Social Security COLA Change May Halve 75-Year Shortfall

Description

Social Security faces a potential insolvency crisis within the next ten years, but a new analysis suggests a change in calculating cost-of-living adjustments (COLA) could significantly reduce the shortfall. The nonpartisan Committee for a Responsible Federal Budget (CRFB) proposed capping annual benefit increases for higher earners, which could halve the program's 75-year fiscal deficit.

This proposal introduces a flat-rate COLA, meaning all beneficiaries would receive the same increase based on the benefit amount at the 20th percentile. An analysis by the Urban Institute found that such a COLA at the 20th percentile could close 50% of the projected shortfall, while a 30th percentile option would reduce it by about 40%.

Implementing a flat-rate COLA would restrict benefit growth for those with higher lifetime earnings. For instance, if set at the 20th percentile, the lowest earners might see a decline in benefits by only 3% by 2065, whereas the highest earners would face a 19% reduction. Conversely, a flat-rate COLA at the 30th percentile could slightly increase benefits for low earners while significantly reducing those for top earners.

The CRFB believes that such reforms could delay the insolvency of the Social Security trust funds by two years. Currently, estimates suggest the trust funds could run out by 2032, leading to an automatic 22% cut in benefits.

With looming financial challenges, policymakers are urged to act quickly to preserve the program's integrity. Ultimately, solutions that merge various strategies could prevent drastic cuts within the next six years.

Vocabulary List:

1. **insolvency** //ɪnˈsɑlvənsi// (noun): not having enough money to pay debts
2. **deficit** //ˈdɛfəsɪt// (noun): amount by which costs are more than income
3. **percentile** //pɚˈsɛntaɪl// (noun): one of 100 equal parts of a group
4. **beneficiaries** //ˌbɛnəˈfɪʃəriz// (noun): people who receive help or money from something
5. **shortfall** //ˈʃɔrtfɔl// (noun): an amount that is less than needed
6. **restrict** //rɪˈstrɪkt// (verb): to limit or make something smaller

Comprehension Questions

Multiple Choice

1. What potential crisis is Social Security facing within the next ten years?
   Option: Insufficient funding
   Option: Increased benefits
   Option: Higher taxes
   Option: Expanded eligibility

2. What organization proposed capping annual benefit increases for higher earners?
   Option: Social Security Administration
   Option: Committee for a Responsible Federal Budget
   Option: Urban Institute
   Option: Congressional Budget Office

3. At which percentile is the proposed flat-rate COLA based?
   Option: 10th percentile
   Option: 20th percentile
   Option: 30th percentile
   Option: 40th percentile

4. What percentage reduction in projected shortfall is expected with a flat-rate COLA at the 20th percentile?
   Option: 30%
   Option: 40%
   Option: 50%
   Option: 60%

5. By how much could the insolvency of the Social Security trust funds be delayed according to the CRFB?
   Option: One year
   Option: Two years
   Option: Three years
   Option: Five years

6. When are estimates suggest the Social Security trust funds could run out?
   Option: 2025
   Option: 2030
   Option: 2032
   Option: 2035

True-False

7. The flat-rate COLA would benefit higher earners more than lower earners.

8. The CRFB's proposal could potentially halve the Social Security program's 75-year fiscal deficit.

9. A flat-rate COLA at the 20th percentile would result in a 3% decline in benefits for the lowest earners.

10. Policymakers are advised to act quickly to preserve the integrity of the Social Security program.

11. The Urban Institute supports the current method of calculating COLA for Social Security benefits.

12. Lower earners would see a slight increase in benefits under a flat-rate COLA at the 30th percentile.

Gap-Fill

13. Social Security faces a potential insolvency crisis within the next ten years, but a new analysis suggests a change in calculating ________________ could significantly reduce the shortfall.

14. The CRFB believes that such reforms could delay the insolvency of the Social Security trust funds by ________________ years.

15. The trust funds are expected to run out by the year ________________, leading to an automatic cut in benefits.

16. Implementing a flat-rate COLA would restrict benefit growth for those with ________________ lifetime earnings.

17. A flat-rate COLA at the 30th percentile could slightly ________________ benefits for low earners.

18. With looming financial challenges, policymakers are urged to act quickly to preserve the program's ________________ .

Answer

Multiple Choice: 1. Insufficient funding 2. Committee for a Responsible Federal Budget 3. 20th percentile 4. 50% 5. Two years 6. 2032
True-False: 7. False 8. True 9. False 10. True 11. False 12. True
Gap-Fill: 13. cost-of-living adjustments (COLA) 14. two 15. 2032 16. higher 17. increase 18. integrity

CATEGORY

1. Business - LEVEL5

POST TAG

1. C1
2. COLA change
3. ESL learning
4. esl news
5. Level 5
6. shortfall
7. social security

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