

Fast Facts & Figures About Social Security, 2004

Social Security Administration
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Office of Research, Evaluation, and Statistics
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DID YOU KNOW THAT...

- ✓ SSA paid benefits to more than 50 million people in 2003
- ✓ Social Security benefits were awarded to over 4 million people
- ✓ Social Security provided at least half the income for 66% of the aged
- ✓ Women accounted for 57% of adult Social Security beneficiaries
- ✓ The average age of disabled-worker beneficiaries was 51
- ✓ Disability and blindness were the reasons for paying 82% of SSI beneficiaries

PREFACE

Fast Facts & Figures answers the most frequently asked questions about the programs SSA administers. It highlights basic program data for the Social Security (retirement, survivors, and disability) and Supplemental Security Income programs. Most of the data come from the *Annual Statistical Supplement* to the *Social Security Bulletin*, which contains more than 250 detailed tables. The information on the income of the aged is from the data series *Income of the Population 55 or Older*.

The tables and charts illustrate the range of program beneficiaries, from the country's oldest to its youngest citizens. In all, more than 50 million people receive some type of benefit or assistance.

Rona Blumenthal prepared this chartbook. For questions pertaining to the data, please call 410-965-0163 or e-mail fast.facts@ssa.gov. Emil Loomis designed the chartbook and prepared the print version for publication. Anthony Nathe edited the text and graphics, and Laurie Brown prepared the Web versions.

This chartbook is available on our Web site at <http://www.socialsecurity.gov/policy> as are the *Supplement* and *Income of the Population 55 or Older*. For additional copies, please telephone 202-358-6274 or e-mail op.publications@ssa.gov.

Edward J. DeMarco
Associate Commissioner
for Research, Evaluation, and Statistics

August 2004



ABBREVIATIONS

AIME	Average Indexed Monthly Earnings
DI	Disability Insurance
FRA	Full Retirement Age
HI	Hospital Insurance
OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
PIA	Primary Insurance Amount
SSA	Social Security Administration
SSI	Supplemental Security Income

CONTENTS

General Information, 2004	1
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Income of the Aged Population

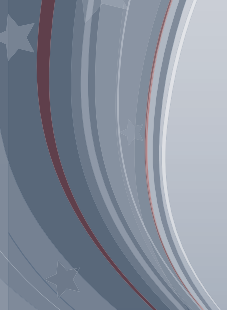
Size of Income	4
Receipt of Income	5
Shares of Aggregate Income	6
Reliance on Social Security	7
Poverty Status Based on Family Income	8

Old-Age, Survivors, and Disability Insurance

Covered Earnings	9
Insured Status	10
Insured Status, by Sex	11
New Benefit Awards	12
New Awards to Workers	13
Beneficiaries in Current-Payment Status	14
Average Benefit Amounts	15
Hypothetical Benefit Amounts	16
Beneficiaries, by Age	17
Disabled-Worker Beneficiaries, by Age	18
Beneficiaries, by Sex	19
Average Monthly Benefit, by Sex	20
Women Beneficiaries	21
Women with Dual Entitlement	22

Supplemental Security Income

Beneficiaries	23
Payment Amounts, by Age	24
Federally Administered Payments	25
Basis for Eligibility and Age of Beneficiaries	26
Beneficiaries Aged 65 or Older	27
Beneficiaries, by Sex and Age	28
Other Income	29



OASDI, SSI, or Both

All Beneficiaries 30
Aged Beneficiaries, 65 or Older 31
Disabled Beneficiaries Aged 18–64 32

Children and Social Security

OASDI Beneficiaries 33
SSI Beneficiaries 34

Social Security Financing

How Social Security Is Financed 35
Social Security’s Demographic Challenge 36
The Long-Run Financial Outlook 37
The Cost of Delay 38

GENERAL INFORMATION, 2004

Cost-of-living adjustment

2.1%

Tax rates (in percent)

	Employer and employee, each	Self-employed
Total	7.65	15.30
OASI	5.30	10.60
DI	0.90	1.80
HI	1.45	2.90

Average wage index (in dollars)

2002	33,252.09
2003 (estimated)	33,892.68
2004 (estimated)	35,057.39

SOURCE: 2004 Trustees Report.

Maximum earnings subject to Social Security taxes (in dollars)

OASDI	87,900
HI	No limit

Taxes payable (in dollars)

	OASI	DI	HI
Average earner	1,858	316	508
Maximum earner	4,659	791	No limit
Self-employed maximum earner	9,317	1,582	No limit

Quarters of coverage (work credits)

\$900 in earnings equals 1 quarter of coverage (that is, 1 credit)

\$3,600 is the maximum earnings needed for 4 quarters of coverage (4 credits) in a given year

Retirement earnings test (in dollars)

	Annually	Monthly
Ages 62–64 (\$1 for \$2 withholding rate)	11,640	970
Calendar year attaining retirement age (\$1 for \$3 withholding rate) ^a	31,080	2,590
After calendar year attaining retirement age or older	No limit	No limit

a. Test no longer applies beginning in the month in which retirement age is reached.

GENERAL INFORMATION, 2004

Age for full retirement benefit

Applicable to workers who

were born in year—	Full benefit at age—
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Benefit formula bend points (for workers who in 2004 attain age 62, become disabled, or die before age 62)

Primary insurance amount equals

90% of the first \$612 of AIME, plus
32% of AIME over \$612 through \$3,689, plus
15% of AIME over \$3,689

Maximum family benefit equals

150% of the first \$782 of PIA, plus
272% of PIA over \$782 through \$1,129, plus
134% of PIA over \$1,129 through \$1,472, plus
175% of PIA over \$1,472

Disability thresholds

Substantial gainful activity

\$810 per month for nonblind persons
\$1,350 per month for blind persons

Trial work period

\$580 per month

Maximum Social Security benefit

Worker retiring at full retirement age in 2004
\$1,825 per month (65 and 4 months)

GENERAL INFORMATION, 2004

Trust fund operations (in billions of dollars)

Calendar year	Income	Outgo	Fund at end of year
2003 (actual)			
OASI	543.8	406.0	1,355.3
DI	88.1	73.1	175.4
2004 (estimated)			
OASI	562.7	421.5	1,496.6
DI	90.9	78.8	187.6

SOURCE: 2004 Trustees Report.

OASDI administrative expenses

Costs were 0.9% of contributions in calendar year 2003.

SOURCE: 2004 Trustees Report.

Benefit payments as a percentage of gross domestic product

Calendar year	Total	OASI	DI
2002	4.33	3.70	0.63
2003	4.29	3.64	0.65

Workload, fiscal year 2003 (in millions)

OASI claims	3.2
DI claims	2.2
SSI applications	2.1

Supplemental Security Income

Federal payment standard

\$564 individual, \$846 couple

Resource limits

\$2,000 individual, \$3,000 couple

Poverty thresholds (in dollars)

Family unit	2001	2002	2003 (preliminary)
Aged individual	8,494	8,628	8,825
Family of two, aged head	10,715	10,885	11,122
Family of four	18,104	18,392	18,979

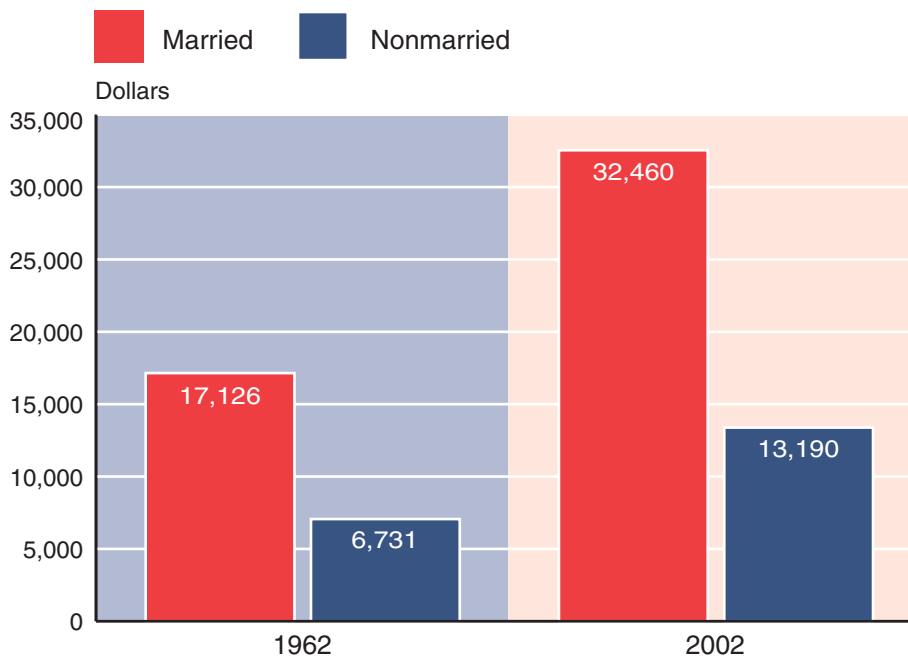
SOURCE: U.S. Census Bureau.

INCOME OF THE AGED POPULATION

Size of Income, 1962 and 2002

Median annual income for married couples and nonmarried persons (aged 65 or older) has increased markedly since 1962 (the earliest year for which data are available). Even after adjusting for inflation, median income has risen 90% for married couples and 96% for nonmarried persons.

Median income of the aged, by marital status (in 2002 dollars)

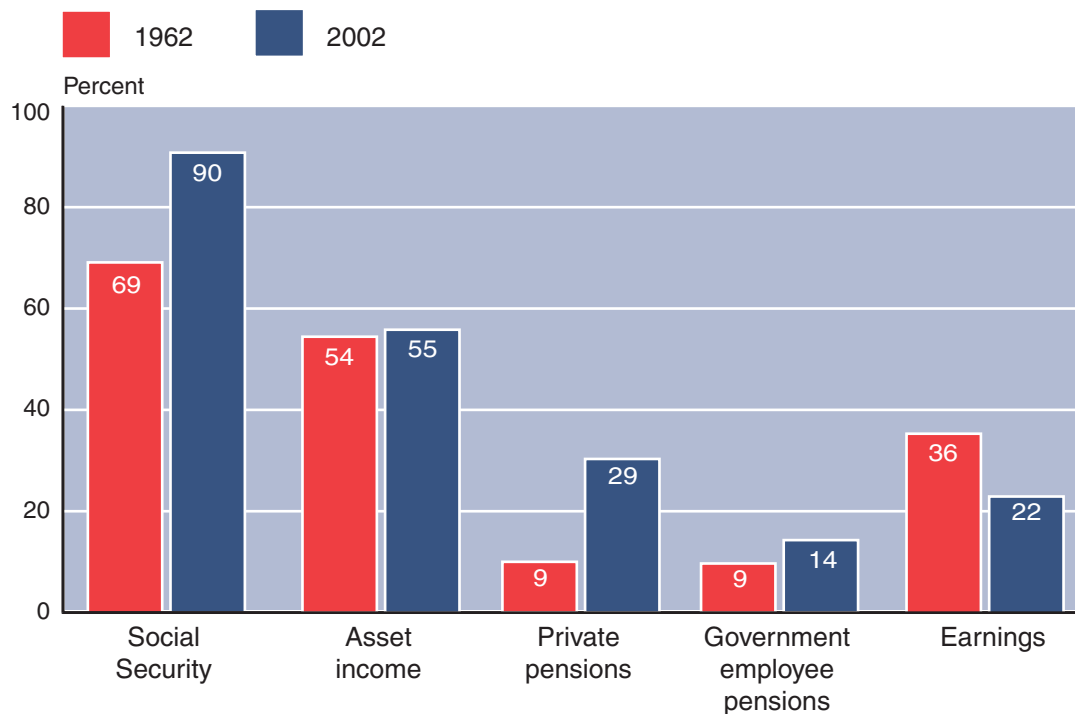


INCOME OF THE AGED POPULATION

Receipt of Income, 1962 and 2002

Social Security benefits—the most common source of income in 1962—are now almost universal. The proportion of the aged population with asset income—the next most common source—is similar to that in 1962. Over the 40-year period, receipt of private pensions has tripled, and receipt of government pensions has increased by over 50%. The proportion of couples and nonmarried persons aged 65 or older who received earnings was smaller in 2002 than in 1962.

Percentage of the aged receiving income, by source

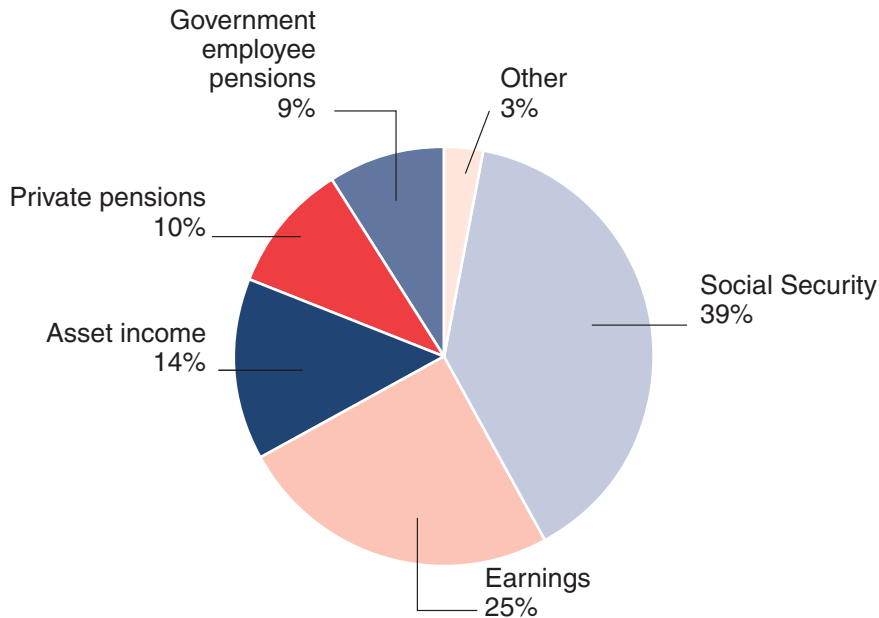


INCOME OF THE AGED POPULATION

Shares of Aggregate Income, 1962 and 2002

In 1962, Social Security, private and government employee pensions, income from assets, and earnings made up only 84% of the total income of the aged, compared with 97% in 2002. Although private pensions still accounted for only a small proportion of total income in 2002, they more than tripled their share over this period—from 3% to 10%. The share from earnings declined from 28% to 25%.

Aggregate income, by source, 2002

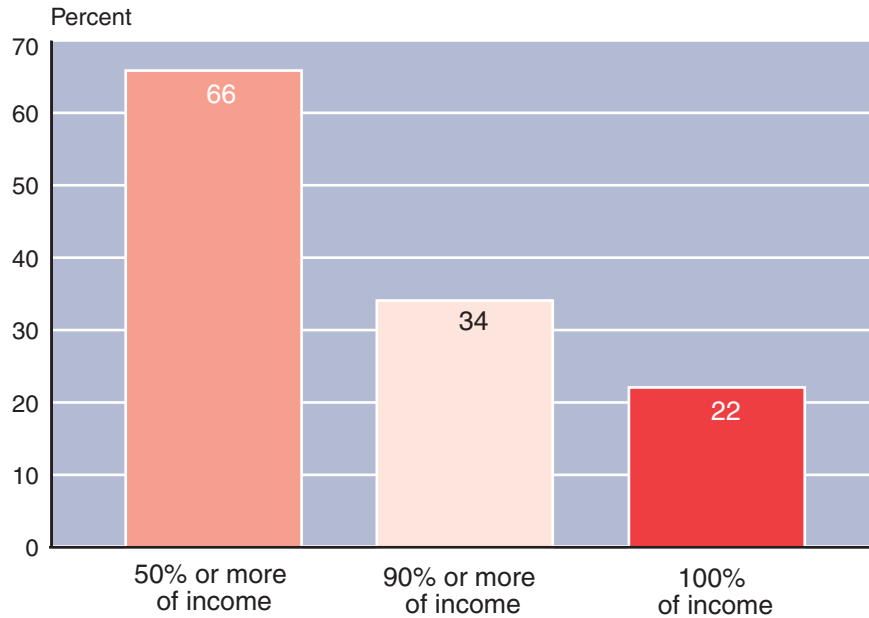


INCOME OF THE AGED POPULATION

Reliance on Social Security, 2002

In 2002, 90% of married couples and nonmarried persons (aged 65 or older) received Social Security benefits. Social Security was the major source of income (providing at least 50% of total income) for 66% of aged beneficiaries, and it was the only source of income for 22%.

Percentage of the aged receiving Social Security benefits, by relative importance of benefits to total income

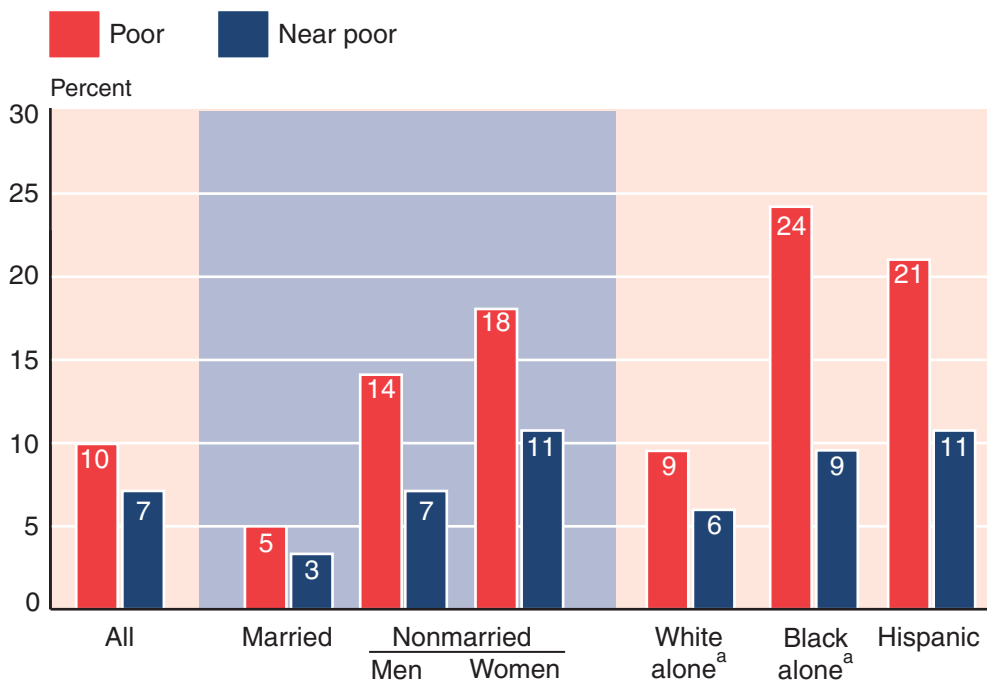


INCOME OF THE AGED POPULATION

Poverty Status Based on Family Income, 2002

The aged poor are those with income below the poverty line. The near poor have income between the poverty line and 125% of the poverty line. Nonmarried women and minorities have the highest poverty rates, ranging from 18% to 24%. Married persons have the lowest poverty rates, with 5% poor and 3% near poor. Overall, 10% are poor and 7% near poor.

Poverty status, by marital status, sex of nonmarried persons, race, and Hispanic origin



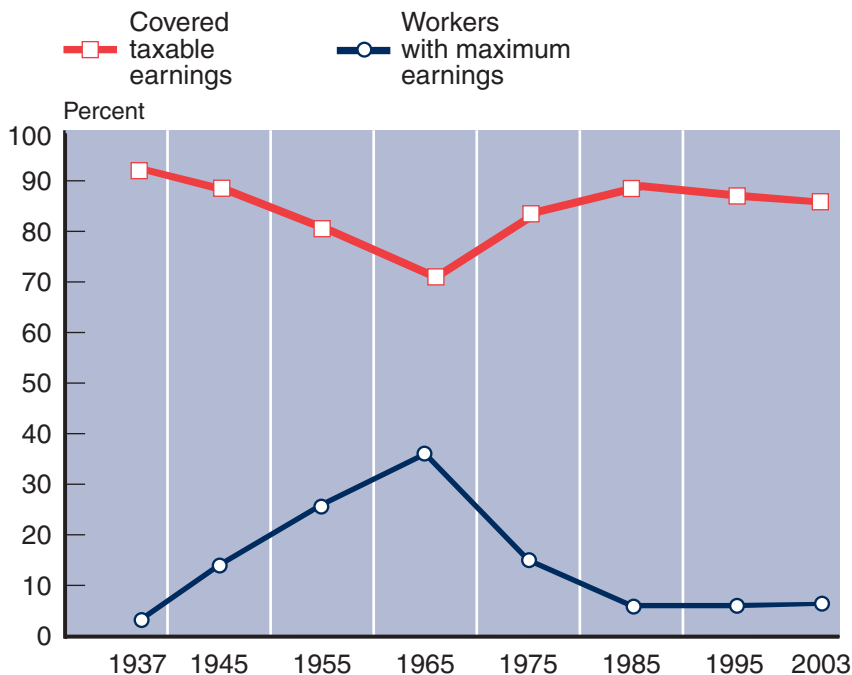
a. Beginning with data for 2002, respondents for the Current Population Survey may identify themselves in more than one racial group. The "White alone" and "Black alone" categories reflect respondents who reported only one race.

OASDI PROGRAM

Covered Earnings, 1937–2003

People contribute to Social Security through payroll taxes or self-employment taxes (FICA and SECA), as required by the Federal Insurance Contributions Act. The maximum taxable amount is updated annually based on increases in the average wage. Of the 154 million workers with Social Security taxable earnings in 2003, 5% had earnings that equaled or exceeded the maximum amount subject to taxes, compared with 3% when the program began and a peak of 36% in 1965. About 86% of earnings in covered employment were taxable in 2003, compared with 92% in 1937.

Percentage of earnings in covered employment and percentage of workers with maximum taxable earnings, selected years



OASDI PROGRAM

Insured Status, 1970–2004

The percentage of persons aged 20 or older who are insured for benefits has steadily increased over time. The percentage permanently insured (with enough covered work experience to qualify for retired-worker benefits at retirement age) rose from 50% in 1970 to 69% in 2004. The percentage fully insured increased from 77% to 87% in 2004. To be fully insured, a worker must have at least one quarter of coverage for each year elapsed after age 21 (but no earlier than 1950) and before the year in which he or she attains age 62 or becomes disabled. To be currently insured for disability at age 20 to full retirement age (FRA), the worker must be fully insured and have at least 20 quarters of coverage during the last 40 quarters. (Requirements for currently insured status are somewhat different for persons younger than age 31.)

Insured workers as a percentage of the corresponding population, selected years

Year	Population aged 20 or older			Population aged 20–FRA	
	Millions	Percentage permanently insured	Percentage fully insured	Millions	Percentage insured for disability
1970	135.2	50	77	113.2	62
1975	147.5	50	80	122.9	65
1980	162.0	53	83	133.3	70
1985	175.1	57	84	144.1	73
1990	186.0	63	86	151.9	76
1995	194.7	66	87	160.5	78
2000	204.7	69	88	169.2	79
2003	216.3	68	87	179.7	78
2004	216.9	69	87	180.3	79

SOURCE: Social Security Administration, Office of the Chief Actuary.

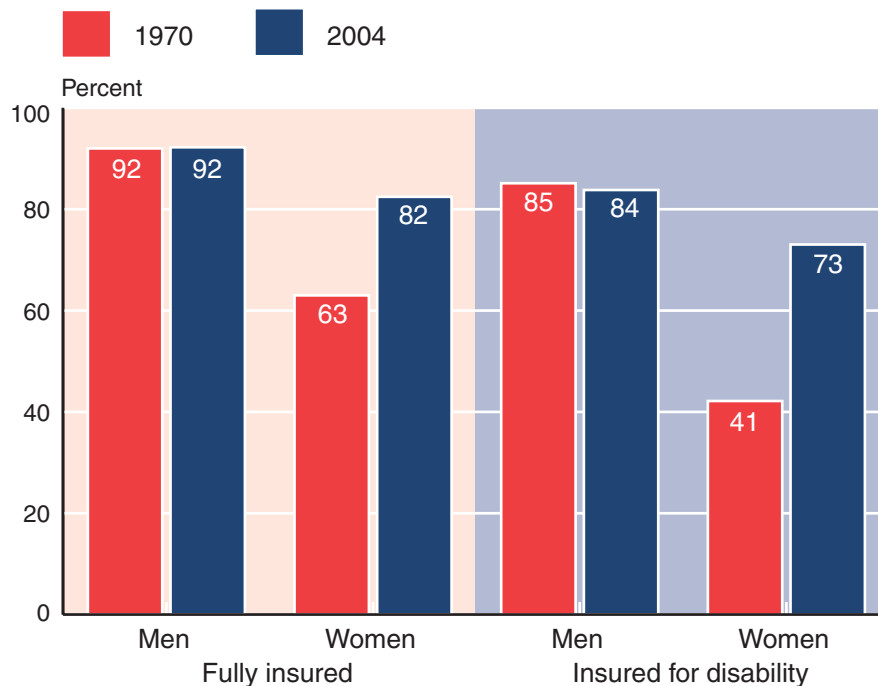
NOTE: The population in the Social Security area includes residents of the 50 states and the District of Columbia, residents of outlying areas, federal civilian employees and armed forces abroad and their dependents, crew members of merchant vessels, and certain other U.S. citizens residing abroad.

OASDI PROGRAM

Insured Status, by Sex, 1970 and 2004

Although men are more likely than women to be insured, the gender gap is shrinking. The proportion of men who are insured has remained essentially stable, with 92% fully insured and 84% insured for disability. By contrast, the proportion of women who are insured has increased dramatically—from 63% to 82% fully insured and from 41% to 73% insured for disability.

Percentage of population fully insured and insured for disability benefits, by sex



SOURCE: Social Security Administration, Office of the Chief Actuary.

OASDI PROGRAM

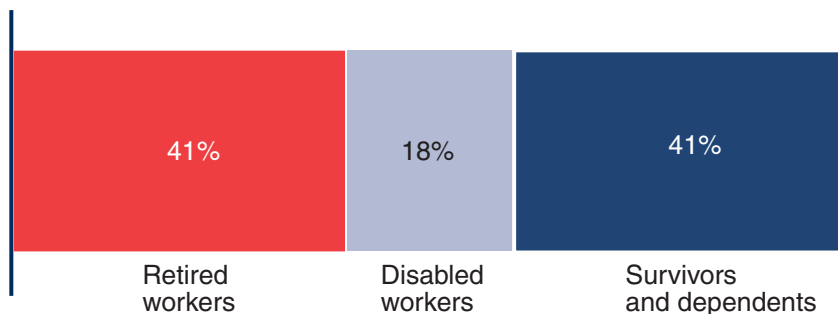
New Benefit Awards, 2003

Benefits were awarded to 4.3 million persons: of those, 41% were retired workers and 18% were disabled workers. The remaining 41% were spouses, children, survivors, or dependents of workers who received benefits based on the worker's earnings record. These awards represent not only new entrants to the benefit rolls but also persons already on the rolls who become entitled to a different benefit, particularly conversions of disabled-worker benefits to retired-worker benefits at age 65 and 2 months.

New awards, by type of beneficiary

Beneficiary	Number (thousands)	Percent
Total	4,322	100
Retired workers and dependents	2,209	51
Workers	1,791	41
Spouses and children	418	10
Disabled workers and dependents	1,260	29
Workers	777	18
Spouses and children	482	11
Survivors of deceased workers	853	20

New awards, 2003

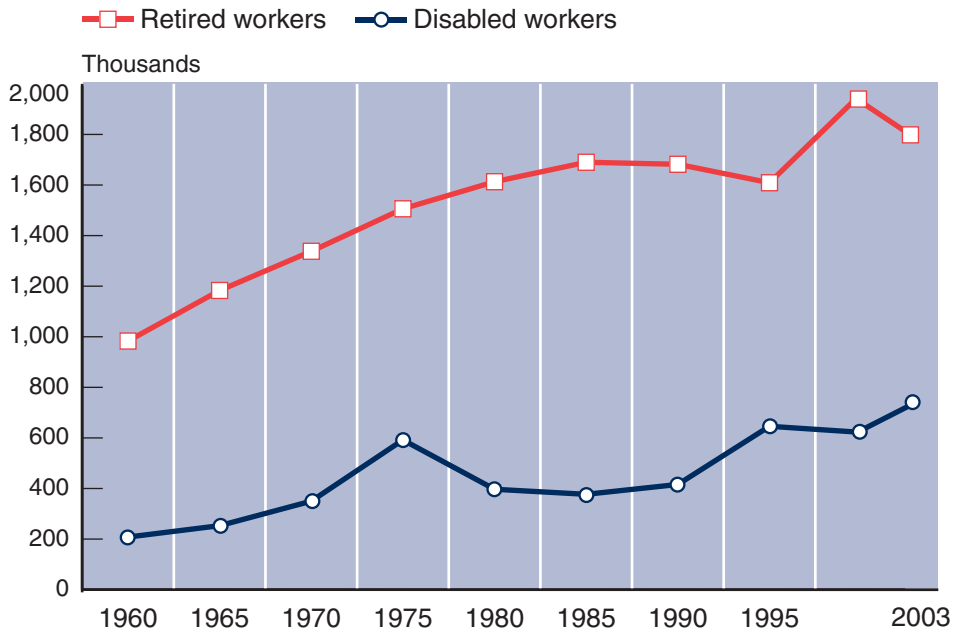


OASDI PROGRAM

New Awards to Workers, 1960–2003

Awards to retired workers have increased considerably since 1960 but proportionately much less than awards to disabled workers. The patterns of growth have also differed. The number of awards to retired workers climbed steadily—from 1 million in 1960 to 1.7 million in 1985. Over the next 10 years, it tapered off slightly, rose to almost 2 million in 2000, then declined to 1.8 million in 2003. Disabled-worker awards increased gradually—from 208,000 in 1960 to 592,000 in the mid-1970s—before falling to 377,000 in 1985. The number then rose, reaching 777,000 in 2003.

New awards to retired and disabled workers, selected years



OASDI PROGRAM

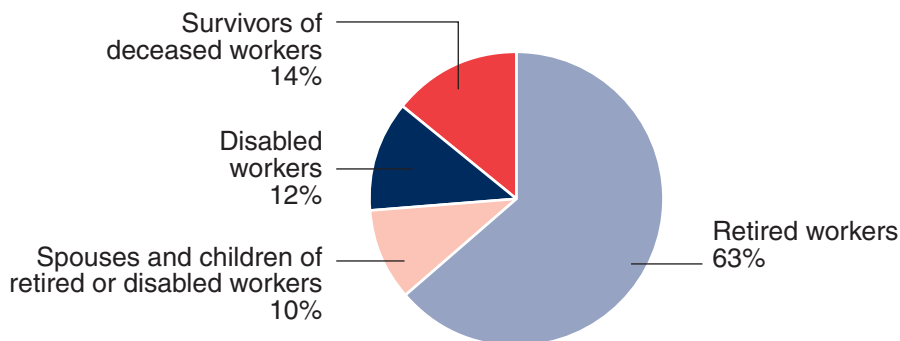
Beneficiaries in Current-Payment Status, December 2003

About 47 million beneficiaries were in current-payment status, that is, they were being paid a benefit. The majority of those beneficiaries (63%) were retired workers, and 12% were disabled workers. The remaining 25% were spouses, children, survivors, or dependents of retired or disabled workers.

Beneficiaries in current-payment status

Beneficiary	Number (thousands)	Percent
Total	47,038	100
Retired workers and dependents	32,633	69
Workers	29,532	63
Spouses and children	3,102	7
Disabled workers and dependents	7,595	16
Workers	5,874	12
Spouses and children	1,722	4
Survivors of deceased workers	6,810	14

Beneficiaries, by type



NOTE: Percentages may not sum to 100 because of rounding.

OASDI PROGRAM

Average Benefit Amounts, 2003

Benefits payable to workers who retire at the full retirement age and to disabled workers are equal to 100% of the PIA (subject to any applicable deductions). At the full retirement age, widows' benefits are also payable at 100% of the insured worker's PIA. Nondisabled widow(er)s can receive reduced benefits at age 60. Disabled widow(er)s can receive benefits at age 50. Spouses, children, and parents receive a smaller proportion of the worker's PIA than widow(er)s do.

Average monthly benefit for new awards and for benefits in current-payment status (in dollars)

Beneficiary	New awards	Current-payment status
Total	761	841
Retired workers	941	922
Spouses	352	463
Children	429	444
Disabled workers	936	862
Spouses	238	221
Children	246	254
Survivors		
Nondisabled widow(er)s	762	888
Disabled widow(er)s	578	564
Widowed mothers and fathers	672	664
Surviving children	624	603
Parents	779	779

OASDI PROGRAM

Hypothetical Benefit Amounts, 2004

A covered worker who had worked continuously at low wages (45% of the national average wage) and who claimed benefits at age 62 and 1 month in January 2003 would receive a monthly benefit of \$575. One who had earnings at or above the maximum amount subject to Social Security taxes and who claimed benefits at age 65 would receive \$1,784. Someone who claimed benefits at age 70, which maximizes the effect of the delayed retirement credit, would receive \$2,111.

Hypothetical benefit (in dollars)

Earnings	Age 62^a	Age 65^b	Age 70^c
Low	575	721	852
Average	947	1,190	1,420
High	1,245	1,559	1,831
Maximum	1,422	1,784	2,111

SOURCE: Social Security Administration, Office of the Chief Actuary.

NOTE: Low earnings are defined as 45% of the national average index, average earnings are equal to the index, high earnings are 160% of the index, and maximum earnings are equal to the OASDI contribution and benefits base.

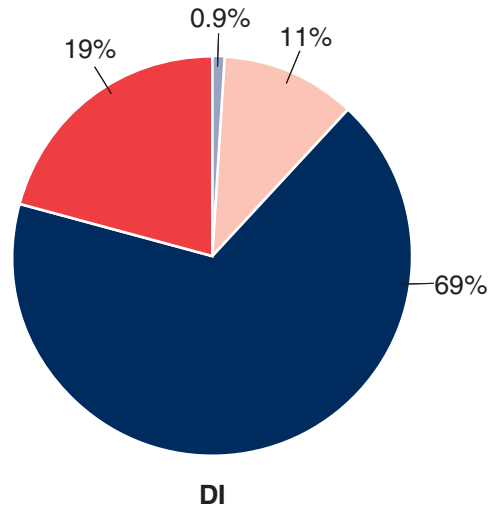
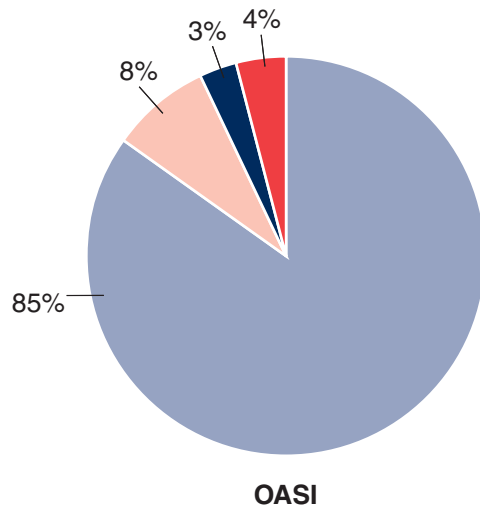
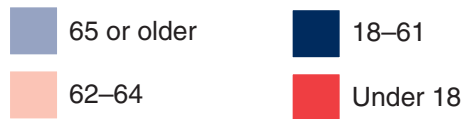
- Retirement at age 62 is assumed here to be at exact age 62 and 1 month. Such early retirement results in a reduced monthly amount.
- Retirement at age 65 is assumed to be at exact age 65 and 0 months. For retirement in 2003 and later, the monthly benefit is reduced for early retirement. (For people born before 1938, age 65 is the full retirement age. The full retirement age will gradually increase to age 67.)
- Retirement at age 70 maximizes the effect of delayed retirement credits.

OASDI PROGRAM

Beneficiaries, by Age, December 2003

Of all OASI beneficiaries with benefits in current-payment status, 93% were aged 62 or older. Among DI beneficiaries (disabled workers and their spouses and children), 88% were under age 62.

Beneficiaries, by age



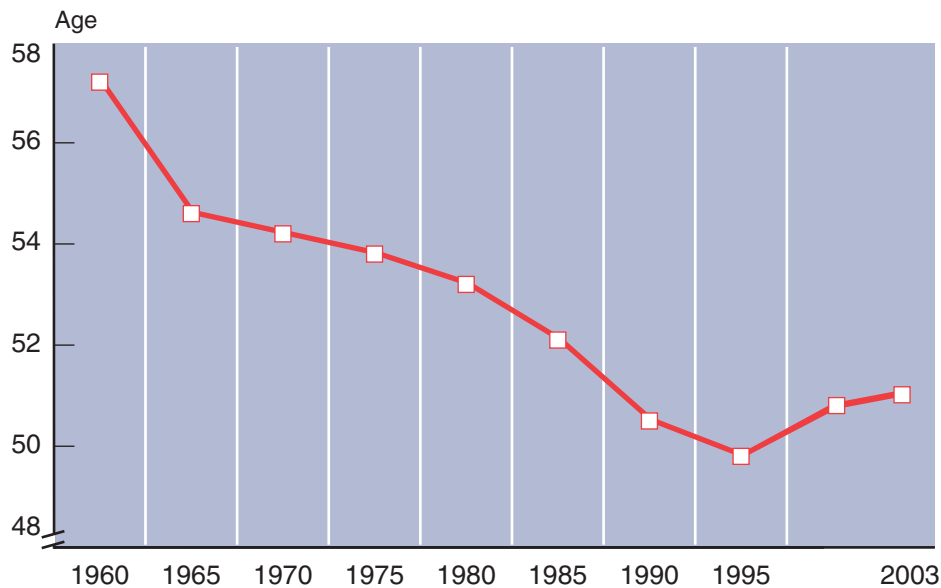
NOTE: Percentages may not sum to 100 because of rounding.

OASDI PROGRAM

Disabled-Worker Beneficiaries, by Age, 1960–2003

The average age of disabled-worker beneficiaries in current-payment status has declined substantially since 1960, when DI benefits first became available to persons younger than age 50. In that year, the average age of a disabled worker was 57.2 years. The rapid drop in average age in the following years reflects a growing number of awards to workers under 50. By 1995, the average age had fallen to a low of 49.8, and by 2003, it had risen slightly, to 51.3.

Average age of disabled workers, selected years

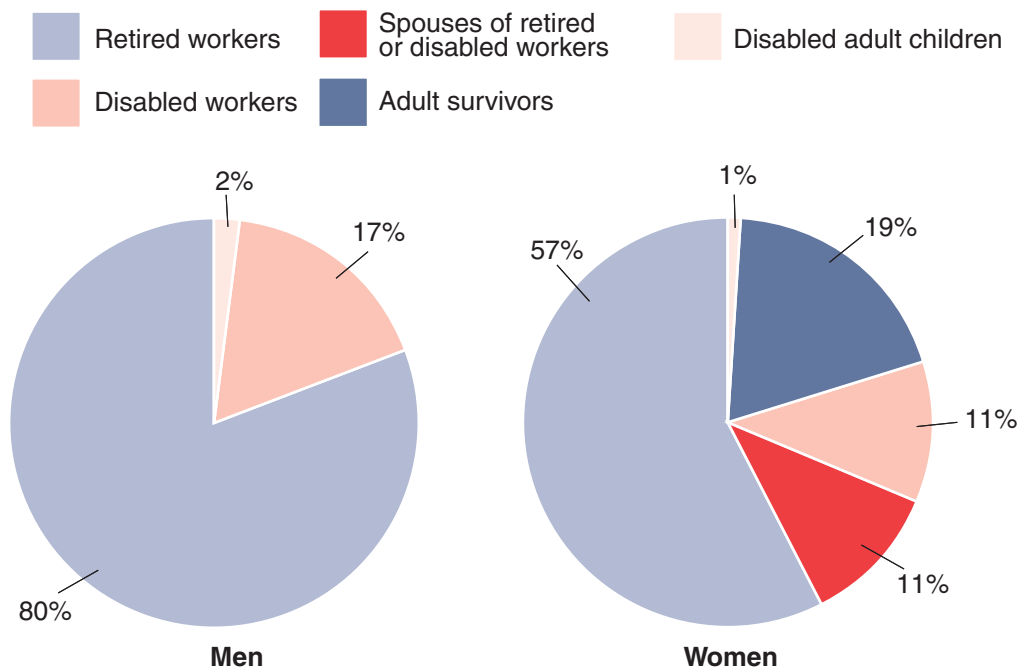


OASDI PROGRAM

Beneficiaries, by Sex, December 2003

Of all adults receiving monthly Social Security benefits, 43% were men and 57% were women. Eighty percent of the men and 57% of the women received retired-worker benefits. About one-fifth of the women received survivors benefits.

Adult beneficiaries, by type of beneficiary and sex



NOTE: Percentages may not sum to 100 because of rounding.

OASDI PROGRAM

Average Monthly Benefit, by Sex, December 2003

Among retired and disabled workers who collected benefits based on their own work records, men received a higher average monthly benefit than did women. For those with benefits based on another person's work record (spouses and survivors), women had higher average benefits.

Average benefit (in dollars)

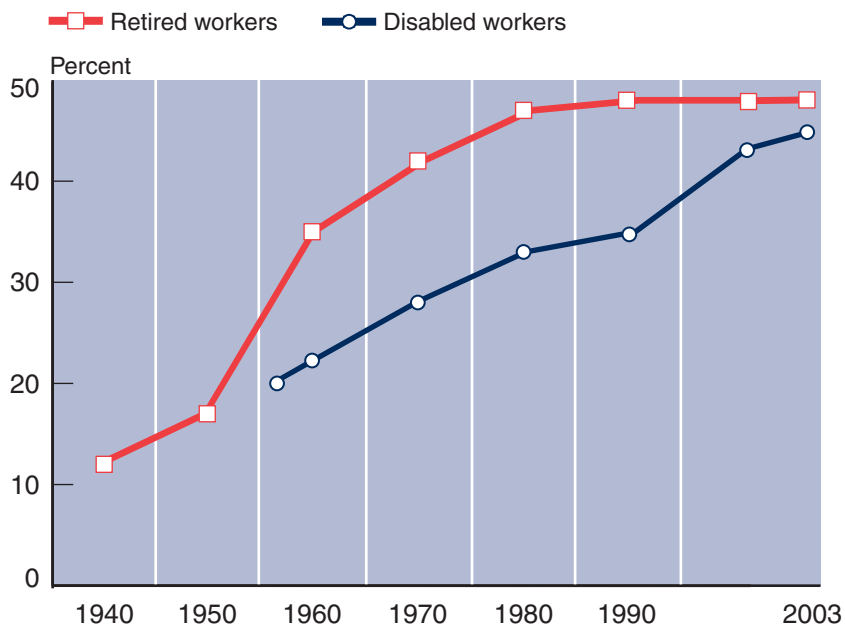
Beneficiary	Men	Women
Total	1,013	764
Retired workers	1,039	798
Spouses	263	466
Disabled workers	966	735
Spouses	177	223
Survivors		
Nondisabled widow(er)s	698	890
Disabled widow(er)s	401	569
Mothers and fathers	570	669

OASDI PROGRAM

Women Beneficiaries, 1940–2003

The proportion of women among retired-worker beneficiaries has quadrupled since 1960. The percentage climbed steadily from 12% in 1940 to 47% in 1980, leveling off at 48% in 1990. The proportion of women among disabled-worker beneficiaries has more than doubled since 1957, when DI benefits first became payable. The percentage rose steadily from 20% in 1957 to 35% in 1990 and 45% in 2003.

Women beneficiaries as a percentage of retired workers and disabled workers, selected years

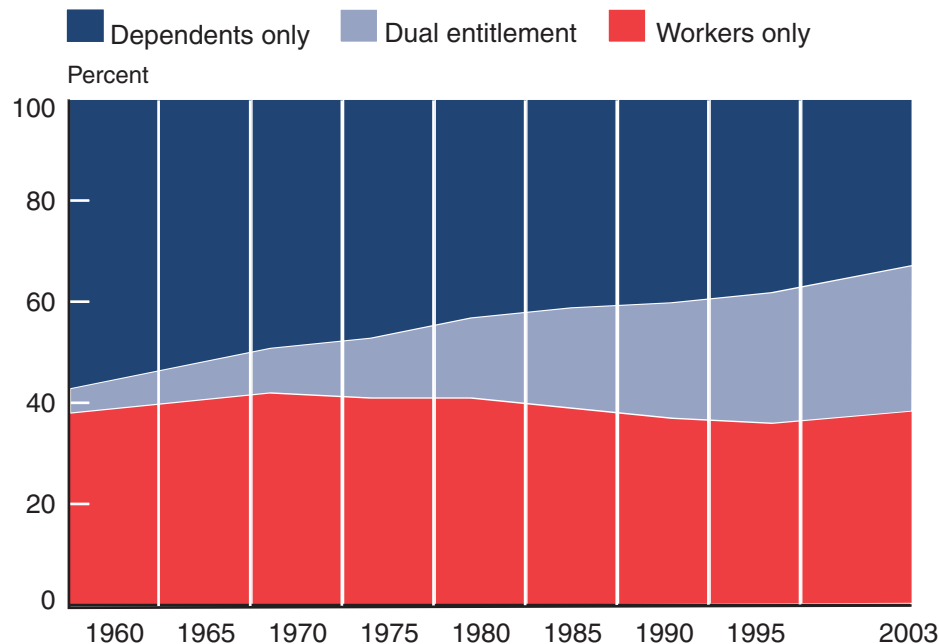


OASDI PROGRAM

Women with Dual Entitlement, 1960–2003

The proportion of women aged 62 or older who are receiving benefits as dependents (that is, on the basis of their husband's earnings record only) has been declining—from 57% in 1960 to 32% in 2003. At the same time, the proportion of women with dual entitlement (that is, paid on the basis of both their own earnings record and that of their husbands) has been increasing—from 5% in 1960 to 28% in 2003.

Women aged 62 or older, by basis of entitlement, selected years

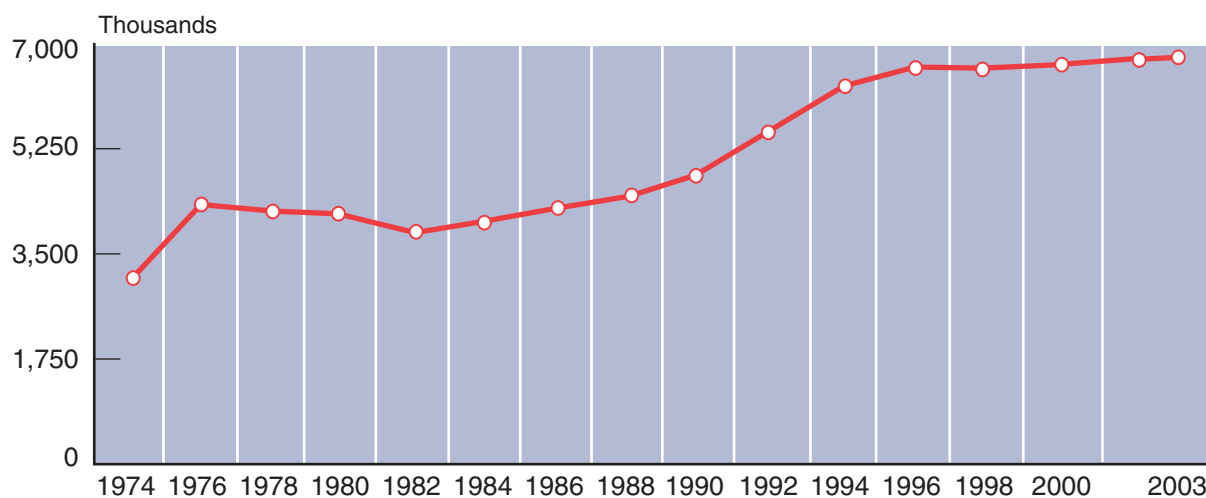


SSI PROGRAM

Beneficiaries, 1974–2003

Shortly after the SSI program began in 1974, the number of persons receiving federally administered SSI payments rose to 4 million. It remained at about that level until the mid-1980s, then rose through the mid-1990s. In 2003, it stood at just over 6.9 million.

Persons receiving federally administered SSI payments, selected years

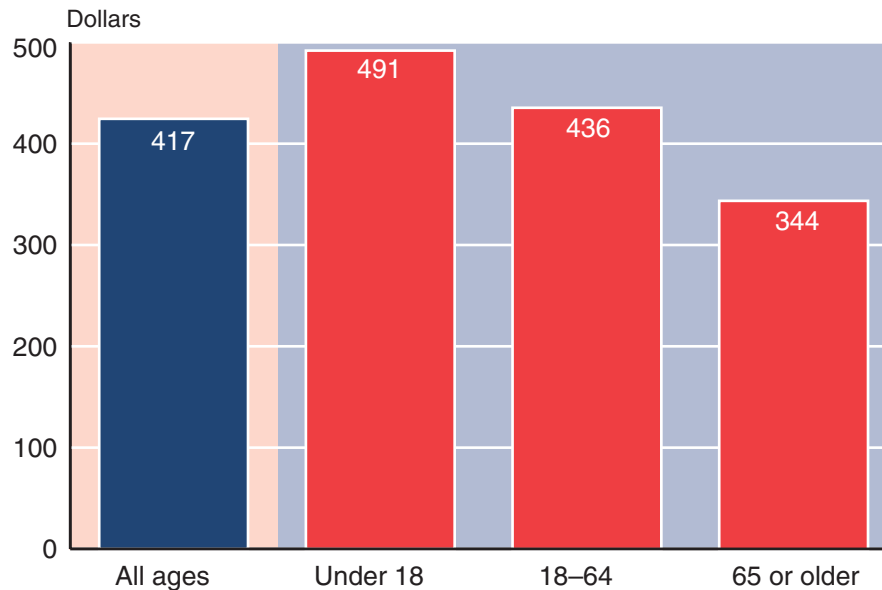


SSI PROGRAM

Payment Amounts, by Age, December 2003

The average federally administered SSI payment was \$417. Payments varied by age group, ranging from an average of \$491 for beneficiaries under 18 to \$344 for those 65 or older.

Average monthly payment for federally administered SSI payments



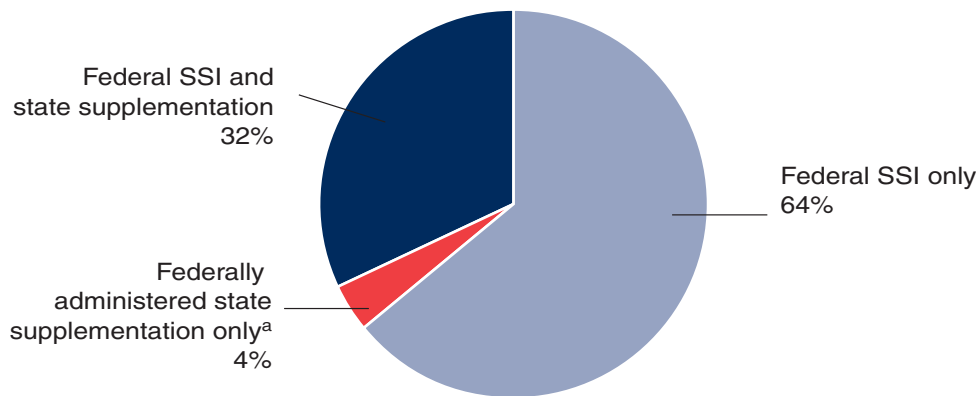
NOTE: Amounts exclude retroactive payments.

SSI PROGRAM

Federally Administered Payments, December 2003

Over 6.9 million persons received federally administered SSI payments. The majority received federal SSI only. States have the option of supplementing the federal benefit rate and are required to do so if that rate is less than the income the beneficiary would have had under the former state program.

Type of SSI payment



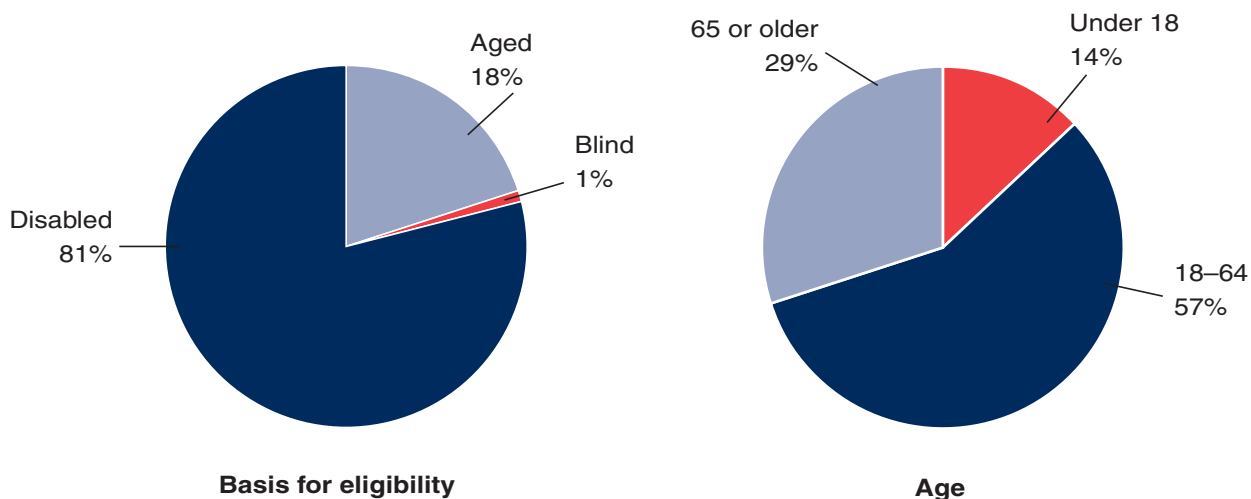
a. Excludes state-administered state supplementation.

SSI PROGRAM

Basis for Eligibility and Age of Beneficiaries, December 2003

Eighteen percent of SSI beneficiaries received benefits on the basis of age, the rest on the basis of disability. Twenty-nine percent of the beneficiaries were aged 65 or older. In the SSI program—unlike the OASDI program—a disabled beneficiary is still classified as "disabled" after reaching age 65. DI beneficiaries are converted to the retirement program when they attain age 65.

Distribution of SSI beneficiaries, by basis for eligibility and age

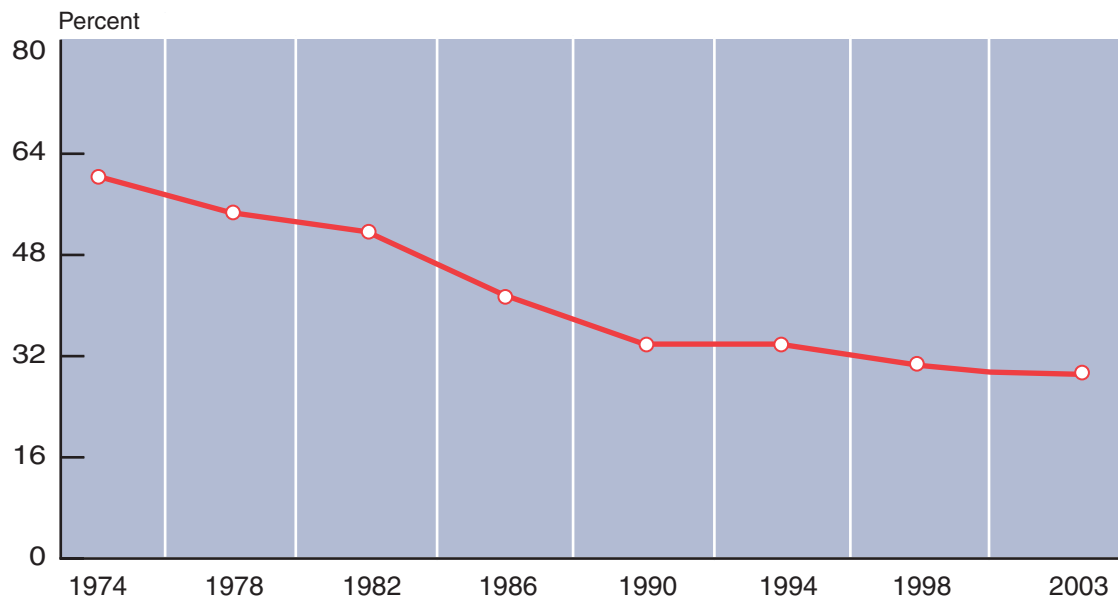


SSI PROGRAM

Beneficiaries Aged 65 or Older, 1974–2003

The proportion of SSI beneficiaries aged 65 or older has declined from 61% in January 1974 to 29% in December 2003. The overall long-term growth of the SSI program has occurred because of an increase in the number of disabled beneficiaries, most of whom are under age 65.

Percentage of SSI beneficiaries aged 65 or older, selected years

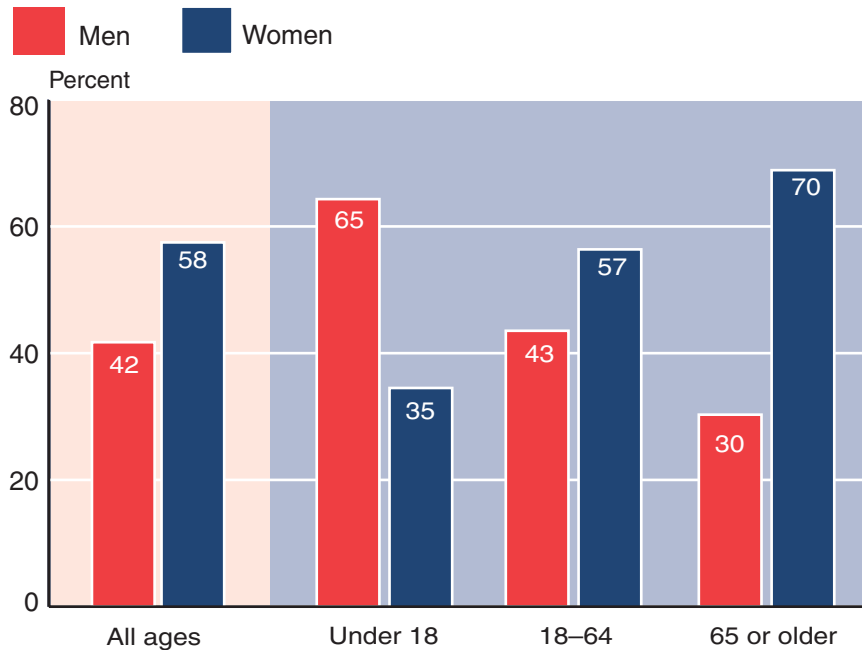


SSI PROGRAM

Beneficiaries, by Sex and Age, December 2003

Overall, 58% of the 6.9 million SSI beneficiaries were women, but that percentage varied greatly by age group. Women accounted for 70% of the 2 million beneficiaries aged 65 or older, 57% of the 4 million beneficiaries aged 18–64, and 35% of the 1 million beneficiaries under age 18.

SSI beneficiaries, by sex and age

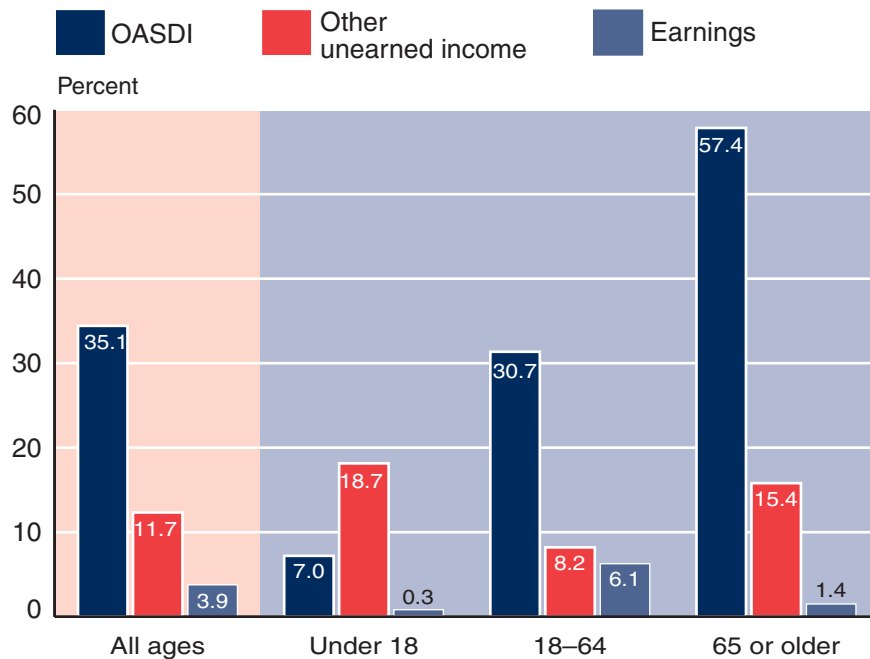


SSI PROGRAM

Other Income, December 2003

Fifty-seven percent of SSI beneficiaries aged 65 or older received OASDI benefits, as did about 31% of those aged 18–64 and 7% of those under age 18. Other types of unearned income, such as veterans' pensions or income from assets, were reported most frequently among those under age 18 (19%) and those aged 65 or older (15%). Earned income was most prevalent (6%) among those aged 18–64.

Other income of SSI beneficiaries, by source and age



OASDI, SSI, OR BOTH

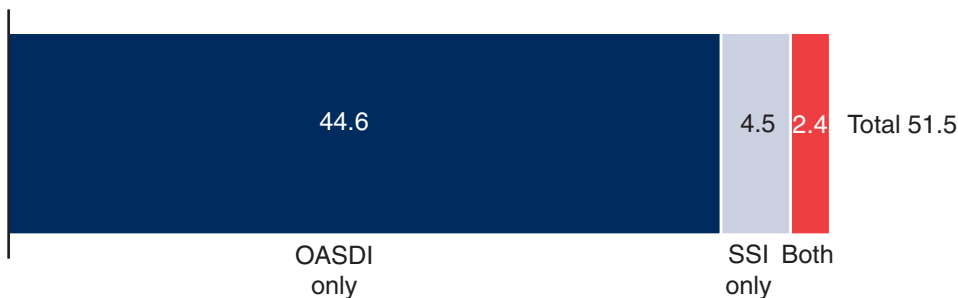
All Beneficiaries, December 2003

About 51.5 million people received a payment from Social Security. Most (44.6 million) received OASDI benefits only, about 4.5 million received SSI only, and 2.4 million received payments from both programs.

Beneficiaries receiving OASDI, SSI, or both	Number (thousands)
All beneficiaries	51,519
Total receiving	
OASDI	47,038
OASDI only	44,617
SSI	6,902
SSI only	4,481
Both OASDI and SSI	2,421

NOTE: SSI includes federal SSI payments and federally administered state supplementation.

Number receiving benefits (in millions)



OASDI, SSI, OR BOTH

Aged Beneficiaries, 65 or Older, December 2003

Aged or survivors benefits were paid to 34.2 million people aged 65 or older. About 1.1 million received both OASI and SSI.

Beneficiary	Number (thousands)
Aged 65 or older, total (unduplicated)	34,239
OASI, total ^a	33,391
Retired workers	26,943
Spouses ^b	2,332
Nondisabled widow(er)s	4,048
Disabled adult children aged 65 or older	67
SSI, total ^c	1,990
Receiving SSI only	848
Concurrently receiving both OASI and SSI	1,142

NOTE: SSI includes federal SSI payments and federally administered state supplementation.

- a. Includes 2,900 persons who received dependent parents benefits, special age-72 benefits, or mother's and father's benefits.
- b. Includes 23,900 spouses of disabled workers aged 65 or older.
- c. Includes 756,900 disabled or blind SSI beneficiaries aged 65 or older.

OASDI, SSI, OR BOTH

Disabled Beneficiaries Aged 18–64, December 2003

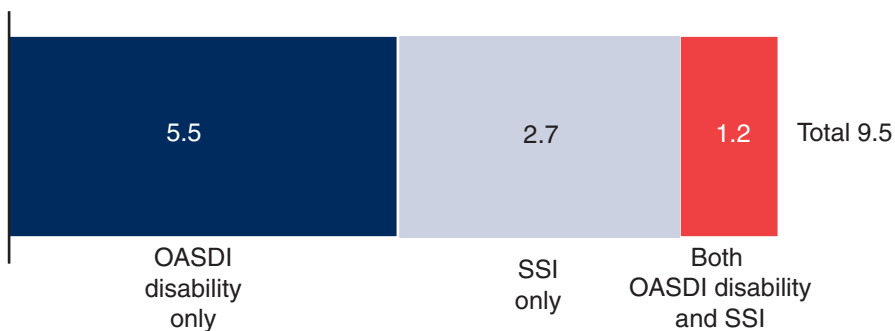
Payments based on the beneficiary's own disability were made to 9.5 million people aged 18–64. Fifty-eight percent received disability payments under the OASDI program only, 29% received payments from the SSI program only, and 13% received payments from both programs.

Payments	Number (thousands)
Total	9,466
OASDI disability	6,725
Workers	5,830
Children aged 18–64	686
Widow(er)s	209
OASDI disability only	5,513
SSI disability	3,953 ^a
SSI disability only	2,741
Both OASDI disability and SSI	1,212

NOTE: SSI includes federal SSI payments and federally administered state supplementation.

a. Excludes 757,900 disabled or blind SSI beneficiaries aged 65 or older.

Number receiving disability payments (in millions)

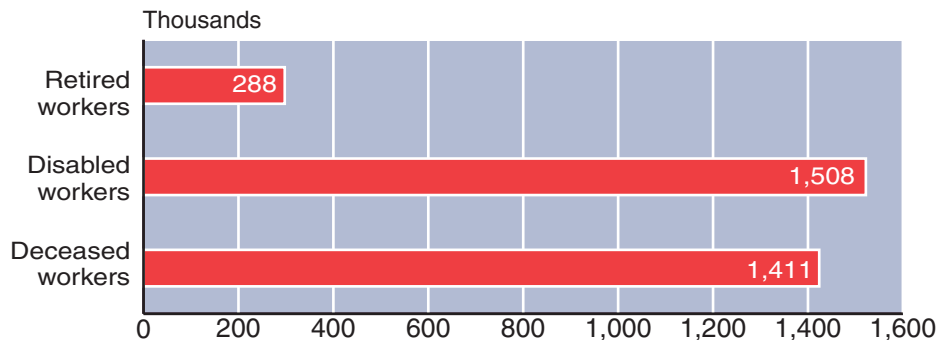


CHILDREN AND SOCIAL SECURITY

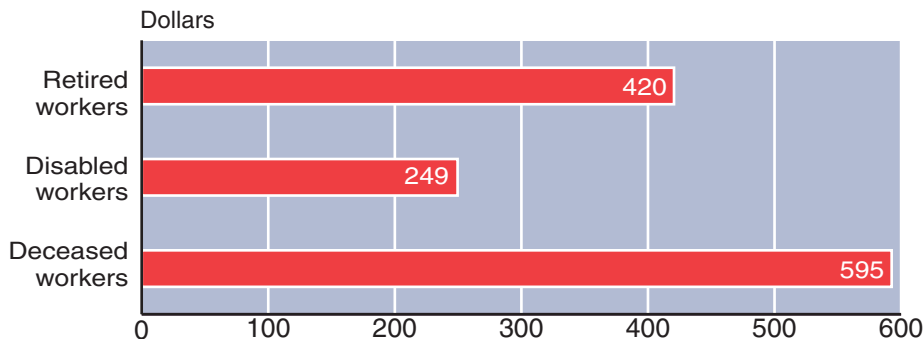
OASDI Beneficiaries, December 2003

Over 3 million children under age 18 and students aged 18–19 received OASDI benefits. Children of deceased workers had the highest average payments, in part because they are eligible to receive monthly benefits equal to 75% of the worker's PIA, compared with 50% for children of retired or disabled workers. Overall, the average monthly benefit amount for children was \$417.

Number of children of—



Average monthly benefit for children of—

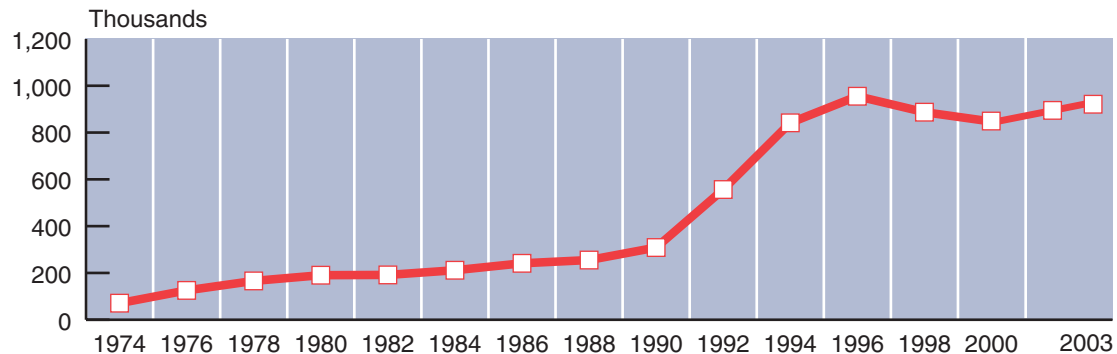


CHILDREN AND SOCIAL SECURITY

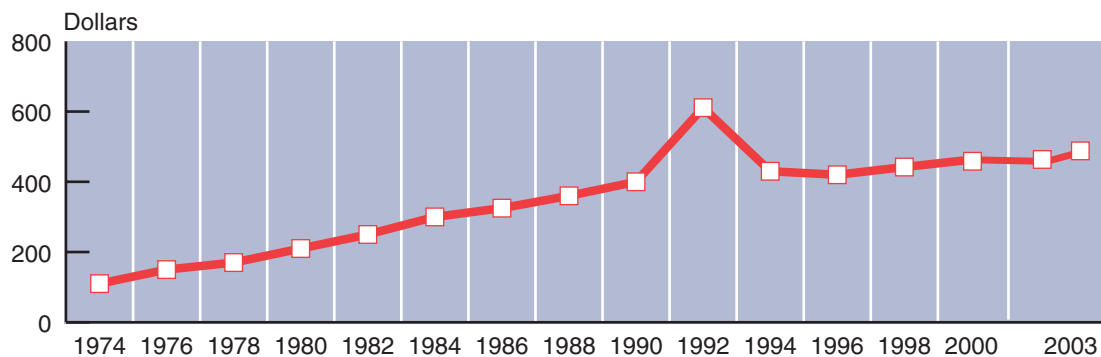
SSI Beneficiaries, 1974–2003

In 1974, when the program began, there were 70,900 blind and disabled children receiving SSI. That number increased to 995,000 in 1996, declined to 847,000 in 2000, and is now 959,400. The relatively high average payment to children (compared with payments made to blind and disabled adults) is due in part to a limited amount of other countable income. The spike in average monthly benefits in 1992 is due to retroactive payments resulting from the *Sullivan v. Zebley* decision.

Number of children under age 18 receiving SSI, selected years



Average monthly SSI payments to children, selected years



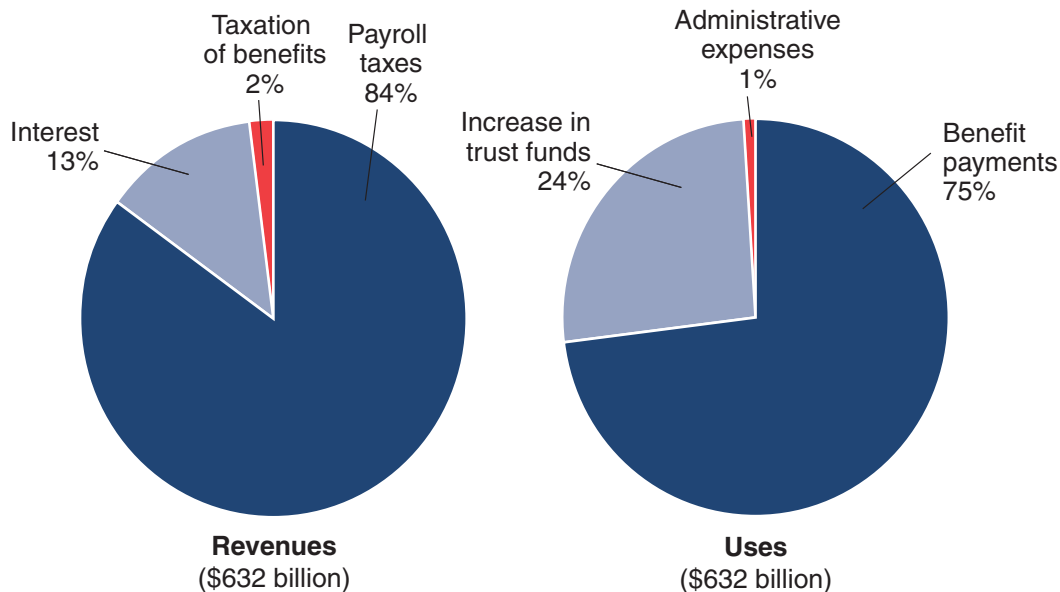
NOTE: As of 1998, these figures exclude retroactive payments.

SOCIAL SECURITY FINANCING

How Social Security Is Financed

Social Security is largely a pay-as-you-go program. Most of the payroll taxes collected from today's workers are used to pay benefits to today's recipients. In 2003, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds collected \$632 billion in revenues. Of that amount, 84% was derived from payroll taxes and 2% from income taxes on Social Security benefits. Interest earned on the government bonds held by the trust funds provided the remaining 13% of income. Assets increased in 2003 because income exceeded expenditures for benefit payments and administrative expenses.

Source and uses of Social Security revenues in 2003



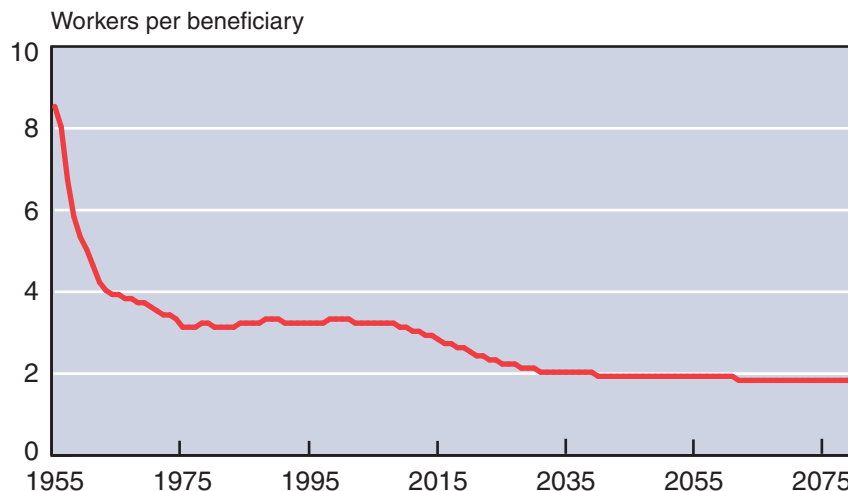
SOURCE: *The 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

SOCIAL SECURITY FINANCING

Social Security's Demographic Challenge

The number of retired workers is projected to grow rapidly starting in 2008, when the members of the post–World War II baby boom begin to reach early retirement age, and will double in less than 30 years. People are also living longer, and the birth rate is low. As a result, the ratio of workers paying Social Security taxes to people collecting benefits will fall from 3.3 to 1 today to 2.1 to 1 by 2031. At that ratio there will not be enough workers to pay scheduled benefits at current tax rates.

Ratio of covered workers to Social Security beneficiaries



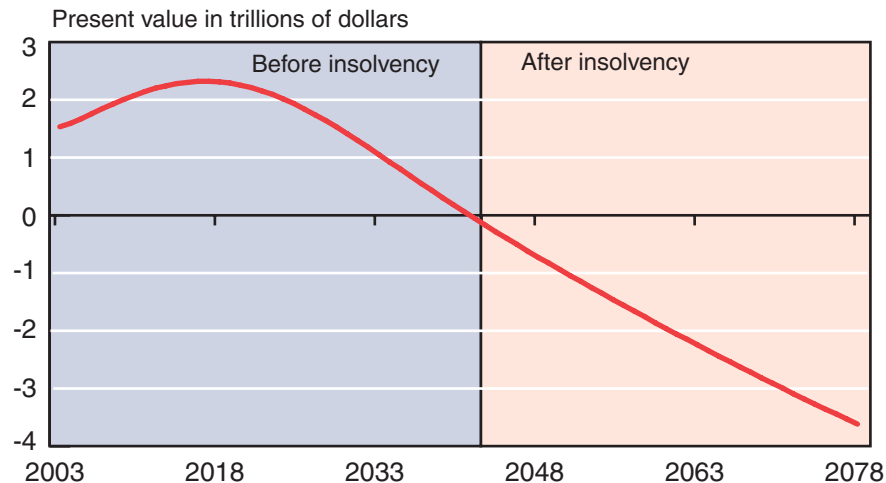
SOURCE: *The 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

SOCIAL SECURITY FINANCING

The Long-Run Financial Outlook

Social Security is not sustainable over the long term at present benefit and tax rates. Within 14 years the program will begin paying more in benefits than it collects in taxes. By 2042 the trust funds will be exhausted. At that point, payroll taxes and other income will flow into the fund but will be sufficient to pay only 73% of program costs. One way to illustrate the financial shortfall of the Social Security system is to examine the cumulative value of taxes less costs, assuming currently scheduled benefits and tax rates. In present-value terms, the shortfall over the next 75 years is \$3.7 trillion, which is roughly equal to the total U.S. government debt held by the public today.

Cumulative income less cost based on present taxes and scheduled benefits



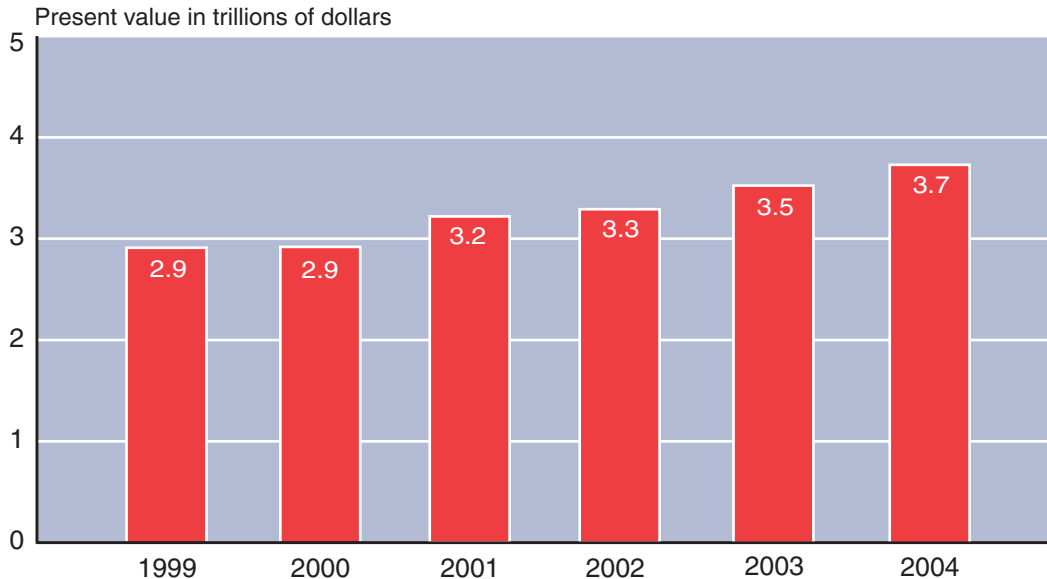
SOURCE: *The 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

SOCIAL SECURITY FINANCING

The Cost of Delay

Each year, Social Security's trustees provide an estimate of the financial status of the program for the next 75 years. In changing from the valuation period of one year's Trustees Report to the next, an additional year with a large imbalance between taxes and benefits is added to the projection. As a result, the estimated cost of meeting Social Security's financial shortfall tends to go up every year.

Social Security's unfunded obligation on January 1 of each year



SOURCE: Social Security Administration, Office of the Chief Actuary.