

WORKING P A P E R

Framing Effects and Social Security Claiming Behavior

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Abstract

Eligible participants in the U.S. Social Security system have the ability to claim benefits anytime between ages 62 and 70, with the level of benefit being actuarially adjusted based on the date of claiming. Delaying claiming beyond the early entitlement age of 62 allows individuals an opportunity to increase expected lifetime utility by providing additional inflation-indexed annuity income at older ages, but the distribution of observed claiming ages is concentrated at the lower end of the relevant age distribution. This project shows that individual intentions with regard to Social Security claiming age are sensitive to the manner in which the early *versus* late claiming decision is framed. Using an experimental design that alters the manner in which the implications of Social Security benefits are framed, we show that individuals are more likely to delay claiming (i) when later claiming is framed as a gain; (ii) when the value of delay is expressed in terms of consumption rather than in investment terms; and (iii) when the information provides an anchoring point at older, rather than younger, ages. We also find evidence that the use of a “break-even analysis” has the very strong effect of encouraging individuals to claim early.

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I. Introduction

Ever since prospect theory first emerged onto the scene, economists have come to understand that important economic decisions can be substantially altered by the way in which information is framed. Perhaps the best-known example was offered by Tversky and Kahneman (1981), who showed that presenting a public policy choice in terms of “lives saved” versus “lives lost” dramatically shifted the proportion of the respondents who supported a given policy. More generally, numerous experimental findings suggest that individuals make decisions not based solely on the consequences or outcomes – as would be predicted by traditional economic theory – but also based on how the choices are framed.

In the retirement arena, recent experimental evidence has shown that, here too, framing can influence the relative desirability of particular financial choices. For example, Brown et al. (2008) and Agnew et al. (2008) show that when payout lifetime annuities are presented in a frame that emphasizes consumption features, these annuities are perceived to be more attractive than non-annuitized assets. In contrast, when such products are presented in an investment-oriented frame, the majority of respondents prefer the non-annuitized alternative.

In this project, we apply the concept of framing to an important financial decision that approximately 93% of all Americans will make as they enter into retirement:¹ when

¹ According to the Social Security Administration, 93% of all U.S. workers in 2010 were covered under the U.S. Social Security system. (<http://www.ssa.gov/pressoffice/basicfact.htm>)

to claim Social Security benefits. In the U.S. Social Security system, individuals are entitled to claim benefits as early as age 62, but they can also defer the age at which they claim to as late as age 70. Benefit levels are adjusted for one's claiming age, and these adjustments can be substantial: for example, an individual who stops working at age 62 but waits to claim benefits at age 70 will receive 76% more (real) dollars per month for the rest of her life, than if she claimed benefits at age 62. This adjustment is said to be "actuarially fair," in that the expected present value of the two streams of benefits will be equal for individuals with average population mortality.²

Though financially the two benefit streams might be equal, it is still the case that many individuals would find it welfare-enhancing to delay claiming benefits beyond age 62. This would be the case for risk-averse individuals who will value the higher benefits from delayed claiming, as they help insure against the chances of running out of money in later life (e.g., Coile et al. 2002; Hurd et al. 2004). Some people might still benefit from early claiming, such as those in poor health or those facing liquidity constraints, but previous studies have suggested that many individuals would improve their individual welfare by delaying claiming longer than they actually do. For example, Coile et al. (2002) state, after comparing actual claiming behavior to simulations of optimal claiming behavior, that "the fraction of early retirees claiming immediately at age 62 is much too large" (p. 28).

Rather than assuming that the choice of one's claiming date is a purely rational outcomes-based decision, we posit that individuals may be sensitive to the manner in which claiming information is framed. To study this, we offer individuals alternative

² We abstract from the question of how delayed claiming influences spousal and survivor benefits, as we are focused here only on how individual claiming might vary with different frames.

information formats, about how benefits are adjusted if they claim early versus later. These alternative frames are presented to participants in the RAND American Life Panel (ALP), an internet-based survey. Panel participants were randomized into one of 10 groups, and each group was presented the same underlying claiming information but in different frames. It is important to emphasize that the underlying financial information provided to participants – namely, the monthly benefit they would receive at each age – was unaffected by the frame: only *how* this information was presented was altered. We then asked ALP participants what age they would claim benefits given each frame, and we compare the results to determine if the frame seems to alter anticipated claiming ages.

The first of the ten frames we designed serves as a “baseline,” by depicting the information as neutrally as possible.³ This frame is quite similar to the approach currently used by the Social Security Administration in its public information on claiming, and it has been in place since 2008. The second frame we designed to emphasize a “breakeven” concept. This approach emphasizes the financial aspect of the decision, while downplaying insurance aspects of the choice. The breakeven approach is consistent with how many Social Security publications presented the claiming decision prior to 2008; it is also widely used in the private sector financial advice and planning industry (c.f., Charles Schwab, 2010).

The remaining eight frames present to respondents combinations of differences along three dimensions: (i) consumption versus investment; (ii) gains versus losses; and (iii) older versus younger reference ages. The first of these is motivated by the work of Brown et al. (2008) where they found important differences in the reported attractiveness of life annuities, depending on whether these were described using “consumption

³ We recognize that even “neutral” frames may not always be perceived as neutral by the general public.

language” or “investment language.” The second dimension uses “gain” versus “loss” languages to portray the actuarial adjustment for later versus earlier claiming. The third dimension varies the initial age used to “anchor” individuals in the presentation.

In all frames, respondents are provided with a “sliding scale” showing monthly benefit amounts at all ages between 62 and 70 (in monthly increments). An individual can use a computer mouse to slide along the scale and watch the benefits change with each claiming age. The initial “starting point” for the claim age indicator matches the reference age provided in each frame. After viewing a frame, individuals are asked to use the sliding scale to pinpoint the age at which they think they are most likely to claim benefits. (Screen shots of the frames and the slider are presented in Appendix A).

We find several important differences across frames. The single largest effect is that using the “breakeven analysis” leads to substantially earlier expected claiming dates than any of the other nine frames. For example, relative to the baseline “neutral” frame, showing the respondents a breakeven frame leads people to say they will claim earlier, by 9-14 months (depending on specification). The magnitude of this result is quite substantial in comparison to prior estimates of how changes in economic variables influence retirement dates.⁴

⁴ For example, Coronado and Perozek (2003) find that each additional \$100,000 of unexpected gains from stocks is associated with retiring only two weeks earlier than expected. Lumsdaine and Mitchell (1999) review the literature on the economic determinants of retirement behavior and conclude that changes in pension and Social Security benefits have small economic impacts on the choice of retirement age, as does a more recent study by Gustman and Steinmeier (2008). The present analysis focuses on Social Security *benefit claiming* decisions, as distinct from retirement decisions, and one might expect the claiming elasticity to be larger than the retirement elasticity. A few analysts (Benitez-Silva and Frank, 2008; Honig and Reimers 1996) examine interactions between claiming and work patterns but they are interested in rewards to continued employment, whereas here we explore determinants of the claiming decision independent of the return-to-work decision.

Smaller, but still significant, differences obtain across other frames. Joint tests indicate that, overall, consumption framing leads to later claiming than does investment framing, and presentation of gains leads to later claiming than losses. In addition, the interactions are also important. Indeed, the largest effect relative to the neutral baseline, is the frame which combines both consumption-oriented framing and the gain terminology. Relative to the baseline, this produces delays in expected claiming ages of by 4-5 months on average.

We also find evidence of an “anchoring” effect with regard to age. For example, we find that presenting respondents with a later age, from which they can then evaluate benefit changes, tends to have the effect of getting them to claim later. We also find that presenting respondents with a consumption gain frame anchored at age 66 yields the highest claiming age, though several others also generate significantly later claiming ages than the neutral frame (e.g. the consumption gain frame with anchoring at 62, the investment gain frame at 66, and the investment loss frame at 70.) The breakeven approach used in the past by SSA seems to lead to substantially earlier claiming – compared to the neutral frame, the breakeven frame appears to induce claiming around one year earlier.

These findings are important for our understanding of economic behavior and also for practical policy purposes. At an academic level, we provide further evidence that even high-visibility, high-stakes financial decisions – in this case, when to claim Social Security benefits – are sensitive to *how* the information is presented. One interpretation of our results is that they cast doubt on the purely economic model of decision-making, by showing that individual decisions are influenced by factors other than ultimate

consumption outcomes. At a practical policy level, our study indicates that how the Social Security Administration (SSA) as well as other public or private sector actors can present information to participants in ways that can strongly influence behavior -- even when the actual information content is unchanged. This is particularly relevant for an agency such as the SSA which prides itself on providing relevant information without providing “advice.” Indeed, our findings suggest that individuals are very likely to adjust their claiming behavior, depending on how the information is presented.

In what follows, Section II we provide a very brief primer on how Social Security benefit claiming works, including a discussion of the actuarial adjustment process. In Section III, we discuss our research methodology including details about the RAND American Life Panel. In section IV, we explain the motivation underlying our choice of the 10 frames that we tested. Results are discussed in section V, and a short conclusion appears in Section VI.

II. Social Security Benefits and Claiming

How Social Security benefits are adjusted depending on the claiming date

A covered worker who has contributed to the Social Security system for sufficiently long (roughly 10 years to be fully insured)⁵ confronts a range of choices regarding when he can file for, or “claim,” his Social Security benefits. Age 62 is the earliest that one can claim as a retired worker, and this is also known as the “Early Retirement Age” (ERA). The rules also specify a Normal Retirement Age (NRA) at which “full” or unreduced benefits can be paid; if the worker claims prior to that age,

⁵ Technically, an individual is considered fully insured once they have earned 40 “quarters of coverage. In 2010, an individual earns a quarter of coverage – up to a maximum of 4 per calendar year – for each \$1,120 of covered earnings. See <http://www.ssa.gov/OACT/COLA/QC.html> for more information.

payments are reduced by 6 2/3% for each year below the NRA. The NRA is currently age 66 (for those born 1943-54, rising to 67 for people born 1960 and later).

The SSA computes benefits by selecting a worker's highest 35 years of earnings and indexing them so nominal earnings are adjusted to "near-current wage levels."⁶ Next, the agency computes the worker's Average Indexed Monthly Earnings (AIME) over the 35-year period by averaging all indexed values (including zeros, if any) and dividing by 12. Then the basic benefit or Primary Insurance Amount (PIA) is computed as a nonlinear function of the worker's AIME; this is the base amount from which benefits are calculated. If the worker claims benefits at the NRA, his benefit equals 100% of his PIA. However, if he claims at some younger age, his benefit amount is reduced by the 6 2/3% per year he claims early, and the reduction continues for the rest of his life. For instance, at age 62 he would receive a PIA reduced by 25%.⁷ Conversely, if he were to leave work but delay claiming beyond the NRA, his benefits are increased by 8% per year of age beyond the NRA for the remainder of his life; this is the Delayed Retirement Credit (DRC).⁸ In other words, the age one stops working need not equal the age at which one claims benefits.⁹

The intent of the early retirement reduction and delayed retirement credit adjustments is to recognize that early claimants on average will receive benefits for a longer period than those who delay claiming. These adjustments therefore seek to be roughly 'actuarially neutral,' so that people who take a lower benefit early would expect

⁶ This is computed as the year in which a workers turns age 60; for more information, see <http://www.ssa.gov/OACT/ProgData/retirebenefit1.html>

⁷ Taken from <http://www.ssa.gov/OACT/quickcalc/earlyretire.html>. Benefits payable to spouses and survivors are also adjusted based on the covered worker's claiming age, but we abstract from this in the present study; see for instance Coile et al. (2002) and Mahaney and Carlson (2008).

⁸ In addition, Social Security benefits are annually adjusted for cost-of-living.

⁹ Though this difference is not widely appreciated; see Greenwald et al. (2010). In addition most workers (over 90%) claim when first eligible at age 62; see Hurd and Rohwedder (2004) and Coile et al. (2002).

to receive, on average, about the same total amount in benefits over their lifetimes, compared to those who wait for the higher monthly benefit but start receiving it later. In other words, the choice of claiming age affects the monthly annuity stream, but for the population on average, it does not alter the expected total lifetime sum of benefits received.¹⁰

The “optimality” of claiming dates

As we have noted, *on average* the expected value of the smaller early Social Security annuity will equal the larger annuity payable from starting later. But any given individual may have private information suggesting that he does not face average survival probabilities, which could influence when he claims. For instance, a worker in poor health might believe he has a higher than average mortality probability so that taking the early benefit would be more attractive financially. Conversely, a worker in excellent health and whose relatives lived very long lives, might favor the deferred annuity since the higher benefit would be payable for longer than average. Workers’ discount rates also matter: someone who is very impatient might take the benefit sooner, whereas a worker less focused on immediate gratification would be willing to claim later. Whether an individual is liquidity constrained at the point of retirement may also rationally factor into one’s claiming decision. In other words, when people actually claim Social Security benefits will depend not only on the *expected value* of average payouts, but also on personal characteristics that influence individual assessments of the benefit stream.

In addition to the expected value of a stream of payments, optimal claiming decisions would also be affected by the value that individuals place on the insurance

¹⁰ There is also an earnings test imposed on benefits of those who file for benefits and then continue to work (c.f. Gustman and Steinmeier 2004); here we focus only the impact of changing the claiming age.

value of the life annuity that Social Security provides. Indeed, a standard way to value an annuity stream in the economics literature is to measure the utility gain that a retiree would receive from knowing that he can never run out of money to cover consumption needs (e.g., Yaari 1965, Davidoff et al. 2005, Horneff et al. 2009). This literature emphasizes that a life annuity protects the consumer against the risk of outliving his assets despite uncertainty about the lifetime remaining; this is accomplished by pooling longevity risk across those in the annuity pool with him.

In this context, it is worth noting that Social Security is a relatively appealing annuity for several reasons. First, it uses general population mortality tables (as opposed to annuitant mortality tables, which would provide smaller actuarial adjustments) to compute the benefit adjustment factors associated with claiming ages. Second, Social Security benefits are inflation-indexed, whereas most private sector annuities are not. Third, privately-sold annuity contracts are less attractive not only because of the use of annuitant mortality tables, but also because they charge loads to cover administrative costs and insurer profits (Mitchell et al. 1999). So if someone were to desire more income protection at older ages, delaying claiming to obtain higher annuity payments from Social Security is a relatively attractive way to accomplish this.

III. Study Design

Focus Groups

Prior to launching our quantitative survey, we conducted a large number of focus groups in the Chicago, Los Angeles, Philadelphia, and Washington, D.C. areas. These focus groups served two distinct purposes. The first purpose, and the one most relevant

to this paper, is that we used these groups to ensure that the language we used in the frames that we ultimately tested in the online survey (which can be found in Appendix A and discussed in Section IV below) was clear and salient to the participants. Indeed, the focus groups were quite useful in this regard, and they helped us to develop frames that respondents considered distinct along the margins that we wished to test, while maintaining their symmetry along other dimensions. The second purpose of the focus groups was to gain an understanding of a broader set of issues related to how individuals view the role of Social Security in retirement. While those findings are not discussed in the present chapter, interested readers will find a summary of the qualitative findings in Greenwald & Associates (2010).

American Life Panel

After testing our frames (to be discussed in more detail in Section IV, below), we fielded a survey through the RAND American Life Panel (ALP). The ALP is a sample of approximately 3,000 households who are regularly interviewed over the Internet. An advantage relative to most other Internet panels is that the ALP is mostly based on a probability sample of the US population.¹¹ Currently, the panel comprises over 3000

¹¹ ALP respondents have been recruited in one of three ways. Most were recruited from among individuals age 18+ who were respondents to the Monthly Survey (MS) of the University of Michigan's Survey Research Center (SRC). The MS is the leading consumer sentiment survey that incorporates the long-standing Survey of Consumer Attitudes and produces, among others, the widely used Index of Consumer Expectations. Each month, the MS interviews approximately 500 households, of which 300 households are a random-digit-dial (RDD) sample and 200 are reinterviewed from the RDD sample surveyed six months previously. Until August 2008, SRC screened MS respondents by asking them if they would be willing to participate in a long term research project (with approximate response categories "no, certainly not," "probably not," "maybe," "probably," "yes, definitely"). If the response category is not "no, certainly not," respondents were told that the University of Michigan is undertaking a joint project with RAND. They were asked if they would object to SRC sharing their information about them with RAND so that they could be contacted later and asked if they would be willing to actually participate in an Internet survey. Respondents who do not have Internet were told that RAND will provide them with free Internet. Many MS-respondents are interviewed twice. At the end of the second interview, an attempt was made to convert respondents who refused in the first round. This attempt includes the mention of the fact that participation in follow-up research carries a reward of \$20 for each half-hour interview. A subset of respondents

active panel members, of whom approximately 5% respond to the questionnaires using a WebTV.

Experimental Design

The experimental design consists of several separate waves of data collection; as of September 2010, the data collection process is still underway. Accordingly, for this report, we base our analysis on the subset of information collected as of September 22, 2010. We expect that the additional data to be collected in subsequent weeks will not materially change our results, although the larger sample sizes may increase statistical significance.

We initiated the survey with a “pre-wave” in June of 2010, in which respondents were asked a single question about when they expected to claim Social Security:

“We would next like to ask you a question about a different topic. As you know, in the United States people can start claiming Social Security benefits between the ages of 62 and 70. At what age would you expect to start collecting these Social Security benefits?”

This question was asked as a potential baseline which we could then compare against responses to future frames, and also to help us evaluate whether our frame

(approximately 500) were recruited through a snowball sample; here respondents were given the opportunity to suggest friends or acquaintances who might also want to participate. Those friends were then contacted and asked if they wanted to participate. Respondents without Internet (both in the Michigan sample and the snowball respondents) were provided with so-called WebTVs (<http://www.webtv.com/pc/>), which allows them to access the Internet using their television and a telephone line. The technology allows respondents who did not have previous Internet access to participate in the panel and furthermore use the WebTVs for browsing the Internet or use email. A new group of respondents (approximately 500) has recently been recruited after participating in the National Survey Project, created at Stanford University with SRBI. This sample was recruited in person, and at the end of their one-year participation, they were asked whether they were interested in joining the RAND American Life Panel. Most of these respondents were given a laptop and broadband Internet access. Recently, the American Life Panel has begun recruiting based on a random mail and telephone sample using the Dillman method (see e.g. Dillman et al, 2008) with the goal to achieve 5000 active panel members, including a 1000 Spanish language subsample. If these new participants do not have Internet access yet, they will also be provided with a laptop and broadband Internet access. These panel members are not part of the sample used in this paper.

randomization which occurred thereafter was not biased with regard to the outcome of interest.¹²

As we will describe in detail in Section IV below, we test 10 different question frames. In three waves spaced at least two weeks apart, respondents are shown six different frames (two distinct frames per wave). These frames are randomly assigned in the following way: for each respondent we drew six numbers randomly without replacement from the set $\{1,2,\dots,10\}$. These numbers determined which frames were shown to each respondent and in which order. For example, if we drew the vector (5, 7, 3, 9, 10, 6) for a given respondent, then that respondent is shown frames 5 and 7 in the first wave, frames 3 and 9 in the second wave, and frames 10 and 6 in the third wave. The frames are only asked of respondent who have not already claimed a benefit and who have worked at least 10years (so that we can compute a projected Social Security benefit).

IV. The Frames

In what follows, we explain the rationale for the choice of these particular frames, as well as our expectations about how alternative framing would affect the claiming decision. The actual text of each of the frames we tested appears in Appendix A.

Our baseline case is intended to be an approximation of Social Security's current "neutral" stance on claiming ages. This is differentiated from what we call here the "breakeven" approach, which was used by SSA for many decades and which continues to

¹² While most respondents (95%) provided an answer in the age 62-70 range, some did not. When respondents did not answer in this age range, a follow-up question asks why not. Responses outside the 62-70 interval are typically given by younger respondents who believe that by the time they will be eligible, the Social Security claiming age will have moved to higher ages, or who believe they will not receive any Social Security benefit at all and express this by responding outside the range.

be used by many financial advisors in the private sector. Next we discuss the three dimensions along which we vary our experimental frames, including: (i) the use of consumption language versus investment language, (ii) framing actuarial adjustments for earlier and later claiming as gains versus losses, and (iii) the use of alternative anchoring ages (including ages 62, 66 and 70).

a. Baseline Case: Symmetric Treatment of Gains and Losses (Anchored at Age 66)

Our baseline case is modeled on the Social Security Administration's current approach (in use since 2008) to discussing claiming ages (although we have simplified and shortened the presentation considerably for survey purposes). In essence, this approach seeks to simply and clearly lay out "the facts" in a neutral manner, with a symmetric treatment of earlier and later claiming. This approach is consistent with the SSA's emphasis on providing information but not advice to participants, in that it clearly seeks to avoid biasing individuals in any particular direction. Rather, it simply states the impact on benefits of claiming at various ages. Because this frame is intended to be neutral, and because it reflects the current public perspective of SSA on claiming ages, we use this frame as the baseline against which other frames are compared.

b. "Breakeven Analysis" (Anchored at Age 62)

Previous to 2008, one of the tools used by the SSA when providing information on the impact of claiming at various ages was to use a so-called "breakeven" analysis. Under this approach, individuals were told what their benefit would be at an early age (e.g., 62) and some later age (e.g., 63). They were then informed that, by delaying claiming from 62 to 63, they would "forfeit" a year of benefits.¹³ In return for the

¹³ SSA field offices have long been equipped with a software program that claims representatives can use to compute break-even dates for individuals who inquired about how benefits changed with the claiming date

deferral, they would receive a higher monthly benefit from age 63 on. But the breakeven presentation emphasized that people would not come out ahead unless they lived until at least to age X, where X was defined as the age at which the cumulative nominal benefit payouts received were equal.

While this breakeven analysis was accurate, it is also true that the framing of this approach implicitly places zero value on the insurance aspect of delaying claiming. In essence, it provided a simplistic financial calculation which emphasized that later claimers would be “behind,” until they reached a far distant breakeven date. As a result, this approach placed little emphasis on the additional value that individuals who deferred could receive for the rest of their lives beyond the breakeven date. This practice is akin to considering only the actuarial aspect of the decision, without taking into account the broader utility rewards of an annuity, which arise from risk aversion and protection against longevity risk.

It is worth noting that this breakeven approach is not unique to the Social Security Administration; in fact a widely referenced article by the Schwab Center for Financial Research (2010)¹⁴ also discusses the claiming decision using a breakeven analysis. Our hypothesis is that this breakeven approach is likely to bias individuals toward claiming benefits earlier, than would a more neutrally worded frame.

(known by SSA as “month of election,” or MOEL). Numerous conversations with SSA field office representatives suggests that this break-even analysis was widely used prior to 2008. Indeed, the use of the break-even analysis was codified in the training manuals for employees: as recently as 2007, the training manual for Title II Claims Representatives (i.e., SSA employees who help citizens claim benefits, among other responsibilities) includes a discussion of documentation required for “Month of Election” (MOEL) cases. It states “if the claimant chooses the later of the two possible MOELs, he will *forfeit* the benefits he could have received with the earlier MOEL” (emphasis added).

¹⁴ For further information see

http://www.schwab.com/public/schwab/research_strategies/market_insight/retirement_strategies/planning/when_should_you_take_social_security.html

c. Consumption versus Investment

As noted earlier, in an experimental study Brown et al. (2008) showed that how individuals view the value of life annuities relative to other financial products depends on whether annuities are presented in a “consumption frame” or an “investment frame.” That is, when consumers are conditioned to think in terms of *investments* (e.g., when the presentation uses investment terminology such as “invest” and “return”), the life annuities are made to appear unattractive. This is because life annuities are then perceived as paying low returns, being illiquid, and possibly even seeming “risky” (because the amount an annuitant gets back depends on how long he lives). By contrast, in a *consumption* frame (e.g., a frame that emphasizes one’s ability to consume throughout life), a life annuity tends to be viewed as a very attractive form of insurance. While Brown et al. (2008) found powerful effects on the attractiveness of life annuities relative to non-annuitized products, they did not provide evidence on whether these alternative frames have an effect on the desirability of “earlier” versus “later” annuitization. But given the magnitude of the effects they found (roughly 70% of respondents preferring a life annuity to a savings account in a consumption frame, versus about 20% in an investment frame), this distinction is potentially quite important to the Social Security claiming context.

d. Gains versus Losses

The asymmetry in how individuals treat gains versus losses is one of the best-known results (at least among economists) from the psychology literature on choice. Most prominently, Kahneman and Tversky (1981) found that individuals exhibited an asymmetry between gains and losses. Specifically, they found in a situation of choice

under uncertainty that people sometimes exhibit a preference for a certain gain of $\$p * X$ to an uncertain gain of $\$X$ with probability p , while at the same time preferring an uncertain loss of $\$X$ with probability p , to a certain loss of $\$p * X$.

Relating this to the context of benefit claiming, it is possible to express actuarial adjustments in terms of a gain (e.g., delaying claiming by one year will *increase* your benefit by $\$X$ per month) or a loss (e.g., claiming one year earlier will *reduce* your benefit by $\$X$ per month). Accordingly, we expect that this gain/loss distinction may have important interactions with the consumption/investment distinction. As noted by Brown et al. (2008), additional annuitization may look very attractive in a consumption frame, while it may look less attractive in an investment frame. It is also, therefore, possible that gains and losses will be interpreted differently in each of these contexts.

e. Age Anchors

As discussed at length by Mussweiler et al. (2004), “anchoring effects pervade a variety of judgments, from the trivial (i.e., estimates of the mean temperature in Antarctica) ... to the apocalyptic (i.e., estimates of the likelihood of nuclear war) ... In particular, they have been observed in a broad array of different judgmental domains, such as general-knowledge questions, price estimates, estimates of self-efficacy, probability assessments, evaluations of lotteries and gambles, legal judgment, and negotiation.”¹⁵

In our context, a very natural and salient anchoring point is the age that is first presented in each frame. Given that we are exploring both gains and losses, some

¹⁵ We have excluded the references included in the original quote. For these, as well as a full description of findings, see: http://social-cognition.uni-koeln.de/scc4/documents/PsychPr_04.pdf

variation in anchoring ages is useful. For example, while one can easily discuss gains in a frame anchored at age 62, it is not possible to anchor a loss frame at 62 because 62 is the earliest claiming age, and thus there is no way to characterize a loss from claiming earlier than this. Similarly, it is easy to anchor losses at age 70 (the maximum claiming age), but not gains. For this reason, in the experimental treatments that we describe next, the gain frames are anchored at 62, and the loss frames at 70. In order to distinguish the gain/loss hypothesis from age anchoring, we also include both gain and loss frames that are anchored at age 66.

f. The Ten Different Frames

Putting these various permutations together results in 10 distinct frames, described more completely in the Appendix. Below we refer to these frames as follows:

- (i) Baseline (neutral)
- (ii) Breakeven
- (iii) Consumption Gain from Age 62
- (iv) Consumption Gain from Age 66
- (v) Consumption Loss from Age 66
- (vi) Consumption Loss from Age 70
- (vii) Investment Gain from Age 62
- (viii) Investment Gain from Age 66
- (ix) Investment Loss from Age 66
- (x) Investment Loss from Age 70

V. Results

Table 1 presents descriptive statistics of the ALP sample used in the experiment and reports average claiming ages as reported by respondents about six weeks before the start of the experiment (the June 2010 question discussed in Section III). *Here and in the remainder of the paper, claiming ages are expressed in terms of the number of months after the date when the respondent turns 62.* Thus for example a “claiming age” of 36 means age 65 and zero months (which is 36 months after one’s 62nd birthday.)

Table 1. Demographic composition of the sample (weighted)

	Frequency	Percentage	Mean Claiming Age (months > age 62)
GENDER			
1 Male	558	41.3	40
2 Female	793	58.7	43
AGE			
18-40	333	24.7	43
41-50	389	28.8	43
51-55	281	20.8	40
>55	348	25.8	39
EDUCATION			
HS or less	229	17.0	36
Some college/ associate degree	520	38.5	40
College degree	602	44.6	50
HH INCOME			
<35000	269	19.9	31
35000-74999	556	41.2	43
>75000	524	38.8	47

Note: Table only contains data for respondents in Wave 1, Frame 1. Total number of respondents across four waves is 1,363.

A few points are worth noting from Table 1. First, women say they plan to claim Social Security benefits about three months later than men. Planned claiming ages also rise with education and income: for both cases, those in the highest category say they intend to claim benefits about 14-16 months later than the lowest category. The planned claiming age also shows a slight negative relation with the age of the respondent.

Respondents under age 50 say they plan to claim about four months later than respondents over age 55. This is likely an underestimate of the true difference, since our sample is restricted to individuals not yet retired (so anyone over 55 who retired early is not included). These summary statistics are offered for general interest, though it is worth noting that, because we randomize exposure to the frames, we do not expect that these baseline demographic differences will have any impact on results across frames.

It will be recalled that, to date, we have data available on only the first two waves, and in each of the waves, two frames were shown to each person. Figure 1 shows average claiming ages arrayed *by frame* across the four presentations; here we see clearly that the breakeven frame yields – by far – the earliest intended claiming age. There is also a suggestion of an anchoring effect, based on the age used in the frames. For example, the consumption gain frame with age 66 as an anchor yields a somewhat higher claiming age than the same frame with age 62 as an anchor; a similar inequality holds when comparing the investment gain frames across ages 66 and 62. Below we verify these results using multivariate regression models.

Figure 1. Claiming ages by frame (unweighted)

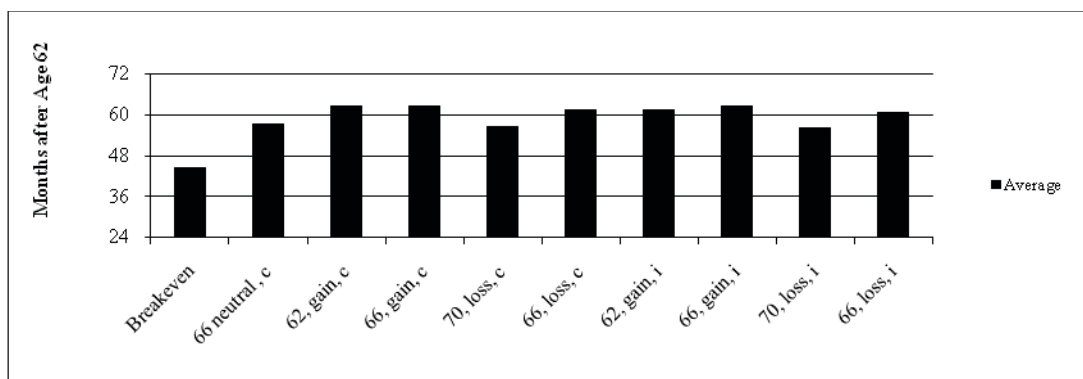


Table 2 presents average claiming ages for the various frames administered to the ALP broken down by treatment, and Figure 2 shows the same information in the form of

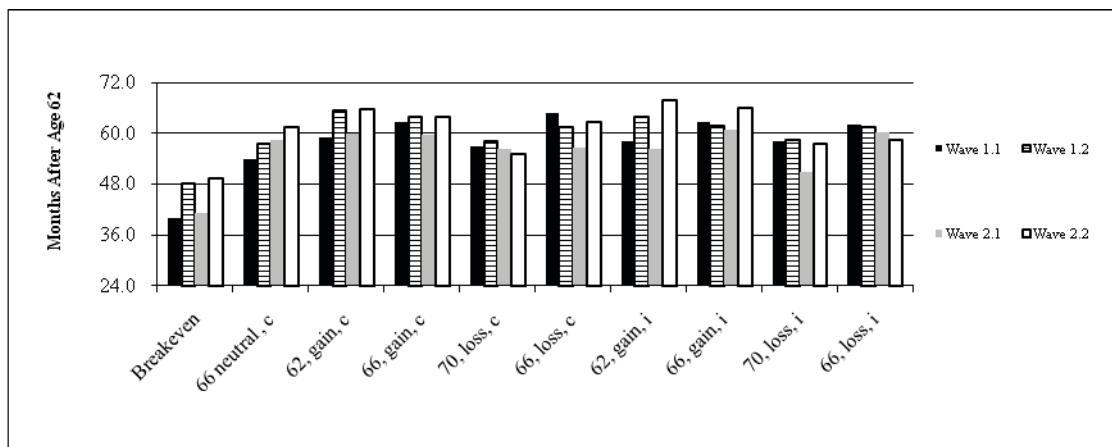
a bar chart. Once again, the “breakeven” frame generates by far the lowest claiming age. For example, in wave 1.1 (the first treatment in the first wave), the breakeven frame generates a claiming age that is between 14 and 23 months earlier than the claiming age generated by the frames that take 66 as an anchoring age.

Table 2. : Claiming ages by frame and by wave (unweighted)

Frame	Wave 1.1	Wave 1.2	Wave 2.1	Wave 2.2
Breakeven	39.9	48.1	41.1	49.3
66 neutral , c	53.9	57.4	58.5	61.3
62, gain, c	59.2	65.2	60.0	65.8
66, gain, c	62.6	63.9	59.6	63.8
70, loss, c	56.8	58.0	56.4	54.9
66, loss, c	65.0	61.5	56.5	62.5
62, gain, i	58.1	63.7	56.3	67.8
66, gain, i	62.8	61.6	60.8	65.9
70, loss, i	58.2	58.3	51.0	57.5
66, loss, i	62.2	61.5	60.2	58.3

Notes: The ages (in months past age 62) are the anchoring ages used in the frames; “gain” or “loss” indicate if loss or gain frames were used; “c” indicates a consumption frame, while “i” indicates an investment frame.

Figure 2. Claiming Ages by Frame and by Wave (unweighted)



We are aware that there could be some ‘spillover’ from the first to the second treatment within a wave. That is, when reading the second frame presented in a sitting, the respondent could remember what he answered when shown the first frame, and

possibly even offer the exact same age. Our data do indeed reveal many instances where respondents' first and second answers within a wave are identical. Below we analyze this pattern more formally. Spillovers help explain why the claiming age associated with the breakeven frame is quite a bit higher in 1.2 (wave 1, exposure 2) and 2.2, than in 1.1 and 2.1, respectively.

Table 3 and Figure 3 through Figure 6 show claiming ages (now averaged across all waves) by frame and demographics. The last column in Table 3 shows the variance of the average claiming ages across the ten frames, which we interpret as a measure of how sensitive respondents are to the different frames. The variance proves to be considerably larger for less-educated respondents than for better-educated respondents, suggesting that respondents with a lower education are more susceptible to framing effects. The age pattern is not quite monotonic, but it does suggest more susceptibility to framing among the young versus the older respondents.

Table 3. Claiming ages by frame and demographics (unweighted)

	Breakeven	66 neutral, cons	62, gain, cons	66, gain, cons	70, loss, cons	66, loss, cons	62, gain, inv	66, gain, inv	70, loss, inv	66, loss, inv	Variance
GENDER											
Male	44.0	59.2	61.2	62.9	55.8	63.9	59.7	60.0	56.9	59.7	31.4
Female	44.9	56.0	63.5	62.4	57.2	59.9	62.5	64.5	55.8	61.2	33.3
AGE GROUP											
18-40	43.8	63.1	64.6	67.2	64.1	66.4	62.9	66.4	56.5	64.3	49.5
41-50	46.8	61.4	64.3	66.8	61.3	64.9	64.8	67.8	61.7	62.6	34.5
51-55	40.1	54.1	61.2	60.2	56.5	60.2	61.0	64.1	57.0	60.4	45.5
>55	46.1	48.9	59.4	55.5	46.6	52.9	55.1	52.5	49.2	54.8	18.6
EDUCATION											
HS or less	37.4	57.4	58.1	58.6	53.9	57.4	55.4	57.2	55.5	60.8	42.7
Some college/ associate degree	41.1	54.0	61.4	61.1	57.2	60.9	61.6	59.2	51.7	55.5	40.4
College degree	50.1	60.2	65.3	65.5	57.3	63.3	63.0	67.2	60.5	64.9	25.5
HH INCOME											
<35000	42.3	58.4	64.4	60.9	60.4	62.7	56.7	62.7	57.6	57.8	38.5
35000-74999	45.0	56.2	62.4	62.3	55.3	61.1	60.7	60.3	54.7	60.4	28.5
>75000	45.7	58.0	61.6	63.8	56.0	61.1	64.2	65.5	57.0	62.2	33.5
OVERALL											Total
Average	44.6	57.4	62.6	62.6	56.6	61.5	61.3	62.7	56.3	60.6	
Standard	31.4	30.0	29.4	30.5	30.7	31.2	29.2	30.1	30.6	29.8	

Deviation
Frequency

463 470 522 495 497 468 521 457 423 453

Figure 3. Claiming Ages by Frame and Sex (unweighted)

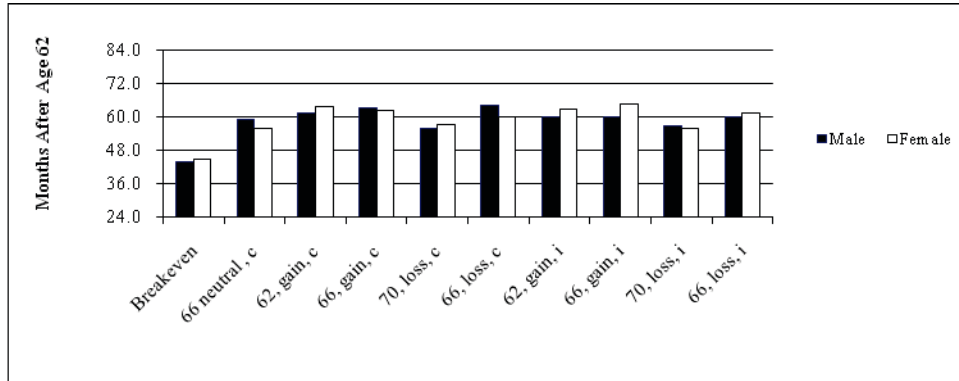


Figure 4. Claiming Ages by Frame and Age (unweighted)

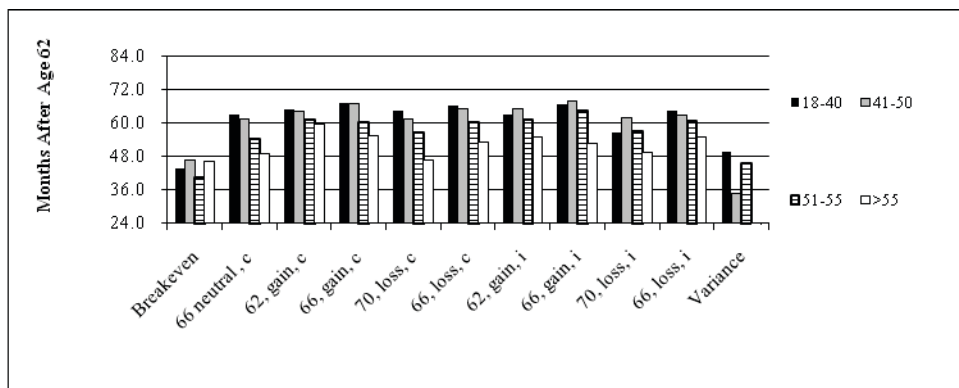


Figure 5. Claiming Ages by Frame and Education (unweighted)

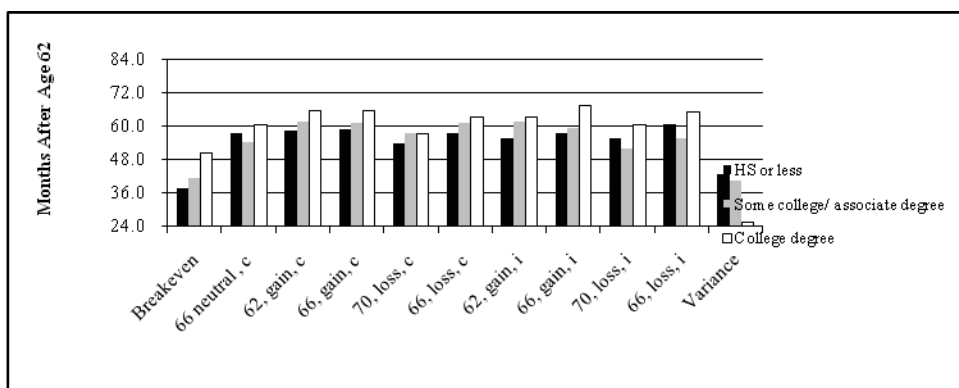
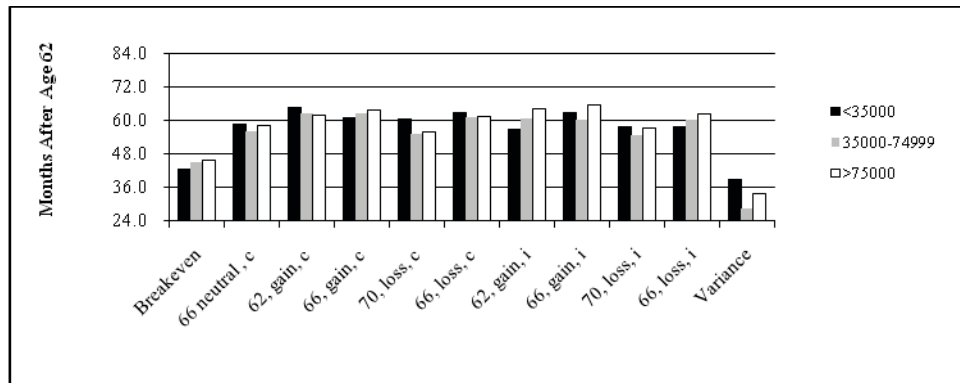


Figure 6. Claiming Ages by Frame and Income (unweighted)



It is useful to summarize these differences using multivariate regression analyses, with results appearing in Table 4. In all four columns, the dependent variable is the number of months after age of 62 that the respondent indicates he intends to claim his Social Security benefits.

Table 4. Framing regressions (dependent variable is the number of months since one's 62nd birthday)

	Wave 1.1	Wave 1.2	Wave 1.2; lagged dummies included	All waves, fixed effects	All waves, fixed effects, lagged dummies included
Breakeven	-14.030 (3.92)**	-9.322 (2.45)*	-9.850 (2.59)**	-12.991 (10.18)**	-13.371 (10.29)**
62_gain_cons	5.264 (1.47)	7.822 (2.14)*	8.729 (2.39)*	2.330 (1.89)	2.671 (2.12)*
66_gain_cons	8.615 (2.49)*	6.490 (1.78)	7.124 (1.95)	4.719 (3.78)**	5.479 (4.30)**
70_loss_cons	2.891 (0.82)	0.597 (0.16)	0.996 (0.27)	2.520 (2.01)*	2.783 (2.19)*
66_loss_cons	11.025 (3.04)**	4.068 (1.08)	5.042 (1.34)	1.613 (1.28)	2.505 (1.95)
62_gain_inv	4.176 (1.19)	6.324 (1.74)	6.581 (1.81)	0.124 (0.10)	0.513 (0.41)
66_gain_inv	8.884 (2.48)*	4.185 (1.09)	4.816 (1.25)	2.702 (2.12)*	3.230 (2.48)*
70-loss-inv	4.278 (1.05)	0.855 (0.22)	2.107 (0.54)	3.235 (2.47)*	4.119 (3.06)**
66-loss-inv	8.240 (2.20)*	4.106 (1.04)	4.618 (1.17)	1.216 (0.94)	1.601 (1.20)
Constant	53.944 (21.44)**	57.417 (21.55)**	51.862 (13.44)**	58.121 (65.54)**	56.577 (60.56)**
Observations	1362	1336	1336	4770	4770
R-squared	0.05	0.02	0.05	0.08	0.09
Number of id				1535	1535
p lagged dummies zero			0.02		0.00
Absolute value of t statistics in parentheses					
* significant at 5%; ** significant at 1%					

The first three columns of Table 4 present results from regression analyses pertaining to the first wave. The first two columns regress the number of months one will claim post-62 on nine treatment dummies, one for each frame, with the omitted category being the baseline frame (which uses an anchoring age of 66 and describes the effects of changing claiming ages in symmetric terms). In the first column, the dependent variable is the answer to the first frame in the wave (i.e. wave 1.1), while in the second column, the dependent variable is the response to the second frame in the wave (wave 1.2) As

noted before, it is possible that the interviewee's response to the second frame in a given wave could be influenced by his response to the first frame, so in the third column of Table 4 we use as the dependent variable the answer to the second frame exposure and also control for which frame he saw in the first frame. These "lagged" dummy variables are statistically significant ($p=.02$) though a comparison of the second and third columns suggests that the estimates of the treatment effects are not much affected.

When combining results across waves, it is important to account for correlations across observations that refer to the same respondents. A natural solution is to include individual fixed effects, and results are given in columns 4 and 5 of Table 4. Column 4 combines the results of all four waves, while column 5 once again includes dummies for preceding treatments for waves 1.2 and 2.2. That is, when the dependent variable refers to wave 1.2, the treatment in wave 1.1 is included as an extra explanatory variable; similarly for wave 2.2, the treatment in 2.1 is included as an explanatory variable. The coefficients on these lagged treatments are not reported, but they operate in the expected direction and are highly significant ($p=.00$).

Estimated treatment effects are strongest in the first column of Table 4, but compared to the fourth and fifth columns, the estimates are somewhat less reliable. On statistical grounds, we prefer the estimates presented in column 5 as they include more observations and control for prior treatment dummies. Of most interest is the finding that several of the treatment frame coefficients differ significantly from that on the neutral frame where the anchoring age is 66. We confirm that the breakeven SSA frame leads to substantially earlier claiming – compared to the neutral frame, the breakeven frame appears to induce claiming around one year earlier. This is an enormous impact, one that

should be of substantial interest to policymakers who seek to offer the best unbiased advice possible to the working public.

It appears that the consumption gain frame with anchoring at 66 yields the highest claiming age, though several others also generate significantly later claiming ages than the neutral frame – specifically the consumption gain frame with anchoring at 62, the investment gain frame at 66, and both the consumption and investment loss frame at 70. We also note that gain frames appear to lead to later claiming than do loss frames. The difference between the consumption gain frame at 66 and the consumption loss frame at 66 is statistically significant ($p=.02$).

An alternative way to disentangle the effects of anchoring ages, gain vs. loss, and consumption vs. investment, is provided in Table 5.

Table 5. Framing contrasts (fixed effects, dependent variable is months since one's 62nd birthday)

fixed effects		
all waves		
	All waves	All waves, lagged dummies included
Breakeven	-10.494 (6.80)**	-10.600 (6.72)**
cons_loss	1.355 (1.14)	2.004 (1.67)
cons_gain	4.775 (4.08)**	5.431 (4.57)**
inv_loss	1.514 (1.26)	2.222 (1.81)
inv_gain	2.665 (2.25)*	3.254 (2.71)**
anchor_62	-2.484 (2.85)**	-2.800 (3.12)**
anchor_70	1.424 (1.55)	1.266 (1.30)
Constant	58.112 (65.56)**	56.587 (60.59)**
Observations	4770	4770
Number of id	1535	1535
R-squared	0.08	0.09
p cons_loss=gain	0.00	0.002
p inv_loss=gain	0.305	0.378
p gain_cons=inv	0.014	0.016
p loss_cons=inv	0.861	0.817
p anchor62=70	0.002	0.002
p joint gain=loss	0.007	0.010
p joint cons=inv	0.050	0.053
p previous dummies zero		0.00
Absolute value of t statistics in parentheses		
* significant at 5%; ** significant at 1%		

Here we present the results of a fixed effect analysis with the dummies now redefined to represent framing *dimensions* (e.g., gain versus loss) rather than individual frames. As before, the second column regression includes dummies for the preceding treatments when the dependent variable refers to waves 1.2 and 2.2. These “lagged treatment effects” are highly significant ($p=.00$) but the estimates we are most interested in are very similar with or without them.

The joint tests reported in the table show that the gain and loss frames have a different effect, depending on when an individual first says he plans to claim. That is, gain frames lead to later claiming ages than loss frames, particularly when this is presented in a consumption framework. The null hypothesis that consumption and investment frames have equal effects is rejected at the 5% level. The consumption frames lead to later claiming, at least when combined with a gain frame. Anchoring ages 66 and 70 both are associated with significantly later claiming ages, compared to anchoring at age 62. The difference between 66 and 70 is not significantly different from zero however.

VI. Conclusions

We draw two primary conclusions from this project, one of them of interest to academics, and the other of interest to policymakers and financial advisers. The academic conclusion is that individuals are not behaving in a manner precisely consistent with purely rational economic optimizing behavior, as the latter focuses on consumption outcomes. Rather, the evidence strongly suggests that *how* claiming information is framed has a strong influence on expected claiming behavior.

The practical lesson to draw from these findings for the Social Security Administration as well as private retirement plan providers, plan sponsors, and financial advisors, is that the manner in which information is provided to plan participants can strongly shape behavior. As a result, a group seeking to provide participants with what is believed to be unbiased information might (intentionally or unintentionally) influence those decisions in important ways. Indeed this research suggests – at least as a real

possibility – that Social Security’s historical emphasis on “breakeven analysis” may have inadvertently encouraged several generations of American workers to claim benefits earlier than would have been optimal for them, had they understood the insurance value of the Social Security annuity and the gains from delaying claiming. It is especially important to understand these effects because – unlike the benefit rules themselves – the framing of information is under the control of the SSA staff and administration, rather than something requiring Congressional legislation to alter.

We recognize that a limitation of this research is that it relies on stated intentions about future claiming behavior, rather than on actual claiming decisions. In principle, it would be possible to design an experiment that would allow SSA to test the impact of framing on *actual* claiming decisions, especially now that many retirement benefit claims are processed using internet-based on-line claiming. Such “real world” experiments might be a very promising avenue for future analysis.

Another area for future investigation would be to examine other information provided that might also inadvertently influence claiming behavior. For example, Brown and Weisbenner (2008) point out that the current framing of the Windfall Elimination Provision (WEP) may have the unintended consequence of making individuals affected by the WEP feel (incorrectly) as if they are being denied benefits they have earned. Another example where framing might influence decision-making is with regard to the Social Security earnings test, which some appear to (incorrectly) view as a “tax” rather than a reallocation of benefits to the same individual across time.

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Appendix: The Ten Frames

Frame 1: Baseline (Neutral)

Well Being 146 - Mozilla Firefox

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Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. You have the option of claiming anytime between age 62 and age 70. 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.

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

Suppose that you claim your benefit at age 66. In this case you will receive \$2,065.00 each month. You will receive this amount every month for as long as you live, and the amount will adjust with inflation each year to preserve purchasing power.

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 \$2,230.00 per month.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

Next >>

RAND
American Life
Panel

Frame 2: Breakeven

Well Being 146 - Mozilla Firefox

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Well Being 146

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.

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.

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.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

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:

Next>>



Frame 3: 62, gain, consumption

Well Being 146 - Mozilla Firefox

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Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. This benefit provides a base level of income that you can count on to help pay your bills for as long as you live. 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.

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

By claiming at an older age, you increase the purchasing power from your Social Security benefit each month, and you gain extra protection against outliving your resources since you will have more money to live on each month for the rest of your life. Because the amount will adjust each year with inflation, you will maintain the same purchasing power for the rest of your life. This can be important if you live beyond your life expectancy.

The earliest that you can claim Social Security retirement benefits is at age 62, but you get a lower benefit at that age. At age 62 you will receive \$1,549.00 from Social Security to spend each month. If you claim later than this – as late as age 70 – you will be able to buy more with your Social Security benefit each month.

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.

The larger monthly benefits are permanent, so you will always have more money to spend each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

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

Next>>

Frame 4: 66, gain, consumption

Well Being 146 - Mozilla Firefox

File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. This benefit provides a base level of income that you can count on to help pay your bills for as long as you live. 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.

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

By claiming at an older age, you increase the purchasing power from your Social Security benefit each month, and you gain extra protection against outliving your resources since you will have more money to live on each month for the rest of your life. Because the amount will adjust each year with inflation, you will maintain the same purchasing power for the rest of your life. This can be important if you live beyond your life expectancy.

The earliest that you can claim Social Security retirement benefits is at age 62, but Social Security's 'normal retirement age' is age 66. At age 66 you will receive \$2,065.00 from Social Security to spend each month. If you claim later than this – as late as age 70 – you will be able to buy more with your Social Security benefit each month.

For example, if you start your benefit at age 67 (one year later than the normal retirement age), your purchasing power goes up an extra \$165.00 per month to \$2,230.00. If you start your benefit at age 70, the amount you can spend each month goes up by \$661.00 to \$2,726.00.

The larger monthly benefits are permanent, so you will always have more money to spend each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

How much you get more per month than when you claim at 66: \$

Next >>

Frame 5: 70, loss, consumption

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Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. This benefit provides a base level of income that you can count on to help meet your monthly expenses for as long as you live. 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.

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

By claiming at a younger age, you reduce the purchasing power from your Social Security benefit each month, and you will have less protection against outliving your resources since you will have less money to live on each month for the rest of your life. Because the amount will adjust each year with inflation, you will maintain the same purchasing power for the rest of your life. This can be important if you live beyond your life expectancy.

The highest amount you can get from Social Security benefits is to wait until age 70 to claim benefits. At age 70, you will receive \$2,726.00 from Social Security to spend each month. If you claim earlier than this – as early as age 62 – the amount of purchasing power you will get from your Social Security benefit will be less.

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

These monthly benefit cuts are permanent, so you will always have less to spend each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

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

Next>>

Frame 6: 66, loss, consumption

Well Being 146 - Mozilla Firefox

File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. This benefit provides a base level of income that you can count on to help meet your monthly expenses for as long as you live. 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.

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

By claiming at a younger age, you reduce the purchasing power from your Social Security benefit each month, and you will have less protection against outliving your resources since you will have less money to live on each month for the rest of your life. Because the amount will adjust each year with inflation, you will maintain the same purchasing power for the rest of your life. This can be important if you live beyond your life expectancy.

The latest you can claim Social Security benefits is age 70, but Social Security's 'normal retirement age' is age 66. At age 66, you will receive \$2,065.00 from Social Security to spend each month. If you claim earlier than this – as early as age 62 – the amount of purchasing power you will get from your Social Security benefit will be less.

For example, if you start your benefit at age 65 (one year earlier than the normal retirement age), the amount you can spend each month falls \$165.00 to only \$2,230.00. If you start your benefit at age 62, the amount you can spend each month from Social Security falls by \$516.00 to only \$1,549.00.

These monthly benefit cuts are permanent, so you will always have less to spend each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

How much you get more per month than when you claim at 66: \$

Next>>

Frame 7: 62, gain, investment

Well Being 146 - Mozilla Firefox

File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. These payments represent the return you get on the contributions you made in the Social Security system while you were working. 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.

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

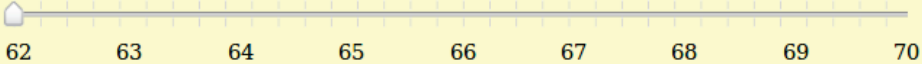
By claiming at older ages, you raise the monthly return on your contributions.

For example, suppose that you claim your benefit at age 62, which is the earliest you can claim Social Security retirement benefits. In this case, based on your contributions, Social Security will return \$1,549.00 to you each month. You will receive a benefit every month after you turn age 62 for as long as you live, and the amount will adjust with inflation each year to preserve the purchasing power of this return. If you claim later than this – as late as age 70 – the amount that Social Security will return to you as a retirement benefit will be larger.

For example, if you start your benefit at age 63 (one year later), the amount you get back from Social Security goes up an extra \$103.00 per month to \$1,652.00. If you start your benefit at age 70, the amount returned to you goes up by \$1,177.00 to \$2,726.00 per month.

The larger monthly returns on your contributions are permanent, and these larger returns will be adjusted for inflation, enabling them to retain their higher purchasing power. So you will have more money returned to you each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.



Age:

Month:

Monthly benefits: \$

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

Next >>

Frame 8: 66, gain, investment

Well Being 146 - Mozilla Firefox

File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. These payments represent the return you get on the contributions you made in the Social Security system while you were working. 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.

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

By claiming at older ages, you raise the monthly return on your contributions.

The earliest you can claim Social Security retirement benefits is age 62, but Social Security's "normal retirement age" is age 66. If you claim at 66, based on your contributions, Social Security will return \$2,065.00 to you each month. You will receive a benefit every month after you turn age 66 for as long as you live, and the amount will adjust with inflation each year to preserve the purchasing power of this return. If you claim later than this – as late as age 70 – the amount that Social Security will return to you as a retirement benefit will be larger.

For example, if you start your benefit at age 67 (one year later than the normal retirement age), the amount you get back from Social Security goes up an extra \$165.00 per month to \$2,230.00. If you start your benefit at age 70, the amount returned to you goes up by \$661.00 to \$2,726.00 per month.

The larger monthly returns on your contributions are permanent, and these larger returns will be adjusted for inflation, enabling them to retain their higher purchasing power. So you will have more money returned to you each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

How much you get more per month than when you claim at 66: \$

Next>>

Frame 9: 70, loss, investment

Well Being 146 - Mozilla Firefox

File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. These payments represent the return you get on the contributions you made in the Social Security system while you were working. 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.

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

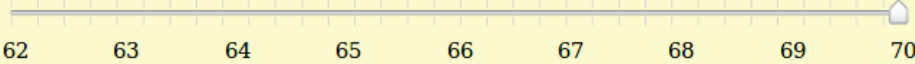
By claiming at younger ages, you reduce the monthly return on your contributions.

For example, suppose that you claim your benefit at age 70, which is the age at which you get the highest return. In this case, based on your contributions, Social Security will return \$2,726.00 to you each month. You will receive a payment every month after you turn age 70 for as long as you live, and the amount will adjust with inflation each year to preserve the purchasing power of this return. If you claim earlier than this – as early as age 62 – your Social Security return will be cut.

For example, if you start your benefit at age 69 (one year earlier), the amount you get back from Social Security falls \$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 per month.

The reduced return on your contributions is permanent, so you will have less money returned to you each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.



Age:

Month:

Monthly benefits: \$

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

Next >>

Frame 10: 66, loss, investment

Well Being 146 - Mozilla Firefox
File Edit View History Bookmarks Tools Help

Well Being 146

When you claim your Social Security benefit, you will begin receiving a monthly benefit payment. These payments represent the return you get on the contributions you made in the Social Security system while you were working. 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.

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

By claiming at younger ages, you reduce the monthly return on your contributions.

The latest you can claim Social Security benefits is age 70, but Social Security's "normal retirement age" is age 66. If you claim at 66, based on your contributions, Social Security will return \$2,065.00 to you each month. You will receive a payment every month after you turn age 66 for as long as you live, and the amount will adjust with inflation each year to preserve the purchasing power of this return. If you claim earlier than this – as early as age 62 – your Social Security return will be cut.

For example, if you start your benefit at age 65 (one year earlier than the normal retirement age), the amount you get back from Social Security falls by \$165.00 per month to only \$2,230.00. If you start your benefit at age 62, the amount you get returned to you falls by \$516.00 to only \$1,549.00 per month.

The reduced return on your contributions is permanent, so you will have less money returned to you each month for the rest of your life.

Based on the information provided on this page, at what age would you claim your Social Security retirement benefits? Move the slider to select an age and see what your monthly benefits will be.

62 63 64 65 66 67 68 69 70

Age:

Month:

Monthly benefits: \$

How much you get more per month than when you claim at 66: \$

Next >>