

## Social Security Changes Could Hurt Blacks Most

Written by Maya Rhodan  
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Social Security changes proposed by Obama could hurt African Americans more than other groups, a new report by the Center for Global Policy Solutions finds.

In this fiscal year 2014 budget, President Obama proposes switching the way benefit programs such as Social Security and civil service retirement adjust for inflation to the chained consumer price index, or chained CPI.

Chained CPI calculates inflation differently from the consumer price index, the current yardstick. The move would save approximately \$230 billion, according to the president's budget.

“The chained CPI significantly reduces the purchasing power of those who rely on benefits issued by the federal government, and especially disadvantages retirees and the long-term disabled because it fails to take into account the higher costs they shoulder as a result of their increased need for health care services and related products,” the report reads.

The Center for Global Policy Solutions report finds that the changes may cause particular harm to older African Americans; many depend on Social Security for the majority of their retirement income.

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Nearly half of African American beneficiaries rely on Social Security for 90 percent or more of their income, compared to 35 percent of all beneficiaries. Two out of five Black retirees over 65 depend on Social Security for their entire income.

The report show that 18 percent of Black adults over 65 had an income below the federal poverty level; without Social Security benefits, 53 percent of older African Americans would be living in poverty according to the AARP.

The changes to COLA will also impact the one in five Black children receiving disability benefits. Black children are twice as likely to receive survivor benefits as well.

“Chained CPI is also a poor policy considering that Social Security does not contribute to our annual deficit, and the trust will run a surplus of more than \$2.7 trillion until the 2030s,” Rep. John Conyers (D-Mich.) said in a statement. “I am disappointed then that President Obama would consider burdening those who are most in need of our support.”

The changes proposed by the president did not fare well with the constituents they will affect the most. In April, AARP released a poll that showed that 70 percent of older voters are not in favor of using chained CPI for the Social Security cost-of-living adjustment and 78 percent are opposed to using the adjustment for veteran benefits.

“This cut to Social Security would break the promise to seniors and hurt veterans who’ve sacrificed so much for this great country,” AARP executive vice president Nancy LeaMond said in a statement.

According to AARP, those who rely on Social Security for the majority of their income, which includes 47 percent of African American beneficiaries, would experience an 8 percent cut to their income after 30 years using chained CPI.

According to the report, the coming reductions will result in about \$3 lost for every \$10,000 in benefits. That amounts to a lot for the African Americans over 65 who receive about \$3,000 a year in benefits.

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Although President Obama has proposed to protect “the most vulnerable Americans,” including those over 76 and beneficiaries who receive benefits for longer periods of time, Mikki Waid, AARP senior strategic policy advisor, says older African Americans won’t reap the benefits of being protected.

“African Americans don’t live as long, so even though the president has proposed these bump ups, an African American male that has made it to 65 is only expected to live to 81, women to 84,” Waid says. “They aren’t going to benefit from the protections.

Waid adds, “The fact that they decided to exempt some individuals makes you wonder if it’s a more accurate cost of living adjustment. Is it really an accurate inflation measure of older Americans?”

The report finds, it isn’t.

A large portion of retirement income goes toward medical expenses, figures that are not considered in the chained CPI adjustment.

The average 65-year-old couple retiring will need \$240,000 to cover future medical costs, according to Fidelity Investments, which tracks retiree health care costs. The median annual income for African Americans on Social Security is id="mce\_marker"4,400.

The report also finds that African Americans will be the most negatively impacted by the switch to chained-CPI because they have much less wealth that could be used to supplement the reduction in Social Security.

“As a result of racial wealth disparities, African Americans will be negatively affected by implementation of the chained CPI regardless of the non-means tested federal program from which they receive their benefits,” said Maya Rockey Moore, president and CEO of the Center for Global Policy Solutions . “With precious few other assets to help meet expenses, African

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Americans will experience deeper economic pain as a result of the chained CPI.”

In 2010, Whites had six times the wealth of their African American counterparts, according to a new Urban Institute report. Whites who were age 32-40 in 1983 had an average family wealth of \$84,000, a figure that rose to \$1.1 million in 2010. Blacks, in comparison, had an average family wealth of \$54,000 in 1983, which had only grown to \$61,000 in 2010, when both groups were nearing retirement age.

Blacks have historically started off with less wealth than their White counterparts, and on average have not reached equal levels of wealth by retirement. Factors such as low wages, high unemployment, and lesser job opportunities have contributed to Blacks inability to accrue enough wealth to keep such large portions of the community from being solely dependent on Social Security into retirement.

The Great Recession, however, also lead to an increased loss of wealth within the African American community, especially in terms of retirement savings. Blacks, according to the Urban Institute report, lost about 35 percent of their retirement assets during the recession, while White families saw an increase.

A major problem, Waid finds, with chained CPI is that the negative impact to benefits will take affect immediately.

“Chained CPI will effect beneficiaries immediately and it will effect all beneficiaries,” Waid says.

She adds that because of this, unfortunately, there is little one can do to prepare.

“It’ll affect them now,” Waid reiterates. “But really what can you do? If you’re an African American 70-year-old woman, I wish I could tell them something they could do, but I just can’t.”