

DISPATCHES: ILLUSTRATING TRENDS

Social Security: A Closer Look at the 2025 Adjustments

Last month, the Social Security Administration (SSA) announced a 2.5% cost-of-living adjustment (COLA) to both Social Security and Supplemental Security Income (SSI) benefits. The increase will take effect in January 2025.

This is the smallest increase in four years. However, it is about even with the 20-year average change.

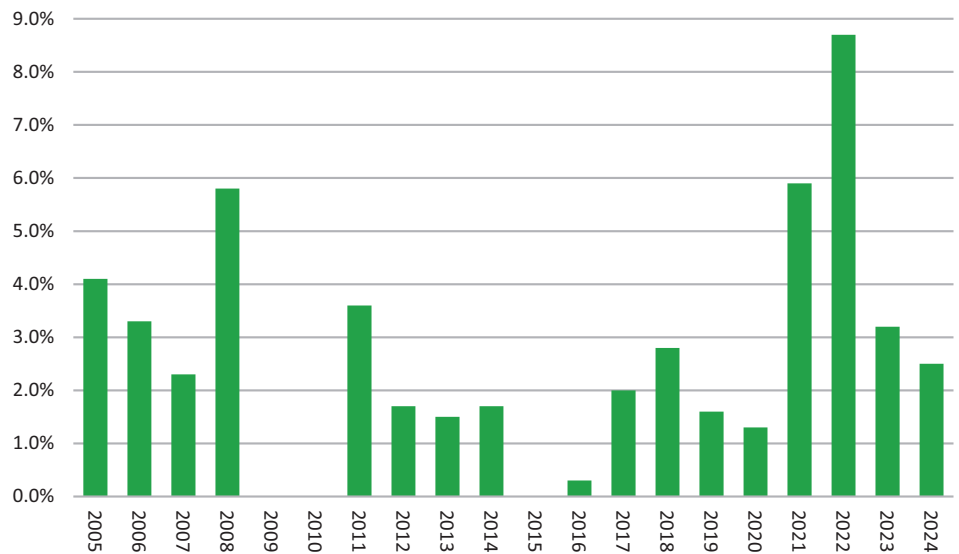
The maximum earnings subject to the 6.2% Social Security tax will rise 4.4% to \$176,100 in 2025. This is the smallest increase in three years but is above the 20-year average of 3.4%.

Changes in the two are based on different measures. Annual adjustments to Social Security benefits are determined by the percentage increase in the consumer price index for urban wage earners and clerical workers (CPI-W) from the third quarter of the prior year to the third quarter of the current year. No COLA is made if the change in inflation is flat.

Changes in the maximum amount of earnings subject to taxation (aka the contribution and benefit base) are based on the national average wage index. Each year, the SSA calculates the annual percentage increase based on wages subject to federal income taxes and contributions to deferred compensation plans. ■

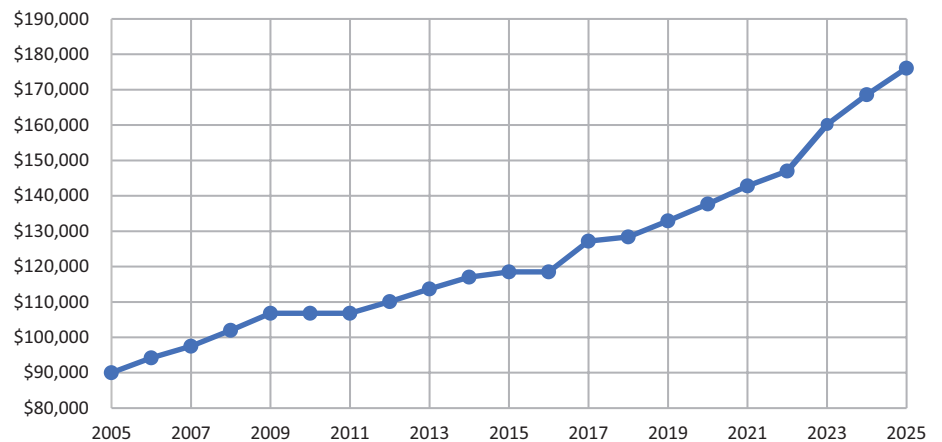
—Charles Rotblut, CFA, AAIL Journal editor

Annual Social Security Cost of Living Adjustments (2005–2024)



Source: Social Security Administration.

Maximum Taxable Earnings Subject to the 6.2% Social Security Tax



Source: Social Security Administration.