


Fast Facts & Figures About Social Security, 2005

The background of the page is a solid blue color. It features several decorative elements: a series of curved, overlapping lines in various shades of blue that sweep across the lower half of the page, and several five-pointed stars of varying sizes and shades of blue scattered throughout the design.

Social Security Administration
Office of Policy
Office of Research, Evaluation, and Statistics
500 E Street, SW, 8th Floor
Washington, DC 20254

SSA Publication No. 13-11785
Released: September 2005



DID YOU KNOW THAT...

- ✓ SSA paid benefits to more than 52 million people in 2004
- ✓ Social Security benefits were awarded to nearly 4.5 million people
- ✓ Social Security provided at least half the income for 69% of the aged
- ✓ Women accounted for 58% of adult Social Security beneficiaries
- ✓ The average age of disabled-worker beneficiaries was 51
- ✓ Disability and blindness were the reasons for paying 83% 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*. Data on trust fund operations are from the 2005 Trustees Report.

The tables and charts illustrate the range of program beneficiaries, from the country's oldest to its youngest citizens. In all, more than 52 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. Staff of the Division of Information Resources edited the chartbook and prepared the print and electronic versions for publication.

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 e-mail op.publications@ssa.gov or telephone 202-358-6274.

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

September 2005

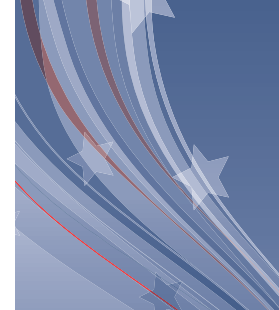


ABBREVIATIONS

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

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OASDI, SSI, or Both

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GENERAL INFORMATION, 2005

Cost-of-living adjustment

2.7%

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

	Dollars	Increase from previous year (in percent)
2003	34,064.95	2.4
2004 (estimated)	35,157.10	3.2
2005 (estimated)	36,599.68	4.1

Maximum earnings subject to Social Security taxes (in dollars)

OASDI	90,000
HI	No limit

Taxes payable (in dollars)

	Total	OASI	DI
Average earner	2,269	1,940	329
Maximum earner	5,580	4,770	810
Self-employed maximum earner	11,160	9,540	1,620

Quarters of coverage (work credits)

\$920 in earnings equals 1 quarter of coverage (that is, 1 credit)

\$3,680 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)	12,000	1,000
Calendar year attaining full retirement age (\$1 for \$3 withholding rate) ^a	31,800	2,650
After calendar year attaining full 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, 2005

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 2005 attain age 62, become disabled, or die before age 62)

Primary insurance amount (PIA) equals

- 90% of the first \$627 of AIME, plus
- 32% of AIME over \$627 through \$3,779, plus
- 15% of AIME over \$3,779

Maximum family benefit equals

- 150% of the first \$801 of PIA, plus
- 272% of PIA over \$801 through \$1,156, plus
- 134% of PIA over \$1,156 through \$1,508, plus
- 175% of PIA over \$1,508

Disability thresholds

Substantial gainful activity

- \$830 per month for nonblind persons
- \$1,380 per month for blind persons

Trial work period

- \$590 per month

Maximum Social Security benefit

Worker retiring at full retirement age in 2005
\$1,939 per month (65 and 6 months)

GENERAL INFORMATION, 2005

Trust fund operations (in billions of dollars)

Calendar year and trust fund	Income	Outgo	Fund at end of year
2004 (actual)			
Total	657.7	501.6	1,686.8
OASI	566.3	421.0	1,500.6
DI	91.4	80.6	186.2
2005 (estimated)			
Total	689.9	526.6	1,850.1
OASI	594.3	440.2	1,654.7
DI	95.6	86.4	195.4

OASDI administrative expenses

Costs were 0.8% of contributions in calendar year 2004

Benefit payments as a percentage of gross domestic product

Calendar year	Total	OASI	DI
2003	4.26	3.63	0.63
2004	4.18	3.55	0.64

Workload, fiscal year 2004 (in millions)

OASI claims	3.4
DI claims	2.4
SSI applications	2.2

Supplemental Security Income

Federal payment standard

\$579 individual, \$869 couple

Resource limits

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

Poverty thresholds (in dollars)

Family unit	2002	2003	2004 (preliminary)
Aged individual	8,628	8,825	9,060
Family of two, aged head	10,885	11,133	11,418
Family of four	18,392	18,810	19,484

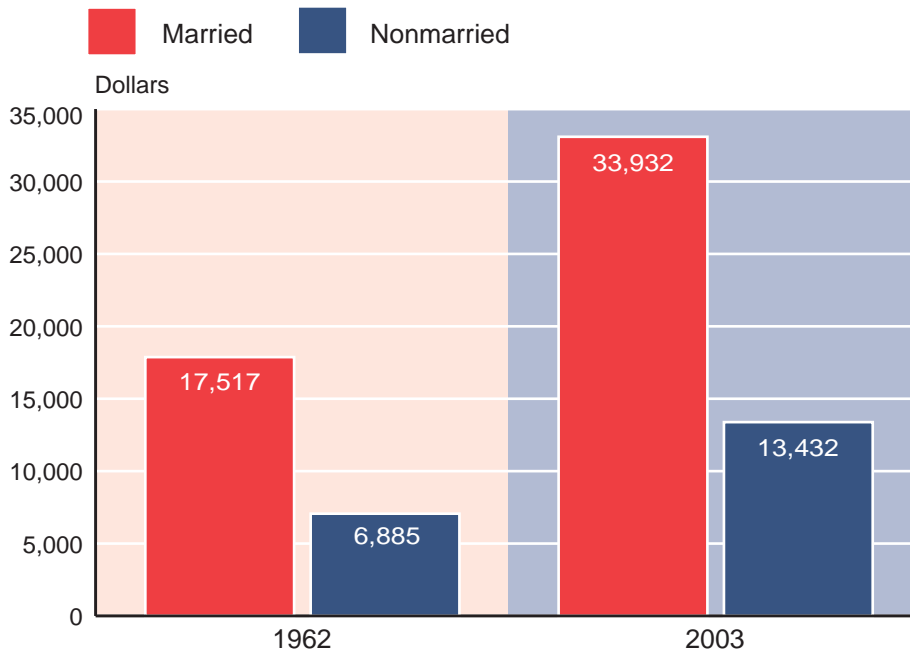
SOURCE: U.S. Census Bureau.

INCOME OF THE AGED POPULATION

Size of Income, 1962 and 2003

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 94% for married couples and 95% for nonmarried persons.

Median income of the aged, by marital status (in 2003 dollars)

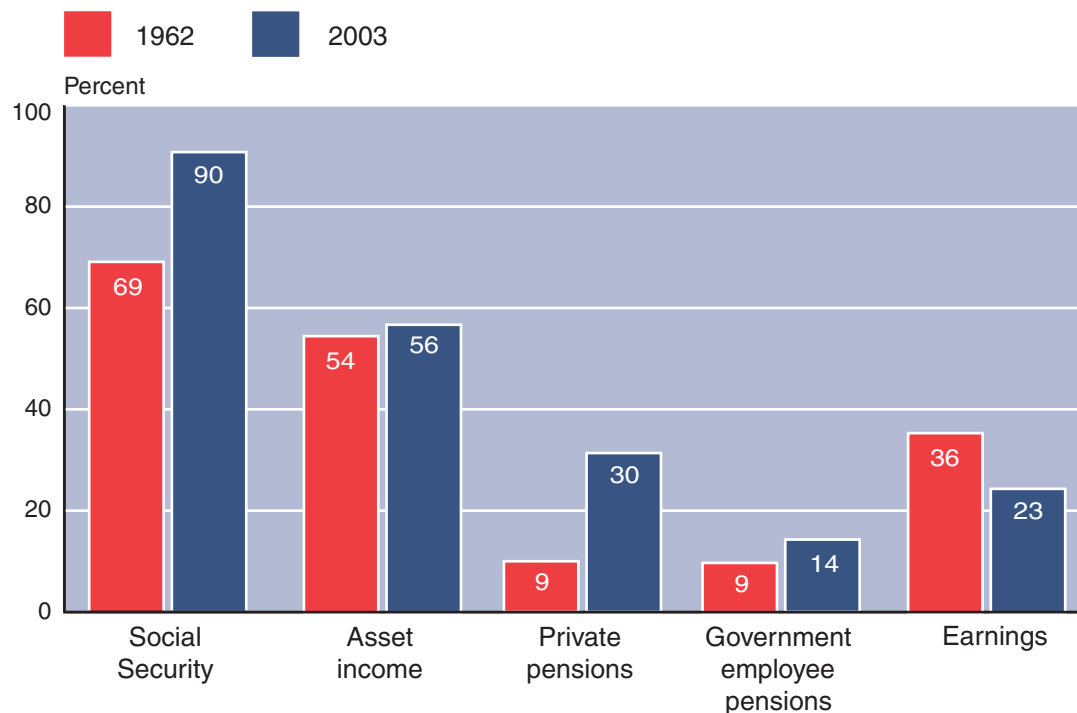


INCOME OF THE AGED POPULATION

Receipt of Income, 1962 and 2003

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 41-year period, receipt of private pensions has tripled, and receipt of government pensions has increased by almost 50%. The proportion of couples and nonmarried persons aged 65 or older who received earnings was smaller in 2003 than in 1962.

Percentage of the aged receiving income, by source

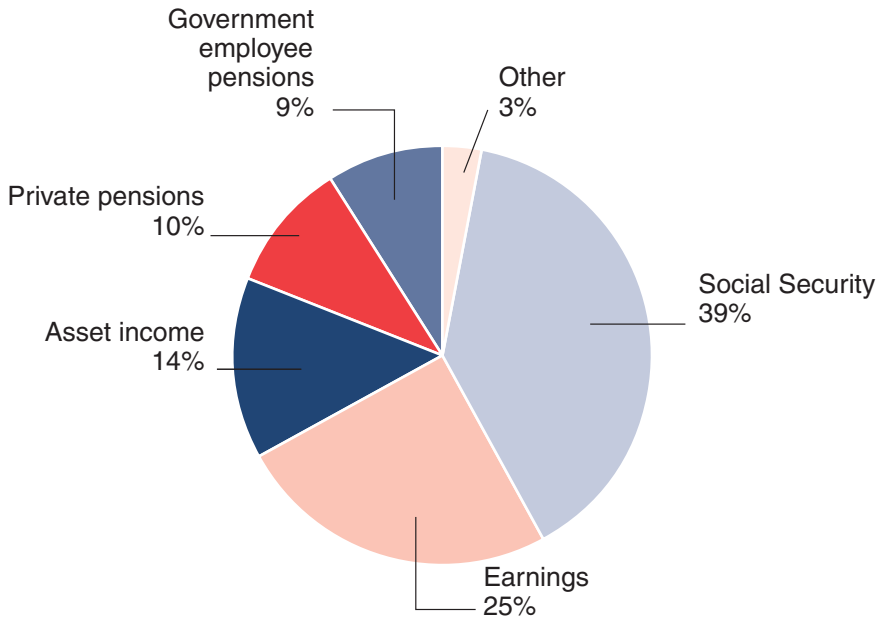


INCOME OF THE AGED POPULATION

Shares of Aggregate Income, 2003

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 2003. Although private pensions still accounted for only a small proportion of total income in 2003, 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, 2003

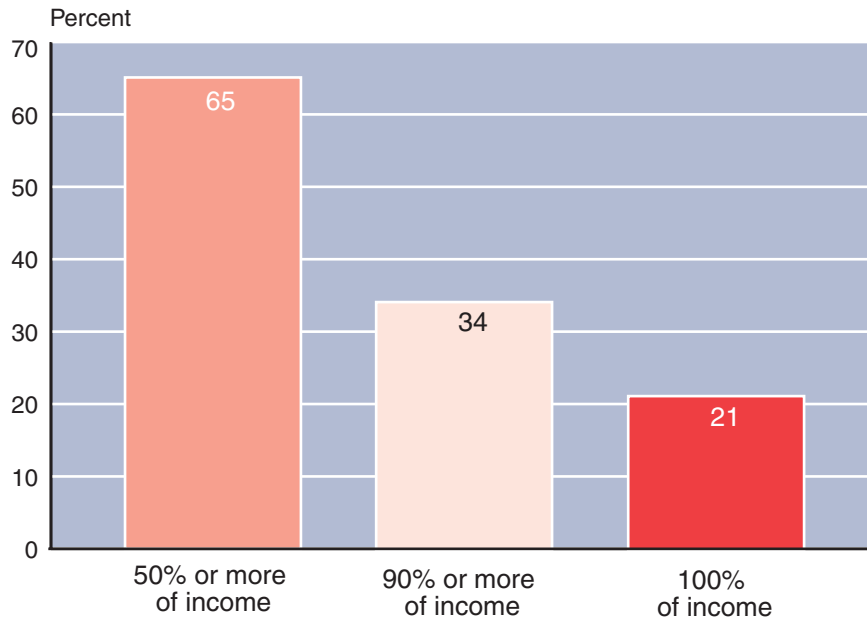


INCOME OF THE AGED POPULATION

Reliance on Social Security, 2003

In 2003, 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 65% of aged beneficiaries, and it was the only source of income for 21%.

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

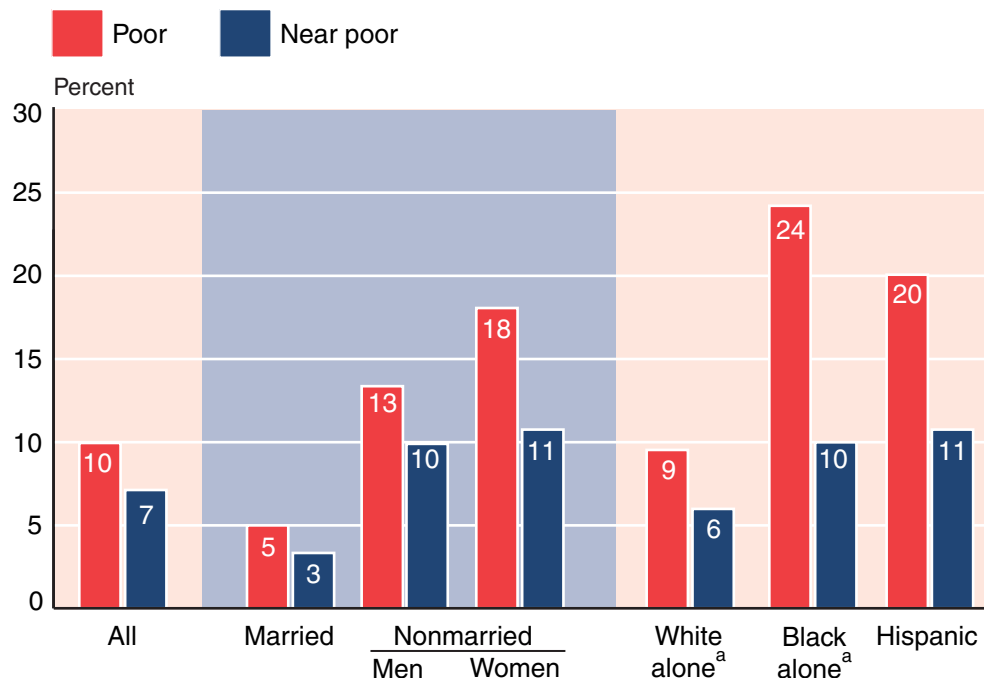


INCOME OF THE AGED POPULATION

Poverty Status Based on Family Income, 2003

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



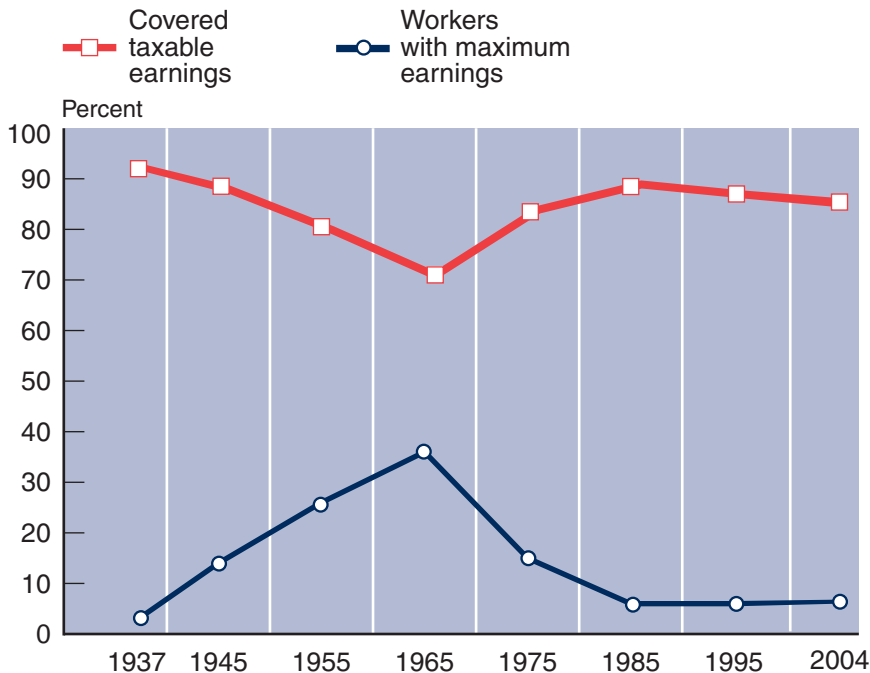
a. Beginning with data for 2002, respondents for the Current Population Survey may identify themselves in more than one racial group. The "White alone" and "Black alone" categories reflect respondents who reported only one race.

OASDI PROGRAM

Covered Earnings, 1937–2004

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 157 million workers with Social Security taxable earnings in 2004, 6% 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 85% of earnings in covered employment were taxable in 2004, 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, 1970–2005

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—40 quarters for persons born in 1929 or later) rose from 50% in 1970 to 69% in 2005. The percentage fully insured increased from 77% to 87% in 2005. 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
2005	219.0	69	87	182.0	79

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

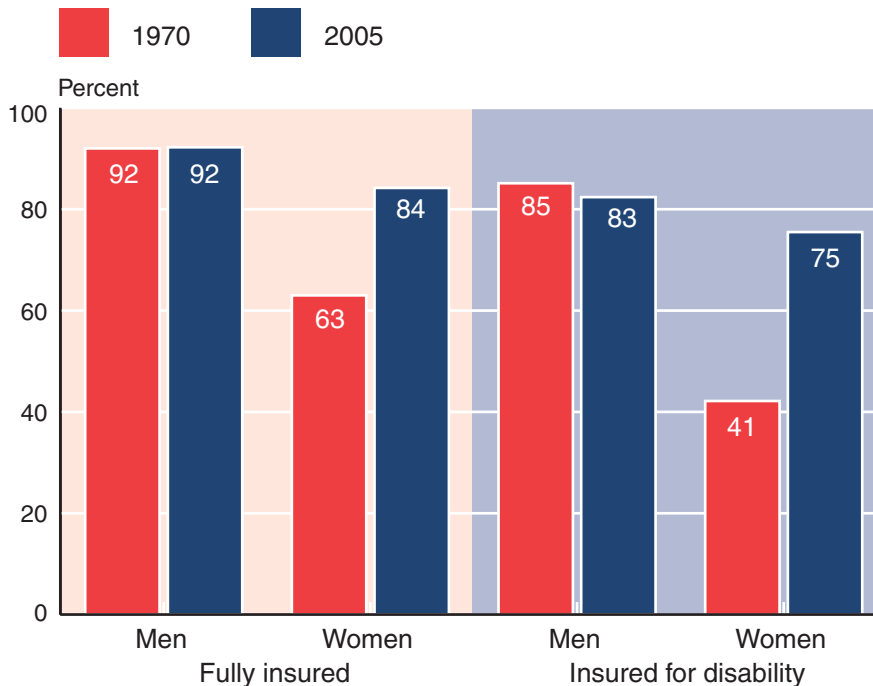
NOTE: The population in the Social Security area includes residents of the 50 states and the District of Columbia, residents of outlying areas, federal civilian employees and armed forces abroad and their dependents, crew members of merchant vessels, and certain other U.S. citizens residing abroad.

OASDI PROGRAM

Insured Status, by Sex, 1970 and 2005

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 83% insured for disability. By contrast, the proportion of women who are insured has increased dramatically—from 63% to 84% fully insured and from 41% to 75% 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

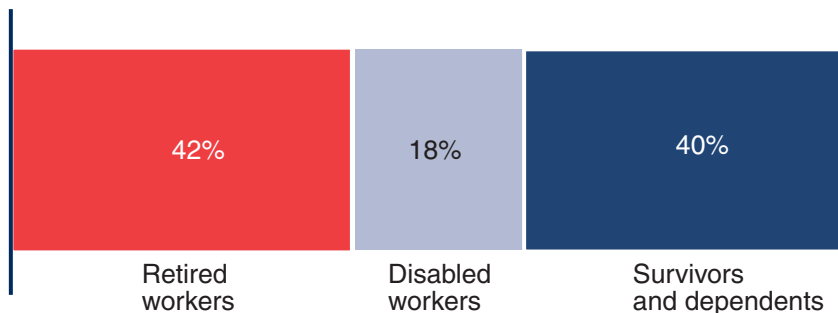
New Benefit Awards, 2004

Benefits were awarded to nearly 4.5 million persons: of those, 42% were retired workers and 18% were disabled workers. The remaining 40% were survivors or the spouses and children of retired or disabled workers. 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 4 months.

New awards, by type of beneficiary

Beneficiary	Number (thousands)	Percent
Total	4,459	100
Retired workers and dependents	2,318	52
Workers	1,883	42
Spouses and children	435	10
Disabled workers and dependents	1,277	29
Workers	796	18
Spouses and children	482	11
Survivors of deceased workers	863	19

New awards, 2004

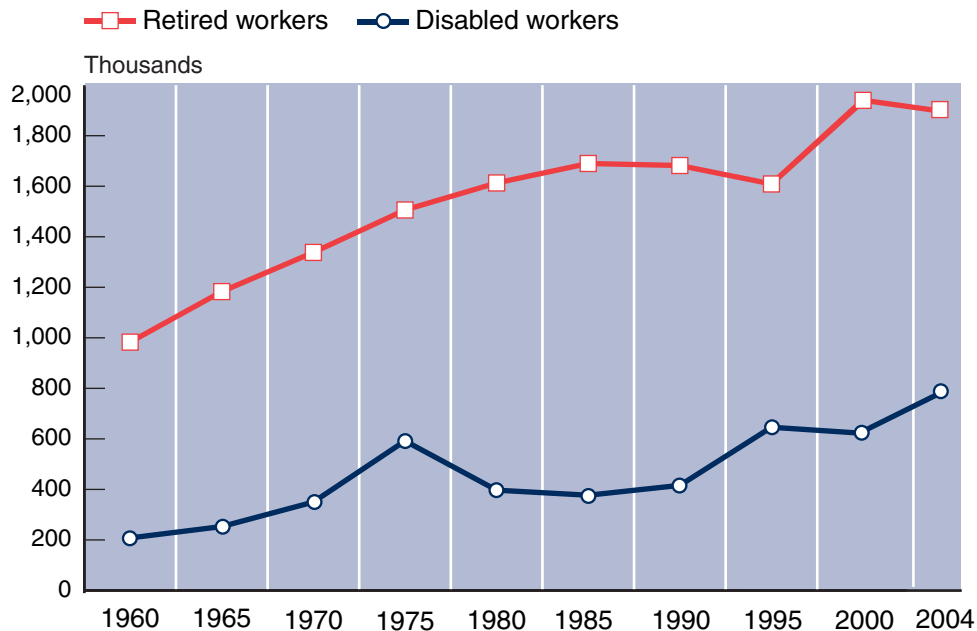


OASDI PROGRAM

New Awards to Workers, 1960–2004

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 1.9 million in 2004. 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 796,000 in 2004.

New awards to retired and disabled workers, selected years



OASDI PROGRAM

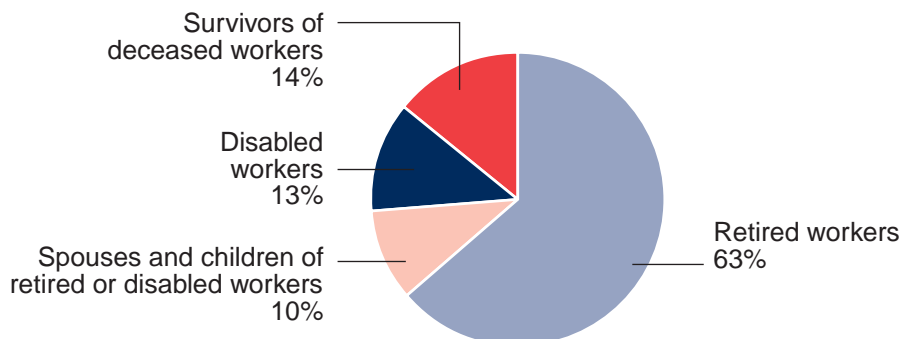
Beneficiaries in Current-Payment Status, December 2004

Almost 47.7 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 13% were disabled workers. The remaining 24% were survivors or the spouses and children of retired or disabled workers.

Beneficiaries in current-payment status

Beneficiary	Number (thousands)	Percent
Total	47,688	100
Retired workers and dependents	33,004	69
Workers	29,952	63
Spouses and children	3,052	6
Disabled workers and dependents	7,950	17
Workers	6,198	13
Spouses and children	1,752	4
Survivors of deceased workers	6,734	14

Beneficiaries, by type



OASDI PROGRAM

Average Benefit Amounts, 2004

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, widow(er)s' 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.

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

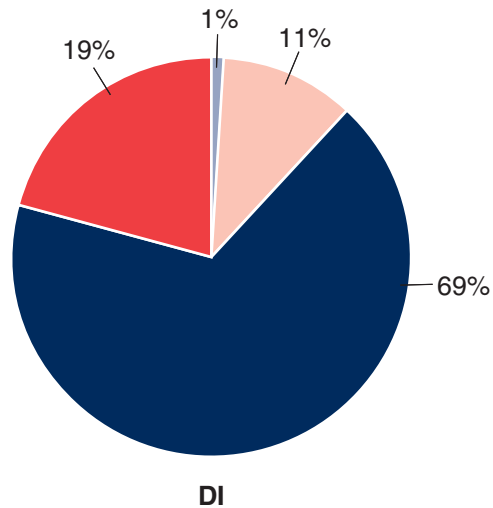
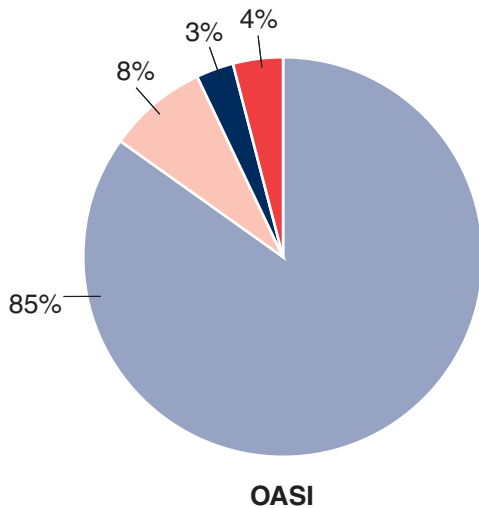
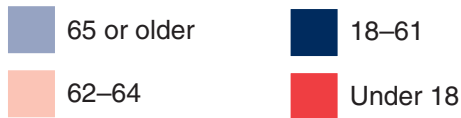
Beneficiary	New awards	Current-payment status, December
Total	782	872
Retired workers	961	955
Spouses	359	478
Children	447	465
Disabled workers	968	894
Spouses	245	232
Children	255	265
Survivors		
Nondisabled widow(er)s	772	920
Disabled widow(er)s	593	583
Widowed mothers and fathers	689	689
Surviving children	639	625
Parents	768	810

OASDI PROGRAM

Beneficiaries, by Age, December 2004

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

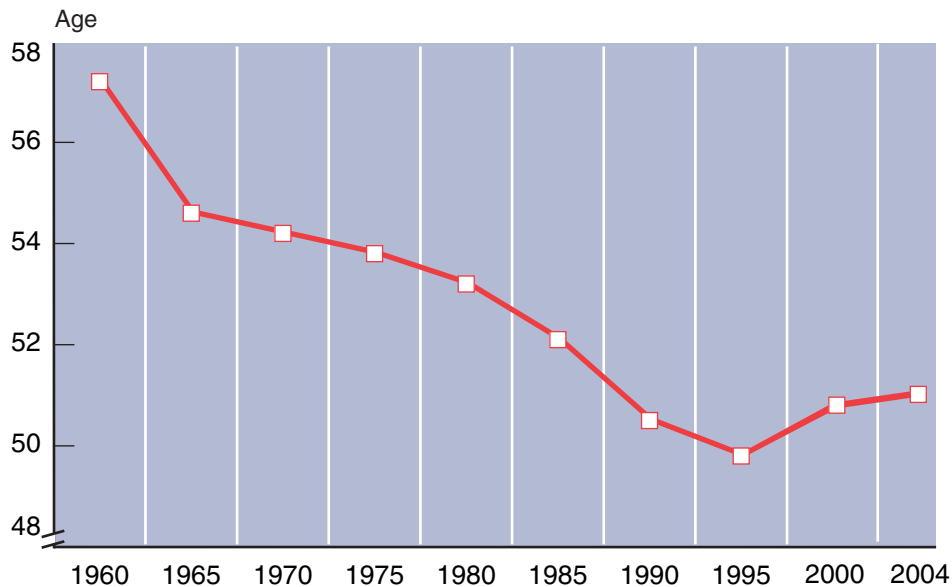


OASDI PROGRAM

Disabled-Worker Beneficiaries, by Age, 1960–2004

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 2004, it had risen slightly, to 51.5.

Average age of disabled workers, selected years

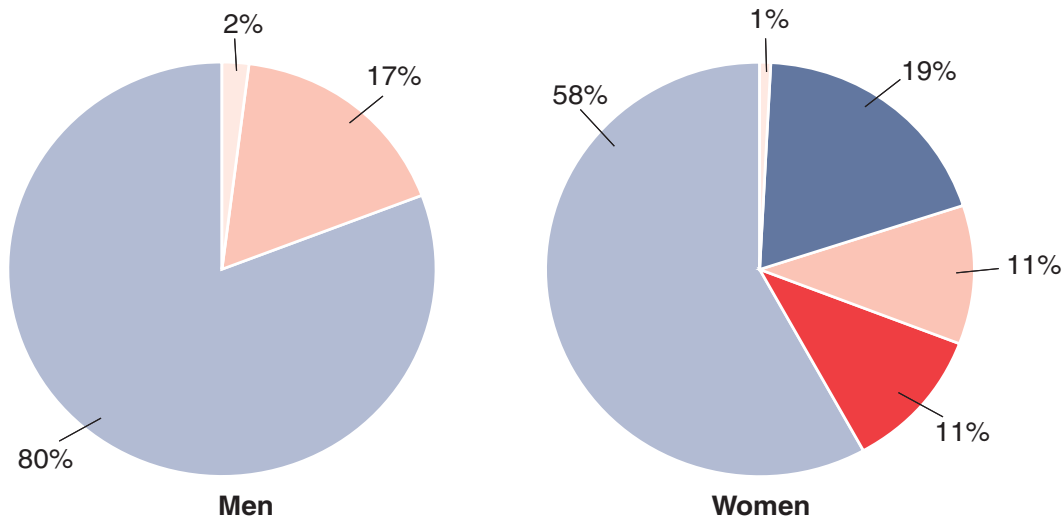
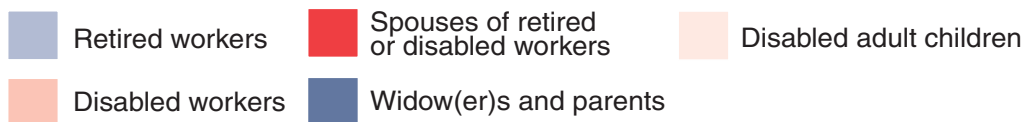


OASDI PROGRAM

Beneficiaries, by Sex, December 2004

Of all adults receiving monthly Social Security benefits, 43% were men and 56% were women. Eighty percent of the men and 58% of the women received retired-worker benefits. About one-fifth of the women received survivor benefits.

Adult beneficiaries, by type of beneficiary and sex



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

OASDI PROGRAM

Average Monthly Benefit, by Sex, December 2004

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)

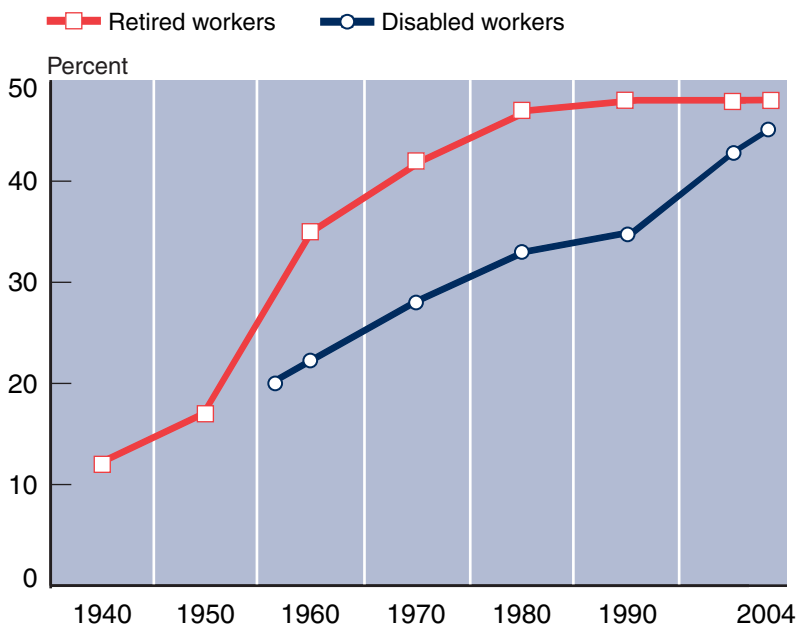
Beneficiary	Men	Women
Total	1,050	792
Retired workers	1,076	826
Spouses	273	481
Disabled workers	1,002	765
Spouses	186	233
Survivors		
Nondisabled widow(er)s	736	922
Disabled widow(er)s	417	588
Mothers and fathers	594	696

OASDI PROGRAM

Women Beneficiaries, 1940–2004

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 46% in 2004.

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

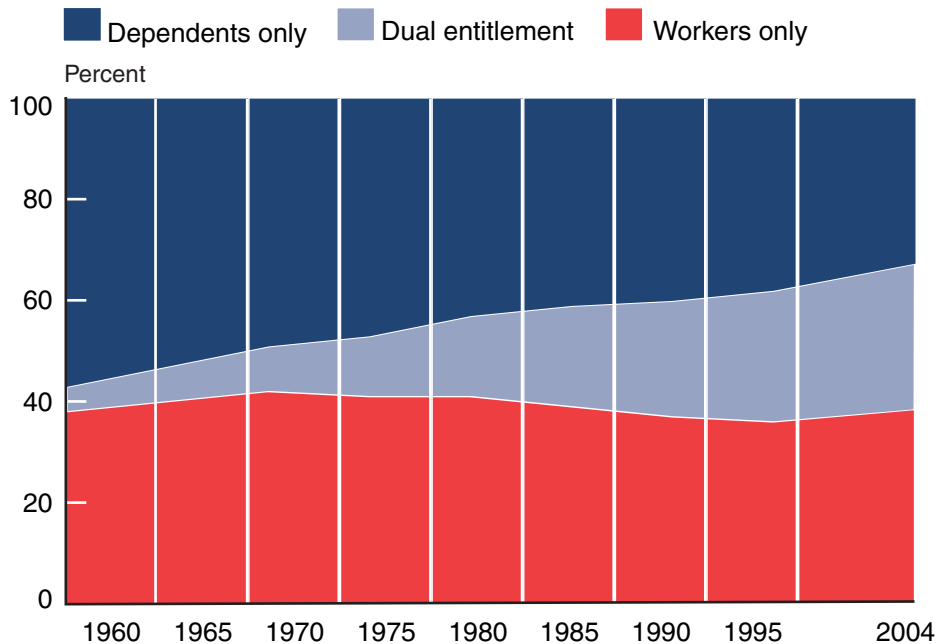


OASDI PROGRAM

Women with Dual Entitlement, 1960–2004

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 2004. 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 2004.

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

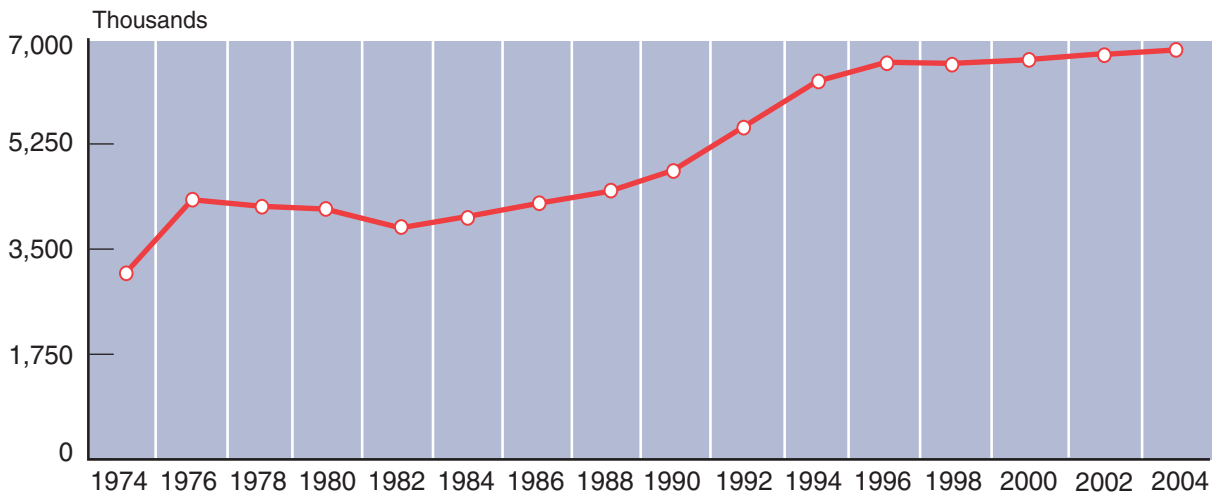


SSI PROGRAM

Beneficiaries, 1974–2004

The SSI program began in January 1974 with 3.2 million persons receiving federally administered SSI payments. That number rose to 4 million in 1975 and remained at about that level until the mid-1980s, then rose through the mid-1990s. In 2004, it stood at just under 7 million.

Persons receiving federally administered SSI payments, selected years

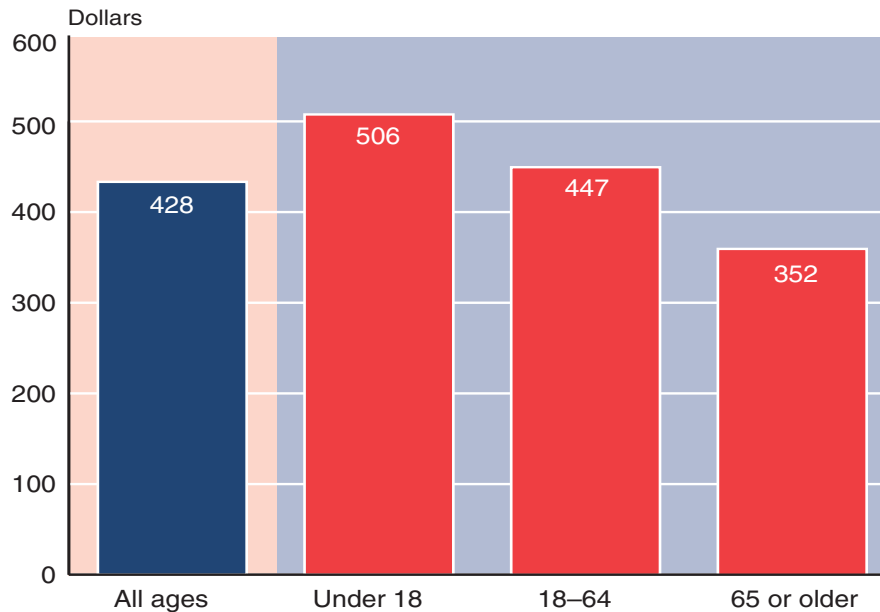


SSI PROGRAM

Payment Amounts, by Age, December 2004

The average federally administered SSI payment was \$428. Payments varied by age group, ranging from an average of \$506 for beneficiaries under 18 to \$352 for those 65 or older. The maximum federal benefit rate in December 2004 was \$564 for an individual, \$846 for a couple, plus any applicable state supplementation. This maximum amount is reduced by any countable income.

Average monthly payment for federally administered SSI payments



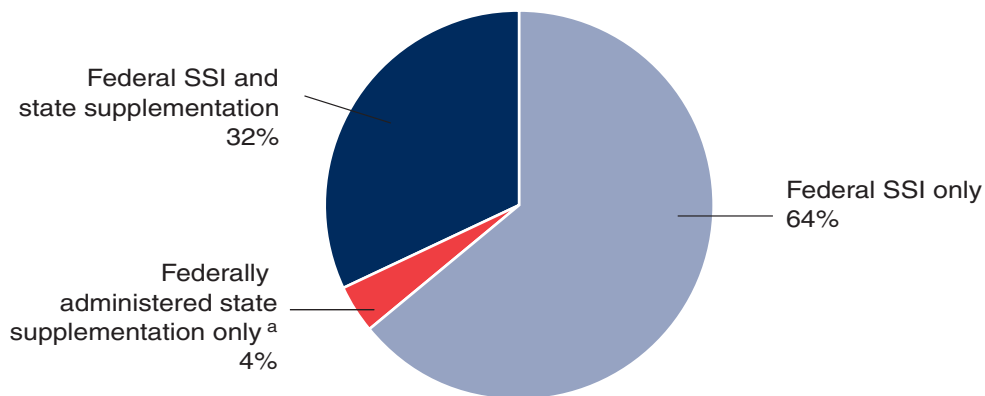
NOTE: Amounts exclude retroactive payments.

SSI PROGRAM

Federally Administered Payments, December 2004

Nearly 7 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



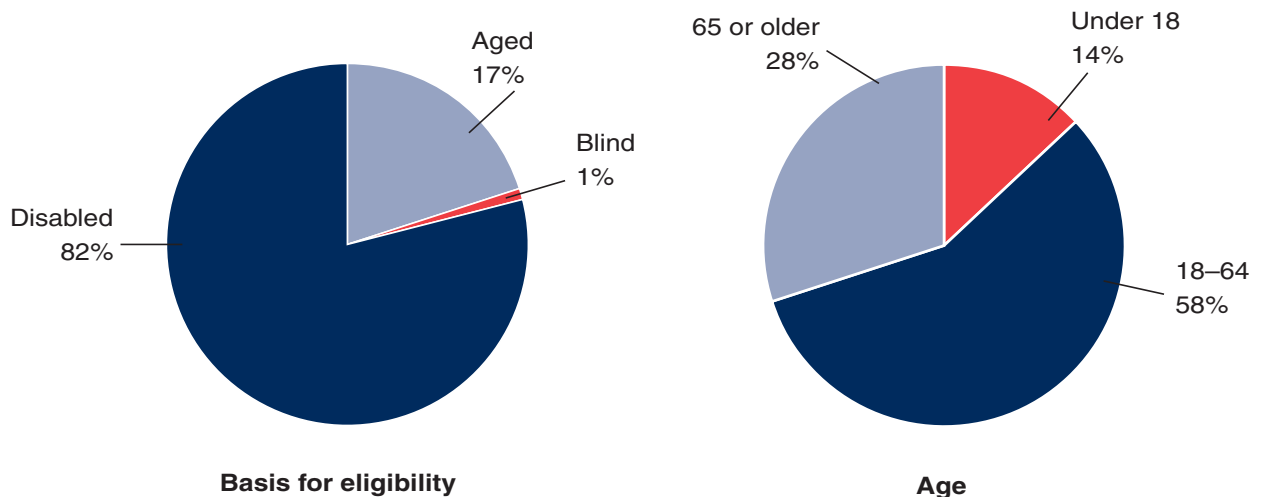
- a. Excludes state-administered state supplementation. SSA administers state supplementation for 25 states. These recipients have countable income that exceeds federal SSI limits but are still eligible for federally administered state supplementary payments.

SSI PROGRAM

Basis for Eligibility and Age of Beneficiaries, December 2004

Seventeen percent of SSI beneficiaries received benefits on the basis of age, the rest on the basis of disability. Twenty-eight 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 full retirement age. DI beneficiaries are converted to the retirement program when they attain full retirement age.

Distribution of SSI beneficiaries, by basis for eligibility and age

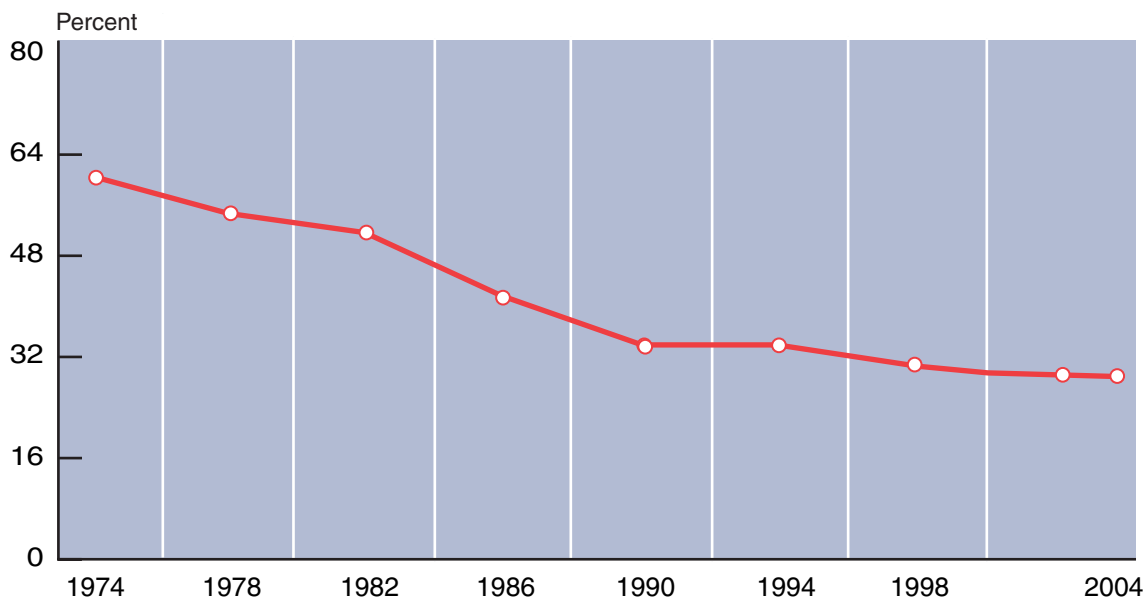


SSI PROGRAM

Beneficiaries Aged 65 or Older, 1974–2004

The proportion of SSI beneficiaries aged 65 or older has declined from 61% in January 1974 to 28% in December 2004. 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

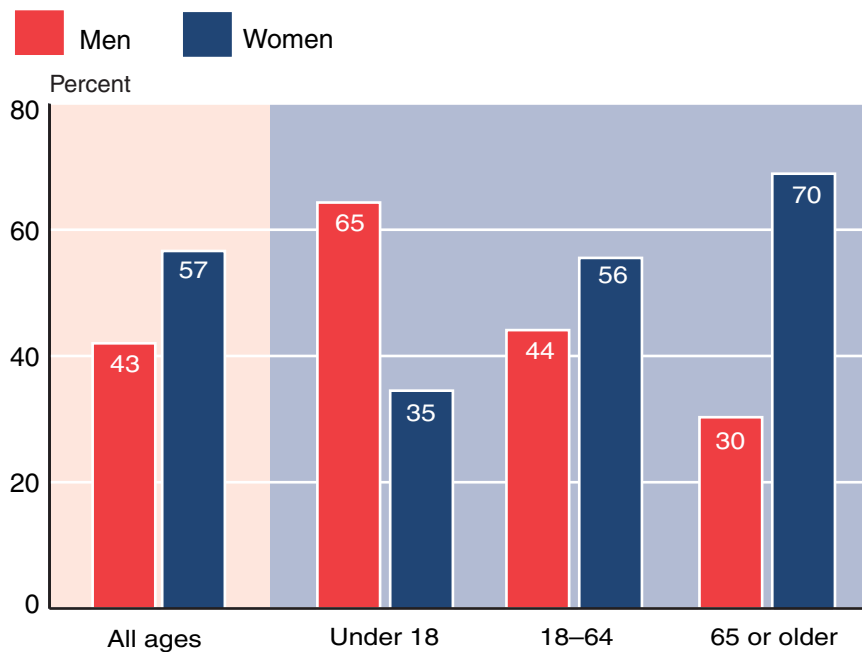


SSI PROGRAM

Beneficiaries, by Sex and Age, December 2004

Overall, 57% of the nearly 7 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, 56% of the 4 million beneficiaries aged 18–64, and 35% of the 1 million beneficiaries under age 18.

SSI beneficiaries, by sex and age

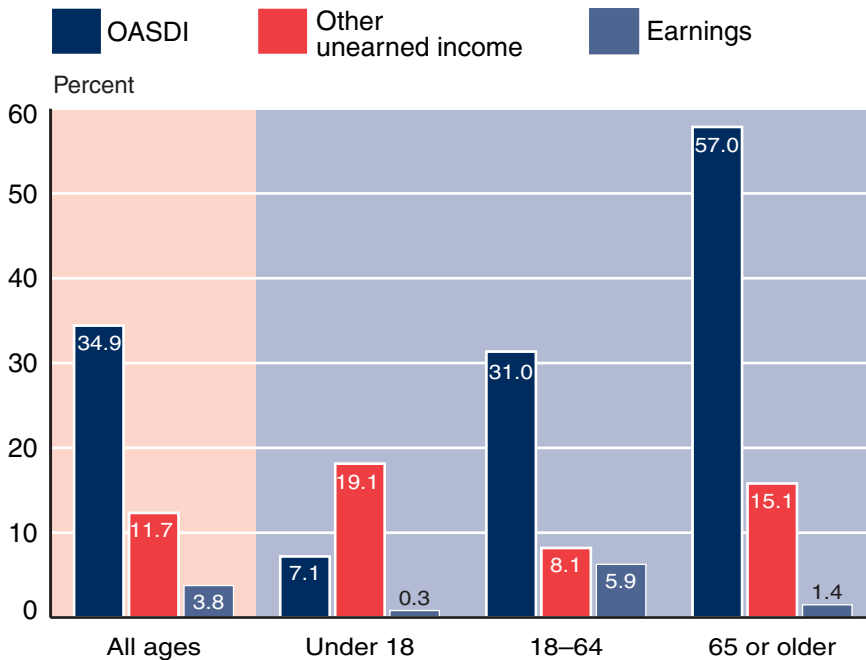


SSI PROGRAM

Other Income, December 2004

Fifty-seven percent of SSI beneficiaries aged 65 or older received OASDI benefits, as did 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 2004

About 52.2 million people received a payment from Social Security. Most (45.2 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	52,234
Total receiving	
OASDI	47,688
OASDI only	45,246
SSI	6,988
SSI only	4,546
Both OASDI and SSI	2,441

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

Number receiving benefits (in millions)



OASDI, SSI, OR BOTH

Beneficiaries Aged 65 or Older, December 2004

Benefits were paid to 34.5 million people aged 65 or older. About 1.1 million received both OASDI and SSI.

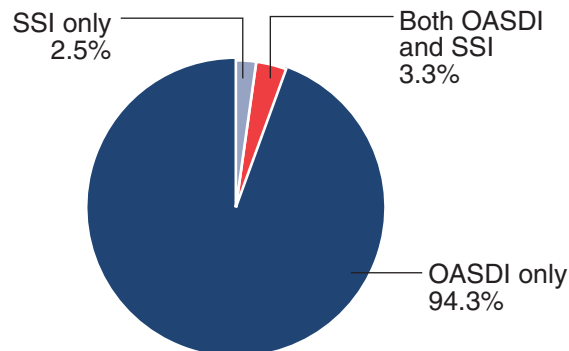
Beneficiary	Number (thousands)
Total (unduplicated)	34,546
OASDI, total	33,696 ^a
Retired workers	27,269
Spouses	2,292
Nondisabled widow(er)s	3,983
Disabled workers	82
Disabled adult children	67
SSI, total	1,978 ^b
Receiving SSI only	850
Receiving both OASDI and SSI	1,128

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 mother's and father's benefits.

b. Includes 766,500 SSI beneficiaries aged 65 or older who are disabled or blind.

Distribution of beneficiaries aged 65 or older, by program



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

OASDI, SSI, OR BOTH

Disabled Beneficiaries Aged 18–64, December 2004

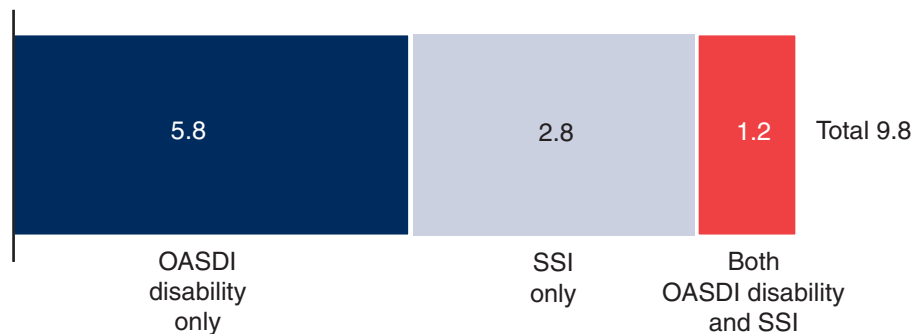
Payments were made to 9.8 million people aged 18–64 on the basis of their own disability. Fifty-nine percent received disability payments from the OASDI program only, 28% received payments from the SSI program only, and 13% received payments from both programs.

Beneficiary	Number (thousands)
Total (unduplicated)	9,793
OASDI disability, total	7,019 ^a
Workers aged 64 or younger	6,116
Disabled adult children	692
Widow(er)s	211
SSI disability, total	4,017
Receiving SSI disability only	2,774
Receiving both OASDI and SSI disability	1,243

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

a. Includes 5,776,000 beneficiaries receiving OASDI disability only.

Number receiving disability payments (in millions)

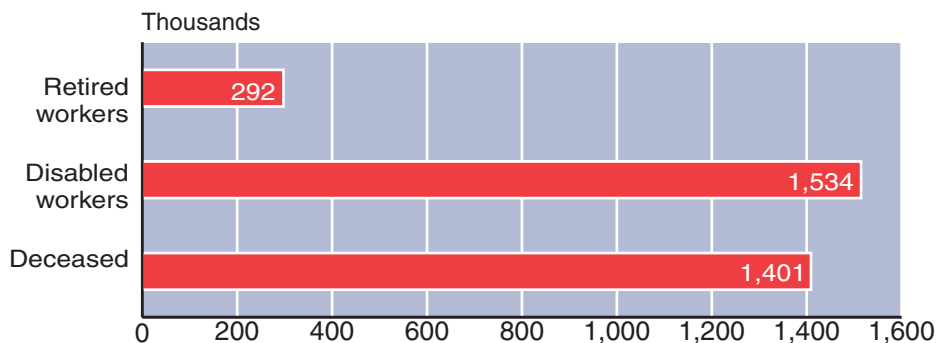


CHILDREN

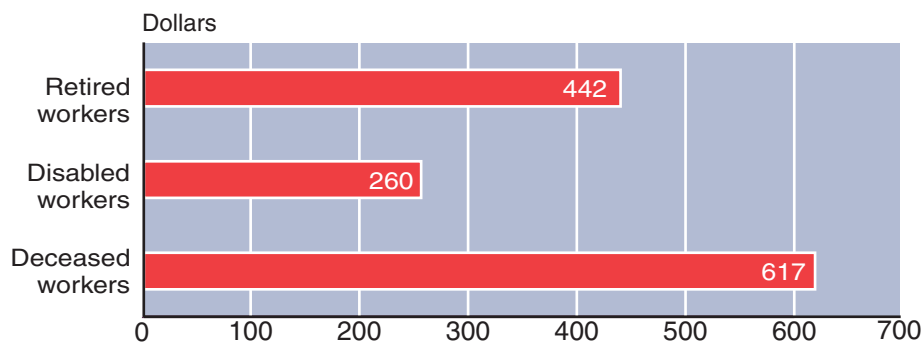
OASDI Beneficiaries, December 2004

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 \$461.

Number of children of—



Average monthly benefit for children of—

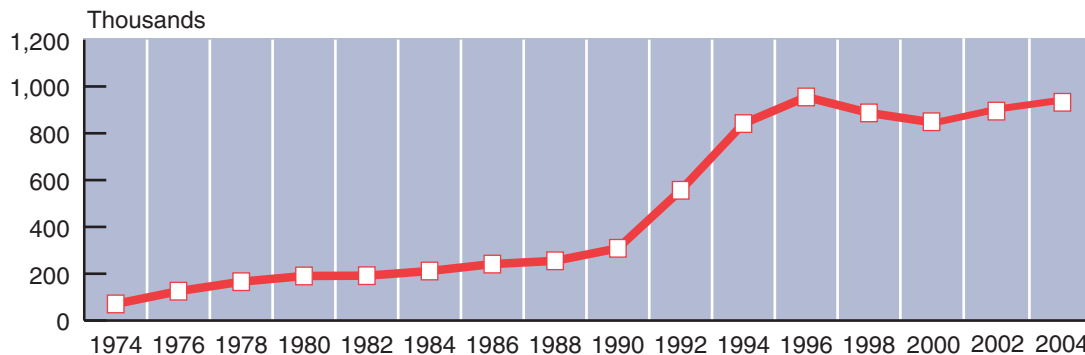


CHILDREN

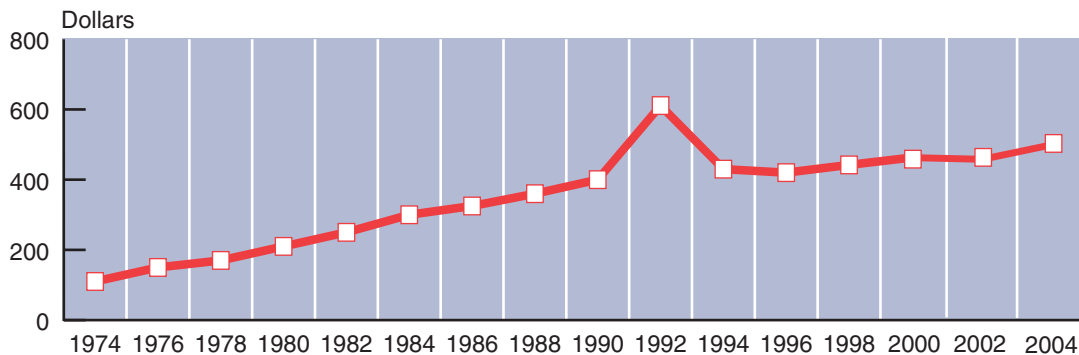
SSI Beneficiaries, 1974–2004

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 993,100. 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



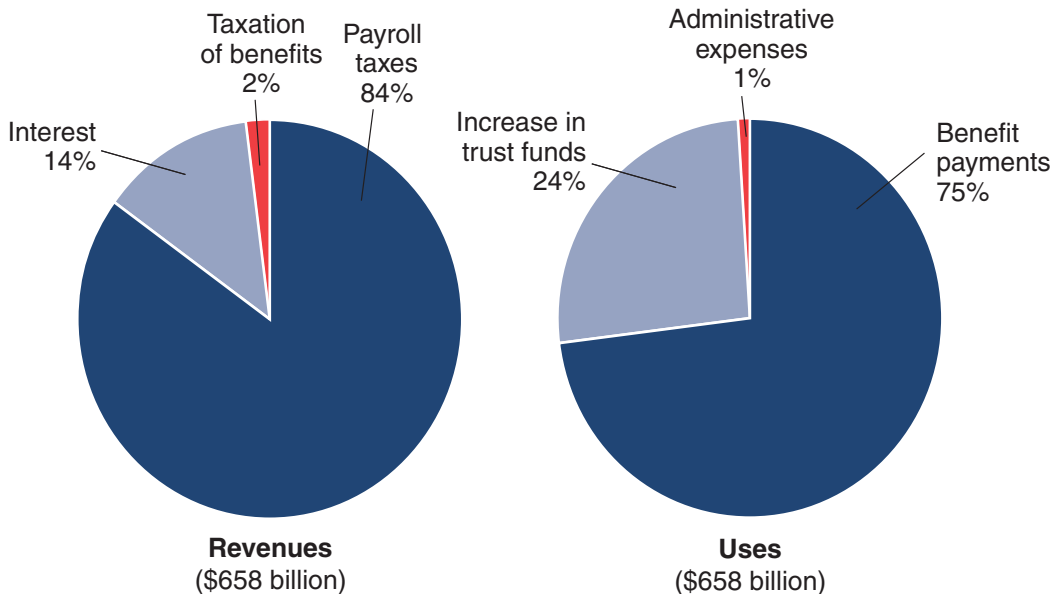
NOTE: As of 1998, these figures exclude retroactive payments.

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 2004, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds collected \$658 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 14% of income. Assets increased in 2004 because income exceeded expenditures for benefit payments and administrative expenses.

Source and uses of Social Security revenues in 2004



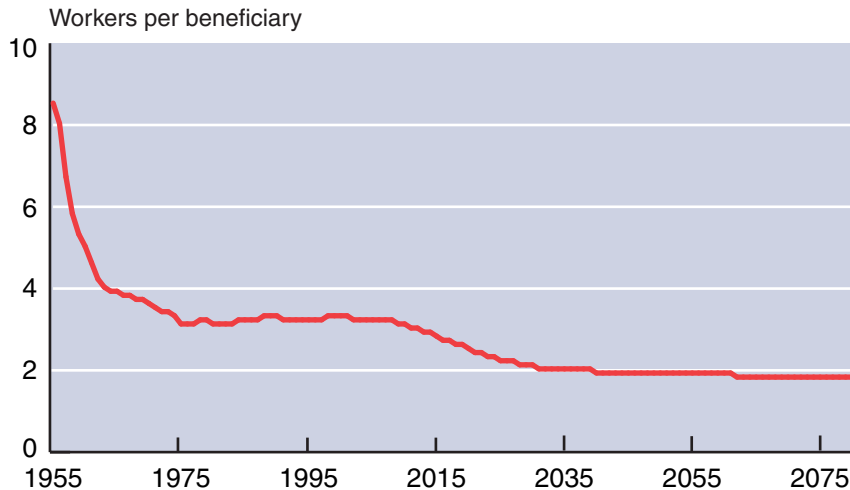
SOURCE: *The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

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. The Trustees Report projects that in 2017, at which time the ratio will be 2.8, there will not be enough workers to pay scheduled benefits at current tax rates.

Ratio of covered workers to Social Security beneficiaries



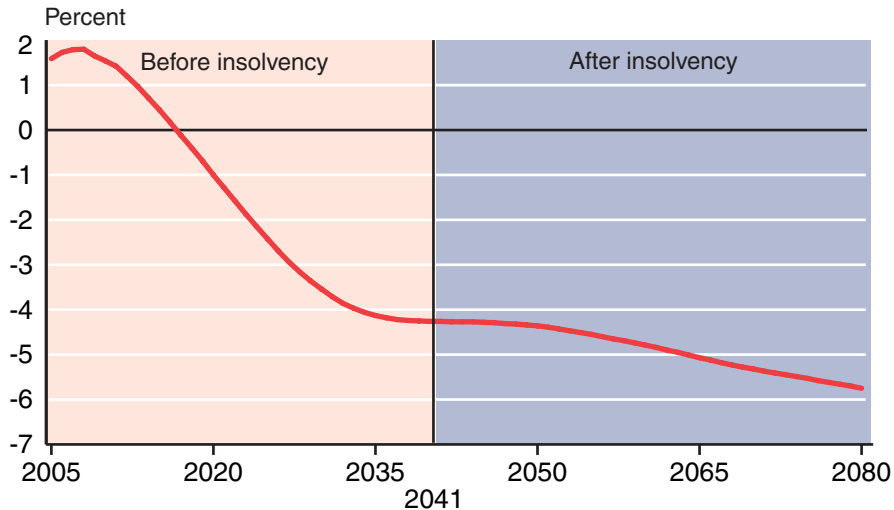
SOURCE: *The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

SOCIAL SECURITY FINANCING

The Long-Run Financial Outlook

Social Security is not sustainable over the long term at current benefit and tax rates. Within 12 years the program will begin paying more in benefits than it collects in taxes (see the chart below). By 2041 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 74% of program costs. Another 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 \$4 trillion, which is roughly equal to the total U.S. government debt held by the public today.

Social Security income minus costs as a percentage of taxable payroll



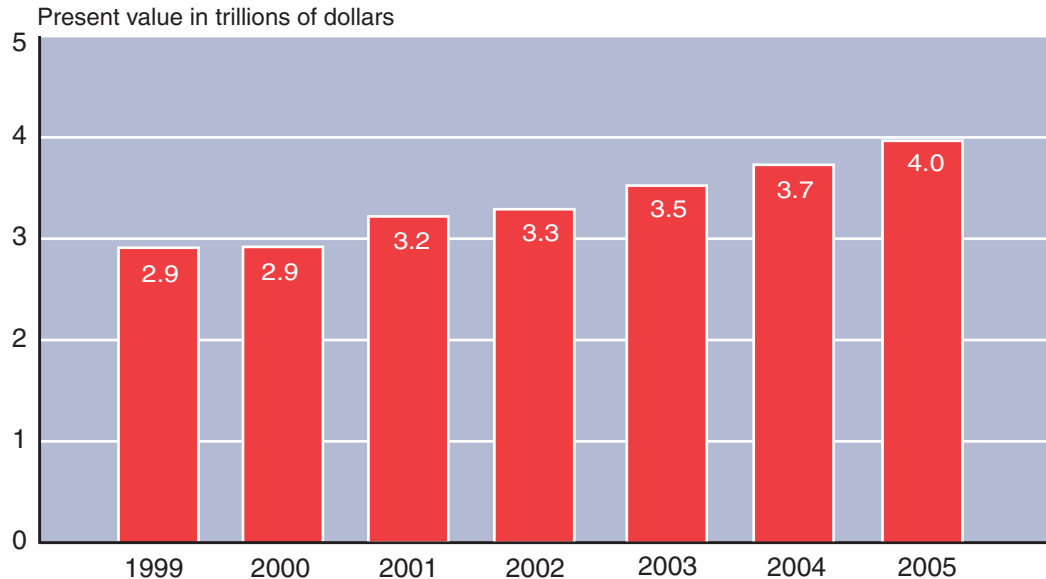
SOURCE: *The 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.*

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.