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OPINION

Don't Cheat Your Grandma

Targeted cuts that will shrink Social Security

BY MARTHA BURK

Despite the fact that Social Security isn't contributing a penny to the federal budget deficit, fiscal hawks have convinced President Barack Obama that we must slash its benefits to save the country. He's joined the sky-is-falling crew in a crazed search for targeted cuts that will shrink Social Security outlays.

One idea he's considering is a magic trick known as "chained CPI."

Most people don't understand the economic-speak well enough to grasp what this sleight of hand would do to your Social Security check. Here's how it works.

Social Security benefits are periodically raised as inflation goes up. This is logical because, like everyone else, retirees need more money to buy goods and services when prices rise. The increase is called the annual cost-of-living adjustment (COLA). This variable has always been calculated using something called the Consumer Price Index (CPI).

The CPI is merely an estimate of how much more, percentage-wise, it will cost now to buy the same goods you bought last year. But some economists say the CPI is flawed because it doesn't account for changes in consumers' buying habits as prices increase. They question whether you'll do what the CPI assumes and buy the same goods year-to-year even if prices rise.

The chained CPI supposedly accounts for expected changes in buying habits when prices increase. For example, you might start making chili with beans instead of meat if ground chuck starts costing too much. This alternative approach usually results in a number that's at least 0.25 percent lower than the regular CPI.

If the government started using this method to calculate Social Security benefit increases, it would mean those cost-of-living adjustments would be lower. That would save the government money because Social Security checks wouldn't increase as much as they otherwise would. In turn, this would slow deficit growth.

There's little disagreement that chained CPI would in fact do what its proponents say it would.

The problem with using it to calculate Social Security COLAs is that it's tied to the spending habits of workers.

Retirees are apt to spend a larger portion of their income for housing and health care than workers do. They don't commute, for example, so they spend less on gas. And housing and health care costs are rising much faster than other expenses. They're also the two areas where people have the least flexibility in beans-for-meat type substitutions. It's unrealistic to expect retirees or the disabled to move every time their rent or utility bills spike. And if they need a new hearing aid, what's the alternative?

The bottom line for seniors is that chained CPI is just like a pay cut that compounds as the years go by.

The longer you live, the less you get.

While this method will hurt all retirees, it will hit women harder than men. The AARP is running ads against the change to a chained CPI, featuring a variety of women with the lines, "I am a grandmother. I am a widow. I am a woman. I am not a line item on a budget." Here are some key reasons why this accounting trick will hurt women most:

Thanks to the gender pay gap, women already have lower average annual benefits ($13,000) than men ($17,000).

Women live longer and will see a greater share of the cuts with every passing year. More than two out of three Social Security beneficiaries ages 85 and up are female.

Women are less likely to have other sources of retirement income, such as pensions and savings, so Social Security is more apt to account for nearly all of their income.

Lower payments could push more women into poverty. In 2011, Social Security kept roughly 38 percent of older women out of poverty, compared to 32 percent of older men.

Whether the AARP and women's advocates can prevail in this fight over who is going to pay for the deficit hawks' obsession is anybody's guess. But younger people ought to take up this cause too.

After all, if grandma's benefits are cut, who has to take up the slack?

Look in the mirror.

Martha Burk is the director of the Corporate Accountability Project for the National Council of Women's Organizations.

A Return to Multigenerational Living

Moving in with family has its benefits

BY DEDRICK MUHAMMAD SR.

It's easy to forget that multigenerational households were once the rule, not the exception. The 1950s nuclear family was only possible because a thriving middle class and social safety net fostered newfound economic mobility.

But the middle class has shrunk considerably in the last few decades, besieged by years of stagnant wages, rising debts and a growing concentration of wealth at the very top.

It's clear that nuclear families no longer make sense for everybody. In fact, thanks to its compelling economic advantages, multigenerational families may become the new norm in today's post-recession economy.

A recent U.S. Census Bureau study shows that 4.3 million households now contain multiple generations — a 13 percent increase from 3.8 million households in 2008.

Moving in with family cushions the blow of a job loss by giving newly laid-off workers valuable time to regroup. The unemployed have two options going forward: search for a new job, or undergo additional training. Both of these options can take a long time.

Sharing a roof with family makes it easier to go back to school or pursue an internship without worrying about rent. Instead of scrambling to take a low-wage job to make ends meet, those living in multigenerational households can plan for the long-term and hold out for a wealth-building position that provides higher salaries, health insurance and a 401(k).

Living with more people also creates more financial savings. Paying for Internet, cable, heat and other utilities for one home eliminates duplicate bills in several different homes. Sharing mortgage and car payments among more people also greatly eases the financial burden for everyone.

Living with family can also substantially cut down on domestic labor — families living with elderly relatives save on nursing-home payments, while working mothers can cut child care costs. Household chores such as cooking, cleaning and maintenance work can be less time-consuming with more people around to help out.

Overall, moving in with relatives translates to tangible benefits: the multigenerational household poverty rate is substantially lower than that of other households.

Moreover, a study by Pew shows that multigenerational living brings the greatest benefits for economically vulnerable groups disproportionately affected by the Great Recession — blacks, Hispanics and young adults.

Living with family has its own set of challenges, but its benefits may provide a lifeline for many members of the endangered middle class.

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