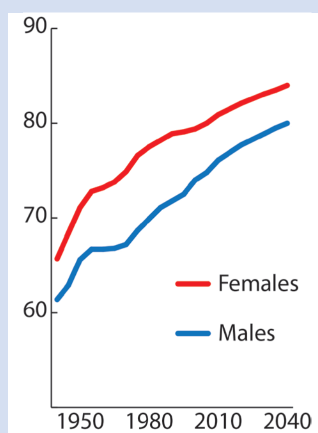
2016 MAKING ISSUES COUNT

RAISING SOCIAL SECURITY'S RETIREMENT AGE

WHEN SOCIAL SECURITY FIRST STARTED PAYING regular monthly benefits in 1940, males born in that year were expected to live about 61.5 years on average and females almost 66 years. In 2015, Americans' average life expectancy had risen by about 15 years, and is projected to increase further over time. While we are fortunate to live in an era of health and prosperity that supports longer lives, improving longevity brings with it additional implications that need to be addressed, such as the increased costs to Social Security as the wave of baby boomers retires over the next 20 years.

In 1983, legislation was enacted to gradually push back what is termed as the full retirement age—the age at which a person may first become eligible for full or unreduced retirement benefits—from 65 to 67 years of age. For those born in 1960 and later, the full retirement age remains at 67. What this one-time revision did not address is that those born after 1960 will live longer on average after reaching their retirement age and thus collect more Social Security benefits than prior generations.



Americans Living Longer

Proposals have been made in recent years to further lift the full retirement age in an effort to reduce Social Security's costs and respond to Americans' lengthening lifespans. As one part of a larger solution to solve Social Security's long-term financial problems, the American Academy of Actuaries supports raising the full retirement age above 67.

Why Change It Now?

The sooner steps are taken to address Social Security's solvency challenges to preserve the program for the next generation, the more likely it is that these solvency-oriented reforms can be made in a way that is easier for American workers and retirees to adapt to them.

While Social Security is not imminently facing insolvency, the long-term trend is that the program's costs will outpace its revenues. Without changes, Social Security's OASDI accumulated trust fund will be depleted in about 2034, at which point benefits will have to be cut, taxes raised, or some combination will be required.

Most reform proposals made in recent years to raise the retirement age support a gradual phase-in. One proposal would raise the full retirement age by one month every two years to match improvements in longevity. Another proposes steeper but gradual increases to further reduce Social Security's future costs.

What Are the Advantages of Raising the Retirement Age?

Social Security would be made more sustainable over the next several generations because its costs would be lower. How much the costs would be lowered would depend on the specifics of how fast and how high the retirement age would be raised.

Such a step would also preserve equity among generations because future retirees would receive similar benefits to their parents and grandparents. Without a change in the retirement age, future retirees would collect more benefits over their lifetimes than earlier retirees because their increased average lifespan would allow them to live more years in retirement.

Additionally, raising the retirement age would give workers more time to build their retirement savings while still enjoying a long period of retirement.

Longevity Improvement for Americans Varies

Low-wage workers and those with physically demanding jobs generally have shorter-than-average lifespans and could face disproportionate benefit cuts from a higher retirement age. In addition, some workers in physically demanding jobs may not be able to work beyond a certain age. But there are ways to mitigate these effects that include making changes to disability rules to benefit specific workers who are unable to perform their jobs after reaching a certain age.

Additional Resources From the Academy

Raising the Retirement Age for Social Security READ MORE...

Issue Brief on 2015 Social Security Trustees Report READ MORE...

Social Security Reform Options READ MORE...