

Social Security and Medicare Taxes and Benefits over a Lifetime

2012 Update

C. Eugene Steuerle and Caleb Quakenbush

Copyright © October 2012. The Urban Institute. All rights reserved. Permission is granted for reproduction of this file, with attribution to the Urban Institute.

The Urban Institute is a nonprofit, nonpartisan policy research and educational organizations that examines the social, economic, and governance problems facing the nation. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

Social Security and Medicare Taxes and Benefits over a Lifetime – 2012 Update

The following tables update estimates for the expected present value of lifetime benefits and taxes for Social Security and Medicare from 2011.¹ For this analysis, the demographic and economic assumptions of the 2012 OASDI and Medicare trustees' reports were integrated into our model. Values are presented in 2012 dollars and assume a 2 percent real discount rate.²

No major changes in Social Security policy or promised Medicare benefits have occurred since the last update, so the overall picture presented is largely the same. However, projected costs per Medicare enrollee reflect alternative assumptions provided by the Center for Medicare and Medicaid Services (CMS) actuaries³ that incorporate lawmakers' current policy of canceling scheduled cuts in Medicare payment rates to physicians and other scheduled spending reductions. The result is significantly higher projected lifetime Medicare benefits than current law assumptions would indicate.⁴

The numbers presented are averages for hypothetical workers with specific work histories and longevity characteristics. Lifetime benefits and taxes experienced by specific households in the economy will vary based on a number of factors, including income, health, and choices about marriage, divorce, children, and retirement. For example, the greater expected lifetime benefits of women compared to men with the same earnings profile stem from longer life expectancies for women.

Two sets of tables provide for different Social Security assumptions: one assumes that workers retire at age 65, and the other assumes that workers retire at the normal retirement age. In both sets, workers receive Medicare at the eligibility age of 65.

UPDATE: These tables correct an error in the lifetime Medicare benefits for couples turning 65 in 2020. The authors kindly thank Jackie Calmes of the *New York Times* for catching the mistake. April 3, 2013.

¹ See <http://www.urban.org/publications/412281.html>.

² More discussion of the methodology used here and in 2011 can be found at <http://www.urban.org/retirees/Estimating-Social-Security.cfm>.

³ John D. Shatto and M. Kent Clemens, "Projected Medicare Expenditures under Illustrative Scenarios with Alternative Payment Updates to Medicare Providers." <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2012TRAAlternativeScenario.pdf>.

⁴ For a further discussion, see <http://www.urban.org/publications/412661.html>

Expected Social Security and Medicare Benefits, 2012 dollars

Social Security benefits at age 65

Tables included for the following cohorts:

Single man, average wage

Single woman, average wage

One-earner couple, average wage

Two-earner couple, average/low wage

Two-earner couple, average wage

Two-earner couple, high/average wage

Single Male Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	9,500	115,000	16,000	131,000	18,000	0	18,000
1980	15,400	207,000	64,000	271,000	98,000	9,000	107,000
2010	17,900	277,000	180,000	457,000	300,000	61,000	361,000
2020	18,900	304,000	232,000	536,000	350,000	77,000	427,000
2030	20,600	339,000	311,000	650,000	404,000	90,000	494,000

Single Female Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	9,600	149,000	26,000	175,000	18,000	0	18,000
1980	15,400	254,000	87,000	341,000	98,000	9,000	107,000
2010	17,900	302,000	207,000	509,000	300,000	61,000	361,000
2020	18,900	328,000	267,000	595,000	350,000	77,000	427,000
2030	20,600	364,000	353,000	717,000	404,000	90,000	494,000

One-Earner Couple Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	14,200	214,000	41,000	255,000	18,000	0	18,000
1980	23,100	377,000	151,000	528,000	98,000	9,000	107,000
2010	26,900	467,000	387,000	854,000	300,000	61,000	361,000
2020	28,400	508,000	499,000	1,007,000	350,000	77,000	427,000
2030	30,800	564,000	664,000	1,228,000	404,000	90,000	494,000

Two-Earner Couple: Average Wage/Low Wage (\$44,600/\$20,000 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	16,000	228,000	41,000	269,000	26,000	0	26,000
1980	25,000	394,000	151,000	545,000	142,000	13,000	155,000
2010	31,000	490,000	387,000	877,000	435,000	88,000	523,000
2020	33,000	534,000	499,000	1,033,000	507,000	111,000	618,000
2030	38,000	593,000	664,000	1,257,000	585,000	131,000	716,000

Two-Earner Couple: Average Wage (\$44,600 each in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	19,000	264,000	41,000	305,000	36,000	0	36,000
1980	30,800	461,000	151,000	612,000	196,000	17,000	213,000
2010	35,800	579,000	387,000	966,000	600,000	122,000	722,000
2020	37,800	632,000	499,000	1,131,000	700,000	153,000	853,000
2030	41,200	703,000	664,000	1,367,000	808,000	180,000	988,000

Two-Earner Couple: High Wage/Average Wage (\$71,400/\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	20,000	278,000	41,000	319,000	42,000	0	42,000
1980	35,000	534,000	151,000	685,000	230,000	21,000	251,000
2010	45,000	693,000	387,000	1,080,000	765,000	156,000	921,000
2020	48,000	756,000	499,000	1,255,000	909,000	199,000	1,108,000
2030	55,000	840,000	664,000	1,504,000	1,050,000	234,000	1,284,000

Notes: All amounts are in constant 2012 dollars and adjusted to present value at age 65 using a 2 percent real interest rate. Each calculation assumes survival until age 65 and then adjusts for chance of death in all years after age 65. It also assumes that benefits scheduled in law will be paid even if trust funds are exhausted. Workers are assumed to work every year from age 22 until retiring on their 65th birthday. An average-wage worker earns the Social Security Administration's average wage index (AWI) each year, estimated at \$44,600 in 2012. The low-wage worker earns 45 percent of the average wage, while the high-wage worker earns 160 percent of the average wage. The maximum taxable worker earns the OASI maximum taxable wage each year (\$110,100 in 2012). Medicare numbers include Parts A, B, and D and are net of premiums, excluding new premiums on some high earners.

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2012. Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits, 2012 dollars

Social Security benefits at normal retirement age

Tables included for the following cohorts:

Single man, average wage

Single woman, average wage

One-earner couple, average wage

Two-earner couple, average/low wage

Two-earner couple, average wage

Two-earner couple, high/average wage

Single Male Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	9,500	115,000	16,000	131,000	18,000	0	18,000
1980	15,400	207,000	64,000	271,000	98,000	9,000	107,000
2010	19,000	278,000	180,000	458,000	306,000	61,000	367,000
2020	20,600	287,000	232,000	519,000	357,000	77,000	434,000
2030	24,000	348,000	311,000	659,000	420,000	90,000	510,000

Single Female Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	9,600	149,000	26,000	175,000	18,000	0	18,000
1980	15,400	254,000	87,000	341,000	98,000	9,000	107,000
2010	19,000	305,000	207,000	512,000	306,000	61,000	367,000
2020	20,600	312,000	267,000	579,000	357,000	77,000	434,000
2030	24,000	377,000	353,000	730,000	420,000	90,000	510,000

One-Earner Couple Earning the Average Wage (\$44,600 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	14,200	214,000	41,000	255,000	18,000	0	18,000
1980	23,100	377,000	151,000	528,000	98,000	9,000	107,000
2010	28,500	472,000	387,000	859,000	306,000	61,000	367,000
2020	31,000	485,000	499,000	984,000	357,000	77,000	434,000
2030	35,900	586,000	664,000	1,250,000	420,000	90,000	510,000

Two-Earner Couple: Average Wage/Low Wage (\$44,600/\$20,000 in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	16,000	228,000	41,000	269,000	26,000	0	26,000
1980	25,000	394,000	151,000	545,000	142,000	13,000	155,000
2010	31,000	496,000	387,000	883,000	443,000	88,000	531,000
2020	33,000	509,000	499,000	1,008,000	517,000	111,000	628,000
2030	38,000	615,000	664,000	1,279,000	608,000	131,000	739,000

Two-Earner Couple: Average Wage (\$44,600 each in 2012 dollars)

Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	19,000	264,000	41,000	305,000	36,000	0	36,000
1980	30,800	461,000	151,000	612,000	196,000	17,000	213,000
2010	38,000	583,000	387,000	970,000	612,000	122,000	734,000
2020	41,200	599,000	499,000	1,098,000	714,000	153,000	867,000
2030	48,000	725,000	664,000	1,389,000	840,000	180,000	1,020,000

Two-Earner Couple: High Wage/Average Wage (\$71,400/\$44,600 in 2012 dollars)							
Year cohort turns 65	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	Total lifetime benefits	Lifetime Social Security taxes	Lifetime Medicare taxes	Total lifetime taxes
1960	20,000	278,000	41,000	319,000	42,000	0	42,000
1980	35,000	534,000	151,000	685,000	230,000	21,000	251,000
2010	44,000	699,000	387,000	1,086,000	781,000	156,000	937,000
2020	48,000	717,000	499,000	1,216,000	928,000	199,000	1,127,000
2030	55,000	866,000	664,000	1,530,000	1,091,000	234,000	1,325,000

Notes: All amounts are in constant 2012 dollars and adjusted to present value at age 65 using a 2 percent real interest rate. Each calculation assumes survival until age 65 and then adjusts for chance of death in all years after age 65. It also assumes that benefits scheduled in law will be paid even if trust funds are exhausted. Workers are assumed to work every year from age 22 until reaching their normal retirement age. An average-wage worker earns the Social Security Administration's average wage index (AWI) each year, estimated at \$44,600 in 2012. The low-wage worker earns 45 percent of the average wage, while the high-wage worker earns 160 percent of the average wage. The maximum taxable worker earns the OASI maximum taxable wage each year (\$110,100 in 2012). Medicare numbers include Parts A, B, and D and are net of premiums, excluding new premiums on some high earners.

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2012. Based on earlier work with Adam Carasso and Stephanie Rennane.