

**SSI will remain flat for the first year since 1975.** Social Security benefits are keyed to inflation. So what happens when year-over-year inflation becomes negative? No cost-of-living adjustment (COLA) occurs to increase your Social Security income. On October 15, the Social Security Administration announced that there would be no COLA for 2010. (The 2009 SSI COLA was 5.8%, the largest boost since 1992.)<sup>1</sup>

**“What do you mean, negative inflation?”** That’s the question some SSI recipients are asking. Aren’t prices seemingly going up at the grocery store every day – and going up everywhere else?

Unfortunately, the federal government doesn’t measure consumer inflation with a price check on aisle six. It uses the Consumer Price Index (CPI), which is really an estimation of the average prices of consumer products we buy. There is also core CPI, which excludes food and energy costs.

From September 2008 to September 2009, overall CPI fell by 1.3%. Across that span, overall food prices actually fell 0.2% and prices on dairy products and fruits and vegetables respectively dropped 9.5% and 6.4%. Food prices only account for about a seventh of CPI, and rents actually constitute about 40% of the “prices” measured by core CPI. In September, rents fell in the United States for the first time since 1992. (We also have a decline in retail gasoline prices from last fall to this fall.)<sup>2,3</sup>

With year-over-year inflation negative, the SSA has no logical reason for a COLA. Yet roughly two-thirds of America’s seniors live on less than \$20,000 a year, some entirely on SSI.<sup>1</sup>

**Another stimulus check?** President Obama is urging Congress to authorize one-time \$250 stimulus payments to Social Security and Supplemental Security income recipients, veterans, railroad retirees and government retirees. That \$250 would equal about 2% of the average annual SSI benefit for a retiree. These checks would be mailed sometime in 2010 to about 57 million people. Recipients could not qualify for multiple checks.<sup>4</sup>

**Retirement plan contribution limits will stay the same.** These are also inflation-indexed. On October 15, the Internal Revenue Service chimed in with a statement that 401(k) contribution limits will remain at \$16,500 for

2010. The maximum contribution limits for other types of defined-contribution and defined-benefit retirement plans will also remain the same for 2010.<sup>5,6</sup>

While we're referencing the IRS, some other important figures aren't changing next year. The standard deduction will remain at \$11,400 and \$5,700 for joint and single filers; it will go up \$50 to \$8,400 next year for heads of household. The yearly gift tax exclusion will stay at \$13,000 for 2010, and the value of a personal exemption will remain at \$3,650.<sup>7</sup>

**No COLA ... but more purchasing power?** A former deputy Social Security commissioner who now works for the conservative American Enterprise Institute contends that the average retiree will actually have \$725 more in purchasing power in 2010 thanks to falling prices and the freeze in Medicare Part B premiums (which will not increase in 2010 for most Social Security recipients). A senior policy analyst for the non-partisan Center on Budget and Policy Priorities told the *Christian Science Monitor* that if Social Security income was wholly determined by consumer prices, SSI recipients would have their checks cut by 2.1% next year.<sup>8</sup>

**What can you do in response here?** Even if you are really wealthy, your SSI is a big chunk of money. If you were hoping for a COLA and want and need to have more money on hand for 2010, this is the time of year to meet with a financial professional or tax advisor who may work with you and help you plan to find it.

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#### Citations.

<sup>1</sup> [baltimoresun.com/business/bal-bz.colal6oct16.0.2468505.story](http://baltimoresun.com/business/bal-bz.colal6oct16.0.2468505.story) [10/15/09]

<sup>2</sup> [bloomberg.com/apps/news?pid=20601103&sid=awvcLZF8Udhk](http://bloomberg.com/apps/news?pid=20601103&sid=awvcLZF8Udhk) [10/15/09]

<sup>3</sup> [bls.gov/news.release/cpi.t01.htm](http://bls.gov/news.release/cpi.t01.htm) [10/15/09]

<sup>4</sup> [latimes.com/business/la-na-obama-seniors15-2009oct15.0.6276604.story](http://latimes.com/business/la-na-obama-seniors15-2009oct15.0.6276604.story) [11/15/09]

<sup>5</sup> [irs.gov/newsroom/article/0,,id=214321,00.html](http://irs.gov/newsroom/article/0,,id=214321,00.html) [10/15/09]

<sup>6</sup> [irs.gov/newsroom/article/0,,id=214321,00.html](http://irs.gov/newsroom/article/0,,id=214321,00.html) [10/15/09]

<sup>7</sup> [google.com/hostednews/ap/article/ALeqM5jva4VYYkvx3LKvGF-2CY8IN9qldwD988BPJG60](http://google.com/hostednews/ap/article/ALeqM5jva4VYYkvx3LKvGF-2CY8IN9qldwD988BPJG60) [10/15/09]

<sup>8</sup> [features.csmonitor.com/politics/2009/10/16/do-seniors-on-social-security-deserve-that-raise-next-year/](http://features.csmonitor.com/politics/2009/10/16/do-seniors-on-social-security-deserve-that-raise-next-year/) [10/16/09]