

# Study: Methodology of determining financial viability of social security

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The Social Security Trust Fund is off on its prediction by \$730 billion for needed benefits in 2030. That is because its forecasting methods have hardly been updated since 1935 when the program first started, according to a study in the August issue of *Demography*.

Two researchers, Samir Soneji of The Dartmouth Institute for [Health Policy](#) & Clinical Practice and Gary King of Harvard's Institute for Quantitative Social Science, in the article titled, "Statistical Security for [Social Security](#)," found that the financial viability of Social Security, the single largest U.S. government program, is in jeopardy because of outdated forecasting methods.

The researchers began their research by detailing information necessary for replicating the Social Security Administration's forecasting procedures, previously unavailable in the public domain. Then they offered a way to improve the quality of the procedures via age- and sex-specific forecasts, and included risk factors such as smoking and obesity, consistent with long-standing demographic patterns.

"Including this extra information makes a substantial difference," they said. "For example, by improving only mortality forecasting methods, we predict three fewer years of net surplus, \$730 billion less in Social Security Trust Funds..."

The researchers determined that the population would live longer, on average, than the SSA forecasts because of successes in the medical

community. Smoking is in historic decline and prevention and treatment of cardiovascular disease is a success, both adding years to lives. While obesity will likely take its toll, this social and behavioral failure will unlikely outweigh medical and public health triumphs, they said.

As a result of Americans aging and the fact that they will live longer, retirees will continue to receive benefits for longer than predicted, supported by payroll taxes of fewer working adults than predicted.

Social Security, with outlays in 2008 exceeding \$616 billion, represents 21 percent of total spending in the federal government. That same year, contributions through payroll taxes exceeded \$689 billion and just under 42 million people received \$509 billion in Old-Age and Survivors Insurance benefits. An additional 9 million people received \$106 billion in Disability Insurance benefits.

Along with the new methodology, Soneji and King also offered open source software tools and all data and detailed information to replicate and extend the objective analysis, and be free from political influence. "We hope to marshal the efforts of the research community to include ever more informative inputs and to continue to reduce uncertainties in Social Security forecasts," they said.

**More information:** To read the full article, Soneji, Samir and Gary King. (2012) "Statistical Security for Social Security." *Demography*, Vol. 49, No. 3, pp 1037-1060 go to [www.springerlink.com/content/g...47j/export-citation/](http://www.springerlink.com/content/g...47j/export-citation/)

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