

Social Security COLA Estimates Are Out -- How Do They Compare to Past Years?

Story by Stefon Walters 7-5-25

To keep pace with rising prices, Social Security applies an annual cost-of-living adjustment (COLA) that takes effect in January each year.

The Senior Citizens League (TSCL), a nonprofit organization that advocates for senior rights, publishes COLA estimates based on inflation data. In its latest forecast, released on June 11, TSCL predicts a 2.5% COLA for 2026 -- the same as 2025, but below the 3.4% average since 1975.

The official COLA won't be announced by the Social Security Administration (SSA) until October, but it's worth paying attention to estimates, so current and soon-to-be retirees can begin planning their finances accordingly.

How Social Security determines the annual COLA

To determine the percentage to set the COLA at each year, Social Security considers the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

The CPI-W is a measure of inflation published monthly by the Bureau of Labor Statistics (BLS). It looks at the prices of common expenses, such as housing, food, transportation, and medical care. Here are the steps that Social Security follows to calculate the COLA:

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1. Average the CPI-W data for the third quarter (July, August, and September) of the current year.
2. Compare the current year's average to the average of the previous year.

3. If it increased, set the COLA to match the percentage increase; if it decreased or remained the same, there is no COLA.

For example, if the CPI-W average from the current year is 3% higher than the previous year, the COLA going into the next year will be set at 3%.

How has the COLA shaped up in recent years?

Although Social Security retirement benefits began in 1940, the annual COLA wasn't a thing until 1975. Since then, the average annual COLA has been 3.4%, but the amounts have varied widely. The highest COLA ever was in 1980, at 14.3%. The lowest COLAs were in 2010, 2011, and 2016, when there were no benefit increases. Here are the past 10 COLAs:

Year	Percentage
2025	2.5%
2024	3.2%
2023	8.7%
2022	5.9%
2021	1.3%
2020	1.6%

2019	2.8%
2018	2%
2017	0.3%
2016	0%

Data source: SSA.

Is the CPI-W the best metric to use for determining the COLA?

The annual COLA is appreciated, but it hasn't always kept up with inflation enough to reasonably cancel it out. According to TSCL, the buying power of Social Security benefits has decreased by 20% since 2010. This means that \$1 in benefits then would be worth around \$0.80 now. Not ideal.

One issue that has been raised is that the CPI-W may not be the best inflation measure when considering expenses common among retirees. For example, the CPI-W doesn't include certain healthcare costs, such as long-term care and prescription drugs, which are a major expense for many retirees.

One change that has been proposed is using the Consumer Price Index for the Elderly (CPI-E) -- which applies to people age 61 and older -- to determine the annual Social Security COLA. The CPI-E gives more weight to healthcare and housing costs, and typically comes in higher than CPI-W data.

A study by the Congressional Research Service (CRS) showed that using CPI-E versus CPI-W would have resulted in larger COLAs and higher monthly Social Security benefits. Since 1986, a COLA based on the CPI-E would've been the same or higher than the actual COLA in all but six years.

There's no telling if the COLA process will get revamped, so for now and the foreseeable future, we're stuck with using CPI-W data. It's far from perfect, but it's the reality for right now. The best thing retirees can do is prepare for what could possibly be a below-average COLA and begin planning accordingly.

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