

Social Security and Medicare Taxes and Benefits over a Lifetime

2013 Update

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Social Security and Medicare Taxes and Benefits over a Lifetime – 2013 Update

The following tables update estimates for the expected present value of lifetime benefits and taxes for Social Security and Medicare for 2013.¹ For this analysis, the demographic and economic assumptions of the 2013 Old Age, Survivors, and Disability Insurance (OASDI), and Medicare trustees' reports were integrated into our model. Values are presented in 2013 dollars and assume a 2 percent real discount rate.²

No major changes in Social Security policy have occurred since the last update, so the overall picture presented for that program remains largely the same. For Medicare, slower growth in overall health costs in the economy have been incorporated into the Center for Medicare and Medicaid Services' (CMS) long-term projections, resulting in somewhat lower total Medicare benefits than found in 2012.

In its estimates of future Medicare costs, the CMS actuaries use what is known as a “current law” baseline, which assumes that all laws concerning the Medicare program are implemented as scheduled. However, policymakers routinely override scheduled changes to the program which would lower payment rates to Medicare service providers, and they are likely to continue to do so. As a result, the baseline put forward in the Medicare trustees report likely understates projected Medicare costs.

To account for this, we adjust future costs per Medicare enrollee to reflect an alternative scenario provided by the CMS actuaries that incorporates lawmakers' current policy of canceling scheduled cuts in Medicare payment rates to physicians and other scheduled spending reductions.^{3,4}

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.

These estimates assume beneficiaries receive all benefits scheduled under current policy, regardless of the status of the Social Security or Medicare trust funds. Since both funds face shortfalls in the intermediate future, policies for both programs will inevitably change, which will greatly influence the benefits and taxes of current and future cohorts. From that perspective, future benefits are likely overstated or taxes understated or both for many of the typical households represented.

¹ See <http://www.urban.org/socialsecurity/lifetimebenefits.cfm>

² For more background on our methodology, see <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/2013TRAlternativeScenario.pdf>

⁴ For a further discussion of how differing spending assumptions can affect lifetime benefits, see <http://www.urban.org/publications/412661.html>

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

Single Male Earning Average Wage (\$44,800 in 2013 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	9,700	118,000	15,000	133,000	19,000	-	19,000
1965	10,300	133,000	27,000	160,000	31,000	-	31,000
1970	11,900	156,000	38,000	194,000	48,000	2,000	50,000
1975	14,200	178,000	51,000	229,000	72,000	5,000	77,000
1980	16,100	216,000	65,000	281,000	101,000	9,000	110,000
1985	15,100	200,000	82,000	282,000	129,000	14,000	143,000
1990	14,900	209,000	100,000	309,000	163,000	22,000	185,000
1995	16,000	228,000	120,000	348,000	201,000	30,000	231,000
2000	16,200	243,000	140,000	383,000	239,000	39,000	278,000
2005	17,900	277,000	161,000	438,000	278,000	50,000	328,000
2010	18,700	286,000	178,000	464,000	312,000	62,000	374,000
2015	18,000	287,000	197,000	484,000	337,000	70,000	407,000
2020	18,700	303,000	224,000	527,000	360,000	78,000	438,000
2025	19,400	319,000	258,000	577,000	386,000	85,000	471,000
2030	20,500	341,000	297,000	638,000	411,000	91,000	502,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.

Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

Single Female Earning Average Wage (\$44,800 in 2013 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	9,800	154,000	24,000	178,000	19,000	-	19,000
1965	10,600	178,000	41,000	219,000	31,000	-	31,000
1970	12,300	207,000	56,000	263,000	48,000	2,000	50,000
1975	14,700	232,000	72,000	304,000	72,000	5,000	77,000
1980	16,100	265,000	89,000	354,000	101,000	9,000	110,000
1985	15,100	240,000	107,000	347,000	129,000	14,000	143,000
1990	14,900	246,000	126,000	372,000	163,000	22,000	185,000
1995	16,000	261,000	146,000	407,000	201,000	30,000	231,000
2000	16,200	273,000	166,000	439,000	239,000	39,000	278,000
2005	17,900	308,000	188,000	496,000	278,000	50,000	328,000
2010	18,700	314,000	207,000	521,000	312,000	62,000	374,000
2015	18,000	314,000	230,000	544,000	337,000	70,000	407,000
2020	18,700	331,000	260,000	591,000	360,000	78,000	438,000
2025	19,400	348,000	298,000	646,000	386,000	85,000	471,000
2030	20,500	371,000	341,000	712,000	411,000	91,000	502,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.
 Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

One-Earner Couple Earning the Average Wage (\$44,800 in 2013 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	14,500	220,000	39,000	259,000	19,000	-	19,000
1965	15,400	252,000	68,000	320,000	31,000	-	31,000
1970	17,800	293,000	94,000	387,000	48,000	2,000	50,000
1975	21,300	330,000	123,000	453,000	72,000	5,000	77,000
1980	24,100	393,000	154,000	547,000	101,000	9,000	110,000
1985	22,700	359,000	189,000	548,000	129,000	14,000	143,000
1990	22,400	371,000	227,000	598,000	163,000	22,000	185,000
1995	23,900	398,000	267,000	665,000	201,000	30,000	231,000
2000	24,300	418,000	306,000	724,000	239,000	39,000	278,000
2005	26,800	473,000	350,000	823,000	278,000	50,000	328,000
2010	28,000	483,000	385,000	868,000	312,000	62,000	374,000
2015	26,900	483,000	427,000	910,000	337,000	70,000	407,000
2020	28,000	509,000	484,000	993,000	360,000	78,000	438,000
2025	29,100	535,000	556,000	1,091,000	386,000	85,000	471,000
2030	30,700	570,000	638,000	1,208,000	411,000	91,000	502,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.

Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

One Earner Couple Earning a High Wage (\$71,700 in 2013 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	16,100	245,000	39,000	284,000	25,000	-	25,000
1965	16,800	276,000	68,000	344,000	38,000	-	38,000
1970	20,100	330,000	94,000	424,000	61,000	2,000	63,000
1975	24,900	385,000	123,000	508,000	93,000	6,000	99,000
1980	30,100	491,000	154,000	645,000	136,000	13,000	149,000
1985	28,400	450,000	189,000	639,000	179,000	22,000	201,000
1990	28,400	470,000	227,000	697,000	231,000	33,000	264,000
1995	30,600	509,000	267,000	776,000	292,000	46,000	338,000
2000	31,500	542,000	306,000	848,000	354,000	60,000	414,000
2005	35,300	622,000	350,000	972,000	420,000	77,000	497,000
2010	37,100	639,000	385,000	1,024,000	485,000	97,000	582,000
2015	35,700	640,000	427,000	1,067,000	535,000	111,000	646,000
2020	37,000	672,000	484,000	1,156,000	575,000	124,000	699,000
2025	38,400	707,000	556,000	1,263,000	618,000	136,000	754,000
2030	40,600	754,000	638,000	1,392,000	657,000	145,000	802,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.

Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

Two-Earner Couple: Average Wage/Low Wage (\$44,800/\$20,200 in 2013 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	16,100	235,000	39,000	274,000	27,000	-	27,000
1965	17,100	269,000	68,000	337,000	44,000	-	44,000
1970	19,600	312,000	94,000	406,000	70,000	2,000	72,000
1975	23,300	350,000	123,000	473,000	105,000	7,000	112,000
1980	25,800	411,000	154,000	565,000	146,000	13,000	159,000
1985	24,300	376,000	189,000	565,000	187,000	21,000	208,000
1990	24,000	389,000	227,000	616,000	237,000	31,000	268,000
1995	25,600	417,000	267,000	684,000	292,000	43,000	335,000
2000	26,000	438,000	306,000	744,000	347,000	56,000	403,000
2005	29,700	497,000	350,000	847,000	404,000	72,000	476,000
2010	32,100	508,000	385,000	893,000	453,000	89,000	542,000
2015	30,900	508,000	427,000	935,000	489,000	102,000	591,000
2020	32,500	536,000	484,000	1,020,000	521,000	113,000	634,000
2025	35,900	563,000	556,000	1,119,000	560,000	123,000	683,000
2030	37,900	600,000	638,000	1,238,000	596,000	131,000	727,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.
 Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

Two-Earner Couple: Average Wage (\$44,800 each in 2013 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	19,600	272,000	39,000	311,000	37,000	-	37,000
1965	21,100	312,000	68,000	380,000	61,000	-	61,000
1970	24,600	363,000	94,000	457,000	96,000	3,000	99,000
1975	29,400	410,000	123,000	533,000	145,000	9,000	154,000
1980	32,200	481,000	154,000	635,000	201,000	18,000	219,000
1985	30,200	440,000	189,000	629,000	258,000	29,000	287,000
1990	29,900	455,000	227,000	682,000	327,000	43,000	370,000
1995	31,900	489,000	267,000	756,000	403,000	59,000	462,000
2000	32,400	516,000	306,000	822,000	479,000	78,000	557,000
2005	35,800	586,000	350,000	936,000	557,000	99,000	656,000
2010	37,400	600,000	385,000	985,000	624,000	123,000	747,000
2015	35,900	601,000	427,000	1,028,000	675,000	141,000	816,000
2020	37,300	634,000	484,000	1,118,000	719,000	155,000	874,000
2025	38,800	667,000	556,000	1,223,000	772,000	170,000	942,000
2030	40,900	712,000	638,000	1,350,000	821,000	181,000	1,002,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.

Based on earlier work with Adam Carasso and Stephanie Rennane.

Expected Social Security and Medicare Benefits and Taxes, 2013 dollars
 Worker(s) retiring at age 65, real discount rate of 2 percent, current policy
 Medicare benefits

Two-Earner Couple: High Wage/Average Wage (\$71,400/\$44,800 in 2013 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	20,600	286,000	39,000	325,000	43,000	-	43,000
1965	21,800	326,000	68,000	394,000	69,000	-	69,000
1970	25,700	389,000	94,000	483,000	109,000	4,000	113,000
1975	31,300	451,000	123,000	574,000	166,000	11,000	177,000
1980	36,200	557,000	154,000	711,000	237,000	22,000	259,000
1985	34,100	511,000	189,000	700,000	308,000	36,000	344,000
1990	33,900	532,000	227,000	759,000	395,000	54,000	449,000
1995	36,400	575,000	267,000	842,000	493,000	75,000	568,000
2000	37,200	610,000	306,000	916,000	593,000	99,000	692,000
2005	42,900	699,000	350,000	1,049,000	699,000	127,000	826,000
2010	46,500	718,000	385,000	1,103,000	797,000	158,000	955,000
2015	44,700	719,000	427,000	1,146,000	873,000	182,000	1,055,000
2020	47,000	757,000	484,000	1,241,000	935,000	202,000	1,137,000
2025	51,900	797,000	556,000	1,353,000	1,004,000	221,000	1,225,000
2030	54,800	850,000	638,000	1,488,000	1,068,000	236,000	1,304,000

Source: C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2013.

Based on earlier work with Adam Carasso and Stephanie Rennane.