CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE

HOW CAN CHANGES TO SOCIAL SECURITY IMPROVE BENEFITS FOR BLACK AND HISPANIC BENEFICIARIES?

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Abstract

This paper compares Social Security outcomes for non-Hispanic Black, Hispanic, and non-Hispanic white beneficiaries and assesses the capacity of various benefit enhancements to narrow racial and ethnic disparities in Social Security benefits. Using the Dynamic Simulation of Income Model 4 (DYNASIM4), we project, under current law and each benefit enhancement, lifetime Social Security benefits, the share of beneficiaries receiving limited annual benefits, and the share with limited annual income. To capture the fully phased-in impact of each option, we project annual outcomes in 2080 and lifetime outcomes for adults born between 2001 and 2010.

The paper found that:

- Racial and ethnic differences in annual and lifetime Social Security benefits are substantial. We project that average lifetime benefits received by adults born between 2001 and 2010 are 19 percent less for Black beneficiaries than white beneficiaries and 14 percent less for Hispanic beneficiaries than white beneficiaries. Black and Hispanic beneficiaries ages 62 and older in 2080 are projected to be about 10 percentage points more likely to receive limited incomes in 2080 than white beneficiaries.
- Various benefit enhancements, including creating caregiver credits, making the benefit formula more progressive, and adding a new minimum benefit to Social Security, would disproportionately help Black and Hispanic beneficiaries.
- However, these benefit enhancements would only modestly narrow racial and ethnic disparities in Social Security benefits. Adding a new minimum benefit tied to years of covered employment would have a particularly modest effect, because relatively few beneficiaries receiving limited benefits complete long careers.

The policy implications of the findings are:

- The effectiveness of benefit enhancements depends crucially on how those adjustments are structured. Policy details, including eligibility for the enhanced benefit and the presence of any benefit caps, shape how much low-income beneficiaries would receive and how well targeted the adjustments are.
- Achieving equity in Social Security benefits for Black and Hispanic adults would likely require substantial progress toward equality in labor market outcomes.

Introduction

Despite the progressivity built into the Old Age, Survivors, and Disability Insurance (OASDI) program, better known as Social Security, many beneficiaries receive limited benefits. Program benefits depend largely on how much workers and their spouses earn over their lives and contribute in payroll taxes. Consequently, workers who earn and contribute less because of lower annual earnings or shorter careers receive less benefits when they retire or develop a disability, even though the program replaces a higher share of earnings for workers with limited lifetime earnings than for workers with more lifetime earnings (American Academy of Actuaries 2023). Moreover, groups with shorter life expectancies generally receive benefits for fewer years than those with longer life expectancies, reducing their lifetime benefits. Social Security accounts for more than half of the income received by the majority of adults ages 65 and older (Dushi, Iams, and Trenkamp 2017). Yet, in December 2022 Social Security payments fell below 100 percent of the federal poverty level (FPL) for about a fifth of retired worker beneficiaries (or more than 9.7 million people) and below 125 percent of the FPL for about a third of retired worker beneficiaries (or about 16.2 million people).[1]

People of color face systemic racism that limits their employment opportunities and earnings and suppresses their future Social Security benefits (Bertrand and Mullainathan 2004; Daly, Hobijn, and Pedtke 2017; Darity and Mason 1998; Hamilton and Darity 2012; Penner 2008; Reid and Rubin 2005). Black workers also tend to have shorter careers than white workers. Black workers' limited employment histories often result from health problems, driven at least partly by racism, and caregiving responsibilities that interrupt employment and lead to early retirement (Centers for Disease Control and Prevention 2013; Feagin and Bennefield 2014; Fuller-Thomson et al. 2009; Kail, Taylor, and Rogers 2020; Murphy, Johnson, and Mermin 2007). Black and Hispanic people are especially likely to serve as primary caregivers for their grandchildren, which can also interfere with paid work (Chen et al. 2014; Ellis and Simmons 2014; Minkler and Fuller-Thomson 2005). Additionally, Black people are less likely to marry than white people (Johnson, Haaga, and Simms 2011), which limits their access to Social Security's spouse and survivor benefits.

[1] Authors' calculations from Social Security Administration (2023, table 5B.6), based on the FPL for single adults ages 65 and older.

Consequently, Black workers and other people of color tend to receive lower Social Security benefits than white people when they retire or develop disabilities and collect Old Age and Survivor Insurance (OASI) or Disability Insurance (DI) benefits (Godtland et al. 2007; Martin and Murphy 2014; Social Security Administration 2016). Moreover, some policy choices made early in the program's history, such as the decision to exclude such occupations as domestic and agricultural workers, limited benefits for many Black people (Kijakazi, Smith, and Runes 2019).

Lower Social Security benefits result in higher poverty rates at older ages for people of color than for white people. At ages 65 and older, 22 percent of Black adults and 28 percent of Hispanic adults had incomes below the FPL in 2016, compared with only 5 percent of white adults (Johnson 2021). These disparities persist within educational and marital status groups.

Changing Social Security's benefit structure could offset some of the disadvantages that Black and Hispanic workers face in the labor market and raise their retirement and disability payments, promoting overall financial security for older adults and people with disabilities. Adding a new minimum benefit to Social Security, for example, could lift all beneficiaries with significant work histories out of poverty. Other options for raising Social Security payments to low-income beneficiaries, who are disproportionately Black and Hispanic people, include making the benefit formula more progressive so that it replaces a larger share of earnings for the first dollars of lifetime earnings and a smaller share of earnings for later dollars, granting Social Security credits to workers who take time out of the labor force to care for children or family members with serious illness or disabilities, and adjusting how the program provides benefits to survivors of deceased retired workers. Eliminating federal income taxes on Social Security benefits would also boost after-tax benefits for some retirees and people with disabilities. Such adjustments are consistent with the goals of Social Security, a social insurance program designed to protect workers and their families in the event of low lifetime earnings, disability, widowhood, extended longevity, and other life events.

In this study, we examine how various proposed enhancements to Social Security benefits could promote financial security at older ages and reduce disparities in benefit payments along racial and ethnic lines. The benefit enhancements we consider are similar to provisions included in many prominent Social Security plans. Using dynamic microsimulation techniques, we project, under current law and each option, lifetime Social Security benefits, the share of

beneficiaries receiving limited annual benefits, and the share with limited annual income. We compare outcomes for Black, Hispanic, and white beneficiaries and compute the share of new additional benefits that go to Black and Hispanic beneficiaries under each option. Because the details of each proposed benefit adjustment shape its effectiveness, we model several iterations of certain adjustments. We also compute the impact of each benefit enhancement on Social Security's 75-year unfunded liability. Our analysis assumes that benefits scheduled under current law and under each option will be paid in full, despite the program's long-term financing shortfall. To capture the fully phased-in impact of each option, we project annual outcomes in 2080 and lifetime outcomes for adults born between 2001 and 2010.

Our projections reveal large disparities in the receipt of Social Security benefits. We project that average lifetime benefits received by adults born between 2001 and 2010 are 19 percent less for Black beneficiaries than white beneficiaries and 14 percent less for Hispanic beneficiaries than white beneficiaries. Black and Hispanic beneficiaries ages 62 and older in 2080 are projected to be about 10 percentage points more likely to receive only limited benefits and limited incomes in 2080 than white beneficiaries. Although many of the benefit adjustments we model would disproportionately help Black and Hispanic beneficiaries and narrow gaps in Social Security benefits, none would come close to eliminating those disparities.

Modeled Benefit Enhancements

We model the potential impact of several proposals to enhance Social Security benefits. These benefit enhancements, which are similar to ones that have been included in various prominent Social Security plans, include making the benefit formula more progressive, adding a new minimum benefit to Social Security, providing Social Security credits to people who spend time caring for young children, improving survivor benefits, boosting benefits for long-term beneficiaries, increasing benefit levels across the board, and eliminating federal income taxes on Social Security benefits. Table 1 summarizes each provision, which we describe below.

Making the Benefit Formula More Progressive

Social Security benefits are computed based on a progressive benefit formula that replaces a larger share of earnings for workers with limited lifetime earnings and a smaller share for workers with higher lifetime earnings. The first step in computing benefits is to calculate

workers' average indexed monthly earnings (AIME), based on their highest 35-years of indexed earnings, up to the taxable maximum each year. Workers' primary insurance amount (PIA), the monthly amount they would receive if they begin collecting benefits at their full retirement age, is a portion of their AIME. For workers turning 62 in 2024, the PIA equals 90 percent of their first $1,174 of AIME, plus 32 percent of their AIME between $1,175 and $7,078 and 15 percent of their AIME in excess of $7,078. Those thresholds, or bend points as Social Security calls them, are indexed to changes in the national average wage.

We model the impact of making the benefit formula more progressive by raising the first bend point and the first replacement rate and reducing the replacement rate for beneficiaries with very high AIMEs. In 2024 this option, modeled after the Social Security benefit formula adjustments proposed by the Bipartisan Policy Center (2016), would increase the first bend point from $1,174 to $1,503, add a new bend point at $5,018, and keep the last bend point at $7,078. The new replacement rates would be 95 percent before the first bend point (up from 90 percent), 32 percent between the first and second bend points, 15 percent between the second and third bend points, and 5 percent above the third bend point.

Adding a New Minimum Benefit

Perhaps the most straightforward way of reducing poverty among Social Security beneficiaries would be to add a new minimum benefit to the program that guaranteed beneficiaries a monthly payment that covered basic living expenses, regardless of how much they earned and contributed to the system.[2] We consider three alternative versions of a minimum benefit. Option MB1, which is included in the Social Security 2100 Act introduced by Rep. John Larson (D-CT) in 2023, would guarantee a benefit equal to 125 percent of the FPL to beneficiaries with at least 30 years of covered employment who newly qualify for benefits in 2024.[3] That minimum benefit would grow over time with the increase in the economy-wide

[2] Social Security currently includes a special minimum benefit, but the minimum is too low to help many beneficiaries. Of the 66 million people collecting Social Security payments in December 2022, only about 23,000 received the special minimum benefit (Social Security Administration 2023, tables 5.A1 and 5.A8). Feinstein (2021) estimates that for workers who began collecting Social Security between 1999 and 2019, the only beneficiaries collecting the special minimum benefit were those whose Social Security payments would otherwise have been reduced by the program's windfall elimination provision, which cuts benefits for some people receiving a pension based on employment that was not covered by Social Security.

[3] Social Security 2100 Act, H.R. 4583, 118th Cong. (2023).

average wage. Because the FPL is tied to the growth in prices, which generally grow more slowly than wages, the minimum benefit under this option would exceed 125 percent of the FPL in future years for beneficiaries with long work histories. The minimum benefit would be prorated for beneficiaries with shorter careers, providing a minimum equal to 6.25 percent of the FPL for beneficiaries with 11 years of covered employment. The minimum would increase 6.25 percentage points with each additional employment year, up to 30 years of employment. This option credits workers with a year of covered employment once they earn four quarters of coverage as defined by Social Security, or a total of $6,560 in 2023.[4]

Option MB2, which was part of a recent Social Security plan developed by the Republican Study Committee (2022) in the US House of Representatives, would provide a minimum benefit equal to 40 percent of the average wage index (AWI) for beneficiaries with 40 years of covered employment. This minimum benefit would also be prorated, so that the minimum would equal 15 percent of AWI for beneficiaries with 10 years of covered employment and increase 0.833 percentage points with each additional employment year, up to 40 years of employment. It uses a stricter definition of employment than option MB1, requiring workers to receive more than $10,857 in 2017 wage-adjusted earnings, or more than $13,695 in 2023.[5]

Our third alternative minimum benefit, option MB3, would set the minimum at 100 percent of the FPL for all workers who completed 10 years of covered employment or received DI benefits. This option uses the same employment definition as option MB1. Unlike the other options, which would be available only to *new* beneficiaries beginning in 2025, option MB3 would be available to *all* beneficiaries beginning in 2025.

For most workers, option MB2 would provide a more generous minimum benefit than the other options, but it requires about twice as much earnings to qualify for a year of coverage (Figure 1). In 2022, the AWI was $63,795, so option MB2 would have provided an annual minimum benefit of $25,518 for beneficiaries with at least 40 years of covered employment. The FPL in 2022 for a single adult was $13,590, so option MB3 would have provided a $13,590 annual minimum benefit for beneficiaries who completed at least 10 years of covered employment or received DI benefits, and option MB1 would have provided a $16,988 annual

[4] For more information on covered quarters, see https://www.ssa.gov/oact/cola/QC.html.

[5] This earnings threshold was specified in the Social Security Reform of 2016, on which the Republican Study Plan was based. See Social Security Reform Act of 2016, H.R. 6489, 114th Cong. (2016).

minimum benefit for beneficiaries who completed at least 30 years of covered employment. Option MB2 would guarantee a larger benefit than option MB1 for all workers and a larger benefit than option MB3 for all workers with at least 18 years of covered employment. Option MB3 would guarantee a larger benefit than option MB1 for workers with between 10 and 25 years of covered employment, and option MB1 would guarantee a larger benefit than option MB3 for workers with more than 26 years of covered employment. The minimum benefit would grow more slowly over time under option MB3, which is indexed to price growth, than under the other options, which are indexed to wage growth, because prices generally grow more slowly than wages.

Creating Caregiver Credits

Several Social Security plans would extend Social Security credits to workers who take time out of the workforce to care for children, dependents with disabilities, or aged family members. We model three options that would credit workers who provide 80 or more hours of care in a month to young dependent children. Each option would base the credit on the AWI, not a worker's own past earnings, so the credit would have a larger relative impact for low-wage workers than high-wage workers. Option CC1 would provide a credit equal to 100 percent of the AWI, credited each year that a caregiver provides at least 80 hours per month of care to a child younger than age 6 or an older disabled dependent. This option is similar to a provision of the Social Security plan proposed by Sen. Elizabeth Warren (D-MA) during the 2020 presidential campaign (Smith, Johnson, and Favreault 2020a). Option CC2, which Sen. Amy Klobuchar (D-MN) proposed during the 2020 presidential campaign (Smith, Johnson, and Favreault 2020a), is the same as CC1, but limits the credit to half of the AWI. Our third caregiver credit alternative, option CC3, would credit caregivers of children younger than age 13 with earnings equal to half the AWI, but it would reduce that credit by 50 cents for every $1 earned. Thus, the credit would phase out as a caregiver earns more and would disappear once earnings equal or exceed the AWI. President Biden included this provision in the Social Security plan he released during the 2020 presidential campaign (Smith, Johnson, and Favreault 2020b). Neither option CC1 nor option CC2 would cap the number of caregiver years, but CC3 would limit the credit to five caregiving years.

Caregiver credits could significantly boost Social Security benefits for women, who shoulder most caregiving responsibilities (Parker 2015; Schulz and Eden 2016). Women earn lower Social Security benefits than men because they earn lower hourly wages and work fewer hours, often because of caregiving responsibilities (Cosic, Johnson, and Smith 2018; Favreault 2018; Johnson, Smith, and Butrica 2023). Providing help directly to caregivers, rather than helping them indirectly through spousal benefits, would benefit single mothers, who are disproportionately low-income women of color (Livingston 2018). However, people who cannot afford to leave the workforce or reduce their paid work hours might benefit less from the proposal than other women, depending on how the caregiver credit is specified.

Improving Survivor Benefits

In addition to providing retired worker benefits, Social Security provides benefits to some spouses of retired workers and some survivors of deceased beneficiaries. Instead of collecting benefits based on their own earnings and contributions record, age-eligible adults can elect to receive monthly benefits equal to 50 percent of their spouse's PIA, and widows and widowers can elect to receive benefits equal to 100 percent of their deceased spouse's benefit. Spouse and survivor benefits are available to divorced spouses if their marriage lasted at least 10 years. In 2022, survivor benefits accounted for about 9 percent of all OASI benefits.[6]

After a retired worker's death, family Social Security benefits can fall to between 50 and 67 percent of the benefits received before the death. We model two versions of a proposal that would increase survivor benefits. The first version, option SB1, would set the survivor benefit equal to 75 percent of the combined Social Security benefit that the two spouses received when they were both alive. Option SB2, which was included in Sen. Warren's 2020 Social Security plan (Smith, Johnson, and Favreault 2020a), is identical to option A except that it would cap the new survivor benefit option at the PIA for beneficiaries with average career earnings. Upon the death of a spouse, then, option SB2 would allow Social Security beneficiaries to collect a monthly benefit based solely on their own earnings, top up the monthly benefit based on their own earnings so that it equaled 100 percent of their spouse's benefit, or receive a benefit equal to the minimum of (1) 75 percent of the combined Social Security benefit received by the couple before the spouse's death and (2) the PIA for a worker with average career earnings.

[6] Authors' calculations from Social Security Administration (2023, table 5.A1).

Increasing survivor benefits in this way could help reduce the poverty rate for older widows, which is more than three times as high as the rate for older married women (Social Security Administration 2016). However, boosting survivor benefits could exacerbate inequities by race, lifetime earnings, and education (Favreault and Mermin 2008; Harrington Meyer, Wolf, and Himes 2004). Black and Hispanic people, for example, are less likely to marry and more likely to divorce than non-Hispanic white people.

Adding a Longevity Bonus

Another option we model would provide additional help to long-term beneficiaries. After 16 years of benefit receipt, it would boost benefits by 1 percent of the PIA for a hypothetical worker with average career earnings who claimed benefits in the same year and provide an additional 1 percent bonus for each additional year of collection until the benefit bump-up reaches 5 percent of the average PIA. Payments would then remain at that level, plus annual cost-of-living adjustments. This provision was included in President Biden's 2020 Social Security plan (Smith, Johnson, and Favreault 2020b).

Many long-term Social Security beneficiaries receive relatively low payments because their benefits are based on earnings received many years earlier. The program's cost-of-living adjustments raise payments to offset inflation, but because wages typically grow faster than prices, beneficiaries who began collecting more recently generally receive larger benefits than those who began collecting earlier. Moreover, out-of-pocket spending on medical care and home and residential care typically surges after age 80 (Cubanski et al. 2019; Hatfield et al. 2018), exacerbating economic hardship for many long-term beneficiaries. However, a benefit bump-up for long-term beneficiaries may not go to the most vulnerable beneficiaries, because those who survive to older ages tend to have more lifetime earnings than those who die at relatively young ages (Bosley, Morris, and Glenn 2018; Chetty et al. 2016; Waldron 2007).

Increasing Benefit Levels Across the Board

Another way to improve the financial security of Social Security beneficiaries would be to provide higher benefits to all beneficiaries. We model an across-the-board benefit increase by increasing the first bend point in the benefit formula by 22 percent (from $1,174 to $1,432 in

2024) and increasing the first replacement rate in the benefit formula from 90 to 95 percent. A drawback of this option is that it would not target the neediest beneficiaries.

Eliminating Federal Income Taxes on Social Security Benefits

Since 1984, beneficiaries with modified adjusted gross income (MAGI) above $25,000 if single or $32,000 if married have paid federal income taxes on some of their Social Security benefits. The Internal Revenue Service defines modified adjusted gross income as adjusted gross income plus nontaxable interest income and half of their Social Security benefits. People filing income taxes as individuals must pay income tax on 50 percent of their Social Security benefits if their MAGI is between $25,000 and $34,000, and on 85 percent of their benefits if their MAGI exceeds $34,000. People filing joint returns must pay income taxes on 50 percent of their Social Security benefits if their MAGI is between $32,000 and $44,000, and on 85 percent of their benefits if their MAGI exceeds $44,000. Taxing a portion of Social Security treats those benefits the same way as private pension benefits by requiring beneficiaries to pay taxes on employer payroll contributions that they did not have to declare as income for tax purposes when they were working. Those tax thresholds do not adjust with inflation or earnings growth, so the share of beneficiaries subject to income taxes has been growing over time.

The final benefit adjustment we model is the elimination of federal income taxes on Social Security benefits, which would leave beneficiaries with more resources to cover living expenses. A similar provision was included in the 2016 Social Security Reform Act. We assume that beneficiaries would no longer pay federal income tax on any of their Social Security benefits beginning in 2025, whereas the Social Security Reform Act would gradually eliminate income taxes on benefits over several decades.

Methods

We use dynamic simulation techniques to model future Social Security outcomes under current law and various Social Security benefit enhancements. We assume that benefit adjustments take effect in 2025, except where otherwise noted in Table 1, but most of the changes would affect only new beneficiaries, so the full impact would not be felt until decades later. Only enhanced survivor benefits, the longevity bonus, the elimination of income taxes, and one of the minimum benefit options (MB3) would affect people who claim benefits before 2025.

Phase-ins that limit changes to new beneficiaries affect increasing numbers of beneficiaries over time. Caregiver credits, which primarily accrue at relatively young ages, would not raise Social Security benefits much until several decades after they first become available. We show outcomes in inflation-adjusted 2022 dollars.

Because most of the benefit enhancements we model take decades to phase in fully, we project outcomes far into the future. For Social Security beneficiaries ages 62 and older in 2080, we project mean annual benefits, the share with limited annual benefits—defined alternatively as less than 100 percent of the FPL and less than 125 percent of the FPL—and the share with limited income—defined as having annual adjusted family income less than 25 percent of the AWI. This relative income measure shows whether beneficiaries' incomes are keeping pace with workers' incomes. We define adjusted family income as income from earnings; partnerships and S-corporations; Social Security, Supplemental Security Income (SSI), and other government benefits; defined benefit pensions from employers; interest, dividends, and rents; capital gains; and retirement account withdrawals; less federal income tax, state income tax, payroll tax, and Medicare premiums. We also project lifetime Social Security benefits and contributions for adults born between 2001 and 2010 who survive to age 25, summing their price-adjusted benefits and contributions each year and discounting to age 65.[7] Social Security contributions include payments made by employees and their employers. Our analysis excludes undocumented immigrants. We report Social Security benefits net of any federal income taxes paid on those benefits.

For current law—our baseline scenario—and each option, we compare outcomes for non-Hispanic Black, Hispanic, and non-Hispanic white beneficiaries.[8] For simplicity, throughout the report we refer to non-Hispanic Black people and non-Hispanic white people as Black people and white people, respectively. We focus on lifetime Social Security benefits rather than annual benefits because differences across groups in lifetime benefits reflect differences in benefit claiming ages and mortality as well as differences in annual benefit amounts. To see how well the benefit adjustments target beneficiaries of color, we compute the share of new benefits

[7] Following the 2023 intermediate assumptions adopted by the Social Security trustees, we discount future Social Security benefits and contributions at an annual real rate of 2.3 percent (Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2023).

[8] We do not have enough Asians or beneficiaries from other ethnic groups in our sample to show outcomes for other groups.

generated by each option that would go to Black and Hispanic beneficiaries. Our analysis includes retirement, disability, spouse, and survivor benefits.

Our projections assume that benefits scheduled under current law and each option are paid in full, even though Social Security faces a long-term financial shortfall. Because the benefit adjustments we model vary widely in cost, we compute how each option would increase Social Security's 75-year unfunded liability, measured in 2025. The 75-year unfunded liability is defined as the present value of Social Security costs between 2025 and 2100, minus the sum of the assets in the Social Security trust fund in 2025 and the present value of Social Security revenues between 2025 and 2100.

Dynamic Simulation of Income Model 4

Our projections of Social Security outcomes under current law and various benefit adjustments is based on the Urban Institute's Dynamic Simulation of Income Model 4 (DYNASIM4). The model starts with a nationally representative sample of individuals and families in 2006 and ages them year by year, simulating key demographic, economic, and health events. For example, DYNASIM4 projects that each year some people in the sample get married, have a child, or find a job. The model projects that other people become divorced or widowed, stop working, begin collecting Social Security, become disabled, or die. These transitions are based on probabilities generated by carefully calibrated equations estimated from national household survey data. The equations account for important differences in how likely various experiences are depending on gender, education, earnings, and other characteristics. Other equations in DYNASIM4 project annual earnings, savings, and home equity. The model includes detailed Social Security, SSI, health insurance, and income tax calculators that combine historical and projected program rules with projections of lifetime earnings, disability and health status, and household income and wealth.

The baseline model projects current-law program rules into the future, including the sunset of tax provisions in the 2017 Tax Cut and Jobs Act. We also assume that current indexing of income tax parameters and government benefits continue indefinitely. For consistency with Social Security's projections about program revenues and payments, we generally use the same assumptions that the Medicare and Social Security trustees used in their 2023 projections (Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance

Trust Funds 2023; Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2023).

DYNASIM4 has been rigorously validated, and its projections align closely with those developed by the Social Security actuaries (Smith et al. 2018). One area in which we deviate from the actuaries, however, is our projection of revenues generated by the income taxation of Social Security benefits. Because we assume that current law continues indefinitely, we hold the income thresholds for the taxation of Social Security benefits, which have not changed since they first went into effect in 1984, at their current levels throughout the projection period. Consequently, we project that revenue from taxing Social Security benefits increases as inflation and productivity growth raises earnings. Our projections show that between 2027 and 2095, this revenue as a share of total benefits paid will grow from 5 percent to 8.5 percent. By contrast, the Social Security actuaries project that income tax collections as a share of benefits paid will increase over the same period from 5 percent to 5.6 percent (Social Security Administration 2019).

Urban Institute researchers have used DYNASIM4 extensively to evaluate programs and policies affecting older adults, including Social Security, Medicare, long-term services and supports, and employer-provided pensions, and the potential impact of reforms. Studies have examined Social Security and pension reform proposals from the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings (Bipartisan Policy Center 2016), the National Commission on Fiscal Responsibility and Reform (Favreault and Karamcheva 2011), and the 2020 Democratic presidential candidates (Smith, Johnson, and Favreault 2020a).[9]

Racial and Ethnic Differences in Social Security Benefits under Current Law

We project that under current law, 2080 mean annual Social Security benefits for beneficiaries ages 62 and older, expressed in 2022 inflation-adjusted dollars, are $28,700 for Black beneficiaries, $28,900 for Hispanic beneficiaries, and $34,000 for white beneficiaries (Table 2). Compared with white beneficiaries, projected mean annual benefits are 16 percent less for Black beneficiaries and 15 percent less for Hispanic beneficiaries. Of all benefits paid to

[9] More information about DYNASIM4, including documentation, reports, and interactive validation tools, is available at https://www.urban.org/policy-centers/cross-center-initiatives/program-retirement-policy/projects/dynasim-projecting-older-americans-future-well-being.

adults ages 62 and older in 2080, 11 percent will go to Black beneficiaries and 22 percent will go to Hispanic beneficiaries, less than their share of the older population. We project that Black adults will account for 12 percent of Social Security beneficiaries ages 62 and older in 2080, and Hispanic adults will account for 25 percent (results not shown in the table).

Racial and ethnic disparities are similar when we compare the lifetime value of Social Security benefits for adults born between 2001 and 2010 who survive to age 25. The mean lifetime value of benefits for white adults is $621,600. By comparison, the mean lifetime value of benefits is $503,200 for Black adults, 19 percent less than for white adults, and $531,900 for Hispanic adults, 14 percent less than for white adults. We project that over a lifetime 11 percent of all Social Security benefits received by adults born between 2001 and 2010 will go to Black beneficiaries and 23 percent will go to Hispanic beneficiaries, less than their share of the beneficiary population.

Projected lifetime Social Security contributions for adults born between 2001 and 2010 who survive to age 25 are much lower for Black and Hispanic adults than for white adults. We project that compared with white adults, lifetime Social Security contributions are 30 percent less for Black adults and 26 percent less for Hispanic adults. Over a lifetime, mean Social Security benefits exceed contributions by $15,500 (in 2022 inflation-adjusted dollars) for Black adults and $17,100 for Hispanic adults. For white adults, however, mean lifetime benefits fall short of lifetime contributions by $77,000. The median ratio of lifetime benefits to lifetime contributions is 1.06 for Black adults, 1.08 for Hispanic adults, and 0.91 for white adults (results not shown in the table). Because the Social Security benefit formula is progressive, lower-earning Black and Hispanic beneficiaries receive higher benefits relative to their contributions than higher-earning beneficiaries.[10]

Under current benefit rules, we project that Black and Hispanic beneficiaries ages 62 and older are much more likely than white beneficiaries to receive only limited Social Security benefits and limited income (Table 3). The projected share of 2080 beneficiaries receiving benefits less than 125 percent of the FPL is 18.4 percent for Black beneficiaries, 18.0 percent for Hispanic beneficiaries, and 8.4 percent for white beneficiaries, while the projected share

[10] Although expected lifetime Social Security contributions exceed expected lifetime benefits for white adults, they benefit from the insurance aspects of Social Security, which provides financial protection to people who develop disabilities, end up earning relatively little, or live especially long (Arapakis and Wettstein 2023).

receiving benefits less than 100 percent of the FPL is 10.0 percent for Black beneficiaries, 9.9 percent for Hispanic beneficiaries, and 4.3 percent for white beneficiaries. The projected share of beneficiaries receiving benefits below the FPL is lower in 2080 than today because initial Social Security benefits increase over time with the average growth in wages while the FPL increases over time with the growth in prices, and we assume, consistent with long-term trends and the Social Security actuaries' assumptions (Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2023), that wages will grow faster than prices.

Black and Hispanic beneficiaries are about 10 percentage points more likely than white beneficiaries to receive limited income in our baseline scenario. Our baseline projections show that in 2080 26.4 percent of Black beneficiaries ages 62 and older and 25.5 percent of Hispanic beneficiaries will have annual adjusted income below 25 percent of the AWI, compared with 15.5 percent of white beneficiaries.

Projected Impact of Benefit Enhancements on Social Security Benefits

Of the benefit enhancements we model, eliminating federal income taxes on benefits would have the largest impact on lifetime Social Security benefits net of income taxes paid on those benefits, raising projected mean lifetime benefits for adults born between 2001 and 2010 by $84,400 (in 2022 inflation-adjusted dollars), a 14.4 percent increase (Table 4). An across-the-board benefit increase would also have a substantial impact, raising mean lifetime benefits by $47,100 or 8.0 percent. Other benefit enhancements would have modest effects. Providing a caregiver credit equal to 100 percent of the AWI for people who care for children younger than age 6 (option CC1) would increase mean lifetime benefits by $21,400 or 3.6 percent, and setting survivor benefits equal to 75 percent of the benefit received by both spouses when both were alive, without a cap (option SB1), would increase mean lifetime benefits by $25,600 or 4.4 percent. Capping the survivor benefit at the Social Security benefit received by a worker with average career earnings (option SB2) would nearly eliminate the impact of the survivor benefit enhancement, increasing overall lifetime benefits by only 0.2 percent.

The other benefit enhancements we model would increase mean lifetime benefits by less than 3 percent. The most generous minimum benefit we consider (option MB2), which would guarantee a benefit equal to 40 percent of the AWI for beneficiaries who completed 40 or more

years of covered employment, would increase mean lifetime benefits by 2.3 percent. A minimum benefit equal to 125 percent of the FPL for beneficiaries who completed 30 or more years of covered employment (option MB1) would increase mean lifetime benefits by less than 1 percent. Adding these new minimum benefits to Social Security would have only a limited impact because relatively few people with limited benefits work long enough to qualify for a significant minimum benefit. Among Social Security beneficiaries ages 62 and older in 2022 whose Social Security benefits fall below 125 percent of the FPL, only 46 percent had completed 30 years of covered employment and only 19 percent had completed 40 years, according to our DYNASIM4 projections. Guaranteeing a benefit equal to 100 percent of the FPL to all beneficiaries who completed 10 or more years of covered employment or ever collected DI benefits (option MB3) would increase lifetime benefits by only 0.4 percent because it would not increase benefits much for those people who qualify (although it would guarantee at least a poverty-level benefit for all retired and disabled beneficiaries who qualify). Making the benefit formula more progressive would only slightly affect overall benefits because that change would reduce payments to people who receive large baseline benefits. Similarly, adding a longevity bonus to Social Security and providing a caregiver credit equal to no more than 50 percent of the AWI would not affect overall lifetime benefits much.

Most of the options we model would increase mean lifetime benefits more for Black and Hispanic beneficiaries than for white beneficiaries (Table 5). Among adults born between 2001 and 2010, making the benefit formula more progressive would increase mean lifetime benefits $23,800 for Black beneficiaries and $20,500 for Hispanic beneficiaries, compared with only $800 for white beneficiaries. In relative terms, a more progressive benefit formula would increase mean lifetime benefits 4.7 percent for Black beneficiaries, 3.8 percent for Hispanic beneficiaries, and 0.1 percent for white beneficiaries. Black and Hispanic beneficiaries would receive a disproportionate share of the additional benefits created by a more progressive benefit formula. Of the new benefits generated by a more progressive benefit formula, 36 percent would go to Black beneficiaries and 60 percent would go to Hispanic beneficiaries. By contrast, we project that under current law Black beneficiaries will receive only 11 percent of all lifetime benefits paid to adults born between 2001 and 2010, and Hispanic beneficiaries will receive only 23 percent. Black and Hispanic beneficiaries would gain from the new benefit formula because they are more likely than white beneficiaries to have limited lifetime earnings. A more

progressive benefit formula would reduce lifetime benefits for a disproportionate share of white beneficiaries.

Creating caregiver credits and adding a new minimum benefit to Social Security would also help Black and Hispanic beneficiaries. Hispanic adults would especially benefit from caregiver credits because they generally have more children than Black and white adults. A caregiver credit equal to 100 percent of the AWI would increase mean lifetime Social Security benefits $33,800 (or 6.4 percent) for Hispanic adults, compared with $21,100 for Black adults and $16,100 for white adults. Adding a new minimum benefit would disproportionately help Black adults. The minimum benefit that provides 40 percent of AWI after 40 years of work (option MB2) increases mean lifetime Social Security benefits for Black adults by $17,900 (or 3.6 percent). This is a bigger increase than for Hispanic (2.7 percent) and white (2.1 percent) adults because Black workers tend to work longer at lower wages than other workers, and they gain more from this reform than the other minimum benefit options.

None of the modeled options, however, would come close to eliminating the racial and ethnic gap in Social Security benefits (Table 6). Making the benefit formula more progressive would have the biggest impact, narrowing the mean lifetime benefit gap between Black and white beneficiaries by $23,000 and narrowing the gap between Hispanic and white beneficiaries by $19,700. However, those gains would close only 19 percent of the benefit gap between Black and white beneficiaries and 22 percent of the benefit gap between Hispanic and white beneficiaries.

A few options we model would widen the benefit gap, increasing mean lifetime benefits more for white beneficiaries than for Black and Hispanic beneficiaries. Eliminating federal income taxes on Social Security benefits would disproportionately help white beneficiaries most, widening their advantage in mean lifetime benefits by $38,000 over Black beneficiaries and $33,000 over Hispanic beneficiaries. White beneficiaries would especially gain from the tax break because under current law they generally pay more income tax on their Social Security benefits than Black and Hispanic beneficiaries, given their relatively high benefits and the progressivity of the income tax. Increasing Social Security benefits across the board and creating an uncapped monthly survivor benefit equal to 75 percent of the monthly benefit received by the household when both spouses were alive would also favor white beneficiaries, who are more likely to have been married to a high-earning spouse than Black and Hispanic

beneficiaries. Boosting benefits for beneficiaries who have been collecting payments for at least 15 years would increase mean lifetime benefits less for Black beneficiaries than for others because Black adults' high mortality rates reduce the chance that they will collect benefits long enough to qualify for the longevity bonus.

The detailed specifications about how each option would boost benefits and who would qualify shape each option's capacity to narrow racial and ethnic gaps in Social Security benefits. Although raising survivor benefits would disproportionately help better-off white beneficiaries if the benefits were not capped, the survivor benefit enhancement would slightly favor Black beneficiaries if the benefit could not exceed the payment received by workers with average career earnings. The details surrounding a caregiver credit determine how much it would help Hispanic workers, who generally have more children and earn less than white workers. When the credit replaces up to 100 percent of average wages (option CC1), the credit closes 19.7 percent of the racial gap for Hispanic beneficiaries, but only 4.2 percent of the gap for Black beneficiaries. A new minimum benefit would reduce the racial gap in lifetime benefits more for Black beneficiaries if the minimum increased with additional employment years up to 40 years (MB2) than if the minimum peaked at 10 or 30 years of employment.

Projected Impact of Benefit Adjustments on the Prevalence of Limited Benefits

Adding a caregiver credit to Social Security, increasing Social Security benefits across the board, making the benefit formula more progressive, and eliminating federal taxes on Social Security benefits would reduce significantly the number of Social Security beneficiaries receiving limited annual benefits (Table 7). A caregiver credit equal to 100 percent of the AWI (option CC1) would reduce the projected share of beneficiaries ages 62 and older in 2080 receiving benefits below 125 percent of the FPL by 3.4 percentage points, cutting the number of beneficiaries with benefits below that level by 27 percent. The projected share of beneficiaries with benefits below 125 percent of the FPL would fall 3.1 percentage points if benefits were increased across the board and 2.8 percentage points if the benefit formula became more progressive. Because we assume that the income thresholds that determine whether Social Security benefits are taxable remain fixed at its current nominal level, as now specified by law, our baseline projections indicate that nearly all beneficiaries will pay some federal income tax on their Social Security benefits in 2080. Eliminating the tax on benefits would reduce the share

receiving only limited benefits, measured on an after-tax basis, by 2.7 percentage points. Adjusting survivor benefits, creating a longevity bonus, and adding a new minimum benefit to Social Security would have smaller effects on the receipt of limited benefits.

Because Black and Hispanic beneficiaries are more likely than white beneficiaries to receive limited Social Security benefits under current law, most of the benefit enhancements we model would reduce the share with limited benefits more for Black and Hispanic beneficiaries than for white beneficiaries. The most generous caregiver credit—option CC1—would reduce the share receiving annual benefits below 125 percent of the FPL by 6.4 percentage points for Hispanic beneficiaries, 4.0 percentage points for Black beneficiaries, and 2.1 percentage points for white beneficiaries. Making the benefit formula more progressive would reduce the share receiving limited Social Security benefits by 5.0 percentage points for Black beneficiaries, 3.6 percentage points for Hispanic beneficiaries, and 1.7 percentage points for white beneficiaries. Increasing benefits across the board and eliminating federal income taxes on Social Security benefits would also reduce the share receiving limited benefits more for Black and Hispanic beneficiaries than for white beneficiaries.

However, only a few benefit enhancements would generate a significantly larger percent reduction in the *number* of beneficiaries with limited benefits for Black and Hispanic beneficiaries than for white beneficiaries. Making the benefit formula more progressive would reduce the number with limited benefits by 27 percent for Black beneficiaries, 20 percent for Hispanic beneficiaries, and 20 percent for white beneficiaries. The most generous caregiver credit—option CC1—would shrink the number with limited benefits by 36 percent for Hispanic beneficiaries, compared with 22 percent for Black beneficiaries and 25 percent for white beneficiaries. Increasing Social Security benefits across the board would reduce the number of beneficiaries with limited benefits more for Black beneficiaries (28 percent) than for Hispanic (23 percent) and white beneficiaries (26 percent). Eliminating federal incomes taxes on Social Security benefits would generate a larger percent reduction in the number with limited benefits for white beneficiaries than for Black or Hispanic beneficiaries.

Adding a new minimum benefit to Social Security would have relatively modest effects on the share and number with limited benefits, because relatively few people with limited benefits have employment histories long enough to qualify for a significant minimum. Minimum benefit option MB1, which guarantees beneficiaries with at least 30 years of covered

employment a benefit equal to 125 percent of the FPL, would reduce the share receiving benefits below that level by 3.0 percentage points for Black beneficiaries, 2.1 percentage points for Hispanic beneficiaries, and 1.2 percentage points for white beneficiaries. Minimum benefit option MB3, which would guarantee beneficiaries with at least 10 years of covered employment a benefit equal to 100 percent of the FPL, would not reduce the share with benefits below 125 percent of the FPL because this option would lift benefits only up to the FPL. Creating a longevity bonus and adjusting survivor benefits would not reduce the prevalence of limited Social Security benefits much for any of the three groups because of the relatively small size of the target population and the relatively limited number of lower-income beneficiaries who survive long enough to benefit from these reforms.

The projected impacts of the modeled benefit enhancements are similar when we define limited benefits as annual payments that fall below 100 percent of the FPL (Table 8). The projected percentage point reductions in the share of beneficiaries with limited benefits are somewhat lower in Table 8 than Table 7 because fewer beneficiaries receive baseline benefits that fall below 100 percent of the FPL than 125 percent of the FPL. However, projected percent reductions in the number of beneficiaries with limited benefits generally do not differ much between the two alternative definitions of limited benefits. One notable difference between the tables is that minimum benefit option MB3, which would guarantee a benefit equal to 100 percent of the FPL to all beneficiaries who completed at least 10 years of covered employment or ever received DI, would significantly reduce the prevalence of benefits that falls below 100 percent of the FPL. That option reduces the share of beneficiaries receiving benefits below 100 percent of the FPL by 4.4 percentage points for Black beneficiaries and 3.8 percentage points for Hispanic beneficiaries, shrinking the number of people receiving benefits below that level by 44 percent for Black beneficiaries, 38 percent for Hispanic beneficiaries, and 26 percent for white beneficiaries. Beneficiaries who continue to receive a sub-poverty benefit under option MB3 fail to meet the 10-years-of-work rule.

Projected Impact of Benefit Adjustments on the Prevalence of Limited Income

The benefit enhancements we consider would have smaller projected effects on the share and number of beneficiaries with limited incomes than with limited benefits (Table 9). An across-the-board benefit increase would have the largest impact, reducing the share with adjusted

family incomes below 25 percent of the AWI by 2.6 percentage points, thus cutting the number of beneficiaries with limited income by 14 percent. Making the benefit formula more progressive would reduce the share with limited income by 2.5 percentage points, setting survivor benefits equal to 75 percent of the household's benefit level without a cap would reduce the share by 1.7 percentage points, and creating a caregiver credit equal to 100 percent of the AWI would reduce the share by 1.4 percentage points. None of the other benefit enhancements we model would reduce the projected share of beneficiaries with limited income by as much as 1 percentage point. The projected impacts would not vary much by race and ethnicity. Making the benefit formula more progressive, for example, would reduce the share with limited incomes by 2.8 percent for Black and Hispanic beneficiaries and 2.3 percent for white beneficiaries. The smaller impact of benefit enhancements on adjusted income than benefits reflects the progressive effects of income taxation and Medicare premium subsidies available to low-income beneficiaries. Some of the increase in Social Security benefits would be offset by higher taxes and Medicare premiums.

Projected Cost of Proposed Benefit Enhancements

The proposed benefit enhancements we consider vary widely in cost. Providing an across-the-board benefit increase and eliminating the federal income tax on Social Security benefits are the costliest options we model, each increasing Social Security's 75-year unfunded liability, measured in 2025 when we assume the changes would go into effect, by 30 percent (Figure 2). The uncapped survivor benefit option (SB1) would increase the 75-year unfunded liability by 24 percent. None of the other options would increase unfunded liabilities by more than 11 percent.

The costs of adding a new minimum benefit and providing caregiving credits vary depending on how those options are specified. The minimum benefit option MB1, which would guarantee beneficiaries with long careers a benefit equal to 125 percent of the FPL, would increase the program's unfunded liabilities by only 2 percent. Option MB2, which would guarantee a larger benefit to beneficiaries with long careers, and option MB3, which would provide a benefit equal to 100 percent of the FPL to all beneficiaries who completed as few as 10 years of covered employment or ever received DI, would each increase unfunded liabilities by 7 percent. Providing caregiver credits equal to 100 percent of the AWI (option CC1) would

increase unfunded liabilities by 11 percent, whereas providing credits equal to no more than 50 percent of the AWI (options CC2 and CC3) would increase unfunded liabilities by 5 percent.

Increasing survivor benefits but capping them at the benefit received by a worker with average career earnings is the least costly option we model. It would increase the program's unfunded liabilities measured in 2025 by only 1 percent, only about 4 percent as much as the uncapped survivor benefit option. Making the benefit formula more progressive and adding a longevity bonus would each increase Social Security's unfunded liabilities by 6 percent.

Projected cost differences between the various options largely reflect differences in their projected impact on lifetime benefits paid to beneficiaries born between 2001 and 2010, as reported in Table 4. However, they also reflect differences across options in implementation and how benefit impacts evolve over time. Eliminating income taxes and providing an uncapped spousal benefit enhancement are especially costly because they would take effect immediately. By contrast, the options to add a new minimum benefit and caregiver credits to Social Security, make the benefit formula more progressive, and provide an across-the-board benefit increase would apply only to new beneficiaries, so their costs would not register for decades. The impact of the income tax repeal grows over time because the income threshold for the taxation of benefits is not indexed. Nominal wage growth substantially increases average Social Security benefits over the coming decades, leaving nearly all benefits subject to federal income taxes by 2080 under current law.

Conclusions

Black and Hispanic adults receive much lower annual and lifetime Social Security benefits than white adults. Our projections indicate that average lifetime benefits paid to adults born between 2001 and 2010 will be 19 percent less for Black adults than white adults and 14 percent less for Hispanic adults than for white adults. In 2080, 18.4 percent of Black beneficiaries and 18.0 percent of Hispanic beneficiaries are projected to receive annual benefits that fall below 125 percent of the FPL, compared with only 8.4 percent of white beneficiaries.

Various benefit enhancements could reduce these racial and ethnic gaps in Social Security benefits, but none of the options we consider would come close to eliminating the gaps, and some adjustments would increase them. Making the benefit formula more progressive would narrow Social Security disparities more than the other options we consider. Black and

Hispanic beneficiaries would disproportionately gain from a change in the benefit formula that raised the share of the first dollars of lifetime earnings that Social Security replaces during retirement or disability and reduced the share of the last dollars of lifetime earnings replaced. For adults born between 2001 and 2010, that change would narrow the gap in mean lifetime benefits between Black and white beneficiaries by $23,000 and narrow the gap between Hispanic and white beneficiaries by $19,700. Those gains, however, would close only 19 percent of the benefit gap between Black and white adults and 21 percent of the benefit gap between Hispanic and white adults.

Other options are much less effective in promoting equity across racial and ethnic groups. Adding a new minimum benefit to Social Security would reduce the gap in mean lifetime benefits between Black and white beneficiaries by only between $3,500 and $5,800, depending on the minimum benefit option implemented, and it would reduce the gap between Hispanic and white beneficiaries by only between $1,700 and $2,300. The minimum benefit options we examine would have only modest effects because only workers with long careers would qualify for a substantial minimum benefit, and few workers with limited Social Security benefits have long work histories. Increasing benefits across the board and eliminating federal income taxes on Social Security benefits would increase racial and ethnic disparities in Social Security benefits.

Making the benefit formula more progressive is the only reform we considered that actually reduces benefits for higher-income beneficiaries. The progressive nature of this reform disproportionately increases benefits for Black and Hispanic beneficiaries while reducing benefits for white beneficiaries, on average.

Simply paying higher benefits to certain beneficiaries does not necessarily reduce the racial equity gap. When the extra benefits paid are poorly targeted, they can worsen the equity gap. Eliminating income taxes on benefits, for example, would eliminate one progressive feature of the Social Security system, increase the racial equity gap, and significantly worsen Social Security's long-run finances.

Achieving equity in Social Security benefits for White and Hispanic adults would require substantial progress toward equality in labor market outcomes. Lifetime earnings largely determine Social Security benefit levels. Although mortality and marriage also shape Social Security benefits by determining how long people will collect benefits and whether they have

access to spouse and survivor benefits, lifetime earnings are the primary driver of benefits. This leaves Black and Hispanic workers at a disadvantage, because they receive lower hourly wages and work fewer years, on average, than white workers. Our recent analysis of the structural factors responsible for the shortfall in Social Security benefits for Black adults found that improving Black workers' lifetime earnings could most improve their retirement security (Johnson and Smith 2023). Changing Social Security alone seems unlikely to narrow existing racial and ethnic gaps substantially.

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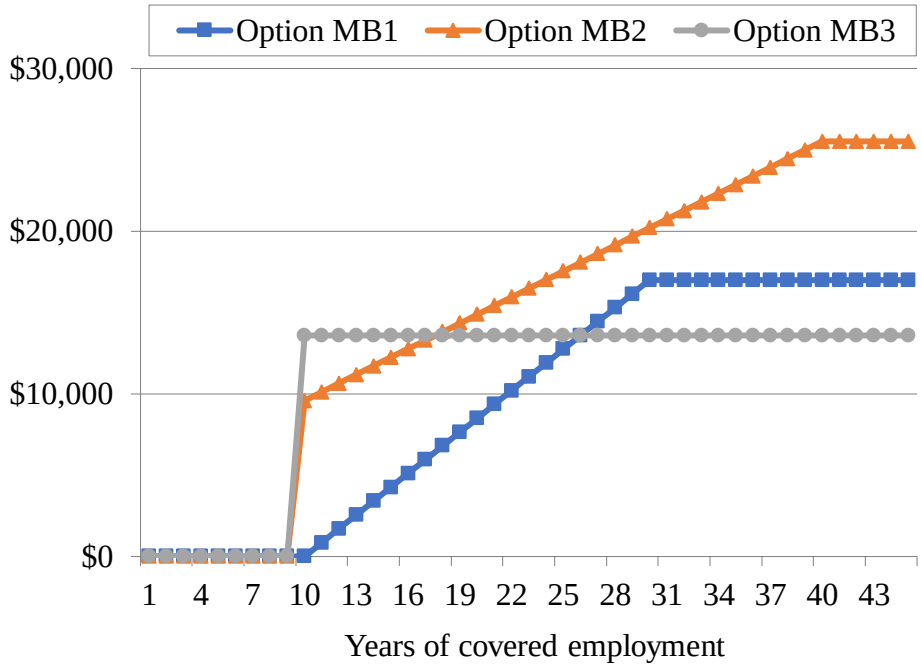
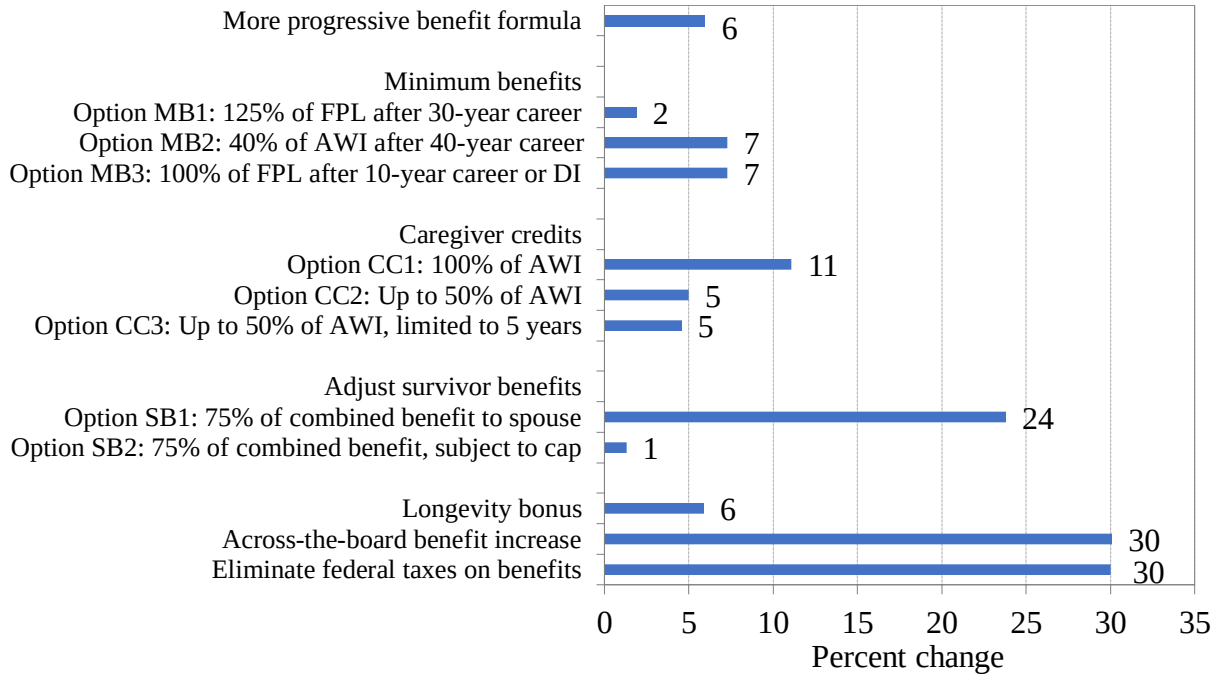
Figure 1. *Impact of Minimum Benefit on Annual Social Security Benefits by Option and Years of Covered Employment, 2022*



Notes: For options MB1 and MB3, workers must earn at least four covered quarters to be credited with a year of employment. For option MB2, workers must earn more than $10,875 in 2017 wage-adjusted dollars to be credited with a year of employment.
Source: Authors' calculations.

Figure 2. *Percent Change in Social Security's 75-Year Unfunded Liability from Proposed Benefit Enhancements*



Notes: We measure Social Security's 75-year unfunded liability in 2025. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 1. *Summary of Modeled Social Security Benefit Enhancements*

Provision	Description
More progressive benefit formula	For workers newly eligible in 2024, increase the first bend point from $1,174 to $1,503, add a new bend point at $5,018, and keep the last bend point at $7,078. The new replacement rates would be 95% before the first bend point (up from 90%), 32% between the first and second bend points, 15% between the second and third bend points, and 5% above the third bend point.
Minimum benefit	
Option MB1	For beneficiaries newly eligible in 2024, initial minimum PIA is 6.25% of FPL with 11 years of covered employment, increasing 6.25 percentage points with each additional employment year until it reaches 125% of FPL after 30 years of employment. Workers must earn at least 4 covered quarters to be credited with an employment year. The minimum benefit is indexed by wage growth after 2024.
Option MB2	For workers newly eligible in 2024, initial minimum PIA is 15% of AWI with 10 years of covered employment, increasing 0.833 percentage points with each additional employment year until it reaches 40% of AWI after 40 years of covered employment. Workers must earn more than $10,857 in 2017 wage-adjusted dollars to receive credit for an employment year.
Option MB3	For all beneficiaries beginning in 2025, 100% of FPL with 10 or more years of covered employment or DI receipt. Workers must earn at least 4 covered quarters to be credited with an employment year.
Caregiver credits	
Option CC1	Beginning in 2025, credit = 100% of AWI, credited each year that a caregiver has a child younger than age 6, with no cap on the number of caregiver years.
Option CC2	Beginning in 2025, credit = 50% of AWI, credited each year that a caregiver has a child younger than age 6, with no cap on the number of caregiver years.
Option CC3	Beginning in 2025, credit = 50% of AWI, offset by 50 cents for every $1 earned, credited each year that a caregiver has a child younger than age 13. Credit is limited to 5 caregiving years.
Survivor benefits	
Option SB1	Beginning in 2025, survivor benefit = maximum of (a) 100% of the deceased spouse's benefit, and (b) 75% of the combined benefit that the two spouses received when both were alive.
Option SB2	Beginning in 2025, survivor benefit = maximum of (a) 100% of the deceased spouse's benefit, and (b) 75% of the combined benefit that the two spouses received when both were alive but no more than the PIA for beneficiaries with average career earnings.
Longevity bonus	Beginning in 2025, at the 16th year of benefit receipt, increase payments by 1% of the PIA of a hypothetical average wage earner in the year of initial entitlement, then provide an additional 1% each year until the bump-up reaches 5% of PIA.
Across-the-board benefit increase	Beginning in 2023, increase the first replacement rate in the benefit formula by 5 percentage points (from 90% to 95%), and increase the first bend point in the formula by 22%.
Eliminate federal taxes on benefits	End federal income taxation of Social Security benefits.

Notes: FPL = federal poverty level. AWI = average wage index. PIA = primary insurance amount.
Source: Authors' assumptions.

Table 2. *Baseline Social Security Benefits by Race and Ethnicity, 2022 Inflation-Adjusted Dollars*

	Annual Value, 2080	Lifetime Value, Adults Born between 2001 and 2010		
	Benefits	Benefits	Contributions	Benefits minus contributions
Mean amount ($)				
All	32,000	587,400	623,700	-36,300
Black	28,700	503,200	487,700	15,500
Hispanic	28,900	531,900	514,800	17,100
White	34,000	621,600	698,600	-77,000
Dollar amount difference from amount for white adults				
Black	-5,300	-118,400	-210,900	92,500
Hispanic	-5,100	-89,700	-183,800	94,100
Percent difference from amount for white adults				
Black	-16	-19	-30	na
Hispanic	-15	-14	-26	na
Share of total benefits going to				
Black	11	11	10	na
Hispanic	22	23	21	na

Notes: All amounts are reported in inflation-adjusted 2022 dollars and rounded to the nearest $100. Estimates of annual benefits are restricted to US citizens and other lawful permanent residents ages 62 and older who receive benefits in 2080, and estimates of lifetime benefits are restricted to US citizens and other lawful permanent residents born between 2001 and 2010 who survive to age 25. The Black and white groups exclude Hispanic adults. Social Security benefit amounts subtract any income taxes paid on those benefits. Lifetime benefits and contributions are computed by summing all price-adjusted annual amounts and discounting to age 65. For wage and salary workers, contributions include payments from employees and their employers. Racial differences are computed by subtracting amounts for white adults from amounts for Black and Hispanic adults; the percent differences divide the raw difference by the amount for white adults. na= not applicable.
Source: DYNASIM4, runid 1004.

Table 3. *Percentage of Social Security Beneficiaries with Low Benefits or Limited Income by Race and Ethnicity, 2080*

	Annual Benefits Less than 100% of the FPL	Annual Benefits Less than 125% of the FPL	Annual Adjusted Income Less than 25% of the AWI
Percentage			
All	6.5	12.4	19.0
Black	10.0	18.4	26.4
Hispanic	9.9	18.0	25.5
White	4.3	8.4	15.5
Percentage point difference from share for white beneficiaries			
Black	5.7	10.0	10.9
Hispanic	5.6	9.6	10.0

Notes: Estimates are restricted to US citizens and other lawful permanent residents ages 62 and older who receive Social Security benefits in 2080. The Black and white groups exclude Hispanic adults. Social Security benefit amounts subtract any income taxes paid on those benefits. Adjusted family income includes income from earnings; partnerships and S-corporations; Social Security, SSI, and other government benefits; defined benefit pensions; interest, dividends, and rents; capital gains; and retirement account withdrawals; less federal income tax, state income tax, payroll tax, and Medicare premiums. Racial differences are computed by subtracting amounts for white beneficiaries from amounts for Black and Hispanic beneficiaries. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 4. *Projected Increase in Mean Lifetime Social Security Benefits from Proposed Benefit Enhancements, Adults Born between 2001 and 2010*

	Dollar	Percent
More progressive benefit formula	8,500	1.5
Minimum benefit		
Option MB1: 125% of FPL after 30-year career	3,900	0.7
Option MB2: 40% of AWI after 40-year career	13,500	2.3
Option MB3: 100% of FPL after 10-year career or DI receipt	2,400	0.4
Caregiver credits		
Option CC1: 100% of AWI	21,400	3.6
Option CC2: Up to 50% of AWI	8,200	1.4
Option CC3: Up to 50% of AWI, limited to 5 years	7,100	1.2
Adjust survivor benefits		
Option SB1: 75% of total benefit when both spouses were alive	25,600	4.4
Option SB2: 75% of combined benefit, subject to cap	1,300	0.2
Longevity bonus	7,600	1.3
Across-the-board benefit increase	47,100	8.0
Eliminate federal taxes on benefits	84,400	14.4

Notes: Estimates of lifetime benefits are restricted to US citizens and other lawful permanent residents born between 2001 and 2010 who survive to age 25. Benefit amounts subtract any income taxes paid on those benefits. They are expressed in inflation-adjusted 2022 dollars and rounded to the nearest $100. Lifetime benefits are computed by summing all price-adjusted annual amounts and discounting to age 65. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 5. *Impact of Proposed Benefit Enhancements on Mean Lifetime Social Security Benefits by Race and Ethnicity, Adults Born between 2001 and 2010*

	Dollar Increase			Percent Increase			Percentage of New Benefits Going to Adults Who Are:	
	Black	**Hispanic**	**White**	**Black**	**Hispanic**	**White**	**Black**	**Hispanic**
More progressive benefit formula	23,800	20,500	800	4.7	3.8	0.1	36	60
Minimum benefit								
Option MB1: 125% of FPL after 30-year career	6,700	4,800	2,900	1.3	0.9	0.5	22	31
Option MB2: 40% of AWI after 40-year career	17,900	14,400	12,100	3.6	2.7	2.1	17	27
Option MB3: 100% of FPL after 10-year career or DI receipt	4,900	3,100	1,400	1.0	0.6	0.2	26	32
Caregiver credits								
Option CC1: 100% of AWI	21,100	33,800	16,100	4.2	6.4	2.6	13	40
Option CC2: Up to 50% of AWI	8,800	14,200	5,500	1.7	2.7	0.9	14	43
Option CC3: Up to 50% of AWI, limited to 5 years	8,600	10,600	5,200	1.7	2.0	0.8	16	38
Adjust survivor benefits								
Option SB1: 75% of total benefit when both spouses were alive	21,900	19,700	28,300	4.4	3.7	4.8	11	19
Option SB2: 75% of combined benefit, subject to cap	1,900	1,300	1,200	0.4	0.3	0.2	19	26
Longevity bonus	6,900	7,700	7,600	1.4	1.5	1.3	12	25
Across-the-board benefit increase	44,900	45,400	47,800	8.9	8.5	8.1	12	24
Eliminate federal taxes on benefits	58,700	63,700	96,700	11.7	12.0	16.5	9	19

Notes: The sample is restricted to US citizens and other lawful permanent resident adults born between 2001 and 2010 who survive to age 25. The Black and white groups exclude Hispanic adults. Benefit amounts subtract any income taxes paid on those benefits. They are expressed in inflation-adjusted 2022 dollars and rounded to the nearest $100. Lifetime benefits are computed by summing all price-adjusted annual amounts and discounting to age 65. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 6. *Projected Reduction in the Racial and Ethnic Gap in Mean Lifetime Social Security Benefits from Proposed Benefit Enhancements, Adults Born between 2001 and 2010*

	Dollar Change in the Gap		Percent Change in the Gap	
	Black (1)	Hispanic (2)	Black (3)	Hispanic (4)
More progressive benefit formula	23,000	19,700	19.4	22.0
Minimum benefit				
Option MB1: 125% of FPL after 30-year career	3,800	1,900	3.2	2.1
Option MB2: 40% of AWI after 40-year career	5,800	2,300	4.9	2.6
Option MB3: 100% of FPL after 10-year career or DI receipt	3,500	1,700	3.0	1.9
Caregiver credits				
Option CC1: 100% of AWI	5,000	17,700	4.2	19.7
Option CC2: Up to 50% of AWI	3,300	8,700	2.8	9.7
Option CC3: Up to 50% of AWI, limited to 5 years	3,400	5,400	2.9	6.0
Adjust survivor benefits				
Option SB1: 75% of total benefit when both spouses were alive	-6,400	-8,600	-5.4	-9.6
Option SB2: 75% of combined benefit, subject to cap	700	100	0.6	0.1
Longevity bonus	-700	100	-0.6	0.1
Across-the-board benefit increase	-2,900	-2,400	-2.4	-2.7
Eliminate federal taxes on benefits	-38,000	-33,000	-32.1	-36.8

Notes: Columns 1 and 3 show the projected reduction from each proposed enhancement in the shortfall of mean lifetime Social Security benefits for Black adults relative to white adults, and columns 2 and 4 show the projected reduction in the shortfall for Hispanic adults relative to white adults. The percent change is calculated relative to a $118,400 gap for Black adults and $89,700 gap for Hispanic adults. The sample is restricted to US citizens and other lawful permanent resident adults born between 2001 and 2010 who survive to age 25. The Black and white groups exclude Hispanic adults. Benefit amounts subtract any income taxes paid on those benefits. They are expressed in inflation-adjusted 2022 dollars and rounded to the nearest $100. Lifetime benefits are computed by summing all price-adjusted annual amounts and discounting to age 65. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 7. *Impact of Proposed Benefit Enhancements on the Prevalence of Annual Social Security Benefits below 125 Percent of the FPL at Ages 62 and Older by Race and Ethnicity, 2080*

	Percentage Point Change in the Share with Annual Benefits below 125% of the FPL				Percent Change in the Number with Annual Benefits below 125% of the FPL			
	All	**Black**	**Hispanic**	**White**	**All**	**Black**	**Hispanic**	**White**
Make the benefit formula more progressive	-2.8	-5.0	-3.6	-1.7	-23	-27	-20	-20
Minimum benefit								
Option MB1: 125% of FPL after 30-year career	-1.7	-3.0	-2.1	-1.2	-14	-16	-12	-14
Option MB2: 40% of AWI after 40-year career	-1.4	-2.5	-1.6	-1.0	-11	-14	-9	-12
Option MB3: 100% of FPL after 10-year career or DI receipt	0.0	0.0	0.0	0.0	0	0	0	0
Caregiver credits								
Option CC1: 100% of AWI	-3.4	-4.0	-6.4	-2.1	-27	-22	-36	-25
Option CC2: Up to 50% of AWI	-1.8	-2.1	-3.2	-1.2	-15	-11	-18	-14
Option CC3: Up to 50% of AWI, limited to 5 years	-1.2	-1.9	-1.7	-0.8	-10	-10	-9	-10
Adjust survivor benefits								
Option SB1: 75% of total benefit when both spouses were alive	-0.5	-0.6	-0.7	-0.3	-4	-3	-4	-4
Option SB2: 75% of combined benefit, subject to cap	-0.2	-0.2	-0.3	-0.1	-2	-1	-2	-1
Longevity bonus	-1.0	-1.5	-1.2	-0.7	-8	-8	-7	-8
Across-the-board benefit increase	-3.1	-5.1	-4.1	-2.2	-25	-28	-23	-26
Eliminate federal taxes on benefits	-2.7	-3.1	-3.2	-2.2	-22	-17	-18	-26

Notes: The sample is restricted to US citizens and other lawful permanent residents ages 62 and older receiving Social Security benefits in 2080. The Black and white groups exclude Hispanic adults. Benefit amounts subtract any income taxes paid on those benefits. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 8. *Impact of Proposed Benefit Enhancements on the Prevalence of Annual Social Security Benefits below 100 Percent of the FPL at Ages 62 and Older by Race and Ethnicity, 2080*

	Percentage Point Change in the Share with Annual Benefits below 100% of the FPL				Percent Change in the Number with Annual Benefits below 100% of the FPL			
	All	**Black**	**Hispanic**	**White**	**All**	**Black**	**Hispanic**	**White**
Make the benefit formula more progressive	-0.7	-1.4	-1.1	-0.5	-11	-14	-11	-12
Minimum benefit								
Option MB1: 125% of FPL after 30-year career	-0.4	-1.0	-0.6	-0.4	-6	-10	-6	-9
Option MB2: 40% of AWI after 40-year career	-0.3	-0.7	-0.4	-0.3	-5	-7	-4	-7
Option MB3: 100% of FPL after 10-year career or DI receipt	-2.2	-4.4	-3.8	-1.1	-34	-44	-38	-26
Caregiver credits								
Option CC1: 100% of AWI	-2.0	-2.5	-4.2	-1.1	-31	-25	-42	-26
Option CC2: Up to 50% of AWI	-1.3	-1.5	-2.9	-0.8	-20	-15	-29	-19
Option CC3: Up to 50% of AWI, limited to 5 years	-0.8	-1.5	-1.4	-0.5	-12	-15	-14	-12
Adjust survivor benefits								
Option SB1: 75% of total benefit when both spouses were alive	-0.1	-0.2	-0.1	-0.1	-2	-2	-1	-2
Option SB2: 75% of combined benefit, subject to cap	0.0	-0.2	-0.1	-0.1	0	-2	-1	-2
Longevity bonus	-0.4	-0.7	-0.8	-0.3	-6	-7	-8	-7
Across-the-board benefit increase	-0.8	-1.5	-1.2	-0.6	-12	-15	-12	-14
Eliminate federal taxes on benefits	-1.1	-1.5	-1.4	-0.9	-17	-15	-14	-21

Notes: The sample is restricted to US citizens and other lawful permanent residents ages 62 and older receiving Social Security benefits in 2080. The Black and white groups exclude Hispanic adults. Benefit amounts subtract any income taxes paid on those benefits. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

Table 9. *Impact of Proposed Benefit Enhancements on the Prevalence of Limited Income by Race and Ethnicity, Social Security Beneficiaries Ages 62 and Older, 2080*

	Percentage Point Change in the Share with Adjusted Family Income below 25% of the AWI				Percent Change in the Number with Adjusted Family Income below 25% of the AWI			
	All	**Black**	**Hispanic**	**White**	**All**	**Black**	**Hispanic**	**White**
Make the benefit formula more progressive	-2.5	-2.8	-2.8	-2.3	-13	-11	-11	-15
Minimum benefit								
Option MB1: 125% of FPL after 30-year career	-0.3	-0.4	-0.4	-0.3	-2	-2	-2	-2
Option MB2: 40% of AWI after 40-year career	-0.8	-1.1	-0.9	-0.8	-4	-4	-4	-5
Option MB3: 100% of FPL after 10-year career or DI receipt	-0.1	-0.2	-0.1	-0.1	-1	-1	0	-1
Caregiver credits								
Option CC1: 100% of AWI	-1.4	-1.1	-1.9	-1.3	-7	-4	-7	-8
Option CC2: Up to 50% of AWI	-0.5	-0.5	-0.6	-0.4	-3	-2	-2	-3
Option CC3: Up to 50% of AWI, limited to 5 years	-0.4	-0.3	-0.4	-0.4	-2	-1	-2	-3
Adjust survivor benefits								
Option SB1: 75% of total benefit when both spouses were alive	-1.7	-1.7	-1.6	-1.7	-9	-6	-6	-11
Option SB2: 75% of combined benefit, subject to cap	-0.1	-0.1	-0.1	-0.1	-1	0	0	-1
Longevity bonus	-0.5	-0.4	-0.4	-0.6	-3	-2	-2	-4
Across-the-board benefit increase	-2.6	-2.6	-2.8	-2.6	-14	-10	-11	-17
Eliminate federal taxes on benefits	-0.6	-0.6	-0.7	-0.6	-3	-2	-3	-4

Notes: The sample is restricted to US citizens and other lawful permanent residents ages 62 and older receiving Social Security benefits in 2080. The Black and white groups exclude Hispanic adults. Adjusted family income includes income from earnings; partnerships and S-corporations; Social Security, SSI, and other government benefits; defined benefit pensions; interest, dividends, and rents; capital gains; and retirement account withdrawals; less federal income tax, state income tax, payroll tax, and Medicare premiums. FPL = federal poverty level. AWI = average wage index.
Source: DYNASIM4, runid 1004.

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