TR/2023/index.html>.

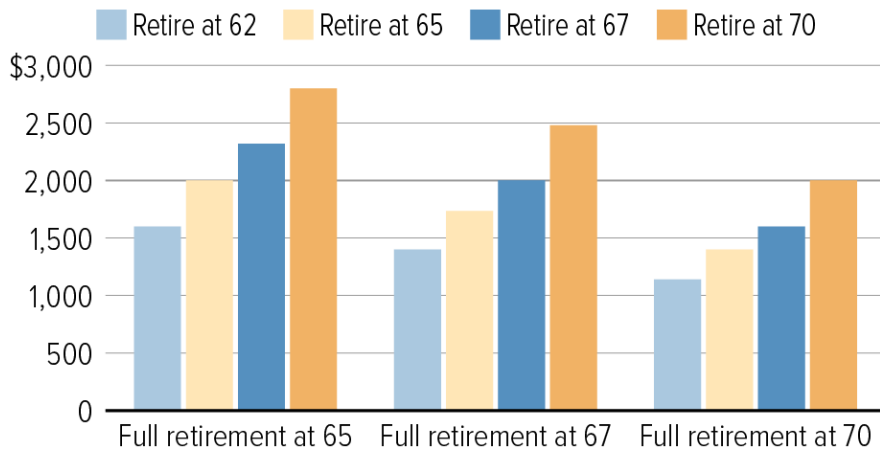
⁶ Kim Parker, Rich Morin, and Juliana Menasce Horowitz, “Looking to the Future, Public Sees an America in Decline on Many Fronts,” Pew Research Center, March 21, 2019, <https://www.pewresearch.org/social-trends/2019/03/21/public-sees-an-america-in-decline-on-many-fronts/>.

cut in monthly benefits for all affected retirees. So, if the full retirement age were raised to 70, current law Social Security benefits at any given claiming age would be reduced by nearly 20 percent.⁷

FIGURE 1

Raising Social Security’s Full Retirement Age Cuts Benefits for All New Retirees

Based on a \$2,000 monthly benefit at full retirement age



Note: The full retirement age is the age at which new retirees can receive full Social Security benefits. If beneficiaries claim before full retirement age, they receive permanently reduced monthly benefits; if they claim after, they get a permanent increase. Amounts use current law early retirement reduction and delayed retirement credit rates.

Source: CBPP analysis with Social Security Administration data

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Retirees can begin to claim at 62, the earliest eligibility age. When the full retirement age was 65, a worker claiming at 62 would get 80 percent of a full benefit. For a worker whose full benefit is \$2,000, this would be \$1,600 per month. (See Figure 1.) Now that the full retirement age is 67, a worker who files at 62 gets 70 percent of a full benefit, or \$1,400 per month, in this example. If the full retirement age were 70, a worker filing at age 62 would get 57 percent of a full benefit, or \$1,140 per month. That reduction in monthly benefits lasts for the rest of their life.

Raising the retirement age amounts to an across-the-board cut in benefits, regardless of whether a worker files for Social Security retirement benefits before, upon, or after reaching the full retirement age. When the full retirement age is increased, retirees have no way to avoid the cut. If they claim when they otherwise would have, they get a lower monthly benefit than they would have under current law. If they delay their claims, they can receive the same monthly benefit that they would have under current law — but because they will receive it for a smaller number of years, their lifetime benefits will still be lower.

⁷ Springstead, *op. cit.*

Disabled Workers and Some Surviving Spouses Would Be Shielded From Changes

Although all new retired worker benefits would be reduced if Social Security's full retirement age increased, certain types of benefits would be wholly or partially protected from the cuts — primarily disabled worker benefits and, in some cases, benefits for surviving spouses.

Nearly all disabled worker beneficiaries would be shielded from cuts, even after they begin to receive retirement benefits. Disability beneficiaries receive their full benefit amount; then, when they reach the full retirement age, they are automatically converted to retirement benefits at the same level. In certain cases, a disabled worker beneficiary receives an additional amount based on their spouse's benefits, and those benefits may be reduced if the full retirement age is increased. As a result, only about 5 percent of disability beneficiaries and 11 percent of retired, disabled beneficiaries would be affected if the retirement age increased to 70, according to Social Security Administration (SSA) research.

Increases to the full retirement age would also have less of an effect on surviving spouses. Benefits for surviving spouses are based on the actual amount of the deceased spouse's benefit — so early retirement reductions received by workers also affect their survivors. However, to mitigate the effects of early retirement reductions on survivors, Social Security has a "widow(er)'s limit" provision that ensures a surviving spouse never gets less than 82.5 percent of the deceased worker's full benefit amount. This would protect some surviving spouses from cuts and reduce the cuts that others face. About 28 percent of surviving spouse-only beneficiaries, and about 57 percent of surviving spouse beneficiaries who also receive their own retirement benefits, would be affected if the retirement age increased to 70, according to SSA research.

Source: Springstead, *op. cit.*; Gordon B. T. Mermin and C. Eugene Steuerle, "Would Raising the Social Security Retirement Age Harm Low-Income Groups?" Urban Institute, December 2006, <https://www.urban.org/sites/default/files/publication/46161/311413-Would-Raising-the-Social-Security-Retirement-Age-Harm-Low-Income-Groups-.PDF>

Cuts Would Fall Hardest on People Who Rely on Benefits Most

Though raising the full retirement age reduces lifetime benefits approximately equally for all new retirees, on average, the effects of those cuts would fall hardest on those who rely on benefits most. For a typical beneficiary, who receives about half of their retirement income from Social Security and also has income from other sources — such as pensions, earnings, or savings — a 20 percent cut would result in a 10 percent reduction in total income. But for a beneficiary who relies solely on Social Security, a 20 percent benefit cut means a 20 percent reduction in total income. It is also worth noting that due to discrimination in the labor market and a variety of other structural inequities, Black and Latino workers are less likely than white workers to have access to private retirement plan coverage, and they have lower median values in the retirement accounts that they do own.⁸

Most Retirees Claim Early, and Many Cannot Work Longer

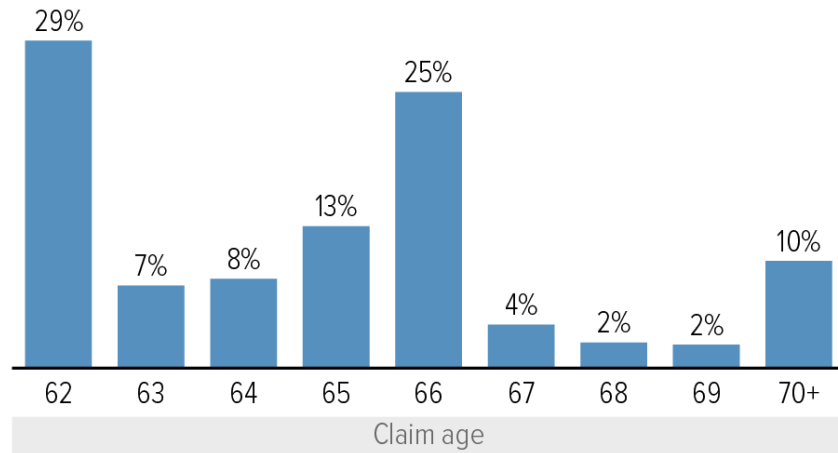
Proponents of raising the full retirement age often argue that people should work longer. However, that is simply not possible for many older workers, due to health problems, job loss, and caregiving responsibilities. Those who must claim early will face steep reductions relative to their full benefit amounts if the retirement age is increased.

⁸ Kijakazi, *op. cit.*; Kathy Ruffing, "For Most Americans, Retirement Accounts Are Paltry," CBPP, October 9, 2020, <https://www.cbpp.org/blog/for-most-americans-retirement-accounts-are-paltry>.

FIGURE 2

Most Retired Workers Claim Before the Full Retirement Age, Many at Age 62

Distribution of claim ages for new retired workers in 2021



Note: The chart shows all new retired worker claim ages in 2021, in which the full retirement age was 66 and 10 months. The chart does not include the 454,000 beneficiaries who automatically converted from disability benefits to retirement benefits at the full retirement age; they made up 14 percent of all retired worker beneficiaries in 2021.

Source: Social Security Administration, Annual Statistical Supplement, 2022, Table 6.A5

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Most retirees claim before the full retirement age and get a reduced benefit. In 2021, nearly 3 in 10 workers claimed when they were 62, the earliest eligibility age. (See Figure 2.) Some 57 percent of workers claimed before 66, in a year that the full retirement age was 66 and 10 months. About 1 in 4 workers claimed sometime during their 66th year, and the rest — fewer than 1 in 5 workers — claimed after their full retirement age and received a delayed retirement credit.⁹

Many people who claim at 62 — or before the full retirement age more generally — cannot work any longer, for a variety of reasons. Among people who claim as soon as they are eligible, 28 percent of women and 20 percent of men had already stopped working before age 62.¹⁰ This may be due to health conditions: about 40 percent of people in their early sixties report a potentially disabling condition, but less than half of them ever receive disability benefits. Or it could be because of job loss: 4 out of 10 recent retirees report being forced out of their jobs, and many struggle to find other

⁹ SSA, “Annual Statistical Supplement, 2022,” Table 6.A5, December 2022, <https://www.ssa.gov/policy/docs/statcomps/supplement/2022/6a.html#table6.a5>.

¹⁰ Hilary Waldron, “Trends in Working and Claiming Behavior at Social Security’s Early Eligibility Age by Sex,” SSA, August 2020, <https://www.ssa.gov/policy/docs/workingpapers/wp114.html>.

work. Many early retirees also have significant caregiving responsibilities — often for ailing parents or spouses, or for grandchildren.¹¹

Raising the Early Eligibility Age Would Restrict Eligibility and Would Not Improve System Financing

Some people think raising the full retirement age would force people to wait longer to receive Social Security benefits. However, raising the full retirement age would not affect eligibility for Social Security benefits — it would save money because it would lower retirement benefits. In contrast, raising the early eligibility age of 62 would affect eligibility for Social Security benefits, but it would not save money, because benefits are actuarially adjusted.

Increasing Social Security’s earliest eligibility age would make it impossible for people to receive retirement benefits until an older age. Unlike increasing the full retirement age, raising the earliest eligibility age would have a disproportionate effect on beneficiaries with lower life expectancy. People with shorter life spans would have proportionately fewer years of Social Security receipt than people with longer life spans.

What’s more, raising the early eligibility age would not improve system financing. The amount of benefits is roughly actuarially neutral, which means that a person with average life expectancy will get around the same amount of total benefits over their lifetime, regardless of when they claim — either a smaller monthly benefit for a longer time, or a bigger monthly benefit for a shorter time. Raising the early eligibility age would force people who want or need to claim early to claim a larger benefit at an older age instead. Over an average life span, the total amount of benefits paid to them would be the same.

Source: Pat Vinken et al., “Considerations for Potential Proposals to Change the Earliest Eligibility Age for Retirement,” October 2007, <https://www.ssa.gov/policy/docs/policybriefs/pb2007-01.html>

Expected Longevity Varies Based on Income, Gender, Race and Ethnicity

Policymakers who support increasing the full retirement age often point to increasing life expectancy as a rationale. It is true that average life expectancy at age 65 has grown, rising nearly three years in the four decades since Congress last addressed Social Security’s finances, then falling by over a year in 2020 — a decline from which it still hasn’t rebounded completely.¹² However, this average masks significant differences by income, sex, race, and ethnicity, as well as differing trends for each of these groups over time.¹³ For example, Black and American Indian or Alaska Native retirees have significantly shorter average life expectancies than white retirees, while Hispanic and

¹¹ Peter Gosselin, “If You’re Over 50, Chances Are the Decision to Leave a Job Won’t be Yours,” ProPublica, December 28, 2018, <https://www.propublica.org/article/older-workers-united-states-pushed-out-of-work-forced-retirement>.

¹² K. Mark Bye et al., “Unisex Life Expectancy At Birth And Age 65,” SSA, Office of the Chief Actuary, Actuarial Note 2023.2, March 2023, <https://www.ssa.gov/OACT/NOTES/ran2/an2023-2.pdf>; *2023 Trustees’ Report*, Table V.A4. Life expectancy at 65 gives policymakers an indication of how many years a typical person will receive Social Security benefits, whereas life expectancy at birth — which has changed more dramatically over time — includes changes in infant mortality and other factors that do not affect Social Security’s costs.

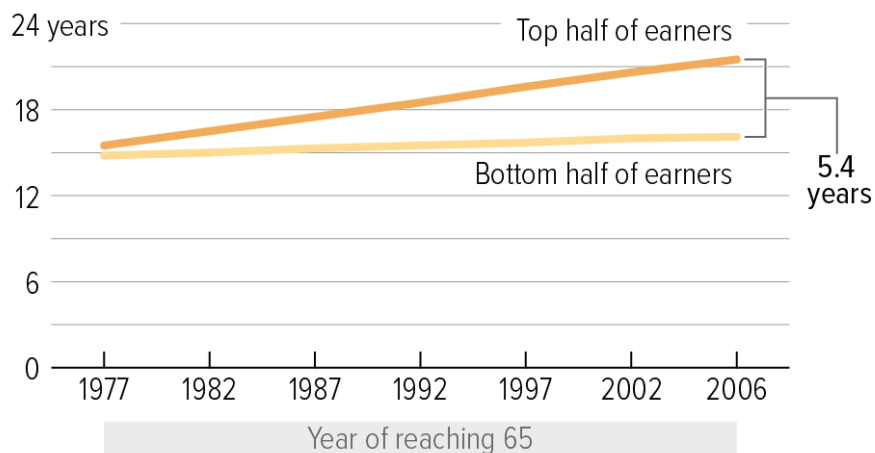
¹³ Centers for Disease Control and Prevention, “Life expectancy at birth, age 65, and age 75, by sex, race, and Hispanic origin: United States, selected years, 1900–2019,” 2021, <https://www.cdc.gov/nchs/hus/data-finder.htm?year=2020-2021&table=Table%20LExpMort>. Note: This paper does not analyze changes in life expectancy by race and ethnicity, because the effects of raising the full retirement age are not contingent on those changes.

Asian retirees have longer average life expectancies. In 2019, white population life expectancy at age 65 was 19.5 years, while life expectancy for both the Black and American Indian or Alaska Native populations at age 65 was 18.2. Asian and Hispanic life expectancies at age 65 were 23.4 and 21.6, respectively. Differences in longevity by race and ethnicity are much larger at younger ages.

FIGURE 3

Life Expectancy Rising Faster for Higher-Earning Men

Years of life expectancy once a man* reaches age 65



*Male Social Security-covered workers

Source: Hilary Waldron, “Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Socioeconomic Status,” *Social Security Bulletin*, Nov. 2007

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People with higher incomes live longer — and the gap is growing. The higher a person’s socioeconomic status — whether measured in earnings, income, or education — the longer their life expectancy. For example, higher-earning men can expect to outlive lower-earning men by more than five years. (See Figure 3.) Moreover, an abundance of research shows the gap between the life spans of those with high incomes and those with low incomes has grown significantly, and this trend is accelerating.¹⁴ While many people will live significantly longer than their parents and grandparents, some groups have seen no gains, and others have lost years of life. This disturbing phenomenon is

¹⁴ Hilary Waldron, “Mortality Differentials by Lifetime Earnings Decile: Implications for Evaluations of Proposed Social Security Law Changes,” SSA, February 2013, <https://www.ssa.gov/policy/docs/ssb/v73n1/v73n1p1.html>; Barry P. Bosworth and Kathleen Burke, “Differential Mortality and Retirement Benefits in The Health And Retirement Study,” Brookings Institute, April 8, 2014, https://crr.bc.edu/wp-content/uploads/2014/04/wp_2014-4.pdf; Hilary Waldron, “Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Socioeconomic Status,” SSA, April 2008, <https://www.ssa.gov/policy/docs/ssb/v67n3/v67n3p1.html>; National Academies of Sciences, Engineering, and Medicine, “The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses,” National Academies Press, 2015, <https://nap.nationalacademies.org/catalog/19015/the-growing-gap-in-life-expectancy-by-income-implications-for>.

concentrated among women: the poorest 40 percent of women have lower life expectancies than the previous generation, one study found.¹⁵

Policymakers Should Look to More Equitable Financing Solutions

If life expectancy at age 65 had increased in such a way that most people could expect significantly more years of Social Security benefit receipt, examining the full retirement age might be more reasonable. But that is not what has happened — life expectancy gains have almost exclusively gone to higher earners, making an increase in the full retirement age particularly problematic.

Social Security benefits are already modest, and many beneficiaries rely on them for most of their income.¹⁶ The facts argue for avoiding cuts in future benefits overall — a position that the majority of people across party lines support strongly, as noted above.¹⁷ In fact, 8 in 10 people in the U.S. oppose raising the retirement age, including overwhelming majorities of both Democrats and Republicans.¹⁸ Moreover, there is a need to shore up benefits to address the hardships faced by the large number of older people with incomes below or only modestly above the poverty line.

There are better, more equitable ways to finance critical Social Security benefits. Policymakers should address Social Security's long-term shortfall primarily by increasing tax revenues. Social Security will necessarily require an increasing share of our nation's resources as the population ages, and polls show a widespread willingness to pay more to strengthen the program.¹⁹ Recent trends justify boosting Social Security's payroll tax revenue: Social Security's tax base has eroded since the last time policymakers addressed solvency in 1983, largely due to increased earnings inequality and the rising cost of non-taxed fringe benefits, such as health insurance.²⁰ Had Social Security's tax cap — now \$160,200 — continued to cover 90 percent of aggregate earnings as it did in 1983, it would be \$300,000 today. Policymakers could also consider new sources of revenue, particularly from the wealthiest people in the country, for whom earnings are only a small portion of their income.

¹⁵ Bosworth and Burke, *op. cit.*; Nan Marie Astone, Steven Martin, and Laudan Aron, "Death Rates for US Women Ages 15 to 54: Some Unexpected Trends," Urban Institute, March 2015, <https://www.urban.org/sites/default/files/publication/43731/2000131-Death-Rates-for-US-Women-Ages-15-to-54.pdf>.

¹⁶ Paul N. Van de Water and Kathleen Romig, "Social Security Benefits Are Modest," CBPP, January 8, 2020, <https://www.cbpp.org/research/social-security/social-security-benefits-are-modest>.

¹⁷ Kim Parker, *op. cit.*

¹⁸ Quinnipiac University, "Food Costs Top List Of Americans' Financial Concerns, Quinnipiac University National Poll Finds; 68% Concerned They Won't Have Enough Money To Live Comfortably In Retirement," March 30, 2023, <https://poll.qu.edu/poll-release?releaseid=3871>.

¹⁹ Kim Parker, *op. cit.*; Elisa A. Walker, Virginia P. Reno, and Thomas N. Bethell, "Americans Make Hard Choices on Social Security: A Survey with Trade-Off Analysis," National Academy of Social Insurance, October 2014, <https://www.nasi.org/research/disability/report-americans-make-hard-choices-on-social-security-a-survey-with-trade-off-analysis/>.

²⁰ Kathleen Romig, "Increasing Payroll Taxes Would Strengthen Social Security," CBPP, September 27, 2016, <https://www.cbpp.org/research/social-security/increasing-payroll-taxes-would-strengthen-social-security>.