



Federal Reserve's May Inflation Forecast Affects 2027 Social Security COLA

Description

In 2025, Social Security, the main retirement programme in the United States, reached several milestones. The average monthly benefit for retired workers exceeded £2,000 for the first time, and the cost-of-living adjustment (COLA) rose by 2.8%. This marked a notable achievement, as it was the first instance in nearly three decades that beneficiaries received increases of at least 2.5% for five consecutive years.

However, upcoming changes might significantly affect Social Security recipients in 2027, driven mainly by the latest inflation data from the Federal Reserve. Currently, inflation is projected to rise, influenced by wider economic implications related to ongoing geopolitical conflicts, particularly the war in Iran that has resulted in significant disruptions to oil supplies.

Since late February, when military action commenced, Iran's closure of the Strait of Hormuz has halted shipping routes for around 20% of the world's crude oil, precipitating an increase in petrol prices. This has resulted in the fastest rise in gas prices in over three decades, as consumers increasingly feel the financial pressure at the pump.

The Federal Reserve Bank of Cleveland recently predicted that the 12-month trailing inflation could reach 3.89% by May. This figure is starkly higher than the 2.4% recorded in February and signifies a concerning trend that could substantially alter Social Security adjustments in the future.

While the cost-of-living adjustment aims to help beneficiaries maintain their purchasing power, its effectiveness has been questioned. Although the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) serves as the measure for inflation, it may not accurately reflect the prices seniors face. Consequently, many beneficiaries have experienced a 20% decline in purchasing power since 2010, due in part to structural issues within the index and rising Medicare premiums.

As projections suggest a potential COLA of around 3.9% for 2027, there remains concern over whether this increase will do enough to address the financial challenges many beneficiaries encounter.



Vocabulary List:

1. **beneficiaries** //ˌbenəˈfɪjəriːz// (noun): people who receive money or support
2. **inflation** //ɪnˈfleɪʃən// (noun): when prices for goods and services rise
3. **adjustment** //əˈdʒʌstmənt// (noun): a small change to correct or improve
4. **geopolitical** //ˌdʒiəʊpəˈlɪtɪkəl// (adjective): relating to politics and relations between countries
5. **disruptions** //dɪsˈrʌpʃənz// (noun): events that stop normal activity or service
6. **precipitating** //prɪˈsɪpɪˌteɪtɪŋ// (verb): causing something to happen suddenly or quickly

Comprehension Questions

Multiple Choice

1. What was the average monthly benefit for retired workers in 2025?
Option: £1,500
Option: £2,000
Option: £2,500
Option: £3,000
2. By what percentage did the cost-of-living adjustment (COLA) rise in 2025?
Option: 1.5%
Option: 2.5%
Option: 2.8%
Option: 3.0%
3. When did military action commence in Iran, impacting oil supplies?
Option: January 2025
Option: February 2025
Option: March 2025
Option: April 2025
4. What percentage of the world's crude oil shipping routes were halted due to Iran's actions?
Option: 10%
Option: 15%
Option: 20%



Option: 25%

5. What prediction did the Federal Reserve Bank of Cleveland make regarding inflation by May?

Option: 2.4%

Option: 3.0%

Option: 3.5%

Option: 3.89%

6. What structural issue has contributed to a decline in purchasing power for beneficiaries since 2010?

Option: High income taxes

Option: Inflation index problems

Option: Low interest rates

Option: Increased age limits

True-False

7. The average monthly benefit for retired workers exceeded £2,000 for the first time in 2025.

8. The cost-of-living adjustment in 2025 was lower than 2.5% for the first time in nearly three decades.

9. The war in Iran has led to a significant increase in oil prices.

10. The Consumer Price Index for Urban Wage Earners and Clerical Workers is considered an accurate measure for all seniors.

11. Beneficiaries are projected to receive a COLA of around 3.9% for 2027.

12. Purchasing power for beneficiaries has significantly increased since 2010.

Gap-Fill

13. In 2025, the average monthly benefit for retired workers exceeded _____ for the first time.

14. The cost-of-living adjustment rose by _____ % in 2025.

15. Iran's closure of the Strait of Hormuz halted shipping routes for around _____ % of



the world's crude oil.

16. Inflation is projected to rise due to geopolitical conflicts, particularly the war in _____

17. Many beneficiaries have experienced a _____ % decline in purchasing power since 2010.

18. The projected inflation rate could reach _____ % by May according to the Federal Reserve Bank of Cleveland.

Answer

Multiple Choice: 1. £2,000 2. 2.8% 3. February 2025 4. 20% 5. 3.89% 6. Inflation index problems

True-False: 7. True 8. False 9. True 10. False 11. True 12. False

Gap-Fill: 13. £2,000 14. 2.8 15. 20 16. Iran 18. 3.89

CATEGORY

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