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Military Veterans and Social Security

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Summary

There are 9.4 million military veterans receiving Social Security benefits, which means that almost one out of every four adult Social Security beneficiaries has served in the United States military. In addition, veterans and their families make up almost 40 percent of the adult Social Security beneficiary population. Policymakers are particularly interested in military veterans and their families and have provided them with benefits through several government programs, including Social Security credits, home loan guarantees, and compensation and pension payments through the Department of Veterans Affairs. It is therefore important to understand the economic and demographic characteristics of this population. Information in this article is based on data from the March 2004 Current Population Survey, a large, nationally representative survey of U.S. households.

Veterans are overwhelmingly male compared with all adult Social Security beneficiaries who are more evenly split between males and females. Military veterans receiving Social Security are more likely to be married and to have finished high school compared with all adult Social Security beneficiaries, and they are less likely to be poor or near poor than the overall beneficiary popula-

tion. Fourteen percent of veterans receiving Social Security benefits have income below 150 percent of poverty, while 25 percent of all adult Social Security beneficiaries are below this level. The higher economic status among veterans is also reflected in the relatively high Social Security benefits they receive.

The number of military veterans receiving Social Security benefits will remain high over the next few decades, while their make-up and characteristics will change. In particular, the number of Vietnam War veterans who receive Social Security will increase in the coming decades, while the number of veterans from World War II and the Korean War will decline.

Introduction

Military veterans constitute an important subgroup of beneficiaries of the Old-Age, Survivors, and Disability Insurance (Social Security) program. Almost one out of every four adult Social Security beneficiaries has served in the military, and two out of every five either are veterans or reside with family members who are veterans. The number of veterans who receive Social Security benefits grew steadily from the late 1960s through the mid-1990s but has since leveled off.

Military personnel have been covered under Social Security since 1957, and those who served in 2001 or earlier receive special credits that augment their earnings for the purpose of computing Social Security benefits. For those who served between 1957 and 1977, credits equal \$300 for each quarter of active-duty pay. Those serving between 1978 and 2001 receive credits equal to an additional \$100 in earnings for each \$300 they receive in active-duty pay (total credits may not exceed \$1,200 a year).

Earnings in 2002 and later are not supplemented with credits. Congress originally enacted these special credits because some military compensation, such as the value of food, shelter, and medical care, was not used in determining average earnings for the purpose of computing Social Security benefits. By 2002, Congress believed that eliminating these credits, which were funded through the Department of Defense, would allow funds to be reapplied to other essential military pay and

retirement initiatives with minimal impact on future Social Security benefit amounts received by persons serving in the military.¹

Congress has also provided special credits for veterans who served before the military was brought under the Social Security system. For each month of active-duty service from September 1940 through 1956, a person is credited with \$160 of earnings for the purpose of computing Social Security benefits.

Although veterans may have received military credits to supplement their earnings in active-duty pay years before 2002, those particular years of earnings are not necessarily included in the highest-earning years that are used to calculate Social Security benefits (for retirement benefits, the highest 35 years of wage-indexed earnings are used). Therefore, the military credits applied in active-duty pay years may not always affect a veteran's Social Security benefit.

Table 1.
Characteristics of military veterans and Social Security beneficiaries

Characteristic	All veterans		Veterans who are Social Security beneficiaries		All adult Social Security beneficiaries	
	Number (thousands)	Percent	Number (thousands)	Percent	Number (thousands)	Percent
Total	23,067	100.0	9,420	100.0	40,626	100.0
Military service						
World War II	3,900	16.9	3,613	38.4	3,613	8.9
Korean War	3,045	13.2	2,784	29.6	2,784	6.9
Vietnam War	7,851	34.0	1,209	12.8	1,209	3.0
Other	8,271	35.9	1,814	19.3	1,814	4.5
Age						
49 or younger	5,982	25.9	161	1.7	3,751	9.2
50–61	6,850	29.7	514	5.5	2,835	7.0
62–74	5,793	25.1	4,626	49.1	18,999	46.8
75–84	3,833	16.6	3,565	37.8	11,799	29.0
85 or older	610	2.6	554	5.9	3,243	8.0
Male	21,804	94.5	9,135	97.0	17,643	43.4
Married	16,493	71.5	6,914	73.4	21,835	53.7
High school diploma	20,868	90.5	7,789	82.7	29,808	73.4
Race and ethnicity						
Black ^a	2,236	9.7	601	6.4	4,137	10.2
Hispanic	1,000	4.3	219	2.3	2,380	5.9
Below 150 percent of poverty	2,885	12.5	1,352	14.4	10,226	25.2
No Medicare	13,711	59.4	681	7.2	5,556	13.7
Receives Supplemental Security Income	267	1.2	108	1.2	1,869	4.6

SOURCE: March 2004 Current Population Survey (CPS).

NOTE: The CPS was conducted in March 2004, but the income amounts used to calculate poverty are for calendar year 2003.

a. More than one race can be reported in the CPS. Data include people who identify themselves as black alone or in combination with one or more other races.

Because veterans are a large subgroup of Social Security beneficiaries and because policymakers have shown a clear interest in their well-being, it is important to understand the economic and demographic characteristics of veterans and their dependents. This article presents such information using the March 2004 Current Population Survey (CPS), a large, nationally representative survey of U.S. households.² Although the CPS was conducted in 2004, the income and benefit amounts it contains are for the 2003 calendar year.

Characteristics of the Veteran and Social Security Beneficiary Populations

According to the March 2004 Current Population Survey, over 9.4 million military veterans receive old-age, disability, or survivor benefits from Social Security, accounting for almost one-quarter of the adult Social Security beneficiary population (see Table 1).³ Information in this article is not broken out separately by type of Social Security benefit but rather by age group classifications, which allows for comparing younger beneficiaries (who primarily receive benefits based on a disability) with older beneficiaries (who receive benefits based on age).

Tabulations from the March 2004 CPS (not shown in Table 1) indicate that about 39 percent of Social Security beneficiaries are either veterans or reside with family

members who are veterans. Because economic well-being is measured on the basis of family income, the economic well-being of the Social Security beneficiary population is strongly influenced by that of the veteran population. Of the 23.1 million veterans, 9.4 million (or 41 percent) receive Social Security benefits.⁴

The largest number of veterans receiving Social Security benefits served during World War II. There are 3.6 million such persons. This group is on the cusp of “very old age” (the majority of veterans in this group are aged 80 or older). The mortality, health, and economic status of these veterans over the next 5 to 10 years will have important effects on the well-being of Social Security’s oldest-old and widowed populations.

The veteran population that receives Social Security benefits is different from the overall Social Security beneficiary population. The most striking, though not surprising, difference is that veterans are overwhelmingly male. Ninety-seven percent of veterans receiving Social Security are male compared with only 43 percent of all Social Security beneficiaries. Differences can also be found in marital status, education, and race and ethnicity. Among the veteran population receiving Social Security benefits, 73 percent are married and about 83 percent have finished high school. The corresponding figures for the overall Social Security beneficiary population are 54 percent and 73 percent. Minorities represent a smaller percentage of the veteran population.

Table 2.
Economic status of groups that receive Social Security, by age

Beneficiary and age	Below poverty		Below 125 percent of poverty		Below 150 percent of poverty	
	Number (thousands)	Percent	Number (thousands)	Percent	Number (thousands)	Percent
Veterans						
61 or younger	112	16.6	173	25.6	215	31.8
62–74	162	3.5	321	6.9	533	11.5
75–84	128	3.6	302	8.5	533	15.0
85 or older	16	2.9	44	8.0	71	12.8
Male nonveterans						
61 or younger	442	17.4	697	27.4	904	35.5
62–74	336	8.3	543	13.5	815	20.2
75–84	143	10.4	258	18.8	385	28.1
85 or older	47	8.5	93	16.7	160	28.8
Widows						
61 or younger	108	23.2	144	30.8	188	40.3
62–74	382	13.6	682	24.3	962	34.2
75–84	522	13.9	962	25.5	1,529	40.6
85 or older	253	15.1	466	27.9	703	42.0

SOURCE: March 2004 Current Population Survey (CPS).

NOTE: The CPS was conducted in March 2004, but the income amounts used to determine economic status are for calendar year 2003.

Six percent of veterans receiving Social Security are black and 2 percent are Hispanic. Of all adult Social Security beneficiaries, 10 percent are black and 6 percent are Hispanic (see Table 1).

The economic status of veterans and other groups of Social Security beneficiaries also varies. Among veterans aged 62–74, only 3.5 percent are poor and only 11.5 percent have income below 150 percent of poverty (see Table 2). This low incidence of poverty and near poverty among veterans also holds for those aged 75 or older. However, veterans receiving Social Security who are younger than age 62 have lower economic status than veterans in the older age groups, and nearly a third of them have income below 150 percent of poverty. Persons younger than age 62 who receive Social Security are usually eligible on the basis of a disability or as a survivor of an eligible deceased worker.

Men typically have lower poverty rates than women, and the low incidence of poverty among aged veterans may reflect, in part, the fact that veterans are a disproportionately male group. However, when one compares veterans with men who are not veterans, it is clear that other factors are at work as well. Among the older age groups, men who did not serve in the military are more than twice as likely as veterans to be poor.

The economic status of those receiving Social Security benefits is determined in large part by their monthly benefit payment. Social Security benefit amounts are higher among veterans than among nonveterans, even when the sample of nonveterans is restricted to men. The average monthly Social Security benefit for veterans is \$1,008 compared with \$892 for male nonveterans (see Table 3). Among persons aged 62–74, monthly Social

Security benefits average \$1,028 for veterans and \$957 for male nonveterans. Older veterans (aged 85 or older) receive average monthly benefits of \$1,057 compared with \$946 for male nonveterans in the same age group.

Among veterans receiving Social Security, benefit amounts tend to be lower for the younger age groups, which are mainly composed of disabled persons. Veterans under the age of 50 have the lowest average Social Security benefit amount (\$717), and the average benefit of veterans aged 50–61 is less than the average amount for the older age groups (see Table 3). In addition to Social Security disability benefits, veterans who are at least 10 percent disabled as a result of military service can receive disability compensation from the Department of Veterans Affairs (VA). Disability pensions are also available to wartime veterans with limited income. These VA payments are not reflected in the Social Security benefit amounts in Table 3 but are captured in the poverty statistics in Tables 1 and 2. Poverty is measured by comparing income from all sources with official poverty thresholds.

Medicare is a federal health insurance program for individuals aged 65 or older, certain disabled persons younger than age 65, or persons with end-stage renal disease. Only 7 percent of veterans who receive Social Security do not receive Medicare, while almost 14 percent of all adult Social Security beneficiaries do not receive Medicare (see Table 1). Military veterans receiving Social Security tend to be older than most Social Security beneficiaries, which may reflect the higher rate of Medicare receipt among them. Fifty-nine percent of all veterans do not receive Medicare, mostly because they are still too young to qualify for the program. Among all veterans, 61 percent are younger than age 65 but as these individuals age, more will be eligible to receive Medicare.

Veterans are less likely to receive Supplemental Security Income (SSI), which is a program that provides monthly income to people who are aged 65 or older, blind, or disabled and have limited income and financial resources. Only 1.2 percent of veterans receiving Social Security benefits also receive SSI payments compared with 4.6 percent of all adult Social Security beneficiaries (see Table 1).⁵

Because almost 40 percent of the adult Social Security beneficiary population consists of veterans and their families, survivors of military veterans are also an important group to consider. Several government programs provide benefits to survivors of military veterans, which reflect concerns of policymakers regarding their economic well-being. For example, the VA provides Survivors' and Dependents' Education Assistance, compensation and pension benefits to certain survivors, and a Home Loan Guaranty for surviving spouses of

Table 3.
Average monthly Social Security benefits of veterans and male nonveterans, by age group (in 2003 dollars)

Age group	Veterans	Male nonveterans
All ages	1,008	892
Age		
49 or younger	717	662
50–61	991	933
62–74	1,028	957
75–84	991	934
85 or older	1,057	946

SOURCE: March 2004 Current Population Survey (CPS).

NOTES: The CPS was conducted in March 2004, but benefit amounts are for calendar year 2003.

Monthly benefits were computed by dividing the annual Social Security benefit amounts by 12.

veterans who died in active duty or whose death is a result of a service-connected disability.

The CPS does not specifically measure the economic status of widows who were married to veterans, but it does contain information on the status of widows in general. Poverty among widowed Social Security beneficiaries tends to be high. For example, widows aged 85 or older have a poverty rate of 15.1 percent (see Table 2). Widows of veterans may fare better than these statistics indicate because of the high benefit levels of persons who have served in the military, but differences in poverty may not be dramatic.⁶

Trends in Growth of the Veteran and Social Security Beneficiary Populations

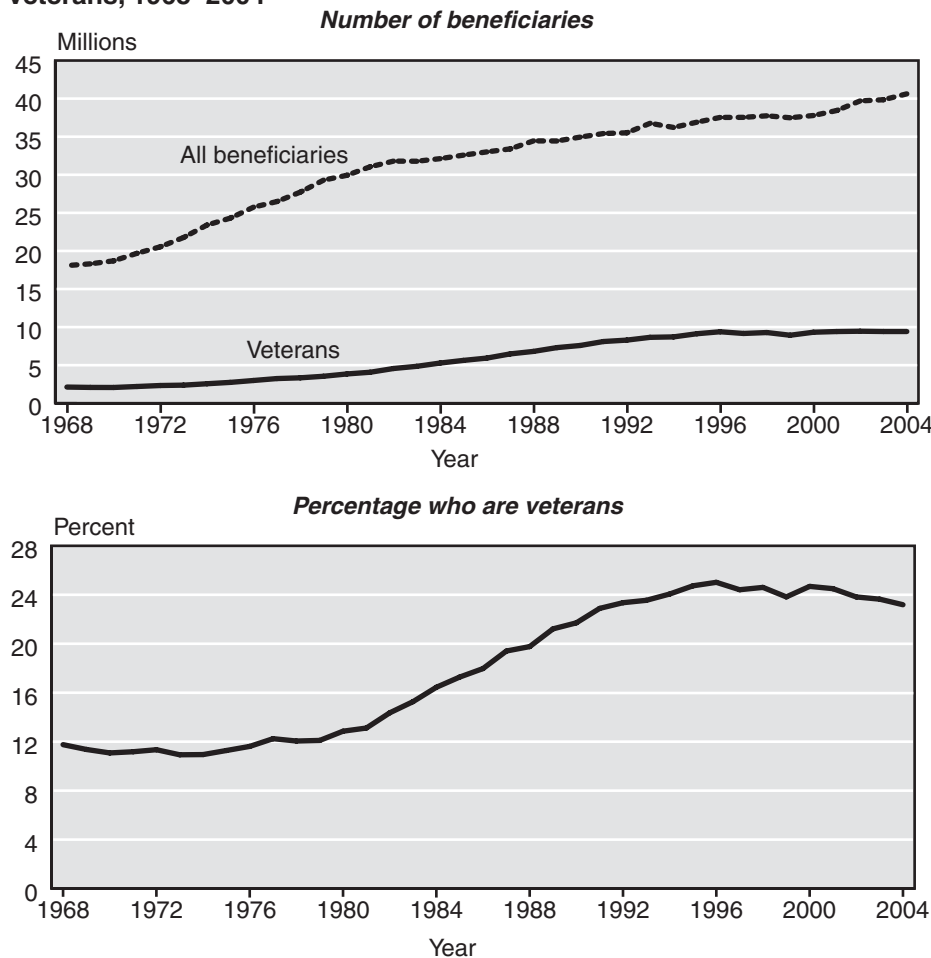
The overall Social Security beneficiary population more than doubled from 1968 through 2004, whereas the number of veterans receiving Social Security more than quadrupled (see Chart 1).⁷ Consequently, the percentage of Social Security beneficiaries who have served in the military has approximately doubled since the late 1960s.

The percentage of Social Security beneficiaries who are military veterans has remained fairly steady over the past decade, after increasing drastically since 1968. In 2002, an estimated 9,457,000 veterans received Social Security. The estimated number decreased slightly to 9,420,000 in 2004, but this small difference may not be statistically significant. The estimated percentage of Social Security beneficiaries who are veterans (23.2 per-

cent) has declined slightly from its all-time high of 25.0 percent in 1996.

The veteran population that receives Social Security benefits will change over the next 5 to 10 years as the World War II veterans, who are on the cusp of very old age, experience high mortality. Even so, the veteran population will remain large because the veterans of the Vietnam War will replace those of World War II and the Korean War. Veterans of those two wars decreased from 4.7 million and 2.9 million, respectively, in 2000 to only 3.6 million and 2.8 million in 2004. In contrast, the number of Vietnam War veterans has roughly doubled over that period, from 600,000 in 2000 to 1.2 million in 2004. Overall, the Department of Veterans Affairs projects that veterans aged 65 or older will total 8.9 million in 2010 and 8.4 million in 2020, down from 9.3 million in 2005.⁸

Chart 1.
Number of Social Security beneficiaries and the percentage who are veterans, 1968–2004



SOURCE: March Current Population Survey, 1968–2004.

Notes

¹ For congressional intent with regard to eliminating the credits, see the wage credit sections of House Reports 106-996 and 107-298. The reports are available at <http://thomas.loc.gov/cgi-bin/cpquery/z?cp106:hr996p1> and <http://thomas.loc.gov/cgi-bin/cpquery/z?cp107:hr298>.

² An earlier version of this article, which used the March 2000 CPS, was published as a Research and Statistics Note in 2001 (available at <http://www.socialsecurity.gov/policy/docs/rsnotes/rsn2001-01.pdf>).

³ The CPS provides detailed information on the income of persons aged 15 or older. The data in this article generally pertain to the “adult” population (aged 15 or older) and, because of the sample design of the CPS, to the noninstitutionalized population residing in the 50 states or the District of Columbia.

⁴ The Social Security benefits of veterans are not necessarily affected by the military service credits.

⁵ Title VIII of the Social Security Act provides special veterans benefits to a small number of veterans who served in the active U.S. military during World War II, are eligible for SSI, and live outside the United States. This includes Filipino veterans who served in the organized military of the Philippines from July 26, 1941, through December 30, 1946. See <http://www.socialsecurity.gov/pubs/10157.pdf> for more information.

⁶ Evidence from the 1991 New Beneficiary Follow-up, which does identify the veteran status of deceased spouses, suggests that widows of veterans are somewhat better off than the overall widowed population, but the difference is not dramatic. Among widows of veterans who died in the previous 9 years, 12.2 percent had income at or below poverty. The figure for all widows is 14.0 percent.

⁷ The data discussed in this section and in Chart 1 are based on March Current Population Surveys from 1968 through 2004. Before 1989, totals for veterans do not include women. Totals for Social Security beneficiaries do not include children. Before 1980, children are defined as persons under the age of 14. Beginning in 1980, children are defined as persons under the age of 15.

⁸ See Department of Veterans Affairs, *VetPop2004 Version 1.0*, Table 5L (available at <http://www.va.gov/vetdata/demographics/index.htm>).