

▶ Extending Concepts

Average Indexed Monthly Earnings In Exercises 19–22, use the information below and the table.

A worker’s annual earnings are adjusted, or “indexed,” to express the earnings in terms of today’s wage levels. The 35 greatest indexed earnings are then averaged to get the average indexed monthly earnings (AIME).

After working for 35 years, a worker retired in 2009 at the age of 62. The table shows the worker’s information.

19. Multiply the amounts in column B by the index factors in column C, and enter the results in column D.
20. Find the sum of the amounts in column D. Then divide the sum by 420 (the number of months in 35 years). Round down to the next lowest dollar. This is the worker’s AIME.



21. Use the Social Security benefit formula on page 241 to estimate the worker’s Social Security monthly retirement benefit at age 62.
22. Explain why the Social Security benefit formula is designed to pay a higher percent for lower AIMEs.
23. **Dependency Ratio** What factors may prevent the economic dependency ratio from being 100% accurate? Explain your reasoning.
24. **Viability of Social Security** Do you think the Social Security system will exist when you retire? Use the concepts in this section to defend your answer.

	A	B	C	D
Year	Maximum Earnings	Actual Earnings (not more than column A)	Index Factor	Indexed Earnings
1975	\$14,100	\$4,000	4.79	
1976	\$15,300	\$4,145	4.48	
1977	\$16,500	\$4,274	4.23	
1978	\$17,700	\$7,280	3.92	
1979	\$22,900	\$7,516	3.60	
1980	\$25,900	\$7,742	3.30	
1981	\$29,700	\$8,002	3.00	
1982	\$32,400	\$12,205	2.84	
1983	\$35,700	\$12,683	2.71	
1984	\$37,800	\$13,171	2.56	
1985	\$39,600	\$13,686	2.46	
1986	\$42,000	\$14,107	2.39	
1987	\$43,800	\$14,532	2.24	
1988	\$45,000	\$31,200	2.14	
1989	\$48,000	\$32,218	2.06	
1990	\$51,300	\$33,344	1.97	
1991	\$53,400	\$34,450	1.90	
1992	\$55,500	\$38,545	1.80	
1993	\$57,600	\$39,883	1.79	
1994	\$60,600	\$41,336	1.74	
1995	\$61,200	\$42,801	1.67	
1996	\$62,700	\$44,219	1.60	
1997	\$65,400	\$45,771	1.51	
1998	\$68,400	\$68,400	1.43	
1999	\$72,600	\$72,600	1.36	
2000	\$76,200	\$76,200	1.29	
2001	\$80,400	\$80,400	1.26	
2002	\$84,900	\$84,900	1.24	
2003	\$87,000	\$87,000	1.21	
2004	\$87,900	\$87,900	1.16	
2005	\$90,000	\$90,000	1.12	
2006	\$94,200	\$94,200	1.07	
2007	\$97,500	\$97,500	1.02	
2008	\$102,000	\$102,000	1.00	
2009	\$106,800	\$106,800	1.00	