Backgrounder

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Using Social Security Personal Retirement Accounts to Create Family Nest Eggs

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A modernized Social Security could do much more than just provide stable retirement benefits. Low-income and moderate-income workers could use Social Security to create family nest eggs that could either enhance their own retirements or be passed on to their heirs under a system of Social Security personal retirement accounts (PRAs). Because this money would stay within the community, PRAs could become a significant source of capital for businesses in low-income communities. A new Center for Data Analysis (CDA) report[1] shows that if the nest egg is passed on to the worker's heirs, it could help the family to break the intergenerational cycle of poverty and keep money in the heirs' own communities.

In each of the 12 examples or case studies, every worker was able to build a nest egg through a PRA, even after using a part of the PRA to finance some of his or her monthly Social Security retirement benefits. (The government would finance the rest of the monthly retirement benefit.) The sizes of the nest eggs ranged from about three months' pay for low-income single workers to literally hundreds of thousands of dollars for moderate-income married couples.

The benefits of a PRA system that allows workers to create nest eggs include:

- **Inheritances would increase for all income levels.** The modernized Social Security system would allow every worker at every income level the opportunity to leave a nest egg to his or her family. Currently, less than 13 percent of all

Talking Points

In addition to reducing Social Security's coming fiscal problems, a reformed Social Security with personal retirement accounts would:

- Allow workers of all income levels to build family nest eggs that they could use for emergencies or leave to their families. These nest eggs would be especially valuable for lower-income workers.
- Give workers more control over their retirements, allowing them to tailor their retirement benefits to their own individual needs and desires.
- Strengthen the economic base of local communities by allowing the money to stay in the community. Under the current system, any remaining money stays in Washington.
- Yield a higher return than the current Social Security system.
- Give workers ownership of their Social Security benefits. Under the current system, workers are at the mercy of politicians, who could change Social Security benefits at will.

This paper, in its entirety, can be found at:
www.heritage.org/research/socialsecurity/bg1785.cfm

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households with annual incomes of less than $20,000 receive inheritances.[2] Most of these workers never had the chance to build savings. Only among families with annual incomes over $100,000 does the frequency of inheritance exceed 25 percent. However, Social Security reform would not limit inheritances to the rich. People of all incomes could use their PRAs to build a cash nest egg, which they could leave to their heirs.

- **The system would be flexible and allow workers to control their retirement.** Under the current Social Security program, workers receive only a lifetime annuity. Under a modernized Social Security program, workers could use their entire PRA for a monthly income or use only a portion of it for income and keep the rest in a family nest egg that they could use for emergencies or leave to their heirs.
- **Money would stay in the community and strengthen its economic base.** Because the PRA is the worker's property, any money left over goes to the family. It remains in the community and is available to help it grow because the savings in those accounts could form the capital needed for new businesses. Under today's Social Security, any remaining money stays in Washington.
- **The reformed system assures a higher benefit than today's retirees receive under the current Social Security system.** Today's system pays new retirees about $10,968 per year, while the reformed system would guarantee at least $17,960.
- **Workers would own their Social Security benefits.** Rather than be at the mercy of politicians (who could change Social Security benefits at will), workers would own the money in their PRAs. Families could inherit that money if the worker dies before retirement or if additional funds are left over after retirement.
- **Workers would have a choice.** No one is forced to invest in a PRA. Every worker can decide whether to have a PRA or to remain in the traditional Social Security system.

A well-designed retirement system includes three elements: regular monthly retirement income, dependent's insurance, and the ability to save. Today's Social Security system provides a stable level of retirement income and provides benefits for dependents, but it does not allow workers to accumulate cash savings to fulfill their retirement goals or pass on to their heirs. Workers should be able to use Social Security to build a cash nest egg that can be used to increase their retirement income or to build a better economic future for their families.

Inheritances should not be effectively limited to upper-income families. Moderate-income and lower-income families should be allowed to use Social Security to build a nest egg that they could leave to future generations.

Today's Workers Could Build a Nest Egg with a PRA

Today's workers would be able to develop a significant nest egg under Social Security in every case studied. For instance, a low-income single female could retire with a nest egg equal to over one year's pay, while a married double-income couple—with one earning an average income and the other one earning a low income—could retire with a nest egg that exceeds $50,000. In each case, if the money remains invested, the retirees could leave well over twice their retirement nest egg to their heirs. Appendix 1 provides details of these and other workers studied.

1. William W. Beach *et al*., "Peace of Mind in Retirement: Making Future Generations Better Off by Fixing Social Security," Heritage Foundation *Center for Data Analysis Report* No. CDA04–06, September 10, 2004.
2. Calculated by The Heritage Foundation's Center for Data Analysis using data from The Board of Governors of the Federal Reserve System, "2001 Survey of Consumer Finances," at *federalreserve.gov/pubs/oss/oss2/2001/scf2001home.html* (August 2, 2004). In this analysis, any major inheritance, gift, or bequest is considered an inheritance. Income figures represent adjusted gross income.

The study assumes that none of today's workers would have a PRA for their entire career because they would already be employed when the program is started. The oldest would be 43 when the hypothetical PRA program is established, while the youngest would be 27. This would especially limit older workers' ability to build significant nest eggs in addition to accumulating enough in their PRAs to finance a portion of their Social Security benefits.

Married couples, including those with only a single income, could build larger nest eggs than the single workers of either gender. The one exception was a single worker who dies at the age of 55 and leaves his entire PRA to heirs before using any of it to finance his retirement benefits. However, even among single workers, the nest egg is significant in virtually every case when compared to the worker's annual income. Even the worker with the lowest nest egg, an average-income single woman, manages to save an amount equal to about three months' pay. Both she and the other worker with the smallest nest egg are among the oldest workers studied. Both are 43 at the time PRAs first become available.

Workers who are already in the workforce when PRAs are established would find building a nest egg more difficult because they have less time to invest. The fact that all of the examples in the CDA study succeed in building a nest egg shows the program's immediate value.

Even Better Results for the Third Generation

Results get even better if workers have a PRA for their entire working lives. In most cases, workers in the 12 case studies build a significantly larger PRA than those who have a PRA for only part of their working lives. They reach even larger amounts when the workers' own contributions are supplemented by sums inherited from other family members.

The results show that workers at all income levels can create significant nest eggs through a PRA, even after using part of their PRAs to finance a portion of their monthly retirement benefits. While the study assumes that today's workers will participate in the PRA program for only part of their working lives (because they would already be employed when PRAs are established), their grandchildren would have these accounts from the first day that they enter the workforce. The results are especially good for those third-generation workers who invest their inheritances from their grandparents. The results are also quite good at almost all income levels for workers who build their PRAs from only their own savings. The money remaining at retirement (after financing their Social Security benefit) could be used to improve their retirement incomes, start a small business, help a grandchild to pay for college, or achieve a number of options—including just holding the amount until it is needed.

Again, PRAs work especially well in producing a significant nest egg for married couples. The only third-generation workers who do not produce significant amounts are single low-income workers who do not invest any of their inheritances. These workers' nest eggs at retirement are mostly under $10,000. However, even then, the nest eggs amount to between three and six months salary and are partially explained by the extremely low earnings levels used in this study.[3] Furthermore, these workers always have a choice. They can choose to remain in the traditional Social Security system.

Real world experience shows that many, if not most, retirees are interested in both their own standard of living and in leaving a sum for their heirs. However, the state of their finances combined with the structure of today's Social Security may not allow them to leave an inheritance. The CDA study assumes that the first-generation workers will leave any remaining money in their PRAs to their grandchildren.[4]

Ideally, the grandchildren who inherit money would invest the entire amount and let it grow

3. For the purposes of this study, low income is defined as annual earnings of $9,280 (in 2004 dollars), while moderate income is defined as annual earnings of $25,417.

over time to an even greater sum. However, Appendix 2 shows results for both (1) investing the entire amount until retirement; and (2) spending the entire inheritance and funding retirement benefits from only their own PRAs. While the grandchildren have substantially more for retirement if they invest their full inheritances, the importance of a PRA that allows workers to build an inheritable nest egg is equally evident if the grandchildren spend their entire inheritances.

The Value of Building Nest Eggs

Family nest eggs can do far more than just help to fix Social Security. A growing body of research shows that they would also:

1. Allow moderate and low-income workers to leave a bequest to their families;
2. Help equalize assets between upper-income and lower-income families; and
3. Change the way that lower-income families view themselves and their connection to society.

Reform plans that allow workers the option of accepting a smaller monthly income and leaving a portion of their savings available for other uses are likely to be more popular than a plan that requires them to spend everything on an annuity. Several studies, both in the United States and elsewhere, show that retirees value plans that allow them to leave money to their families and keep assets available in case of an emergency over plans that provide a guaranteed lifetime income. One study found that retirees avoided purchasing annuities because they wanted to leave money to their families and have savings for emergencies.[5] They also felt that annuities cost too much.

Similarly, another study found that only about 40 percent of Chilean workers choose a lifetime annuity when they retire.[6] Originally, Chile's personal accounts system allowed retirees to choose either an annuity or a phased withdrawal plan. However, earlier this year the government announced that the system would also offer an annuity that allows workers to receive a slightly lower monthly payment in return for the ability to leave money to their families.[7] As long as retirees under such a plan receive enough monthly income to live without government aid, there is no reason why an American Social Security reform plan should not include similar flexibility.

In addition to providing retirees with more control over their savings, family nest eggs could also reduce the gap between the assets owned by upper-income and lower-income families. Edward Wolff of New York University and the Levy Economics Institute found that even modest bequests from one generation to another tend to equalize the distribution of family assets. "Though wealth inequality has risen in the United States between 1983 and 1998, the increase may have been even greater were it not for the mitigating effects of inheritances and gifts."[8] Over time, a Social Security reform that makes it easier to leave money to one's family would result in an even greater reduction in the gap between rich and poor families.

4. For workers who never marry, their PRAs are left to grandnieces or grandnephews. Of course, the money could just as easily be left to the workers' children as to grandchildren, but they would likely be at the middle of their working lives (or later) when they received the money. Assuming that the grandchildren inherit money in a PRA, the CDA study shows the maximum amount that a combination of inherited money and the worker's own PRA could reach.
5. James M. Poterba, "Annuity Markets and Retirement Security," presentation at the Third Annual Conference of the Retirement Research Consortium, May 17, 2001, at *www.mrrc.isr.umich.edu/conferences/cp/cp01_poterba.pdf* (January 26, 2004).
6. Olivia S. Mitchell, "Developments in Decumulation: The Role of Annuity Products in Financing Retirement," Pension Institute *Discussion Paper* PI–0110, June 2001, p. 26, at *www.bbk.ac.uk/res/pi/wp/wp0110.pdf* (January 26, 2004).
7. Social Security Administration, "Chile: Chile's Recent Pension Reform, Passed in February, Changes the Way Retirement Annuities Are Sold, Creates a New Type of Annuity, and Makes It Harder to Retire Early," *International Update: Recent Developments in Foreign Public and Private Pensions*, March 2004, pp. 2–3, at *ssa.gov/policy/docs/progdesc/intl_update/2004-03/2004-03.pdf* (August 2, 2004).
8. Edward N. Wolff, "Inheritances and Wealth Inequality, 1989–1998," *The American Economic Review*, Vol. 92, No. 2 (May 2002), p. 263.

Research has also shown that that money left from one generation to another can result in important behavioral changes. Research indicates that people with even modest assets may be more future-oriented, prudent, confident about their prospects, and connected with their communities.[9] Clearly, a Social Security system that gives workers the flexibility to leave bequests to their families can have much greater benefits than just reducing Social Security's financial woes. The long-term benefits of this improvement could encourage a much greater change in the way that their families approach the future and their role in society.

Today's Social Security Discourages Workers from Building Nest Eggs

Today's Social Security system has done a fine job of providing retirees with a stable level of retirement income. In addition, it also provides a level of protection against poverty caused by disability or the premature death of a parent. Unfortunately, it not only fails to provide workers with any way to build a family nest egg, it actually discourages savings by absorbing a large proportion of earnings that moderate-income and low-income workers could otherwise save for retirement or use for other purposes. According to the Congressional Budget Office, approximately 80 percent of Americans pay more in payroll taxes than they do in federal income taxes.[10]

Despite the presence of private methods to invest for retirement, in 2000, approximately one-third of retirees on Social Security received at least 90 percent of their income from Social Security. Almost two-thirds of them depended on Social Security for at least 50 percent of their retirement income.

Today's Social Security faces four major problems that threaten its ability to provide future retirees with the same type of retirement security that was available to their parents and grandparents. These are:

- **Massive future deficits.** In 2018, Social Security's retirement program will begin to spend more in benefits every year than it receives in taxes. A few years after deficits begin, this amount will exceed $100 billion per year and will continue to grow. Social Security has a drawer full of government bonds labeled the "trust fund," but these are nothing more than a pledge to use ever-larger amounts of general revenue taxes to pay benefits. When it repays these bonds, the federal government will have to reduce spending on other government programs, increase income or taxes, or increase government borrowing. Sadly, in 2042, the drawer of paper promises will be empty, and from that point forward, promised benefits will be cut as required by law—first by 27 percent and then by ever greater amounts as Social Security's deficits grow larger.
- **A poor rate of return on their payroll taxes.** Younger and lower-income workers receive relatively little in benefits for their Social Security taxes because they will pay substantially higher taxes than older workers do. A 25-year-old average-income male is predicted to receive a –0.82 percent rate of return on his Social Secu-

9. Gautam N. Yadama and Michael Sherraden, "Effects of Assets on Attitudes and Behaviors: Advance Test of a Social Policy Proposal," Washington University Center for Social Development *Working Paper* No. 95–2, 1995, p. 8, at *gwbweb.wustl.edu/csd/Publications/1995/wp95-2.pdf* (January 26, 2004). As measures of personal behavior, Yadama and Sherraden used indices for prudence, efficacy, horizons, connectedness, and effort (based on longitudinal surveys developed by the Survey Research Center of the University of Michigan). They apply regression analysis to test three hypotheses: (a) More asset holding causes increases in the indices; (b) more income causes increases in the indices; and (c) higher values of the indices cause more asset holding. They find that the data best support the first hypothesis (pp. 11–13).
10. Congressional Budget Office, "Economic Stimulus: Evaluating Proposed Changes in Tax Policy," January 2002, p. 12, footnote 7, at *ftp.cbo.gov/32xx/doc3251/FiscalStimulus.pdf* (January 26, 2004). "Economic theory and empirical evidence suggest that workers bear much of the employer's portion of the payroll tax through lower wages and reduced fringe benefits. If the employer-paid portion of payroll tax receipts is counted as the contribution of the worker, roughly 80 percent of taxpayers pay more in payroll taxes than in income taxes." The 80 percent figure includes payroll taxes for the other two main programs of Social Security—Disability Insurance and Hospital Insurance.

rity taxes. In other words, he will pay more into the system in taxes than he will receive back in benefits. The situation is even worse for low-income workers. A 25-year-old male living in a low-income section of New York City will receive an estimated –4.46 percent rate of return on his Social Security taxes.[11]

Figure 1 B 1785

Objectives of the Sample Reform Plan

- Provide minimum monthly retirement benefits at a level above the poverty threshold.
- Allow workers at all income levels to build wealth that they could pass on to future generations.
- Provide for the long-range financial stability of Social Security.
- Retain a pension-like relationship between benefits and income.

- **No property rights to their benefits.** This is a key flaw. Even if Social Security was reformed to allow workers to build a family nest egg, without property rights the government could reclaim that money at any time. Two Supreme Court cases dealing with Social Security confirm this lack of property rights.[12] In both cases, the decision explicitly stated that workers have no level of ownership of their Social Security benefits.
- **No choice in how their benefits are paid.** Under the current inflexible system, all workers receive a monthly payment that starts when they retire and ends when either they die or their spouse dies. This one-size-fits-all approach especially hurts the one-fifth of white males and one-third of African–American males who die between the ages of 50 and 70.[13] These workers face the prospect of paying a lifetime of Social Security taxes in return for little or no benefits. A more flexible system would allow them the comfort of knowing that at least a proportion of their taxes will go to their families in the form of a nest egg.

Changing Social Security to Allow Workers to Build Nest Eggs

In order to study how PRAs could allow workers to build nest eggs (in addition to providing for their retirement benefits), the CDA developed a composite plan that incorporates key features from a number of existing reform plans, as well as other ideas that have not been included in any specific plan.[14] The plan is designed to illustrate how all workers, especially lower-income workers, could create a family nest egg and provide a reasonable level of retirement income for all future retirees.

The study assumes that workers under age 55 as of January 1, 2003, would have the choice of either investing some of their existing Social Security taxes in a PRA or remaining in the current system. The amount invested in a worker's PRA would depend on his or her income, ranging from 7 percent of income for the lowest-income workers to 2.5 percent of income for the highest-income workers. This progressive contributions structure is designed both to reduce administrative costs and to allow lower-income workers (who are less likely to have access to other savings vehicles) to build their accounts faster.

11. Calculations by Center for Data Analysis at The Heritage Foundation using the Social Security Calculator, located at *www.heritage.org/research/features/socialsecurity* (July 20, 2004).
12. The two cases are *Helvering v. Davis* (1937) and *Flemming v. Nestor* (1960).
13. Stephen C. Goss, "Problems with 'Social Security's Rate of Return: A Report of the Heritage Foundation Center for Data Analysis,'" Social Security Administration *Memorandum*, February 4, 1998.
14. This plan is intended to illustrate how a PRA reform plan could create nest eggs and is not an endorsement by either the authors or The Heritage Foundation of any particular approach to establishing PRAs.

For the purposes of this study, the PRAs would be invested in a conservative portfolio of 50 percent stock index funds and 50 percent super-safe government bonds. Investments would be handled through a centralized investment manager similar to the existing Thrift Savings Plan, which serves federal employees. This account structure would earn an estimated 4.7 percent annually after inflation and annual administrative costs equal to 0.3 percent of the account.

For a worker with a PRA, the monthly retirement benefit would be a combination of a government payment and an amount financed from the worker's PRA. A person without minor children who has reached full retirement age would receive substantially higher benefits than workers who retire today. The sample plan would guarantee that single workers receive at least $17,960 annually and couples would receive at least $24,240. In 2002, the current system paid average benefits of only $10,968 to new retirees.

Once a worker purchases an annuity that pays for his or her share of Social Security retirement benefits, the worker could withdraw all or part of any remaining money in the PRA or leave it in the account and allow it to grow. Upon the worker's death, the remaining money could be left to a surviving spouse, grandchild, or any other beneficiary.

Conclusion

Failing to utilize Social Security PRAs' full potential cheats future generations. Social Security reform should be about much more than just reducing the system's coming financial problems. Giving workers additional control over their retirement future and ensuring that the system is flexible enough to meet their individual needs will pay major dividends for families and society. Money in those nest eggs would remain in the community and would provide new opportunities for local people. Rather than depending on Washington and its priorities, PRA nest eggs would allow local people to improve their lives and those of their neighbors. The ability to create a nest egg should not be limited to the wealthy. Every American deserves the choice of building a family nest egg that could be used to improve retirement or enable his or her family to break out of poverty.

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APPENDIX 1
HOW TODAY'S WORKERS COULD BUILD A NEST EGG WITH A PRA

Today's moderate-income and low-income workers could build a nest egg under Social Security reform according to the CDA report. The 12 case studies listed in Table 1 cover workers born between 1960 and 1976, who would already be working when a system of PRAs is hypothetically established in 2003. Workers who are already in the workforce when PRAs are established would find building a nest egg more difficult because they would have less time to invest. The fact that all of the examples in the CDA study succeed in building a nest egg shows the program's immediate value. These benefits will only grow larger for workers who have PRAs for their entire careers.

Each case study shows two examples of the nest egg that the worker or couple could produce. The first number is the amount that workers would have remaining after using a portion of their PRA to finance a part of their monthly Social Security benefits. This is money that would be immediately available to them for whatever purpose they wish. The second number is the amount they could leave to their heirs at their death if they leave the remainder invested. The second number is usually significantly larger because the money remains invested for an additional decade or more. The study assumes that this gross amount will be divided equally among three heirs.

All amounts are expressed in constant dollars that eliminate artificial growth due to inflation.

Table 1 B 1785

How Today's Workers Could Build a Nest Egg with a PRA

Case Study	Household	Family Characteristics	Nest Egg at Retirement	Bequestable Nest Egg at Death
1	Single male, low-income earner	Born in 1976 and dies before retirement at age 55. Age 27 when PRA program begins. Because he does not live to retirement and has no spouse or children, he leaves his entire PRA to three grandnephews.	N/A (dies before retirement)	$34,985
2	Single female, low-income earner	Born in 1968 and lives to age 82. Age 35 when PRA program begins. She never marries and leaves her PRA to three grandnieces.	$12,640	$25,120
3	Married couple with two low-income earners	Both born in 1968. Age 35 when PRA program begins. The longest-living spouse lives to age 82 and leaves their PRA to three grandchildren.	$18,615	$36,995
4	Married couple with two earners, one average-income and one low-income	Both born in 1968. Age 35 when PRA program begins. The longest-living spouse lives to age 84 and leaves their PRA to three grandchildren.	$54,885	$119,550
5	Married couple with one average-income earner	Both born in 1973. Age 30 when PRA program begins. The longest-living spouse lives to age 84 and leaves their PRA to three grandchildren.	$33,225	$72,365
6	Single female, average-income earner	Born in 1960 and lives to age 84. Age 43 when PRA program begins. She never marries and leaves her PRA to three grandnieces.	$5,960	$12,980
7	Married couple with two average-income earners	Both born in 1968. Age 35 when PRA program begins. The longest-living spouse lives to age 82 and leaves their PRA to three grandchildren.	$68,100	$135,355
8	Married couple with one average-income earner	Both born in 1968. Age 35 when PRA program begins. The longest-living spouse lives to age 84 and leaves their PRA to three grandchildren.	$50,515	$110,035
9	Married couple with two average-income earners	Born in 1963. Age 40 when PRA program begins. The husband dies at 55 and his PRA is added to his wife's. She lives to age 84, but never remarries. She leaves her PRA to three grandchildren.	$52,795	$115,005
10	Single divorced female, average-income earner	Born in 1960 and dies at age 84. Age 43 when PRA program begins. She marries and divorces early in her working years, but never remarries. Beginning at age 24, she stays at home to raise her children and does not return to the workforce until age 31. Because the marriage lasted less than 10 years, she has no claim on her former husband's retirement benefit. At death, her PRA goes to three granddaughters.	$7,905	$17,215
11	Married couple with two average-income earners	Both born in 1968. Age 35 when PRA program begins. The longest-living spouse lives to age 64 and leaves their PRA to three grandchildren. Both work as teachers for their entire careers and are members of a teachers union.	$106,185	$231,290
12	Married couple with two average-income earners	Both born in 1963. Age 40 when PRA program begins. The longest-living spouse lives to age 84 and leaves their PRA to three grandchildren. Both work in manufacturing and belong to a union. Beginning at age 35, the wife stays at home to care for their children and does not return to the workforce until age 41.	$78,130	$170,185

Source: William W. Beach et al., "Peace of Mind in Retirement: Making Future Generations Better Off by Fixing Social Security," Heritage Foundation *Center for Data Analysis Report* No. CDA04-06, August 11, 2004.

APPENDIX 2
RESULTS FOR THE THIRD GENERATION

Social Security PRAs would provide workers with an even larger family nest egg once the accounts are available for an entire career. They reach even larger amounts when the workers' own contributions are supplemented by sums inherited from other family members. The 12 case studies listed in Table 2 examine the grandchildren of the first-generation examples listed in Table 1. These cases mirror those of the first generation with one key change: All of these examples chose to open a Social Security PRA on the day they entered the workforce. Otherwise, each worker has the same income level—and the same employment gaps for raising children at home—as the example of the same number from the first-generation cases. Each case also has the same life expectancy as the first-generation case, with the exception of the two first-generation males who die at age 55 before they can retire. In both cases, their third-generation heirs live a full life and reach retirement age.

Each of the third-generation workers is assumed to inherit one-third of the amount that his or her grandparents had remaining in their family nest egg at the time of their deaths. Table 2 shows the effect on the grandchild's PRA if the worker: (1) invests 100 percent of the inheritance in his or her PRA; or (2) spends the entire inheritance.

Table 2 B 1785

Results for the Third Generation

Case Study	Household	Family Characteristics	100% of Inheritance Invested: Nest egg at retirement	100% of Inheritance Invested: Bequestable nest egg at death	None of Inheritance Invested: Nest egg at retirement	None of Inheritance Invested: Bequestable nest egg at death
1	Single male, low-income earner	Born in 2026 and lives to age 79. Because the granduncle died before he reached retirement age, the three heirs received the money earlier than they would have if he had lived. Thus, the money was invested for a longer time and grew larger than it would have otherwise. He inherited $11,660, one-third of his granduncle's PRA.	$202,015	$349,980	$2,560	$4,435
2	Single female, low-income earner	Born in 2018 and lives to age 82. She never marries and leaves her PRA to her grandnieces. She inherited $8,375, one-third of her grandaunt's PRA.	$47,430	$94,270	$5,840	$11,605
3	Married couple with two low-income earners	Both born in 2018. The longest-living spouse lives to age 82 and leaves their PRA to their grandchildren. This couple inherited $12,330, one-third of the grandparent's PRA.	$91,400	$181,670	$30,150	$59,920
4	Married couple with two earners, one average-income and one low-income	Both born in 2018. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. This couple inherited $39,850, one-third of the grandparent's PRA.	$453,040	$986,815	$272,425	$593,405
5	Married couple with one average-income earner	Both born in 2023. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. This couple inherited $24,120, one-third of the grandparent's PRA.	$309,640	$674,460	$200,310	$436,320
6	Single female, average-income earner	Born in 2010 and lives to age 84. She never marries and leaves her PRA to her grandnieces. She inherited $4,325, one-third of her grandaunt's PRA.	$140,655	$306,380	$121,040	$263,655
7	Married couple with two average-income earners	Both born in 2018. The longest-living spouse lives to age 82 and leaves their PRA to their grandchildren. This couple inherited $45,120, one-third of the grandparent's PRA.	$641,845	$1,275,720	$417,745	$830,300
8	Married couple with one average-income earner	Both born in 2018. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. This couple inherited $36,680, one-third of the grandparent's PRA.	$468,855	$1,021,270	$302,615	$659,165
9	Married couple with two average-income earners	Born in 2013. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. This couple inherited $38,335, one-third of the grandparent's PRA.	$650,190	$1,416,265	$476,450	$1,037,810
10	Single divorced female, average income earner	Born in 2010 and dies at age 84. She marries and divorces early in her working years, but never remarries. Beginning at age 24, she leaves the workforce to raise her children and does not return to the workforce until age 31. Because the marriage did not last for 10 years, she has no claim on her former husband's retirement benefit. At death, her PRA goes to her granddaughters. She inherited $5,740, one-third of her grandmother's PRA.	$76,040	$165,630	$50,035	$108,985
11	Married couple with two average-income earners	Both born in 2018. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. Both work as teachers for their entire careers and are members of a teachers union. This couple inherited $77,095, one-third of the grandparent's PRA.	$805,380	$1,754,290	$455,950	$993,165
12	Married couple with two average-income earners	Both born in 2013. The longest-living spouse lives to age 84 and leaves their PRA to their grandchildren. Both work in manufacturing and belong to a union. Beginning at age 35, the wife stays at home to care for their children. She returns to the workforce at age 41. This couple inherits $56,730, one-third of the grandparent's PRA.	$711,165	$1,549,070	$454,055	$989,030

Source: William W. Beach et al., "Peace of Mind in Retirement: Making Future Generations Better Off by Fixing Social Security," Heritage Foundation *Center for Data Analysis Report* No. CDA04-06, August 11, 2004.