


# Fast Facts & Figures About Social Security

Social Security Administration





## DID YOU KNOW THAT...

- ✓ SSA paid benefits to more than 50 million people in 2002
  - ✓ Social Security benefits were awarded to over 4 million people
  - ✓ Social Security provided at least half the income for 65% of the aged
  - ✓ Women accounted for 57% of adult Social Security beneficiaries
  - ✓ The average age of Disability Insurance beneficiaries has fallen from just over 57 in 1960 to 51
  - ✓ Disability and blindness were the reasons for paying 81% of SSI beneficiaries
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The background of the page features a faded, light green image of a fence or barrier. Overlaid on this is a large, semi-transparent number '6'. The overall color scheme is a muted green.

# Fast Facts & Figures About Social Security

Social Security Administration  
Office of Policy  
Office of Research, Evaluation, and Statistics

## PREFACE

The Social Security program, from its beginning to the present, has been the subject of serious discussion and sometimes vigorous debate. Today, as we consider the future direction of Social Security, we need to base the discussion on information that is factual, informative, and easy to comprehend.

*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 faces that emerge from these facts and figures illustrate the importance of Social Security for our oldest and our youngest citizens. In all, more than 50 million people receive some type of benefit or assistance.

Patrice Cole prepared this chartbook. For questions pertaining to the data, please call 202-358-6236 or e-mail [patrice.e.cole@ssa.gov](mailto:patrice.e.cole@ssa.gov). Emil Loomis designed the chartbook and prepared the print version for publication. Celine Houget edited the text and graphics, and Laurie Brown prepared the Web versions.

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

Susan Grad  
Acting Associate Commissioner  
for Research, Evaluation, and Statistics

June 2003



## ABBREVIATIONS

AIME	Average Indexed Monthly Earnings
DI	Disability Insurance
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

<b>General Information, 2003</b> .....	1
<b>Income of the Aged Population</b>	
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
<b>Old-Age, Survivors, and Disability Insurance</b>	
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
<b>Supplemental Security Income</b>	
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 .....	31
Disabled Beneficiaries.....	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, 2003

## Cost-of-living adjustment

1.4%

## Tax rates (in percent)

	<b>Employer and employee, each</b>	<b>Self-employed</b>
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)

2001	32,922
2002 (estimated)	33,477
2003 (estimated)	34,731

SOURCE: 2003 Trustees Report.

## Maximum earnings subject to Social Security taxes (in dollars)

OASDI	87,000
HI	No limit

## Taxes payable (in dollars)

	<b>OASI</b>	<b>DI</b>	<b>HI</b>
Average earner	1,841	313	504
Maximum earner	4,611	783	No limit
Self-employed maximum earner	9,222	1,566	No limit

## Quarters of coverage (work credits)

\$890 in earnings equals 1 quarter of coverage (that is, 1 credit)

\$3,560 is the maximum earnings needed for 4 quarters of coverage (4 credits) in a given year

## Retirement earnings test (in dollars)

	<b>Annually</b>	<b>Monthly</b>
Ages 62–64 (\$1 for \$2 withholding rate)	11,520	960
Calendar year attaining retirement age (\$1 for \$3 withholding rate) <sup>a</sup>	30,720	2,560
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, 2003

## 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
1943–54	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 2003 attain age 62, become disabled, or die before age 62)

### Primary insurance amount equals

- 90% of the first \$606 of AIME, plus
- 32% of AIME over \$606 through \$3,653, plus
- 15% of AIME over \$3,653

### Maximum family benefit equals

- 150% of the first \$774 of PIA, plus
- 272% of PIA over \$774 through \$1,118, plus
- 134% of PIA over \$1,118 through \$1,458, plus
- 175% of PIA over \$1,458

## Disability thresholds

### Substantial gainful activity

- \$800 per month for nonblind persons
- \$1,330 per month for blind persons

### Trial work period

- \$570 per month

## OASDI administrative expenses

Costs were 0.8% of contributions in calendar year 2002.

SOURCE: 2003 Trustees Report.

# GENERAL INFORMATION, 2003

## Trust fund operations (in billions of dollars)

Calendar year	Income	Outgo	Fund at end of year
2002 (actual)			
OASI	539.7	393.7	1,217.5
DI	87.4	67.9	160.5
2003 (estimated)			
OASI	552.9	404.7	1,365.8
DI	89.6	73.2	176.8

SOURCE: 2003 Trustees Report.

## Benefit payments as a percentage of gross domestic product

Calendar year	Total	OASI	DI
2001	4.28	3.69	0.60
2002	4.38	3.71	0.66

## Workload, fiscal year 2002 (in millions)

OASI claims	3.2
DI claims	2.0
SSI applications	2.0

## Supplemental Security Income

### Federal payment standard

\$552 individual, \$829 couple

### Resource limits

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

### Student exclusion limits

\$5,410

## Poverty thresholds (in dollars)

Family unit	2000	2001	2002 (preliminary)
Aged individual	8,259	8,494	8,628
Family of two, aged head	10,419	10,715	10,874
Family of four	17,603	18,104	18,556

SOURCE: U.S. Census Bureau.

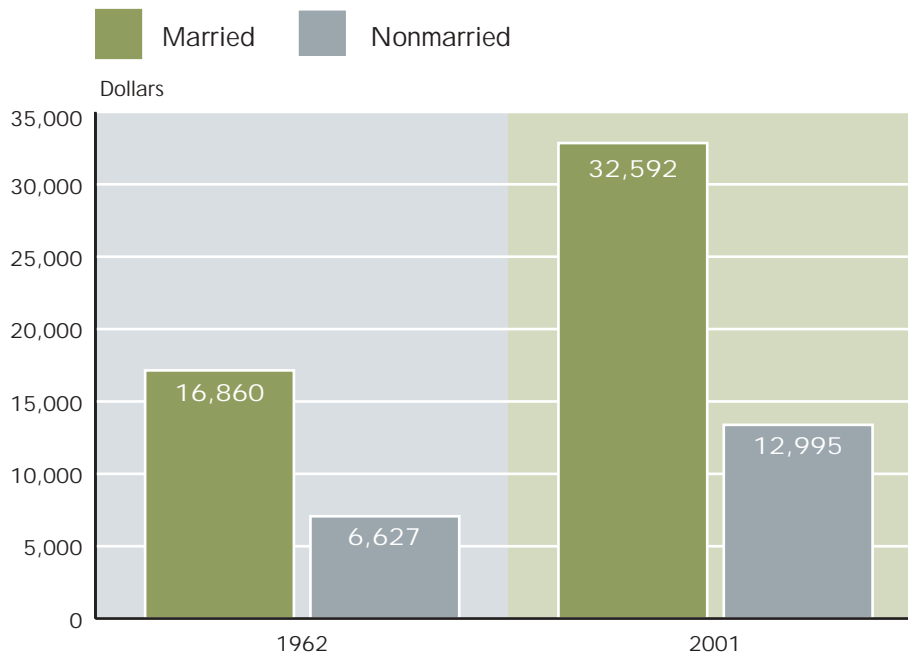


# INCOME OF THE AGED POPULATION

Size of Income, 1962 and 2001

Median annual income for both 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 93% for married couples and 96% for nonmarried persons.

## Median income of the aged, by marital status (in 2001 dollars)

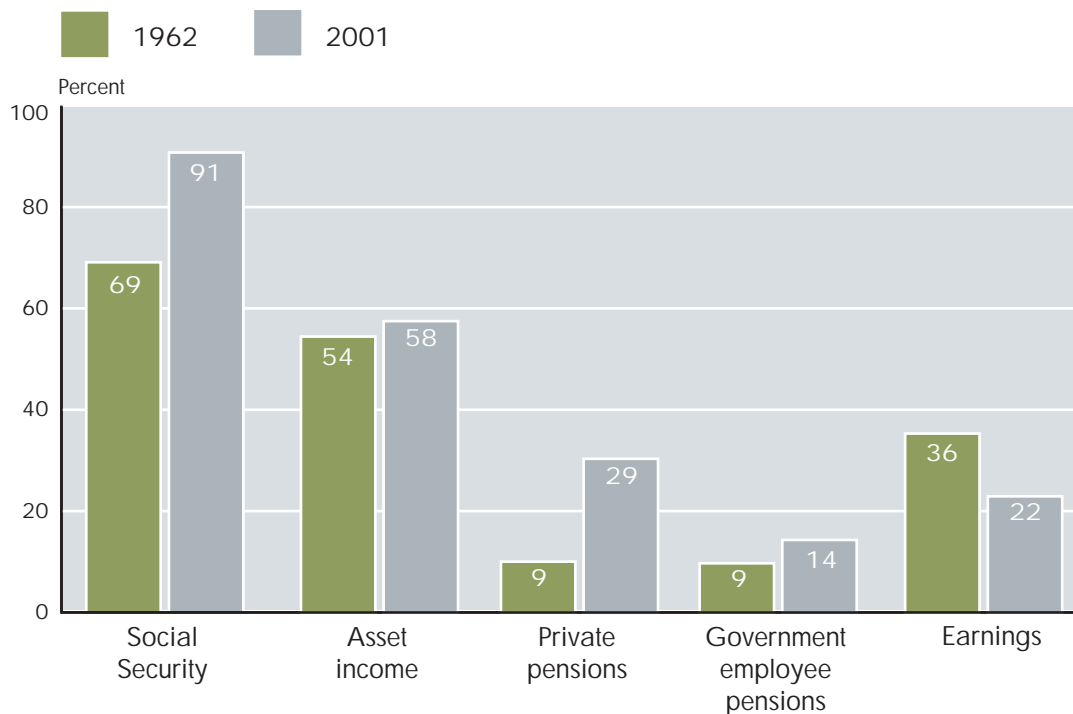


# INCOME OF THE AGED POPULATION

## Receipt of Income, 1962 and 2001

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—has seen a modest increase. Over the 39-year period, receipt of private pensions has tripled, and receipt of government pensions has increased by over 50%. A smaller proportion of couples and nonmarried persons aged 65 or older received earnings in 2001 than in 1962.

### Percentage of the aged receiving income, by source

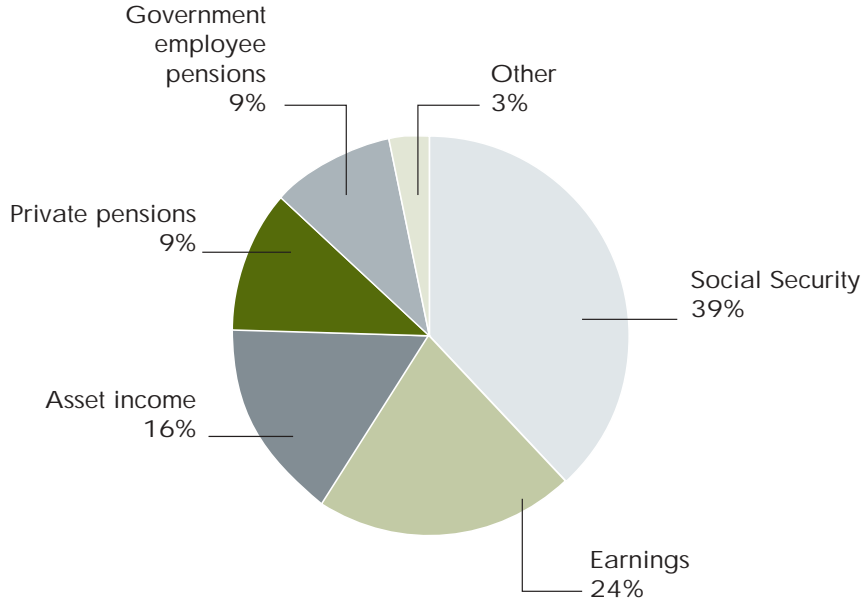


# INCOME OF THE AGED POPULATION

## Shares of Aggregate Income, 1962 and 2001

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 2001. Although private pensions still accounted for only a small proportion of total income in 2001, they tripled their share over this period—from 3% to 9%. The share from earnings declined from 28% to 24%.

### Aggregate income, by source, 2001

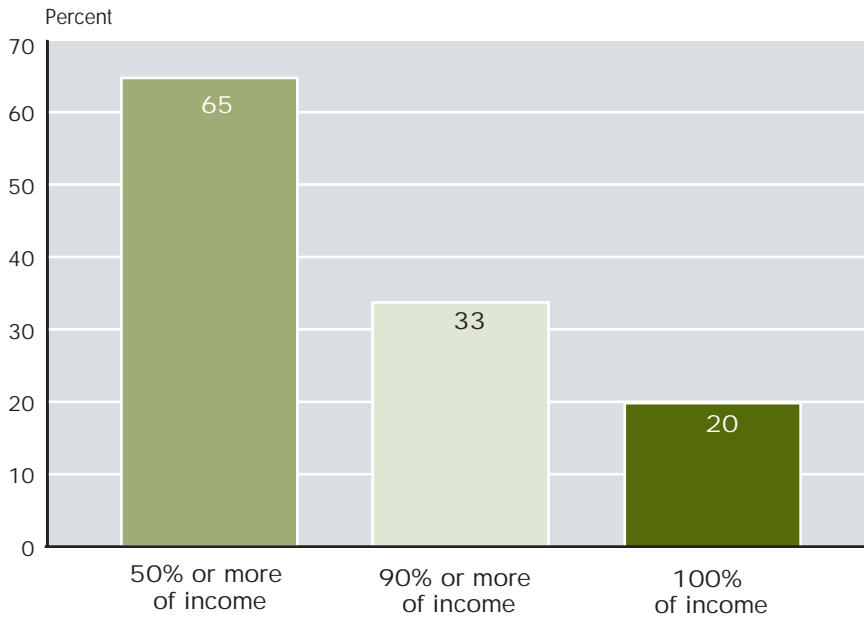


# INCOME OF THE AGED POPULATION

Reliance on Social Security, 2001

In 2001, 91% 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 65% of aged beneficiaries, and it was the only source of income for 20%.

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

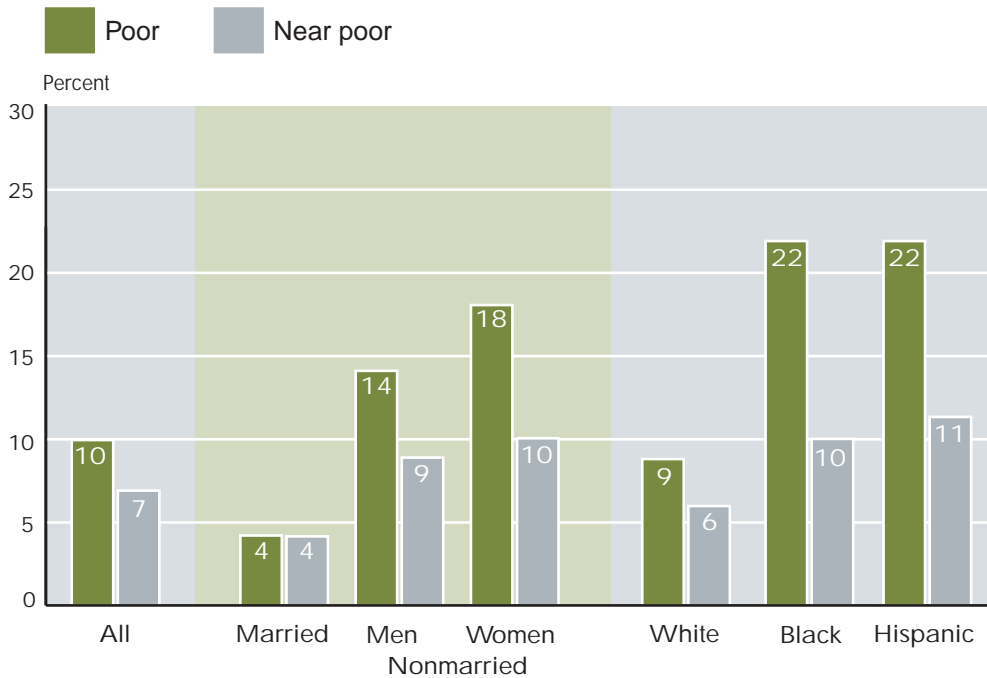


# INCOME OF THE AGED POPULATION

Poverty Status Based on Family Income, 2001

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 22%. Married persons have the lowest poverty rates, with 4% poor and 4% near poor. Overall, 10% are poor and 7% near poor.

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

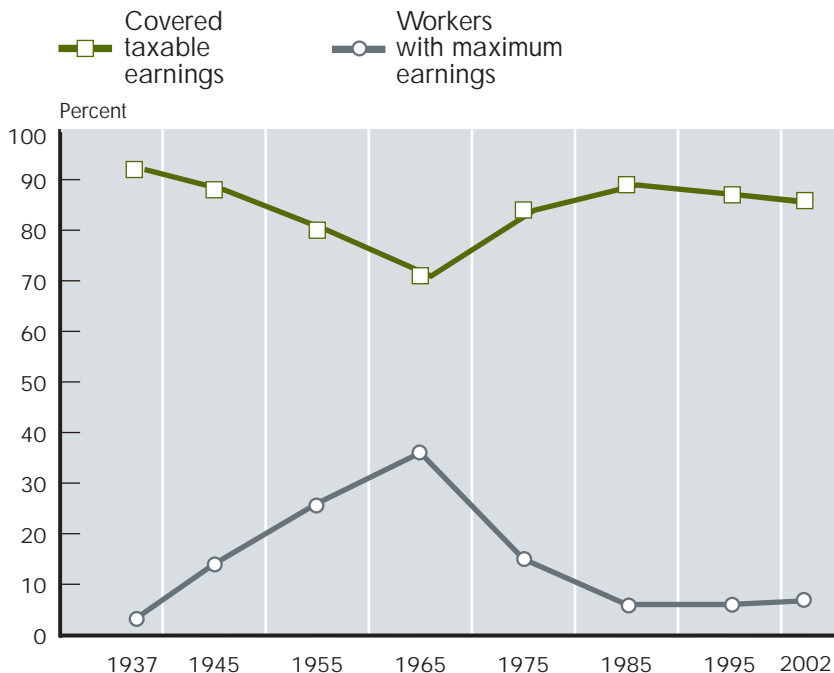


# OASDI PROGRAM

## Covered Earnings, 1937–2002

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 153 million workers with Social Security taxable earnings in 2002, 6% had earnings that equaled or exceeded the maximum amount subject to taxes, compared with 3% when the program began and a peak of 35% in 1965. About 85% of earnings in covered employment were taxable in 2002, 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, 1970–2003

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 2000, and in 2003, slightly decreased to 68%. The percentage fully insured increased from 77% to 88%, and in 2003, slightly decreased to 87%. 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 ages 20 to 65, 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 20–65	
	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

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

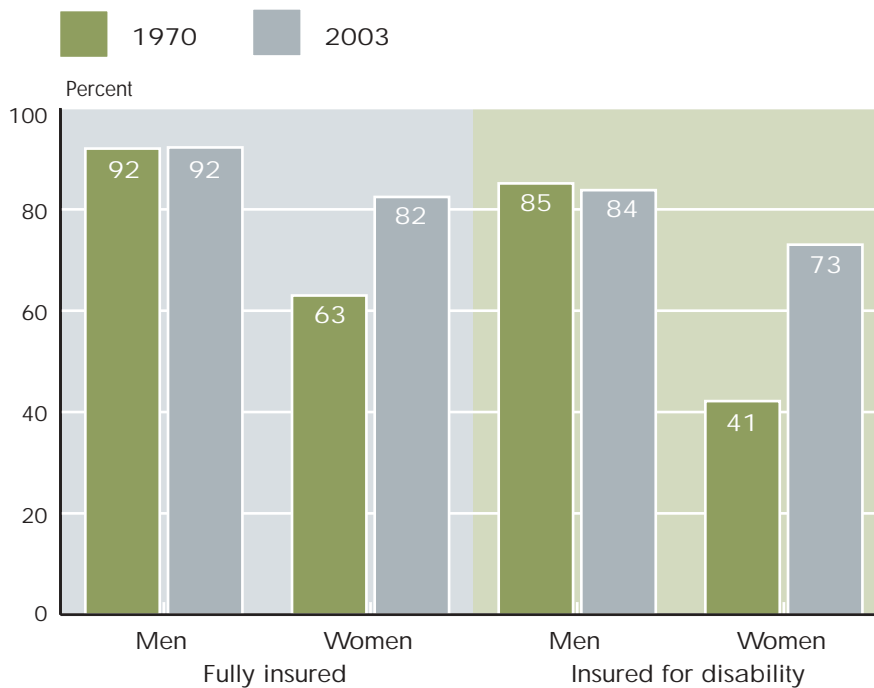
NOTE: The population in the Social Security area includes residents of the 50 states and the District of Columbia; residents of outlying areas; federal civilian employees and armed forces abroad and their dependents; crew members of merchant vessels; and certain other U.S. citizens residing abroad.

# OASDI PROGRAM

## Insured Status, by Sex, 1970 and 2003

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

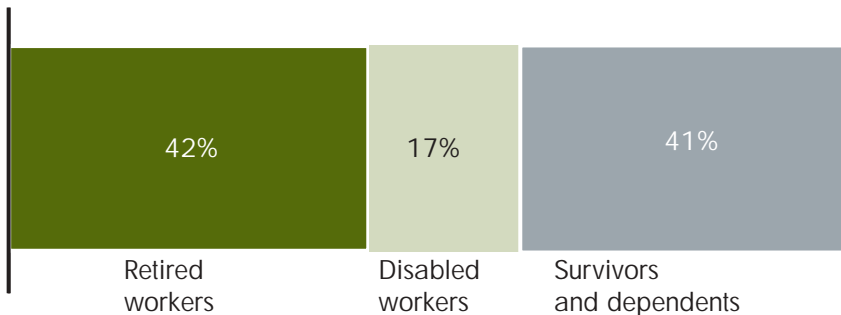
## New Benefit Awards, 2002

Benefits were awarded to 4.3 million persons: of those, 42% were retired workers and 17% 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.

### New awards, by type of beneficiary

Beneficiary	Number (thousands)	Percent
Total	4,336	100
Retired workers and dependents	2,246	52
Workers	1,813	42
Spouses and children	434	10
Disabled workers and dependents	1,215	28
Workers	750	17
Spouses and children	465	11
Survivors of deceased workers	874	20

### New awards, 2002

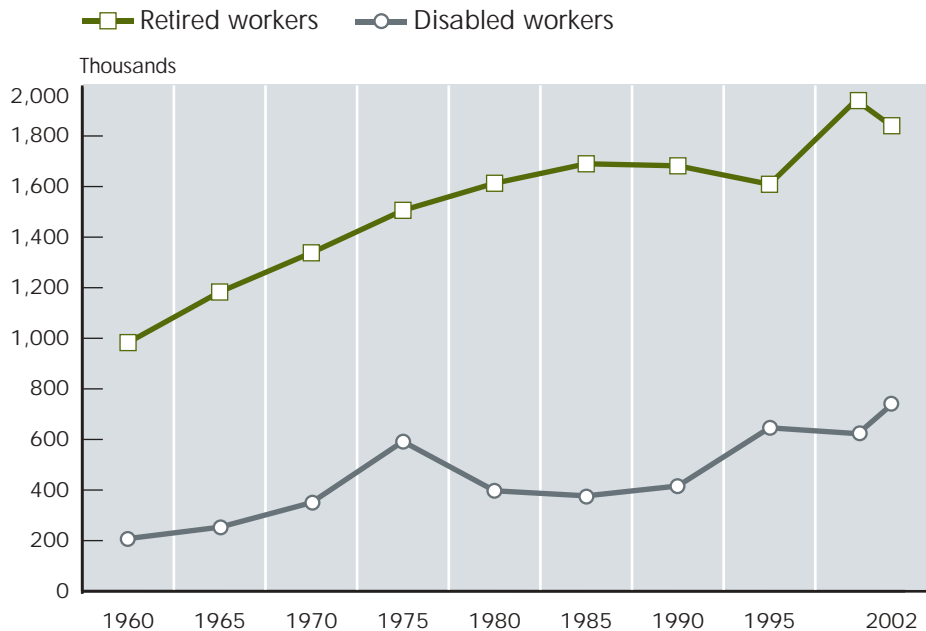


# OASDI PROGRAM

## New Awards to Workers, 1960–2002

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 2002. Disabled-worker awards increased gradually—from 208,000 in 1960 to 592,000 in the mid-seventies—before falling to 377,000 in 1985. The number then rose, reaching 750,000 in 2002.

### New awards to retired and disabled workers, selected years



# OASDI PROGRAM

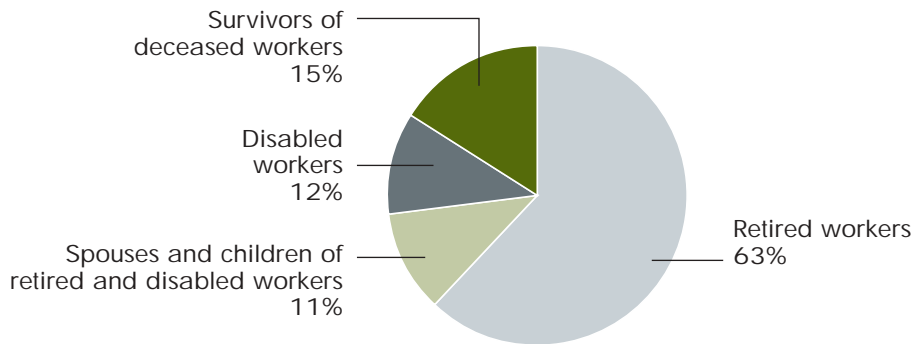
## Beneficiaries in Current-Payment Status, December 2002

More than 46 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	46,444	100
Retired workers and dependents	32,348	70
Workers	29,190	63
Spouses and children	3,158	7
Disabled workers and dependents	7,221	16
Workers	5,544	12
Spouses and children	1,677	4
Survivors of deceased workers	6,875	15

### Beneficiaries, by type



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

# OASDI PROGRAM

## Average Benefit Amounts, 2002

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	736	815
Retired workers	914	895
Spouses	345	451
Children	408	426
Disabled workers	898	834
Spouses	229	212
Children	239	245
Survivors		
Nondisabled widow(er)s	734	861
Disabled widow(er)s	563	548
Widowed mothers and fathers	650	640
Surviving children	605	585
Parents	834	753

# OASDI PROGRAM

## Hypothetical Benefit Amounts, 2003

A covered worker who had worked continuously at low wages (45% of the national average wage) and who claimed benefits at age 62 in January 2003 would receive a monthly benefit of \$572. One who had earnings at or above the maximum amount subject to Social Security taxes and who claimed benefits at age 65 would receive \$1,721. Someone who claimed benefits at age 70, which maximizes the effect of the delayed retirement credit, would receive \$2,045.

### Hypothetical benefit (in dollars)

Earnings	Age 62	Age 65	Age 70
Low	572	701	833
Average	943	1,158	1,387
High	1,236	1,513	1,786
Maximum	1,404	1,721	2,045

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

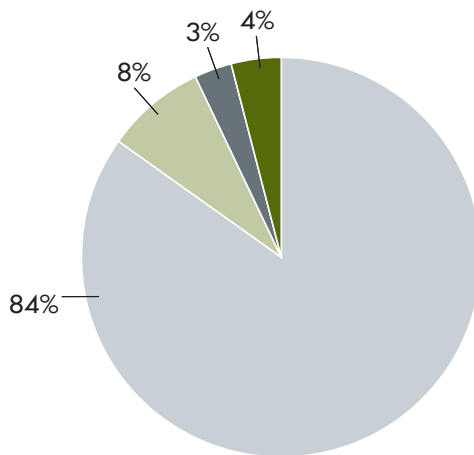
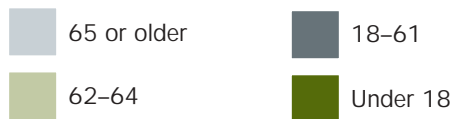
NOTE: Low earnings are defined as 45% of the national average index, average earnings are equal to the index, high earnings are 160% of the index, and maximum earnings are equal to the OASDI contribution and benefits base.

# OASDI PROGRAM

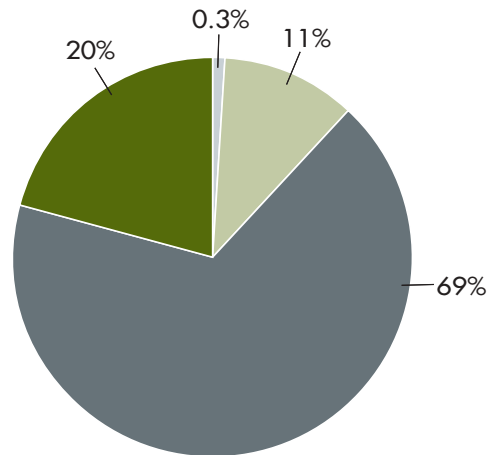
Beneficiaries, by Age, December 2002

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), 89% were under age 62.

## Beneficiaries, by age



OASI



DI

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

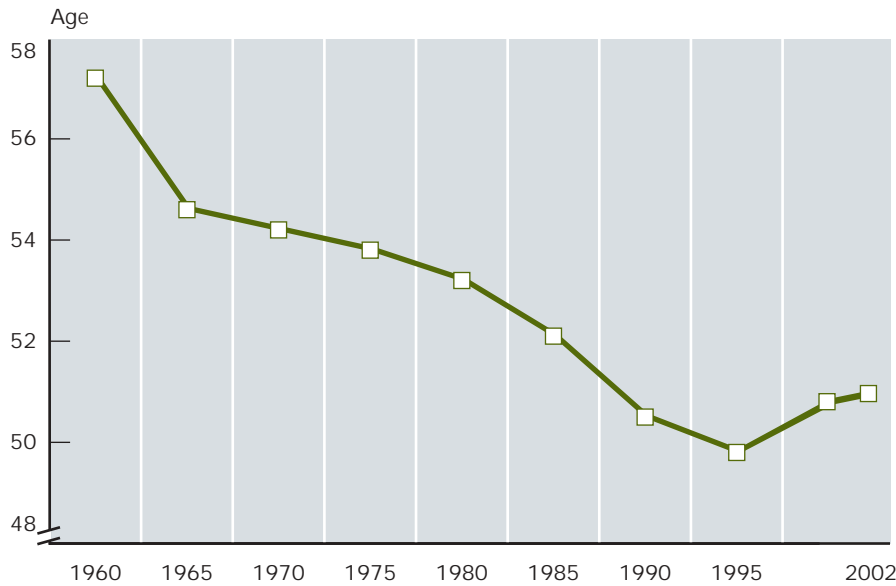


# OASDI PROGRAM

## Disabled-Worker Beneficiaries, by Age, 1960–2002

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 2002, it had risen slightly, to 51.0.

### Average age of disabled workers, selected years

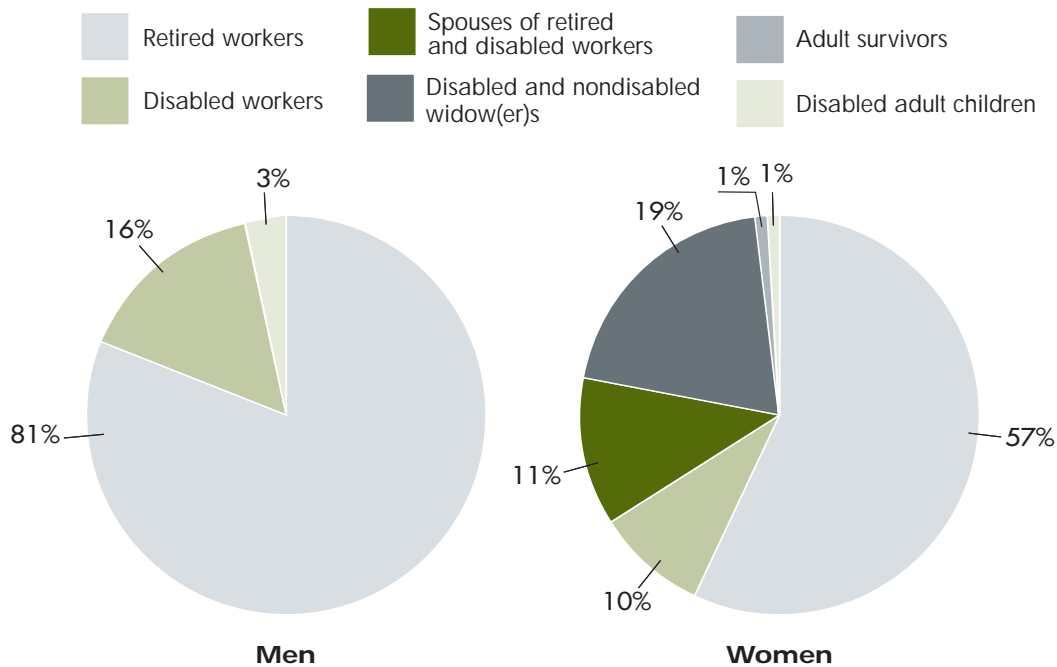


# OASDI PROGRAM

Beneficiaries, by Sex, December 2002

Of all adults receiving monthly Social Security benefits, 43% were men and 57% were women. Eighty-one 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 2002

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

### Average benefit (in dollars)

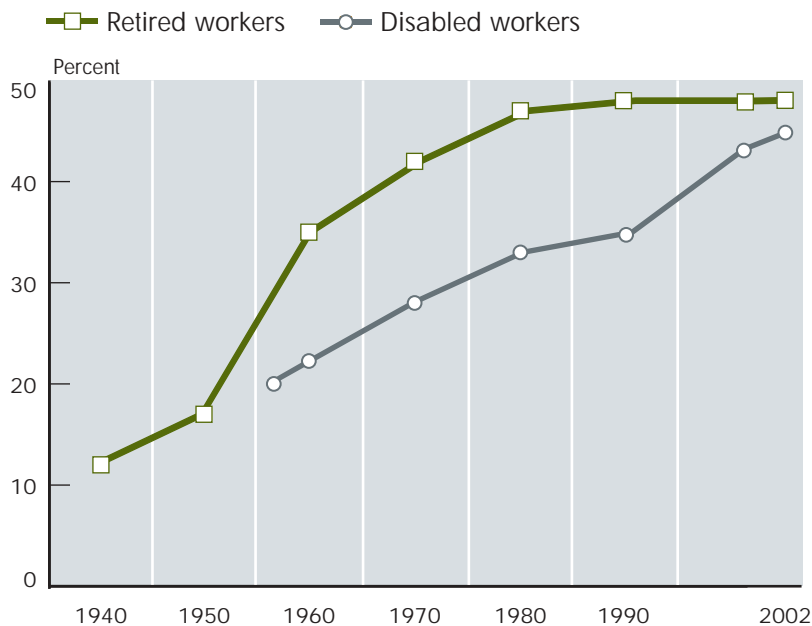
Beneficiary	Men	Women
Total	983	740
Retired workers	1,008	774
Spouses	256	454
Disabled workers	936	709
Spouses	168	214
Survivors		
Nondisabled widow(er)s	663	863
Disabled widow(er)s	385	553
Mothers and fathers	547	646

# OASDI PROGRAM

## Women Beneficiaries, 1940–2002

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 2002.

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

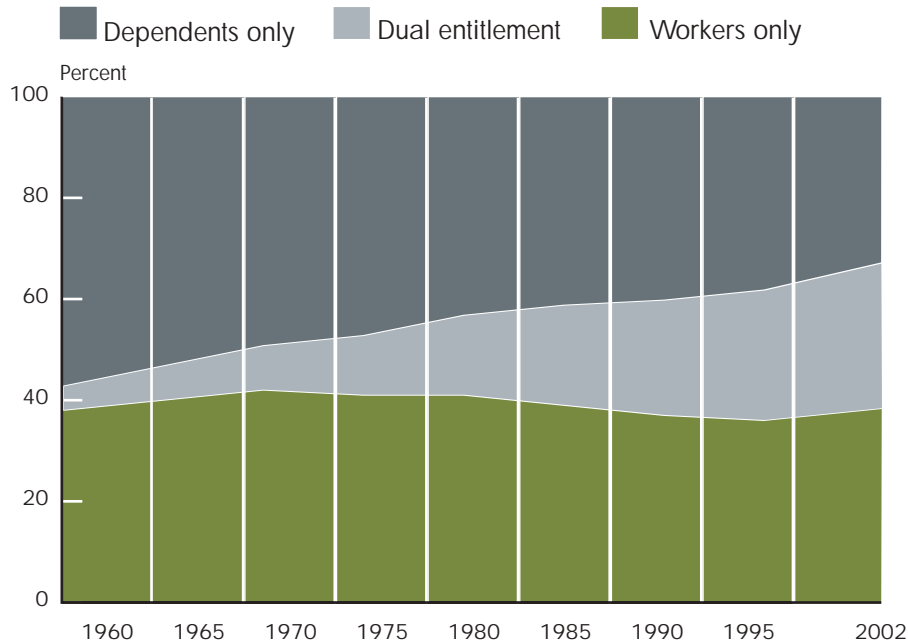


# OASDI PROGRAM

## Women with Dual Entitlement, 1960–2002

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 34% in 2002. 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 2002.

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

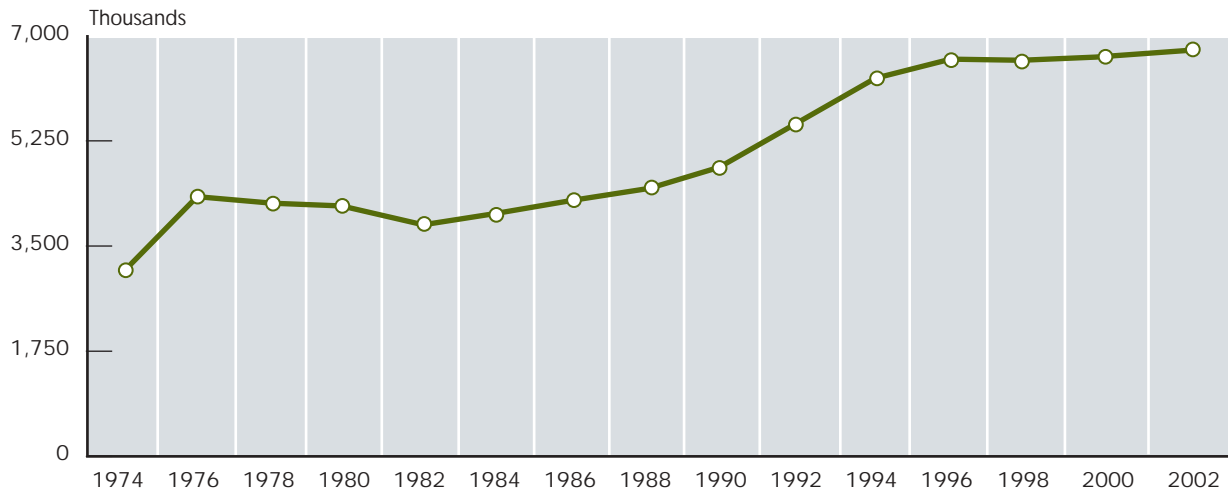


# SSI PROGRAM

Beneficiaries, 1974–2002

Shortly after the SSI program began in 1974, the number of persons receiving federally administered payments rose to 4 million. It remained at about that level until the mid-1980s, then rose through the mid-1990s. In 2002, it stood at almost 6.8 million.

**Persons receiving federally administered payments, selected years**

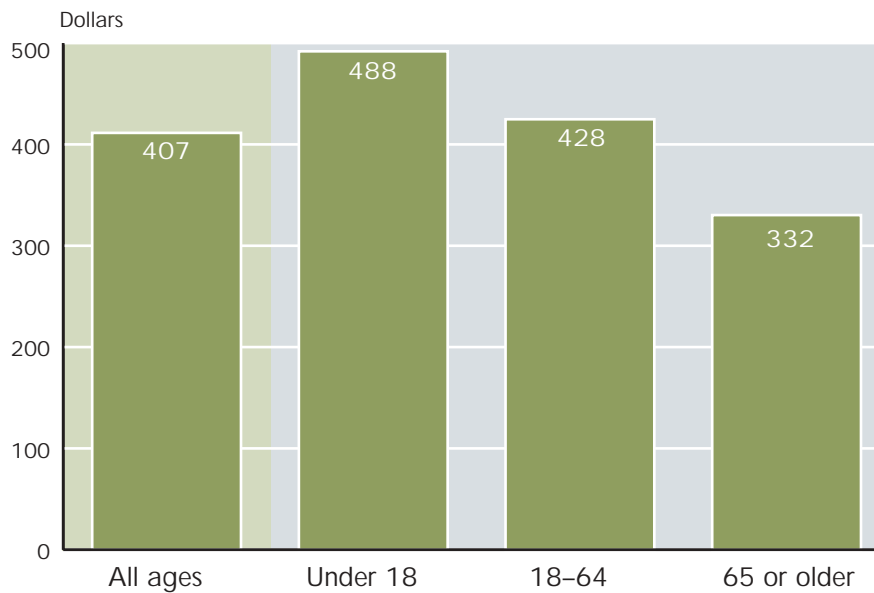


# SSI PROGRAM

Payment Amounts, by Age, December 2002

The average federally administered SSI payment was \$407. Payments varied by age group, ranging from an average of \$488 for beneficiaries under 18 to \$332 for those 65 or older.

## Average monthly payment for federally administered SSI benefits



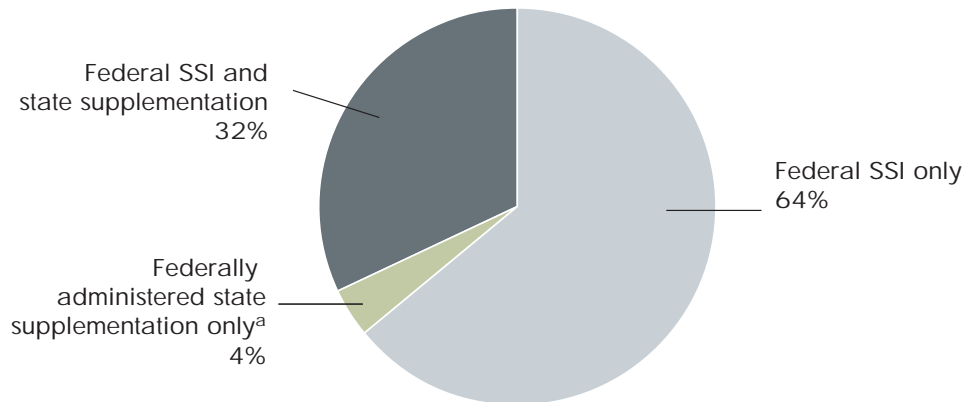
NOTE: Amounts exclude retroactive payments.

# SSI PROGRAM

Federally Administered Payments, December 2002

Nearly 6.8 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.

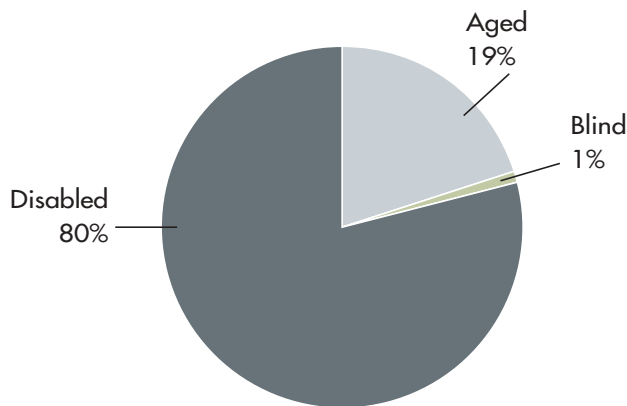


# SSI PROGRAM

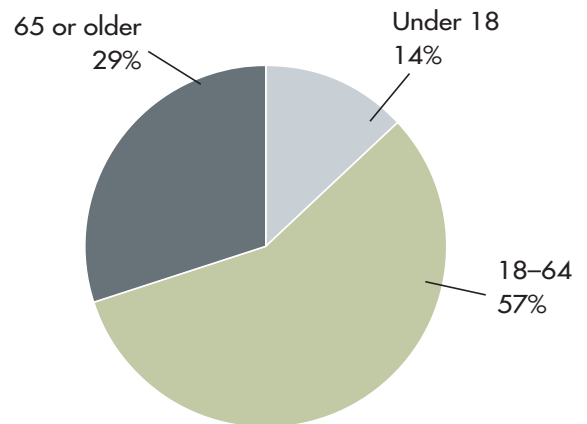
Basis for Eligibility and Age of Beneficiaries, December 2002

Nineteen percent of SSI beneficiaries had benefits awarded 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



**Basis for eligibility**



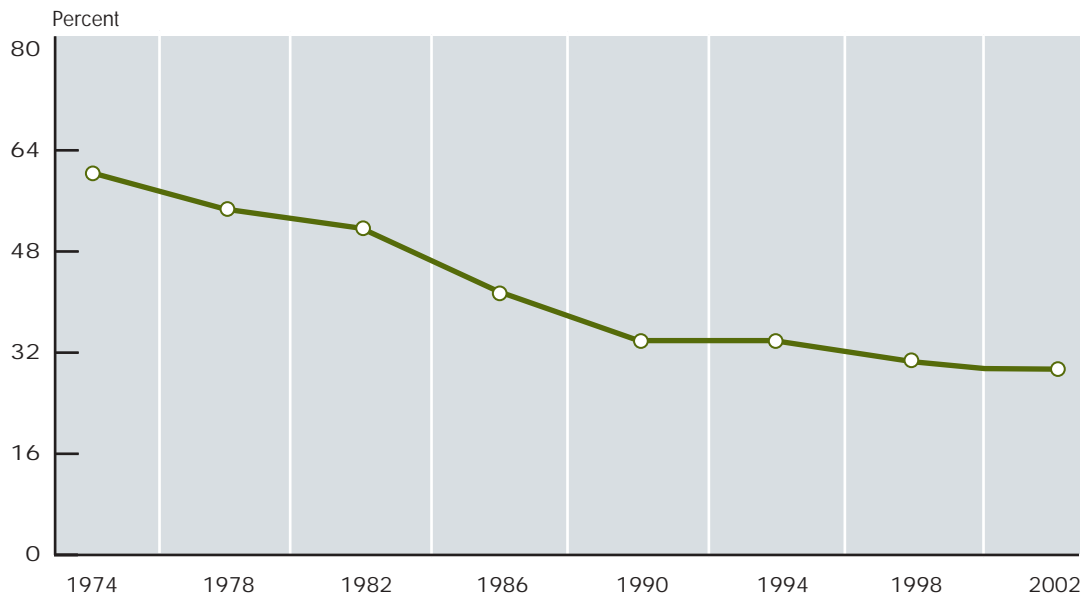
**Age**

# SSI PROGRAM

Beneficiaries Aged 65 or Older, 1974–2002

The proportion of SSI beneficiaries aged 65 or older has declined from 61% in January 1974 to 29% in December 2002. 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

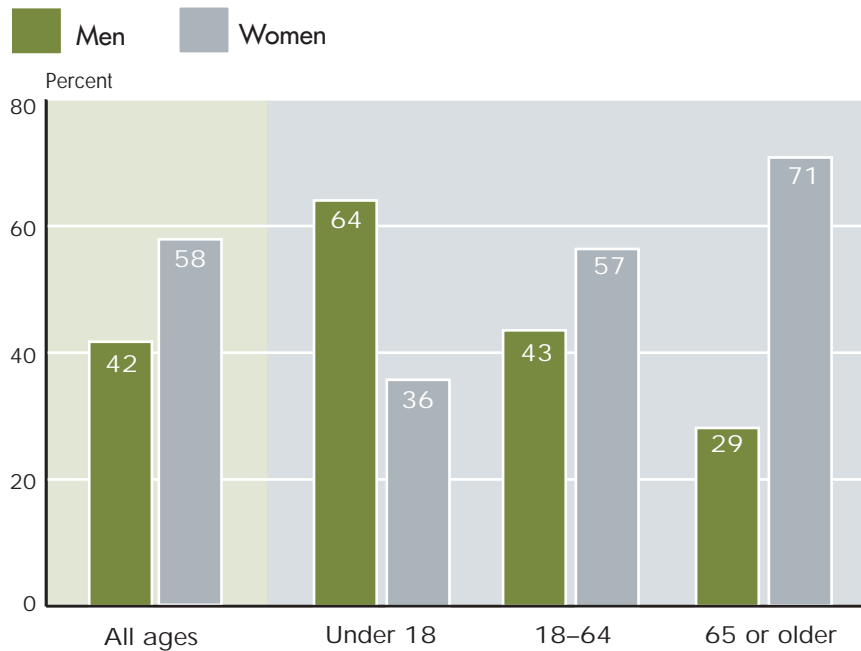


# SSI PROGRAM

Beneficiaries, by Sex and Age, December 2002

Overall, 58% of the 6.8 million SSI beneficiaries were women, but that percentage varied greatly by age group. Women accounted for 71% of the 2 million beneficiaries aged 65 or older, 57% of the 3.9 million beneficiaries aged 18–64, and 36% of the 0.9 million beneficiaries under age 18.

## SSI beneficiaries, by sex and age

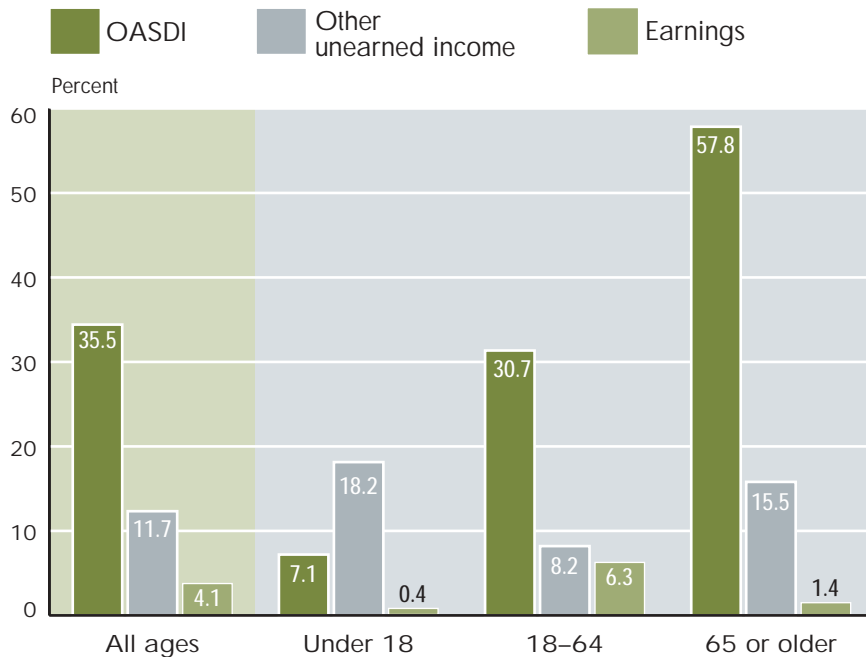


# SSI PROGRAM

Other Income, December 2002

Fifty-eight 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 (18%) and those aged 65 or older (16%). Earned income was most prevalent (18%) among those under age 18 (18%) and those aged 65 or older (16%). Earned income was most prevalent (6%) among those 18–64.

## Other income of SSI beneficiaries, by source and age



# OASDI, SSI, OR BOTH

All Beneficiaries, December 2002

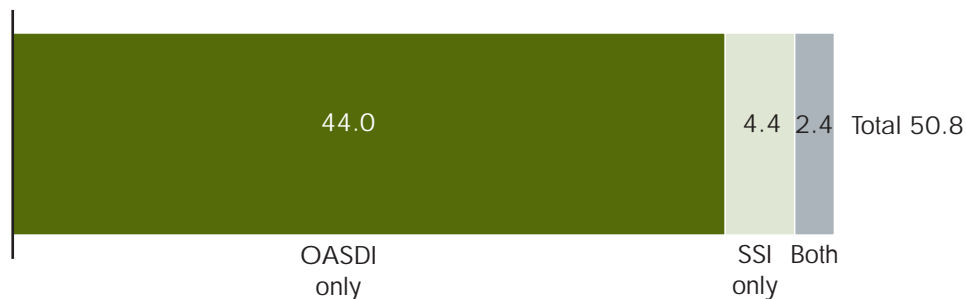
More than 50 million people received a payment from Social Security. Most (44.0 million) received OASDI benefits only, about 4.4 million received SSI only, and 2.4 million received payments from both programs.

## Beneficiaries receiving OASDI, SSI, or both

	Number (thousands)
All beneficiaries	50,826
Total receiving—	
OASDI	46,444
OASDI only	44,038
SSI	6,788
SSI only	4,382
Both OASDI and SSI	2,406

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

## Number receiving benefits (in millions)



# OASDI, SSI, OR BOTH

Aged Beneficiaries, December 2002

Aged or survivors benefits were paid to 34.0 million people aged 65 or older. About 1.2 million received both OASI and SSI.

<b>Beneficiary</b>	<b>Number (thousands)</b>
Aged 65 or older, total (unduplicated)	34,002
OASI, total <sup>a</sup>	33,159
Retired workers	26,605
Spouses <sup>b</sup>	2,372
Nondisabled widow(er)s	4,113
Disabled adult children aged 65 or older	65
SSI, total <sup>c</sup>	1,995
Receiving SSI only	843
Concurrently receiving both OASI and SSI	1,152

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

- a. Includes 2,800 persons who received dependent parents benefits, special age-72 benefits, or mothers and fathers benefits.
- b. Includes 22,500 spouses of disabled workers aged 65 or older.
- c. Includes 743,800 disabled or blind SSI beneficiaries aged 65 or older.

# OASDI, SSI, OR BOTH

Disabled Beneficiaries, December 2002

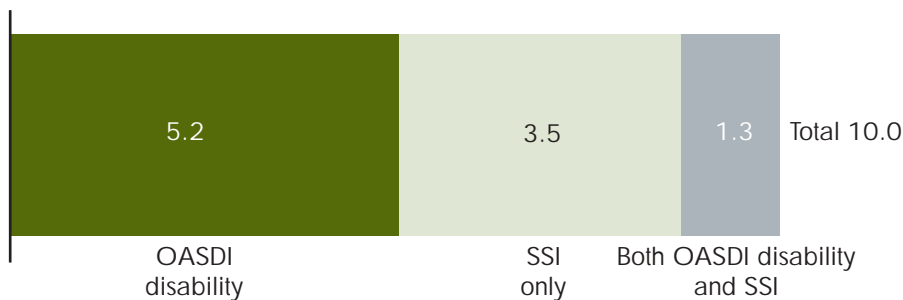
Payments based on the beneficiary's own disability were made to 10 million people under age 65. Fifty-two percent received disability payments under the OASDI program only, 36% received payments from the SSI program only, and 13% received payments from both programs.

Payments	Number (thousands)
Total	9,969
OASDI disability	6,430
Workers	5,544
Children aged 18–64	679
Widow(er)s	207
OASDI disability only	5,176
SSI disability <sup>a</sup>	4,793
Aged 18–64	3,878
Under age 18	915
SSI disability only	3,539
Both OASDI disability and SSI	1,254

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

a. Total excludes 743,800 disabled or blind SSI beneficiaries aged 65 or older.

## Number receiving disability payments (in millions)

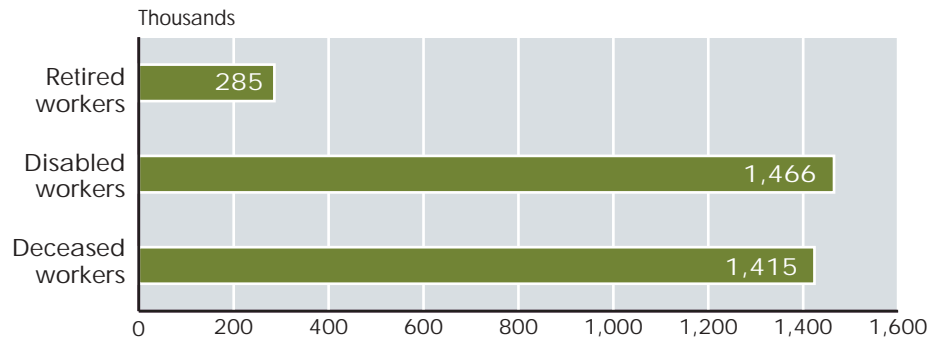


# CHILDREN AND SOCIAL SECURITY

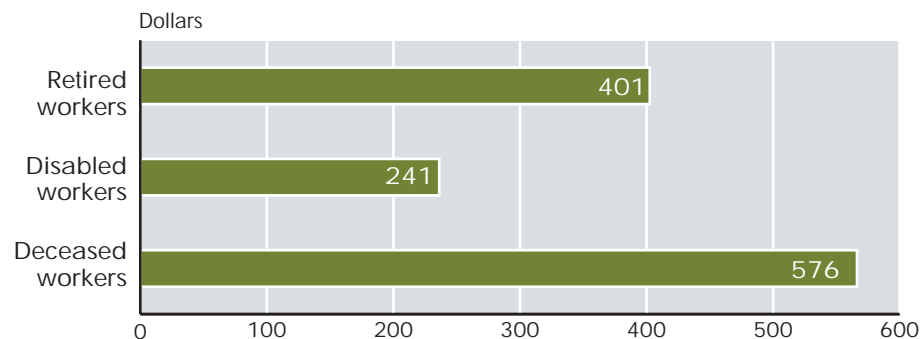
OASDI Beneficiaries, December 2002

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 \$405.

## Number of children of—



## Average monthly benefit for children of—



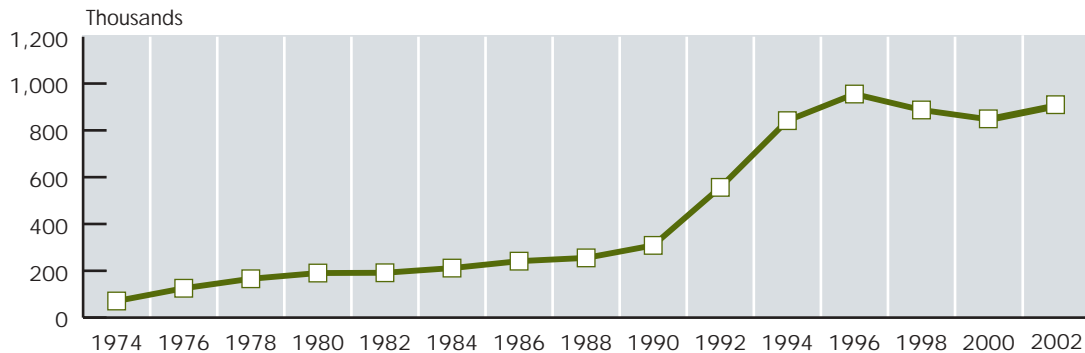


# CHILDREN AND SOCIAL SECURITY

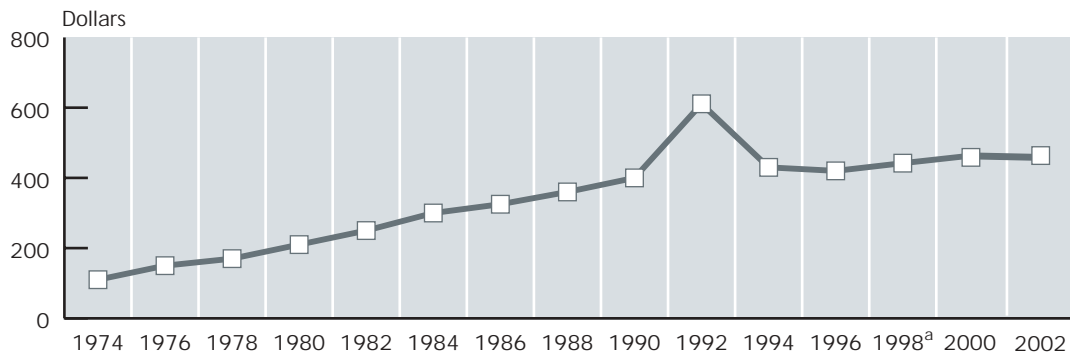
## SSI Beneficiaries, 1974–2002

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 914,000. 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



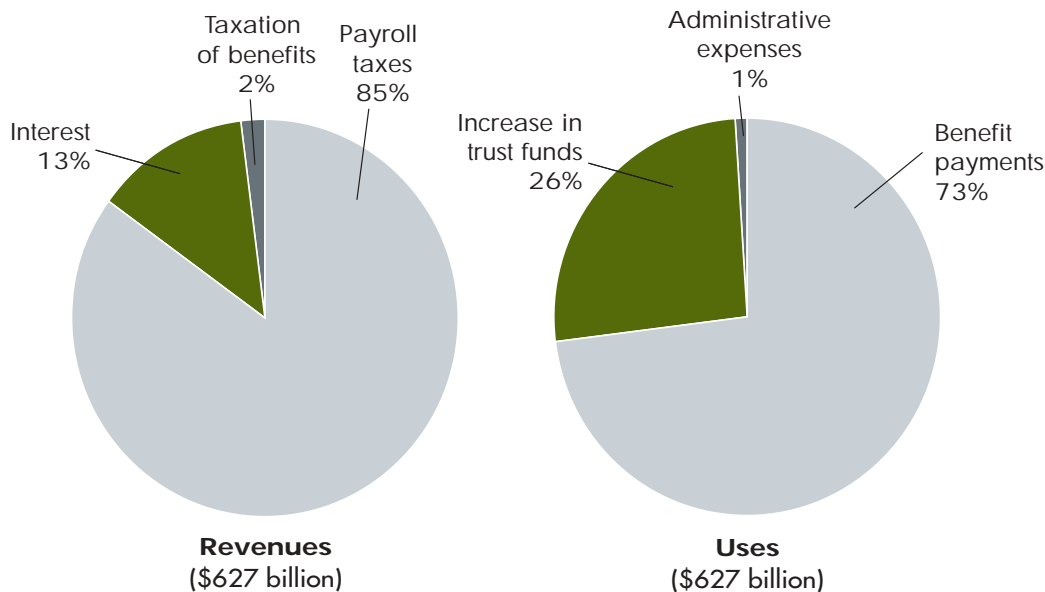
a. As of 1998, these figures exclude retroactive payments.

# 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 2002, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds collected \$627 billion in revenues. Of that amount, 85% 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 2002 because income exceeded expenditures for benefit payments and administrative expenses.

### Sources and uses of Social Security revenues in 2002



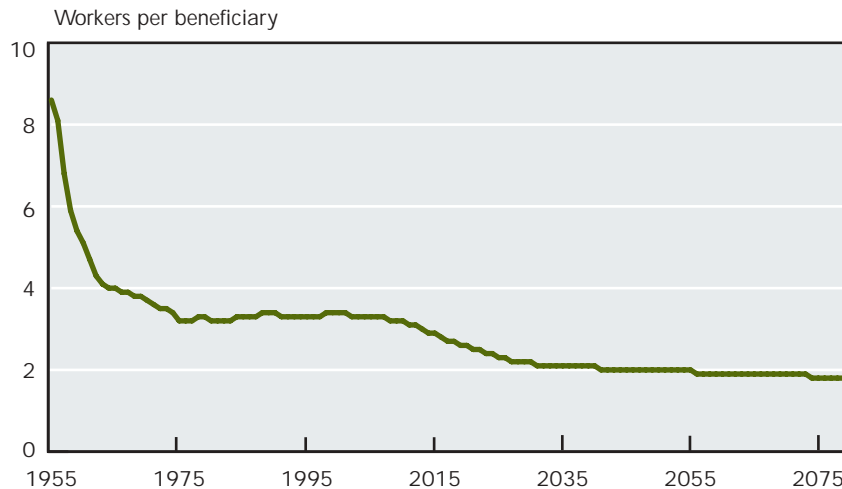
SOURCE: *The 2003 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

# 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



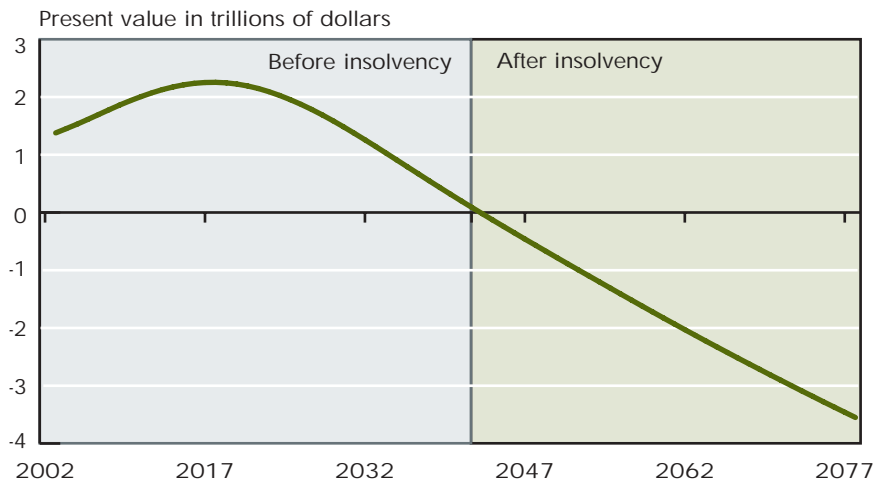
SOURCE: *The 2003 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

# SOCIAL SECURITY FINANCING

## The Long-Run Financial Outlook

Social Security is not sustainable over the long term at present benefit and tax rates. Within 15 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 \$3.5 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



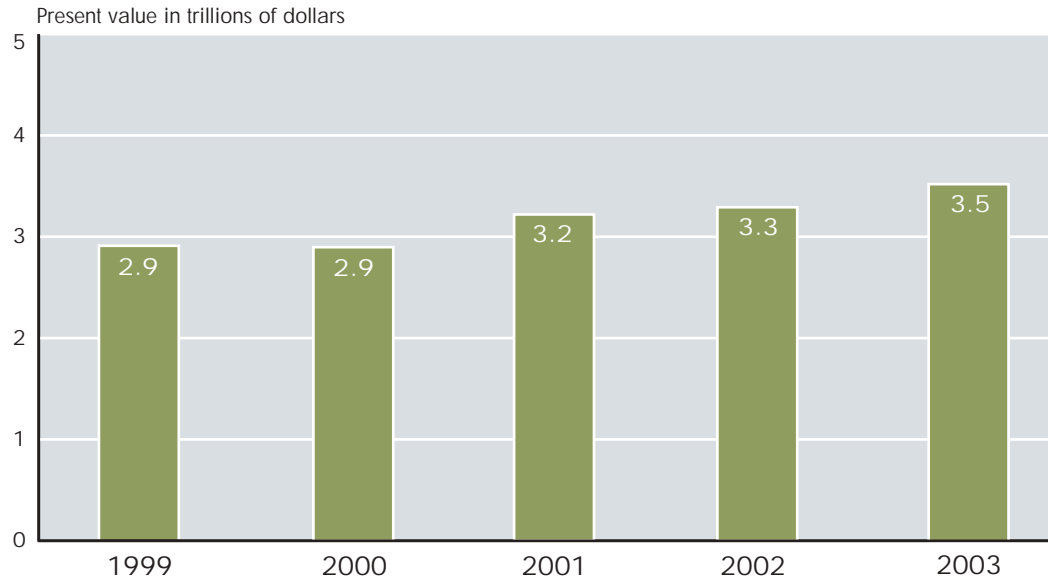
SOURCE: *The 2003 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

# 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.



Social Security Administration  
Office of Policy  
Office of Research, Evaluation, and Statistics  
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