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## Social Security payments to increase by 3.2 percent as inflation cools

An increase in benefits for millions of seniors will begin in 2024

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The Social Security Administration announced Thursday that seniors will receive a 3.2 percent increase in benefit checks starting next year, a smaller bump than in the past two years because inflation has eased from its highest rate in four decades.

This increase comes as many older Americans struggle to adjust to higher costs for essentials including groceries and gasoline. The cost-of-living adjustment (COLA) is intended to offset higher prices, but it also will increase spending on a Social Security program already facing severe funding challenges. The change amounts to an additional \$59 per month on average per beneficiary, according to AARP.

Social Security is the largest source of retirement income for U.S. seniors. The new benefits will go to more than 71 million Americans, including pensions to 66 million people and roughly 7.5 million Supplemental Security Income recipients, according to the Social Security Administration.

Social Security benefits to rise by 8.7 percent in 2023

The smaller increase in benefits reflects the easing of inflation in the U.S. economy after two years of significant increases. Social Security benefits rose by 8.7 percent in 2023, the largest increase in four decades, after inflation spiked by a similar amount in 2022. The year before that, SSA increased the program's benefits by 5.9 percent.

“The cost-of-living adjustment is an extremely important feature of Social Security,” said Nancy Altman, the executive director of Social Security Works, which opposes efforts to cut the program. “But people should not think of this as an increase — it’s intended to make sure seniors and people with disabilities can tread water, and stay above the surface, because without it they’d be drowning.”

Some advocates said that the 3.2 percent adjustment is insufficient, noting that the adjustment is based on a price index based on the spending of “urban wage earners.”

“How is that a reasonable formula for seniors? ... Older Americans spend more than other groups on expenses like housing, long-term care, and medical services,” Max Richtman, the president and CEO of the National Committee to Preserve Social Security and Medicare, said in a statement. Some Democrats have pushed for instead using a price index that more directly measures seniors’ costs, and would lead to more generous benefit increases.

The Federal Reserve’s campaign to hike interest rates has helped restrain price increases. Inflation has stayed at around 3 percent on a yearly basis in the most recent reports, but it rose 3.7 percent in September over the year before.

Inflation will also change Social Security taxes. Currently, Social Security only levies taxes on the first \$160,200 in earnings. The adjustments will raise that threshold to \$168,600, according to the Social Security Administration.

Anqi Chen, the assistant director of savings research at the Center for Retirement Research at Boston College, previously said that the automatic adjustment is particularly important because much of the other sources of seniors’ retirement income does not adjust for inflation. About half of the retirement income of middle-class retirees comes from Social Security, Chen said, but much of the rest comes from 401(K) and IRA disbursements — which depend on investment returns.

Biden picks Martin O’Malley to lead Social Security Administration

Conservatives have criticized the higher payments and argued that Washington should use a less-generous formula to adjust for inflation.

“Social Security is using an outdated measure that’s driving up benefit costs,” said Romina Boccia, the director of budget and entitlement policy at the Cato Institute, a libertarian think tank, in a statement during the last year’s COLA adjustment. “Reform is long overdue.”