

# What Do People Know About Social Security?

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Financial Literacy Seminar Series  
October 4, 2012  
Washington, DC



# Background and Methodology

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## Consumer Research

- Telephone survey in March 2010 of 2,000 respondents age 25 to 65 selected using random-digit-dialing
- Focused on knowledge of key Social Security benefits facts, expectation of benefits, and preferred methods for learning more about Social Security and retirement planning in general

## Financial Professional Research

- Phone/online survey of 400 financial advisors, including those at wirehouse and regional firms, life agents, banks reps, and independent advisors
  - At least three years of experience
  - Derive at least \$50,000 of their annual personal income from their work as a financial advisor.
  - Clients age 55 or older had to comprise at least 40% of advisors' client base
  - Required to regularly provide their client with advice on how much money to accumulate for retirement and how to manage their money once in retirement
- Focused on perceived knowledge of how Social Security works, extent to which discuss Social Security, and advise clients on when to claim
- 18 in-depth interviews with executives from leading DC plan companies

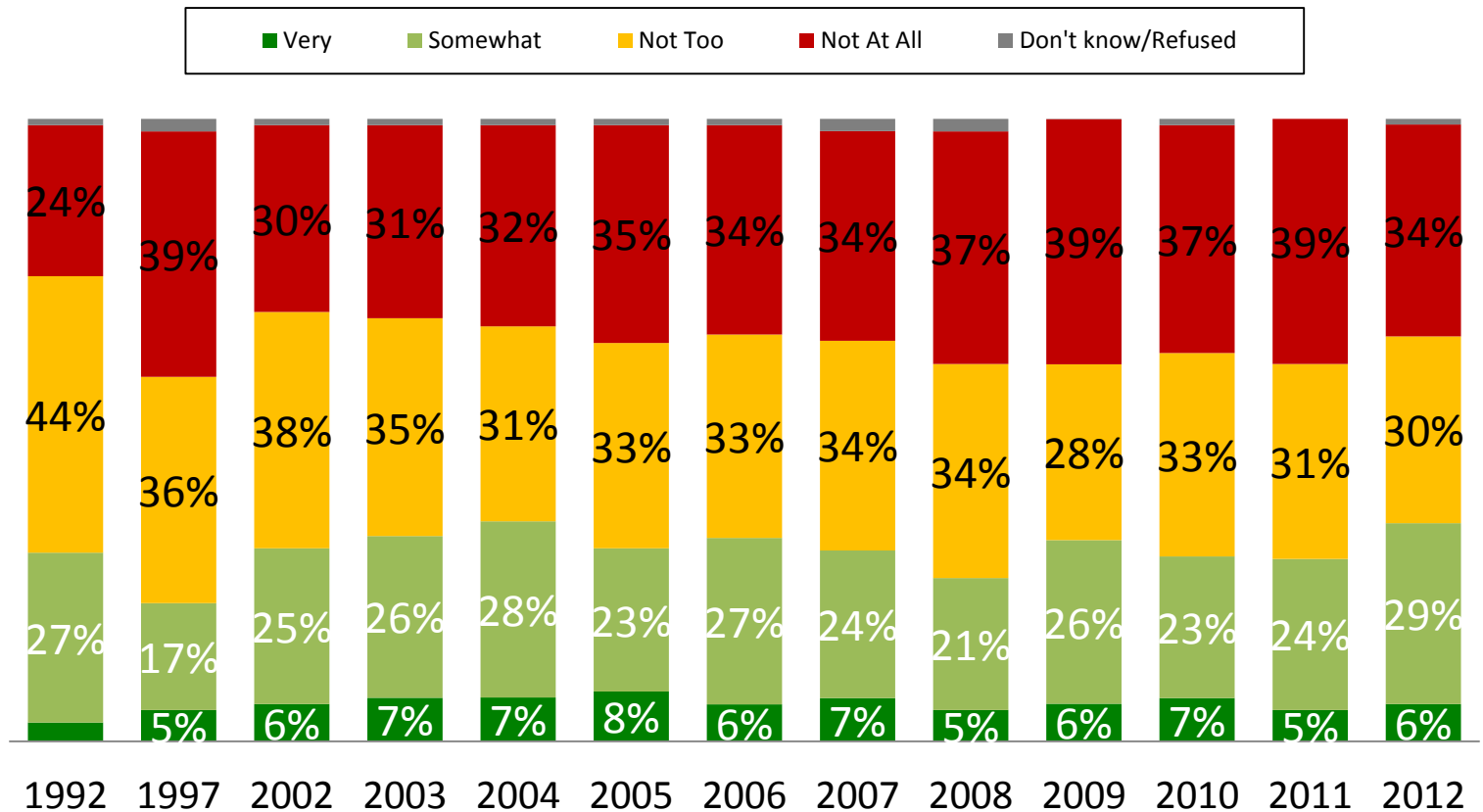


# Retirement Confidence Survey

The share of workers very confident about future benefits from Social Security has remained steady.

How confident are you that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today?

(2012 Workers n=1,003)

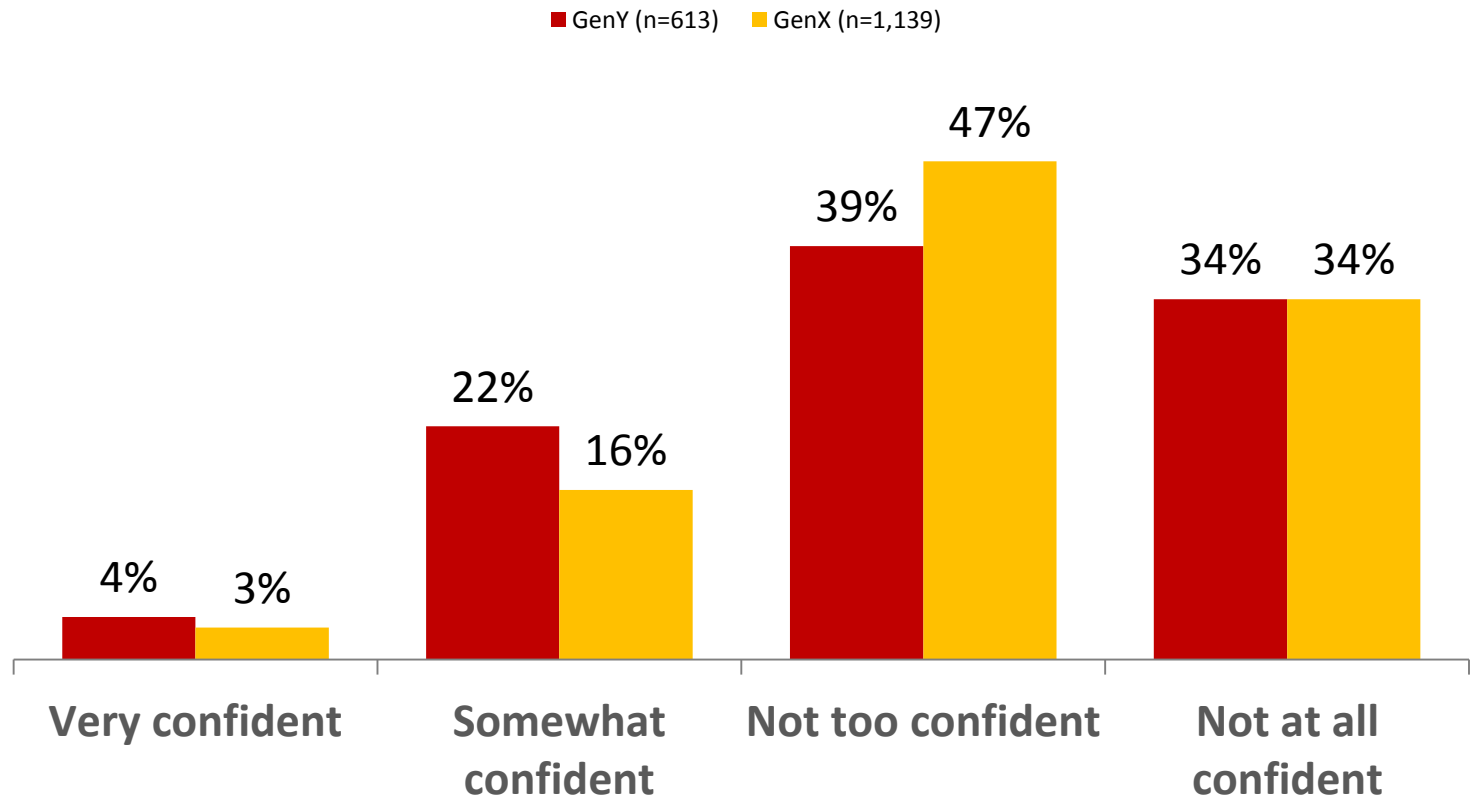


Source: EBRI and Greenwald & Associates, Inc., 1992-2012 Retirement Confidence Surveys  
Mathew Greenwald&Associates, Inc.



# Confidence in Social Security is lower among younger generations.

How confident are you that, when you retire, the Social Security system will provide you with benefits of at least equal value to the benefits received by retirees today?

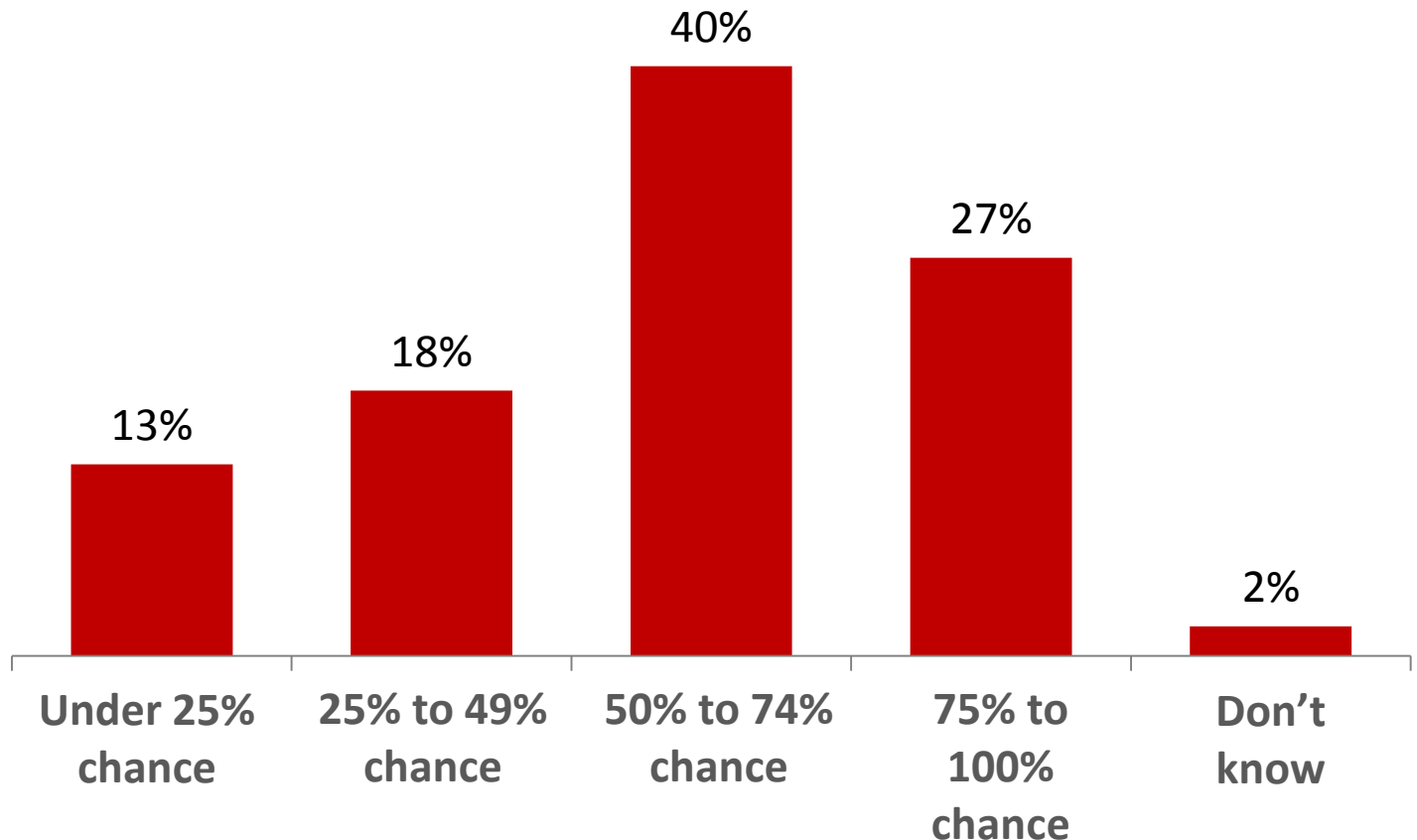


Source: "2008 Preparing for the Futures: A Look at the Financial State of gen Y and Gen X," Greenwald/AARP/ASEC  
Mathew Greenwald&Associates, Inc.



# There is substantial concern about the viability of the program.

What is the percent chance that you will receive the level of Social Security retirement benefits that people of your age and earnings history are supposed to get under current law? ( $n=1,001$ )



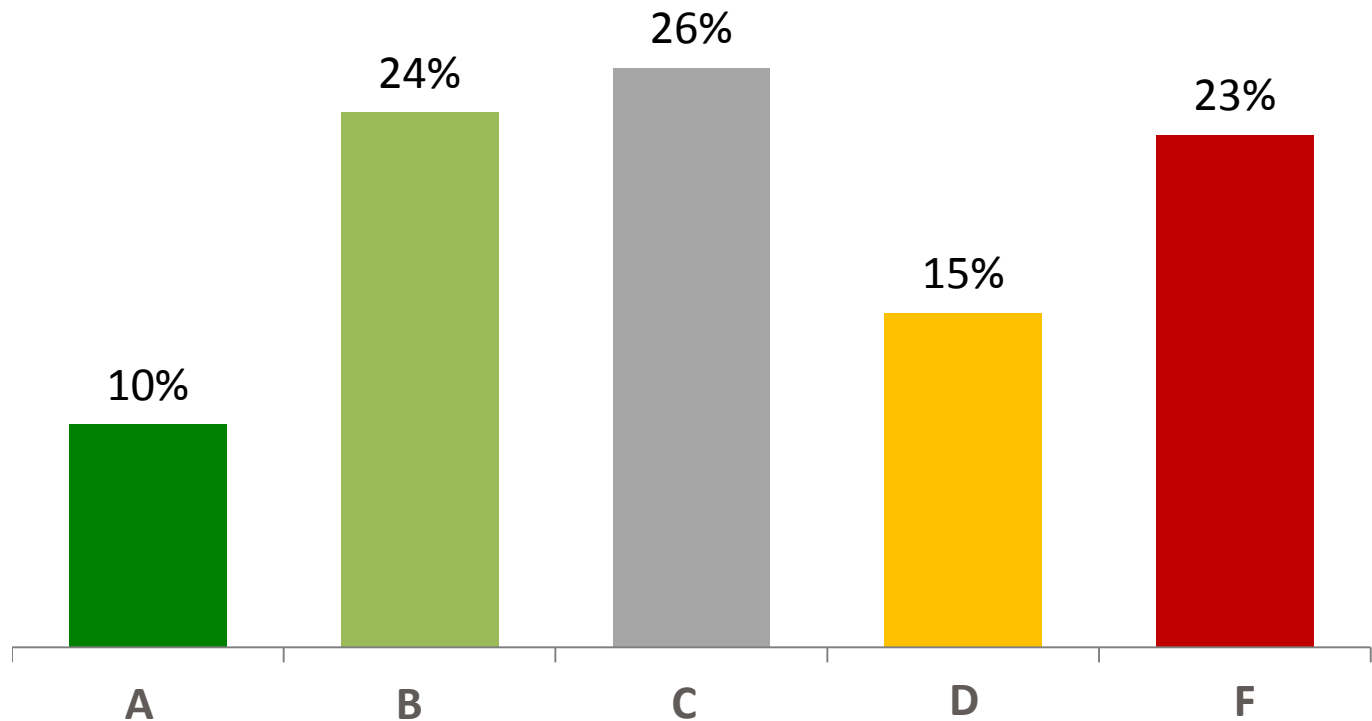
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# WHAT PEOPLE KNOW



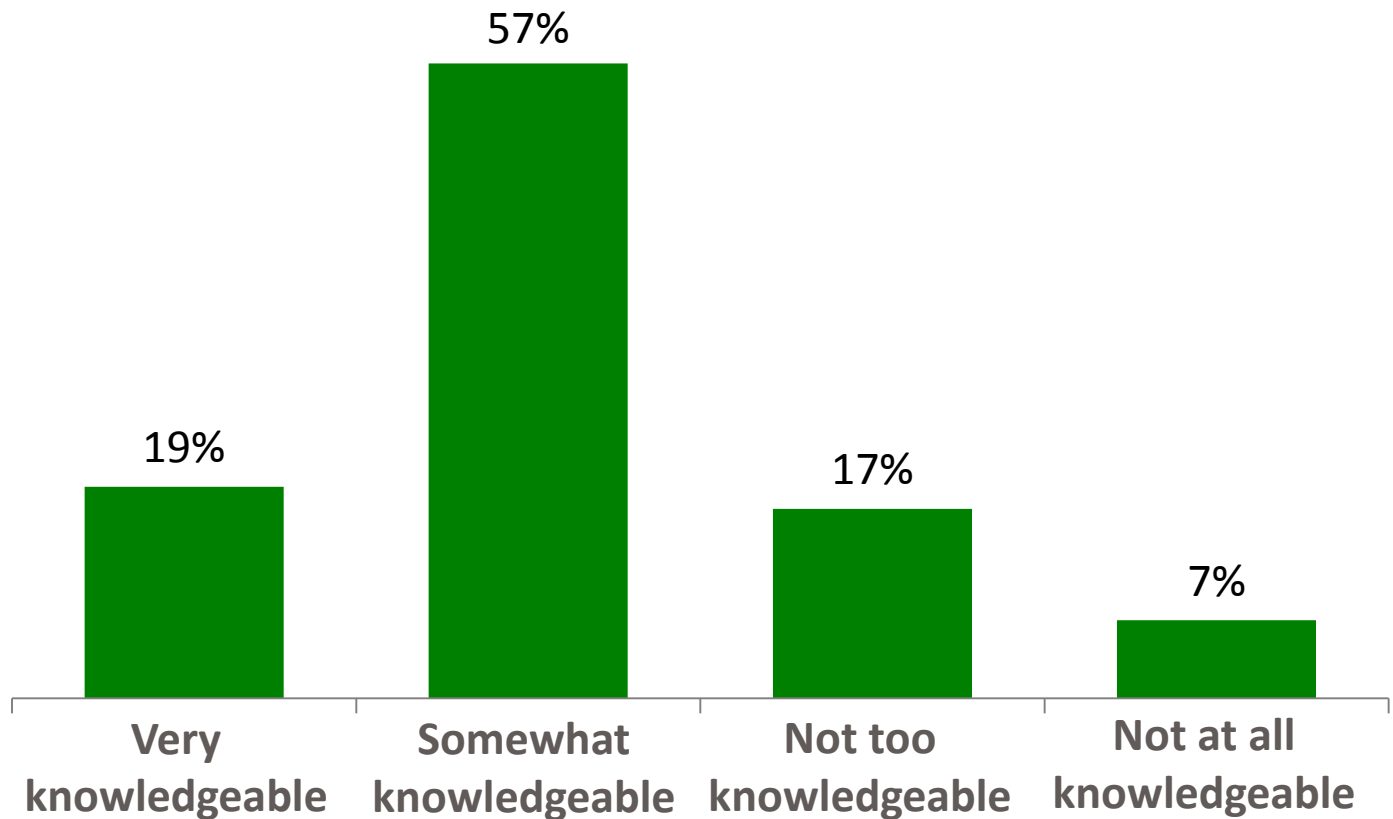
## Many feel underprepared for retirement.

How well prepared financially are you for retirement? (*n*=999)



# One in four feels low level of knowledge about how Social Security works.

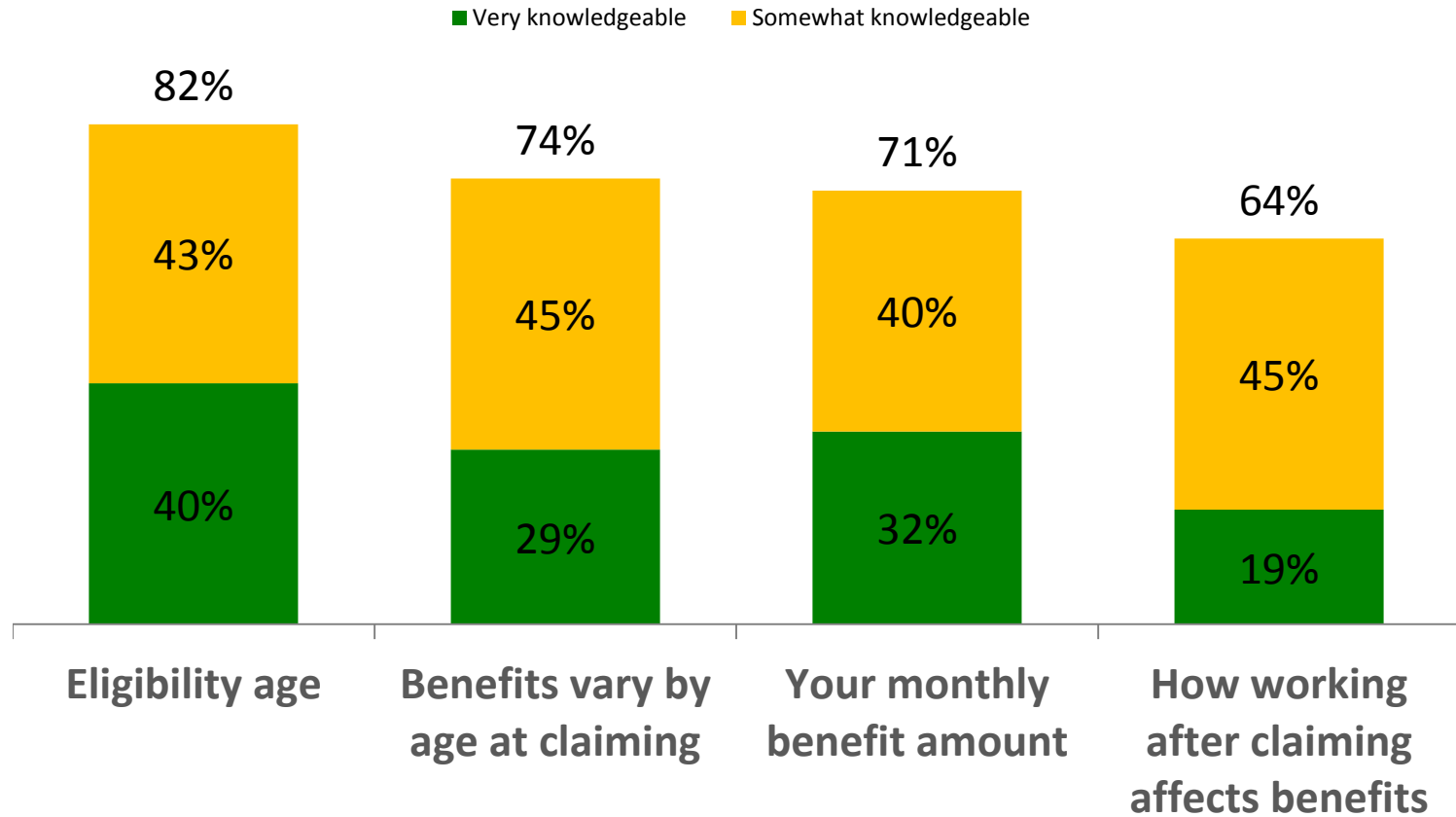
How knowledgeable do you feel about how the Social Security system works?  
(n=2,000)





# Many do not feel very knowledgeable about key elements of the Social Security program.

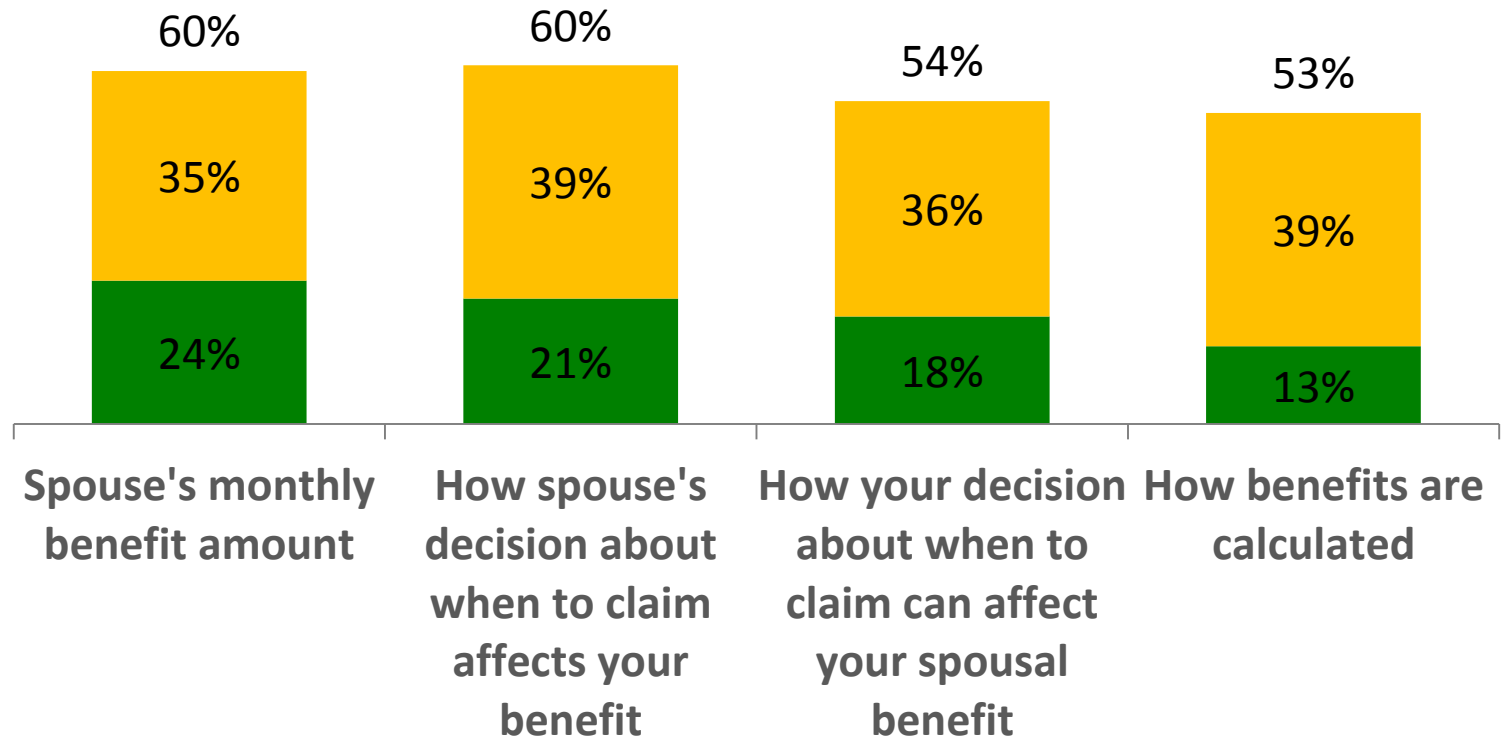
How knowledgeable are you about the following aspects of the Social Security system? (n=2,000)



# Many do not feel very knowledgeable about key elements of the Social Security program. (cont.)

How knowledgeable are you about the following aspects of the Social Security system? (n=2,000)

■ Very knowledgeable ■ Somewhat knowledgeable



## There is substantial lack of knowledge on many components of Social Security program.

<i>(n=2,000)</i>	Correct	Incorrect	Don't know
Which of the following best describes how a worker's Social Security benefits are calculated?	23%	54%	24%
True or false: If retirees have income above a certain level from work or investments while receiving Social Security benefits, their monthly benefit will be taxed.	57%	26%	16%
True or false: After retirement, Social Security benefits are adjusted for inflation.	57%	34%	9%
True or false: No matter how old people are when claiming benefits, their monthly Social Security benefit check is always the same.	64%	30%	6%



## There is substantial lack of knowledge on many components of Social Security program. (continued)

(n=2,000)	Correct	Incorrect	Don't know
True or false: If people are not eligible for Social Security benefits because they did not work for pay, they could still receive benefits if their spouse qualifies for Social Security benefits.	74%	17%	10%
True or false: People have to claim Social Security benefits as soon as they stop working completely.	75%	19%	5%
Is it true that most working people who pay Social Security taxes can get Social Security disability benefits if they become disabled and are unable to work?	88%	8%	3%



## Understanding of how benefits are calculated is uniformly low across age and income groups.

### Answer correctly on what best describes how a worker's Social Security benefits are calculated

	Age 25 to 34	Age 35 to 44	Age 45 to 54	Age 55 to 65
Income				
< \$35k	19%	21%	20%	26%
\$35k - \$74k	22	27	17	27
\$75k +	25	21	27	30



# Understanding that benefits rise with age of claiming rise with income levels, not age.

## Answer correctly on benefit amount and age

	Age 25 to 34	Age 35 to 44	Age 45 to 54	Age 55 to 65
Income				
< \$35k	50%	52%	56%	56%
\$35k - \$74k	65	68	70	65
\$75k +	79	71	71	78



# Understanding that benefits rise with inflation rise with age except in low income groups.

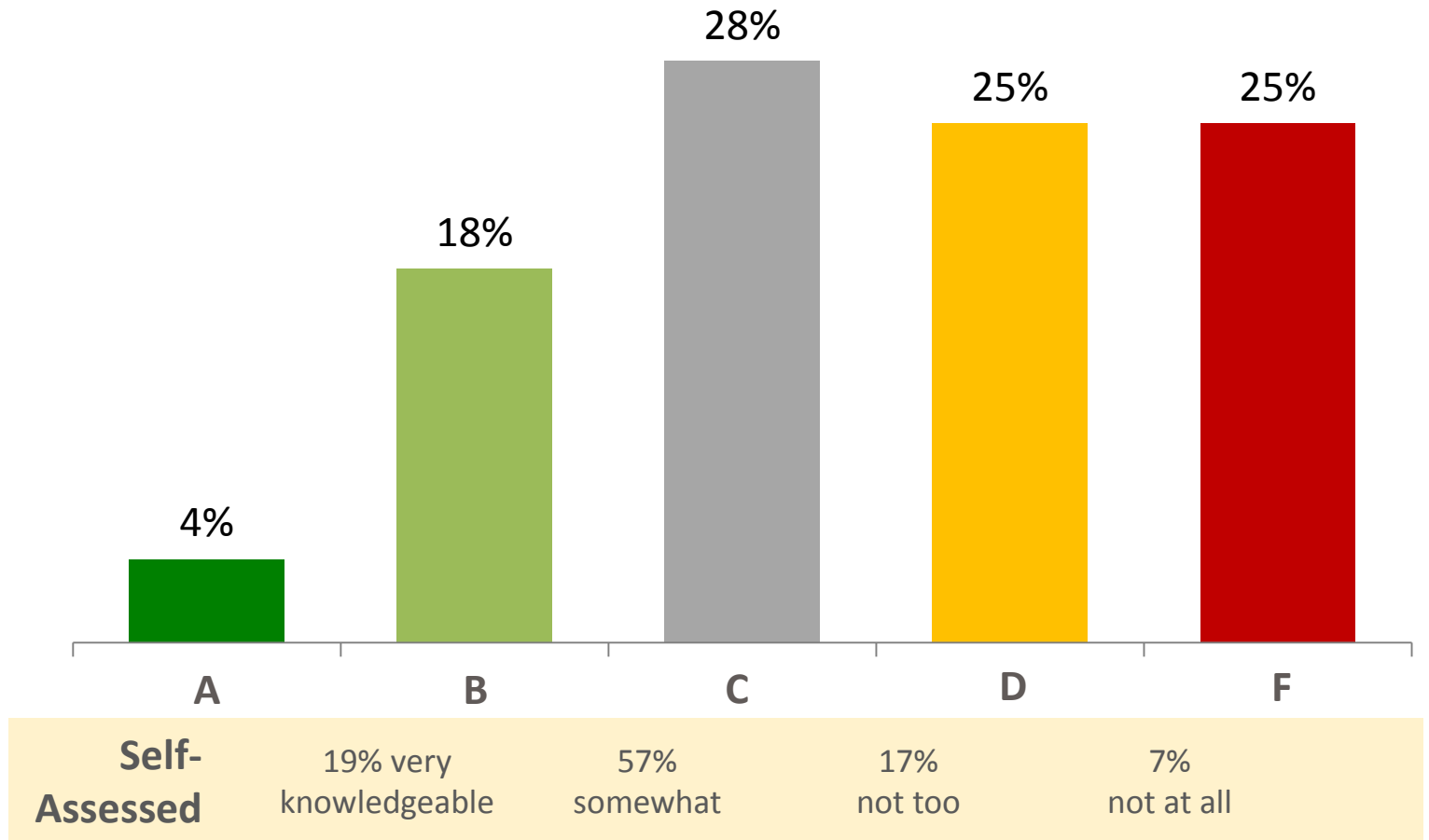
## Answer correctly on Social Security benefits are adjusted for inflation

	Age 25 to 34	Age 35 to 44	Age 45 to 54	Age 55 to 65
Income				
< \$35k	53%	40%	64%	55%
\$35k - \$74k	48	57	59	69
\$75k +	53	59	62	70



# Overall results of the Social Security Literacy Quiz

Grade Achieved in Social Security Literacy Quiz (n=2,000)





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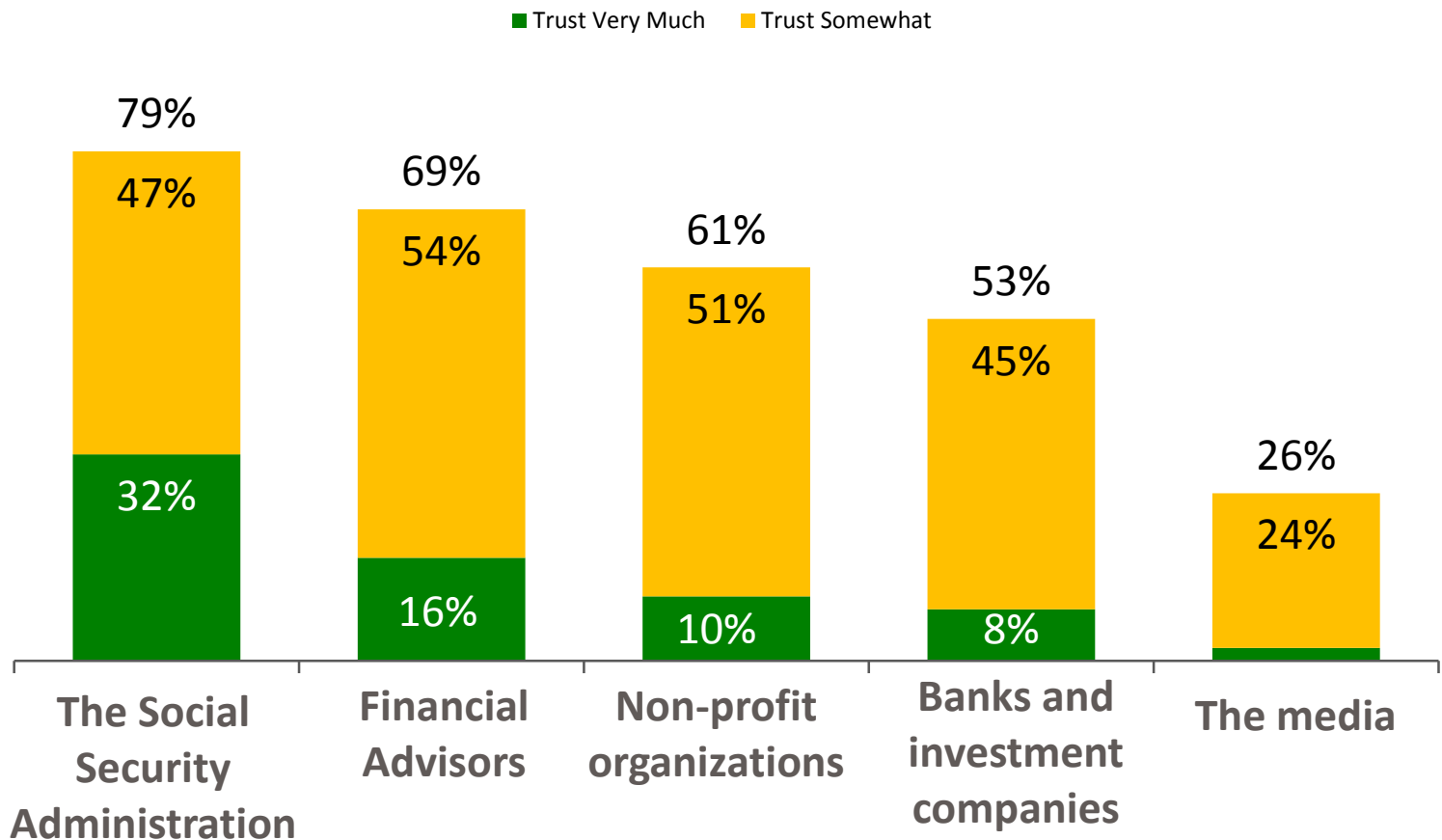
# TRUSTED SOURCES FOR EDUCATION



Mathew Greenwald&Associates, Inc.

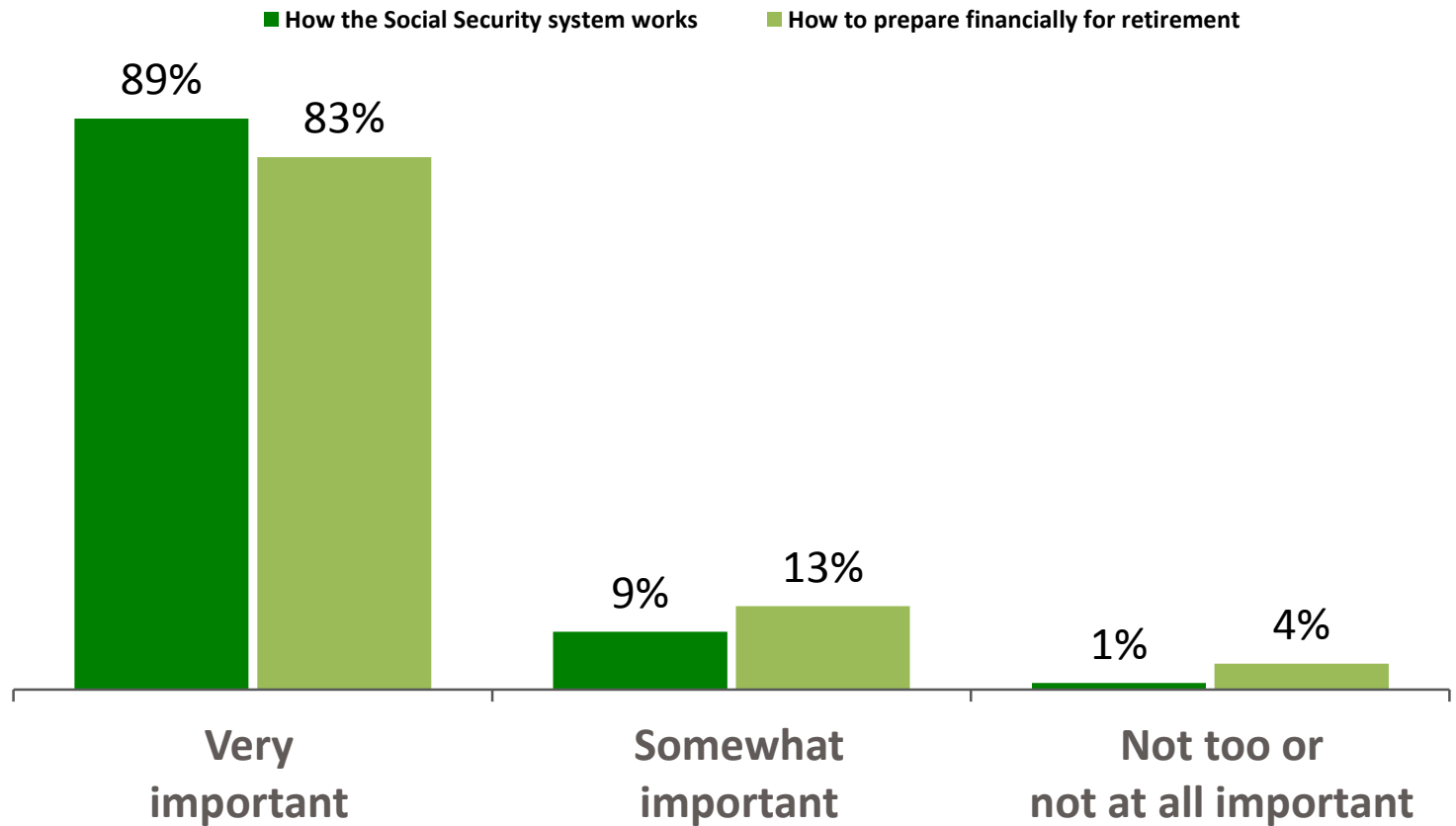
## The SSA is a highly trusted agency.

How much do you trust each of the following people or organizations to provide you with useful information about preparing for retirement? Would you say that you trust them very much, somewhat, not too much, or not at all? (n=2,000)



# There is a strong desire for SSA to educate.

How important is it for the Social Security Administration to educate Americans about...? (n=2,000)



## There is a strong desire for SSA to provide information on a number of issues.

I am going to read you some of the types of information that the Social Security Administration could make available. Please tell me if you think it would be extremely, very, somewhat, or not at all valuable to you.

	Extremely Valuable	Very Valuable	Somewhat Valuable	Not At All Valuable
Estimates for how much people will receive from Social Security if they claim at different ages ( <i>n=999</i> )	47%	37	14	2
Information to help you figure out the best age for you to claim Social Security benefits ( <i>n=999</i> )	46%	37	15	2
Information about the financial health of the Social Security system ( <i>n=1,001</i> )	44%	34	18	4
Information on Social Security survivor benefits for surviving spouses and children ( <i>among those who are married; n=623</i> )	41%	39	17	3



## There is a strong desire for SSA to provide information on a number of issues. (continued)

I am going to read you some of the types of information that the Social Security Administration could make available. Please tell me if you think it would be extremely, very, somewhat, or not at all valuable to you.

	Extremely Valuable	Very Valuable	Somewhat Valuable	Not At All Valuable
Calculators and worksheets that show how much people should have saved for a financially secure retirement ( <i>n=999</i> )	39%	33	22	6
Information on Social Security disability benefits ( <i>n=999</i> )	36%	35	24	4
Calculators and worksheets to help people decide how much they can spend once they retire ( <i>n=1,001</i> )	29%	32	27	11
A list of reputable organizations that can help you learn more about saving and investing ( <i>n=1,001</i> )	25%	35	29	10



# Most Advisors Provide Advice on When to Claim Social Security Benefits

Advisors who address Social Security do so when client age 55.  
Clients raise issue at age 60.

**In advising clients about the role of Social Security in their retirement finances, did you...*Provide advice on when to claim their Social Security Benefits?***

Yes	75%
No	21
Not sure	3



# Two in Five Feel Clients Generally Claim Social Security Benefits “Too Early”

In general, do you feel that most of your clients claim their Social Security benefits...

Too early	38%
Too late	3
At about the right time	52
Not sure	7

Sixty-six percent state the best age to claim is age 66.



# Over Half Believe Break-Even Analysis is Excellent or Very Good

**How would you rate the Break-Even Analysis as a way to help clients determine when they should claim their Social Security Benefits?**

Excellent	14%
Very good	41
Good	34
Fair	9
Poor	2





# Two in Five Would Describe Delayed Claiming as a “Gamble”

Which one of the following do you think is the best way of describing the decision to delay claiming clients?

The decision to delay claiming is like saving money. You give up income today in order to receive a larger monthly income later in life. 41%

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The decision to delay claiming is a gamble. If you live longer than your life expectancy, you will “win” the gamble and get more in Social Security benefits. 38

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The decision to delay claiming is like buying insurance because delaying will yield a higher monthly income guaranteed for life. This provides greater protection against running out of money in old age. 21



# The Social Security Administration Does Not Get Good Marks on Educating Advisors

To what extent do you agree or disagree with the following statement?

*The Social Security Administration does a good job educating financial professionals about how Social Security works.*

Strongly Agree (5)	3%
4	10
3	36
2	33
Strongly Disagree (1)	18



## Concluding Comments

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- Lack of knowledge about Social Security is likely contributing to concern about the health of the system, and may be driving bad claiming decisions
- A coordinated household approach to claiming is not often used. Failure to understand how claiming effect's one's benefits amount and how that benefit amount effects one's spouse means many aren't maximizing their life time income potential.
- Americans trust SSA despite solvency concerns, not just to educate them on their benefits, but on retirement preparation in general
  - Many want *advice* on when to claim that SSA cannot provide
- Advisors, also highly trusted, can provide advice and are very willing to engage with clients on this decision
- Some advisors may be doing clients a disservice by using outdated, ineffective framing when discussing the claiming decision

