

November 2022

*“The cost of living is constantly growing but the demand for it does not fall.”  
– Kathleen Norris*

## 2023 Social Security COLA Increase

The 2023 Social Security increase will be the largest increase in benefits in 42 years.

In October, the Social Security administration announced that retirement benefits will increase by 8.7% in 2023. Social Security benefits increase automatically when the consumer price index increases in the third quarter of the current year over the corresponding third quarter of the previous year.

Over the past 10 years, benefits have averaged an annual increase of about 1.8%, (in 2016 there was no increase at all). However, as inflation had begun rising, we saw an increase of 5.9% in 2022, making it the largest increase in 40 years. The continuing inflationary pressure throughout this year has resulted in the just announced increase of 8.7% for 2023 and is the largest increase since the 11.2% increase in 1981.

The 2023 average monthly benefit with this increase will be \$1,827, up \$146 per month. The COLA will also increase the maximum monthly benefit to \$3,627 per month for someone who retires at full retirement age in 2023.

It is not necessary to be claiming your benefit in 2023 to receive this increase. Anyone who is 62 or older and eligible to receive a benefit in 2023 will profit from this COLA increase. Any cost-of-living adjustment awarded from the time a person becomes eligible for Social Security benefits (age 62), until they file for benefits will be automatically included in their future Social Security benefits.<sup>1</sup>

There have been only 3 times since Social Security began automatic adjustments in 1975 that the COLA was higher than the increase we are seeing now. The benefits increased by 9.9% in 1979, 14.3% in 1980, and 11.2% in 1981.<sup>2</sup>

The COLA also impacts other portions of the Social Security system. The wage base for calculating the 6.2% payroll tax will increase the maximum taxable wages for Social Security from \$147,000 to \$160,200 in 2023. Workers earning above \$160,200 will pay an extra \$1,010 in FICA taxes compared to this year.

The earnings cap, the amount Social Security beneficiaries will be able to earn from a job without a reduction in benefits, will increase as well.

<sup>1</sup> <https://www.ssa.gov/pubs/EN-05-10070.pdf>

<sup>2</sup> <https://www.ssa.gov/oact/cola/colaseries.html>

Another bright spot for the Social Security COLA, is the news that Medicare premiums are decreasing slightly for 2023, \$164.90 from \$170.10 in 2022.<sup>3</sup> The income thresholds for Medicare surcharges will also increase in 2023, to \$97,000 for individuals, and \$194,000 for married couples. As a reminder, the open enrollment period for Medicare starts on October 15<sup>th</sup> and runs through December 7<sup>th</sup> this year. Be sure to review your current plan to ensure it is still meeting your healthcare needs.

If you have any questions regarding how these changes impact your particular circumstance, please contact your PCM advisor.

Sincerely,  
The Private Capital Management Team

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<sup>3</sup> <https://www.cms.gov/newsroom/fact-sheets/2023-medicare-parts-b-premiums-and-deductibles-2023-medicare-part-d-income-related-monthly>

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