

# Social Security and Medicare Taxes and Benefits over a Lifetime

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2012 Update

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## Social Security and Medicare Taxes and Benefits over a Lifetime – 2012 Update

The following tables update estimates for the expected present value of lifetime benefits and taxes for Social Security and Medicare from 2011.<sup>1</sup> For this analysis, the demographic and economic assumptions of the 2012 OASDI and Medicare trustees' reports were integrated into our model. Values are presented in 2012 dollars and assume a 2 percent real discount rate.<sup>2</sup>

No major changes in Social Security policy or promised Medicare benefits have occurred since the last update, so the overall picture presented is largely the same. However, projected costs per Medicare enrollee reflect alternative assumptions provided by the Center for Medicare and Medicaid Services (CMS) actuaries<sup>3</sup> that incorporate lawmakers' current policy of canceling scheduled cuts in Medicare payment rates to physicians and other scheduled spending reductions. The result is significantly higher projected lifetime Medicare benefits than current law assumptions would indicate.<sup>4</sup>

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.

Two sets of tables provide for different Social Security assumptions: one assumes that workers retire at age 65, and the other assumes that workers retire at the normal retirement age. In both sets, workers receive Medicare at the eligibility age of 65.

**UPDATE:** These tables correct an error in the lifetime Medicare benefits for couples turning 65 in 2020. The authors kindly thank Jackie Calmes of the *New York Times* for catching the mistake. April 3, 2013.

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<sup>1</sup> See <http://www.urban.org/publications/412281.html>.

<sup>2</sup> More discussion of the methodology used here and in 2011 can be found at <http://www.urban.org/retirees/Estimating-Social-Security.cfm>.

<sup>3</sup> 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/2012TRAlternativeScenario.pdf>.

<sup>4</sup> For a further discussion, see <http://www.urban.org/publications/412661.html>

## Expected Social Security and Medicare Benefits, 2012 dollars

*Social Security benefits at age 65*

Tables included for the following cohorts:

Single man, average wage

Single woman, average wage

One-earner couple, average wage

Two-earner couple, average/low wage

Two-earner couple, average wage

Two-earner couple, high/average wage

### Single Male Earning the Average Wage (\$44,600 in 2012 dollars)

<b>Year cohort turns 65</b>	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	<b>Total lifetime benefits</b>	Lifetime Social Security taxes	Lifetime Medicare taxes	<b>Total lifetime taxes</b>
<b>1960</b>	9,500	115,000	16,000	<b>131,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	15,400	207,000	64,000	<b>271,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	17,900	277,000	180,000	<b>457,000</b>	300,000	61,000	<b>361,000</b>
<b>2020</b>	18,900	304,000	232,000	<b>536,000</b>	350,000	77,000	<b>427,000</b>
<b>2030</b>	20,600	339,000	311,000	<b>650,000</b>	404,000	90,000	<b>494,000</b>

### Single Female Earning the Average Wage (\$44,600 in 2012 dollars)

<b>Year cohort turns 65</b>	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	<b>Total lifetime benefits</b>	Lifetime Social Security taxes	Lifetime Medicare taxes	<b>Total lifetime taxes</b>
<b>1960</b>	9,600	149,000	26,000	<b>175,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	15,400	254,000	87,000	<b>341,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	17,900	302,000	207,000	<b>509,000</b>	300,000	61,000	<b>361,000</b>
<b>2020</b>	18,900	328,000	267,000	<b>595,000</b>	350,000	77,000	<b>427,000</b>
<b>2030</b>	20,600	364,000	353,000	<b>717,000</b>	404,000	90,000	<b>494,000</b>

**One-Earner Couple Earning the Average Wage (\$44,600 in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	14,200	214,000	41,000	<b>255,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	23,100	377,000	151,000	<b>528,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	26,900	467,000	387,000	<b>854,000</b>	300,000	61,000	<b>361,000</b>
<b>2020</b>	28,400	508,000	499,000	<b>1,007,000</b>	350,000	77,000	<b>427,000</b>
<b>2030</b>	30,800	564,000	664,000	<b>1,228,000</b>	404,000	90,000	<b>494,000</b>

**Two-Earner Couple: Average Wage/Low Wage (\$44,600/\$20,000 in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	16,000	228,000	41,000	<b>269,000</b>	26,000	0	<b>26,000</b>
<b>1980</b>	25,000	394,000	151,000	<b>545,000</b>	142,000	13,000	<b>155,000</b>
<b>2010</b>	31,000	490,000	387,000	<b>877,000</b>	435,000	88,000	<b>523,000</b>
<b>2020</b>	33,000	534,000	499,000	<b>1,033,000</b>	507,000	111,000	<b>618,000</b>
<b>2030</b>	38,000	593,000	664,000	<b>1,257,000</b>	585,000	131,000	<b>716,000</b>

**Two-Earner Couple: Average Wage (\$44,600 each in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	19,000	264,000	41,000	<b>305,000</b>	36,000	0	<b>36,000</b>
<b>1980</b>	30,800	461,000	151,000	<b>612,000</b>	196,000	17,000	<b>213,000</b>
<b>2010</b>	35,800	579,000	387,000	<b>966,000</b>	600,000	122,000	<b>722,000</b>
<b>2020</b>	37,800	632,000	499,000	<b>1,131,000</b>	700,000	153,000	<b>853,000</b>
<b>2030</b>	41,200	703,000	664,000	<b>1,367,000</b>	808,000	180,000	<b>988,000</b>

**Two-Earner Couple: High Wage/Average Wage (\$71,400/\$44,600 in 2012 dollars)**

<b>Year cohort turns 65</b>	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	<b>Total lifetime benefits</b>	Lifetime Social Security taxes	Lifetime Medicare taxes	<b>Total lifetime taxes</b>
<b>1960</b>	20,000	278,000	41,000	<b>319,000</b>	42,000	0	<b>42,000</b>
<b>1980</b>	35,000	534,000	151,000	<b>685,000</b>	230,000	21,000	<b>251,000</b>
<b>2010</b>	45,000	693,000	387,000	<b>1,080,000</b>	765,000	156,000	<b>921,000</b>
<b>2020</b>	48,000	756,000	499,000	<b>1,255,000</b>	909,000	199,000	<b>1,108,000</b>
<b>2030</b>	55,000	840,000	664,000	<b>1,504,000</b>	1,050,000	234,000	<b>1,284,000</b>

**Notes:** All amounts are in constant 2012 dollars and adjusted to present value at age 65 using a 2 percent real interest rate. Each calculation assumes survival until age 65 and then adjusts for chance of death in all years after age 65. It also assumes that benefits scheduled in law will be paid even if trust funds are exhausted. Workers are assumed to work every year from age 22 until retiring on their 65th birthday. An average-wage worker earns the Social Security Administration's average wage index (AWI) each year, estimated at \$44,600 in 2012. The low-wage worker earns 45 percent of the average wage, while the high-wage worker earns 160 percent of the average wage. The maximum taxable worker earns the OASI maximum taxable wage each year (\$110,100 in 2012). Medicare numbers include Parts A, B, and D and are net of premiums, excluding new premiums on some high earners.

**Source:** C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2012. Based on earlier work with Adam Carasso and Stephanie Rennane.

## Expected Social Security and Medicare Benefits, 2012 dollars

*Social Security benefits at normal retirement age*

Tables included for the following cohorts:

Single man, average wage

Single woman, average wage

One-earner couple, average wage

Two-earner couple, average/low wage

Two-earner couple, average wage

Two-earner couple, high/average wage

### Single Male Earning the Average Wage (\$44,600 in 2012 dollars)

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	9,500	115,000	16,000	<b>131,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	15,400	207,000	64,000	<b>271,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	19,000	278,000	180,000	<b>458,000</b>	306,000	61,000	<b>367,000</b>
<b>2020</b>	20,600	287,000	232,000	<b>519,000</b>	357,000	77,000	<b>434,000</b>
<b>2030</b>	24,000	348,000	311,000	<b>659,000</b>	420,000	90,000	<b>510,000</b>

### Single Female Earning the Average Wage (\$44,600 in 2012 dollars)

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	9,600	149,000	26,000	<b>175,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	15,400	254,000	87,000	<b>341,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	19,000	305,000	207,000	<b>512,000</b>	306,000	61,000	<b>367,000</b>
<b>2020</b>	20,600	312,000	267,000	<b>579,000</b>	357,000	77,000	<b>434,000</b>
<b>2030</b>	24,000	377,000	353,000	<b>730,000</b>	420,000	90,000	<b>510,000</b>

**One-Earner Couple Earning the Average Wage (\$44,600 in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	14,200	214,000	41,000	<b>255,000</b>	18,000	0	<b>18,000</b>
<b>1980</b>	23,100	377,000	151,000	<b>528,000</b>	98,000	9,000	<b>107,000</b>
<b>2010</b>	28,500	472,000	387,000	<b>859,000</b>	306,000	61,000	<b>367,000</b>
<b>2020</b>	31,000	485,000	499,000	<b>984,000</b>	357,000	77,000	<b>434,000</b>
<b>2030</b>	35,900	586,000	664,000	<b>1,250,000</b>	420,000	90,000	<b>510,000</b>

**Two-Earner Couple: Average Wage/Low Wage (\$44,600/\$20,000 in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	16,000	228,000	41,000	<b>269,000</b>	26,000	0	<b>26,000</b>
<b>1980</b>	25,000	394,000	151,000	<b>545,000</b>	142,000	13,000	<b>155,000</b>
<b>2010</b>	31,000	496,000	387,000	<b>883,000</b>	443,000	88,000	<b>531,000</b>
<b>2020</b>	33,000	509,000	499,000	<b>1,008,000</b>	517,000	111,000	<b>628,000</b>
<b>2030</b>	38,000	615,000	664,000	<b>1,279,000</b>	608,000	131,000	<b>739,000</b>

**Two-Earner Couple: Average Wage (\$44,600 each in 2012 dollars)**

<b>Year cohort turns 65</b>	<b>Annual Social Security benefits</b>	<b>Lifetime Social Security benefits</b>	<b>Lifetime Medicare benefits</b>	<b>Total lifetime benefits</b>	<b>Lifetime Social Security taxes</b>	<b>Lifetime Medicare taxes</b>	<b>Total lifetime taxes</b>
<b>1960</b>	19,000	264,000	41,000	<b>305,000</b>	36,000	0	<b>36,000</b>
<b>1980</b>	30,800	461,000	151,000	<b>612,000</b>	196,000	17,000	<b>213,000</b>
<b>2010</b>	38,000	583,000	387,000	<b>970,000</b>	612,000	122,000	<b>734,000</b>
<b>2020</b>	41,200	599,000	499,000	<b>1,098,000</b>	714,000	153,000	<b>867,000</b>
<b>2030</b>	48,000	725,000	664,000	<b>1,389,000</b>	840,000	180,000	<b>1,020,000</b>



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**Two-Earner Couple: High Wage/Average Wage (\$71,400/\$44,600 in 2012 dollars)**

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<b>Year cohort turns 65</b>	Annual Social Security benefits	Lifetime Social Security benefits	Lifetime Medicare benefits	<b>Total lifetime benefits</b>	Lifetime Social Security taxes	Lifetime Medicare taxes	<b>Total lifetime taxes</b>
<b>1960</b>	20,000	278,000	41,000	<b>319,000</b>	42,000	0	<b>42,000</b>
<b>1980</b>	35,000	534,000	151,000	<b>685,000</b>	230,000	21,000	<b>251,000</b>
<b>2010</b>	44,000	699,000	387,000	<b>1,086,000</b>	781,000	156,000	<b>937,000</b>
<b>2020</b>	48,000	717,000	499,000	<b>1,216,000</b>	928,000	199,000	<b>1,127,000</b>
<b>2030</b>	55,000	866,000	664,000	<b>1,530,000</b>	1,091,000	234,000	<b>1,325,000</b>

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**Notes:** All amounts are in constant 2012 dollars and adjusted to present value at age 65 using a 2 percent real interest rate. Each calculation assumes survival until age 65 and then adjusts for chance of death in all years after age 65. It also assumes that benefits scheduled in law will be paid even if trust funds are exhausted. Workers are assumed to work every year from age 22 until reaching their normal retirement age. An average-wage worker earns the Social Security Administration's average wage index (AWI) each year, estimated at \$44,600 in 2012. The low-wage worker earns 45 percent of the average wage, while the high-wage worker earns 160 percent of the average wage. The maximum taxable worker earns the OASI maximum taxable wage each year (\$110,100 in 2012). Medicare numbers include Parts A, B, and D and are net of premiums, excluding new premiums on some high earners.

**Source:** C. Eugene Steuerle and Caleb Quakenbush, The Urban Institute, 2012. Based on earlier work with Adam Carasso and Stephanie Rennane.