



**TESTIMONY OF
BARBARA J. EASTERLING
PRESIDENT
ALLIANCE FOR RETIRED AMERICANS
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE SUBCOMMITTEE ON SOCIAL
SECURITY**

ON

PROTECTING AND PRESERVING SOCIAL SECURITY FOR GENERATIONS

SEPTEMBER 30, 2010

**ALLIANCE FOR RETIRED AMERICANS
815 16TH STREET, NW
WASHINGTON, DC 20006
www.retiredamericans.org**

Mr. Chairman and Members of the Committee, my name is Barbara Easterling and I am President of the Alliance for Retired Americans, a four million member grassroots organization comprised of retirees from labor and community-based groups. Thank you for conducting this hearing on such a timely topic – the impact of potential loss of income on Social Security beneficiaries. As many older Americans face lay offs, see their retirement savings disappear in the stock market and their home equities wiped out, Social Security is becoming ever more important. For many retirees, it is their only means of support. Thus, it is essential that Congress work to strengthen – not cut – this lifeline of retirement security to ensure that Americans of all generations can count on the benefits that they have earned.

Social Security is one of America's greatest success stories. It has kept generations of seniors out of poverty. Today, without Social Security, nearly half of Americans age 65 and older would live in poverty. For two-thirds of the elderly, Social Security provides the majority of their income and for one-third it provides nearly all their income.

While Social Security benefits have contributed to reducing poverty among the elderly, they are not lavish by any means. The average benefit for a

retired worker is under \$14,000 a year. To make matters worse, these benefits are not keeping up with the inflation retirees experience. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which is used to determine the Social Security cost-of-living adjustments (COLA), does not take into account the items disproportionately purchased by seniors, like medical and pharmaceutical costs. As a result, many seniors on Social Security are having a hard time keeping their heads above water. Contrary to what some may believe, seniors don't all live in gated communities and drive a Lexus. Instead, many seniors are turning their lives upside down to make ends meet.

Let's look at the situation of Priscilla King of New Hampshire, an active and engaged member of her church, as well as the Alliance for Retired Americans. Priscilla lost her husband earlier this year turning her home into a one-income household and reducing her income by \$1,000 a month. This drop in income made her benefits insufficient to cover her rent in a subsidized senior community and pay for groceries, medicine and other needs. Due to her current circumstance, Priscilla will have to leave her network of friends, neighbors, church and support group in New Hampshire and move to Massachusetts to live with her stepson. Not only does Priscilla have to cope with the loss of a loved one, but she now has to

deal with losing her friends and her community too. No senior should have to uproot their lives and move in with their children in order to survive. Unfortunately, many retirees are in a similar predicament. Any cuts in Social Security benefits would be devastating and put millions more at risk.

Seniors all across America are already tightening their budgets and squeezing every penny to pay for the skyrocketing costs of health care. Prescription drugs alone have gone up 41.5 percent from 2004 to 2009. Add to that, the out-of-pocket costs of health and long term care. According to Fidelity Investments, the average senior retiring at age 65 this year will need \$240,000 to pay the out-of-pocket costs of health care for the rest of his or her life. These numbers are mind boggling in any scenario, but particularly so considering seniors have lost so much of their savings.

The recent recession -- starting with the crash of the stock market and the ensuing collapse of the housing bubble -- has had a devastating effect on America's retirement security, including those of older Americans.

Retirement accounts have lost over 17% of their value over the last 12 months, overall, pensions have fallen in value by over a quarter in 2008, and only 21 percent of private sector workers can count on a monthly

benefit from a defined benefit plan when they retire. Further, the collapse of the housing bubble has resulted in the destruction of most or all of a retiree's home equity savings.

Notwithstanding the modest benefits Social Security recipients currently receive and the loss of their retirement savings, some have suggested raising the Social Security retirement age as an option to generate savings and tackle the nation's deficit problem, even though Social Security has not added a single cent to the deficit. They have justified their position by erroneously arguing that Americans are living longer. Nothing could be further from the truth. The gains in life expectancy have been uneven at best. In the past quarter century, while life expectancy among higher-income men increased by five and a half years, life expectancy among men in the lower half of the income distribution has increased by only one year. Among lower-income women, life expectancy has actually declined. Despite those unflattering numbers, in 1983, Congress raised the age from 65 to 67.

Further raising the retirement age will continue to harm older and blue collar workers at a disproportionate rate. Due to the physical demands of their jobs, many blue collar workers retire early, receiving a permanent

reduction in their benefits. In fact, should the retirement age become 70 and an individual retire at 62, that retiree would experience a 45 percent cut in benefits. Thus, make no mistake about it, raising the retirement age is a benefit cut -- one that seniors can ill afford.

Yet, throughout this economic crisis, Social Security has been the only thing seniors could count on. Without interruption, the Social Security Administration continues to send out monthly checks to 35 million retirees and their spouses. Instead of discussing options to reduce benefits, Congress should focus on improving them. Instituting a more representative Social Security COLA would go a long way to improve the lives of retirees and strengthen the program for generations to come.

Thank you for the opportunity to address the concerns of our retirees on Social Security.