NATIONAL ACADEMY OF·SOCIAL INSURANCE

Strengthening Social Security:

What Do Americans Want?

Jasmine V. Tucker, Virginia P. Reno, and Thomas N. Bethell

The National Academy of Social Insurance

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Mathew Greenwald & Associates

Mathew Greenwald & Associates is a market research firm headquartered in Washington, D.C. Founded in 1985, the firm has extensive experience in both quantitative and qualitative analysis of public opinion and consumer preferences in fields ranging from financial services to health, retirement, and aging policy. The firm's principal, Mathew Greenwald, Ph.D., was formerly the director of social research at the American Council of Life Insurers, and has been a member of the National Academy of Social Insurance since 2002. For more information, visit www.greenwaldresearch.com

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Executive Summary

Social Security is the foundation upon which most Americans build retirement income. The program has sufficient funds to pay full benefits until 2033.[1] Eventually, as more Americans retire, Social Security is projected to face a long-term financing shortfall. If that were to happen, revenue continuing to come into the program from payroll taxes and taxation of benefits would cover about 75 percent of scheduled benefits. The projected financing gap can be closed by raising revenues, reducing benefits, or some combination of both. Steps could also be taken to improve the adequacy of benefits. Doing so would increase program costs, which in turn — in the absence of other changes — would increase Social Security's projected financing gap. The challenge for policymakers, then, when choosing among options to increase Social Security's revenues, improve benefit adequacy, or reduce future benefits, is to make sure that choices are in the public interest.

To better understand Americans' perspectives on Social Security and their preferences regarding options to strengthen the program for the future, the National Academy of Social Insurance collaborated with Mathew Greenwald & Associates to conduct a multigenerational study. The study included an online survey of 2,000 Americans ages 21 and older, conducted by Ipsos Loyalty in September 2012, to explore working and retired Americans' attitudes toward Social Security and the importance of Social Security benefits to beneficiaries' incomes. The study also included an innovative application of trade-off analysis to a public policy issue. This enabled researchers to examine how survey respondents weighed the appeal or lack of appeal of various packages of Social Security policy options. The study also convened two focus groups to help refine the survey questionnaire and the trade-off analysis. The methodology section of this report describes the focus groups, the survey, and the trade-off analysis.

Key Findings

Americans value Social Security, want to improve benefits, and are willing to pay for the program.

- Americans don't mind paying for Social Security because they value it for themselves (80%), for their families (78%), and for the security and stability it provides to millions of retired Americans, disabled individuals, and children and widowed spouses of deceased workers (84%).
- 84% believe current Social Security benefits do not provide enough income for retirees, and 75% believe we should consider raising future Social Security benefits in order to provide a more secure retirement for working Americans.
- 82% agree it is critical to preserve Social Security for future generations even if it means increasing Social Security taxes paid by working Americans, and 87% want to preserve Social Security for future generations even if it means increasing taxes paid by wealthier Americans.

Americans support a package of changes that eliminates Social Security's financing gap while improving benefits.

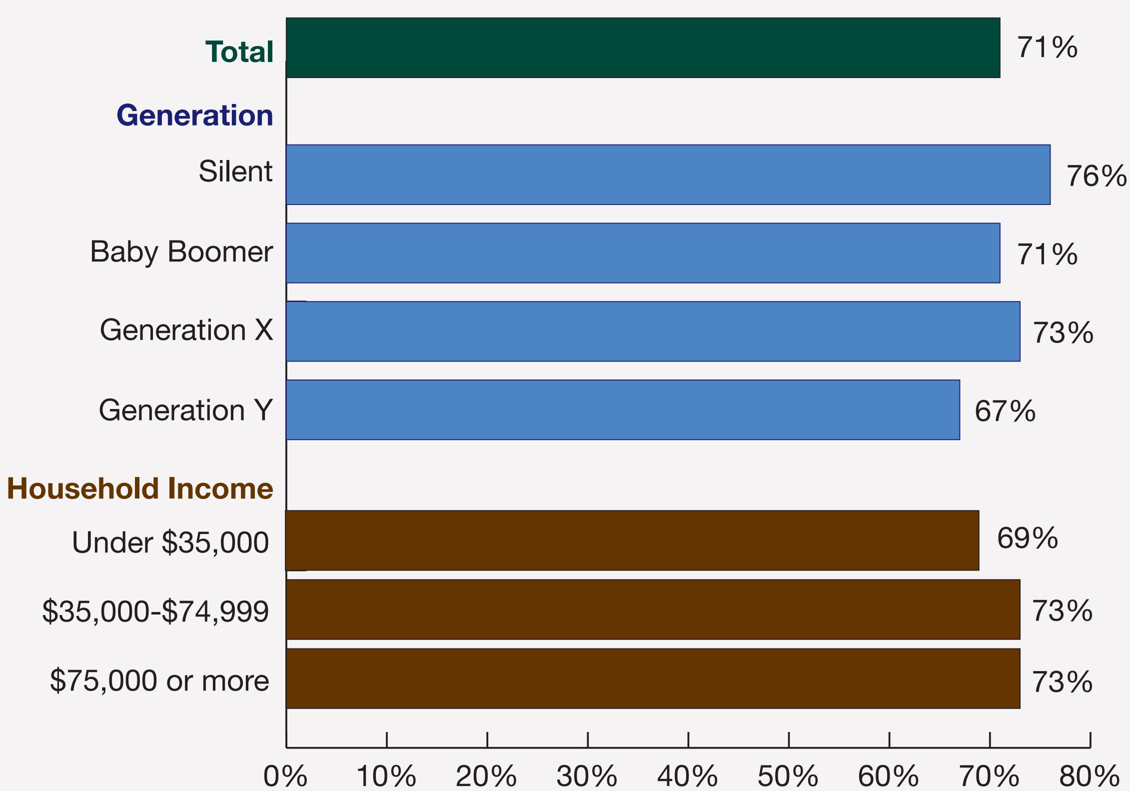
The trade-off analysis conducted for this study shows that, rather than maintain the status quo, 71% of Americans would prefer a package of changes that increases Social Security revenues, pays for benefit improvements, and eliminates more than 100% of the projected financing gap.

The preferred package would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 5% of workers who earn more than the cap ($110,100 in 2012; $113,700 in 2013) would pay into Social Security throughout the year, as other workers do.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year.
- Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor.
- Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the level of inflation experienced by seniors.

This package would entirely eliminate Social Security's projected financing gap and provide additional funding. The package is preferred over the status quo by large majorities of seniors in the so-called Silent Generation, born before 1946 (76%); Baby Boomers, born from 1946 to 1964 (71%); and younger Americans in Generation X, born from 1965 to 1979 (73%) and Generation Y, born in 1980 and after (67%). See Figure 1.

Figure 1. **Support for the Preferred Package of Policy Options in Trade-Off Analysis**



Source: National Academy of Social Insurance Survey, September 2012

Certain changes have a strong impact on the appeal of policy packages.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Increase the tax rate that workers and employers each pay in two steps, from 6.2% to 7.2% in 2022 and to 8.2% in 2052.
- Keep Social Security's current full retirement age at 67.
- Do not means-test eligibility for Social Security benefits.

In contrast, the trade-off analysis shows that options that *strongly decrease* a package's appeal would:

- Not increase revenues for Social Security.
- Raise Social Security's full retirement age to 70.
- Means-test eligibility for Social Security benefits.

Americans are counting on Social Security — but are not confident about its future.

- Of those currently receiving Social Security, 96% say it is important to their monthly income, and 72% say that without Social Security they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing. Of those not currently receiving Social Security, 87% say it will be important to their income when they begin receiving benefits.
- 57% of Americans say they are not confident about the future of the program.
- 69% of those not currently receiving Social Security benefits lack confidence that they will receive all their earned benefits when they retire.

Americans' views about Social Security change when they are given factual information.

- Official projections show that Social Security has sufficient funds to pay all benefits until 2033.[2] Just 18% of Americans knew that Social Security would still be able to pay 75% of scheduled benefits after 2033. Most of the rest did not know, or thought Social Security's finances would be in far worse shape.
- After learning that raising Social Security payroll taxes from 6.2% to 7.6% for both workers and employers would ensure that the program could pay full benefits for 75 years, those who considered Social Security financing to be a crisis or a significant problem dropped from 57% to 26%, while those who thought it was a manageable problem or not a problem at all increased from 43% to 74%.
- 72% agree that Social Security — at about 6% of the economy — is affordable. Large majorities of Americans agree in each generation, in each family income group, and among Republicans, Democrats, and independents.

Social Security Basics

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — an average of $1,261 as of December 2012 — they are the main source of income for most seniors.[3] A third of elderly beneficiaries rely on Social Security for almost all (90% or more) of their income; two-thirds count on it for more than half of their income. The program also provides life insurance and disability income protection to workers and their families. Social Security keeps more than 21 million Americans out of poverty — including 1 million children, 6 million adults under age 65, and 14 million seniors.[4]

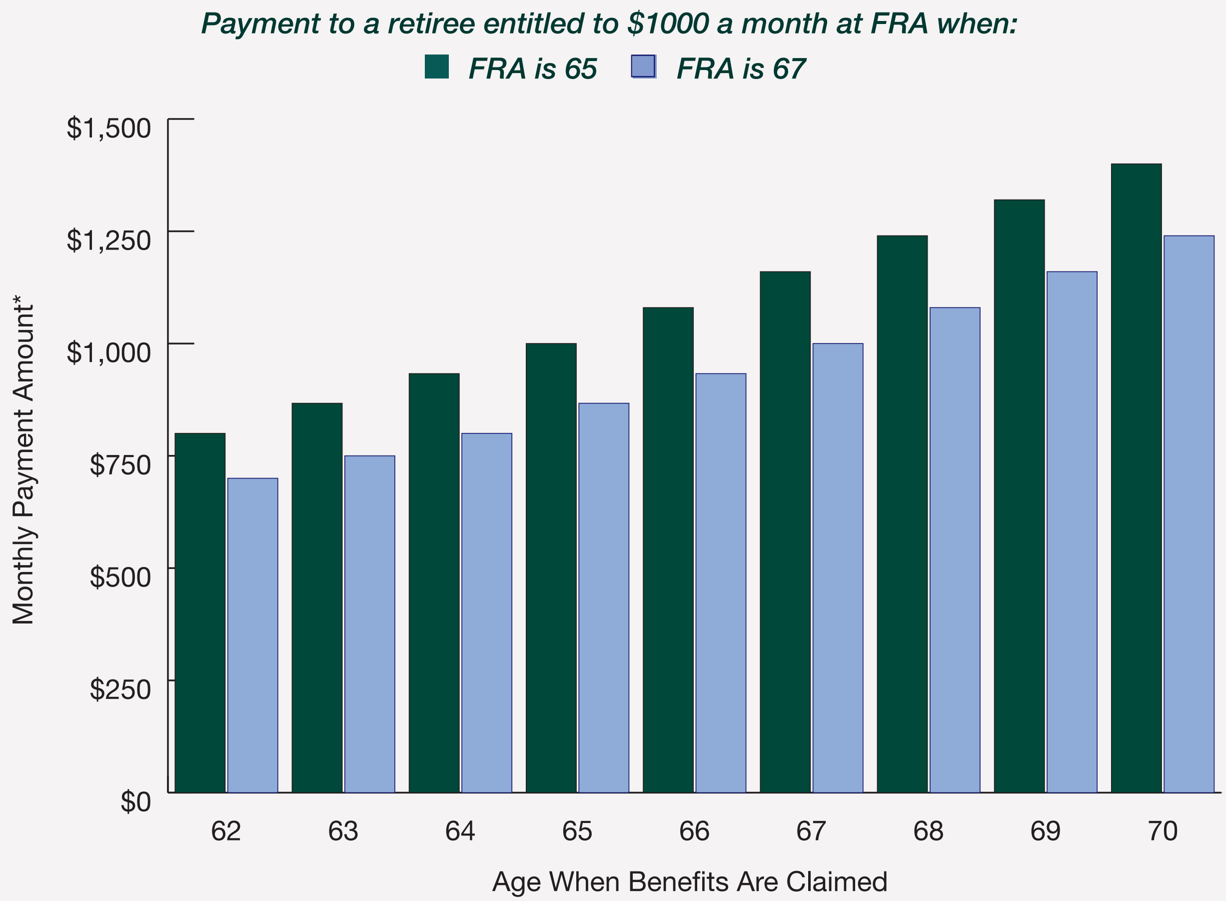
Workers pay for Social Security through deductions from their pay. They pay 6.2% of their earnings up to an annual cap ($110,100 in 2012; $113,700 in 2013)[5] and employers pay a matching amount. In addition, upper-income beneficiaries pay income taxes on part of their benefits, and these taxes go to Social Security's trust fund (with part going to Medicare's Hospital Insurance trust fund) to pay for future benefits. Social Security funds that are not used to pay immediate benefits are invested in Treasury securities and earn interest that is another source of income to the Social Security system.

Social Security is highly efficient. Of every dollar of outgo, less than a penny is spent on administration, while just over 99 cents goes out in payments to the 56 million Americans who receive benefits as retired or disabled individuals and their families or as the children and widowed spouses of deceased workers.[6]

Official projections indicate that the program will have sufficient funds to pay all scheduled benefits for the next two decades. Reserves are projected to grow to $3.1 trillion by the end of 2020.[7] After 2020, if the projections do not change and Congress does not act in the meantime to strengthen Social Security's finances, the reserves would be drawn down to pay benefits. In the unlikely event that Congress does not act before 2033, the reserves would be depleted, and revenue continuing to come into the system from workers' and employers' payroll tax contributions and from taxes on benefits would cover only about 75% of scheduled benefits.[8]

Over Social Security's 78-year history, policymakers have never failed to ensure that legislated benefits are paid. Lawmakers have many options to strengthen Social Security funds for the future. The most recent major changes to Social Security were enacted in 1983. The biggest change affecting Baby Boomers and younger workers is the gradual increase in the age of eligibility to receive full retirement benefits, from 65 (for workers born before 1939) to 67 (for workers born in 1960 and later). That increase in the retirement age means that Americans age 53 and younger today face a permanent benefit reduction of 13-14% from what they would have received if the retirement age were still 65. The second important change made Social Security benefits subject to income taxes. Legislation enacted in 1983 (and expanded in 1991) provides for taxing part of Social Security benefits and returning the tax revenues to the Social Security and Medicare trust funds.

Increase in Full Retirement Age (FRA) from 65 to 67 Lowers Benefits



Source: Reno, Virginia P. and Elisa A. Walker. 2012. *Social Security Benefits, Finances, and Policy Options: A Primer*. Washington, DC: National Academy of Social Insurance.

*Monthly payment reflects 8% delayed retirement credit after FRA

The combined effect of raising the full retirement age and taxing benefits is a reduction of net "take-home" benefit income for future retired beneficiaries of about 23%, on average. The retirement age change lowers benefits for all retirees as shown in the chart above; taxation of benefits lowers net take-home benefits more for upper-income beneficiaries. The 1983 legislation did not provide for balancing these benefit cuts with any increase in payroll tax contributions from employees and employers, nor has any subsequent action by Congress. This study finds that the public now wants to make Social Security benefits more adequate and remedy its financing gap by increasing payroll tax contributions.

What This Study Found

This study sought to learn Americans' preferences about options to strengthen the Social Security program for the future. The survey first asked attitudinal questions to ascertain Americans' overall views of Social Security, their confidence in its future, their willingness to consider increasing or reducing future benefits, and their willingness to pay for the program now and in the future. The survey then asked respondents whether they favor or oppose 14 specific policy changes. Each potential policy change included an estimate of its impact on Social Security's long-term financing gap. Options that would improve benefit adequacy would increase the financing gap, while options that would raise future revenues or reduce future benefits would reduce or eliminate the gap.

Several of the 14 Social Security policy changes were also examined in the trade-off analysis. The trade-off analysis determined which package of policy options is preferred by survey participants and the proportion of participants who favor that package over the status quo – that is, over leaving Social Security unchanged. In this study, findings from the exploratory use of trade-off analysis enrich and reinforce findings from the attitudinal survey.

Attitudes and Knowledge about Social Security

Americans Have Favorable Views of Social Security

Nearly 3 in 4 Americans (72%) say they have a favorable view of Social Security. This positive viewpoint is shared across generations (Table 1). While seniors — members of the so-called "Silent Generation" —are most likely to view Social

Table 1. **Overall Views of Social Security, by Generation, Family Income and Party Affiliation**

Overall, is your view of Social Security favorable or unfavorable?	(percent favorable)
Total	72
Generation (Year of Birth)	
Silent (before 1946)	85
Baby Boomer (1946-1964)	73
Generation X (1965-1979)	70
Generation Y (1980 and later)	65
Family Income	
Less than $30,000	70
$30,000 to $49,999	75
$50,000 to $74,999	68
$75,000 to $99,999	74
$100,000 or more	75
Party Affiliation	
Republican	59
Democrat	79
Independent	74

Source: National Academy of Social Insurance Survey, September 2012

Security favorably (85%), that view is shared by nearly 3 in 4 (73%) Baby Boomers (hereafter identified simply as "Boomers"); 70% of Americans in Generation X; and nearly two-thirds (65%) of Americans in Generation Y.

Favorable views of Social Security are reported by large majorities of Americans at all family income levels – with 70% of those in the lowest annual income group (below $30,000) and 75% of those in the top income group ($100,000 and higher) reporting favorable views. Moreover, in contrast to their disagreements on many other issues, majorities of Republicans (59%), Democrats (79%), and independents (74%) share a favorable view of the Social Security program.

Americans Don't Mind Paying for Social Security

A more compelling test of Americans' support for the Social Security program is whether they are willing to pay for it. As noted, Social Security is financed mainly by workers' and employers' payroll tax contributions. Workers have 6.2% of earnings deducted from their paychecks to finance Social Security, with their contributions matched by their employers. (Under a payroll tax holiday enacted by Congress in 2010, the worker's share was temporarily reduced to 4.2% in 2011 and 2012.)[10]

Large majorities of Americans, both working and retired, say they do not (or did not) mind paying Social Security taxes because it helps millions of people (84%) and because they (80%) or their families (78%) benefit from it (Table 2).

Table 2. **Willingness to Pay for Social Security and Views on Increasing Benefits**

Questions	*Percent Agree*	*Percent Strongly Agree*
I don't mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	84%	46%
I don't mind paying Social Security taxes because I know I would have to help support my parents, grandparents, or other family members if they did not receive Social Security.	78	40
I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire.	80	48
Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	89	57
Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree that Social Security benefits are inadequate?	84	39
To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	75	39

Source: National Academy of Social Insurance Survey, September 2012

*In a striking show of support, nearly half (46%) of Americans **strongly** agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on benefits.*

In a striking show of support, nearly half (46%) of Americans *strongly* agree that they don't mind paying Social Security taxes because of the stability and security that Social Security provides to the millions of people who rely on its benefits — retired and disabled Americans and the children and widowed spouses of deceased workers.

Americans Agree Benefits Are Critically Important and Could Be Improved

Other indicators of support for Social Security are respondents' agreement that benefits are critically important in today's uncertain economy, that benefits are not as adequate as they might wish, and that benefit increases merit consideration (Table 3).

Table 3. **Views on Importance of Social Security, Paying Taxes, and Increasing Benefits, by Generation, Family Income and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	Social Security benefits now are more important than ever…	I don't/didn't mind paying Social Security taxes because it provides security and stability to millions…	… we should consider increasing Social Security benefits.
Total	89%	84%	75%
Generation			
Silent	93	88	72
Baby Boomer	93	86	76
Generation X	87	85	74
Generation Y	84	79	74
Family Income			
Less than $30,000	89	83	80
$30,000 to $49,999	93	90	78
$50,000 to $74,999	89	82	70
$75,000 to $99,999	87	82	71
$100,000 or more	88	86	67
Party Affiliation			
Republican	81	74	62
Democrat	94	91	84
Independent	91	86	71

Source: National Academy of Social Insurance Survey, September 2012

Among Democrats, Republicans, and independents, clear majorities agree that Social Security benefits are more important than ever in today's volatile economy.

- 89% of Americans agree that "Social Security benefits now are more important than ever to ensure that retirees have a dependable income." Those in agreement include nearly 6 in 10 (57%) who strongly agree with the statement.

- 84% believe that Social Security benefits are inadequate, and 75% believe we should consider increasing benefits in order to provide a more secure retirement for working Americans.

Willingness to pay for Social Security and to consider increasing benefits is widespread and shared across generations. Seniors in the Silent Generation, Boomers in mid-career and approaching retirement, and younger workers in Generation X and Generation Y show consistent agreement on these issues. Higher- and lower-income Americans also agree. Among Democrats, Republicans, and independents, clear majorities agree that Social Security benefits are more important than ever in today's volatile economy; they don't mind paying Social Security taxes because they see the value of the program to millions of Americans; and proposals to improve the adequacy of Social Security benefits merit consideration.

Americans Are Willing to Pay More to Strengthen Social Security

As noted, Social Security is financed mainly by payroll tax contributions deducted from workers' paychecks and matched by their employers. Only earnings up to a cap (which was $110,100 in 2012 and is $113,700 in 2013) are taxed and counted toward benefits. About 5% of all workers earn more than the cap; they and their employers stop paying into Social Security when they reach the cap. In 2012, for example, a worker earning $130,000 annually stopped paying taxes when his or her earnings reached $110,100 in November, while someone making $1 million stopped paying in February. Proposals to increase revenues for Social Security include raising or eliminating the earnings cap. That change would affect the 5% of workers whose earnings exceed the cap. Another way to increase Social Security revenues is to increase the 6.2% payroll tax rate that workers and employers each pay. That would affect all workers who pay into Social Security. The survey explored Americans' views on who should pay more in order to improve Social Security's finances (Table 4).

- When asked whether they agreed or disagreed that "It is critical to preserve Social Security even if it means increasing Social Security taxes paid by *working Americans*,"

Table 4. **Views on Paying More to Preserve Social Security**

	Percent Agree		Percent Disagree	
Questions	Total	Strongly	Total	Strongly
It is critical that we preserve Social Security even if it means increasing the Social Security taxes paid by…				
Working Americans	82	41	18	6
Wealthy Americans	87	62	13	5

Source: National Academy of Social Insurance Survey, September 2012

82% of respondents agreed; 41% *strongly* agreed.

- When asked whether they agreed or disagreed that "It is critical to preserve Social Security even if it means increasing Social Security taxes paid by *wealthy Americans*," 87% of respondents agreed; 62% *strongly* agreed.

In brief, large majorities of Americans believe that all workers could contribute somewhat more to Social Security if necessary, and that better-off Americans could pay more because they have higher earnings. This holds true across generations, across income groups, and across political parties (Table 5).

Trade-Off Analysis: Americans' Preferred Packages of Policy Changes

Americans support Social Security, are willing to increase payroll taxes in order to pay for it, and want to consider benefit improvements. The trade-off analysis adds a new dimension to these attitudinal findings by identifying specific packages of policy changes that respondents prefer. Trade-off analysis (also known as conjoint analysis) is a technique often used in market research to discern how consumers value different elements of a package of potential product features, and to estimate which package is most favored. In this study, trade-off analysis is used to learn how members of the

Table 5. **Views on Paying More to Preserve Social Security by Generation, Family Income and Party Affiliation**
(Percent Agreeing)

Respondent Characteristics	It is critical that we preserve Social Security even if it means increasing Social Security taxes paid by…	
	Working Americans	*Wealthy Americans*
Total	82%	87%
Generation		
Silent	90	87
Baby Boomer	84	88
Generation X	80	87
Generation Y	77	84
Family Income		
Less than $30,000	78	88
$30,000 to $49,999	85	88
$50,000 to $74,999	83	86
$75,000 to $99,999	82	85
$100,000 or more	82	82
Party Affiliation		
Republican	74	71
Democrat	88	97
Independent	83	86

Source: National Academy of Social Insurance Survey, September 2012

Although one might expect younger Americans to resist packages that include tax increases — since they will bear the brunt of such increases — this does not appear to be the case.

general public weigh the appeal, or lack of appeal, of various packages of Social Security policy changes. This is a new application of trade-off analysis to Social Security policy. It allows researchers to calculate which package of Social Security changes is most preferred to the status quo and what proportion of participants prefer that package. More details about the trade-off analysis are in the Methodology section of this report.

The 12 policy options included in the trade-off analysis, and the impact of each option, are shown in Table 6. Four options to raise revenues — two by raising the cap on earnings subject to Social Security taxes and two by raising the tax rate — reduce the financing gap. Four options to lower future benefits — two by raising the full retirement age, one by means-testing benefits, and one by lowering the annual cost-of-living adjustment — also reduce the financing gap. In contrast, the four options that increase the adequacy of benefits in various ways would increase the financing gap.

The trade-off analysis finds that Americans prefer packages that both raise Social Security revenues and increase benefits. The most favored solution — Package A (Table 7) — is preferred over the status quo by 71% of respondents. It would eliminate 115% of Social Security's financing gap, meaning that it would entirely eliminate the gap and have money left over for a margin of safety. Package A would:

1. Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 5% of workers who earn more than the cap ($110,100 in 2012; $113,700 in 2013) would pay into Social Security throughout the year, as other workers do.

2. Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year.

3. Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor.

4. Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the level of inflation experienced by seniors.

A second package — Package B — received almost as much support (70%) in the trade-off analysis. Package B differed only slightly from Package A. Like Package A, it would eliminate Social Security's entire financing gap and improve benefits. The only difference is that Package B, instead of increasing the COLA as in package A, would increase benefits across the board by $60 a month.

Although one might expect younger Americans to resist packages that include tax increases — since they will bear the brunt of such increases — this does not appear to be the case. Preferences for Package A or B, both of which raise taxes, increase slightly with age, yet nearly three-fourths of Generation X and two-thirds of Generation Y still prefer packages that increase Social Security revenues and improve benefits over the status quo.

Prior to engaging in the trade-off exercise, survey respondents were also asked whether they would favor or oppose a composite package of policy changes that would entirely eliminate Social Security's financing gap. This package contained the same elements as Package B. Altogether, 84%

Table 6. **Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security Financing Gap**

Policy Option	*Percent Change in Financing Gap*
Cap on Earnings Taxed for Social Security	
• Eliminate the earning cap over 10 years so that 100% of earnings are taxed	-71
• Lift the cap over a 5 year period to tax 90% of earnings	-30
• No change	0
Social Security Tax Rate	
• Over 20 years, raise the tax by 1/20th of 1% per year for employees and employers	-53
• Raise the current tax for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-77
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-15
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to prove they need benefits to receive them	-20
• No change	0
Children's Benefits for Students	
• Reinstate student benefits to children whose working parents have died or become disabled, up to 22 years of age	+3
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by $60 a month for all beneficiaries	+28
• No change	0
Benefits for Lifetime Low-wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	+7
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation for the elderly	+13
• Lower the Social Security COLA	-20
• No change	0

Source: National Academy of Social Insurance, based on information in Appendix E

Table 7. **Comparing Package A and Package B**

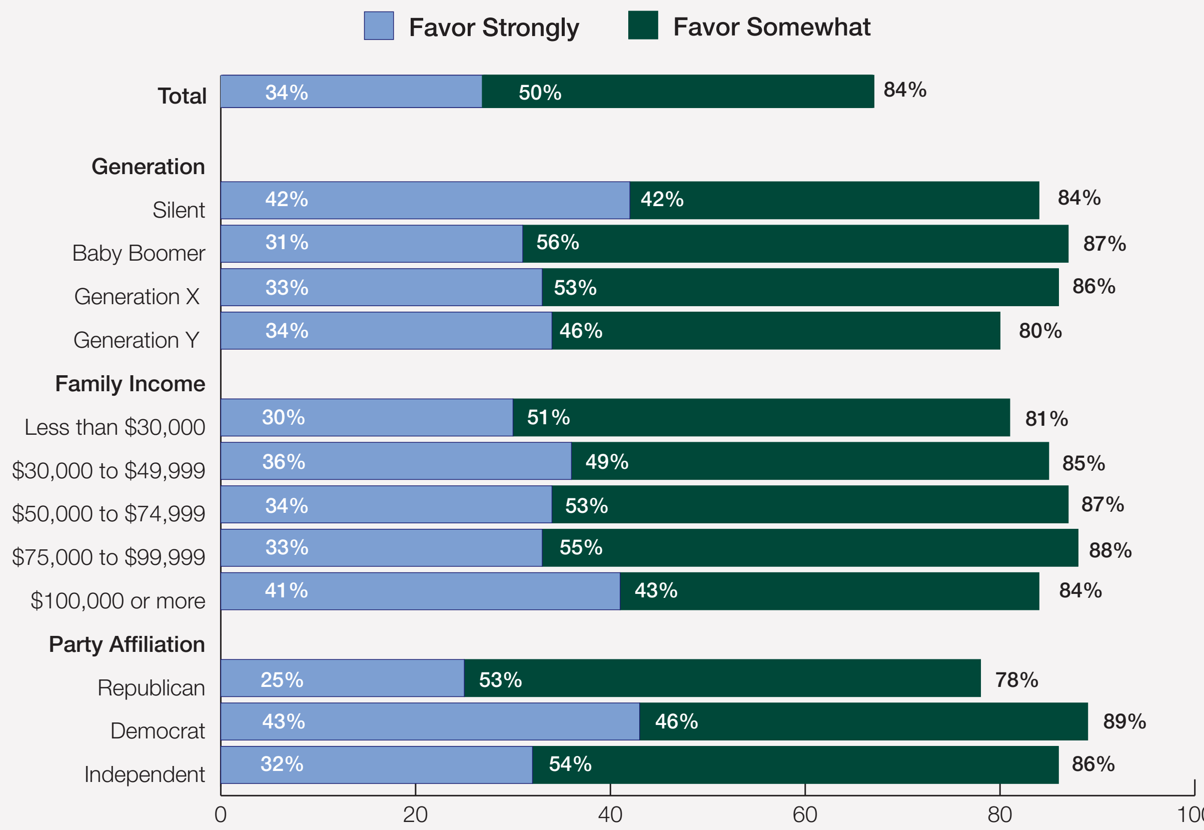
Package Features	*Package A*	*Package B*
Common Features	• Eliminate the cap over 10 years so that 100% of earnings are taxed • Over 20 years, raise the tax rate by 1/20th of 1% per year for employees and employers • Raise the minimum Social Security benefit	
Different Features	• Increase the COLA by basing it on inflation for the elderly	• Increase benefits by $60 a month for all beneficiaries
Decline in financing gap	115%	100%
Percent Preferring Package to No Change		
Total	**71**	**70**
Generation		
Silent	76	74
Baby Boomer	71	70
Generation X	73	72
Generation Y	67	65
Household Income		
Under $35,000	69	67
$35,000 - $74,999	73	72
$75,000 or more	73	72

Source: National Academy of Social Insurance Survey, September 2012

of respondents favor this package, including 34% who strongly favor it. While this direct question – do you favor or oppose this package? – is different from the methods used in the trade-off analysis, the highly consistent results reinforce the finding that Americans favor policies that rely on revenue increases to close Social Security's financing gap and pay for modest benefit improvements.

As Figure 2 shows, in each generation and family income group, at least 8 in 10 respondents favor rather than oppose Package B. Even in the highest family income group, 84% of respondents favor it. This group includes the top 5% of earners who make more than the taxable earnings cap and would pay more into Social Security if the cap were gradually eliminated. The gradual increase in the tax rate would affect workers in all income groups. Support is strong across party lines, with 78% of Republicans, 89% of Democrats, and 86% of independents in favor of Package B.

Figure 2. **Support for Package B, by Generation, Family Income and Party Affiliation**



Source: National Academy of Social Insurance Survey, September 2012

Individual Policy Options in the Trade-off Analysis

Trade-off analysis can estimate the appeal of specific policy options within packages. Table 8 shows the appeal of each of the policy changes examined in the trade-off analysis. For example, when a policy option has a "strong positive" impact, respondents were much more likely to choose a package when that option was included.

The trade-off analysis shows that the following specific changes *strongly increase* the appeal of a package of policy options:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Increase the tax rate that workers and employers each pay in two steps, from 6.2% to 7.2% in 2022 and to 8.2% in 2052.
- Keep Social Security's current full retirement age at 67.
- Do not means-test eligibility for Social Security benefits.

In contrast, the trade-off analysis showed that options that *strongly decrease* a package's appeal would:

- Not increase revenues for Social Security.
- Raise Social Security's full retirement age to 70.
- Means-test eligibility for Social Security benefits.

Table 8. **Individual Policy Changes in Trade-Off Analysis and Impact on the Appeal of a Policy Package**

Policy Option	*Impact on Appeal of a Policy Package*
Cap on Earnings Taxed for Social Security	
• Eliminate the earning cap over 10 years so that 100% of earnings are taxed	**Strong Positive**
• Lift the cap over a 5 year period to tax 90% of earnings	Weak Positive
• No change	**Strong Negative**
Social Security Tax Rate	
• Over 20 years, raise the tax by 1/20th of 1% per year for employees and employers	**Strong Positive**
• Raise the current tax for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	**Strong Positive**
• No change	**Strong Negative**
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	Weak Positive
• Gradually raise the full retirement age to 70	**Strong Negative**
• No change	**Strong Positive**
Means-Test Social Security	
• Require people to prove they need benefits to receive them	**Strong Negative**
• No change	**Strong Positive**
Children's Benefits for Students	
• Reinstate student benefits to children whose working parents have died or become disabled, up to 22 years of age	Weak Negative
• No change	Weak Positive
Benefits for All Beneficiaries	
• Increase benefits by $60 a month for all beneficiaries	Weak Negative
• No change	Weak Positive
Benefits for Lifetime Low-wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	Weak Positive
• No change	Weak Negative
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation for the elderly	Weak Positive
• Lower the Social Security COLA	Weak Negative
• No change	Little Impact

Source: National Academy of Social Insurance Survey, September 2012

> *"I agree with lifting the [earnings] cap. Do something about that. If you are making over $110,100 and you are not putting into Social Security, that is a problem."*
>
> — Younger male focus group participant referring to lifting the earnings cap.

The survey also asked respondents about their views on policy options one at a time. When answering these questions, respondents could choose "not sure" as their answer, and many did. Between one-fifth and one-third chose "not sure" on each question. Lower-income and younger respondents were more likely than older or higher-income respondents to choose "not sure." Of those with views, supporters outnumbered those opposed by large margins on all revenue-raising options and on most options to increase Social Security benefits. Options that would reduce benefits generally received little support.

Two Preferred Revenue Increases

Eliminating the taxable earnings cap and gradually increasing the payroll tax rate from 6.2% to 7.2% over 20 years, two changes which were part of the preferred policy solution packages, also received the most support among the individual policy options (Table 9). Those in favor of eliminating the cap outnumber those opposed by about 8 to 1 (68% to 8%), while those in favor of gradually raising the tax rate outnumber those opposed by about 6 to 1 (69% to 11%). Moreover, many of those in favor of each revenue increase strongly favor it.

Table 9. **Two Preferred Revenue Options**

Responses	*Eliminate the taxable earnings cap*	*Raise the Social Security tax rate from 6.2% to 7.2%*
Favor	68%	69%
Strongly	39	34
Somewhat	28	34
Not sure	24	21
Oppose	8	11
Strongly	4	3
Somewhat	5	7

Source: National Academy of Social Insurance Survey, September 2012
Columns may not total 100% due to rounding.

> *"I [would choose] 50 cents more per week. That is, like, $25 a year. Apparently that would almost solve the problem. I think everybody can do that — especially when you are taking out 50 cents at a time. It's not like, 'Oh, man, I made $650.50, now I made $650. I needed that!'"*
>
> — Younger male focus group participant referring to increasing the Social Security tax rate.

Support for each revenue increase is widespread across generations, family income groups, and party affiliations (Table 10). These findings with regard to specific policy changes confirm earlier findings about Americans' general attitudes: that is, across income groups, generations, and party affiliations, Americans believe that all workers can pay somewhat more to preserve Social Security and that better-off workers can pay more. In the top income group – with family incomes over $100,000 – those who favor eliminating the cap on earnings that are taxed for Social Security, a change that would affect only the top 5% of earners, outnumber those opposed by more than 7 to 1 (74% to 10%). Similarly, in the top income group, those in favor of gradually raising the Social Security tax rate that all workers pay outnumber those opposed by about 7 to 1 (72% to 11%).

Most notably, the trade-off analysis shows that eliminating the taxable earnings cap gradually over 10 years has a strong positive impact on the appeal of a package. Gradually eliminating the taxable earnings cap ($110,100 in 2012; $113,700 in 2013) would mean that the top 5% of earners would pay Social Security taxes on all their earnings throughout the year, just as everyone else does. In return they would receive somewhat higher benefits when they retire. This change would close 71% of Social Security's financing gap.

Similarly, raising the tax rate gradually over 20 years from 6.2% to 7.2% also has a strong positive appeal in the trade-off analysis. For a worker earning $50,000, raising the rate by 1/20 of 1% a year for 20 years would mean, each year, paying about 50 cents more a week, matched by the employer. This change would close 53% of Social Security's financing gap.

Three Preferred Benefit Increases

The three benefit increases that were included in Package A or Package B, or both, are shown in Table 11. They include: increasing the cost-of-living adjustment (COLA) to better protect seniors against inflation, which would increase the financing gap by 13%; improving the basic minimum benefit for workers with long work records at low pay, which would increase the financing gap by 7%; and a one-time across the board benefit increase of $60 a month for all workers, which would increase the financing gap by 28%.

Increase the COLA: The purpose of Social Security's cost-of-living adjustment (COLA) is to automatically adjust benefits to keep up with inflation. The current COLA may not keep up with the inflation that seniors face because seniors spend more on out-of-pocket health care costs, which generally rise faster than average inflation. One proposal would base the COLA on inflation that seniors actually experience. To illustrate, if general inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30. This change would more fully protect seniors against inflation, and would increase Social Security's financing gap by 13%. The survey asked participants whether they favored or opposed this option. Although 26% of respondents said they

Table 10. **Two Preferred Revenue Options by Generation, Family Income and Party Affiliation**

Respondent Characteristics	Percent Favor	Percent Oppose	Percent Not Sure
Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security			
Total	68%	8%	24%
Generation			
Silent	76	8	16
Baby Boomer	70	7	23
Generation X	71	6	23
Generation Y	57	14	30
Family Income			
Less than $30,000	58	10	33
$30,000 to $49,999	68	7	25
$50,000 to $74,999	73	8	19
$75,000 to $99,999	77	7	16
$100,000 or more	74	10	16
Party Affiliation			
Republican	68	10	22
Democrat	73	7	20
Independent	66	8	26
Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% to 7.2%			
Total	69%	11%	21%
Generation			
Silent	76	10	14
Baby Boomer	75	8	17
Generation X	68	10	21
Generation Y	55	16	29
Family Income			
Less than $30,000	61	13	26
$30,000 to $49,999	73	8	19
$50,000 to $74,999	71	11	18
$75,000 to $99,999	72	10	18
$100,000 or more	72	11	17
Party Affiliation			
Republican	65	17	19
Democrat	74	8	18
Independent	68	9	23

Source: National Academy of Social Insurance Survey, September 2012
Rows may not total 100% due to rounding.

> *"I'm thinking about the elderly — their medical expenses tend to increase significantly, and can't always be covered. So that's why I would be interested in . . . making sure that the elderly were not left without that ability to cover their medical expenses in particular."*
>
> — Older female focus group participant referring to raising the cost-of-living adjustment.

were "not sure," among respondents with opinions, those in favor outnumber those opposed by more than 6 to 1 (64% to 10%). Support is consistent across generations, family income levels and political party affiliation (Appendix Table 18). Trade-off analysis shows that including this COLA change slightly increases the appeal of a policy package (Table 8).

Increase Social Security's Minimum Benefit: Men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked. One proposal would raise the minimum Social Security benefit to ensure that someone who worked and paid into the Social Security system for 30 years can retire at age 62 or later and not be poor. This change would increase Social Security's financing gap by 7%. Respondents were asked whether they would favor or oppose this benefit increase. Although 30% chose "not sure," those who support increasing the minimum benefit outnumber those opposed by more than 4 to 1 (57% to 13%), as shown in Table 11. Support is consistent across generations, family income levels and political party affiliation (Appendix Table 19), and trade-off analysis shows that including this new minimum benefit in a policy package slightly increases the appeal of the package (Table 8).

Increase Social Security Benefits for All Workers: Social Security benefits are modest; the average retirement benefit as of December 2012 was $1,261 per month. One proposal would provide a one-time increase in Social Security benefits of $60 a month for all beneficiaries. This change would increase the financing gap by 28%. Survey

Table 11. **Three Preferred Benefit Increases**

	Increase the COLA	*Improve the minimum benefit*	*Increase benefits for all workers*
Favor	64%	57%	47%
Strongly	31	24	22
Somewhat	33	32	26
Not sure	26	30	32
Oppose	10	13	21
Strongly	3	4	7
Somewhat	7	9	14

Source: National Academy of Social Insurance Survey, September 2012
Columns may not total 100% due to rounding.

> *"It is important that people who work all their lives, and are low-income, still have a fighting chance in their retirement."*
>
> — Younger female focus group participant referring to raising the minimum benefit.

respondents were asked whether they would favor or oppose this benefit improvement. Many respondents (32%) were "not sure" about this option, and support for it is not as strong as for others in the preferred packages. Yet, among those with opinions, supporters outnumber those opposed by more than 2 to 1 (47% to 21%). Of respondents with opinions, majorities in all groups by generation, family income, and political party affiliation support improving benefits for all workers (Appendix Table 20). However, trade-off analysis shows that this feature has a weak negative effect on the appeal of a package (Table 8).

Americans' Attitudes on Other Policy Options

Policy options that were not included in either of the two most preferred policy option packages include two revenue increases; four benefit cuts; and three benefit increases. The extent to which respondents favored or opposed these changes when asked about them individually is discussed here.

Revenue Increases

Two revenue increases that were not part of the preferred policy solutions include one that would raise the taxable earnings cap but not eliminate it completely, and another that would raise, in two steps, the 6.2% tax rate that workers and employers each pay (Table 12).

Gradually Lift the Taxable Earnings Cap to Cover 90% of Earnings: When Congress last adjusted the cap, it intended to have the cap cover 90% of all earnings by American workers. Because the earnings of the highest-paid workers have increased faster than average earnings, the cap now covers only about 84% of all earnings. Survey participants were asked whether they would favor or oppose a proposal that would gradually increase

Table 12. **Revenue Increases**

Responses	*Gradually lift the taxable earnings cap to cover 90% of earnings*	*Raise Social Security's tax rate in two steps*
Favor	68%	53%
Strongly	41	24
Somewhat	27	30
Not sure	23	26
Oppose	8	20
Strongly	4	6
Somewhat	5	14

Source: National Academy of Social Insurance Survey, September 2012
Columns may not total 100% due to rounding.

the taxable earnings cap to $215,000 per year, a level that would restore the intent of Congress to subject 90% of all earnings to Social Security taxes. The top-earning 5% would pay more into Social Security and would receive somewhat higher benefits in return. In response, 23% chose "not sure." Of those with opinions, supporters of lifting the cap to $215,000 outnumber those opposed by more than 8 to 1 (68% to 8%). Most of those in favor of this option favor it strongly. Trade-off analysis shows that this policy change has a weak positive impact on the appeal of a package, in large part because, while it is preferred over not lifting the cap at all, it does not have as much appeal as eliminating the cap altogether (Table 8).

Raise Social Security's Tax Rate in Two Steps: This option would increase, in two steps, the payroll tax rate that workers and employers each pay — from 6.2% now to 7.2% in 2022 and to 8.2% in 2052. Each change would mean an increase of $9.50 per week, matched by the employer, for a worker earning $50,000 per year. While just over one fourth (26%) of respondents chose "not sure" about this option, those who favor it outnumber those opposed by nearly 3 to 1 (53% to 20%). Trade-off analysis shows that this option has a strong positive impact on the appeal of a package (Table 8) but is less popular than gradually lifting the tax rate from 6.2% to 7.2% over 20 years.

Benefit Reductions

Four survey questions asked respondents about their views on ways that Social Security benefits might be cut to help balance the system's future finances. Options include means-testing eligibility for benefits, reducing the COLA, and raising the age of eligibility for full retirement benefits from 67 to 68 or 70. Far fewer Americans favor reducing benefits as a way to balance Social Security's long-term financing than favor raising revenues (Table 13).

Raise the Full Retirement Age to 68 or 70: Currently, workers can begin collecting Social Security retirement benefits at age 62, the earliest eligibility age, but when they do so their benefits are reduced. The full retirement age — that is, the age of eligibility for unreduced benefits — is gradually increasing. It was 65 (for workers born before 1939), is currently 66 (for workers born between 1943 and 1954), and will increase to 67 (for workers born in 1960 and later). The increase from 65 to 67 means that Americans age 53 and younger today will face a permanent benefit

Table 13. **Four Options to Reduce Social Security Benefits**

Responses	*Raise Full Retirement Age: to 68*	*Raise Full Retirement Age: to 70*	*Reduce the COLA*	*Means-test eligibility*
Favor	37%	28%	30%	31%
Strongly	13	10	11	13
Somewhat	24	18	19	18
Not sure	28	24	33	31
Oppose	34	48	37	38
Strongly	15	26	17	23
Somewhat	19	22	20	14

Source: National Academy of Social Insurance Survey, September 2012
Columns may not total 100% due to rounding.

reduction of 13-14% from what they would have received if the full benefit age were still 65.

Further increasing the full benefit age to 68 would reduce retirement benefits by another 6-7% for younger workers. This change would reduce Social Security's financing gap by 15%. Trade-off analysis shows that this change has a weak positive effect on the appeal of a package. More than a fourth of respondents (28%) chose "not sure" about this option. Of those with opinions, a bare majority are in favor.

Raising the full retirement age to 70 drew more opposition. This change would reduce monthly benefits by 21% for future retirees. It would reduce Social Security's 75-year financing gap by 25%. Although nearly a fourth (24%) of respondents chose "not sure" about this option, those opposed to raising the retirement age to 70 outnumber those who favor it by nearly 2 to 1 (48% to 28%). Opponents outnumber supporters across generations, income levels, and political party affiliations (Appendix Table 21). Trade-off analysis shows that including this change in a package of policy changes has a strong negative impact on the appeal of the package (Table 8).

Reduce the COLA: This policy option would base the cost-of-living adjustment (COLA) on a measure of inflation that would result in increasing Social Security benefits less than the current COLA does. This change would reduce seniors' protection against inflation, and the seemingly small difference would add up over time, so the oldest seniors would experience the biggest benefit cuts. This change would reduce Social Security's financing gap by 20%. More than half (55%) of respondents who have an opinion about reducing the COLA are opposed to it, and many are strongly opposed. Trade-off analysis shows that including this change in a package has a weak negative impact on the appeal of a package (Table 8).

Means-Test Social Security: Means testing, which would fundamentally change the way Social Security benefits are paid, does not have majority support. Historically workers have earned the right to receive Social Security benefits for themselves and their families by paying Social Security taxes. Means testing, in contrast, would require people to provide proof of eligibility based on having limited income and assets. Workers who accumulated savings or have pensions could find themselves penalized for their thrift by receiving reduced benefits or no benefits at all. More than 3 in 10 (31%) respondents chose "not sure" about means testing Social Security. Of those who have an opinion, most are opposed, and most of those who oppose means testing do so strongly. Trade-off analysis shows that including means testing in a policy package has a strong negative effect on the appeal of a package (Table 8).

Benefit Increases

Other individual policy questions asked survey participants' views on various benefit improvement options such as reinstating the children's benefit for students, counting the time that working parents take off to care for children toward future benefits, and increasing benefits for beneficiaries over age 85 (Table 14).

Children's Benefits for Students: Children whose working parents have died or become disabled receive Social Security benefits until age 18 (or 19 if they are still in high school). The survey asked respondents whether they would support a proposal to extend the cut-off age to 22 if the child is attending college or vocational school — a change that would restore a benefit that was available to qualifying children ages 18-21 between 1965 and 1981. After Congress phased out extended benefits as a cost-cutting measure, research found that payment of benefits had helped make higher education more affordable for young people in families that had lost a breadwinner's income.[11] Restoring these benefits for children of disabled or deceased workers would increase Social Security's 75-year shortfall by 3%. While 22% of respondents chose "not sure" about this policy, among respondents who have opinions, those in favor outnumber those opposed by more than 3 to 1. Yet, trade-off analysis shows that including this policy has a weak negative effect on the appeal of a package (Table 8).

Table 14. **Benefit Increases**

	Children's benefits for students	*Caregiver credit*	*Benefit increase for the oldest old (85+)*
Favor	59%	42%	62%
Strongly	27	18	30
Somewhat	32	24	32
Not sure	22	34	25
Oppose	19	24	13
Strongly	7	8	4
Somewhat	11	16	9

Source: National Academy of Social Insurance Survey, September 2012
Columns may not total 100% due to rounding.

Caregiver Credit: Social Security benefits are based on the amount of money workers earn over their careers. Currently, if a working parent leaves the workforce temporarily to care for children, that uncompensated time counts as zeros in computing the earnings to be replaced by Social Security benefits. Providing a caregiver credit would increase Social Security's 75-year financing shortfall by 9%. While about a third (34%) of survey respondents chose "not sure" about this option, those in favor outnumber those opposed by almost 2 to 1 (42% to 24%).

Benefit Increase for the Oldest Old (85+): Older beneficiaries are most likely to rely on Social Security for most or all of their income. Respondents were asked their opinion of increasing benefits for Social Security beneficiaries by $60 a month at age 85. This change would increase Social Security's 75-year shortfall by 4%. Although 25% of respondents chose "not sure" about this option, supporters of a benefit increase at age 85 outnumber those opposed by nearly 5 to 1 (62% to 13%).

Americans' Confidence in Social Security's Future

The survey findings confirm that despite their strong support for Social Security, most Americans do not feel very confident about the program's future (Table 15).

- 57% of Americans say they are not confident in the future of Social Security.
- When Americans not yet receiving Social Security benefits are asked whether they are confident that they will receive all of the benefits they have earned and are supposed to receive, 69% say they are not confident.

Low levels of confidence are consistent across all generations of Americans not yet receiving Social Security benefits (Table 16). And substantial majorities of people not yet receiving benefits — regardless of income level or political party affiliation — express doubts that the benefits they are supposed to receive when they retire will actually be paid to them.

Table 15. **Confidence in Social Security's Future**

Level of Confidence	All Respondents *How confident are you in the future of Social Security?*	Respondents not yet receiving Social Security *How confident are you that all of the Social Security benefits you are supposed to receive will be available when you begin receiving benefits?*
Confident	43%	31%
Not confident	57	69

Source: National Academy of Social Insurance Survey, September 2012

Table 16. **Confidence in Social Security's Future by Generation, Family Income and Party Affiliation**
(Percent *not* confident)

Respondent characteristics	All Respondents *How confident are you in the future of Social Security?*	Respondents not yet receiving Social Security *How confident are you that all of the Social Security benefits you are supposed to receive will be available when you begin receiving benefits?*
Total	57%	69%
Generation		
Silent	41	*
Baby Boomer	56	62
Generation X	60	74
Generation Y	62	74
Family Income		
Less than $30,000	59	67
$30,000 to $49,9999	56	68
$50,000 to 74,999	59	72
$75,000 to $99,999	52	66
$100,000 or more	54	72
Party Affiliation		
Republican	69	78
Democrat	44	60
Independent	60	72

* Based on fewer than 20 sample cases.
Source: National Academy of Social Insurance Survey, September 2012

Americans' Views about Social Security Change When They Are Given Factual Information

Official projections by Social Security's actuaries show that the program has sufficient funds to pay 100% of scheduled benefits until 2033. When survey participants were asked what would happen after 2033 if nothing is done to strengthen the program in the meantime, just 18% knew that Social Security would still be able to pay 75% of scheduled benefits. Most of the rest either said they did not know or thought that Social Security's finances would be in far worse shape. After learning that raising Social Security's taxes from 6.2% to 7.6% of earnings for both workers and employers would ensure that the program could pay full benefits for 75 years, the share of survey participants who think Social Security financing is a crisis or significant problem dropped from 57% to 26%, while those who think it is a manageable problem or not a problem at all increased from 43% to 74% (Table 17). The availability of factual information substantially allayed respondents' concerns about the future of Social Security.

Social Security is now about 5% of the economy. As Boomers continue to retire, that share will rise to about 6.4% by 2035, and will then drop back and level off at about 6% for the rest of the next 75 years.[12] When asked, "Do you agree or disagree that Social Security, as a share of the economy, is affordable?" fully 72% agree that it is affordable. Providing economic context helps Americans assess whether to be confident that Social Security can meet its commitments to current and future beneficiaries.

Table 17. **Perception of Social Security Funding Shortfall**

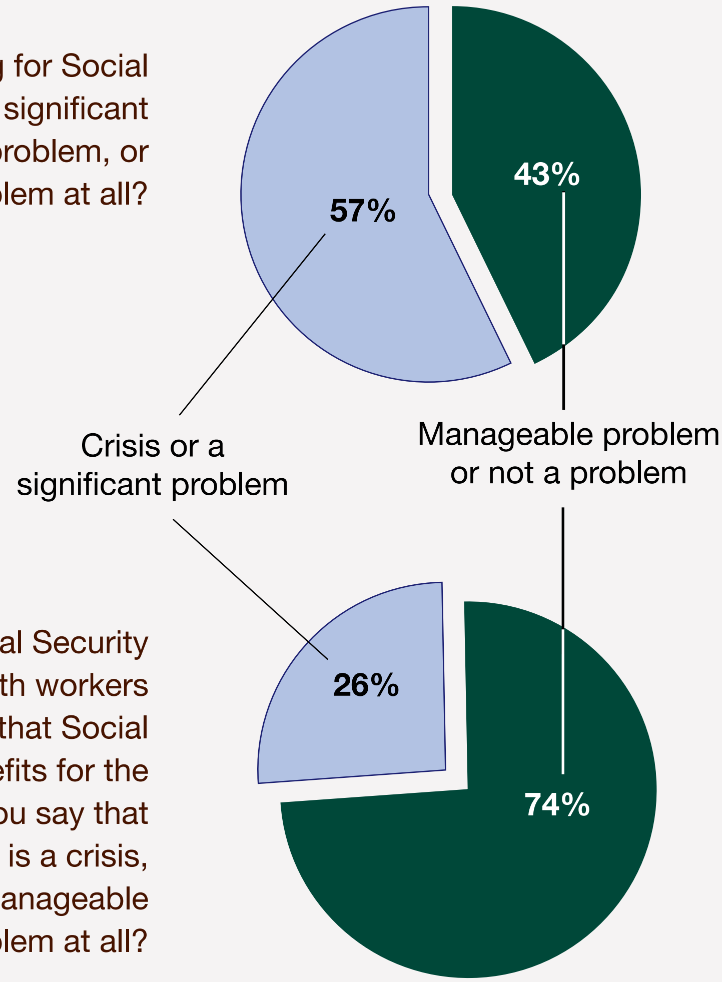
	No new information	*If you knew that increasing Social Security taxes from 6.2% to 7.6% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years…*
Would you say that funding for Social Security is a crisis, a significant problem, a manageable problem, or not a problem at all?		
Crisis or significant problem	57%	26%
Crisis	22	7
Significant problem	35	19
Manageable problem, or not a problem	43	74
A manageable problem	36	57
Not a problem at all	7	17

Source: National Academy of Social Insurance Survey, September 2012

Figure 3. **Perception of Social Security Shortfall: Effect of New Information**

Would you say that funding for Social Security is a crisis, a significant problem, a manageable problem, or not a problem at all?

If you knew that increasing Social Security taxes from 6.2% to 7.6% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security is a crisis, a significant problem, a manageable problem, or not a problem at all?



Source: National Academy of Social Insurance Survey, September 2012

Conclusions

Americans have a strong preference for strengthening the finances of the Social Security system and are willing to contribute more. Respondents clearly want to close the system's financing gap. But rather than doing so in part by reducing benefits, they prefer a package of changes that does not include any benefit cuts. Indeed, they prefer targeted benefit improvements, specifically increasing benefits for lifetime low-wage earners and increasing the cost-of-living adjustment (COLA) to better reflect the higher inflation that many older people experience, mainly because their out-of-pocket medical costs rise faster than average costs. These preferences underscore the importance that Americans attach to the program.

Americans are aware that Social Security differs from most public programs in being supported by dedicated taxes, and they are willing to contribute more from their earnings to keep the program strong for the future. In particular, they prefer a funding strategy that strengthens Social Security and eliminates the funding gap by gradually eliminating the cap on earnings subject to Social Security taxes, and by modestly raising the tax rate that workers and employers pay into the system. While Americans prefer to keep Social Security's full retirement age where it is, there is some support for increasing it to age 68 because of the impact this would have on closing the financing gap. But there is strong opposition to raising the full retirement age to 70. There is also resistance to means testing and reducing the cost-of-living adjustment.

Americans' widespread willingness to pay more for Social Security shows that they view Social Security as a vital program that provides a measure of economic security for their families, themselves, and their communities. At a time when the nation seems deeply divided about the appropriate size and role of government, it is striking that Americans across political and generational lines not only support Social Security but also support specific options to strengthen the program for the future.

Better information could improve public knowledge about and confidence in Social Security. The survey shows that Americans strongly support Social Security but lack confidence in its future — a paradox that has been reflected in other surveys conducted over the past 30 years. Notably, the survey also shows that Americans' confidence in the future of Social Security markedly improves when they are provided with factual information. For example, after learning that the program's financing gap could be closed by specified increases in revenues, the share of survey participants who think Social Security financing is a manageable problem, or not a problem, rises from 43% to 74%, while the share of participants who think it is a significant problem, or a crisis, drops from 57% to 26%. Similarly, after learning that Social Security as a share of the economy will increase as Boomers retire from just under 5% to about 6.5% in 2035, but will then level off at about 6% for the rest of the next 75 years, nearly three in four of those surveyed conclude that Social Security, as a share of the economy, is affordable. This suggests that systematically improving the quality of information available about Social Security, via a major public education initiative, could markedly improve the public's confidence in the resilience of the system going forward.

Methodology

To understand Americans' perspectives on Social Security and their views on possible actions to strengthen the program for the future, the National Academy of Social Insurance collaborated with Mathew Greenwald & Associates to conduct a multigenerational study. The study includes an online survey of 2,000 Americans that was fielded by the market research company Ipsos Loyalty in September 2012. An innovative application of trade-off analysis was used to examine how respondents weighed the appeal or lack of appeal of various packages of Social Security policy changes. The study also convened two focus groups to help refine the survey questionnaire and test the trade-off analysis tools.

Focus Groups

As a prelude to the study, Mathew Greenwald & Associates convened two focus groups on Social Security. These focus groups were utilized to refine the survey questionnaire, test the trade-off analysis tools and add depth to the survey findings. One of the focus groups was comprised of younger and lower-income individuals, ages 18-40; participants employed full-time had gross incomes between $15,000 and $40,000. The other group included older and higher-income individuals, ages 41 and older; participants employed full-time had gross incomes between $41,000 and $125,000. The focus groups explored participants' knowledge of how the Social Security program works, how it has affected them and/or their families, and their opinions about various options to strengthen it. The focus groups were convened in Baltimore, Maryland, on March 27, 2012. Recruitment for the focus groups excluded individuals with careers in the federal government, marketing, public affairs, lobbying, investments, economics, or public relations.

Nine of the ten participants in the younger group were employed; one was unemployed. In the older group, seven were employed full-time, one was retired and employed part-time, and two were unemployed because of disabilities. All of the respondents employed full-time had Social Security taxes deducted from their paychecks. Participants were recruited to include a mix of educational levels. No more than two respondents per group had a graduate or professional school degree. Both groups had a mix of Democrats, independents, and Republicans.

Survey

The online survey of 2,000 Americans ages 21 and older was conducted from September 17-24, 2012. Respondents were randomly selected from the Ipsos I-Say Panel of nearly 700,000 U.S. consumers. Interviews averaged 25 minutes in length. The first part of the questionnaire explored respondents' knowledge and attitudes about Social Security, their confidence in its future, and the importance of benefits to their incomes now and in the future. The rest of the questionnaire asked whether they would favor or oppose each of 14 specific changes to Social Security, including increasing future taxes, lowering future benefits, or increasing benefits for certain groups. Each policy change included a brief explanation of its effect and an estimate of how it would reduce or increase Social Security's projected long-term financing gap. The survey questionnaire is in Appendix B. Details about the individual policy changes and estimates of their effects on Social Security's finances are in Appendix E. The survey results were weighted to match the 2010 U.S. Census.

Trade-off Analysis

Trade-off analysis (also known as conjoint analysis) is a technique often used in marketing research to discern how consumers value the elements of various packages of product features and to estimate which package is most favored. In this study, trade-off analysis is used to learn how members of the general public weigh the appeal, or lack of appeal, of various packages of Social Security policy changes. This study is a new application of trade-off analysis to assess public opinion about Social Security policy options. The technique is able to incorporate the impact of policy changes on the Social Security financing gap and to estimate the most appealing combination of policy changes of all of the individual changes that were considered.

Study participants completed the trade-off exercise after completing the questionnaire shown in Appendix B. Twelve policy changes were selected for analysis in the trade-off exercise. Four changes call for increasing future revenues: two by raising the cap on earnings subject to Social Security taxes and two by raising the Social Security tax rate for all workers. Four changes call for reducing future benefits: two by increasing the age for receiving full retirement benefits, one by means-testing benefits, and one by lowering Social Security's annual cost-of-living adjustment (COLA). Finally, four changes called for increasing benefits. Two increases would target specific groups: lifetime low-wage workers and children of disabled or deceased workers. Two other increases would affect all beneficiaries: increasing the COLA by basing it on inflation experienced by the elderly, and an across-the-board benefit increase. Appendix D has descriptions of the 12 changes that respondents considered as they completed the trade-off exercise.

The trade-off exercise design program generated 100 unique screens organized into 10 blocks of 10 each. Each respondent was randomly assigned one of the 10 blocks and completed all 10 screens in the block. On each screen, respondents saw three packages of Social Security changes (including an estimate of how much each package would reduce or increase Social Security's financing gap) and a fourth package with no change to the current system. On each of their 10 assigned screens, participants chose the package they considered most appealing — one of the three packages of changes or the current system unchanged, if they preferred that. Appendix C shows the instructions for completing the screens and three examples of the 100 screens that were used.

Endnotes

1 Reno, Virginia P., Elisa A. Walker, and Thomas N. Bethell. 2012. "Social Security Finances: Findings of the 2012 Trustees Report." Social Security Brief No. 39. Washington, DC: National Academy of Social Insurance.

2 Board of Trustees. 2012. *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.* Washington, DC: Social Security Administration. Table II.D1.

3 Social Security Administration. 2012. "Beneficiary Data: Number of Social Security recipients at the end of Dec 2012." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. http://www.socialsecurity.gov/cgi-bin/currentpay.cgi

4 NASI calculations based on U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement (2012) (using CPS Table Creator II), http://www.census.gov/cps/data/cpstablecreator.html.

5 The amount of the cap increases automatically each year with increases in the average wage. In 2013, the cap is $113,700.

6 Social Security Administration. 2012. "Trust Fund Data: Calendar Year 2011." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. http://www.socialsecurity.gov/OACT/ProgData/allOps.html; and Social Security Administration. 2012. "Beneficiary Data: Number of Social Security recipients at the end of Jan 2012." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. http://www.socialsecurity.gov/cgi-bin/currentpay.cgi

7 Board of Trustees, 2012: Table IV.A3.

8 Board of Trustees, 2012: Figure II.D2.

9 Reno, Virginia P., Thomas N. Bethell, and Elisa A. Walker. 2012. "Social Security Beneficiaries Face 19% Cut: New Revenue Can Restore Balance." Social Security Brief No. 37. Washington, DC: National Academy of Social Insurance.

10 Walker, Elisa A., Thomas N. Bethell, and Virginia P. Reno. 2012. "Implications of the Payroll Tax Holiday for Social Security." Social Security Fact Sheet No. 4. Washington, DC: National Academy of Social Insurance.

11 Hertel-Fernandez, Alexander. 2010. "A New Deal for Young Adults: Social Security Benefits for Post-Secondary School Students." Social Security Brief No. 33. Washington, DC: National Academy of Social Insurance.

12 Board of Trustees, 2012: Table VI.F4.

Appendices:

Appendix A: Additional Tables

Appendix B: Questionnaire

Appendix C: Trade-off Analysis Example

Appendix D: Individual Policy Options Definitions

Appendix E: Detailed Descriptions and Cost Estimates for Policy Options

Table 18. **Increase the COLA to More Fully Protect Seniors against Inflation**

Respondent Characteristics	*Percent Favor*	*Percent Oppose*	*Percent Not Sure*
Total	64	10	26
Generation			
Silent	78	11	11
Baby Boomer	68	9	23
Generation X	61	8	30
Generation Y	54	12	34
Family Income			
Less than $30,000	59	8	33
$30,000 to $49,999	64	10	26
$50,000 to $74,999	68	9	23
$75,000 to $99,999	67	10	22
$100,000 or more	66	16	18
Party Affiliation			
Republican	57	16	26
Democrat	71	8	22
Independent	63	9	28

Source: National Academy of Social Insurance Survey, September 2012

Table 19. **Increase Social Security's Minimum Benefit**

Respondent Characteristics	*Percent Favor*	*Percent Oppose*	*Percent Not Sure*
Total	57	13	30
Generation			
Silent	57	17	26
Baby Boomer	58	12	30
Generation X	57	12	31
Generation Y	56	14	30
Family Income			
Less than $30,000	54	10	36
$30,000 to $49,999	59	11	30
$50,000 to $74,999	58	16	27
$75,000 to $99,999	62	14	24
$100,000 or more	54	20	26
Party Affiliation			
Republican	48	22	30
Democrat	67	7	25
Independent	53	13	34

Source: National Academy of Social Insurance Survey, September 2012

Table 20. **Increase Benefits for All Workers**

Respondent Characteristics	*Percent Favor*	*Percent Oppose*	*Percent Not Sure*
Total	47	21	32
Generation			
Silent	45	23	32
Baby Boomer	48	21	32
Generation X	49	20	31
Generation Y	46	21	32
Family Income			
Less than $30,000	47	16	37
$30,000 to $49,999	48	19	33
$50,000 to $74,999	45	22	33
$75,000 to $99,999	52	26	22
$100,000 or more	47	30	23
Party Affiliation			
Republican	38	30	32
Democrat	59	15	27
Independent	42	24	35

Source: National Academy of Social Insurance Survey, September 2012

Table 21. **Raise the Full Retirement Age to 70**

Respondent Characteristics	*Percent Favor*	*Percent Oppose*	*Percent Not Sure*
Total	28	48	24
Generation			
Silent	30	54	16
Baby Boomer	19	57	24
Generation X	33	44	23
Generation Y	33	38	29
Family Income			
Less than $30,000	26	45	29
$30,000 to $49,999	24	48	28
$50,000 to $74,999	24	55	21
$75,000 to $99,999	41	44	15
$100,000 or more	38	45	17
Party Affiliation			
Republican	26	52	22
Democrat	33	44	23
Independent	26	50	24

Source: National Academy of Social Insurance Survey, September 2012

Appendix B: Survey Questions

1. To start, we need to ask you a few questions about you. In what year were you born?

[TERMINATE IF YOB > 1991]

2. Are you…?
Male....................1
Female....................2

3. Are you currently…?
Employed for pay full-time....................1
Employed for pay part-time....................2
Not employed....................3

4. Do you consider yourself to be retired?
Yes....................1
No....................2

4b. Are you a registered voter?
Yes....................1
No....................2

D1. Do you consider yourself a Democrat, a Republican, or an independent?
Democrat....................1
Republican....................2
independent....................3
Other....................4

D2. How would you rate your health?
Excellent....................5
Very good....................4
Good....................3
Fair....................2
Poor....................1

5. How knowledgeable are you about the way the Social Security system works?
Very knowledgeable....................4
Somewhat knowledgeable....................3
Not too knowledgeable....................2
Not at all knowledgeable....................1

6. Overall, is your view of Social Security favorable or unfavorable?
Very favorable....................4
Somewhat favorable....................3
Somewhat unfavorable....................2
Very unfavorable....................1

7. In general, do you think we spend too much, not enough, or about the right amount on Social Security?
Too much....................1
Not enough....................2
About the right amount....................3
Don't know....................4

8. Please tell me if you agree or disagree with the following statements: [RANDOMIZE]

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree
a. I think of Social Security as the foundation which I [**IF NOT RETIRED**: can/**IF RETIRED**: could] build on for my retirement security.	4	3	2	1
b. I [**IF NOT RETIRED**: don't/**IF RETIRED**: didn't] mind paying Social Security taxes because it provides security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers.	4	3	2	1
c. I [**IF NOT RETIRED**: don't/**IF RETIRED**: didn't] mind mind paying Social Security taxes because I [**IF NOT RETIRED**: know/ **IF RETIRED**: knew] I would have to help support my parents, grandparents or other family members if they did not receive Social Security.	4	3	2	1
d. [**IF NOT RETIRED**] I don't mind paying Social Security taxes because I know that I will be receiving benefits when I retire. [**IF RETIRED**] I didn't mind paying Social Security taxes because I knew that I would be receiving benefits when I retired.	4	3	2	1
e. To provide a more secure retirement for working Americans, we should consider increasing Social Security benefits.	4	3	2	1
f. [**IF NOT RETIRED**] I don't know if I'm going to need Social Security money when I retire, but I want to know it is there just in case I do need it. [**IF RETIRED**] I didn't know if I would need Social Security money when I retired, but I wanted to know it was there just in case I did need it.	4	3	2	1
g. Social Security benefits now are more important than ever to ensure that retirees have a dependable income.	4	3	2	1

9. Some people believe that Social Security benefits do not provide enough income for retirees. Do you agree or disagree that Social Security benefits are inadequate?
Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

[IF Q4 = 'YES', SKIP TO Q11; ELSE CONTINUE]

10. At what age do you plan to retire?

[IF Q4 = 'NO', SKIP TO Q12; ELSE CONTINUE]

11. At what age did you retire?

12. Are you or your spouse currently receiving Social Security benefits?
Yes, I am 1
Yes, my spouse is 2
Yes, we both are 3
No 4

12b. [ASK IF 1or3 IN Q. 12] At what age did you start receiving Social Security benefits?
(Insert drop down box starting at under 50, include each age until 75 or older)

12c. [ASK IF 2or3 IN Q.12] At what age did your spouse start receiving Social Security benefits?
(Insert drop down box starting at under 50, include each age until 75 or older)

[IF Q12 = 'YES' (1or3), SKIP to Q14; ELSE CONTINUE]

13. How important do you think Social Security benefits will be to your monthly income when [**IF NOTRETIRED**: you retire/ **IF RETIRED AND NOT RECEIVING BENEFITS**: you begin receiving benefits]?
Extremely important 4
Somewhat important..3
Not very important 2
Not at all important 1

[IF Q12 = 'NO' (2or4), SKIP to Q16; ELSE CONTINUE]

14. How important would you say Social Security benefits are to your monthly income?
Extremely important 4
Somewhat important..3
Not very important 2
Not at all important 1

15. If for some reason you did not receive your Social Security benefits, which of the following statements best describes the effect it would have on your lifestyle?
[RANDOMLY REVERSE LIST ORDER]
It would have no effect 4
My budget would be tighter but I would get by...3
I would have to make significant sacrifices 2
I would not be able to afford the basics such as food,
clothing or housing 1

16. How confident are you in the future of the Social Security system?
Very confident...4
Somewhat confident...3
Not very confident 2
Not at all confident 1

[IF Q12 = 'YES' (1or3), SKIP to Q18; ELSE CONTINUE]

17. How confident are you that all of the Social Security benefits you are supposed to get will be available to you when [IF NOT RETIRED: you retire/ IF RETIRED AND NOT RECEIVING BENEFITS: you begin receiving benefits?

Very confident..4
Somewhat confident...3
Not very confident 2
Not at all confident 1

18. Would you say that funding for Social Security in the future is a crisis, a significant problem, a manageable problem, or is not a problem at all? [RANDOMLY REVERSE LIST ORDER]

Crisis 4
Significant problem 3
Manageable problem 2
Not a problem 1

19. Currently Social Security is funded by taxes on earnings, with workers normally paying 6.2% of their earnings and employers paying a matching amount. (Under the payroll tax holiday enacted by Congress, the worker's share has been temporarily reduced to 4.2%.)

If you knew that increasing Social Security taxes from 6.2% to 7.6% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years, would you say that funding for Social Security in the future is a crisis, a significant problem, a manageable problem, or is not a problem at all? [RANDOMLY REVERSE LIST ORDER]

Crisis 4
Significant problem 3
Manageable problem 2
Not a problem 1

20. Please tell me if you agree or disagree with the following statements:

[ROTATE A-B]

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree
a. It is critical that we preserve Social Security for future generations, even if it means increasing the Social Security taxes paid by working Americans.	4	3	2	1
b. It is critical that we preserve Social Security for future generations, even if it means increasing the Social Security taxes paid by wealthy Americans.	4	3	2	1

21. Which of the statements below comes closer to your view?

[RANDOMIZE]

Some people say we should ensure Social Security benefits are not reduced, even if it means raising taxes on some or all Americans 1
Some people say we shouldn't raise taxes on any American, even if it means reducing Social Security benefits...2

22. Which of the following statements comes closest to what you believe Social Security should provide to retirees?

[RANDOMLY REVERSE LIST ORDER]

Less income than is needed for the basic necessities of life 1
About what is needed for the basic necessities of life 2
More than is needed for the basic necessities of life, but not enough to maintain
their pre-retirement standard of living 3
Enough to maintain their pre-retirement standard of living 4

23. Official Social Security Administration projections show that the Social Security system has enough money to pay all benefits until the year 2033. If no changes are made to the program, which one of the following do you think would be most likely to happen after 2033?

Social Security would be able to pay 100% of benefits 1
Social Security would be able to pay 75% of benefits 2
Social Security would be able to pay 50% of benefits 3
Social Security would be unable to pay benefits at all 4

24. Social Security benefit payments currently account for about 5% of the United States economy. As the baby boomers retire, Social Security's share of the economy will increase, reaching 6.4% by 2035, when all of the baby boomers will be retired. Then it will drop back to about 6% and will stay at that level. Some people say this means that Social Security is affordable. Do you agree or disagree that Social Security, as a share of the economy, is affordable?

Strongly agree 4
Somewhat agree 3
Somewhat disagree 2
Strongly disagree 1

Social Security benefits are modest – the average retirement benefit in January 2012 was just $1,230 per month. Some people believe that Social Security benefits are not as high as they should be to protect the financial security of retired Americans. Proposals have been suggested to improve benefits for all or some workers. However, Social Security faces a long-term financing gap. Improvements to benefits would increase the financing gap, so they would have to be paid for by increasing Social Security's revenues. We're interested in getting your reaction to some of these proposals.

Benefits for Lifetime Low-Wage Workers

25. Social Security benefits are based on the amount of money a worker earns. Currently, men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked.

One proposal would raise the minimum Social Security benefit to ensure that someone who worked and paid into the Social Security system for 30 years can retire at age 62 or later and not be poor.

This change would increase Social Security's financing gap by 7%.

Do you favor or oppose this change?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Improved Benefits for All Workers

25b. Social Security benefits are modest. The average retirement benefit in January 2012 was just $1,230 per month. One proposal would increase Social Security benefits by $60 per month for all beneficiaries.

This change alone would increase the financing gap by 28%.

Do you favor or oppose this change?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Children's Benefits for Students

25c. Children whose working parents have died or become disabled receive Social Security benefits until the age of 19. One proposal would extend the current cut-off age from 19 to 22 years of age, if the child is attending college or vocational school. This would make higher education more affordable for young people in families who have lost a breadwinner's income.

This change would increase the financing gap by 3%.

Do you favor or oppose this change?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Social Security's Cost-of-Living Adjustment (COLA)

26. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation.

The current COLA may not keep up with the inflation that seniors face because seniors spend more on out-of-pocket health care costs, which generally rise faster than average inflation. One proposal would base the COLA on inflation that seniors actually experience.

Example: If general inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA for the elderly would increase a $1,000 monthly benefit by $32 instead of by $30.

This change would more fully protect seniors against inflation, and would increase Social Security's financing gap by 13%.

Do you favor or oppose this change?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

28. Some other ideas have been suggested for strengthening Social Security benefits. Do you favor or oppose each of the following proposals?

[RANDOMIZE]

	Favor strongly	Favor somewhat	Not sure	Oppose somewhat	Oppose strongly
a. Count the time that working parents take off to care for children towards the parents' future Social Security benefits so they do not receive lower benefits because of this gap in paid work. This would increase Social Security's financing gap by 9%.	5	4	3	2	1
c. Increase benefits by $60 per month for recipients over the age of 85 because they generally depend more heavily on Social Security. This would increase Social Security's financing gap by 4%.	5	4	3	2	1

As stated earlier, Social Security currently faces a projected long-term revenue shortfall. The revenues being collected to finance Social Security benefits will cover 100% of benefits until 2033. After that point, if Congress fails to act, the system will only be able to pay 75% of benefits. Several proposals have been suggested to help close the financing gap, either by increasing revenues that go into the Social Security system or cutting Social Security benefits. We are interested in getting your reaction to some of these proposals.

Social Security's Taxable Earnings Cap

29. Currently, people pay Social Security taxes on annual earnings up to a cap ($110,100 in 2012). About 5% of workers earn more than $110,100. Congress originally intended the cap to cover 90% of all earnings by American workers. Currently, the cap covers only about 84% of all earnings.

One proposal is to gradually increase the taxable earnings cap to $215,000 per year. This would restore the goal of Congress to subject 90% of all earnings to Social Security taxes. The top 5% would pay more into Social Security and would receive somewhat higher benefits when they retire. This change would close 30% of Social Security's financing gap.

Do you favor or oppose this change?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

30. Another proposal would completely eliminate the taxable earnings cap, which is currently set at $110,100 per year. Gradually eliminating the cap over 10 years would mean that the top 5% of earners would pay Social Security taxes on all their earnings throughout the year, just like everyone else. In return, they would receive somewhat higher benefits when they retire. This change would close 71% of Social Security's financing gap.

Do you favor or oppose this change?
Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Social Security Tax Rate

31. Workers currently pay 6.2% of their earnings to Social Security, matched by the employer. One proposal would very gradually raise the Social Security tax rate over the next 20 years.

Example: For a worker earning $50,000, gradually raising the tax rate by 1/20th of 1% per year for 20 years would mean, each year, paying about 50 cents more per week, matched by the employer.

This change would close 53% of Social Security's financing gap.

Do you favor or oppose this change?
Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

32. Another proposal would raise the Social Security tax rate for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

Example: For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.

This change would close 77% of Social Security's financing gap.

Do you favor or oppose this change?
Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Social Security's Cost-of-Living Adjustment (COLA)

33. The purpose of Social Security's annual Cost-of-Living Adjustment (COLA) is to increase benefits to keep up with inflation. Some argue for using a new measure of inflation that generally increases benefits slower than the current COLA now used to adjust Social Security benefits.

Example: If inflation from one year to the next is 3%, but the new inflation measure went up by only 2.7%, that new measure would increase a $1,000 monthly benefit by $27 instead of by $30.

This small difference would add up over time so that the oldest seniors would get the biggest benefit cuts. The benefit cut would add up to about 6.5% by the time a retiree reaches age 85.

This change would reduce seniors' protection against inflation. It would close 20% of Social Security's financing gap.

Do you favor or oppose reducing the COLA?

Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

Social Security's Full Retirement Age

34. Workers can collect Social Security benefits before their full retirement age, starting at age 62, but benefits are reduced. The full retirement age – that is, the age when an individual can receive full Social Security benefits – is increasing. In the past it was 65. It is 66 now, and will gradually increase to 67 (for workers born in 1960 and later). Increasing the full retirement age is an across-the-board benefit cut at any age a worker takes benefits. The increase from 65 to 67 is a 13% benefit cut.

    One proposal is to gradually raise the full retirement age to 68. That would be an additional 7% benefit cut more than the change from 65 to 67. This change would close 15% of Social Security's financing gap.

    Do you favor or oppose this change?

    Favor strongly 5
    Favor somewhat 4
    Not sure 3
    Oppose somewhat 2
    Oppose strongly 1

35. Another proposal would very gradually raise the full retirement age to age 70. This change would be an additional benefit cut of about 21% on top of the change from 65 to 67. It would close 25% of Social Security's financing gap.

    Do you favor or oppose this change?

    Favor strongly 5
    Favor somewhat 4
    Not sure 3
    Oppose somewhat 2
    Oppose strongly 1

Means-Testing Social Security

36. "Means-testing" would require people to provide proof of eligibility, based on their income and assets, in order to receive any Social Security benefits. Currently, Social Security is not means-tested: workers earn the right to receive benefits by paying Social Security taxes. This proposal would fundamentally change Social Security.

This change might close 20% of Social Security's financing gap.

Do you favor or oppose this change?
Favor strongly 5
Favor somewhat 4
Not sure 3
Oppose somewhat 2
Oppose strongly 1

36b. The following set of changes would close 100 percent of Social Security's financing gap and pay for benefit improvements:

- Over 10 years, gradually lift the cap on earnings that are taxed for Social Security so that the highest 5% of earners pay in throughout the year, as other workers do. Those top earners would also get somewhat higher benefits;
- Over 20 years, gradually raise the 6.2% rate that workers and employers each pay to 7.2%. Someone making $50,000 would pay about 50 cents a week more each year;
- Raise the minimum benefit so that anyone who paid in to Social Security for 30 years can retire on Social Security and not be poor;
- Increase benefits by $60 per month for all retirees.

Would you favor or oppose this bundle of changes to improve and pay for Social Security benefits?
Favor strongly 4
Favor somewhat 3
Oppose somewhat 2
Oppose strongly 1

36c. Why do you feel that way?

(Open-ended)

D4. What is your total annual family income before taxes?
Under $25,000
$25,000 to $29,999
$30,000 to $34,999
$35,000 to $49,999
$50,000 to $74,999
$75,000 to $99,999
$100,000 to $149,999
$150,000 or more

D3. Which of the following products does your household currently have? Select all that apply.

1) A defined benefit pension plan where your employer pays you a regular monthly pension check
2) A 401(k) or 403(b), or other retirement plan that allows pre-tax contributions by the employee and may have employer match contributions
3) An IRA, a retirement plan account providing some tax advantages for retirement savings
4) Health insurance from a current or previous employer
5) [IF SELF EMPLOYED] SEP or Money Purchase Plan, or a Simplified Employee Pension which allows employers to set aside money by contributing directly to traditional IRAs for all employees
6) Stocks excluding those you have through a retirement plan from an employer
7) Bonds issued by government

8) Life insurance, or an insurance policy that pays a death benefit when a person dies

9) Long-term care insurance, or an insurance policy that helps pay for receiving day-to-day care but does not cover medical bills

10) Annuity for retirement income, or a contract provided by insurance companies for a steady stream of income in retirement

11) Certificate of Deposit (CD) or Savings Account

12) Disability insurance, or an insurance policy that pays a person a percentage of their previous income when he/she becomes disabled through illness or injuries NOT job related

13) Mutual funds not including 401(k) or 403(b)

Appendix C: Trade-off Analysis Example

A trade-off analysis module further explored what changes in the Social Security system are most favored by Americans. Rather than having each change rated individually in isolation, this module required participants to specify their preference from a variety of different packages of changes. The results indicate which specific changes are most favorable and which are least favorable.

After study participants had provided favorability ratings for each of the proposed changes to the current Social Security system *individually*, they were asked to complete the trade-off analysis module. The instructions given were as follows:

You will now see a series of 10 screens. Each screen will have 3 bundles of Social Security policy changes, and a 4th bundle that has no changes to the current system. The last line of each bundle shows how much that set of changes would reduce (or increase) Social Security's long-term financing gap. For each screen, please select the option that is most appealing to you.

On each screen there will be a link to a definition guide that contains further explanations and examples of the options. Please review this guide before completing the first screen, and keep it open for reference going forward. Each screen will also contain 'hover definitions' that will appear when you move your cursor over the different elements on the screen. These provide a quick reference in addition to the larger definitions guide.

In this exercise, you won't be able to move backward once you have finished a screen. So once you have completed a screen, just move forward.

Please take time to review the options you see below. Each option contains a different set of Social Security policy changes. *(When you see a **blank box** in an option, it means there would be no change from the current Social Security system.)* The last line of each option shows how much that option would reduce (or increase) Social Security's long-term financing gap. For example,

- A positive 80% means that bundle of changes would *reduce* the financing gap by 80%.
- A positive 120% means the bundle of changes would eliminate the financing gap, and have 20% left over (for example, to improve benefits or provide a margin of safety in future financing).
- A negative 10% means that the bundle of changes would *increase* the Social Security financing gap by 10%.

Once you have compared all three options, please choose the one that is most appealing to you. If "no change" to the current system is preferable to you than each of the 3 change options (Options1-3), you may choose the "no change" bundle at the right (Option 4).

Sample Trade-off Grid 1

	option1	option2	option3	option4
SOCIAL SECURITY TAX RATE	Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers		Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers	
SOCIAL SECURITY TAXABLE EARNINGS CAP	Lift the earnings cap over a 5-year period until it once again covers 90% of all earnings by American workers.	Eliminate the cap over 10 years to tax 100% of earnings.	Eliminate the cap over 10 years to tax 100% of earnings.	
CHILDREN'S BENEFITS FOR STUDENTS	Extend the current cut-off age for Social Security benefits from 19 to 22 if the child of a decreased/ disabled worker is in college or vocational school			
BENEFITS FOR ALL BENEFICIARIES				
BENEFITS FOR LIFETIME LOW-WAGE WORKERS				
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	Lower the COLA to more accurately reflect inflation		Increase the COLA by basing it on inflation for the elderly	
SOCIAL SECURITY'S FULL RETIREMENT AGE		Gradually raise the full retirement age to 70		
MEANS TESTING SOCIAL SECURITY		Require people to prove they need benefits in order to receive them		
% REDUCTION IN FINANCING GAP:	101%	116%	122%	0%
SELECT ONE	O	O	O	O

Sample Trade-off Grid 2

	option1	option2	option3	option4
SOCIAL SECURITY TAX RATE	Raise the current tax for both employers and workers from 6.2% to 7.2% in 2022 and from 7.2% to 8.2% in 2052	Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers		
SOCIAL SECURITY TAXABLE EARNINGS CAP	Lift the earnings cap over a 5-year period until it once again covers 90% of all earnings by American workers.	Eliminate the cap over 10 years to tax 100% of earnings.	Eliminate the cap over 10 years to tax 100% of earnings.	
CHILDREN'S BENEFITS FOR STUDENTS	Extend the current cut-off age for Social Security benefits from 19 to 22 if the child of a decreased/disabled worker is in college or vocational school			
BENEFITS FOR ALL BENEFICIARIES				
BENEFITS FOR LIFETIME LOW-WAGE WORKERS		Raise minimum benefit for 30-year workers		
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	Lower the COLA to more accurately reflect inflation	Increase the COLA by basing it on inflation for the elderly	Lower the COLA to more accurately reflect inflation	
SOCIAL SECURITY'S FULL RETIRE-MENT AGE			Gradually raise the full retirement age to 68	
MEANS TESTING SOCIAL SECURITY			Require people to prove they need benefits in order to receive them	
% REDUCTION IN FINANCING GAP:	127%	115%	126%	0%
SELECT ONE	O	O	O	O

Sample Trade-off Grid 3

	option1	option2	option3	option4
SOCIAL SECURITY TAX RATE	Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers	Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers	Raise the current tax for both employers and workers from 6.2% to 7.2% in 2022 and from 7.2% to 8.2% in 2052	
SOCIAL SECURITY TAXABLE EARNINGS CAP		Eliminate the cap over 10 years to tax 100% of earnings.		
CHILDREN'S BENEFITS FOR STUDENTS		Extend the current cut-off age for Social Security benefits from 19 to 22 if the child of a deceased/ disabled worker is in college or vocational school		
BENEFITS FOR ALL BENEFICIARIES		Increase benefits by $60 a month for all beneficiaries		
BENEFITS FOR LIFETIME LOW-WAGE WORKERS				
SOCIAL SECURITY'S COST-OF-LIVING ADJUSTMENT (COLA)	Lower the COLA to more accurately reflect inflation		Lower the COLA to more accurately reflect inflation	
SOCIAL SECURITY'S FULL RETIREMENT AGE	Gradually raise the full retirement age to 70		Gradually raise the full retirement age to 68	
MEANS TESTING SOCIAL SECURITY			Require people to prove they need benefits in order to receive them	
% REDUCTION IN FINANCING GAP:	98%	100%	132%	0%
SELECT ONE	O	O	O	O

Appendix D: Individual Policy Options Definitions

1. Financing gap: Social Security currently faces a projected long-term revenue shortfall. Social Security's trust fund reserves plus the revenues being collected to finance Social Security benefits will cover 100% of benefits until 2033. Then, if Congress fails to act, the trust fund reserves will be used up and the revenue continuing to come in from payroll taxes will cover only 75% of the benefits that recipients should receive.

There are many ways to close the financing gap, including increasing revenues into the Social Security system or reducing benefits. For example, workers now pay 6.2% of earnings to Social Security, with employers matching that amount. If, instead, workers and employers each paid 7.6%, there would be no financing gap.

2. Social Security Tax Rate: Currently, workers pay 6.2% of earnings, with employers matching that amount, up to an earnings cap, which is $110,100 in 2012. Earnings above the cap are not taxed or credited toward benefits.

Option 1: Raise the tax for workers and employers in two steps in the future – from 6.2% to 7.2% in 2022 and to 8.2% in 2052.

- For a worker earning $50,000, each change would mean an increase of $9.60 per week, matched by the employer.
- This change alone eliminates 77% of the financing gap.

Option 2: Over 20 years, raise the tax by 1/20th of 1% (5 cents per $100 of income) per year for workers and employers each.

- For a worker earning $50,000, this would mean an increase each year of 50 cents per week.
- This change alone cuts the financing gap by 53%.

3. Social Security's Taxable Earnings Cap: Currently, annual earnings above $110,100 are not taxed for Social Security. [Note: In October 2012 — after the survey was completed — the taxable earnings cap was increased to $113,700 for 2013.] About 5% of workers earn more than $110,100. Congress originally intended for Social Security taxes to cover 90% of all earnings by American workers. Currently, the cap covers only about 84% of all earnings.

Option 1: Lift the earnings cap over a 5-year period until it once again covers 90% of all earnings by American workers (this would raise the earnings cap to about $215,000).

- The top 5% of earners would pay somewhat more into Social Security, and in return they would get somewhat higher benefits.
- This change alone cuts the financing gap by 30%.

Option 2: Completely eliminate the earnings cap over 10 years.

- The top 5% of earners would pay Social Security taxes on all of their earnings all year, just as other workers do. In return they would get somewhat higher benefits.
- This change alone cuts the financing gap by 71%.

4. Benefits for Lifetime Low-Wage Workers: Currently, men and women who work all their lives at low wages are at risk of living in poverty in retirement, even after paying Social Security taxes during all the years they worked. Increasing Social Security's minimum benefit would ensure that anyone who worked and paid Social Security taxes for 30 years or more can retire at age 62 or later and not be poor.

Option: Increase Social Security's minimum benefit so that someone who worked and paid Social Security taxes for 30 years or more can retire at age 62 or later and not be poor.

- Does not affect most workers, whose benefits exceed this minimum adequacy level.
- This change alone increases the financing gap by 7%.

5. Children's Benefits for Students: Currently, children whose working parents have died or become disabled receive Social Security benefits until the age of 19. Extending the benefit cut-off age to 22 if the child is attending college or vocational school would make higher education more affordable for young people in families who have lost a breadwinner's income.

Option: Extend the current cut-off age of 19 to 22 years of age if the child of a deceased or disabled worker is in college or vocational school.

- This change alone increases the financing gap by 3%.

6. Benefits for All Beneficiaries: Social Security benefits are modest. The average retirement benefit in January 2012 was just $1,230 per month.

Option: Increase Social Security benefits by about $60 per month for all beneficiaries.

- This change alone increases the financing gap by 28%.

7. Social Security's Cost-of-Living Adjustment (COLA): The purpose of Social Security's COLA is to increase benefits to keep up with inflation. The Social Security Administration adjusts the COLA when the cost of living increases.

Option 1: Increase the COLA by basing it specifically on the inflation experienced by older people, who spend more on medical costs, which rise faster than inflation in general.

- If average inflation from one year to the next is 3%, but inflation experienced by seniors is 3.2%, this COLA measure for the elderly would increase a $1,000 monthly benefit by $32 instead of $30.
- This change alone increases the financing gap by 13%.

Option 2: Lower the COLA to more accurately reflect inflation throughout the economy in general, without regard to the inflation that older people actually experience.

- If average inflation from one year to the next is 3%, but a new inflation measure went up by only 2.7%, this COLA measure would increase a $1,000 monthly benefit by $27 instead of $30.
- Benefit cuts add up over time, so the oldest seniors experience the largest cuts.
- This change alone cuts the financing gap by 20%.

8. Social Security's Full Retirement Age: Currently, Social Security's full retirement age is 66, and is gradually increasing to 67 (for workers born in 1960 and later). Workers may start collecting Social

Security benefits before their full retirement age, starting at age 62, but benefits are reduced. Increasing the full retirement age is an across-the-board benefit cut at any age a worker takes benefits. The increase in the retirement age from age 65 to 67 is a 13% benefit cut. Further increasing the full retirement age is an additional benefit cut.

Option 1: Gradually raise the full retirement age to 68.

- Starting in 2023, increase the full retirement age each year until it reaches 68 in 2028.
- Reduces benefits about 7% on top of the change from 65 to 67.
- This change alone cuts the financing gap by 15%.

Option 2: Very gradually raise the retirement age to 70.

- Starting in 2023, increase the full retirement age each year until it reaches 70 in 2069.
- Reduces benefits about 21% on top of the change from 65 to 67.
- This change alone cuts financing gap by about 25%.

9. Means-Testing Social Security: "Means-testing" would require people to provide proof of eligibility, based on their income and assets, in order to receive any Social Security benefits. Currently, Social Security is *not* means-tested: workers earn the *right* to receive benefits by paying Social Security taxes.

Option: Use means-testing to reduce benefits for people who have other assets or income.

- Fundamentally changes Social Security.
- Requires individuals to prove eligibility based on income and assets in order to receive benefits.
- Costly to administer because government must verify eligibility for benefits.
- This change alone cuts the financing gap by about 20%.

Appendix E: Detailed Descriptions and Cost Estimates for Policy Options

This appendix provides documentation of the 14 policy options used in the survey and the estimates of their financial effects. The cost estimates were prepared by the Office of the Chief Actuary of the Social Security Administration (SSA) and are among those published on the SSA website.[1]

Social Security's Actuarial Balance

The actuarial balance of the Social Security program is a summary measure of the program's financial status over the next 75 years. It is calculated as the program's starting reserves plus its projected income minus its projected outgo over the next 75 years, expressed as a percentage of taxable payroll over the 75-year period. Taxable payroll includes all U.S. wages, salaries, and self-employment income that are subject to payroll taxes, up to the taxable earnings cap of $110,100 in 2012 and $113,700 in 2013. The actuarial balance is -2.67% of taxable payroll, according to the 2012 report of the Social Security Trustees. It is a negative number because income is projected to fall short of outgo and thus produce an actuarial deficit, or "financing gap," of 2.67% of taxable payroll.

Effect of Individual Policy Options

The SSA actuaries also estimate the effects of individual policy options as a percentage of taxable payroll. These estimates show how any particular policy change would affect the program's actuarial balance. Any option that raises revenue or lowers outgo would have a positive effect on the actuarial balance and, thus, reduce or eliminate the deficit. Any option that increases benefits or reduced revenue would have a negative impact on the actuarial balance and, thus, increase the deficit. Unless otherwise noted, the cost estimates shown in this appendix are drawn from the website of the Office of the Chief Actuary in 2012 and are based on assumptions in the 2011 Trustees Report.

In Table E, figures in column (B) are the actuarial estimates of the impact of each individual policy option on the actuarial balance. Positive numbers indicate that the policy would reduce or eliminate the negative actuarial balance, or deficit. Negative numbers indicate that that the policy would increase the deficit. Column (C) indicated where the specific option was found on the website of the Social Security actuaries.

Column (A) shows how the figures in column (B) would change the actuarial deficit of 2.67% of payroll. For example, the first option, which improves the actuarial balance by 1.90% of taxable payroll, would reduce the deficit by 71% (1.90/2.67 = 71%). Figures in column (A) are used to describe the financial effects of the options described in this report and are also shown on Table 6 of the report.

Table E. Policy Options and Estimates of Financial Impact Used in the Study

Description of Policy Options	Percent change in 2.67% financing gap (A)	Change in balance: % of payroll (B)	Option # on SSA's website (C)
Cap on Earnings Taxed for Social Security			
(1) Eliminate the taxable earnings cap, phased in over 10 years between 2013 and 2022. Provide benefit credit for earnings above the current tax cap at a lower (5%) rate. Phase in both the tax rate and the benefit credit for earnings at a proportional rate over 10 years.	-71%	1.90	E2.10
(2) Lift the taxable earnings cap so that 90% of earnings would be covered (phased in 2013-2018). Provide benefit credit for earnings up to the revised tax cap.	-30%	0.81	E3.3
Social Security Tax Rate			
(3) Increase the 6.2% payroll tax that employees and employers each pay by by 1/20th of 1% per year over 20 years (2017-2036), until it reaches 7.2% in 2036 and later.	-53%	1.41	E1.4
(4) Increase the payroll tax rate (for employers and employees each) to 7.2% in 2022 and to 8.2% in 2052.	-77%	2.06	[2]
Social Security's Full Retirement Age			
(5) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by 2 months every year until the FRA reaches 68 in 2028.	-15%	0.41	C1.2
(6) After the full retirement age (FRA) reaches 67 for those age 62 in 2022, increase the FRA by less than 1 month (36/47 of a month) per year, until the FRA reaches 70 in approximately 2050.	-25%	0.66	C2.4[3]
Means-Test Social Security			
(7) Reduce or eliminate Social Security benefits by offsetting the benefit against the individuals' other (non-Social Security) income. One such plan would phase out benefits for people with non-Social Security income between $55,000 and $110,000 a year for individuals.	-20%	0.53	[4]
Children's Benefits for Students			
(8) Beginning in 2012, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college, or vocational school.	+3%	-0.07	D1
Benefits for All Beneficiaries			
(9) Beginning in 2012, increase benefits by a uniform dollar amount for all beneficiaries and for all newly-eligible beneficiaries after 2012. The dollar amount of the increase equals a uniform 5% of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $60 a month in 2012.	+28%	-0.75	B7.5

Table E. Policy Options and Estimates of Financial Impact Used in the Study (continued)

Description of Policy Options	Percent change in 2.67% financing gap (A)	Change in balance: % of payroll (B)	Option # on SSA's website (C)
Benefits for Lifetime Low-Wage Workers			
(10) Beginning in 2012, reconfigure the special minimum benefit so that the primary insurance amount (PIA)5 for 30 years of coverage (YOC) is equal to 125 percent of the monthly poverty level (about $1,128 in 2010). For those with less than 30 YOC, the PIA for each YOC after 10 is $56.40 (or $1,128/20). Index these initial PIA amounts by wage growth.	+7%	-0.19	B5.2
Social Security's COLA			
(11) Beginning in December 2013, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). This would *increase* the annual COLA by about 0.2 percentage points, on average.	+13%	-0.35	A6
(12) Beginning in December 2012, compute the COLA using the chained CPI-W. This would *reduce* the annual COLA by about 0.3 percentage points, on average.	-20%	0.52	A3
Caregiver Credit			
(13) Give earnings credits to parents with a child under age 6 for up to 5 years. The earnings credited for childcare equal half of the Social Security average wage index (about $21,490 in 2011). If the parent earned less than the credit, Social Security wage credits would be increased up to the childcare credit level. The credits are available for past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2012. The 5 years are chosen to yield the largest increase in average indexed monthly earnings.	9%	-0.24	B7.3
Benefits for the Oldest Old (85+)			
(14) Beginning in 2012, increase the monthly benefit amount of any beneficiary who is (or turns) 85 or older. The dollar amount of the increase equals a uniform 5 percent of the average retired worker monthly benefit amount in the prior year. The increase would be approximately $60 in 2013 (5% of the average retired worker benefit of $1,230 in December 2012).	4%	-0.10	B6.2
Combinations of Options			
Options (1) and (3)	-134%	3.58	
Options (1) and (4)	-163%	4.35	
Options (2) and (3)	-87%	2.33	
Options (2) and (4)	-113%	3.03	

Source: National Academy of Social Insurance based on information in notes on Appendix E.

Combinations of Policy Options

Certain combinations of the individual options produce *interaction effects*, meaning that if the two options were implemented together, their total effect would differ from the simple sum of the two changes individually. For example, when considering a tax rate increase in combination with broadening the base, the impact is greater than the sum of the two individual changes due to the interaction effect. The estimates used in the study take account of the interaction among Options 1 through 4, which affect the tax rate and tax base. These combinations are shown at the bottom of Table E. For example, Option 1 (phasing out the taxable earnings cap) and Option 3 (gradually raising the tax rate) combined are estimated to close 134% of the financing gap – slightly more than the sum of the two changes individually, which would be 124%.

Notes on Appendix E:

1) Unless otherwise noted, the cost estimates and descriptions of the options are from SSA's website: http://www.ssa.gov/OACT/solvency/provisions/index.html

2) This estimate was produced in 2009 and cited in the NASI report *Fixing Social Security: Adequate Benefits, Adequate Financing*. SSA has since revised this proposal to the following: 7.3% in 2024 and 8.4% in 2054. The revised proposal (which is option E1.2 on SSA's website) brings in revenue of 2.30% of payroll, or 86% of the financing gap.

3) This option on SSA's website also includes increasing the earliest eligibility age (EEA) to age 65. Since the EEA is actuarially neutral, the cost estimate does not change significantly by eliminating that part of the option.

4) SSA has not produced an estimate for direct means-testing. The cost estimate listed here is a rough estimate, extrapolated from a Heritage Foundation plan that included means-testing (see Butler et al., Saving *the American Dream: The Heritage Plan to Fix the Debt, Cut Spending, and Restore Prosperity*, The Heritage Foundation, Washington, DC, 2011).

5) PIA, or Primary Insurance Amount, is an individual's basic monthly benefit amount before adjusting for age of claiming.

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