



LABOR AND POPULATION

***Deciding When to Claim Social  
Security Benefits:  
The Influence of Framing***

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# *We Examined How Framing Affects Social Security Claiming*

- People can claim benefits anytime from 62 to 70
  - Eligible for full benefits at normal retirement age
- The decision can have enormous consequences
  - Someone who stops working at 62 but waits to claim until 70 earns **76%** more (real) dollars per month for life
  - Compared to claiming at age 62



# *Claiming and Framing*

**The decision about when to claim Social Security benefits is nearly universal (93% of workers)**

**Welfare consequences are potentially important**

**Social Security is an inflation-indexed, joint-and-survivor annuity priced based on average population mortality**

**Delaying claiming is akin to purchasing a larger annuity, with the “purchase price” equal to foregone income during delay period**

**Important to know if people are optimizing the decision and/or how influenced by the framing that is implicit in SSA communications**

# *Our Experiment*

- **We conducted an Internet survey to test the influence of different frames on date of claiming**
  - **Used the RAND American Life Panel**
  - **Nationally representative sample of about 3,000 households**
- **Each participant randomly shown 6 frames (out of 10)**
  - **3 survey sessions**
  - **2 weeks apart**



# ***What We Hoped to Learn***

- **How much different frames influenced decisions**
- **Who was most vulnerable to framing**
- **What affect specific frames had on choice**
- **How framing could be improved to avoid poor decisions**

# *Several Narratives Are Important for Social Security Claiming*

- **Breakeven analysis:** SSA's approach before 2008
  - Still the prevalent approach of many private advisors
- **Baseline:** As neutral as possible—SSA's approach since 2008
- **Consumption vs. investment** language
- **Gains vs. losses**
- **Anchoring age**

# *We Created Ten Frames Using These Dimensions*

<b>Frame</b>	<b>Framing</b>	<b>Anchoring age</b>
<b>1</b>	<b>Breakeven</b>	<b>62</b>
<b>2</b>	<b>Baseline (neutral)</b>	<b>66</b>
<b>3</b>	<b>Consumption gain</b>	<b>62</b>
<b>4</b>	<b>Consumption gain</b>	<b>66</b>
<b>5</b>	<b>Consumption loss</b>	<b>66</b>
<b>6</b>	<b>Consumption loss</b>	<b>70</b>
<b>7</b>	<b>Investment gain</b>	<b>62</b>
<b>8</b>	<b>Investment gain</b>	<b>66</b>
<b>9</b>	<b>Investment loss</b>	<b>66</b>
<b>10</b>	<b>Investment loss</b>	<b>70</b>

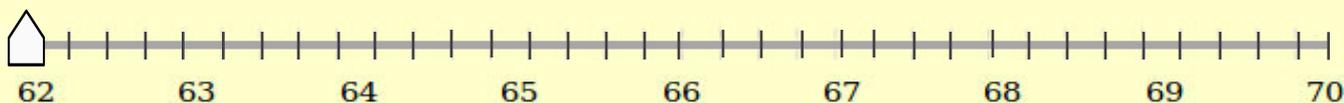
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## (Breakeven)

**When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. Because of how Social Security benefits are calculated, on average people receive about the same amount in total lifetime payments no matter when they start receiving benefits. Therefore the Social Security system's finances are unaffected, on average, by when people claim benefits.**



Age:

Month:

Monthly benefits: \$

Monthly increase relative to claiming at age 62: \$

Total amount forfeited by not claiming at age 62: \$

Number of years required to break-even:





## (Breakeven)

If you delay claiming, your monthly benefit will increase. For example, if you claim your benefits at age 63 (one year later), your benefit will increase by \$103.00 per month to \$1,652.00. However, **by delaying your benefit by one year, you will forfeit the \$18,588.00 that you would have received between age 62 and 63.** By our calculations, **you would need to live at least 15 more years in order to get back the \$18,588.00 you forfeited by waiting one year.**



Age:

Month:

Monthly benefits: \$

Monthly increase relative to claiming at age 62: \$

Total amount forfeited by not claiming at age 62: \$

Number of years required to break-even:



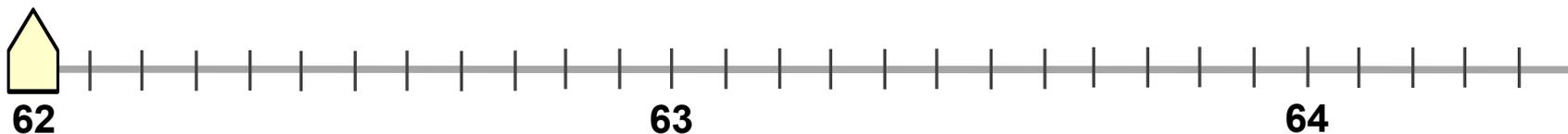


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How much you receive each month depends on your age when you claim.

Suppose that you claim your benefit at age 62. In this case you will receive \$1,549.00 each month. You will receive this amount every month for as long as you live, and the amount of the payment will adjust with inflation each year to preserve purchasing power.



Age:

Month:

Monthly benefits: \$

Monthly increase relative to claiming at age 62: \$

Total amount forfeited by not claiming at age 62: \$

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Month:

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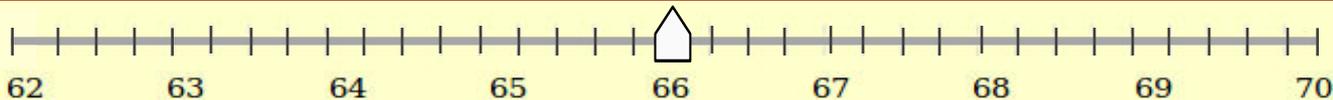
Total amount **forfeited** by not claiming at age 62: \$

Number of years required to break-even:



(Baseline / Neutral)

**If you claim one year earlier, at age 65, your benefit would be \$1,927.00 per month. If you claim one year later, at age 67, your benefit would be \$2,330.00 per month.**



Age:

66

Month:

June

Monthly benefits: \$

2388

Next>>





(Consumption / Gain / 62)

For example, if you start your benefit at age 63 (one year later), **your purchasing power goes up** an extra \$103.00 per month to \$1,652.00. If you start your benefit at age 70, **the amount you can spend each month goes up** by \$1,177.00 to \$2,726.00.



Age:

Month:

Monthly benefits: \$

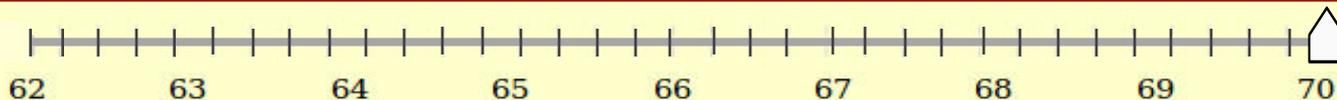
How much you get more per month than when you claim at 62: \$





(Investment / Loss / 70)

For example, if you start your benefit at age 69 (one year earlier), the amount you get back from Social Security falls by \$165.00 per month to only \$2,561.00. If you start your benefit at age 62, the amount you get returned to you falls by \$1,177.00 to only \$1,549.00.



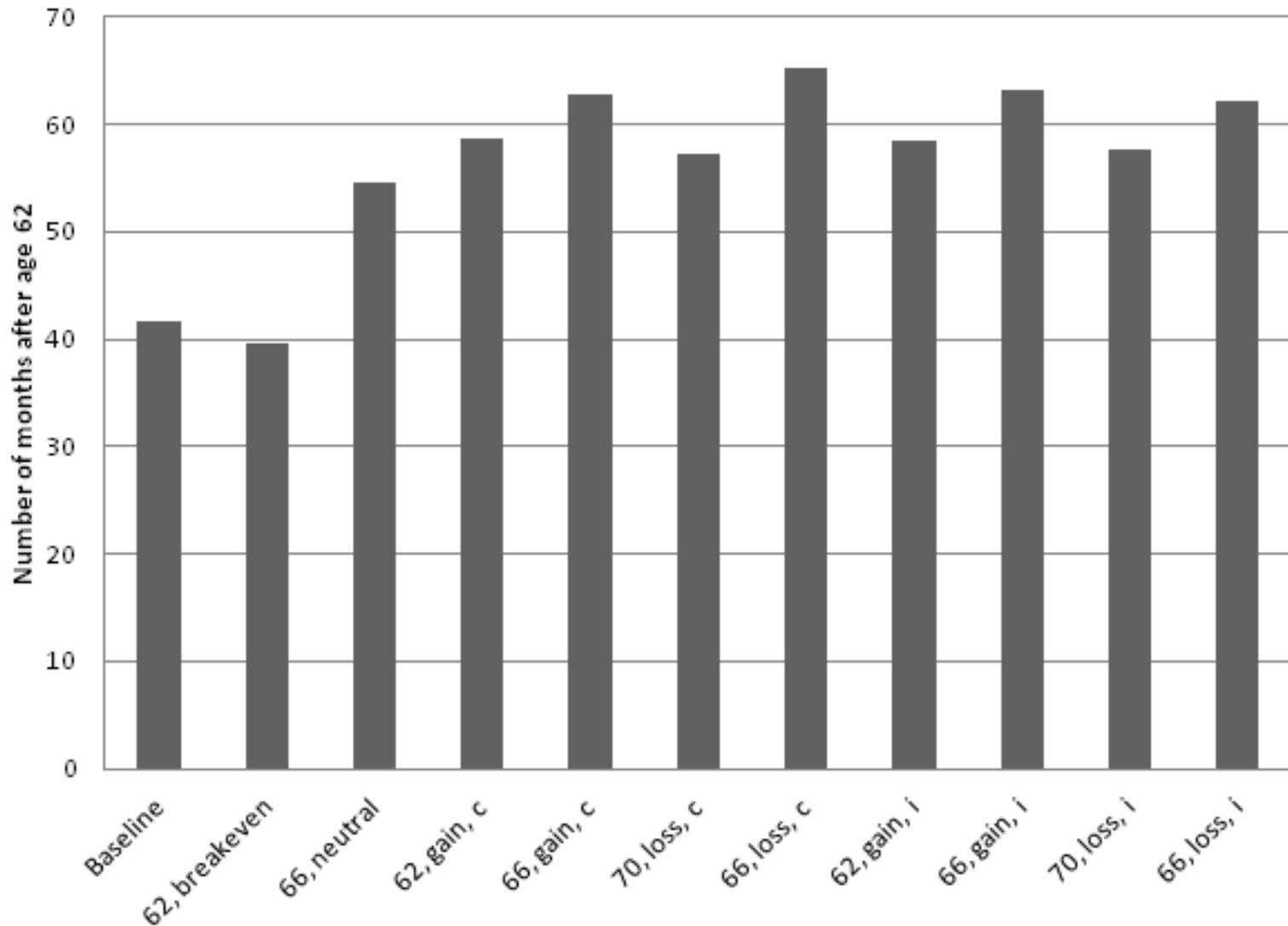
Age:

Month:

Monthly benefits: \$

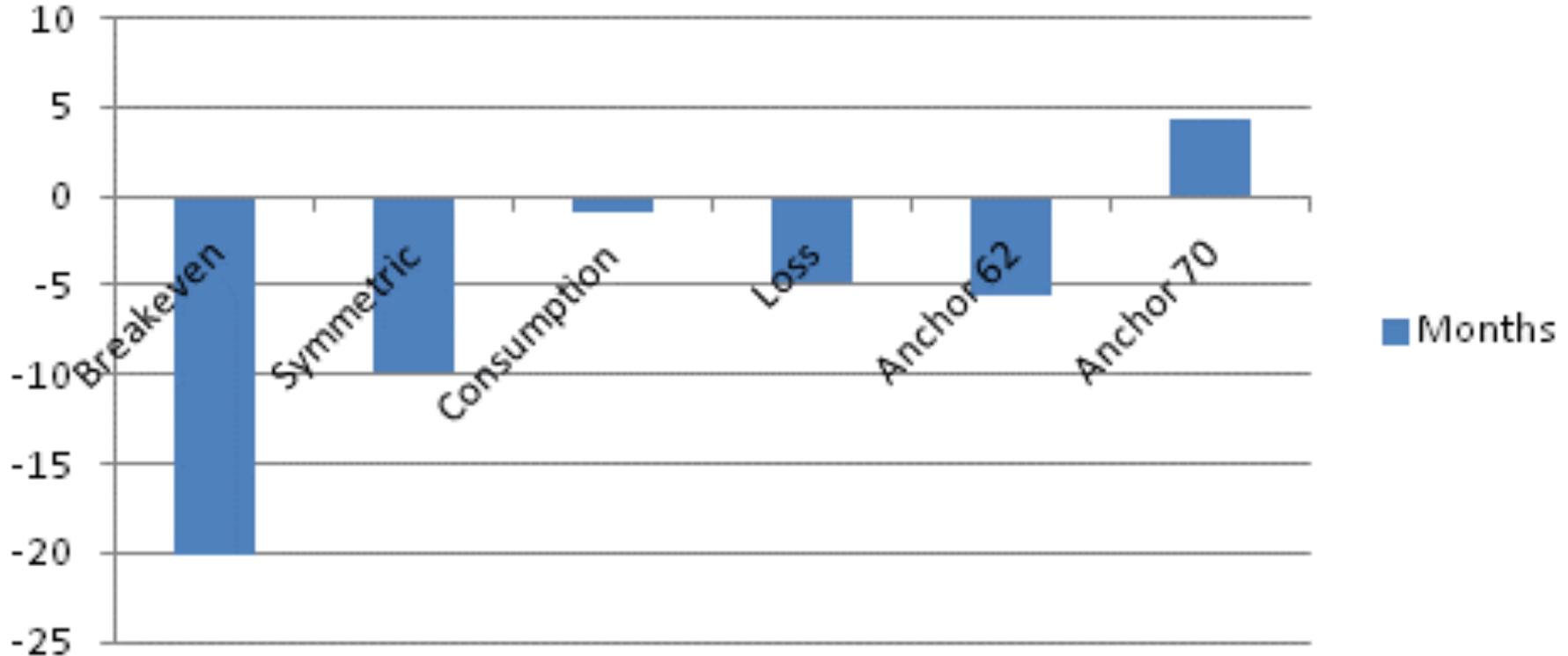
How much you get less per month than when you claim at 70: \$

# *Break-even yields the lowest claiming age*



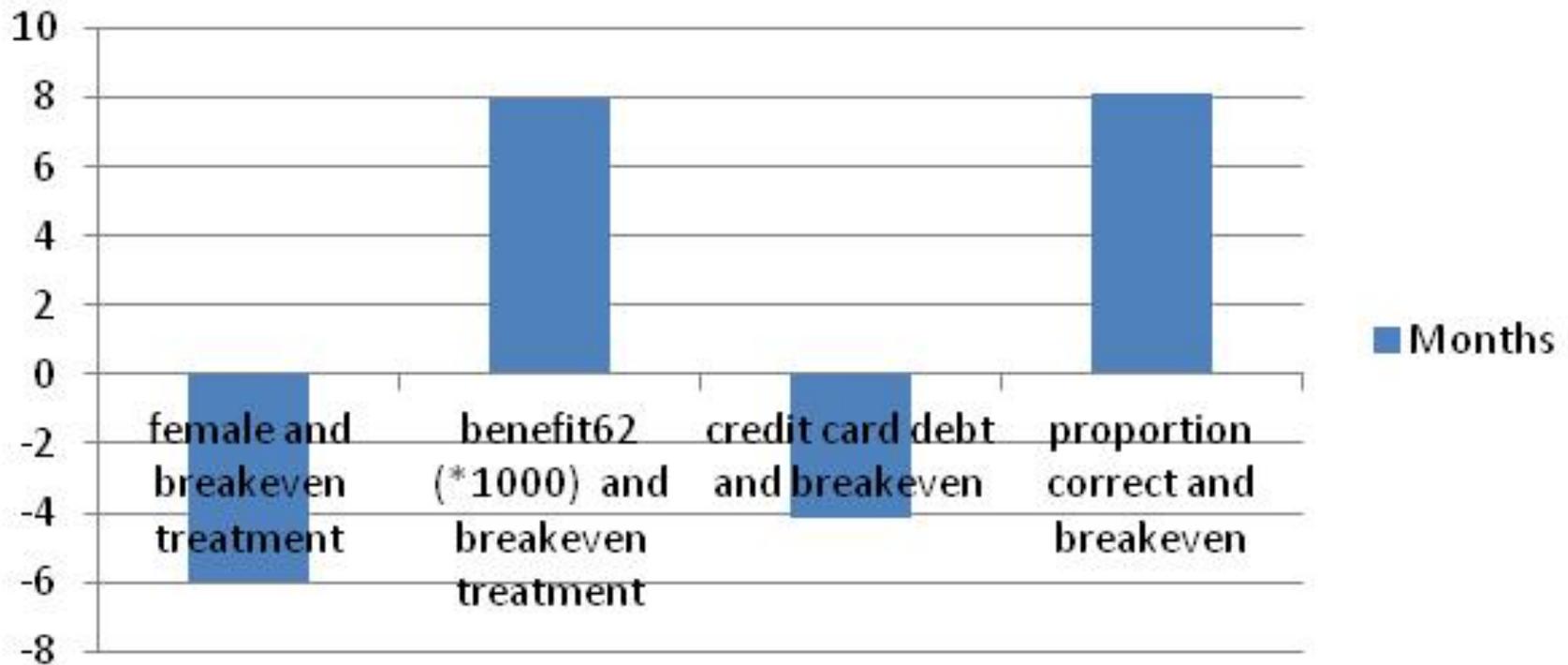
# Multivariate Analysis

## Claiming ages compared to Investment, gain, 66



# Who is most affected by the break even frame?

## Interactions with breakeven treatment



# *Conclusions*

- **Choices people made were strongly influenced by the way alternatives were presented**
  - **Groups with lower levels of financial understanding were most susceptible**
- **Certain frames led to earlier claiming; others to later**
- **Americans most vulnerable to financial hardship are also most likely to make poor decisions**
  - **Reducing their income in old age**



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