

Trends in the Economy, Housing, Health Care and Social Security

May 11 2023

Wisconsin Coalition of Annuitants

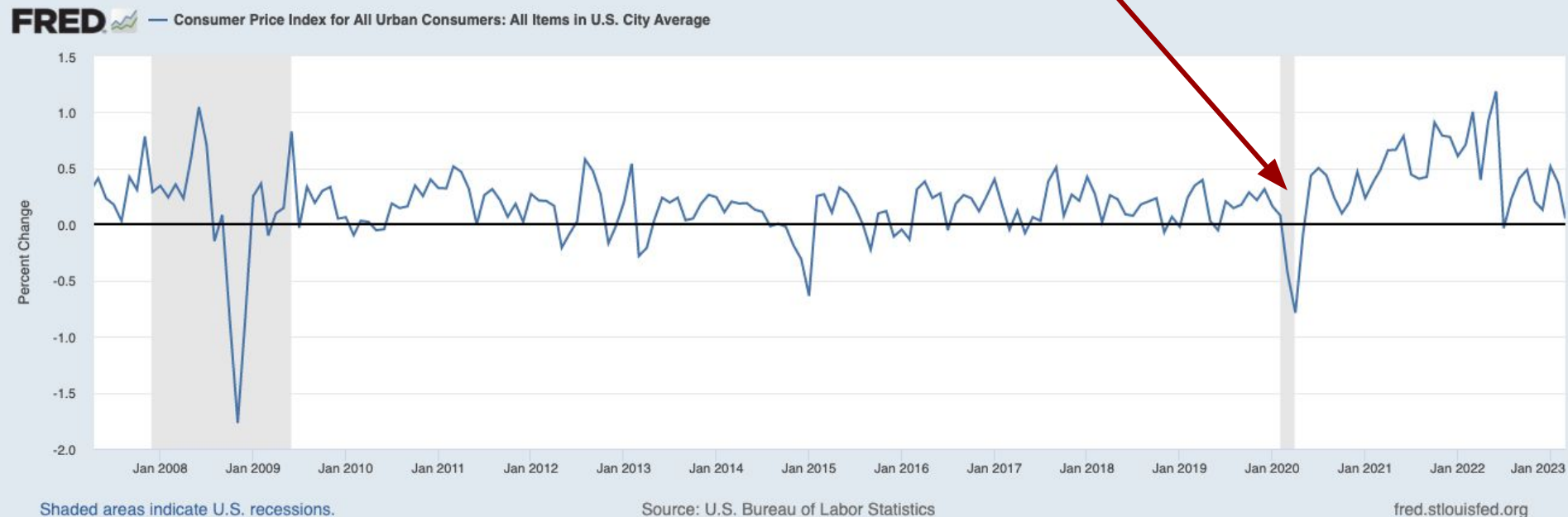
J. Michael Collins

UW Madison

Overview

1. **Where We Are**
2. Health and Wealth
3. Social Security: Policy Matters

One Headline: Inflation



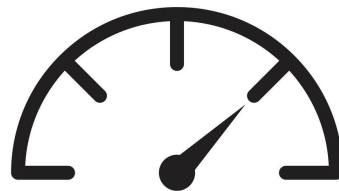
<https://fred.stlouisfed.org/series/CPIAUCSL#>

Inflation Matters

In 2021, wages went up 5% in Wisconsin: \$60 per week

But...gas doubled in price, Milk increased 60%

- These “basics” are a big part of working families’ incomes, spending more on goods that are increasing in price (groceries, gas, rent, utilities)



MONEY

Interest Rates

[Add Topic +](#)

Fed hikes interest rates 0.25 percentage point but signals pause in inflation fight

Rapid Rise in Interest Rates



<https://fred.stlouisfed.org/series/MORTGAGE30US#>

Another Bank Failure

Are we on the brink of a financial crisis — or has the threat been contained?



Give this article



Signature Bank

\$110 billion

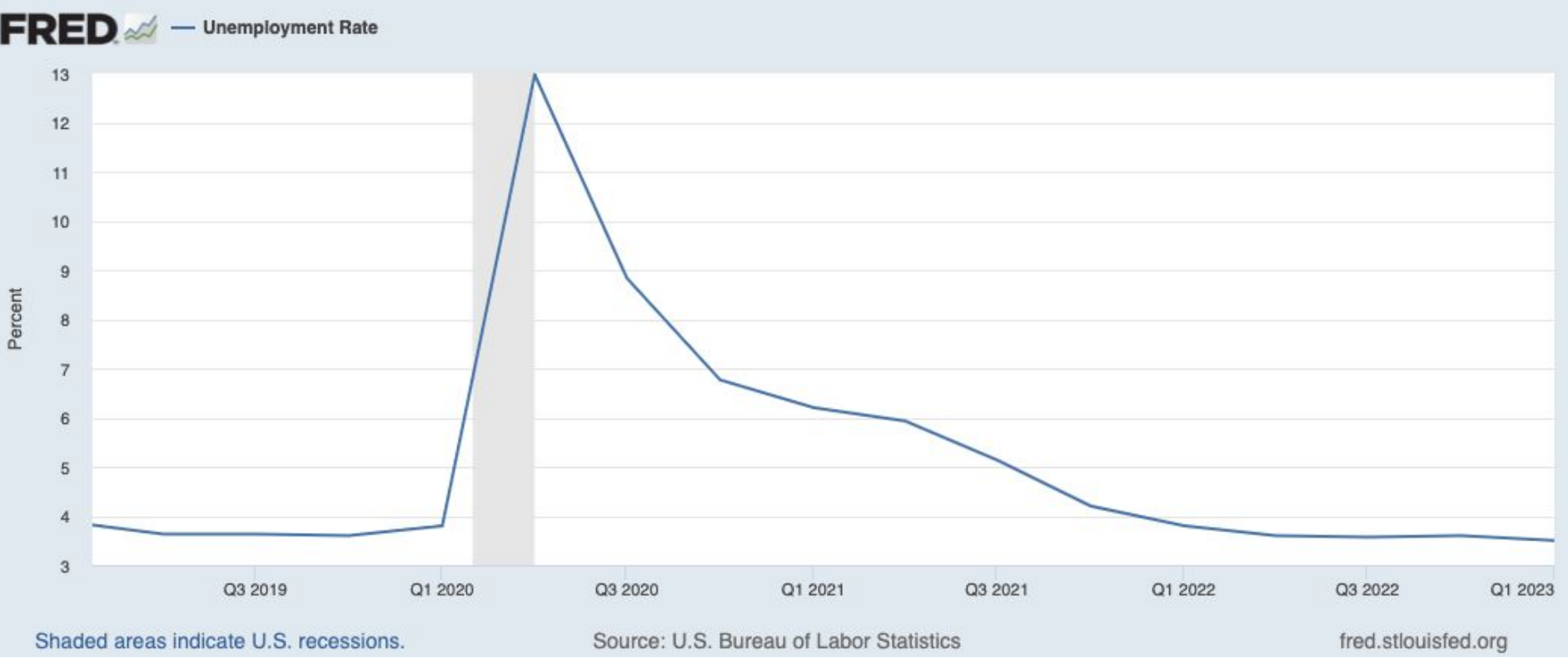
Silicon Valley Bank

\$209 billion

First Republic Bank

\$213 billion

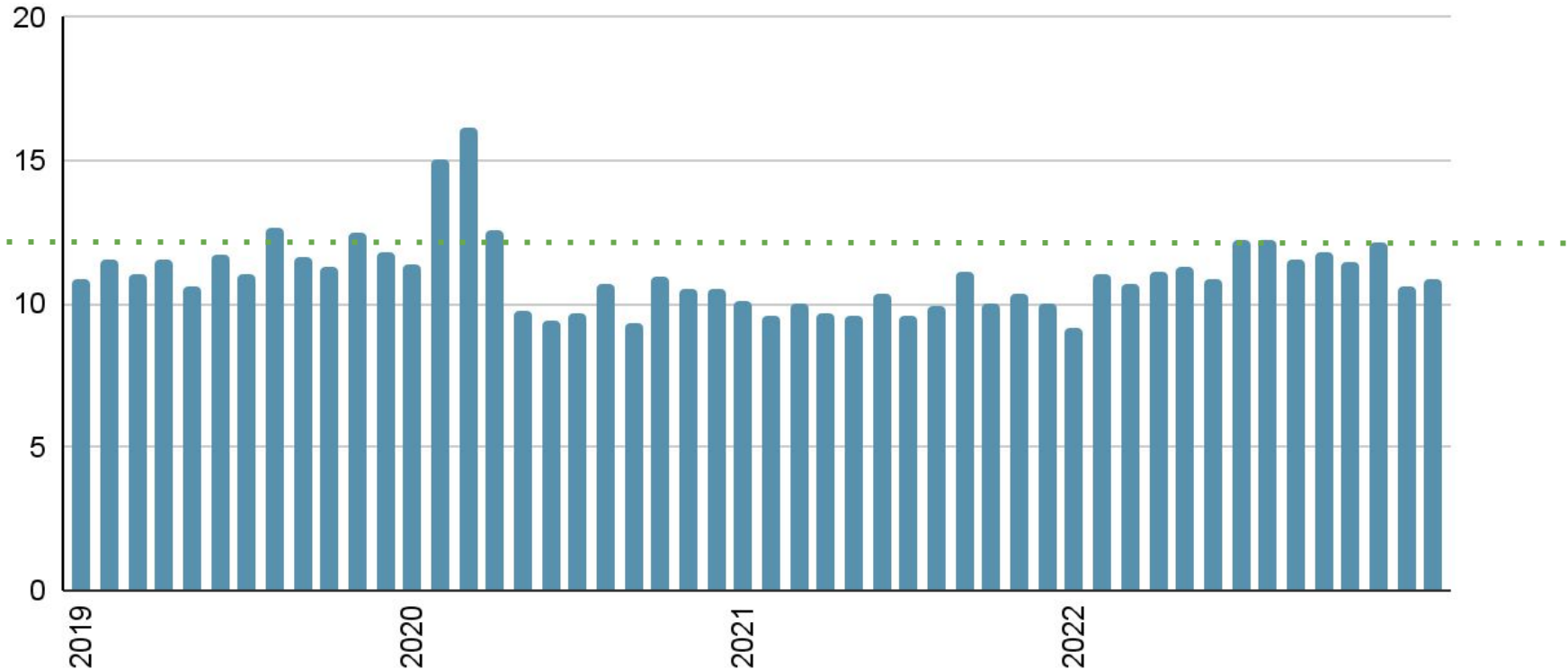
Jobs Market Looks Okay So Far



<https://fred.stlouisfed.org/series/UNRATE>

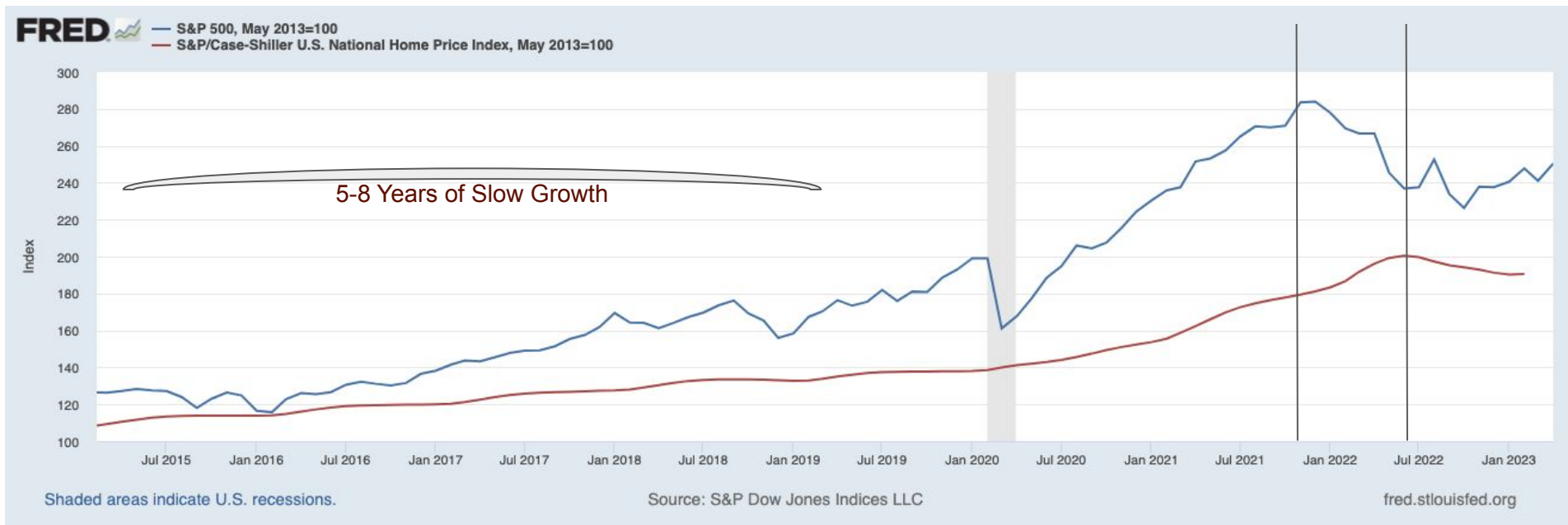
Debt Repayment Also Holding Steady...

Probability of not being able to make minimum debt payment over the next 3 months



Source: Survey of Consumer Expectations, Federal Reserve Bank of New York (FRBNY).

Equities and Housing Markets Pulling Back (Slightly)



Wisconsin House Prices Following National Trends



<https://fred.stlouisfed.org/series/WISTHPI>

But Housing Gains Have Helped Many in the State

Home Equity Gains on a Typical Single-family Existing Home Purchased 5, 10, 15, 30 Years Ago as of 2021 Q4 (\$'000)

Milwaukee-Waukesha-West Allis, WI



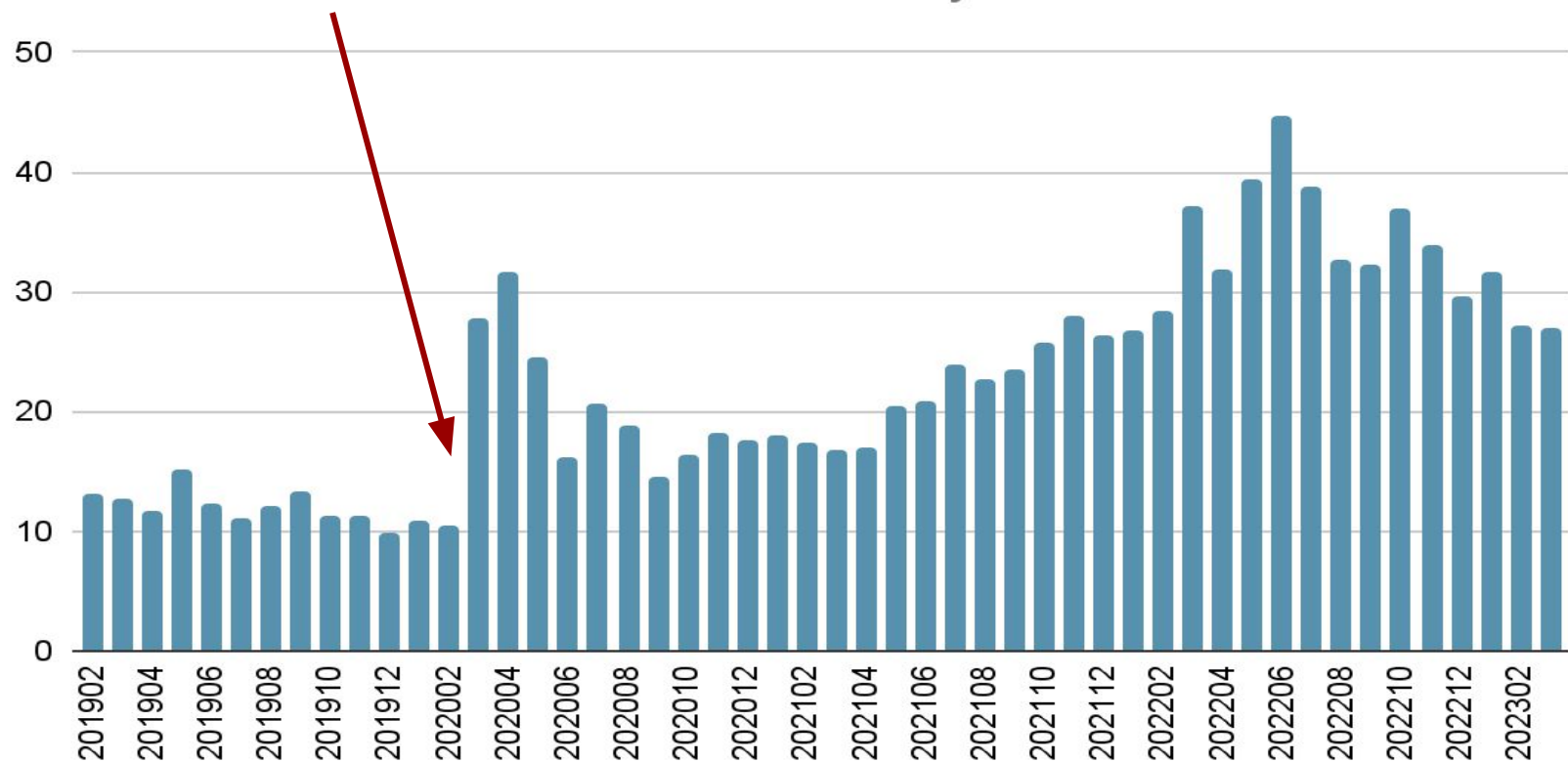
Home Equity Gains on a Typical Single-family Existing Home Purchased 5, 10, 15, 30 Years Ago as of 2021 Q4 (\$'000)

Madison, WI



Consumers Are Nervous...

Somewhat or Much Worse Off Financially in the Next Year



Source: Survey of Consumer Expectations, Federal Reserve Bank of New York (FRBNY).

Out of the Woods?

Not yet in an unemployment-driven **recession**

Housing is pulling back

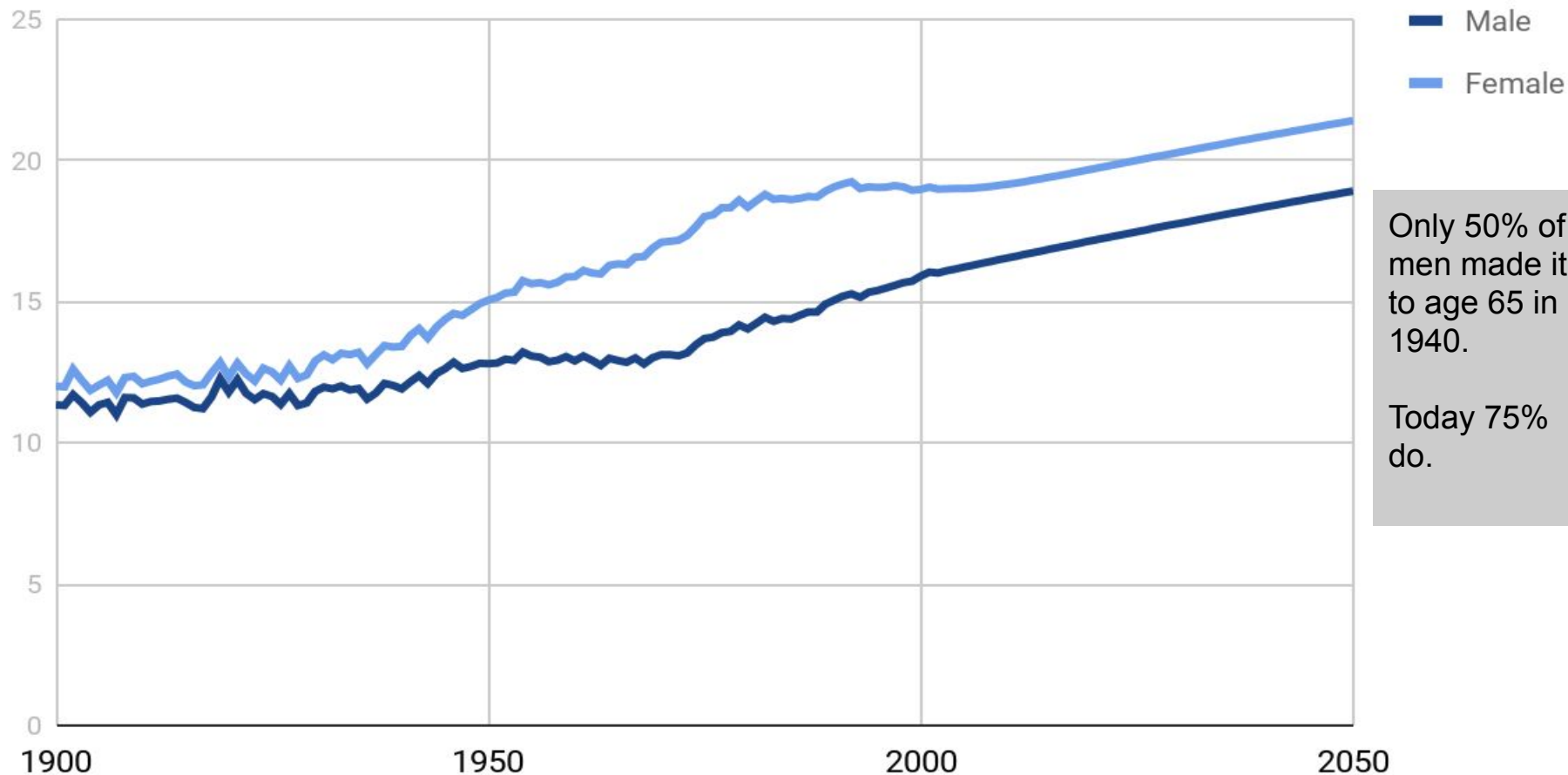
Global “**shocks**” are ongoing risk.

Volatility makes us all nervous

Overview

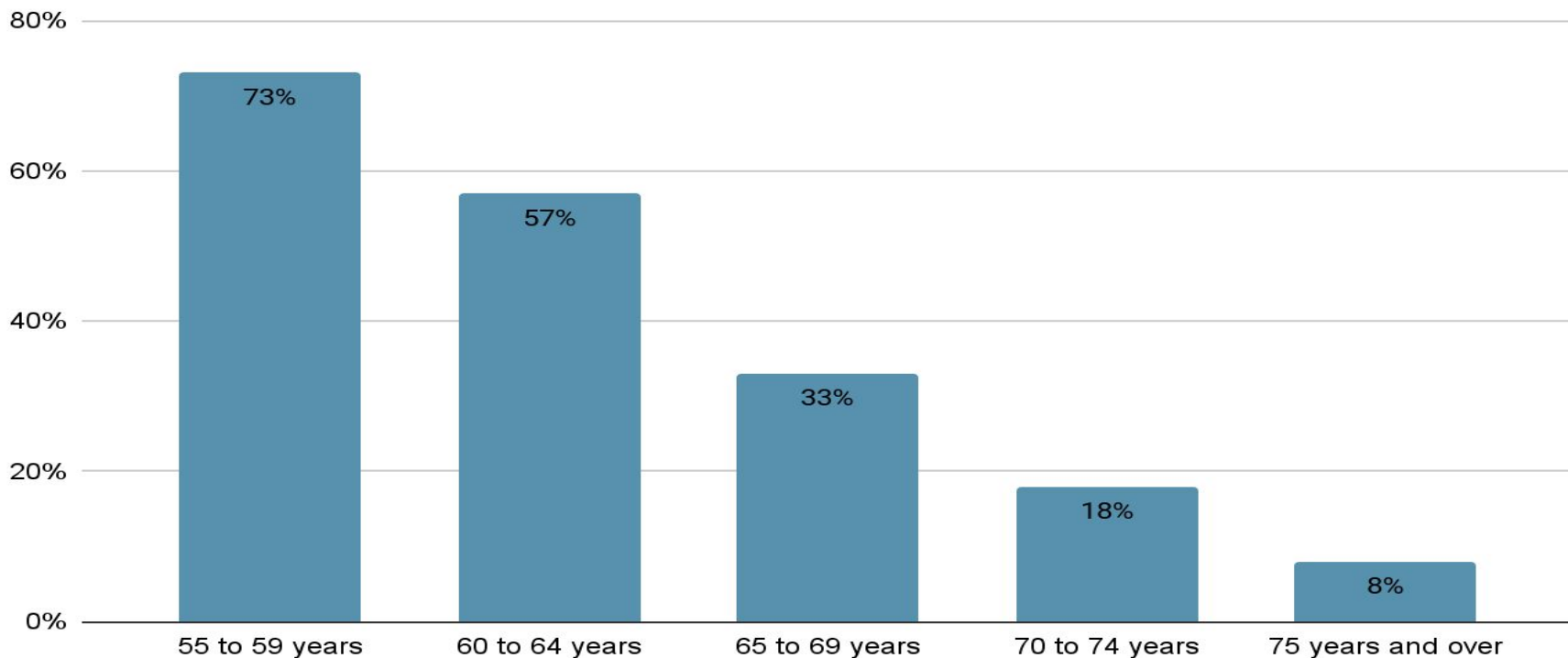
1. Where We Are
- 2. Health and Wealth**
3. Social Security and Policy

Life Expectancy at age 65

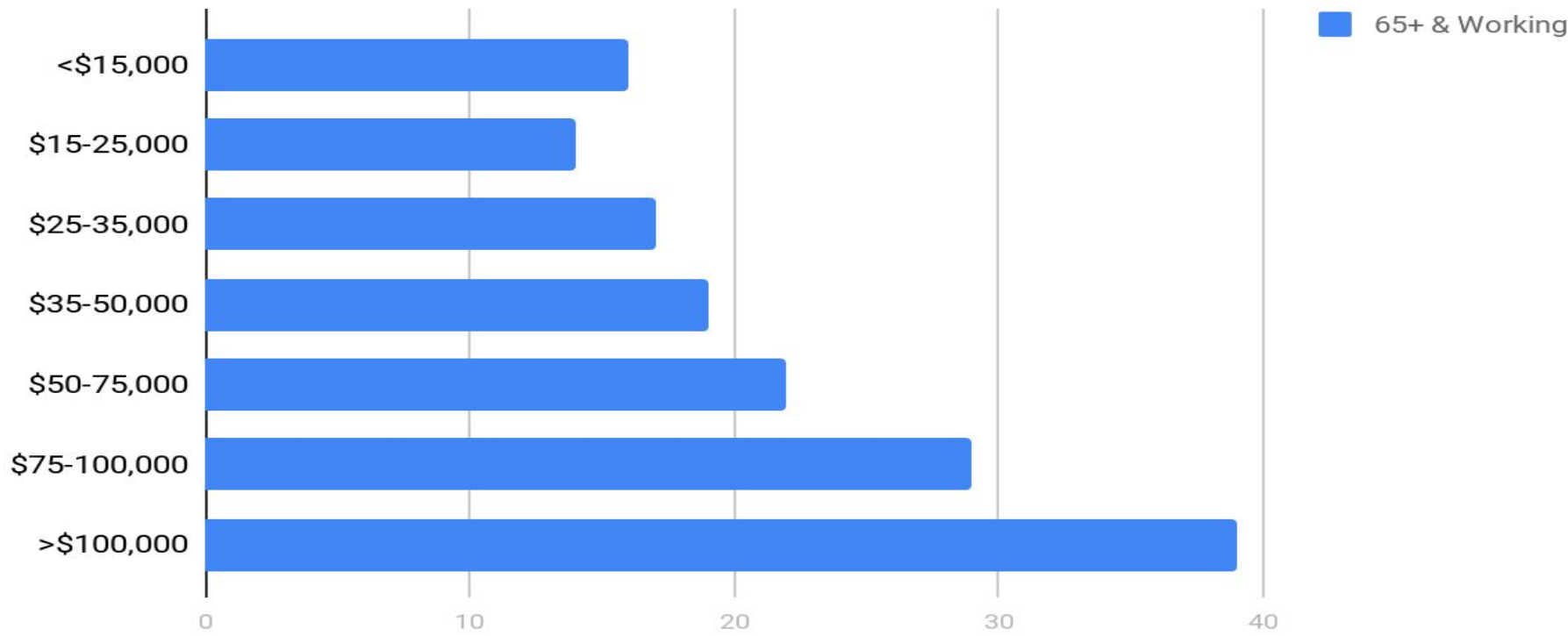


People Are Working At Older Ages

Civilian non-institutional population by age "in the labor force"



But Not Universal: Unequal Rates of Working by Income Level



Longevity is Increasing

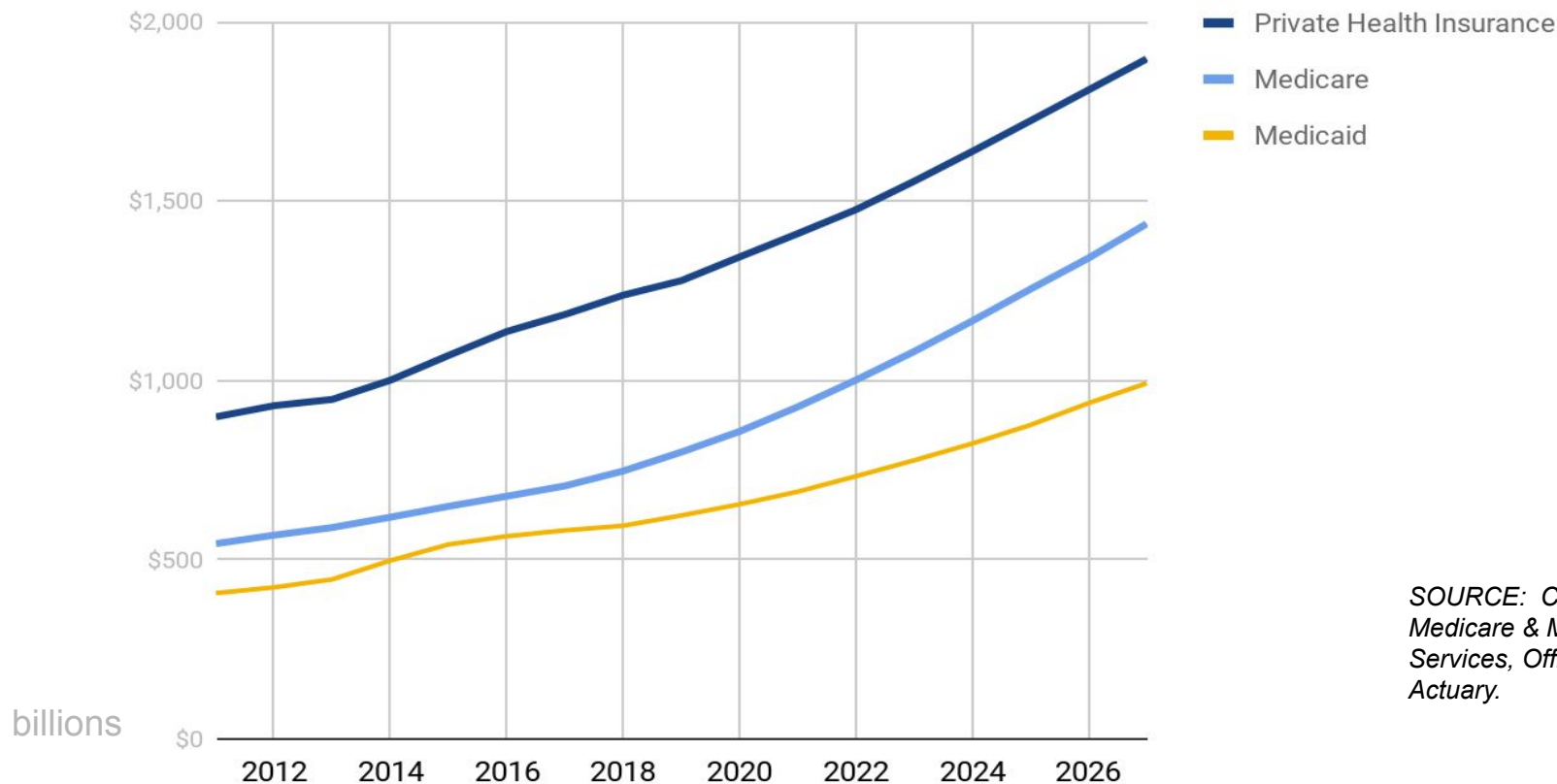
Retirement **Later**

- **Retirement** may include **work**
- Also means need **wealth to last longer**

May see even more **inequality** at older ages (although **Social Security helps**)

Increased **exposure to health risks**.

Health Care Spending is Increasing



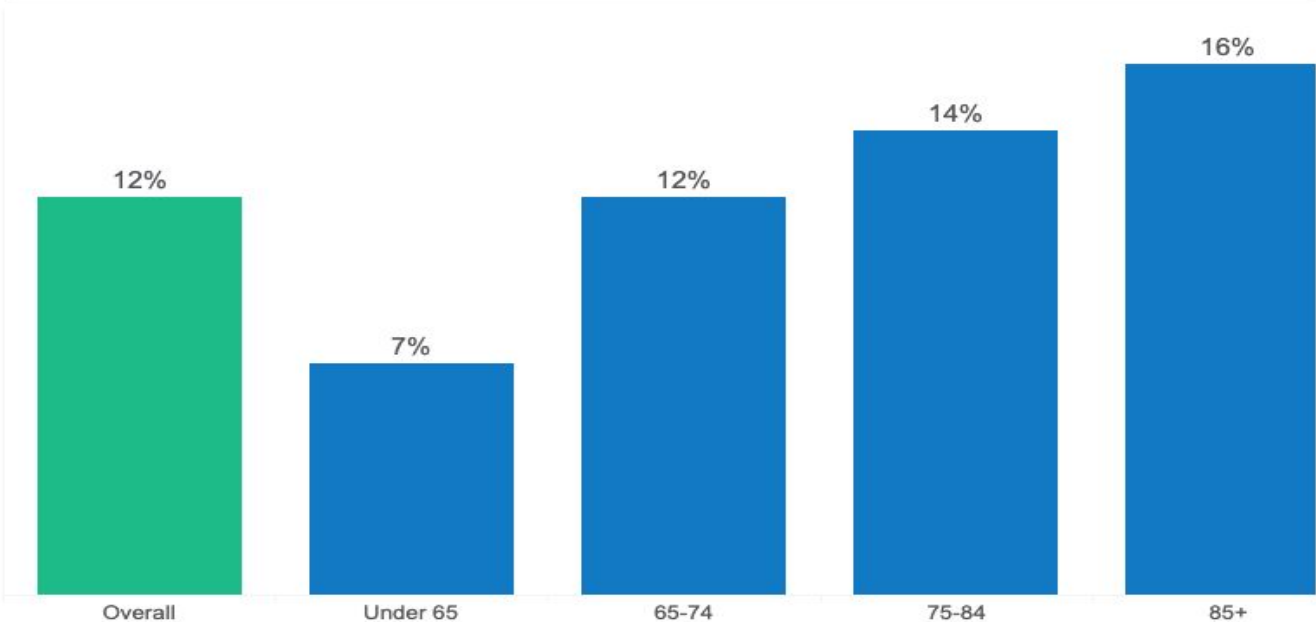
*SOURCE: Centers for
Medicare & Medicaid
Services, Office of the
Actuary.*

Spending on Healthcare Is Part of Retirement Planning

Median Out-of-Pocket Spending as a Share of Income for Traditional Medicare Beneficiaries in 2016

Select a group:

Age group



Health and Retirement Security

More than half of 65-year-olds will require **long-term care** at some point

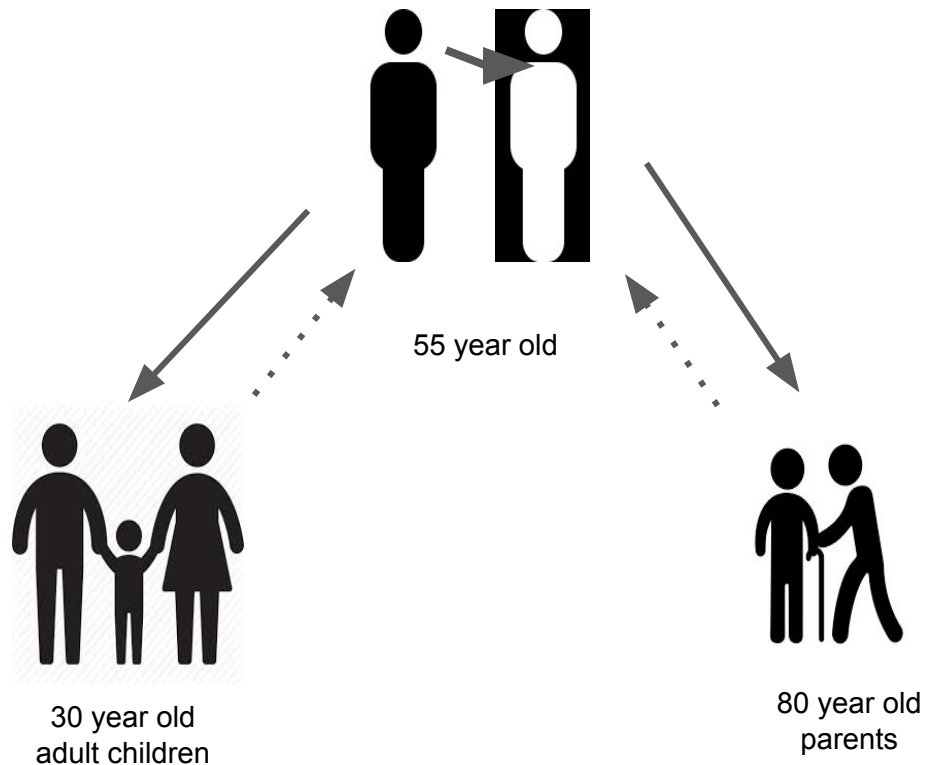


Out of pocket **medical costs** rising

Demands of **caring** for spouse
or family members



Multi-Generational Impacts



65 year old male likely to live to age 84 (19 years)

65 year old woman will live to age 88 (23 years).

★ 8 out of 10 women will **outlive** their husbands

21% of people 65 and older live with **two other** generations

Medicare Financing

Medicare Hospital Insurance Trust Fund is projected to be **depleted in 2031**

- Will only pay **89 cents** per dollar - gap filled by appropriations (?)

Medicare is about **4%** of gross domestic product (GDP) today

- Projected to be **6% of GDP by 2040**

<https://www.ssa.gov/OACT/TRSUM/index.html>



Medicare Policy Options

Cost sharing - out-of-pocket costs
Increasing premiums

Expand use of **cost controls** through ACOs
& Medicare Advantage

Increasing Medicare **payroll tax** or
expanding application of payroll tax



Overview

1. Where We Are
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- 3. Social Security and Policy Debates Ahead**
- 4.

Social Security Beneficiaries



50 million people ~ **\$800** billion for Old Age and Survivors (OASI)

10 million people ~ **\$140** billion for Disability (SSDI)

5 million people ~ **\$50** billion for Supplemental Security Income (SSI)



→ **44** million people ~ **\$700** billion for Medicare

What will you or your family do?

- WHEN YOU'RE TOO OLD TO WORK
- IF YOU BECOME DISABLED
- IF YOU DIE

SOCIAL SECURITY PAYS CASH IN THESE CASES

BUT KEEP THESE TWO THINGS IN MIND

1. YOU DON'T GET PAYMENTS UNLESS YOU HAVE WORKED LONG ENOUGH
2. THE AMOUNT OF YOUR PAYMENT DEPENDS ON HOW MUCH WAGES HAVE BEEN REPORTED TO YOUR SOCIAL SECURITY ACCOUNT



REMEMBER

- SHOW YOUR SOCIAL SECURITY CARD TO YOUR BOSS
- MAKE SURE HE TAKES SOCIAL SECURITY OUT OF YOUR PAY
- CHECK WITH THE SOCIAL SECURITY OFFICE TO SEE IF YOU'RE GETTING CREDIT

YOUR NEAREST SOCIAL SECURITY OFFICE

Social Insurance Supports Financial Well-being

Meet financial **obligations**,

Feel **secure** in financial future,

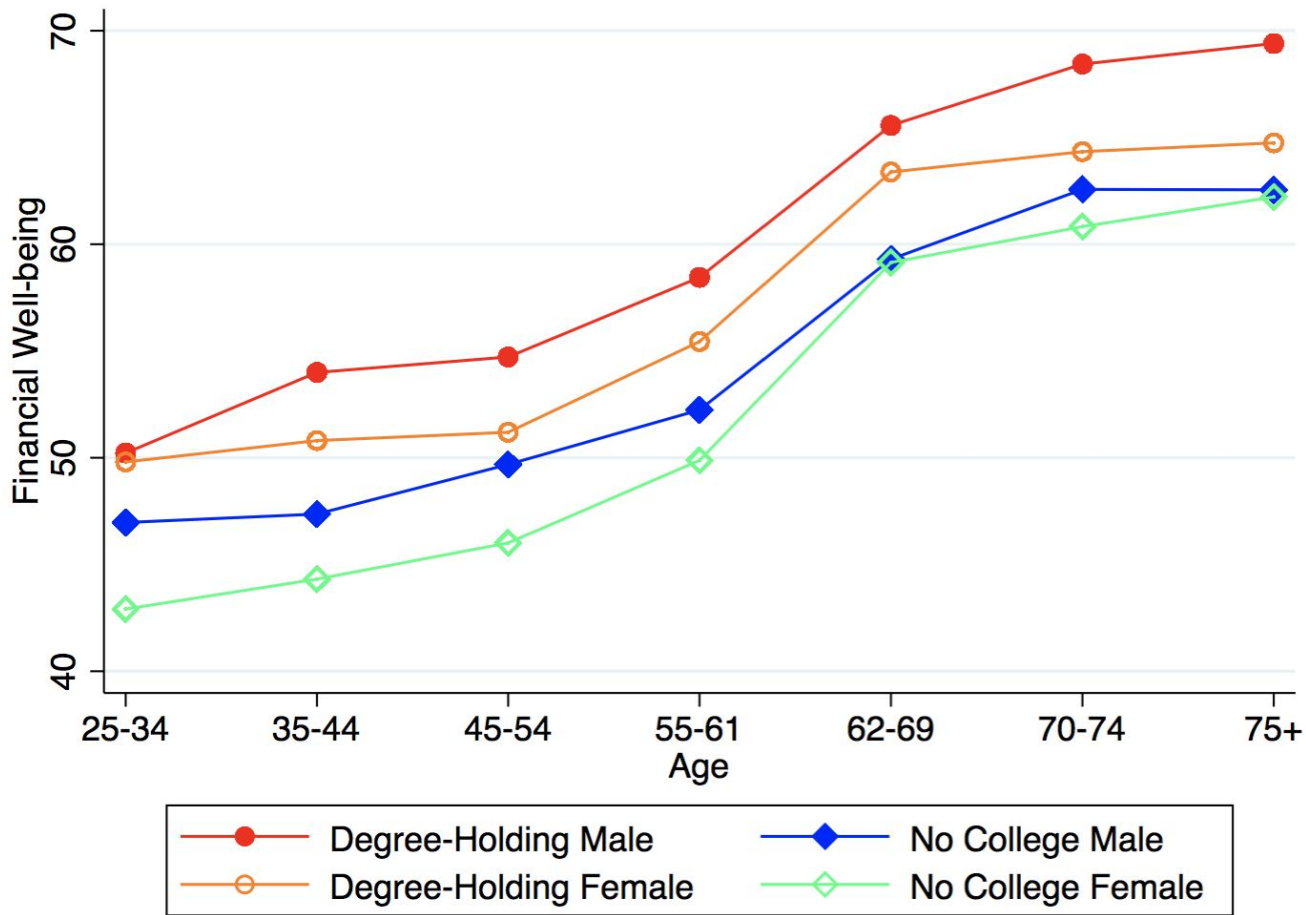
Able to **make choices** that **allow**
enjoyment of life.

- Independence
- Control
- Stability
- Resilience



Financial Well-being

- ☐ Control over day-to-day finances
- ☐ Ability to absorb a financial shock
- ☐ On track to meet financial goals
- ☐ Financial situation does not limit basic consumption



National Financial Wellbeing Survey, 2016.

Age 65+ Income Share of Income by Source

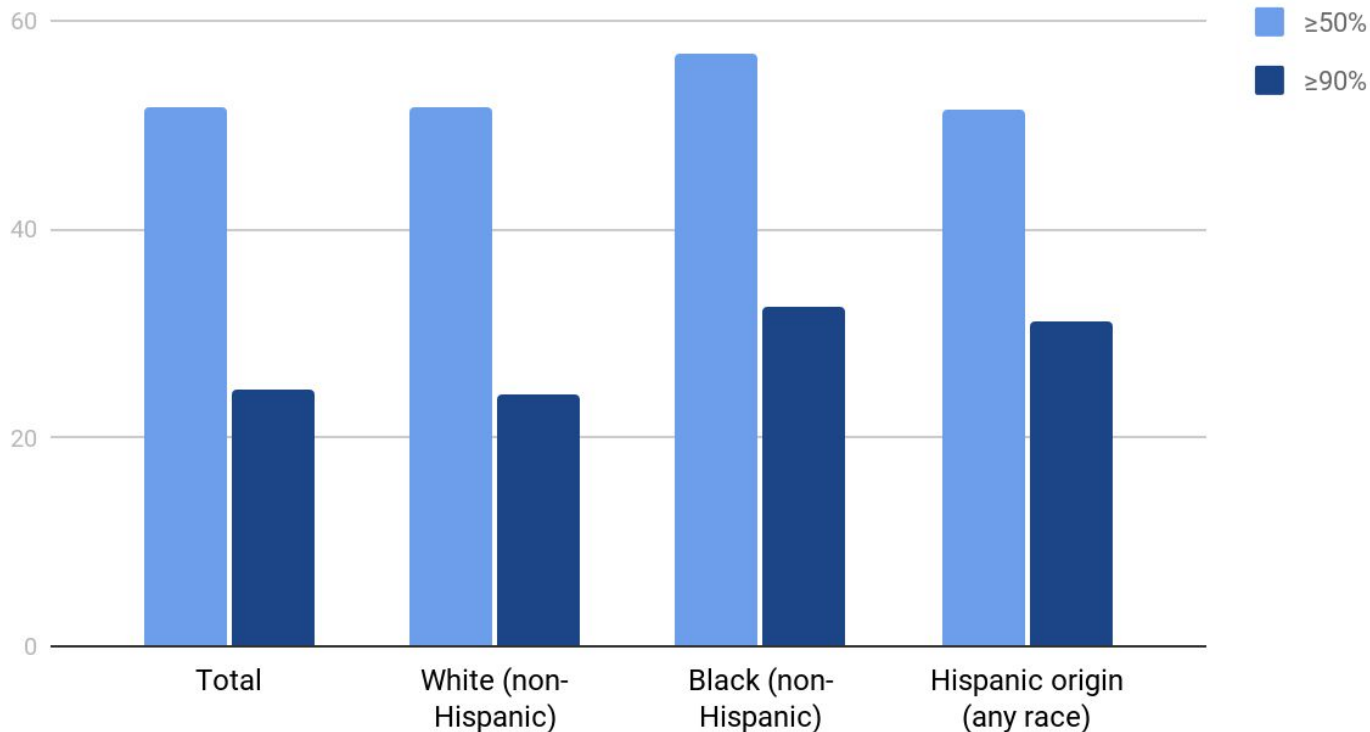
Income Level	Earnings	SS-OASI	SSI	Retirement Plan	Other	SSA Amt
Lowest	3%	55%	30%	6%	6%	\$12,596
2	3%	83%	4%	6%	4%	\$12,325
3 (\$15-20k)	4%	77% ←	2%	13% ←	4%	\$14,638
4	8%	64%		22%	6%	\$16,441
5	11%	53%		29%	7%	\$19,313
6	13%	46%		35%	6%	\$20,674
7	17%	39%		36%	8%	\$22,065
8 (\$55-75k)	19%	32% ←		40% ←	9%	\$22,752
9	25%	24%		40%	11%	\$23,235
Highest	35%	14%		34%	17%	\$25,309

Individual aged units age 65+ in 2012 administrative records.

<https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-39.pdf>

Especially Important Racial Differences

Share of 65+ HHs where 50 or 90% of income is from SSA



<https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html>



Status of the Social Security and Medicare Programs

[Office of the Chief Actuary](#)[2023 Trustees Report](#)[Actuarial Publications](#)**A SUMMARY OF THE 2023 ANNUAL REPORTS**

Social Security and Medicare Boards of Trustees

A MESSAGE TO THE PUBLIC:

The Trustees of the Social Security and Medicare trust funds report on the current and projected financial status of the two programs each year. This document summarizes the findings of the 2023 reports. As in prior years, we found that the Social Security and Medicare programs both continue to face significant financing issues.

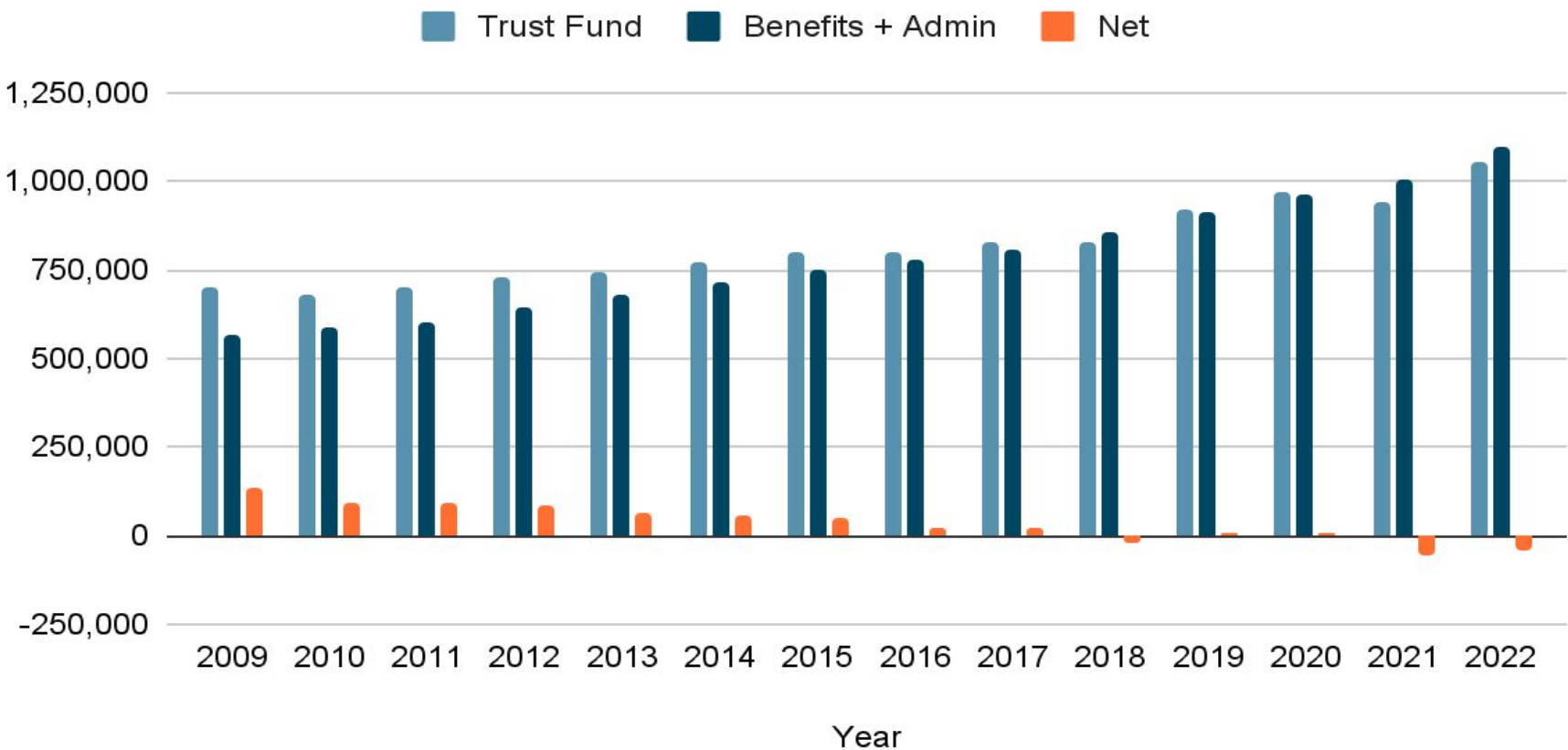
Based on our best estimates, this year's reports show that:

- The Hospital Insurance (HI) Trust Fund will be able to pay 100 percent of total scheduled benefits until 2031, three years later than reported last year. At that point, the fund's reserves will become depleted and continuing program income will be sufficient to pay 89 percent of total scheduled benefits.
- The Old-Age and Survivors Insurance (OASI) Trust Fund will be able to pay 100 percent of total scheduled benefits until 2033, one year earlier than reported last year. At that time, the fund's reserves will become depleted and continuing program income will be sufficient to pay 77 percent of scheduled benefits.
- The Disability Insurance (DI) Trust Fund is projected to be able to pay 100 percent of total scheduled benefits through at least 2097, the last year of this report's projection period. By comparison, last year's report projected that the DI Trust Fund would be able to pay scheduled benefits through at least 2096, the last year of that report's projection period.

Who's Ready for a 24% Cut to Social Security Benefits?

If Congress fails to act, big benefit cuts await seniors in 15 years.

Trust Fund, Benefits + Admin and Net



There Are Viable Policy Options

- Increase Retirement Age
- Limit Benefits
- Increase payroll tax (FICA)
- Elevate income levels subject to payroll tax

Closing The Gap:

Raise Full Retirement Age to 69, then index

- 41% of the cap closed

Raise taxable maximum income, then index

- 22% of the cap closed

Base benefits on highest 38 years of work

- 11% of the cap closed

<http://www.crfb.org/socialsecurityreformer/>

This is a Financial and Policy Issue

Social Insurance benefits the **well-being** of millions of people

Also especially important for reducing **inequities** in society

Upcoming debates have direct relevance for people's **financial security**

Pitting **generations** against each other is not helpful

SECURE 2.0 is a promising, **bi-partisan example** of getting things done

Beware of Fraud and Scams

SSA will never call asking for information

Do you suspect someone of committing fraud, waste, or abuse against Social Security?

Contact the Office of the Inspector General's fraud hotline at **1-800-269-0271** or submit a report online at Office of the Inspector General, SSA.



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<https://cfsrdrc.wisc.edu/>

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News Releases

CFS RDRC Awarded Fourth Year of Funding to Support Research on Financial Vulnerability

The University of Wisconsin—Madison's Center for Financial Security (CFS), as part of the Retirement and Disability Research Consortium (RDRC), has been awarded a fourth year of funding for \$2.2 million from the U.S. Social Security Administration (SSA). One of just four RDRC centers in the country supported by SSA, the UW-Madison center has a particular focus on the financial well-being of economically vulnerable families, older people, people with disabilities, low-wealth households, and children. **[Read the full press release here.](#)**

Building the Field of Retirement and Disability Research for the Future: Mentored Training Programs of the CFS RDRC

The Center for Financial Security Retirement and Disability Research Center (CFS RDRC) at UW-Madison offers a set of mentored research programs,