

Social Security Announces Big COLA for 2023 – Video Transcript

The Social Security Administration has announced an 8.7% cost-of-living adjustment for 2023 — the largest increase since 1981.

This cost-of-living adjustment, or COLA, is an increase to Social Security benefits. It's meant to help offset rising prices that could erode purchasing power.

Social Security COLAs are not guaranteed every year. COLAs have been paid in most years, but not when inflation is too low to trigger an increase. [Chart: 7.4% COLA in 1983, 5.8% COLA in 2009, 5.9% COLA in 2022, 8.7% COLA in 2023, no COLA in 2010, 2011, and 2016]

COLAs are officially announced each October and reflect any annual increase in the average Consumer Price Index for Urban Wage Earners and Clerical Workers, called the CPI-W. Specifically, the average CPI-W for the third calendar quarter of the current year is compared to the average CPI-W for the third calendar quarter of the last year a COLA was paid. Any percentage increase is the COLA. [Chart: Emphasizes 8.7% increase for 2023]

Prices rose sharply between the third quarter of 2021 and the third quarter of 2022, resulting in this year's historic COLA, which will be applied to benefits starting in January 2023.

Although the latest COLA offers a big benefit boost, it may still not be enough to keep those relying on Social Security from feeling inflation's pinch.