

S. HRG. 114-841

**MAXIMIZING YOUR SOCIAL SECURITY  
BENEFITS: WHAT YOU NEED TO KNOW**

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**HEARING**  
BEFORE THE  
**SPECIAL COMMITTEE ON AGING**  
**UNITED STATES SENATE**  
**ONE HUNDRED FOURTEENTH CONGRESS**

SECOND SESSION

WASHINGTON, DC

SEPTEMBER 14, 2016

**Serial No. 114-28**

Printed for the use of the Special Committee on Aging



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

47-693 PDF

WASHINGTON : 2022

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## **MAXIMIZING YOUR SOCIAL SECURITY BENEFITS: WHAT YOU NEED TO KNOW**

**WEDNESDAY, SEPTEMBER 14, 2016**

U.S. SENATE,  
SPECIAL COMMITTEE ON AGING,  
*Washington, DC.*

The Committee met, pursuant to notice, at 2 p.m., in Room 562, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Heller, Scott, Tillis, McCaskill, Casey, Gillibrand, Donnelly, and Warren.

### **OPENING STATEMENT OF SENATOR SUSAN M. COLLINS, CHAIRMAN**

The CHAIRMAN. Good afternoon. This hearing will come to order. If someone offered me \$100 today, no strings attached, I would be tempted to accept it and say thank you, but if I were told that if I just waited until next week I could receive \$200 instead, I think most of us would agree that it might make sense to wait.

Of course, I have way oversimplified with my example, but essentially this is how our Social Security system works for those who qualify for retirement benefits. Retirees are entitled to claim benefits as early as age 62, and for many retirees that makes sense. Either their health may be poor or the job is too physically demanding for them to continue to work, but those who are able to work and, nevertheless, claim their benefits at age 62, will see their annual benefits permanently reduced by nearly one-third compared to what they could have received by waiting until they are older. In fact, few people realize that their benefits can go up by 8 percent annually for each year they delay claiming benefits, up to age 70.

Deciding at what age to begin claiming Social Security retirement benefits is the single most important financial decision that many Americans will ever make. Few, however, understand that making the wrong choice for them can end up costing them tens of thousands of dollars or more during their retirement years.

To illustrate how this works, take a look at this chart. The average person in my State of Maine earning \$42,000 a year would receive \$1,200 a month from Social Security if he or she retired when they first became eligible at age 62, but if this person is able to keep working until the age of 66, he or she would receive \$1,600 a month, and if the person remains in good health, can work, and is fortunate enough to be able to wait until age 70 to begin claiming benefits, this senior could receive a check for \$2,112 a month. That is nearly \$1,000 more each and every month, and \$12,000

more every year than if the senior had started to receive benefits 8 years earlier.

As we have explored in prior hearings, we face a retirement crisis. The simple fact is far too many Americans have not saved enough money to live comfortably in retirement. Many of these retirees will rely on Social Security for nearly all of their income. For them, a Social Security check that is at the maximum level for which the senior is eligible could make the difference between a secure retirement and living in poverty, but Social Security is a complex program. I was reminded of this just this week when I happened to receive my own statement in the mail, of projected benefits, and believe me, it is pretty opaque. Its rules are difficult to understand, and that is why it is critical that those who are approaching their retirement years have the information they will need to decide when to begin claiming their benefits and what will work best for them and for their families.

Last year, Senator McCaskill and I asked the Government Accountability Office to look into the Social Security claiming process. Our goal was to identify ways that the process could be improved and more information made available to help people make the best decisions given their circumstances.

The GAO found that many individuals do not fully understand key details of Social Security's rules that can affect their retirement benefits, nor do they understand how spousal and survivor benefits are determined. Many may not realize just how long their financial assets may need to last. For example, a 65-year-old today can expect to live for another 20 to 25 years and 1 in 4 will live past to age 90.

As the GAO details, the Social Security Administration does make a great deal of information available to the public. Unfortunately, this information is not always easy to digest and is sometimes conflicting. Field offices do not consistently provide the information that claimants need to make well-informed decisions about their benefits.

Now let me be very clear. There are many reasons why someone might want to begin receiving Social Security just as soon as they become eligible. They, or a spouse, may be in poor health, or their jobs may require physical labor that they can no longer perform. Certainly the decision on when to begin claiming Social Security is highly personal. We also know that Social Security is designed in a way that it provides greater replacement income for lower-income workers, a structure that I support.

I am hopeful that the GAO's report and our hearing today will help highlight the steps that the SSA should take to present vital information that claimants need in a clear, easy-to-understand manner, so that they can make the best possible decision for themselves.

I thank our witnesses for appearing today and I look forward to discussing this important topic.

I now am delighted to turn to our Ranking Member, Senator McCaskill, for her opening statement.

**OPENING STATEMENT OF SENATOR  
CLAIRE McCASKILL, RANKING MEMBER**

Senator MCCASKILL. Thank you, Chairman Collins. As you have indicated, many financial experts consider the Social Security claiming decision to be the most important financial decision a person can make in retirement. I find it ironic that financial experts say this but the American public is clueless that this decision is so important.

It is staggering that so many Americans do not even realize that this is a decision at all. Many think you just claim at 62 or when you stop working, or when you claim Medicare, or when you hit full retirement age at 66 or 67. In fact, fewer than 1 in 3 people in a recent AARP study knew that 70 was, in fact, the magic age at which you could get the most out of your Social Security benefits. I do not know how we can describe this other than a fail for the Social Security Administration.

Another study found 1 in 3 people did not even realize they could get a larger benefit by simply waiting to claim. How much more? Eight percent a year. Eight percent a year. That is a very attractive return in today's market. It is really the best deal in town. You cannot invest in a risk-free, inflation-protected annuity, which is what Social Security is, in your 60's and expect to see any return like that, so why don't more people know about this? That is what Chairman Collins and I wanted to find out when we sent the GAO online and into field offices to see what prospective beneficiaries were being told. This was supposed to be a two-part investigation. The first part was focused on what the field office employees told claimants, when a GAO investigator was sitting right there, in the room. The second part was going to be an undercover portion where we were going to hear what people were being told when a third party was not watching.

Sadly, we did not even need to do the second part of the investigation, because what these investigators heard in their official visits was so disturbing and so disheartening that there was no need for the GAO investigators to go undercover, as secret shoppers.

Multiple people were told they could claim their benefits retroactively and get a big check today, without the incredibly important warning that this would reduce their benefits for life. Others were given outdated information like break-even analyses that we know pushes people to claim benefits earlier, many times to their financial detriment.

Now I know this is not a scientific significant sample, but the idea that so many mixed and inconsistent message occurred, in just 30 interviews, is startling, and it, unfortunately, is not surprising to those who do business in field offices on a regular basis.

This is not an attack on field office workers. These people are dealing with understaffing and underfunding while seeing an increasing volume of retired baby boomers. There is a price we pay for cutting the budgets for customer service, and I am very sensitive to that.

This Committee has explored the difficulties faced around the country due to closing field offices, and just this week the Center on Budget and Policy Priorities released a report showing a nation-

wide reduction of 6 percent of field office staff and more than 20 percent in seven different states, so this is not on the field workers. This is on the agency as a whole. Until 2008, the Social Security Administration used to advise seniors on when to claim, using a break-even analysis, which told people how long they would have to live to make up for the fact that they were claiming later. As I mentioned earlier, research has shown this advice prompted people to claim earlier. Now the agency claims to be agnostic, but this lack of any real position creates a void, and the public is getting mixed signals.

SSA claims it does not want to be a financial advisor, but that is not what we are asking. All we want—and this goes back to Bowles-Simpson and Domenici-Rivlin, all the way to the Bipartisan Policy Center report we examined in last week's Committee hearing—is for the SSA to provide information. It is not hard to ask people a few simple questions. Do you know that for every year you wait you get an 8 percent increase in your benefits for life? Why is that a hard question to ask? Certainly it would be an easy question for someone to answer. Yes, I know that and I have reasons I need to claim now, or, no, I did not know that; thank you for giving me that information.

Did you know you do not even have to file for Social Security when you stop working or when you claim Medicare, or even when you hit 62, 66, or 67? What an easy question to ask. It does not require huge revamping of the system. It just requires a new mindset.

Stop telling people about the break-even analysis. Tell people that if you make it to 65, odds are you are going to live 20 more years. That is actuarially sound. That is statistically valid, and at that point, for most Americans, your only income will be that Social Security check. That is it. The disappearing of defined benefits is paying a huge penalty on so many Americans and Social Security is all they have got.

Tell them the decision you make in your 60's, you will live with the rest of your life.

We have experts here today to talk about the benefits of waiting, and they will also explain that waiting is not for everyone, and we certainly acknowledge that, and I do not want that idea to get lost here. Waiting does not make sense for people in poor health, or who could no longer work and have no other choice, but for a secondary earner in a couple, the research is somewhat mixed on whether that person benefits by waiting.

Professor Slavlov and Bill Meyer will delve deeper into these ideas. I am especially pleased to welcome Bill, even though he lives in dreaded Kansas—it is right across the border, in Leawood—but he has a satellite office in Missouri so we are happy to see him here and we are going to claim him as ours today. Bill is actually here to say things that could hurt his business, but the very point he is trying to make is that a lot of the information companies pay him for is information that the Social Security Administration should be providing for free, and that is the thing. While people of means who work for large companies may be able to pay financial advisors to help them crunch the numbers, not everyone has or needs a financial professional, and it should not take a financial

professional to impart the basic message we are talking about today. Every person who claims benefits must interact with the Social Security Administration, so this is our last stop to inform people about the advantages of waiting.

We hope, after banging the table, and having this hearing, and all of the professional recommendations, we hope that SSA will finally see it is in all of our interests to make sure that the public, being fully educated on this issue, should be one of their very top priorities.

Thank you, Madam Chairman.

The CHAIRMAN. Thank you very much, Senator McCaskill.

Now we turn to our panel, and first I want to welcome all of our members who are here today as well. First we will hear from Charles Jeszeck. Mr. Jeszeck is the Director of Education, Workforce, and Income Security Division at the Government Accountability Office.

Next we will hear from Virginia Reno. She is the Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration.

Then, as Senator McCaskill has indicated, we will hear from William Meyer, who is the CEO of Social Security Solutions, Incorporated.

Finally we will hear from Sita Slavov, the Professor of Public Policy at the Schar School of Policy and Government at George Mason University and also a Visiting Scholar at the American Enterprise Institute.

Thank you all for joining us. We look forward to hearing your testimony and we will start with you, Mr. Jeszeck.

**STATEMENT OF CHARLES JESZECK, DIRECTOR,  
EDUCATION, WORKFORCE, AND INCOME SECURITY,  
U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. JESZECK. Thank you. Madam Chairman and members of the Committee, thank you for inviting me here today to discuss one of the most important financial decisions many of us will ever make during our lifetimes—when to claim our Social Security retirement benefits.

Social Security is the cornerstone of our retirement system, accounting for over half of the total income received by our Nation's seniors. My testimony, and the Committee-requested report that is being released today, focus on the extent to which people understand key program rules regarding their Social Security benefits, and the information SSA provides to enable seniors to make prudent claiming decisions.

In summary, our review found that while many have some basic knowledge about Social Security benefits, many older Americans do not understand important program rules and details. We also found that SSA provides broad claiming information on its website and publications. However, despite the clear concern displayed by its staff, our analysis of 30 face-to-face claims interviews we observed in 7 local SSA offices in 3 states, found that people do not always receive the information they may need during the claims process.

Our analysis of surveys, academic studies, and expert interviews indicate that many people do not understand key details about So-

cial Security retirement benefits. Specifically, they are unclear on how claiming age affects the monthly benefit amount, how earnings both before and after claiming affect benefits, the option of spousal benefits, and other aspects of the claiming decision.

For example, seven surveys we reviewed found that many people do not understand the tradeoffs of claiming early versus claiming later. This is important information for people to consider as they engage the Social Security claiming decision, as some could permanently raise their monthly benefits by 6 to 8 percent per year by delaying when they take benefits.

Nevertheless, in one study, 36 percent of the respondents indicated that they did not understand either how their benefits would change with different claiming ages or thought that their monthly benefits would be the same no matter when they claimed.

SSA provides comprehensive information to help people decide when to claim retirement benefits through various sources, including web pages, online calculators, the periodic earning statement, and publications.

For the almost 40 percent of people claiming benefits at SSA offices, claims specialists follow an automated, step-by-step process for reviewing basic information from prospective claimants to determine their eligibility and benefits. This process includes prompts for specialists to confirm basic information on claimants and inform them about their benefit amount, and often to discuss spousal benefits and other key program rules.

However, during the in-office claims interviews we observed, the discussion often did not include questions or prompts about key information that could inform the benefit claiming decision. For example, we observed the multiple claims inquiries concerning the retirement earnings limits. In only 7 of 17 cases where the limit could apply did the claims specialist accurately explain that the limit is not a penalty. Any benefits withheld because of above-limit earnings are returned through higher benefits later. This could have important consequences, both for people's claiming and work decisions.

In another example, in 13 of 26 claims we observed, we found that claims specialists did not provide at least three different benefit amounts that the claimant may be eligible for: at the earliest possible month of claiming, at the full retirement age, and at age 70. They also did not inform people that monthly benefits would be higher if the person waited to claim. Both actions are required by SSA's Field Manual. In one case, a 62-year-old claimant stated she wanted to claim benefits and the claimant specialist simply proceeded with the claim.

Given how many retirees rely so heavily on Social Security, the complexity of the claiming rules, and the permanence of the decision, it is essential that they have the information that they need to make wise claiming choices. Thus, our report makes a number of recommendations that we believe will help seniors make decisions regarding the Social Security benefits that are in their best interest.

That concludes my statement, Madam Chairman. I will be happy to answer any questions you or any other members may have.

The CHAIRMAN. Thank you very much. Ms. Reno.

**STATEMENT OF VIRGINIA P. RENO, DEPUTY  
COMMISSIONER FOR RETIREMENT AND DISABILITY  
POLICY, U.S. SOCIAL SECURITY ADMINISTRATION**

Ms. RENO. Thank you, Chairman Collins, Ranking Member McCaskill, and members of the Select Committee.

I am Virginia Reno, Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration and I am pleased to be here to explain how we provide information to help workers make the decision when to take retirement benefits.

I would like to start by emphasizing workers and their employers, as we know, pay for Social Security by financing out of 6.2 percent of their wages, matched by employers, and in return they get disability and life insurance protection as well as a foundation of retirement security for themselves and their families. We recognize that these benefits are paid for out of workers' wages.

When to take benefits is an important decision that affects what you get for the rest of your life. As we have emphasized, seniors now get full benefits starting at 66, but the benefits are reduced if they take them as early as 62, by 25 percent. If they delay beyond 66, the benefits increase by 8 percent for each year of delay until 70. Delaying the start of benefits from 62 to 70 permanently increases the benefits per month by a total of 76 percent. In brief, it pays to wait to take Social Security and it pays much more to wait than it used to.

Married couples have two lives to plan for. If you are the higher earner, delaying Social Security also means higher survivor protection for your spouse if she or he should outlive you.

The amount of monthly benefits, however, is not the only factor people need to consider. As the Chairman has pointed out, they also must consider their health, how long they might live, their other income, their living expenses in retirement, savings they can draw on, and whether they expect to work and will be able to work in retirement. Consequently, the decision of when to start benefits is unique to each individual. Our role at SSA, as we understand it, is to explain the program rules and the benefits so that people have the facts they need to make an informed decision that fits their own situations.

Our Social Security statement, which we mail to workers, beginning with their 25th birthday, is a very valuable tool to explain what you can get from Social Security. It shows your earnings history, it estimates your disability and survivor protection, and the retirement benefits you could expect to receive at 62, at full retirement age, and at 70.

We also provide user-friendly information and publications via our website, and some of the most highly rated online tools in the Federal Government are those at SSA—the Retirement Estimator, the iClaim, which allows people to apply for benefits online, and My Social Security, where you can get your personal benefit estimates, your own Social Security account.

By the time people come to our offices to apply for benefits they often have made their decision to claim, so we believe it is very important for people to get the information they need well before they come to our office, if we can. That is why we have put such a high premium on our public education and the statement.

Still, when someone contacts our field offices, our employees are there to provide full information and our policy is to provide full and complete information on what you can expect to receive at the earliest age available to you, at full retirement age, and at 70.

We appreciate GAO's recent review of how we inform the public about their claiming choices. We are pleased that GAO recognized the professionalism and helpfulness of our employees and the value of our online services, and we generally agree with GAO's recommendations and are looking into how to incorporate them and reinforce the messages where they may not be as fully implemented as we believe they should be, and as are spelled out in our policies.

Before I finish I want to stress that our ability to provide excellent service, as you have already mentioned, is tied directly to our appropriations. When workers pay into the Social Security Trust Funds they are paying not just for benefits for themselves and their families but also for the customer service we provide. Yet, we can use the Trust Fund money to serve our customers only to the extent that Congress appropriates it. The last several years have been very challenging in this regard. Since 2010, the number of beneficiaries we serve has grown by 12 percent, yet we have reduced our core operating budget, from appropriations, by 10 percent, after adjusting for inflation.

If funding levels in the House or Senate appropriation bills become law, the situation will be worse. We need the \$13 billion recommended, and requested in the President's budget, to provide the quality of service that the public, the GAO, and this Committee expect from us, and that older Americans have already paid for through the deductions from their paychecks throughout their lives.

I thank the Committee for commissioning the GAO report, and I look forward to the discussion and will be happy to answer any questions.

The CHAIRMAN. Thank you for your testimony. Mr. Meyer.

**STATEMENT OF WILLIAM MEYER, CEO,  
SOCIAL SECURITY SOLUTIONS, INC.**

Mr. MEYER. Thank you. Thank you, Chairman Collins. Thank you, Ranking Member McCaskill, other distinguished Committee members.

I am Bill Meyer. I am founder and CEO of Social Security Solutions. It is important to know that we are the largest provider of Social Security help after the Social Security Administration, and we do provide our services for a fee, but the majority of our services are for free.

I am going to deviate from the testimony I submitted because I think there are a number of remarks at the very beginning that were spot-on and really important.

First, Social Security is the most important financial decision 99 percent of Americans make in their lifetime. There is no doubt, mathematically, that is right. The second comment, from Ms. Collins, was the best outcome is really to give people all the data they need to come up with the best decision possible, and Ms. McCaskill saying that it should be clear and simple. Just give people the in-

formation so they can make an informed decision, and then this has nothing to do with rich or poor. This is not about gaming the system. This is about getting information to make a good decision. That is it, and unfortunately I disagree with some of the last comments that there is not full and complete information that is given right now. We have seen this from the studies that were done and the statements, which I will comment in a second. Let us just give people the information and a tool, and then they will be able to make better decisions.

With that as context, I have four simple suggestions. I will probably only get to two of them within my time. My partner is Bill Reichenstein from Baylor—he is down in Texas—and we have written more about maximizing Social Security than anyone else in the country. He is at Baylor University and we have written research on singles, married, widow, whether you have a non-covered pension, whether you die early, whether you work part-time. The rules are overwhelming. They really are overwhelming.

The point I do want to make, which I agree with, is Social Security agents and the people that work in the field offices and on the 800 number, they are awesome. They do the best job they can, but there is a fail. Those words are strong but there is a fail.

I will start by suggestion No. 1, and it has to do with the statement. We are not giving the right information and we are not giving enough information, so the slide that was shown on the bar charts before were monthly benefits. That is just one dimension, and if I am making a tradeoff between \$1,000 or \$500, that does not incorporate what I call the cumulative benefits.

Now everyone focuses on break-even. It is almost a dirty word. Let us put that aside. Showing two bar charts, showing the tradeoff if I add up all those monthly benefits going early, or all of them going late, can be \$100,000 or more for many, many people. We have to show people not the monthly amount, that is a small amount. You show them the larger amount, it changes claiming decisions. We have seen the behavior in our company. This is just a view that can be done on the statement. We have this data.

The second dimension—and I have an example in my testimony; I will not have time to go over it—is that it does not include spousal or survivor, or any other benefits. It is just about that single person's benefits, so I could in my example, I am finding another \$100,000 in addition to the cumulative benefits that are shown just about that single individual statement.

We are not giving the full and complete data to people. We are just not, and again, I am not trying to disparage. I believe in Social Security. I would do anything to help Social Security do a better job. This is too important of an issue.

My recommendation is make improvements to the statement. Get realistic data in there so people can make information. My second suggestion—there is a current policy that agents or people that work for Social Security in the field offices and the 800 cannot give any guidance. This is controversial, and when I give speeches—you spoke about it at the beginning—is that it is—I do not want to be a financial advisor. It is not about being a financial advisor. It is about giving people the information they need to make a good claiming decision. We are currently not doing it, and the Social Se-

curity Administration cannot have a policy where they cannot give people the information they need. It is ludicrous. It has to change.

Now what I get when I talk to Social Security are quotes like, “It is too complicated,” “It adds too much risk,” “We will not be able to implement it,” things like that. What I would say is I have hired people with no financial background and from Missouri and Kansas, and in 1 week with our software training them to be experts. This can be done. If we can do it and other institutions can do it, Social Security can do it too. There are processes and protocols that are available.

My suggestion and recommendation is review how Social Security can give guidance, not advice, or not be a financial advisor, but give them, as Ms. Reno said, the full and complete information so that they can understand the tradeoffs between the decisions they are making. It is too important.

I will conclude by saying I published some research in the “Journal of Financial Planning,” and we showed, by maximizing Social Security that we could add between 2 to 10 years of longevity to someone’s savings—2 to 10 years. This is not just a gigantic decision about how to claim. It is a gigantic decision on how it will make someone’s savings, whether it is a lot or a little, last longer. We need to do more on education and helping people in this area.

Thanks for your time.

The CHAIRMAN. Thank you so much for your testimony. Professor.

**STATEMENT OF SITA NATARAJ SLAVOV, PROFESSOR OF  
PUBLIC POLICY AND VISITING SCHOLAR, SCHAR  
SCHOOL OF POLICY AND GOVERNMENT AT GEORGE  
MASON UNIVERSITY AND AMERICAN ENTERPRISE INSTITUTE**

Ms. SLAVOV. Good afternoon, Chairman Collins, Ranking Member McCaskill, and members of the Committee, and thank you for the opportunity to speak to you today about Social Security claiming decisions.

I will start by talking generally about the gains from delaying Social Security. Social Security benefits can be claimed at any age between 62 and 70, with higher monthly benefits paid for later claims. Delaying Social Security does involve a tradeoff, that is sacrificing benefits today in exchange for higher benefits in the future. However, my recent research with Professor John Shoven of Stanford University shows that that tradeoff appears to be a favorable one for many people.

The gains from delay depend on individual circumstances and life expectancy, but my calculations suggest that typical couples can gain more than \$80,000 and singles can gain more than \$35,000 over a lifetime by using the optimal claiming strategy versus claiming at age 62, and beyond this monetary gain, the increased Social Security annuity provides additional insurance against both inflation and outliving one’s savings.

Despite the large gains from delay, most people claim Social Security at or before their normal retirement age. Very few people delay to age 70. One possible explanation for this is that individuals want to stop working and do not have the retirement savings to pay for living expenses while they delay benefits. That explanation might be applicable to some people but my research sug-

gests that around a third of those who claim before normal retirement age have individual retirement account assets that would allow them to delay Social Security by at least 2 years.

Delay may not have a high payoff to some people with a relatively low life expectancy, but that also cannot explain why most people do not delay beyond normal retirement age. In a recent survey that my co-authors and I conducted, the most common reasons individuals cited for claiming Social Security early were that they needed the money or that they had stopped work and assumed that Social Security should be commenced upon stopping work. Another sizable group cited the fear that Social Security benefits would be cut in the future.

I hesitate to say that claiming Social Security early is definitely a mistake, as delaying does generally involve a tradeoff between current and future benefits, but given the amount of money that people appear to be leaving on the table, it is worth ensuring that the claiming decision is an informed one.

To that end I have several suggestions. First, it could be worth referring individuals to the various online calculators that inform them of the lifetime resources they would have under different Social Security claiming strategies. Second, it is worth encouraging people to think carefully about different options for using their various retirement resources. In particular, some people may want to draw down on private retirement assets or take a lump-sum payment from a defined benefit pension in order to delay Social Security.

Third, to most people, the term “retirement” means stopping work. That term should not be used to describe claiming a Social Security benefit as it sometimes is. Making a clear distinction between retirement and claiming lets people know that it is possible to stop work and then wait a few years before claiming.

Fourth, for individuals who are afraid that their Social Security benefits will be cut if they do not claim right away, it is worth reassuring the public that any credible Social Security reform plan is likely to protect the benefits of people close to retirement. It is also worth undertaking Social Security reform sooner rather than later.

Finally, it might be worth considering alternative ways to frame the claiming decision. One suggestion might be to simply start calling 70 the normal retirement age and informing people that claiming earlier results in a benefit reduction, without actually changing the benefits payable at any age.

In conclusion, I hope that any changes that are made to the way information is presented are done in a way that makes them easy to evaluate, for example, by using randomization. That could greatly improve our understanding of people’s retirement and claiming decisions and help inform better policy.

Thank you again for the opportunity to speak to you today. I will be happy to take any questions.

The CHAIRMAN. Thank you very much.

Mr. Jeszeck, as I mentioned, by sheer chance, I just happened to have received in the mail my personal Social Security statement, and at the top it estimates what my payment would be per month at “full retirement age.” The other term that we hear frequently is “normal retirement age.” Studies that have been done by the pro-

fessor and others show that individuals tend to claim benefits at whatever age is designated as the normal or full retirement age.

Do you—does GAO have any views on the use of those terms and how they may cause people to make decisions that may not be in their financial interests?

Mr. JESZECK. Well, Senator, first—and I will defer to Virginia on this, but I think the agency has moved away from the term “full”—I am sorry, from “normal” to “full” retirement age, because I think the normal retirement age, right, was—did—might give misleading impressions.

We have not really looked at this issue. In the past, the full retirement age was relevant because there were a number of strategies that claimants could undertake after the full retirement age that were not available prior to that, like, for example, file-and-suspend and restricted claiming. Some of those were eliminated in the budget act in 2015, so there might be less relevance to the full retirement age now than there was in the past, but it is not something that we have really taken a look at, what it should be called.

The CHAIRMAN. Mr. Meyer, do you have any comments on the use of, as it says on my statement, “full retirement age”? To me, full retirement age means full benefits.

Mr. MEYER. Yes.

The CHAIRMAN. It means maximum benefits.

Mr. MEYER. Yes, and I think the professor said it. Some of how you frame it and the words that are used can misrepresent things, and that is why I am a proponent of more data. You know, for the average person, you know, it is very similar to your example, showing full retirement age and what I get if I start early or late. Well, I have calculated the same numbers. The difference between the cumulative benefits at 62 versus 70, at a 2 percent COLA, which is below the average, is \$198,000. Let us round that up to \$200,000, so if you knew that there is a \$500 difference between full retirement age and going early, but, as a result, there are hundreds of thousands of dollars of swing, does that change your claiming behavior? And again, this is the average. We are not talking about rich people. We are talking about the average, so all I am a proponent of is what you—both of you said in your opening remarks—more data. I think proper framing changes claiming behavior. We have seen it with thousands and thousands of people.

The CHAIRMAN. Well, I thought that your idea of showing the annual amount is an excellent one. Most of us do not do the math when we see the monthly, and when you take it over time it would make a big difference.

Ms. Reno, is there any reason why, when you come in to claim benefits, the Social Security Administration could not give a print-out that would show how much your annual benefit is going to be over a 10-year period, with the proviso that obviously to be adjusted for some sort of COLA some years—some years not—for different ages, so that people could see that? Is that routinely done, and is there any obstacle to doing that?

Ms. RENO. That is an excellent question. Thank you.

To be perfectly frank, our most user-friendly tool for having printed information before you is the Social Security statement. What is available to the people in the field offices, and the claims

specialists who are helping members of the public, is a computer printout that is not terribly user-friendly. It is, in fact, quite ugly. It looks something like this. Having a more accessible document would certainly be ideal, but that is a major IT investment that we have not been funded to do yet, so what we can do in the office is help an individual file for their statement. Most people who—we send statements, the user-friendly statement to people on their birthday and when they are 25, 30, 35, 40, 45, 50, 55, 60, and from 60 on every year until they are beneficiaries. If I person has not yet seen a statement or needs help interpreting it, the person in the field office could help them access one by setting up a system so that they have their own Social Security account and can look at it. That is the most user-friendly printed document, unfortunately, that we have at this point.

The CHAIRMAN. I am going to followup on that but a vote has started so I want to yield to Senator McCaskill.

Senator MCCASKILL. I went on the Social Security website. I am assuming at what age is it best for me to retire would be a frequently asked question. Wouldn't you, Ms. Reno?

Ms. RENO. Probably.

Senator MCCASKILL. I looked at the frequently asked questions and guess what? It is not on the list—what age should I retire? I mean, I cannot imagine that that is not the most frequently asked question, because it is one that everybody—I am—you know, I will be honest here. I am 63 years old and it is the talk of my peers, about what age, and the notion that it is not a frequently asked question is mind-boggling to me, so now I go back to the home page, because it is not on frequently asked questions, so I go back and I see, on the home page, that you have got Retirement Estimator. Now I look on Retirement Estimator and, yes, somewhere in here it says “what is the best age to start receiving retirement benefits.” I click on that. I am dying to know what age I should retire.

Now I want to read you the first paragraph under “Monthly payments differ substantially based on when you start receiving benefits.” Listen to this sentence: “If you live to the average life expectancy for someone your age, you will receive about the same amount in lifetime benefits. It does not matter if you start receiving benefits at age 62, full retirement age”—it does not say what that is—“or age 70, or any age in between.”

Is that a true statement, Ms. Reno?

Ms. RENO. It is true in the sense that those adjustments for age are based upon actuarial estimates that, at the time they were created, are designed to be actuarially neutral.

Senator MCCASKILL. That is not my question.

Ms. RENO. Right.

Senator MCCASKILL. Mr. Meyer, is that a true statement?

Mr. MEYER. No, it is not, and I can—

Senator MCCASKILL. Okay. We have, right here, on the source for someone who is retiring, on your web page, a sentence that is flatly false.

Now I do not get—I do not get the reluctance of the Social Security Administration. For years, bipartisan groups have been asking you to give more data. In fact, you have blogged about it. Before

you took your job you blogged about, you know, the reality of when you get retirement. I mean, we could pull up this screen for the person coming in, getting retirement benefits, could we not? That would not take an IT adjustment, would it? Could we not put information on this screen that we could pull up? I am sitting here, and you are helping me, and you pull up this screen, and you show me this information. That would not take an IT adjustment, would it?

Ms. RENO. You are talking about the publication that is on the screen?

Senator MCCASKILL. I am talking about what is on your website.

Ms. RENO. Exactly.

Senator MCCASKILL. I am sure that your field officers have access to a computer—

Ms. RENO. Yes.

Senator MCCASKILL [continuing]. and to internet, and they could pull up a screen that could be easily programmed—I can get you some folks over there to program it if you cannot find any—that would actually give accurate information on this screen.

Why can't you do that?

Mr. MEYER. That is exactly what our company does, for free. You can put in your basic information and we will show you how to maximize, and the difference between if you claim early or late, for free.

Senator MCCASKILL. Why can't you do that, Ms. Reno?

Ms. RENO. We can tell people what their benefits will be at any age that they wish to begin receiving benefits, and we can explain that at early retirement age, or at the so-called full age, at age 70, at any age in between, we can provide that monthly benefit, and we are happy to do so.

We do not try to suggest to a person which of those ages is best for them.

Senator MCCASKILL. No. You suggest to them that it does not make any difference when you claim it. The information says if you live to the average life expectancy, for someone your age, you will receive about the same amount in lifetime benefits. It does not matter when you get it. That is what you are telling them.

Ms. RENO. I hear you.

Senator MCCASKILL. I hope so.

Ms. RENO. I hear you.

Senator MCCASKILL. I swear, I am going to raise a ruckus about this until this website gets fixed. It is outrageous that it says that on this website, because it is simply not true, and hundreds and thousands of dollars that seniors deserve are going unclaimed, and there is no reason this website cannot get fixed, and it ought to get fixed in the next 30 days, and we are going to—my office is going to continue to track it until it does.

Mr. Meyer, I have 25 seconds left.

Mr. MEYER. To Ms. Reno's credit, though, it is very complicated. There are 10,000 permutations for a married couple, so the logic to be able to in real-time deliver this is complicated. We have solved it. Other people have solved it. Information that is bad—you are correct. That should be shored up right away, but she is right. It is a very hard math problem, but it is solvable.

Senator MCCASKILL. I get it that it is a really hard math problem, and I do not mean to be—I am killing you because you are here—you are the only one I can kill—and I apologize to you for that, but we can certainly correct misinformation. We can certainly remove the idea from people's minds that it does not matter when you retire, you are going to get the same amount of money, and that is what that sentence says, and the only place I can find on the website that answers the question, when should I claim, and that is what I want to see some real energy behind in terms of fixing.

Thank you.

The CHAIRMAN. Senator Warren.

Senator WARREN. Thank you, Madam Chair, and thank you. I think this is really an important hearing and these are important points.

I want to ask in a different direction now. As we have talked about, because of the way Congress set up the formula for calculating the amount of Social Security benefits that people will get on retirement, people who start claiming at age 62 receive about 25 percent lower benefits than those who wait until 66, and about 76 percent lower benefits than those who wait until they turn 70, when their benefits will max out. This formula was obviously designed to incentivize workers to delay collecting their benefits and save Social Security some money.

According to a recent survey from AARP, 9 out of 10 Americans know that claiming later results in higher benefits, yet almost half of Americans begin collecting at 62, and only about 3 percent of seniors wait until they are 70, when benefits would be the highest, so most Americans who say that they know that claiming early will cause them to end up with smaller benefits do it anyway.

Mr. Jeszeck, you are the Director of Education, Workforce, and Income Security at the U.S. Government Accountability Office, so if anyone is an expert on what is going on here it should be you. Can you explain to us some of the reasons that Americans begin collecting Social Security benefits before age 70, even though they know it will result in permanently lower benefits?

Mr. JESZECK. Yes, Senator. We did a report, I believe 2 years ago, where we looked at the characteristics of early claimants, and we found a number of things, as I think, as we—as has been mentioned earlier. A lot of early claimants are blue-collar workers with very long careers, and so they are worn out. They may be physically debilitated, although not disabled.

Another key characteristics is health, of course. Another area is an economic shock. We did some work earlier, in the aftermath of the Great Recession, and what we looked at there, we actually saw people—I mean, the labor market for older workers has some real challenges for them. While they are less likely to be laid off, if they are, they are unemployed for a much longer period of time, and if they are lucky to get new employment it is at a much lower wage.

We found people during that work who basically have been unemployed for about 4 years, were basically using their 401(k) as a bridge to make it to age 62, so there are certainly cases like that. If you have a factory that closes in a town where it is the large employer, you are an older worker, you may face similar cir-

cumstances, and regarding health shocks, health issues, it is not only the primary worker claimant but also it could be a caretaker. I know from personal experience of a close family member, his wife was very ill. He had to quit his job in his late 50's. He was, again, a blue-collar worker. He had to use his 401(k) as a bridge to take care—because he had to stay home to take care of his wife—as a bridge, until retirement.

There are a lot of cases where it is a necessity, that people—

Senator WARREN. Yes, and I think that is the key. You are saying that people need the money. I mean, that is what it comes down to for many of these, different reasons, but that is where it all comes in. It seems pretty clear that most Americans would like to wait until their benefits are higher but they simply do not have the luxury of doing that.

Now, Ms. Reno, you are the Deputy Director for Retirement and Disability Policy at the Social Security Administration. Are there changes that Congress could make to the benefits formula so that Americans who are forced to start collecting benefits early because of a job loss or the loss of a spouse or because of health reasons, are not being penalized permanently with lower benefits?

The CHAIRMAN. Excuse me. Before you respond, Senator Warren, Senator Casey, I just want you to know that there is 1 minute left in the vote, so you may want to complete, but after that we will do a recess and resume the hearing upon the completion of this vote and the next.

Thank you.

Senator WARREN. Thank you, Madam Chair. Please, Ms. Reno?

Ms. RENO. [Off microphone.]

Senator WARREN. [Presiding.] I was asking about are there changes that we can make in the benefits formula so that Americans who are forced to start collecting benefits early, because of a job loss or loss of a spouse, are not being penalized with permanently lower benefits for doing so.

Ms. RENO. Well, certainly there are many ways. It is important that the benefits be adequate and be adequately financed, and there are many options that could be used to address that question. President Obama himself has recognized that Social Security is more important than ever because fewer people have pensions that they can count on.

Senator WARREN. Okay. Actually, let me just put it this way. I will just pull it together because we are going to have to go and vote here.

You know, it is harder than ever for Americans to save for retirement. As a result, Social Security is now the principal lifeline for two-thirds of all people who are collecting it. For 50 millions Americans, Social Security is all that stands between them and poverty, and this means that the squeeze is on people to start collecting the very minute that they turn 62, even though it means large, permanent cuts.

I understand that everyone who can wait, should wait, but the long-term solution here is for Congress to expand Social Security, to make sure it works for those who depend on it, no matter what age they have to begin claiming, and that is not just my view. It is the view of the Bipartisan Policy Center, who was here just last

week, and even some House Republicans who want to make changes to the program, and I see that as the real task in front of us here, to make sure that Social Security benefits are big enough so that after a lifetime of hard work, all people have the opportunity to retire with dignity.

I am going to run and vote. I think we will just put you all on hold for a minute and the rest will be back, and I have to gavel out, so I am on the run. Thank you.

[Recess.]

The CHAIRMAN. The hearing will come back into session. My apologies to our witnesses. We unfortunately cannot control when votes occur, but you can be assured that if the two leaders of this Committee were in charge that they would be scheduled at more logical times.

Senator McCASKILL. Yes, they would.

The CHAIRMAN. Senator Casey, I believe you left before you got an opportunity to question, so I would call upon you now, if you were settled enough to begin your questions.

Senator CASEY. Thank you very much, Madam Chair. We are grateful we have some votes today. I cannot say that we are exhausted because you only have to put your hand up or down, but it is good we are voting, but thanks for reconvening.

I wanted to go back, Ms. Reno, to your—not to your responsibilities, necessarily, but some of the services or information that is offered now. I realize that you had to break it down. It is either online or in person or by way of telephone. I know a lot of folks in a State like mine, because we are a very rural State between the two big cities or two big urban areas, we have—and I wish it were just tens of thousands but I am afraid it is a much higher number of people living in rural areas that have no access to the internet at all. I just heard a story today about one county that—where it is more than 70 percent, so it is very high.

You do not have a lot of places where people are online, the further away you get from urban areas. That is number one, and two is, they have every right to the—both complete information as well as accurate information, so I guess what we are trying to figure out, are there better ways for you to both standardize the information that you are providing—or standardize those services, I should say—or better integrating those services into the real lives of a lot of communities?

What can you tell us about both standardizing as well as integrating those services?

Ms. RENO. That is a very good question and I am glad you asked it. We need to think seriously about that, and certainly mailing the Social Security statement that is personalized to each individual, again, on their 5th year birthdays—35, 40, 45, 50, 55, 60—and after 60 every year until people have filed for benefits, is one way to at least get information in their hands that is about their own particular situation, their own work record, wage record, as it shows up in our records, and what their benefit would be in case they become disabled, and what their benefit would be as a disabled worker, what would be available to their spouse and children if they died, and then what their retirement income would be if they took it at 62, at the so-called full retirement age, or at 70.

That is personalized information that is available, and one can use a telephone to contact SSA if you have questions about that or if you think the record is wrong, the wage record is wrong, because part of the purpose is to fix people's wage records if they are not correct.

I guess that would probably be the best way, is to have this personalized information that comes to them through the mail and they can contact us by telephone if they do not have access to the Internet.

Senator CASEY. Well, I hope you will be committed to standardizing those services because as we have heard today, sometimes people are getting information that does not answer their question, number one, and number two, there should not be a variance between either the accuracy or the reliability of information, depending on whether you access SSA through the phone—by way of the phone or by way of an online engagement, or even in person, so we expect that the next time we meet that you will have some changes that have been implemented.

Thanks very much.

The CHAIRMAN. Senator Donnelly.

Senator DONNELLY. Thank you, Madam Chair.

Ms. Reno, the GAO has made six recommendations for SSA to improve the in-person claim application process. Implementing these changes would likely require resources for training or updated materials, and it is important to note that SSA disability claims process is also in need of additional resources. There is a large shortage of administrative law judges. It has created a significant backlog for disability claims.

I have heard from many of my constituents about significant delays at the Valparaiso and the Indy hearing offices in Indiana, with some delays running over 2 years in length.

How would you prioritize the resources, if you decide to make changes, and what can we, on this end, do to ensure that people are receiving their retirement benefits and disability benefits in an effective and timely manner?

Ms. RENO. I would say the most important thing—and we kind of reiterate our—my testimony, it is absolutely—our capacity to deliver the quality of service that the American people are entitled to expect is directly tied to our appropriations for our administrative budget, and it has been less than we have—than the President's request, repeatedly, in the past years, while our funding has declined in real terms, while our caseloads are rising, and even in the retirement area, and we need the full appropriation, the \$13 billion that has been requested in the President's budget, to provide the quality of service that we think needs to be delivered.

Senator DONNELLY. The GAO also surveyed your print and online materials, and also observed 30 face-to-face claims interviews, and found that the information was presented in an inconsistent fashion across the board. Can you tell us more about how you train your claims specialists?

Ms. RENO. Yes. The claims specialists—before one becomes a claims specialist they get 4 months of very in-depth training on how to take benefit claims, how to explain eligibility ages, the ben-

efit calculations, the benefit of rights of that are available to family members as well as to an applicant for retirement benefits.

After the 4-month intensive training period there is another full year in which claims—a trainee, a claims rep, is closely supervised by a journeyman claims supervisor to help them complete their education. Only when a person is really fully versed in all of the aspects of taking claims are they—do they become an independent claims rep. Even then, there is refresher training that goes on periodically in the field offices, as we find that for one reason or another refresher training is needed, and finally, there is always new training as the laws changes, as regulations changed, or as policies, we find that we need a more clear way to do something.

Senator DONNELLY. That brings two questions to mind to me. Number one, how do you plan to respond to the GAO findings, and if we do all those things, how do we have so many different presentations given?

Ms. RENO. We are going back and figuring out exactly how we are going to do all of those things, but we do agree with the GAO's, the thrust of their recommendations, and much of that can be done through refresher training of our field office staff, as well as reviewing, again, the materials—the written materials that are available to the public for areas of clarification.

Senator DONNELLY. Mr. Meyer.

Mr. MEYER. Yes. It was brought up before—technology spend. Ms. McCaskill said it. I mean, we helped, on Veterans Day, 10,000 veterans for free. We offered an updated, detailed statement and we had six people on the phone, so I think with technology and very discrete protocols on training we can serve people better. Small firms like mine, in the middle of nowhere, Kansas, have done it before. It can be done.

Senator DONNELLY. Thank you very much. Thanks, Madam Chair.

The CHAIRMAN. Thank you very much.

I do want to clarify a point before I go to my additional questions, and that is that the Social Security Administration is, in fact, still using the term “normal retirement age.” I have it in a publication that just came out in June of this year. SSA may be phasing it out but it is right here in black and white, and I think the term “normal retirement age” or even “full retirement age” implies that that is the age you are supposed to be getting—at which you are supposed to be getting benefits.

Ms. Reno, you are not the one who said that. It was Mr. Jeszeck, but would you like to comment?

Ms. RENO. Yes. I would very much like to comment. One of—I could not agree more that we need to rethink the labels that are given to the ages—62, that 66 now, and 70. They have—they had historical relevance and appropriateness, but the law has changed and the names have not changed to keep pace.

I think it is important to give real serious thought and some empirical testing to what names work better, and we are collaborating with AARP, which I know is very interested in this. They are doing some focus groups. We are also consulting with a social and behavioral sciences team in the White House that are very thoughtful about how messaging and labels influence how people think about

those ages. They are helping us both with how to describe the retirement earnings test. It is not a penalty. It means that if your benefits are reduced at one point they will be recouped at a later point.

These are things that we have active research going on, and we recognize there is a need for fresh thinking and new labeling.

The CHAIRMAN. I have to say that I am glad to hear that you are looking at that, but your last statement was confusing to me when you said if the benefits are reduced at one point they will be recouped at another point, because I think there is a misconception among some claimants that if they claim at age 62, that as they grow older there is going to be some sort of automatic adjustment beyond the COLA that is age-related.

Ms. RENO. I am sorry. What I said was not clear. When I was talking about the retirement earnings test, where if you work prior to that so-called full retirement age, your benefit—and earn above a certain level, your benefit will be withheld for a month. The fact that that benefit was withheld will be reflected in an adjusted benefit amount when you get to full retirement age, so that foregoing a benefit under the retirement earnings test is not a penalty. It is a delay in a benefit adjustment.

The CHAIRMAN. Mr. Meyer.

Mr. MEYER. Education on this topic is so critical. The research shows more people need to work part-time, and there is confusion, so in our software, you actually can put in how much you are going to work and what the impact of your benefit is, and then we recalculate what your benefit is at full retirement age, so you can see, what is the impact if I work or not. These are the sorts of real-time things that someone can see on a computer or on a piece of paper, and we need to get it to real Americans and impending retirees.

The CHAIRMAN. I could not agree with you more, but what is frustrating to me, this is not something we need to invent. This is—the software is there. It is not something that—I realize that the system is complex, but it sounds like—

Mr. MEYER. It can be built, or, again, we have it. We are happy to partner with Social Security or have them use it, and it has been vetted by the largest institutions in America—Vanguard, Northern Trust. The largest retirement provider—I cannot say their name—uses our software, so it works.

The CHAIRMAN. It works.

Mr. MEYER. We have these interactions that clients—or, consumers get better information, to make informed decisions. That is all—

The CHAIRMAN. That is our goal.

Professor, I want to talk a little bit about whether a senior's behavior changes depending on how—and the decisions that he or she makes change, depending on how the information is displayed? For example, Mr. Meyer was very compelling to me when he said if I received a statement showing either my projected, cumulative, lifetime benefits, or even an annual benefit versus the monthly benefit difference compared to what age I choose to claim Social Security.

Have you done any research looking at whether decisionmaking changes depending on what information is presented on Social Security benefits, and how it is presented?

Ms. SLAVOV. I have not personally done research on this. The research I am aware of, there is the study that you cited, showing that break-even framing tends to encourage early claiming. That same study showed that it matters what you use as kind of the benchmark age to show how benefits are adjusted, whether that is 62 or 66 or 70. People tend to delay if you kind of frame it as, you know, so these are the benefits you get at age 70, and you State everything else kind of relative to that. People tend to delay more.

It also matters whether this is framed as a gain or a loss, so you gain by delaying versus you lose by claiming early, so these are the things that seem to matter. I think there is actually a lot that we still do not understand about this, which is why I would support, you know, if changes are made to the way in which information gets presented, it be done in a way that we can actually study it to see how that changes people's decisions, so we can present the information in the best way possible.

The CHAIRMAN. Thank you.

Ms. Reno, I am just going to ask one more question for you, prior to turning it over to my Ranking Member, and that is the SSA's online application requires claimants to provide a reason for not choosing the lump-sum payment option, if that applies. GAO suggests that asking applicants to provide a reason for that choice may lead them to believe that they are making the wrong choice, or an unusual choice, and so for that reason GAO recommends removing that question from the online form.

In response, your agency has suggested that it will "evaluate removing or revising the question." Why not just remove the question?

Ms. RENO. [Off microphone.]

The CHAIRMAN. The question asking for a reason.

Ms. RENO. I believe the way that online application works, the question applies whether you—whatever age, whether you backdate the application or whether you put it forward for up to 4 months, which you can do, and I think that the question there—rather than now—and I think the question was, the reason for asking the question is that the answer may lead the claims representative to want to call the person on the telephone and just make sure they understand what the consequences of each choice is.

That same question is asked not just about the retroactive claim but also about the forward-dated claim—forward-dated choose month of entitlement. We want to just look at it more closely and make sure that there are not unintended consequences of getting rid of that question.

The CHAIRMAN. Of course, the problem with the retroactive claim, which I wonder if seniors, most seniors realize, is it locks them into that lower benefit level for the rest of their lives.

Ms. RENO. Absolutely. We want to make sure that they understand that.

The CHAIRMAN. Why not say that instead of asking them their reason? Why not have sort of a red flag go up, to say, "Do you understand that if you choose this retroactive lump-sum payment, that you will be receiving a lower benefit level?"

Ms. RENO. It is absolutely—I could not agree with you more that that information also needs to be very clear.

The CHAIRMAN. Do you think it is clear now?

Ms. RENO. I think the reason for asking this question was to be able to find out if more clarification is needed, for a further conversation with the individual, and if there is nothing more to it than that, it does make sense. The application should be clear that, yes, there is a permanent reduction if you take retroactive benefits. We need to make that clear.

The CHAIRMAN. Senator McCaskill.

Senator MCCASKILL. One out of three—I know this is not statistically valid—but one out of three agents, who were being watched by the GAO—that is one-third—suggested a claimant retire earlier and get a lump-sum payment. Acceptable? Is that acceptable to you, Ms. Reno? Isn't that financial advice?

Ms. RENO. I think it is certainly important that the applicant know they have a choice of back-dating up to 6 months and they have forward-dating up to 4 months, and that the consequence of that is a permanent reduction in their benefit.

Senator MCCASKILL. Well, but—I think—I am—you know, I am confused because there seems to be a stubbornness about giving certain information out, because—the stated reason being that we do not want to be financial advisors, but the GAO witnessed 1 out of 3 of the field agents that were being watched by them suggest they—the claimant retire earlier and take a lump-sum payment. Is that a problem that needs to be solved?

Ms. RENO. That is definitely not our current policy and we definitely are going to go back and make sure that if refresher training is needed, if clarification is needed for the personnel, we will be doing that.

Senator MCCASKILL. I know I am making you defensive, but I think part of the problem is that we are all wanting the Social Security Administration to say, "We can do this better. We are going to make changes. We are not giving out enough information. We are not even giving accurate information." If we could hear those words coming from the Social Security—but it is always, like, "Well, we are going to look at it," and "We will consider it," and "Well, we heard you," and meanwhile, every day—we are in a demographic bump right now. Every day thousands of people are making this decision. There just does not seem to be a sense of urgency.

How would you suggest that we do a better job in Congress making the Social Security Administration feel that this is an urgent situation?

Ms. RENO. The Administration does feel that it is urgent that people get accurate information about their retirement claims. Absolutely.

Senator MCCASKILL. I just thought that the responses to the suggestions—I used to be an auditor, so I know about responses to audit findings, and there are three ways you can respond. You can make excuses and disagree, you can say, "We will think about it," or you can say, "You know, thanks. You are right. We are going to change this."

Ms. RENO. I think—

Senator MCCASKILL. I am going to tell you, you are not in the third category.

Ms. RENO. I think our response—the gist of our response to GAO is, by and large, “Yes. Thank you. This is helpful and we—”

Senator MCCASKILL [continuing]. we are going to change it.

Ms. RENO. “—we are going to change it or we are going to go back and look and take a closer look.”

Senator MCCASKILL. That is my problem, is going back and look—and taking a closer look, because we have had three bipartisan commissions telling you the same thing, and you have just been taking a look. Meanwhile, thousands of people are leaving money on the table. That is why I think I am animated about this, because I do not sense animation on the part of the Social Security Administration about how important this is.

Why don’t you put on Senator Collins’ letter what her full retirement age is rather than say “full retirement”? In the front of my statement, at the very top—you do a monthly; you do not do an annual—you say, “Your monthly benefit will be” blank, blank, blank, and then underneath it - it says, “at full retirement age.”

Why doesn’t the Social Security Administration say “at 66 years” or “at 65 years” or—well, obviously, if it’s 65, they have obviously, long ago, made the decision, but for those of us that are in the bubble—I mean, at 66, from 1943 to 1954—so, you know, for people now that are getting them annually, some of them it is 66 and 2 months, some of them it is 66 and 3 months—why don’t you—and even on the website, it says “full retirement age.” In order to find out what your full retirement age, you have got to hunt down the table.

Ms. RENO. Mm-hmm.

Senator MCCASKILL. You know, you have got to go click-click-click-click and find the table. Why don’t you say “62, 66, 70”? Is there a reason? I mean, is there a good reason?

Ms. RENO. I think once the—the retirement age is different for different birth cohorts. The so-called full “retirement age” is different for different birth cohorts. We are now at age 66. It begin to begin phasing in to age 67, that is fully phased in sometime—

Senator MCCASKILL [continuing]. 1960, when people—people who were born in 1960 or later.

Ms. RENO. Right.

Senator MCCASKILL. I am looking at the table. I found it.

Ms. RENO. Right.

Senator MCCASKILL. I clicked around.

Ms. RENO. Great.

Senator MCCASKILL. I found it, so—but you know all the information about her—

Ms. RENO. Yes.

Senator MCCASKILL [continuing]. because you have printed it all out here. This cannot be a hard thing to program in. You know how old she is. I mean, why can’t you put the age up there? Couldn’t you? Wouldn’t that be a simple way of letting everyone know that, you know, what your full retirement age is, and, you know, the word “full” is, obviously, I think—you have already acknowledged that the way we have labeled these things are really, really unfortunate.

Ms. RENO. Well, they are accidents of history—

Senator MCCASKILL. They are.

Ms. RENO [continuing]. that have not been adjusted yet.

Senator MCCASKILL. Yes.

Ms. RENO. I think that is a very important issue that we need to address.

Senator MCCASKILL. That would be terrific, and in the meantime, if you could put the number, you know, it would be—

Ms. RENO. Well, we will certainly look into that.

Senator MCCASKILL. Well, what about on this—on the—when you go to the one place where it says “when you should retire,” when it says 62 and then it says, “comma, full retirement age, comma, 70,” full retirement age could be a click-through, and you could see that it is a link, and you could click on that and get the table, because somebody reading that does not know what that is. They are assuming full retirement age might be when they actually retired. I mean, they do not know that that is a set-in-stone number, based on when they were born.

One out of every 6 of the field representatives were using the break-even analysis, while they were being watched, 1 out of every 6. Has there been a notification gone out to all the field offices about advising retroactive with lump sum and using the break-even analysis since the GAO study was completed? Has there been a notification by electronic means to all the field offices not to do that?

Ms. RENO. I do not believe it has been done yet. My understanding is that the GAO report is officially out today, and it is clear—we are clearly—that is high on our agenda to do something about it.

Senator MCCASKILL. Would you let the Committee know when the field offices have all been informed, not to use the break-even analysis and not to advise that someone retroactively—not to suggest that someone should retroactively claim for a lump sum? Would you advise the Committee on the dates that you do that?

Ms. RENO. Of course. Of course.

Senator MCCASKILL. That would be terrific.

I wanted to reiterate the off-the-shelf versus—in a different committee and a different time I have spent way too many hours on acquisition reform in the Federal Government, and probably the biggest black hole of all black holes has been IT acquisition, and one of the reasons it has been so expensive is because every agency thinks they need to build what they need.

Now nobody is worse than the Pentagon. On your worst day, Ms. Reno, you will never be as bad as the Pentagon, because the Pentagon is at the apex of wasteful spending on IT acquisition, because they think they always have to build it from scratch, and they always have to have their own systems, but do you know if there has been any analysis in the Social Security Administration about what off-the-shelf products are available that would make this kind of analysis much more simple for average Americans?

Ms. RENO. I am sure we can—I will look into that.

Senator MCCASKILL. That would be terrific too, if you would let us know—if anybody in your agency has looked into, what could we buy off the shelf without putting out a scope, without trying to build, because, believe me, there will be contractors that will rush to the trough. “We can build it. We can build it. We can build what-

ever you want,” and it will be very, very expensive, and it will take a long time, and by the time it is done it will not be flexible enough, it will be outdated, and we will have wasted the money, but off-the-shelf now, there is actually so many products, it would be so easy for you all to use, and I am just anxious to know if you all are looking into that. If you would share that with the Committee I would really appreciate it.

Thank you. Thank you.

The good news, Professor, is that—finally, this is my last one—that the trends in claiming age have relatively been positive. Correct?

Ms. SLAVOV. [Off microphone.]

Senator MCCASKILL. So we are doing better.

Ms. SLAVOV. Yes. That is correct.

Senator MCCASKILL. The percentage of people who claim at 62 has declined over the last 15 years.

Ms. SLAVOV. It has declined.

Senator MCCASKILL. We still only have 2 percent of the men and 4 percent of the women claiming at 70.

Ms. SLAVOV. That sounds reasonable, yes.

Senator MCCASKILL. Okay. Do you believe that the main reason people are not waiting is lack of knowledge or lack of resources?

Ms. SLAVOV. For most people—it is probably lack of resources for some people, so as I mentioned earlier, my co-authors and I did a survey, and about a third of the respondents—and this was not a nationally representative sample. It was a pilot survey but I think it is still informative—about a third of the respondents said they needed the money, so lack of money probably does play a role, but we have also shown, in other research, that about a third of people who claim before their full retirement age actually do have resources to delay by a couple of years, so it is not always lack of resources, and in those cases it is still somewhat of a puzzle why they do not. Lack of information might be an explanation.

Senator MCCASKILL. All right. Mr. Meyer.

Mr. MEYER. Yes. I published an article in the “Journal of Financial Planning” a few months ago on what is called redo strategies. There is so much confusion over the rules. I mean, right now with the ending of file-and-suspend, people do not realize if they, for unforeseen reasons, had to claim early—let us say I lost my job—you actually can suspend your benefits at full retirement age and get that 8 percent, so the lack of information how to fix or improve your situation is a black hole, and we can do a better job.

Senator MCCASKILL. I did not know that.

Mr. MEYER. Yes. Why—I mean, there are so many people who claim early for bad circumstances who can get that 8 percent after full retirement age, so it is—we just need to get more education out to people. The awareness is low.

Senator MCCASKILL. That should be on—

Mr. MEYER. Redo strategies.

Senator MCCASKILL [continuing]. it should be on—

Mr. MEYER. I have an article on it.

Senator MCCASKILL [continuing]. it should be on the front page of the website, too.

I thank you, Ms. Reno. I am so sorry that you took the brunt of this, but we are agitated, for all the right reasons, and I think you agree with us. I think you are in a difficult position. You are representing the agency, but obviously, from your writings, which I have looked at, you understand the value of waiting, and we think that it is important that the Social Security Administration bring their practices up to that standard, and I want to really thank you, Mr. Meyer. We would like you to move across the line, but if you do not, we still appreciate your testimony today, and thank you, Professor, and, as always, GAO. You guys have a special place in my heart. I love the auditors.

Thank you, Madam Chairman.

The CHAIRMAN. Thank you. I want to thank all of our witnesses for your testimony today.

I want to, in my closing comments, end where I began, and that is with the statement that the decision on when to claim Social Security benefits is, for most Americans, the most important financial decision that they will ever make, and I do not think that most people who are approaching the age where—such as our generation—of making that decision, realize the enormous implications of choosing one age versus another.

Now, obviously, that is why we are so insistent that there be accurate and complete information. The decision of when to choose Social Security benefits is a highly individual one, and we recognize that, but I think it is important for the record today, for me to indicate that if an individual is healthy enough and wants to keep working, that postponing retirement, postponing the decision to receive Social Security benefits, makes sense, can make sense for low-income workers as well, not just for middle-income workers or wealthy employees, and one way to see this is to look at what happens to replacement rates for individuals who postpone claiming their Social Security benefits, and by replacement rate I mean the percentage of a worker's wages that Social Security benefits will cover when that worker retires.

Social Security data showed that the replacement rate for low-income workers who postpone retirement will rise from 61 percent to nearly 75 percent, if that low-income employee or employer postpones retirement to age 66. That could make such a difference for that worker for the rest of his or her life, particularly since we are now living far longer than ever before. That is real money, and if I had Mr. Meyer's software, I would have translated it into dollars to show the difference that it would make.

I think, as we look at this issue, we have to remember the implications for those that we are most concerned about, and that is low-income Americans whose savings may be small, who do not have defined benefit pensions, and who understandably worry that what should be their golden years may be, in fact, years spent in poverty, and that is why this debate and this hearing is so important.

I want to thank Senator McCaskill for all of her work, and our staff. Most of all I want to thank our excellent witnesses for your contributions.

Committee members have until Friday, September 23rd, to submit questions for the record, and I look forward to receiving an up-

date from the Social Security Administration in response to this hearing.

Thank you very much, and this hearing is now adjourned.  
[Whereupon, at 4 p.m., the Committee was adjourned.]



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## **APPENDIX**

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**Prepared Witness Statements**

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United States Government Accountability Office



Testimony  
Before the Special Committee on Aging,  
U.S. Senate

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For Release on Delivery  
Expected at 2:30 p.m. ET  
Wednesday, September 14, 2016

## SOCIAL SECURITY

### Providing More Information During Claims Process Would Help Individuals Making Decisions About Retirement Benefits

Statement of Charles Jeszeck, Director, Education,  
Workforce, & Income Security Division

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Chairman Collins, Ranking Member McCaskill, and Members of the Committee:

I am pleased to be here today to discuss our work on the information the Social Security Administration (SSA) provides individuals to help them decide when to claim retirement benefits. The decision of when to claim benefits is one of the most important financial decisions most people and households make. As of 2013, Social Security benefits account for at least half of household income for 62 percent of retirees age 75 and over, and at least 90 percent of household income for almost a quarter of these retirees. Social Security benefits offer certain advantages: monthly income until death, an annual inflation adjustment, some tax benefits, and survivor and spousal benefits. These benefits have become increasingly important for retirees as employment-based retirement plan coverage has shifted from traditional defined benefit pension plans, which typically pay lifetime annuity benefits in retirement, to defined contribution plans, in which workers accumulate savings over their careers and manage withdrawals in retirement.

Those eligible for Social Security benefits can generally elect to receive them starting at age 62, but the monthly benefit amount increases, permanently, the longer someone delays claiming, until age 70.<sup>1</sup> Waiting to claim offers the promise of higher monthly benefits—76 percent higher for someone claiming at age 70 versus age 62, for current claimants.<sup>2</sup> However, 62 is the most common age to claim Social Security benefits, and few people wait until 70. While there are sound reasons for taking retirement benefits early, such as financial need or short life expectancy, many people might benefit from claiming at a later age. Making an optimal claiming decision requires individuals and households to understand how multiple factors—such as claiming age, earnings, life

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<sup>1</sup> A surviving spouse can generally claim survivor benefits as early as age 60. A surviving disabled spouse can generally collect benefits as early as age 50.

<sup>2</sup> This is true for individuals with a full retirement age of 66, which applies to individuals born from 1943 to 1954.

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expectancy, and longevity risk—affect benefits.<sup>3</sup> SSA, as the program administrator, holds a unique position to provide information that can help ensure prospective claimants make informed choices.

My statement summarizes our report, which addresses (1) the extent to which people understand Social Security rules affecting their retirement benefits and other factors that may influence when they claim them; and (2) the information that SSA provides to individuals that enables them to make informed claiming decisions. That report is being released today.<sup>4</sup>

For our issued report, we reviewed nine surveys and academic studies that assessed the public's understanding of Social Security benefits and identified the factors that influence claiming. We also interviewed Social Security experts from academia, public policy organizations, and financial firms to obtain their views on how SSA provides information about claiming benefits. We reviewed applicable federal laws and regulations, and SSA's Program Operations Manual System (POMS), a primary source of information used by SSA employees to process claims for Social Security benefits. We also interviewed SSA headquarters officials to learn how Social Security benefit claims are to be processed. We observed a nongeneralizable sample of 30 face-to-face claims interviews at 7 SSA local offices in 3 different regions of the country. We selected these offices, taking into consideration regional geographic diversity, income level, urban and rural composition, and the number of new claims each office processes. In our observations, we noted the information SSA claims specialists provided to claimants during this process and evaluated what we observed against POMS guidance and to determine how fully specialists were addressing key information categories we identified from our literature review and expert interviews. We interviewed managers and

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<sup>3</sup> "Longevity" can be viewed as a broad concept that encompasses the various possibilities of how long one or more people may live. "Life expectancy" is a particular longevity statistic that measures how long a particular population of people might expect to live on average; individuals within the population may live longer or shorter lives than this average life expectancy. "Longevity risk" is often referred to by retirement policy experts as the risk of living beyond life expectancy, perhaps well beyond life expectancy, and exhausting one's retirement assets. In this statement and in our full report, we use the terms "life expectancy" and "longevity risk" as having these two distinct meanings.

<sup>4</sup> GAO, *Social Security: Improvements to Claims Process Could Help People Make Better Informed Decisions about Retirement Benefits*, [GAO-16-786](#) (Washington, D.C.: Sep. 14, 2016).

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claims specialists at these offices about the process for completing retirement benefit claims, training on completing claims applications, and how claims specialists' performance is evaluated. SSA also demonstrated the online claims process for us, showing the information on each screen that a claimant might see when filing a claim. A more detailed explanation of our methodology is available in our full report. Our work was performed in accordance with generally accepted government auditing standards.

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**Lack of Understanding of Key Social Security Information, Along with Financial Need and Other Factors, May Contribute to Individuals Claiming Benefits Early**

Our review of surveys and academic studies, and interviews with people with Social Security expertise, suggest that most individuals do not understand key details of Social Security rules that could potentially affect their retirement benefits or the benefits of their spouses and survivors. Specifically, many people approaching retirement age are unclear on how claiming age affects the amount of monthly benefits, how earnings (both before and after claiming) affect benefits, the availability of spousal benefits, and other factors that may influence their claiming decision. For example, while some people understand that delaying claiming leads to higher monthly benefits, many are unclear about the actual amount that benefits increase with claiming age. The surveys also showed that many people do not understand the implications of the retirement earnings test, under which SSA withholds benefits for some claimants earning above an annual income limit but which are, on average, paid back later with interest. Understanding these rules and other information, such as life expectancy and longevity risk, could be central to people making informed decisions about when to claim benefits. With an understanding of Social Security benefits, people would also be in a better position to balance other factors that influence when they claim benefits, including financial need, poor health, and psychological factors.

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**SSA Provides Key Claiming Information on Its Website and in Publications, but Not Consistently during the Claiming Process**

SSA makes comprehensive information on key rules and other considerations related to claiming retirement benefits available through its website, publications, personalized benefits statements, and online calculators. The information provided includes many of the items identified from our literature review and expert interviews, including how claiming age affects monthly benefit amounts, how benefits are determined, details on spousal and survivor benefits, the retirement earnings test, information about life expectancy and longevity risk, and the taxation of benefits. In particular, SSA's website provides access to information on available benefits, key program rules, and interactive calculators that can be used to get estimates on what future benefits would be. Additionally, the Social Security statement is the most

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widespread piece of communication that SSA provides to individuals about their future benefits. It is a 4- to 6-page summary of personalized information that includes an estimate of the individual's future benefit payable at age 62, full retirement age (FRA), and age 70, as well as estimates for the individual's current disability and survivor benefit amounts. In May 2012, SSA made the statement available electronically for those establishing an online account. Since September 2014, SSA has mailed printed statements to workers age 25, 30, 35, 40, 45, 50, 55, and 60 or older who have not created a personal online Social Security account. At age 60, SSA sends the statement annually.

While important information is provided through SSA's website and publications to help people make informed decisions about when to claim retirement benefits, our observation of 30 claims interviews in SSA field offices and of a demonstration of the online claims process found that some key information may not be consistently provided to potential claimants when they file. POMS states that claims specialists are to provide information, and avoid giving advice, to claimants. The POMS also specifies that when taking an application for Social Security benefits, the claims specialist is responsible for explaining the advantages and disadvantages of filing an application so that the individual can make an informed filing decision. The SSA protocol has claims specialists follow a screen-by-screen process of questions and prompts to collect basic information from claimants, but does not prompt questions or discussion of some key information.

The following summarizes key information that was not consistently covered during the in-person claims process. We discuss additional areas of key information in our full report.

- **How claiming age affects monthly benefits:** POMS states that claimants filing for benefits should be advised that higher benefits may be payable if filing is delayed. It also states that claimants should, if applicable, be provided with at least three monthly benefit amounts at three different claiming ages—at the earliest possible month for claiming, at FRA, and age 70. In 18 of 26 in-person interviews we observed in which delaying claiming was a potential choice, the claims specialist mentioned that the claimant's benefit amount would be higher if he or she delayed claiming. However, the remaining 8 did

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not discuss this option. Of the 18 interviews that mentioned delayed claiming, 13 claims specialists presented at least the three benefit amounts per POMS, while 5 did not.<sup>5</sup> Surveys have shown that most individuals do not know how much monthly benefits can increase by waiting to claim, so offering benefit estimates at different ages is likely to provide information many claimants do not have. This information can influence the age at which they claim, and expert opinion and past GAO reports have found that delayed claiming can be an important strategy to consider for most retirees. In contrast, the online claims process includes screens that provide information on how claiming at different ages raises or lowers monthly benefits.

- **How taking retroactive benefits affects monthly benefits:** SSA allows for up to 6 months of retroactive benefits when a claimant is at least FRA or has a "protective filing date"—a documented date within the 6 months prior to a claims appointment when a claimant first contacted SSA about filing a retirement claim.<sup>6</sup> In 10 of the 30 observed interviews, claims specialists offered the opportunity to claim up to 6 months of retroactive benefits as a lump sum. While retroactive benefits offer an attractive lump sum, taking it essentially means applying for benefits up to 6 months earlier, and results in a permanent reduction in the monthly benefit amount. POMS provides eligibility criteria for retroactive benefits. However, it does not instruct claims specialists to inform claimants that taking lump-sum retroactive benefits will result in permanently lower monthly benefits, compared to not taking retroactive benefits, a tradeoff claimants may not be aware of. The claims specialist explained this tradeoff in only 1 of the interviews we observed. In another interview, a claimant who initially said he wanted benefits to start later in the year changed his mind to start 6 months earlier after being offered a lump sum. In the online

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<sup>5</sup> In 4 of the 30 interviews, a discussion of delayed claiming was not relevant because the claimant filed and suspended benefits, was age 70 or older, or was not eligible for benefits.

<sup>6</sup> Individuals claiming benefits after FRA can claim retroactive benefits covering up to 6 months. For those who file less than 6 months after FRA, retroactive benefits are paid back to the month of FRA attainment. Protective filing is a statement of intent to file for Title II benefits. It protects the claimant's date of acceptance as the claimant's application date. If at any time in the following 6 months the claimant decides to apply for benefits, the protective filing date will be considered the application date and the claimant will be able to receive retroactive benefits back to that date. After 6 months, the protective filing is closed out. See POMS GN 00204.010 and GN 00204.030.

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claims process, if a claimant has the option of starting benefits retroactively and chooses not to, the claimant is asked to provide a reason. This step runs the risk of making the claimant believe he is making an unusual decision, or a mistake, by choosing a later claiming date.

- **How lifetime earnings affect monthly benefits:** We observed only 8 interviews in which a claims specialist mentioned that benefits are based on 35 years of earnings and that working longer could potentially raise benefits by boosting average lifetime earnings. While POMS does not require claims specialists to explain how earnings affect benefit amounts, the claims process could be modified to include prompts for claims specialists to inform claimants that benefits are based on 35 years of earnings—information that SSA already makes available on its website. By discussing how years of earnings are calculated to determine one’s benefit amounts, claims specialists might better inform claimants who are deciding when to claim, especially for those who have fewer than 35 years of earnings. Similarly, the online application process does not inform claimants that benefits are based on the highest 35 years of earnings.
- **How the retirement earnings test affects income before and after FRA:** Individuals who claim benefits before their FRA but continue to work for pay face a retirement earnings test, with earnings above a certain limit resulting in a temporary reduction of monthly benefits.<sup>7</sup> In the 18 interviews we observed in which a potential claimant was younger than FRA, most of the claims specialists explained, accurately, that the claimant would have benefits withheld if he or she earned more than the retirement earnings limit. However, in fewer than half of applicable interviews (7 of 17) did the claims specialists explain that any benefits withheld due to earnings would be recalculated and result in higher benefit amounts after FRA. Some claims specialists mentioned only that earnings may result in lower benefits, or that the claimant cannot earn above the limit, perhaps inaccurately suggesting the earnings test would result in a permanent loss of benefits. In one interview, a claims specialist told the claimant she would be “penalized” if she earned over the limit. POMS states

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<sup>7</sup> In 2016, SSA withholds \$1.00 of benefits for every \$2.00 of earnings above \$15,720 for someone younger than FRA for the full year. In the year the claimant reaches FRA, the earnings limit rises to \$41,880 (for 2016), and \$1.00 of benefits is withheld for every \$3.00 in earnings in the months prior to the claimant reaching FRA.

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that, when applicable, the claims specialist should explain to claimants that earnings could be withheld based on the annual earnings test, but does not instruct claims specialists to explain that the earnings test is not a penalty or tax, or that withheld benefits are repaid. However, if claimants do not understand the full implications of the earnings test, they could erroneously think it will result in a permanent loss in benefits and, as a result, unnecessarily stop working or reduce their working income. This was made clear in one interview in which a claimant with earnings likely to be above the limit said she might have to quit one of her two jobs unless she waited until FRA to claim. In the online application process, screens provide information explaining that any benefits withheld because of the retirement earnings test will raise monthly benefits after FRA.

- **How life expectancy and longevity risk could factor into the claiming decision:** While claims specialists are not specifically required to discuss life expectancy and longevity risk, the POMS does state that information should be provided to help claimants make informed filing decisions. SSA also emphasizes the importance of considering longevity and life expectancy in information made available on its website. According to the American Academy of Actuaries and the Society of Actuaries, understanding how longevity, and in particular longevity risk, can affect retirement planning is an important aspect of preparing for a well-funded retirement. However, the subject of how family health and longevity might influence the timing of benefit claims arose only twice in our 30 observations, and both times because the claimant raised the subject. Similarly, the online application process does not inform claimants that life expectancy and longevity risk are important considerations in deciding when to claim.
- **Potentially misleading use of breakeven ages:** Additionally, in contrast to providing potential claimants with key information to help inform their claiming decisions, the POMS instructs claims specialist not to provide a "breakeven age"—the age at which the cumulative higher monthly benefits starting later would equal the cumulative lower benefits from an earlier claiming date. Research shows that breakeven analysis can influence people to claim benefits earlier than they might otherwise. During our in-person observations, we saw 6 instances in which a claims specialist presented a breakeven age to help a claimant compare claiming benefits now or waiting to claim. In some interviews, claims specialists not only offered a breakeven year, they added their conclusion that the analysis showed that claiming earlier was preferable. One claims specialist showed the claimant that it would take 11 and 1/2 years to make up the difference for waiting to

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claim, and added that "according to the actuaries, that [early claim] is a reasonable choice." Another claims specialist said the breakeven analysis showed "it pays to file early."

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## Our Recommendations and Agency Response

Many American will rely heavily on Social Security for a substantial portion of their retirement income, so it is imperative that they have the necessary information to make informed claiming decisions. Though we found SSA's claims process largely provides accurate information and avoids overt financial advice, certain key information is not provided or explained clearly during the claims process. POMS specifies that claims specialists should explain the advantages and disadvantages of filing for Social Security benefits to help people make informed filing decisions. However, because SSA is not fully operationalizing this guidance in the claims interviews, some claimants do not receive all the information that is critical to making informed claiming decisions. The claims process, either in person with a claims specialist or online, allows for SSA to add additional questions or prompts—potentially using language SSA already provides on its website and in publications. Updating this information would help each individual receive the information they need to make an optimal decision. In our issued report, we make several recommendations that would ensure potential claimants are consistently provided with key information during the claiming process to help them make informed decisions about when to claim Social Security retirement benefits.

Specifically, we recommend that SSA take steps to ensure that:

- when applicable, claims specialists inform claimants that delaying claiming will result in permanently higher monthly benefit amounts, and at least offer to provide claimants their estimated benefits at their current age, at FRA (unless the claimant is already older than FRA), and age 70;
- claims specialists understand that they should avoid the use of breakeven analysis to compare benefits at different claiming ages;
- when applicable, claims specialists inform claimants that monthly benefit amounts are determined by the highest (indexed) 35 years of earnings, and that in some cases, additional work could increase benefits;
- when appropriate, claims specialists clearly explain the retirement earnings test and inform claimants that any benefits withheld because of earnings above the earnings limit will result in higher monthly benefits starting at FRA;

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- claims specialists explain that lump sum retroactive benefits will result in a permanent reduction of monthly benefits. For the online claiming process, SSA should evaluate removing or revising the online question that asks claimants to provide a reason for not choosing retroactive benefits; and
  - the claims process include basic information on how life expectancy and longevity risk may affect the decision to claim benefits.

SSA generally agreed with our recommendations.

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Chairman Collins, Ranking Member McCaskill, and Members of the Committee, this concludes my prepared remarks. I would be happy to answer any questions that you may have at this time.

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**GAO Contact and  
Staff  
Acknowledgments**

For further information regarding this testimony, please contact Charles Jeszeck at (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who make key contributions to this testimony include Mark Glickman (Assistant Director), Laurel Beedon, Susan Chin, Susan Aschoff, Alexander Galuten, Frank Todisco (Chief Actuary), and Walter Vance.

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**SPECIAL COMMITTEE ON AGING**

**UNITED STATES SENATE**

**September 14, 2016**

**STATEMENT FOR THE RECORD**

**VIRGINIA RENO  
DEPUTY COMMISSIONER FOR RETIREMENT  
AND DISABILITY POLICY  
SOCIAL SECURITY ADMINISTRATION**

Chairman Collins, Ranking Member McCaskill, and Members of the Special Committee:

I am Virginia Reno, Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration (SSA). Thank you for inviting me to discuss how SSA provides information to help workers and their family members decide when to claim Social Security retirement benefits. This decision is a very important one, and we are mindful of our responsibility to provide information to help our claimants make informed decisions that best fit their individual circumstances.

### **Importance of Social Security**

First, I would like to note the importance of Social Security, officially named the Old-Age, Survivors, and Disability Insurance program. Few government agencies touch as many people as we do. We are with people through life's journey, helping them secure today and tomorrow. Social Security is a social insurance program, under which workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings. Employees today contribute 6.2 percent of their earnings – on earnings up to \$118,500 a year – for Social Security protection, and their employers contribute matching amounts. Self-employed workers contribute both the employee and employer shares and receive tax deductions for the amount of the employer share. In 2015, 213 million workers were insured for retirement and survivors benefits, and 151 million workers were protected against a catastrophic loss of income due to disability.

Social Security pays monthly benefits to 60 million individuals, including 40 million retired workers and three million of their spouses and children; nine million disabled workers and two million dependents (mainly children); and six million surviving widows, children, and other dependents of deceased workers.<sup>1</sup> In fiscal year (FY) 2015, these benefits totaled around \$877 billion. Administrative expenses for Social Security are very low, less than one percent of benefit payments.

Social Security is the foundation of retirement security for almost all U.S. workers, and it is the main source of income for most retirees. Nearly two in three seniors who receive Social Security get more than half of their total income from it, including one in three who rely on their benefits for all or almost all (90 percent or more) of their income.<sup>2</sup>

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<sup>1</sup> We also administer the Supplemental Security Income program, which provided benefits to over eight million recipients last year.

<sup>2</sup> [Income of the Population 55 or Older, 2014 \(2016\), Table 9.A1](#)

**Choosing When to Claim Retirement Benefits**

Choosing when to start receiving Social Security retirement benefits is an important decision that affects the amount that individuals receive for the rest of their lives. Workers can claim full (unreduced) retirement benefits at their full retirement age (FRA) – currently age 66.<sup>3</sup> Social Security offers workers flexibility to claim benefits as early as age 62 or to delay as late as age 70.

Receiving Social Security benefits before FRA permanently reduces an individual's monthly retirement benefit for every month of benefits received before attaining FRA – and the earlier benefits begin, the greater the reduction.<sup>4</sup> In 2016, retirement benefits claimed at age 62 result in a reduction of up to 25 percent, compared to the benefit payable at FRA.<sup>5</sup>

On the other hand, individuals who delay claiming beyond FRA earn “delayed retirement credits” (DRCs) for every month they do not receive benefits after attaining FRA and prior to attaining age 70. For those born in 1943 and later, each month of delay increases the retirement benefit by two-thirds of one percent, or eight percent per year.

For example, consider an individual eligible for a \$1,000 monthly benefit at the FRA of 66. As shown in the following chart, if he or she took benefits at age 62, the monthly amount would be permanently reduced by 25 percent to \$750. On the other hand, if he or she delayed benefits until age 70, the monthly amount would be permanently increased by 32 percent (eight percent per year from age 66 to 70) to \$1,320. Overall, delaying the start of benefits from age 62 to 70 would increase the monthly benefit by 76 percent (from \$750 to \$1,320).<sup>6</sup>

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<sup>3</sup> For persons born in years 1943 through 1954, full retirement age is 66. Over time, the full retirement age will gradually increase to age 67 (for persons born in 1960 and later).

<sup>4</sup> In the case of early retirement, a benefit is reduced 5/9 of one percent for each month before full retirement age, up to 36 months. If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month.

<sup>5</sup> For persons born in 1960 or later, a worker who chooses to retire at age 62 would have a reduction of up to 30 percent.

<sup>6</sup> Both figures reflect current dollar amounts. Because all beneficiaries receive cost-of-living adjustments over time, regardless of when they elect to begin retirement benefits, the actual dollar amounts would vary.

If receipt begins at age: <sup>7</sup>	The monthly benefit would be: <sup>8</sup>
62	\$750
63	\$800
64	\$866
65	\$933
<b>66</b>	<b>\$1,000</b>
67	\$1,080
68	\$1,160
69	\$1,240
70	\$1,320

Retirement claiming decisions can also affect the amount of the benefit that the worker's surviving spouse will receive, if he or she outlives the worker. In effect, the same adjustment that applies to the worker's retirement benefit will apply to survivor benefits paid to the worker's widow or widower, for the rest of his or her life.

The amount of these reductions and credits is not arbitrary. Rather, the benefit adjustments for early and delayed claiming are designed to be actuarially neutral in the cost to the Social Security trust funds. This means that, no matter when he or she elects to receive retirement benefits, if an individual lives to the average life expectancy, he or she will receive roughly the same lifetime benefits. Of course, real people are not averages. In this respect, people make decisions that best reflect their own situations and needs.

Deciding when to claim retirement benefits can be complex and is a highly personal decision, based on many factors. In addition to the monthly benefit amount, individuals will want to consider their personal and family circumstances, including current and future financial resources and obligations, and current and anticipated health and longevity.

<sup>7</sup> See SSA Pub. No. 05-10147, "[When to Start Receiving Retirement Benefits](https://www.ssa.gov/pubs/EN-05-10147.pdf)" (July 2016), available at <https://www.ssa.gov/pubs/EN-05-10147.pdf>.

<sup>8</sup> These monthly benefit amounts do not account for any benefit increase that may be due to earnings after age 61.

Someone who needs benefits at age 62 to make ends meet, or whose current health is precarious, may choose to claim benefits at age 62. Others may choose to wait until age 70 to get higher Social Security benefits in case they might live to an advanced age when other resources may have decreased. In fact, the likelihood of living to an advanced age is greater than many people might realize. Social Security's actuaries estimate that more than one in three 65-year-olds today will live to age 90, and more than one in seven will live to age 95.<sup>9</sup>

Married couples approaching retirement have two lives to plan for. They must consider important information about Social Security protection for widowed spouses. A higher-earning partner who delays benefits will receive higher monthly benefits for his or her life. This delay will also result in higher survivor's benefits for a spouse if the spouse lives longer. Married couples at age 65 today have greater than a 50-50 chance that at least one member of the couple will live beyond the age of 90.<sup>10</sup>

### **Social Security's Role in Individuals' Decision-Making**

SSA's role in the retirement claiming decision is to provide objective and clear information that individuals can use to make an informed decision for their own circumstances. The Government Accountability Office (GAO) is currently exploring the ways we inform individuals about their choices. While our outreach, education, and customer service efforts are informative and robust, we appreciate the guidance and recommendations that GAO may offer to improve our interactions with the public.

We have a variety of ways to inform individuals about their claiming decisions *before* they decide to file for benefits. These resources are critical because they allow individuals to gather information and consider their decisions in advance, so they have time to think about the best claiming age for them. After all, by the time they arrive in a field office or complete an online application to claim benefits, they may have already decided to file for benefits. We provide this information in advance through the *Social Security Statement*, our website and publications, outreach, and more.

### ***Social Security Statement***

The *Social Security Statement (Statement)* reaches a wide swath of workers and pre-retirees of all ages. It often serves as our first interaction with members of the public. We currently mail *Statements* to workers ages 25, 30, 35, 40, 45, 50, 55, and 60 or older who

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<sup>9</sup> See SSA Pub. No. 05-10147, "[When to Start Receiving Retirement Benefits](https://www.ssa.gov/pubs/EN-05-10147.pdf)" (July 2016), available at <https://www.ssa.gov/pubs/EN-05-10147.pdf>.

<sup>10</sup> NASI brief, *When Should I Take Social Security Benefits?* 2014, data based on OACT estimates for 2013.

are not receiving Social Security benefits and do not have a [my Social Security](#) account.<sup>11</sup> In FY 2015, we mailed more than 44 million *Statements*.

The most convenient way for people to see their *Statement* is by creating and using their personal [my Social Security](#) account through our [SocialSecurity.gov](#) website. However, we also provide an option for online users to print and mail a request to us, allowing us to send a hard copy *Statement* without any registration process.

The *Statement* provides personalized information about an individual's potential retirement, disability, and survivor benefits, as well as a detailed record of the individual's earnings history. We encourage people to verify their earnings history and let us know if corrections are needed. This is especially important since we base future benefits on the individual's earnings history. For retirement benefits, the *Statement* lists the benefit amounts that he or she could expect to receive at age 62, at FRA, and at age 70. For people age 55 and older, the *Statement* describes additional factors to consider when choosing when to claim benefits. It includes information on how work affects benefits; how a worker's claiming decision affects his or her spouse's survivor benefits; how to avoid a Medicare late-enrollment penalty; and information on life expectancy. Surveys indicate that receiving the *Statement* increases Social Security program knowledge among recipients,<sup>12</sup> and preliminary research findings suggest that *Statement* receipt also has a statistically significant impact on claiming decisions, reducing the percentage of individuals claiming at ages 62 and 63.<sup>13</sup>

Because it reaches so many people and provides individualized benefit information, the *Social Security Statement* is a valuable educational tool. With recent funding levels, however, we have been unable to mail *Statements* to all workers in some years. As the *Statement* serves as a vital tool in retirement planning, it is essential that we receive the funding necessary to ensure that we are able to continue its mailing.

#### ***Publications and Online Tools***

We offer a wealth of information to the public through our publications, website, and other online tools. Over 118 million people visited our website a total of more than 216 million times in the last year. Numerous publications, webpages, and [Frequently Asked Questions](#) explain the effect that earnings, the age of claiming benefits, and the receipt of a non-covered pension may have on Social Security benefits. Our resources range from

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<sup>11</sup> Individuals also may request a copy of their *Statement* outside of these times.

<sup>12</sup> Barbara Smith and Kenneth Couch, "[The Social Security Statement: Background, Implementation, and Recent Developments](#)," in *Social Security Bulletin*, Vol. 74, No. 2, 2014.

<sup>13</sup> Barbara Smith and Kenneth Couch, "The Contribution of the Social Security Statement to the Retirement Security of American Workers," paper presented at the Financial Security Research Symposium, U.S. Treasury Department, Washington, DC, September 7, 2016.

providing basic information about benefits, to delving into the details of benefit calculations, factors to consider in claiming decisions, and more.

We offer a variety of online calculators. One of these, [the Retirement Estimator](#), allows an individual to input a few pieces of personal information and receive an estimate of benefits that would be payable if he or she were to claim benefits at age 62, at FRA, at age 70, or at any age in between based upon his or her actual earnings information. The Retirement Estimator lets individuals enter different future earnings information, retirement dates, and scenarios to help decide the best time to retire. We also offer a [Life Expectancy Calculator](#) to aid people with their retirement planning. This calculator allows an individual to see his or her estimated total life expectancy based on his or her gender and date of birth.

Individuals with a [my Social Security](#) account gain immediate access to their *Statement* online, including both their earnings record and their expected Social Security benefits were the individual to claim benefits at ages 62, FRA, and 70. Currently, over 26 million individuals have signed up for a [my Social Security](#) account.

We also offer substantial information while an individual completes the online application for retirement benefits. Throughout the online retirement application, we provide links that explain why we ask for particular pieces of information or that offer information based on a claimant's individual circumstances. For example, within the online application, when claimants indicate the date they want to start receiving benefits, we provide information to let them know that if they begin receiving their benefit before FRA, their benefits will be permanently reduced. We also provide links to more information about FRA and full benefit amounts. Additionally, we provide a link to a retirement estimator, mentioned earlier, that allows claimants to see what their benefit amount would be at various ages. This level of information is important because most retirement claims are filed online – in 2015, 52 percent of retirement applications were filed online.

#### ***Direct Service to Customers***

Our employees are dedicated to providing customers with all the information they need to make a well-informed decision about claiming Social Security benefits. They assist the public in a variety of ways, through face-to-face interaction in the field offices, by telephone, in response to online applications, and by mail.

Employees inform claimants of all benefits for which they and their family members may be eligible; provide monthly benefit amounts at early, full, and delayed retirement ages; and discuss other information the claimant may need to know about Social Security rules, requirements, and benefits. In short, our employees provide customers with information about Social Security and how our rules apply to each customer's individualized situation. At the same time, we instruct our employees not to persuade or influence

claimants about benefit decisions. Rather, our information about Social Security benefits and rules is part of a much larger picture that a claimant and his or her family must put together to make decisions that fit their own circumstances. Our employees are not in a position to know about or discuss a worker's financial resources, tax situation, health, family history, or other information that may be important when making individual retirement decisions.

#### ***Ending Use of Breakeven Analysis***

In the past, we used to calculate a “breakeven age” for claimants who were deciding when to claim benefits.<sup>14</sup> We discontinued this practice in 2008 based on concerns within the agency, from stakeholders, and from researchers that its use encouraged early benefit claiming. Breakeven analysis generally weights the discussion toward getting the most money as soon as possible (often by claiming early), and may undervalue Social Security's annuity protection against the so-called “longevity risk”—the very real risk that an individual or his or her surviving spouse may face deprivation at an advanced age. Based on these concerns, we discontinued using the breakeven concept in 2008. Subsequent research supports this decision. For example, a 2011 study tested different ways of framing or presenting information on Social Security claiming options, and found that use of breakeven framing led to substantially earlier expected claiming dates than other ways of presenting the same information.<sup>15</sup> Additionally, more recent research finds that psychological factors, such as loss aversion and preference for immediate over future rewards, could also encourage earlier claiming of benefits.<sup>16</sup>

#### ***Field Office Employee Training***

Our field office employees serve as the face of our agency, providing integral in-person decision-making information to our claimants. To ensure that they are well informed and able to provide exemplary customer service to the public, we train our field office claim specialists through a variety of methods and over the course of their careers. Claims specialists' training begins with approximately four months of formal entry-level and advanced training. This training covers topics that employees need to perform their jobs, and explains how employees should discuss items with claimants during interviews and in response to questions.

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<sup>14</sup> The breakeven point is the age at which the projected amount of accumulated benefits based on a later retirement (higher monthly benefits) would equal the projected amount of accumulated benefits from retiring early (reduced monthly benefits).

<sup>15</sup> Jeffrey R. Brown, Arie Kapteyn, and Olivia S. Mitchell. [Framing Effects and Expected Social Security Claiming Behavior](#). RAND Working Paper WR-854, April 2011.

<sup>16</sup> Shu, Suzanne B., John W. Payne, and Namika Sagara. 2014. *The Psychology of SSA Claiming Decisions: Toward the Understanding and Design of Interventions*. Prepared for the 16th Annual Joint Meeting of the Retirement Research Consortium, August 7-8, 2014.

After formal training, claims specialists enter into a mentorship under a journeyman employee until they have shown their proficiency in their job duties. To ensure that our employees retain their knowledge and are aware of any updates to policy and procedure, we offer continued training even after an employee has been certified to complete work independently, and such training continues throughout his or her career.

### ***Collaboration***

Public outreach is an essential part of our strategy to educate the public on the retirement benefit options available. We provide the public with critical information about our programs, benefits, and services. To this end, we participate in ongoing communications and collaborations with key national organizations, advocacy groups, Federal agencies, and state and local government organizations.

We collaborate with a number of outside organizations on research and other projects to expand our understanding of retirement claiming decisions and related factors, and to improve how we explain this information to the public. For example, we are working with the White House Social and Behavioral Sciences Team to use insights from the behavioral sciences to improve how we explain options that individuals have about the retirement earnings test and claiming options. We are also partnering with AARP to explore messaging about claiming ages (such as at full retirement and early retirement). In addition, we support a nationally-representative panel survey that allows us to determine what participants know about Social Security, how they want to receive information from us, and how well they understand particular messages or terminology about retirement claiming.

We also work with other Federal agencies to provide people with the information tools they need to plan for retirement and to encourage financial readiness. For example, we partnered with the Department of Labor to develop and publicize the Retirement Toolkit. This toolkit includes information on Social Security benefits and claiming, Medicare, retirement savings, and other related topics. We also recently co-hosted a public Financial Security Research Symposium with the Department of the Treasury, as part of the Financial Literacy and Education Commission.

These collaborations, and others like them, further our understanding of how best to explain complicated claiming information in a way that promotes informed decision-making for all of our claimants. We are using empirical evidence to improve tools and techniques to help our customers make informed decisions about claiming Social Security retirement benefits.

### **Funding**

Finally, I would like to emphasize our need for adequate, sustained funding to carry out Social Security's core missions, including our commitment to provide the world-class

service that this Committee, the GAO, and our public expect. When workers contribute 6.2 percent of their earnings throughout their working lives into the Social Security program, they are paying not only for insurance protection and a monthly insurance benefit. They are also paying for the comprehensive service they expect from us before and when they claim benefits.

However, our operating budget (excluding dedicated program integrity funds) to administer Social Security has been severely constrained in recent years. SSA's core operating budget has shrunk by 10 percent since 2010 after adjusting for inflation, even as the number of Social Security beneficiaries has risen by 12 percent over the same time. We expect to serve a record number of claimants and beneficiaries in FY 2017. And large numbers of claimants and beneficiaries continue to come to us expecting the services that they paid for throughout their working lives. We do not expect this to subside in the foreseeable future, as the first boomers reached age 62 only in 2008 (and the last ones will not reach that age until the mid-2020s).

But we can only do so much when we receive far less money than we need, even as our workloads are increasing with the baby boomers reaching retirement age. Our FY 2016 enacted budget was \$350 million less than the President's request. Given the significant demand for our services and the budget constraints of recent years, the result has been that more people are waiting to be served at field offices, more people are waiting longer for their claims to be allowed, and more people (over one million) are waiting for their hearings before administrative law judges.

We are greatly concerned about FY 2017 under a continuing resolution or even lower funding levels. Each year we must absorb \$300-350 million inflationary growth in our fixed costs (e.g., payroll, benefits, rent, postage, and guard services), which means less money to do our work and serve the public. We already are faced with a hiring freeze, which means – due to attrition – we are shrinking even as the number of Social Security beneficiaries grows. The House appropriations bill, if enacted, would cut the agency's base administrative funding below the FY 2016 enacted level and result in serious degradation of service. For example, at such low funding levels, we could face up to two weeks of employee furloughs, when our field offices could be closed to the public. The Senate appropriation bill, while higher than the House bill, would still fall short of providing us the funding to serve record numbers of claimants and beneficiaries.

The President's Budget request of \$13.067 billion would provide funding to improve service to the public, and it would allow us to continue mailing *Social Security Statements* to millions of workers. We have demonstrated that we do an excellent job managing our administrative budget despite needing a large infrastructure that requires many people and buildings to be accessible to the public. Our administrative costs are extremely low considering the volume of work we do. In 2015, administrative expenses represented only 0.7 percent of total Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits. Looking at OASI alone, the numbers are even lower,

at 0.4 percent of OASI outgo. Again, that is *less than one-half of one percent* – far less than any private sector system for providing life insurance and retirement annuities.

As GAO and many others point out, decisions about claiming retirement benefits have lifelong consequences for retirees and their spouses. It is crucial that we get a funding level that allows us to rebound from this year's constraints to restore and improve service to the public. We reiterate the critical importance of adequately funding our agency so that we can deliver the level of service the American people deserve and have paid for with Social Security contributions from their paychecks throughout their working lives.

### **Conclusion**

When Congress enacted the Social Security Act in 1935, it did so to provide seniors with benefits based on their earned income to sustain them through their retirement. This continues to be one of the program's core purposes. But our efforts should not result in pushing our claimants into a one-size-fits-all choice. Our program rules allow individuals to claim their retirement benefits at any time between the ages of 62 and 70, offering individuals the flexibility to start benefits at the date that best suits their needs. Through interaction with agency employees, the *Social Security Statement, my Social Security*, and other online tools, our publications, and our outreach efforts, we provide valuable ways for individuals to learn about how claiming decisions may affect their benefits. While there is no "best age" for all individuals to receive their retirement benefits, we design our efforts to ensure that individuals can make informed decisions based on their own circumstances.

Thank you again for inviting me here today. I would be glad to answer any questions.



*Virginia P. Reno*

*Deputy Commissioner*

*for Retirement and Disability Policy*

Virginia P. Reno is the Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration (SSA). She directs and manages policy and operational instructions for the retirement, survivors, disability, and SSI programs, as well as programs promoting the employment of beneficiaries with disabilities. She is also the principal advisor to the Commissioner of Social Security on strategic policy planning, policy research and evaluation, statistical programs, and overall policy development and analysis. Previously, Reno served as Vice President for Income Security Policy at the National Academy of Social Insurance, where she led the Academy's work on Social Security, retirement policy, disability insurance, workers' compensation, and related programs. She directed the Academy's landmark study, *Uncharted Waters: Paying Benefits from Individual Accounts in Federal Retirement Policy*, which was highly regarded by experts on all sides of Social Security policy debates. She also directed the Academy's comprehensive review of Social Security disability programs, culminating in a final report that became the blueprint for many of the changes enacted in the Ticket to Work and Work Incentive Improvement Act of 1999. Before joining the Academy, Reno held research and policy positions at SSA and worked for four major commissions on Social Security, including serving as a senior advisor to the 1983 Greenspan Commission. She received her B.A. from the Honors College of the University of Oregon and served in the Peace Corps in Liberia.

## When to Start Receiving Retirement Benefits



At Social Security, we're often asked, "What's the best age to start receiving retirement benefits?" The answer is that there's no one "best age" for everyone and, ultimately, it's your choice. The most important thing is to make an informed decision. Base your decision about when to apply for benefits on your individual and family circumstances. We hope the following information will help you understand how Social Security fits into your retirement decision.

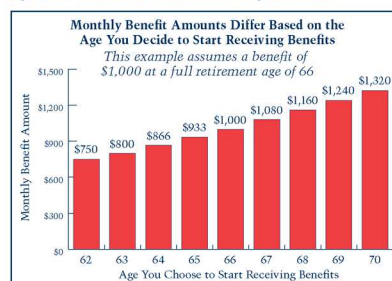
### Your decision is a personal one

Would it be better for you to start getting benefits early with a smaller monthly amount for more years, or wait for a larger monthly payment over a shorter timeframe? The answer is personal and depends on several factors, such as your current cash needs, your current health, and family longevity. Also, consider if you plan to work in retirement and if you have other sources of retirement income. You must also study your future financial needs and obligations, and calculate your future Social Security benefit. We hope you'll weigh all the facts carefully before making the crucial decision about when to begin receiving Social Security benefits.

### Monthly payments differ substantially based on when you start receiving benefits

If you live to the average life expectancy for someone your age, you'll receive about the same amount in lifetime benefits. It doesn't matter if you start receiving benefits at age 62, full retirement age, age 70, or any age in between. The amount of your monthly benefit, however, can differ considerably, based on your retirement age. You can get lower monthly payments for a longer period or higher monthly payments over a shorter period of time. The amount you receive when you first get benefits sets the base for the benefits you'll get for the rest of your life. You'll get annual cost-of-living adjustments and, depending on your work history, may receive higher benefits if you continue to work.

The following chart provides an example of how your monthly benefit can differ based on the age you decide to start receiving benefits.



Let's say your full retirement age is 66 and your monthly benefit starting at that age is \$1,000. If you start getting benefits at age 62, we'll reduce your monthly benefit 25 percent to \$750 to account for the longer time you receive benefits. This decrease is usually permanent.

If you choose to delay getting benefits until age 70, you would increase your monthly benefit to \$1,320. This increase is from delayed retirement credits you earn for your decision to postpone receiving benefits past your full retirement age. The benefit at age 70 in this example is 32 percent more than you would receive each month if you start getting benefits at full retirement age.

### Retirement may be longer than you think

When thinking about retirement, be sure to plan for the long term. Many of us will live much longer than the "average" retiree, and most women live longer than men. More than one in three 65 year olds today will live to age 90, and more than one in seven will live to age 95. Social Security benefits, which last as long as you live, provide valuable protection against outliving savings and other sources of retirement income. Again, you'll want to choose a retirement age based on your circumstances so you'll have enough income when you need it.

(over)

### Your decision could affect your family

Your spouse may be eligible for a benefit based on your work record (we reduce spouse benefits if claimed before the spouse's full retirement age). If you earned more over your lifetime and die before your spouse, they may be eligible for a higher survivor benefit based on your work record. If you begin receiving Social Security benefits early, we can't pay your surviving spouse a full benefit from your record. But, if you wait until full retirement age to get benefits, your surviving spouse — if they're is at least full retirement age — will get the same benefit you would have received.

Your children can also be eligible for a benefit on your work record if they're under age 18 or if they have a disability that began before age 22. For them to receive benefits, you must be getting benefits, too.

### You can keep working

When you reach your full retirement age, you can work and earn as much as you want and still get your full Social Security benefit payment. If you're younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

This doesn't mean you must try to limit your earnings. If we withhold some of your benefits because you continue to work, we'll pay you a higher monthly benefit when you reach your full retirement age. So, if you work and earn more than the exempt amount, it won't, on average, decrease the total value of your lifetime benefits from Social Security — and can increase them.

Here is how this works: When you reach full retirement age, we'll recalculate your benefit to give you credit for months you didn't get a benefit because of your earnings. In addition, as long as you continue to work and receive benefits, we'll check your record every year to see whether the extra earnings will increase your monthly benefit.

### Don't forget Medicare

If you plan to delay receiving benefits because you're working, you'll still need to sign up for Medicare three months before reaching age 65. If you don't enroll in Medicare medical insurance or prescription drug coverage when you're first eligible, it can be delayed, and you may have to pay a late enrollment penalty for as long as you have coverage.

### More resources

You can estimate benefit amounts and find more information to help you decide when to start receiving retirement benefits by using our benefits planners at [www.socialsecurity.gov/planners](http://www.socialsecurity.gov/planners). You can also use our Retirement Estimator at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator), or create a **my Social Security** account and get your *Social Security Statement* at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount). Both tools provide retirement benefit estimates based on your actual earnings record.

When you're ready for benefits, you can also apply online at [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits). Many people can continue to work and still receive retirement benefits. If you want more information about how your earnings affect your retirement benefits, read *How Work Affects Your Benefits* (Publication No. 05-10069). This pamphlet has the current annual and monthly earnings limits.

More information — including copies of our publications — is available at [www.socialsecurity.gov](http://www.socialsecurity.gov). You can also call our toll-free number, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call during the week after Tuesday. We treat all calls confidentially. We also want to make sure you receive accurate and courteous service, so a second Social Security representative monitors some telephone calls. We can provide general information by automated phone service 24 hours a day. And, remember, our website, [www.socialsecurity.gov](http://www.socialsecurity.gov), is available to you anytime and anywhere!

[www.socialsecurity.gov](http://www.socialsecurity.gov)

Printed on recycled paper



Social Security Administration  
SSA Publication No. 05-10147  
ICN 480136  
Unit of Issue - HD (one hundred)  
July 2016 (August 2015 edition may be used)  
Produced and published at U.S. taxpayer expense



Your payment would be about  
**\$1,767 a month**  
 at full retirement age

WANDA WORKER  
 456 ANYWHERE AVENUE  
 MAINTOWN, USA 11111-1111

January 2, 2016

## Your Social Security Statement

Are you thinking about retirement? Are you ready for retirement?

We have tools that can help you!

- Estimate your future retirement benefits at [socialsecurity.gov/estimator](http://socialsecurity.gov/estimator)
- Apply for retirement, spouse's, Medicare, or disability benefits at [socialsecurity.gov/applyforbenefits](http://socialsecurity.gov/applyforbenefits)
- And once you receive benefits, manage your benefits at [myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov)

Your *Social Security Statement* tells you about **how much you or your family would receive** in disability, survivor, or retirement benefits. It also includes our record of your lifetime earnings. Check out your earnings history, and **let us know right away if you find an error**. This is important because we base your benefits on our record of your lifetime earnings.

Social Security benefits are **not intended to be your only source of income when you retire**. On average, Social Security will replace about

To view your *Social Security Statement* online anytime create a **my Social Security** account today!



**my Social Security**  
[myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov)

40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire.

To see your *Statement* online anytime, create a **my Social Security** account at [myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov).

*Carolyn W. Colvin*

Carolyn W. Colvin  
 Acting Commissioner

Follow the Social Security Administration at these social media sites.



**Your Estimated Benefits**

<b>*Retirement</b>	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...	
	your full retirement age (67 years), your payment would be about.....	\$ 1,767 a month
	age 70, your payment would be about .....	\$ 2,192 a month
	age 62, your payment would be about .....	\$ 1,228 a month
<b>*Disability</b>	You have earned enough credits to qualify for benefits. If you became disabled right now,	
	your payment would be about.....	\$ 1,748 a month
<b>*Family</b>	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
<b>*Survivors</b>	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:	
	Your child .....	\$ 1,311 a month
	Your spouse who is caring for your child .....	\$ 1,311 a month
	Your spouse, if benefits start at full retirement age.....	\$ 1,748 a month
	Total family benefits cannot be more than .....	\$ 3,186 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.	
<b>Medicare</b>	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	
	<b>* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2034, the payroll taxes collected will be enough to pay only about 79 percent of scheduled benefits.</b>	
	<b>We based your benefit estimates on these facts:</b>	
	Your date of birth (please verify your name on page 1 and this date of birth).....	April 5, 1956
	Your estimated taxable earnings per year after 2016 .....	\$44,234
	Your Social Security number (only the last four digits are shown to help prevent identity theft).....	XXX-XX-1234

**How Your Benefits Are Estimated**

To qualify for benefits, you earn “credits” through your work — up to four each year. This year, for example, you earn one credit for each \$1,260 of wages or self-employment income. When you’ve earned \$5,040, you’ve earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven’t earned enough yet to qualify for any type of benefit, we can’t give you a benefit estimate now. If you continue to work, we’ll give you an estimate when you do qualify.

**What we assumed** — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2016 and later (up to retirement age), we assumed you’ll continue to work and make about the same as you did in 2014 or 2015. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator) to obtain immediate and personalized benefit estimates.

We can’t provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

- (1) Your earnings may increase or decrease in the future.
- (2) After you start receiving benefits, they will be adjusted for cost-of-living increases.

- (3) Your estimated benefits are based on current law. **The law governing benefit amounts may change.**

- (4) Your benefit amount may be affected by **military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.** Visit [www.socialsecurity.gov](http://www.socialsecurity.gov) to learn more.

**Windfall Elimination Provision (WEP)** — In the future, if you receive a pension from employment in which you do not pay Social Security taxes, such as some federal, state or local government work, some nonprofit organizations or foreign employment, and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at [www.socialsecurity.gov/WEP](http://www.socialsecurity.gov/WEP).

**Government Pension Offset (GPO)** — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse’s record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at [www.socialsecurity.gov/GPO](http://www.socialsecurity.gov/GPO).

## Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings	Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1972	209	209	1997	29,216	29,216
1973	531	531	1998	30,992	30,992
1974	970	970	1999	32,969	32,969
1975	1,712	1,712	2000	35,043	35,043
1976	2,419	2,419	2001	36,115	36,115
1977	3,071	3,071	2002	36,676	36,676
1978	3,982	3,982	2003	37,694	37,694
1979	5,386	5,386	2004	39,484	39,484
1980	6,931	6,931	2005	40,937	40,937
1981	8,577	8,577	2006	42,778	42,778
1982	9,923	9,923	2007	44,531	44,531
1983	11,231	11,231	2008	45,197	45,197
1984	12,675	12,675	2009	44,055	44,055
1985	13,908	13,908	2010	44,549	44,549
1986	14,955	14,955	2011	45,110	45,110
1987	16,486	16,486	2012	45,133	45,133
1988	17,833	17,833	2013	44,275	44,275
1989	19,017	19,017	2014	44,234	44,234
1990	20,346	20,346	2015	Not yet recorded	
1991	21,508	21,508			
1992	22,988	22,988			
1993	23,540	23,540			
1994	24,490	24,490			
1995	25,781	25,781			
1996	27,327	27,327			

### Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:		Estimated taxes paid for Medicare:	
You paid:	\$61,279	You paid:	\$14,759
Your employers paid:	\$63,109	Your employers paid:	\$14,759

**Note:** Currently, you and your employer each pay a 6.2 percent Social Security tax on up to \$118,500 of your earnings and a 1.45\* percent Medicare tax on all your earnings. If you are self-employed, you pay the combined employee and employer amount, which is a 12.4 percent Social Security tax on up to \$118,500 of your net earnings and a 2.9\* percent Medicare tax on your entire net earnings.

\*If you have earned income of more than \$200,000 (\$250,000 for married couples filing jointly), you must pay 0.9 percent more in Medicare taxes.

## Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

**Review this chart carefully** using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from **last year** may not be shown on your *Statement*. It could be that we still were

processing last year's earnings reports when your *Statement* was prepared. Your complete earnings for last year will be shown on next year's *Statement*. **Note:** If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

**There's a limit on the amount of earnings on which you pay Social Security taxes each year.** The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, all of your earnings are taxed for Medicare.)

**Call us right away at 1-800-772-1213** (7 a.m.–7 p.m. your local time) if any earnings for years **before last year** are shown incorrectly. Please have your W-2 or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

## Some Facts About Social Security

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### About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, drugs, and other medical services and supplies to people age 65 and older, as well as to people who have been receiving Social Security disability benefits for two years or more. Medicare does not pay for long-term care, so you may want to consider options for private insurance. Your Social Security covered earnings qualify you for both programs. For more information about Medicare, visit [www.medicare.gov](http://www.medicare.gov) or call 1-800-633-4227 (TTY 1-877-486-2048 if you are deaf or hard of hearing).

**Retirement** — If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

**Disability** — If you become disabled before full retirement age, you can receive disability benefits after six months if you have:

- enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

If you are filing for disability benefits, please let us know if you are on active military duty or are a recently discharged veteran, so that we can handle your claim more quickly.

**Family** — If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

**Survivors** — When you die, certain members of your family may be eligible for benefits:

- your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16), and
- your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

**Extra Help with Medicare** — If you know someone who is on Medicare and has limited resources and income, Extra Help is available for prescription drug costs. The Extra Help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit [www.socialsecurity.gov](http://www.socialsecurity.gov) or call 1-800-772-1213 (TTY 1-800-325-0778).

### Receive benefits and still work...

You can work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. When you apply for benefits, we'll tell you what the limits are and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

### Before you decide to retire...

Carefully consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your monthly benefits will be reduced.

To help you decide the best time to retire, we offer a free publication, *When To Start Receiving Retirement Benefits* (Publication No. 05-10147), that identifies the many factors you should consider before applying. Most people can receive an estimate of their benefit based on their actual Social Security earnings record by going to [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator). You also can calculate future retirement benefits by using the Social Security Benefit Calculators at [www.socialsecurity.gov](http://www.socialsecurity.gov).

Other helpful free publications include:

- *Retirement Benefits* (No. 05-10035)
- *Understanding The Benefits* (No. 05-10024)
- *Your Retirement Benefit: How It Is Figured* (No. 05-10070)
- *Windfall Elimination Provision* (No. 05-10045)
- *Government Pension Offset* (No. 05-10007)
- *Identity Theft And Your Social Security Number* (No. 05-10064)

We also have other leaflets and fact sheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at our website, [www.socialsecurity.gov](http://www.socialsecurity.gov), or by calling us at 1-800-772-1213. Our website has a list of frequently asked questions that may answer questions you have. We have easy-to-use online applications for benefits that can save you a telephone call or a trip to a field office.

You also may qualify for government benefits outside of Social Security. For more information on these benefits, visit [www.benefits.gov](http://www.benefits.gov).

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**If you need more information** — Contact any Social Security office, or call us toll-free at 1-800-772-1213. (If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778.) If you have questions about your personal information, you must provide your complete Social Security number. If you are in the United States, you also may write to the Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you are outside the United States, please write to the Office of International Operations, P.O. Box 17769, Baltimore, MD 21235-7769, USA.



# Thinking of retiring?

[www.socialsecurity.gov](http://www.socialsecurity.gov)

## Some things to consider

Retirement can have more than one meaning these days. It can mean that you have applied for Social Security retirement benefits or that you are no longer working. Or it can mean that you have chosen to receive Social Security while still working, either full or part-time. All of these choices are available to you. Your retirement decisions can have very real effects on your ability to maintain a comfortable retirement.

If you retire early, you may not have enough income to enjoy the years ahead of you. Likewise, if you retire late, you'll have a larger income, but fewer years to enjoy it. Everyone needs to try to find the right balance, based on his or her own circumstances.

We hope the following information will help you as you plan for your future retirement and consider your retirement options.

## Avoid a Medicare Penalty Sign Up at Age 65

Even if you don't plan to receive monthly benefits, be sure to sign up for Medicare *three months before* turning age 65. If you don't sign up for Medicare Part B (medical insurance) when you're first eligible, your coverage may not start right away and you may have to pay a late enrollment penalty for as long as you have it. You can apply online. Visit [www.socialsecurity.gov/medicareonly](http://www.socialsecurity.gov/medicareonly) for information and to apply.

## What is the best option for you?

Everyone's situation is different. That is why Social Security has created several retirement planners to help you decide what would be best for you and your family. Social Security has an online calculator that can provide immediate and accurate retirement benefit estimates to help you plan for your retirement.

The online Retirement Estimator is a convenient, secure, and quick financial planning tool. It uses your own earnings record information, thereby eliminating any need to manually key in years of earnings information. The estimator also will let you create "what if" scenarios. You can, for example, change your "stop work" date or expected future earnings to create and compare different retirement options. To use the Retirement Estimator, go to our website at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator).

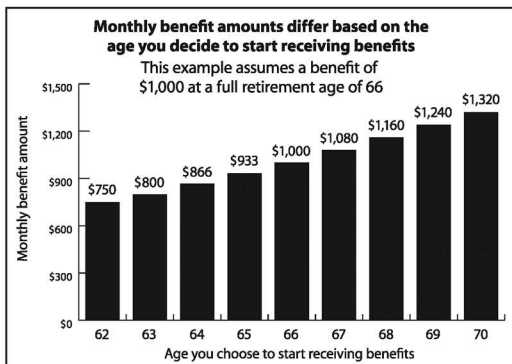
There is one more thing you should remember as you crunch the numbers for your retirement. You may need your income to be sufficient for a long time, because people are living longer than ever before, and generally, women tend to live longer than men. For example:

- The typical 65-year-old today will live to age 83;
- One in four 65-year-olds will live to age 90; and
- One in ten 65-year-olds will live to age 95.

Once you decide on the best age for you to actually retire, remember to complete your application *three months before* the month in which you want retirement benefits to begin.

## It's so easy to apply online for benefits

The easiest way to apply for Social Security retirement benefits is to go online at [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits). If you do not have access to the Internet, you can call 1-800-772-1213 (TTY number, 1-800-325-0778) between 7 a.m. and 7 p.m., Monday through Friday, to apply by phone. You also can apply at any Social Security office. To avoid having to wait, call first to make an appointment.



## Receiving benefits while you work

When you reach your full retirement age, you can work and earn as much as you want and still receive your full Social Security benefit payment. If you are younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

This does not mean you must try to limit your earnings. If we withhold some of your benefits because you continue to work, we will pay you a higher monthly benefit amount when you reach your full retirement age. In other words, if you would like to work and earn more than the exempt amount, you should know that it will not, on average, reduce the total value of lifetime benefits you receive from Social Security—and may actually increase them.

Here is how this works: after you reach full retirement age, we will recalculate your benefit amount to give you credit for any months in which you did not receive some benefit because of your earnings. In addition, as long as you continue to work, we will check your record every year to see whether the additional earnings will increase your monthly benefit.

Many people can continue to work and still receive retirement benefits. If you want more information on how earnings affect your retirement benefits, ask for *How Work Affects Your Benefits* (Publication No. 05-10069), which has current annual and monthly earnings limits, and is available on our website.

## Retirement age considerations

### Full retirement age

For persons born during the years 1943-1954, the full retirement age is 66. If you were not born in this period, you can find your full retirement age on page 2 of your *Social Security Statement*.

### Retiring early

If you've earned 40 credits (credits are explained on page 2 of your *Statement*), you can start receiving Social Security benefits at 62 or at any month between 62 and full retirement age. However, your benefits will be reduced based on the number of months you receive benefits before you reach full retirement age.

If your full retirement age is 66, benefits will be reduced:  
 25 percent at age 62;  
 20 percent at age 63;  
 13½ percent at age 64; or  
 6½ percent at age 65.

### Delaying retirement

You may decide to wait beyond your full retirement age before choosing to receive benefits. If

so, your benefit will be increased by a certain percentage for each month you don't receive benefits between your full retirement age and age 70. This table shows the rate your benefits increase if you delay retiring.

Year of birth	Yearly increase rate
1941 - 1942	7.5%
1943 or later	8.0%

### Rules that may affect your survivor

If you are married and die before your spouse, he or she may be eligible for a benefit based on your work record. If you start benefits before your full retirement age, we cannot pay your surviving spouse a full benefit from your record. Also, if you wait until after your full retirement age to begin benefits, the surviving spouse benefits based on your record will be higher.

## Need more information?

You can find answers to frequently asked questions about Social Security, learn about factors that could affect your benefits, and much more by visiting Social Security online at [www.socialsecurity.gov](http://www.socialsecurity.gov).

If you do not have access to the Internet, you can get information about Social Security by calling **1-800-772-1213 (1-800-325-0778** for the deaf or hard of hearing) or by visiting a local Social Security office.

## Other useful websites

[www.mymoney.gov](http://www.mymoney.gov)

This website contains calculators for financial planning and information on money-related matters, such as retirement planning and starting a small business.

[www.dol.gov/ebsa/pdf/nearretirement.pdf](http://www.dol.gov/ebsa/pdf/nearretirement.pdf)

Have you determined how much money you will need in retirement? There are many tools available to help you, such as the *Taking the Mystery Out of Retirement Planning Workbook* available at this link.

[www.sec.gov/investor/seniors.shtml](http://www.sec.gov/investor/seniors.shtml)

Are you looking for information about the investment options available to you as you enter retirement? The Securities and Exchange Commission has a wealth of information on different investment products and topics available at this website.

[www.usa.gov/topics/seniors.shtml](http://www.usa.gov/topics/seniors.shtml)

This website has a variety of resources for seniors on topics including retirement planning, housing, and health.



Social Security Administration  
 SSA Publication No. 05-10054  
 May 2015 (Destroy prior editions)

Testimony of

Bill Meyer, Founder and CEO of Social Security Solutions, Inc.

September 14, 2016

Chairman Collins, Ranking Member McCaskill, and other distinguished members of the Committee: I am Bill Meyer, Founder and CEO of Social Security Solutions, Inc. Our firm is the largest provider of Social Security help and guidance outside of the Social Security Administration.

Today, I will provide four simple suggestions for the Social Security Administration (SSA) that could make a substantial positive difference to millions of Americans. It is important to note that every service our firm provides the Social Security Administration could provide. Our firm was built on extensive research Dr. William Reichenstein, Endowed Professor from Baylor University, and I published in leading academic journals. We focused on how to apply the rules of Social Security to maximize benefits. We have published more than anyone on this topic and have research that covers almost every household type: single, married, widows, Windfall Elimination Provision/Government Pension Offset, short life expectancy, earnings test/part time work, re-do strategies to increase benefits, and other related research on how to coordinate Social Security benefits with retirement savings. The rules are very complicated, and resources such as the Program Operations Manual are not intuitive. I have built a lot of tools in my career that empower individuals to make financial decisions and call center agents to assist. I give you this context because the Social Security Administration could easily do this, too. Finally, you should be aware the largest and most reputable financial services firms in America use our software to help develop claiming strategies. Similarly, thousands of independent financial advisors license our software. We also directly help retirees who come to us through a website. On a single day we helped over 10,000 people. Note, at the time we only had 6 employees.

With this background and experience aiding people in claiming benefits, I give the following suggestions to help retirees and impending retirees who desperately need better and more transparent information to make claiming decisions.

**Suggestion 1 – The Social Security Administration should provide better information to Americans.**

Currently, the Social Security Administration is providing neither the “right” nor “enough” information for someone to make an informed decision. For example, the focus of individual statements is to state the monthly benefits at 62, Full Retirement Age (66) and 70. No cumulative lifetime benefit estimates are provided. Knowing the cumulative benefits better equip an individual to make a tradeoff between filing early or later. Monthly benefits show the immediate impact at a monthly level but do not nearly tell a complete story about the magnitude of the money “left on the table” by claiming early or in a sub-optimal way.

Additionally, all benefits a person is entitled to are not included in a person’s statement. While the statement includes their individual retirement benefits along with monthly survivor and family benefits that can be paid from their earnings record, it excludes spousal benefits and survivor benefits from a spouse, and there is no view into how those benefits can work together. Putting all benefits together and showing trade-offs between claiming strategies changes claiming behavior as more individuals

better understand the merits of one strategy over another as they compare and evaluate their options. A detailed example follows this testimony, and I'm happy to discuss the details during the Questioning section of the proceeding.

**Recommendation** - For these reasons, my recommendation is that the Social Security Administration enhance the current statement with cumulative benefits and details about how all benefit types can work together. In addition, better tools should be made available that allow retirees to compare their options.

**Suggestion 2 – The Social Security Administration should change policy to allow agents to provide “guidance.”**

Currently, Social Security Administration rules do not allow agents to give advice on how to claim benefits. The policy states an agent can only give information, but no guidance. Note, claiming Social Security is the largest financial decision 99% of Americans make in their lifetimes. Americans are making an irrevocable decision with limited information, and no one in the Social Security Administration is allowed to help them explore their options. Americans are looking for help and a new set of policies should be established where transparent and clear information is given to allow them to fully understand all their options. I have significant experience in this area and the official response that “we have never done this before” or “this brings in too much risk” or “this idea would be too hard to implement or train to” are all unacceptable. My firm does it. Other firms do, too. Applying simple and smart technology with good people facilitates this process. I have trained employees with no financial experience to use our software and help retirees with claiming strategies within one week. The Social Security Administration can do this, too.

**Recommendation** - My recommendation is to create a policy change to allow agents to give claiming guidance. Specific protocols and workflows can be established to ensure client interactions are compliant and effective.

**Suggestion 3 – The Social Security Administration should facilitate partnership with financial advisors.**

According to the Center on Budget and Policy Priorities in their June 2016 report, the Social Security Administration's core operating budget has been reduced by 10% over the past six years, at a time when the number of Americans needing services are at an all-time high. This has left the Administration with too few resources to deliver essential services. One area these recent cuts have impacted is support for financial advisors. Research shows that retirees ask their financial professional for help on claiming strategies. Advisors, almost all of whom have had little or no training about Social Security benefits, are frustrated that more information and resources are not provided by the Social Security Administration. Limited resources are available to financial practitioners. Additional education, marketing materials, tools, and outreach should be delivered to the financial services industry. Providing support to practitioners will extend the Social Security Administration's reach and help retirees secure all the benefits they are entitled to through trusted financial advisors.

**Recommendation** - My recommendation is for the Social Security Administration to commit to more support and resources to practitioners who help individuals and to create additional collateral to educate both advisors and consumers.

**Suggestion 4 – The Board of Trustees should provide clearer information on trust fund viability and level of funding security.**

The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds issue an annual “state of the funds” report. The 2016 annual report about the Trust fund contains 263 pages. It is filled with great figures and graphs, as well as highly detailed information. However, average Americans are unable to interpret what the report means for their benefits. Coupled with the fact that media takes this report every year and scares Americans with errant tales of doom, misinformation is proliferated. There needs to be a balance between informing the public and motivating politicians to make the appropriate decisions to shore up the system’s viability. Scare tactics and misinformation drive early claiming behavior, robbing millions of the benefits they will desperately need later in life. For impending retirees the message should be Social Security is a sound and important program. Right now the worst case scenario is only 75% of benefits will be paid out in the future, and this would likely impact someone who is 44 years of age and younger if no changes are made. Note, in 1977 and 1983 changes were implemented to shore up the system. Other collateral and PR materials should be developed in conjunction with the release of the annual report, including specifics relative to someone claiming today with varying messaging by different age bands.

**Recommendation** - I recommend the development of relative collateral and PR materials related to how the current Trust Fund might impact an individual. Additionally, the utilization of different website designers who deploy an information architecture such that overview information is delivered before overwhelming details organized by household type would reduce the overwhelming nature of the annual report.

I conclude by summarizing research I published in the Journal of Financial Planning on how optimizing Social Security impacts portfolio longevity. Our research showed we could make someone’s retirement savings last between 2 to over 10 years longer by maximizing Social Security. Choosing how and when to begin Social Security benefits is a huge decision and is the cornerstone for retirement security. The Social Security Administration could make some simple changes to help more Americas live better in retirement.

Thank you.

--Case Study Follows--

**Case Study**

In an effort to demonstrate the impact of a holistic view to cumulative benefits, we've selected a case study for illustrative purposes.\*

Roy and Mary are getting ready to retire. They've begun to think about when they should claim their Social Security retirement benefits.

Mary, age 60  
 Life expectancy: 90  
 Date of birth: 03/12/1954  
 Full retirement benefit on SS Statement: \$1,788

Mary is an "average" Social Security beneficiary in that her benefit is about equal to the national average paid out for a retirement benefit. Today, her Social Security statement only provides her monthly benefit amounts at 62 (\$1,319), Full Retirement Age (\$1,788), and 70 (\$2,360). These monthly figures leave out important cumulative benefits data points and also do not include additional monthly amounts that may be available for spousal and survivor benefits.

**Mary's cumulative benefits if claimed at:**

<b>62 and 1 month</b>	\$609,604
<b>Full Retirement Age</b>	\$708,613
<b>70</b>	\$808,598

The difference between filing as early as possible and at age 70 for Mary is **\$198,994**. This result is achieved by doing nothing more than multiplying the monthly benefit at a claiming age by the number of months in the life expectancy.

Roy, age 63  
 Life expectancy: 85  
 Date of birth: 08/17/1953  
 Full retirement benefit on SS Statement: \$2,715

Roy has been the primary earner in the family, and his benefits are higher than Mary's. Like Mary, Roy's Social Security statement only provides her monthly benefit amounts at 62 (\$1,836), Full Retirement Age (\$2,715), and 70 (\$3,583).

**Roy's cumulative benefits if claimed at:**

<b>62 and 1 month</b>	\$722,486
<b>Full Retirement Age</b>	\$798,743
<b>70</b>	\$864,056

The difference between filing as early as possible and at age 70 for Roy is \$141,569. Again, this result is achieved by doing nothing more than multiplying the monthly benefit at a claiming age by the number of months in the life expectancy.

For married couples, however, there are rules around spousal and survivor benefits that can mean more income for the couple. As you can see below, if Mary and Roy use only their Social Security statements to determine when to begin benefits, they may choose a claiming method that leaves over \$100,000 on the table.

<b>Cumulative benefits for Roy and Mary together if claimed at:</b>			
<b>Age</b>	<b>Amount</b>	<b>If claimed separately using only the SS Statement</b>	<b>Additional cumulative benefits by viewing jointly as a couple</b>
<b>62 and 1 month</b>	\$1,425,785	\$1,331,990	\$93,795
<b>FRA</b>	\$1,609,044	\$1,507,356	\$101,688
<b>70</b>	\$1,806,883	\$1,672,654	\$134,229
<b>Maximizing Strategy</b>	\$1,810,401		

In the table above, the difference that having all of the possible benefits presented in order to make an informed decision is substantial. Especially compared to only the monthly benefits summarized just for the individual. In the example illustrating all benefits the couple is entitled to the difference between filing as early as possible and a “maximizing” strategy that simply lets them take advantage of rules that exist is \$384,616. Perhaps more powerful than the difference in the cumulative amounts is that the survivor benefit is greater than \$2,000 MORE every month by using the maximizing strategy versus claiming as early as possible.

**\*Assumptions:**

All calculations are inclusive of a 2% average annual cost-of-living adjustment.

Since the majority of Americans claim benefits early, we did not extend the working life of a claimant beyond their full retirement age; however, the benefit ages on the Social Security statement assume the individual continues to work until the time of the claim. This results in an overstatement of benefits on the statement for most Americans.



Statement before the Senate Special Committee on Aging  
On “Maximizing Your Social Security Benefits: What You Need to Know”

## **Social Security Claiming Decisions: What Does the Research Show?**

**Sita Nataraj Slavov**

Professor, Schar School of Policy and Government, George Mason University  
Visiting Scholar, American Enterprise Institute

September 14, 2016

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

Thank you Chairman Collins, Ranking Member McCaskill, and members of the Committee for the opportunity to speak to you today about Social Security claiming decisions. My name is Sita Slavov. I am a professor at the Schar School of Policy and Government at George Mason University and a visiting scholar at the American Enterprise Institute. I have been doing research on Social Security and retirement policy for 14 years.

Social Security benefits can be claimed at any age between 62 and 70, with higher monthly benefits paid for later claims. Individuals who delay Social Security forgo current benefits in exchange for higher inflation-indexed benefits for the remainder of their lives. While delaying Social Security does involve a tradeoff – sacrificing benefits today in exchange for higher benefits in the future – that tradeoff appears to be a favorable one for many people. In recent work co-authored with Professor John Shoven of Stanford University, I have shown that delaying Social Security benefits increases the expected present value of lifetime benefits for a large set of individuals (Shoven and Slavov 2014a,b).<sup>1</sup> Primary earners gain the most from delaying benefits as they pass on higher benefits to their surviving spouses. These higher survivor benefits can reduce poverty among older widows (Sass, Sun, and Webb 2013). However, even single women and men can realize modest gains. Delay also provides additional insurance value that goes beyond the increase in expected monetary benefits. That is because having higher inflation-indexed benefits for life insures people against outliving their savings (Sun and Webb 2009).

The gains from delaying Social Security have increased significantly over the past 15 years as a result of three factors: improved life expectancy, Social Security rule changes, and historically low interest rates. Improved life expectancy increases the gains from delay because the higher monthly benefits earned through delay are paid over a longer period. The main rule change that has increased the gains from delay is the increase in the delayed retirement credit. Low real interest rates increase the gains from delay because they increase the present discounted value of the additional Social Security income from delay; in other words, they reduce the opportunity cost of forgoing current Social Security income. While the gains from delay can vary greatly depending on individual circumstances and life expectancy, my calculations suggest that under today's real interest rates, typical couples can gain more than \$80,000 over their lifetimes by optimizing claiming versus claiming at age 62.<sup>2</sup> Single men can gain more

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<sup>1</sup> Our research in this area has been supported by grants from the Social Security Administration, the Sloan Foundation, and the National Institute on Aging. Other studies that document gains for important subsets of individuals include Meyer and Reichenstein (2010); Munnell and Soto (2005); Sass, Sun, and Webb (2007, 2013); Coile et al. (2002); and Mahaney and Carlson (2007).

<sup>2</sup> These calculations are based on the methodology in Shoven and Slavov (2014b). They assume a couple in which the husband is 62 and the wife is 60 in 2016. The husband is assumed to have a primary insurance amount (PIA) of \$1,600, and the wife's PIA varies between 0 percent and 90 percent of the husband's PIA. Today's real interest rate is defined as the 20-year Treasury Inflation Protected Security (TIPS) yield as of 9/8/2016, which was 0.43 percent (see <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield>). The simulations in our published papers showed that the "file and suspend" and "restricted application" provisions – which have now been eliminated – significantly increased the gains from delay for couples. However, they also showed that the average couple comes out ahead by delaying even without these provisions. The gains from delay presented in this paragraph do not rely on these provisions.

than \$35,000, and single women can gain more than \$55,000.<sup>3</sup> If interest rates were at their historical average, the lifetime gains would be smaller but still more than \$25,000 for couples, more than \$3,500 for single men, and more than \$10,000 for single women. And as I mentioned earlier, the insurance value of the increased Social Security annuity goes beyond this simple monetary calculation.

In deciding when to claim Social Security, it is important to consider the optimal use of other retirement assets. In recent unpublished work (Bronstein et al. 2016), my co-authors and I have shown that a subset of individuals – those who claim Social Security early and either use their retirement savings to purchase retail annuities or take an annuity payout from a defined benefit pension when a lump sum is offered – could actually have higher income in every year of their life by choosing a different strategy. The alternative strategy involves delaying Social Security and using their retirement savings or defined benefit lump sum to pay for their living expenses during the delay period. That is, these individuals do not face a tradeoff between receiving income now versus later, and therefore gain from delaying regardless of their life expectancy.

Despite the large gains from delay, most people claim Social Security at or before their normal retirement age. Very few delay to age 70. My co-authors and I have explored possible reasons why individuals might claim early despite the gains from delay. To pay for living expenses while delaying benefits, individuals either need to work longer or tap into their retirement savings. Some individuals who do not want to work longer may not have the financial resources to finance the delay. While that explanation might be applicable to some individuals, our research suggests that around a third of those who claim before the normal retirement age have Individual Retirement Account (IRA) assets that would allow them to delay Social Security by two years, and around a quarter have IRA assets that would allow them to delay Social Security by 4 years (Goda et al. 2015). If other retirement assets were taken into account, these fractions would be even higher. It is possible that some individuals claim early because they do not expect to live long enough to make delay worthwhile; indeed, our research and research by others shows there does appear to be a relationship between higher mortality and early claiming (Hurd, Smith, and Zissimopoulos 2004; Glickman and Hermes 2015; Beauchamp and Wagner 2012; Waldron 2002; Goda et al. 2015). But high mortality cannot explain why *most* people do not delay beyond normal retirement age. In a recent survey that my co-authors and I conducted, the most common reasons individuals cited for claiming Social Security early were (1) they needed the money (around a third of respondents) and (2) they had stopped working and assumed that Social Security should be commenced upon stopping work (also around a third of respondents). Around 21 percent thought that they could invest the money and end up ahead, and 16 percent were afraid that Social Security benefits would be cut in the future (Nyce et al. 2015).<sup>4</sup> While this was a pilot survey and the sample was not representative of the population, we think the responses are still informative.<sup>5</sup>

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<sup>3</sup> Single individuals are assumed to be 62 in 2016 and have a PIA of \$1,600. Today's real interest rate is defined as the 20-year TIPS yield as of 9/8/2016, which was 0.43 percent (see <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield>).

<sup>4</sup> Other answers were possible but less common. It was possible to give multiple answers, so some individuals may have cited more one reason.

<sup>5</sup> The sample consisted of individuals who receive services from Towers Watson, the benefits consulting firm we collaborated with to conduct the survey.

I hesitate to say that claiming Social Security early is definitely a mistake (although it likely is for some people). Individuals generally know more about their preferences and life circumstances than economists or policy makers do. But given the amount of money that people appear to be leaving on the table, it is worth ensuring that the claiming decision is an informed one. Social Security rules are complex, so there is a strong case to provide individuals with the tools and information they need to make the decision that is right for them.

Along these lines, I have several suggestions. Since I do not know the limits of what the Social Security Administration can do unilaterally, I am presenting these as general suggestions that I feel are worth the attention of policy makers. First, there are a number of online calculators – some free and others paid – that inform individuals of the lifetime resources they would have under different Social Security claiming strategies. Pointing individuals towards these calculators before they make their claiming decisions might be reasonable. Second, it is worth encouraging people to think carefully about different options for using their retirement resources, which for many people include both Social Security and private retirement plans. Specifically, individuals may want to consider drawing down on private retirement saving or taking a lump sum from a defined benefit plan in order to delay Social Security. While that is not the right decision for everyone, people should be aware that it is an option. Third, the term “retirement” (which to most people means stopping work) should not be used to describe claiming a Social Security benefit, as it sometimes is. People should be aware that claiming a benefit need not coincide with retirement and, in particular, that it is possible to stop work and wait a few years before claiming. Finally, for individuals who are afraid that their Social Security benefits will be cut if they do not claim right away, it is worth reassuring the public that any realistic Social Security reform plan is likely to protect the benefits of people close to retirement. And to make this credible, Congress should take up Social Security reform sooner rather than later.

Some studies have also shown that individuals are sensitive to the way in which the Social Security claiming decision is framed. For example, one study has shown that break-even framing – which involves telling individuals how many years they would have to live to make up the money they forgo during the delay period – encourages early claiming. Other factors that affect claiming behavior include the age used as a starting point to describe how benefits are adjusted and whether the benefit adjustment is framed as a loss or a gain (Brown, Kapteyn, and Mitchell 2013). Another study has shown that individuals tend to claim benefits at whatever age is designated as the “normal retirement age,” possibly because they view this as a social norm, a recommendation from the government, or a reference point from which to evaluate gains and losses (Behaghel and Blau 2012). While the Social Security Administration no longer uses break-even framing in presenting the tradeoff involved in claiming decisions, it might be worth considering other ways in which the claiming decision could be framed. One suggestion might be to simply start calling 70 the “normal retirement age” and informing people that claiming earlier than this results in lower benefits (without actually changing the benefit payable at any age).

If changes are made to the information that is presented to individuals or the way in which the claiming decision is framed, I hope this will be done in a way that makes it possible to study the effects (for example, by initially choosing a random subset of individuals to be exposed to the new policy). There is still much that we do not understand about people’s claiming and retirement decisions, so making

changes in a way that makes them easy to evaluate could greatly improve our knowledge in this area and help inform better policy.

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**Statements for the Record**

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United States Government Accountability Office

Report to the Special Committee on  
Aging, U.S. Senate

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September 2016

## **SOCIAL SECURITY**

### **Improvements to Claims Process Could Help People Make Better Informed Decisions about Retirement Benefits**

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**Abbreviations**

AIME	average indexed monthly earnings
DI	Disability Insurance
FRA	full retirement age
GPO	Government Pension Offset
OASI	Old Age and Survivors Insurance
PIA	primary insurance amount
POMS	Program Operations Manual System
SSA	Social Security Administration
WEP	Windfall Elimination Provision

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September 2016

## GAO Highlights

Highlights of GAO-16-786, a report to the Special Committee on Aging, U.S. Senate

### SOCIAL SECURITY

## Improvements to Claims Process Could Help People Make Better Informed Decisions about Retirement Benefits

#### Why GAO Did This Study

Many eligible individuals claim Social Security retirement benefits at the earliest eligibility age, even though they would receive higher benefits if they waited until older ages. In order to make an informed decision about when to claim, people need to understand how various Social Security rules and other factors affect benefit amounts. GAO was asked to examine these issues.

This report examines (1) the extent to which people understand Social Security rules affecting their retirement benefits; and (2) what information SSA provides to individuals to enable them to make informed claiming decisions. GAO observed a demonstration of the online claims process and a nongeneralizable sample of 30 in-person claims applications and inquiries in 7 field offices; reviewed applicable federal laws, regulations, and agency documentation; reviewed surveys and academic studies, selected in part based on expert referrals and a comprehensive review of the research literature; and interviewed Social Security experts and agency officials.

#### What GAO Recommends

GAO is making six recommendations to SSA, including that SSA take steps to ensure that claims specialists provide information on delayed benefits that is consistent with POMS, and that the claims process provides claimants better information on the retirement earnings test. SSA generally agreed with our recommendations.

View GAO-16-786. For more information, contact Charles Jeszeck at (202) 512-7215 or [jeszeckc@gao.gov](mailto:jeszeckc@gao.gov).

#### What GAO Found

GAO's review of nine surveys and academic studies, and interviews with retirement experts, suggest that many individuals do not fully understand key details of Social Security rules that can potentially affect their retirement benefits. For example, while some people understand that delaying claiming leads to higher monthly benefits, many are unclear about the actual amount that benefits increase with claiming age. The studies and surveys also found widespread misunderstanding about whether spousal benefits are available, how monthly benefits are determined, and how the retirement earnings test works. Understanding these rules and other information, such as life expectancy and longevity risk, could be central to people making well-informed decisions about when to claim benefits. By having this understanding of retirement benefits, people would also be in a better position to balance other factors that influence when they should claim benefits, including financial need, poor health, and psychological factors.

The Social Security Administration (SSA) makes comprehensive information on key rules and other considerations related to claiming retirement benefits available through its publications, website, personalized benefits statements, and online calculators. However, GAO observed 30 in-person claims at SSA field offices and found that claimants were not consistently provided key information that people may need to make well-informed decisions. For example, in 8 of 26 claims interviews in which the claimant could have received higher monthly benefits by waiting until a later age, the claims specialist did not discuss the advantages and disadvantages of delaying claiming. Further, only 7 of the 18 claimants for whom the retirement earnings test could potentially apply were given complete information about how the test worked. SSA's Program Operations Manual System (POMS) states that claims specialists should explain the advantages and disadvantages of filing an application so that the individual can make an informed filing decision. The problems we observed during the claims interviews occurred in part because the questions included in the claims process did not specifically cover some key information.

Online applicants have more access to key information on the screen or through tabs and pop-up boxes as they complete an application. However, similar to in-person interviews, the online application process does not inform claimants that benefits are based on the highest 35 years of earnings or that life expectancy is an important consideration in deciding when to claim.

September 14, 2016

The Honorable Susan Collins  
Chairman  
The Honorable Claire McCaskill  
Ranking Member  
Special Committee on Aging  
United States Senate

The decision of when to claim Social Security retirement benefits is one of the most important financial decisions most people and households will ever make. As of 2013, Social Security benefits make up the largest component of household income in retirement, accounting for an average 52 percent of household income for those age 65 and older.<sup>1</sup> Social Security accounts for at least half of household income for 62 percent of retirees age 75 and over, and at least 90 percent of household income for almost a quarter of these retirees. Social Security benefits offer certain advantages: monthly income until death, annual inflation adjustment, some tax benefits, and survivor and spousal benefits. These benefits have become increasingly important for retirees as employment-based retirement plan coverage has shifted from traditional defined benefit pension plans, which typically pay lifetime annuity benefits in retirement, to defined contribution plans, in which workers accumulate savings over their careers and manage withdrawals in retirement. In addition, despite the shift in pension coverage, as of 2013 about half of households with someone age 55 and older have no retirement savings in account-based defined contribution plans, such as 401(k)s or Individual Retirement Accounts, and 29 percent have no retirement savings or a defined benefit plan.

Those eligible for Social Security benefits can generally elect to receive them starting at age 62, but the monthly benefit amount increases permanently the longer someone delays claiming, until age 70.<sup>2</sup>

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<sup>1</sup>Throughout this report, when we use the phrase "Social Security benefits" or "retirement benefits," we are referring to Social Security Old Age and Survivors Insurance benefits.

<sup>2</sup>A surviving spouse can generally claim survivors benefits as early as age 60. A surviving disabled spouse can generally collect benefits as early as age 50.

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Depending on how long a person, and possibly a spouse, lives, the age at claiming could make a difference of tens of thousands of dollars in retirement income for the individual or his or her spouse.

Despite delayed claiming offering the promise of higher monthly benefits, 62 is the most common age to claim Social Security benefits, and few people wait until age 70. According to the Social Security Administration (SSA) data, 42 percent of eligible men and 48 percent of women born in 1945 claimed retirement benefits at age 62. Only 28 percent of that cohort's men and 23 percent of its women waited until age 66, the age at which SSA pays full benefits for people in this birth cohort, also known as the full retirement age (FRA). Only 2 percent of eligible men and 4 percent of eligible women from the 1945 birth cohort waited until age 70 to claim. However, the percentage of eligible individuals claiming benefits at age 62 declined significantly from 1996 to 2013, according to the Center for Retirement Research at Boston College.

While there are sound reasons for taking benefits early, such as financial need or low life expectancy, many people might benefit from claiming at a later age. Making an optimal claiming decision requires individuals and households to understand how multiple factors—such as claiming age, earnings, life expectancy, and longevity risk—affect benefits.<sup>3</sup> SSA, as the program administrator, is in a unique position to help ensure prospective claimants make informed choices. With the challenges this complex decision may pose to many claimants, you asked us to analyze this issue.

In this report, we examine: (1) the extent to which people understand Social Security rules affecting their retirement benefits and other factors that may influence when they claim them; and (2) the information that SSA provides to individuals that enables them to make informed claiming

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<sup>3</sup>“Longevity” can be viewed as a broad concept that encompasses the various possibilities of how long one or more people may live. “Life expectancy” is a particular longevity statistic that measures how long a particular population of people might expect to live on average; individuals within the population may live longer or shorter lives than this average life expectancy. Other longevity statistics can measure things such as the probability of a person living to an advanced age, such as 95. “Longevity risk” is often referred to by retirement policy experts as the risk of living beyond life expectancy, perhaps well beyond life expectancy, and exhausting one’s retirement assets. In this report, we use the terms “life expectancy” and “longevity risk” as having these two distinct meanings.

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decisions. To address these objectives, using the Internet and expert referrals we found and reviewed surveys and academic studies that assessed understanding of Social Security benefits and identified the factors that influence claiming. Of the studies we found, nine were most relevant to our work.<sup>4</sup> We also interviewed Social Security experts from academia, public policy organizations, and financial firms to obtain their views on how SSA provides information about claiming benefits. To analyze the information SSA provides to individuals about claiming, we reviewed published SSA materials related to understanding how benefits are calculated. We also reviewed applicable federal laws and regulations, and SSA's Program Operations Manual System (POMS), a primary source of information used by SSA employees to process claims for Social Security benefits. We interviewed SSA headquarters officials to learn how Social Security benefit claims are processed. To learn about the information SSA provides during the claims process, we observed a non-generalizable sample of 30 face-to-face claims interviews at 7 SSA local offices in 3 different regions of the country. We identified the local SSA offices where we would observe the retirement claims process, taking into consideration regional geographic diversity, income level, urban and rural composition, and the number of new claims each office processes. We noted the information SSA claims specialists provided to claimants during this process and evaluated what we observed against POMS guidance, and to determine how fully specialists were addressing key information categories we identified from our literature review and expert interviews. SSA also demonstrated the online claims process for us, showing the information on each screen that a claimant might see when filing a claim. We also interviewed managers and claims specialists at these local SSA offices about training, workload management, and the process for completing retirement benefit claims.

We conducted this performance audit from July 2015 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>4</sup>These studies are described in appendix 11.

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## Background

According to SSA, 84 percent of households with someone 65 or older received Social Security benefits in 2014.<sup>5</sup> To qualify for benefits, an individual must typically earn at least 40 credits, based on earnings on which they and their employer pay Social Security payroll taxes.<sup>6</sup> According to SSA, as of 2015, 69 percent of the population age 20 and over had earned 40 credits.<sup>7</sup> The amount of initial monthly retirement benefits depends on the beneficiary's earnings history and the age at which he or she chooses to begin receiving benefits. SSA figures monthly retirement benefits by calculating the individuals' average indexed monthly earnings (AIME) during his or her highest 35 years of earnings, with earnings from past years adjusted to reflect the growth in average wage levels over time.<sup>8</sup> (If the individual has earnings in less than 35 years, non-earning years count as zeroes in the AIME calculation.) Retirement benefits are then determined by a formula that converts an individual's AIME into a Primary Insurance Amount (PIA). The PIA is the monthly benefit a claimant receives if he or she chooses to begin benefits at the FRA (see fig. 1). Benefits are generally adjusted based on inflation each year. Up to 85 percent of retirement benefits are also potentially subject to income tax, depending on total income.<sup>9</sup>

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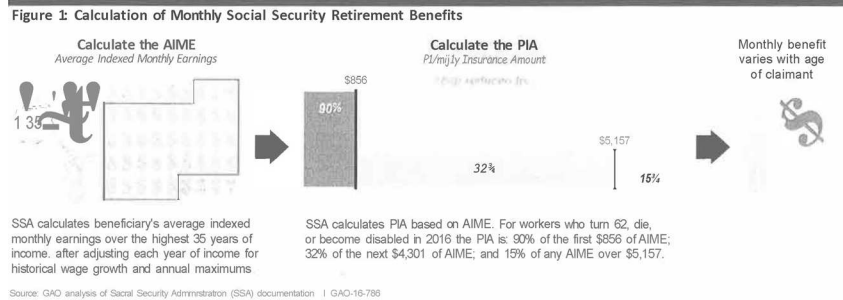
<sup>5</sup> SSA, *Fast Facts & Figures about Social Security, 2016*, SSA Publication No. 13-11785 (Washington, D.C.: August 2016). SSA refers to these households as "aged units," a married couple living together or a nonmarried person.

<sup>6</sup> Workers can earn up to four credits each year through earnings in covered employment during that year. In 2016, annual earnings of \$1,260 qualify a worker for one credit, and \$5,040 provides the maximum four annual credits.

<sup>7</sup> SSA, Publication No. 13-11785.

<sup>8</sup> The 35 years used in the calculation need not be consecutive. Earnings after age 59 are not adjusted.

<sup>9</sup> In 2016, an individual with "combined income" (modified adjusted gross income plus one-half of Social Security benefits) between \$25,000 and \$34,000 (\$32,000 to \$44,000 for couples filing jointly) could owe regular income tax rates on up to 50 percent of Social Security benefits; if combined income is above \$34,000 (\$44,000 for joint filers) up to 85 percent of Social Security benefits could be taxable.



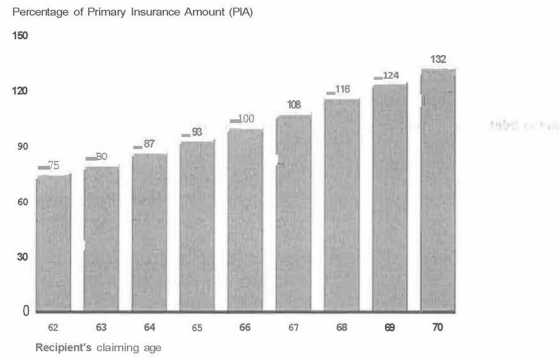
The FRA has risen from 65 originally to 66 for individuals born from 1943 to 1954, and it will be 67 for individuals born in 1960 or later. Beneficiaries may generally elect to begin receiving Social Security benefits as early as age 62;<sup>10</sup> however, an age-62 claimer will receive less each month than if he or she waited to claim until reaching FRA. As the FRA has risen, so has the reduction in benefits for pre-FRA claiming, relative to PIA. An eligible individual with an FRA of 66 who claims at 62 would receive a monthly benefit equal to 75 percent of PIA (see fig. 2). Future retirees with an FRA of 67 who claim at 62 will receive 70 percent of PIA.<sup>11</sup> Although SSA uses the term "full retirement age" to refer to the age at which workers receive unreduced benefits (sometimes called "full benefits"), those who wait to claim benefits beyond their FRA receive "delayed retirement credits" that boost monthly benefits to more than 100 percent of PIA. An eligible claimant born in 1943 or later can receive

<sup>10</sup> According to SSA, an individual must be at least age 62 "throughout the month" in order to receive a benefit. We previously reported that, coupled with the rule that for benefit entitlement purposes, a person attains a specific age the day before their birthday, that means only individuals born on the 1st or 2nd of the month could claim benefits in the first month they turn age 62, and others born on the 3rd of the month or later could not claim benefits until age 62 and 1 month.

<sup>11</sup> Under the current formula, the benefit reduction is 5/9 of 1 percent for each month up to 36 months before FRA and then 5/12 of 1 percent for each additional month before FRA.

delayed retirement credits equal to 8 percent of PIA per year past FRA until age 70. For example, a claimant with an FRA of 66 who claims at age 70 receives 32 percent higher monthly benefits than PIA. Thus, a retiree with an age 66 FRA and a PIA of \$1,000 per month would receive \$750 per month if claiming at age 62, \$1,000 per month if claiming at age 66, or \$1,320 if claiming at age 70. Individuals who claim benefits at ages in between would receive a monthly benefit between \$750 and \$1,320.

**Figure 2 Adjustments to Monthly Social Security Benefit Based on Claiming Age When Full Retirement Age Is 66**



Source: GAO analysis of Social Security Administration documentation. | GA0-16-786

According to SSA, someone who lives to an average life expectancy should receive about the same amount in lifetime benefits irrespective of when they claim benefits because the lower monthly benefit amount and

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earlier start date would offset each other.<sup>12</sup> However, several factors affect the tradeoffs of claiming at different ages. For example, how long a person expects to live, based on family history or current health status, can affect when he or she claims. For married couples, the longevity of both spouses could affect the lifetime household benefits received because Social Security pays survivors benefits to widowed spouses. Increasing life expectancy and years spent in retirement raise the potential cost to retirees of receiving lower monthly benefit amounts from claiming earlier. According to the 2016 Social Security Trustees report, average life expectancy at age 65 has increased from 12.7 years in 1940 for men to 19.1 in 2015, and from 14.7 to 21.5 years for 65-year-old women. However, lower-income individuals have shorter-than-average life expectancy, which means that, on average, they can expect to receive Social Security benefits for substantially fewer years than higher-income individuals who have longer-than-average life expectancy. Moreover, disparities in life expectancy by income have grown, according to studies that examined trends over time.<sup>13</sup> Interest rates also affect the tradeoffs of claiming early versus later. When market interest rates exceed price inflation by less than usual, delaying claiming may become more financially attractive for those with the ability to continue working or to live off of other financial resources. Several studies that have examined the Social Security benefit formula and claiming decision process show that

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<sup>12</sup> SSA, *When to Start Receiving Retirement Benefits*, SSA Publication No. 05-10147 (Washington, D.C.: August 2015). The reduction for early retirement takes account of the longer period of time over which benefits will be paid as well as the time value of money. Similarly, delayed retirement credits take account of the shorter period of time over which benefits will be paid as well as the time value of money. Early retirement reductions and delayed retirement credits can have the effect that, on average, beneficiaries receive benefits over their lifetime whose actuarial present value is about the same regardless of the age at which they claim benefits. Such "actuarial equivalencies" can be approximate and depend on the interest rate and longevity assumptions underlying the early retirement reduction or delayed retirement credit factors. The actuarial equivalencies can be further complicated by "adverse selection," meaning the possibility that individuals in good health may tend to commence benefits at a later age than individuals in poor health.

<sup>13</sup> GAO, *Retirement Security: Shorter Life Expectancy Reduces Projected Lifetime Benefits for Lower Earners*, GAO-16-354 (Washington D.C.: Mar. 25, 2016).

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many people would receive higher lifetime benefits by delaying claiming benefits.<sup>14</sup>

A spouse, ex-spouse, or surviving spouse of an eligible worker can receive benefits based on the primary worker's earnings, if this benefit exceeds the benefit he or she would receive based on their own earnings history.<sup>15</sup> Spousal benefits generally amount to 50 percent of the primary worker's PIA, if the spouse is at FRA when claiming them. For survivors, the age at which the primary worker claims benefits can potentially affect the monthly benefit of the surviving spouse. A spouse can generally claim as early as age 62, and survivors may begin receiving benefits as early as age 60 (50 for disabled survivors); to qualify for benefits at age 50, a surviving spouse must be disabled under the Disability Insurance program rules. As with regular benefits, both spousal and survivors benefits are reduced if the spouse or survivor begins receiving them prior to their FRA.<sup>16</sup> Unlike with regular benefits, spouses and survivors benefits do not receive delayed retirement credits if the spouses or survivors delay claiming beyond their FRA.

Individuals who claim benefits before their FRA but continue to work for pay face a retirement earnings test, with earnings above a certain limit resulting in a temporary reduction of monthly benefits. In 2016, SSA

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<sup>14</sup> See, for example, John B. Shaven and Sita Nataraj Slavov, *The Decision to Delay Social Security Benefits: Theory and Evidence*, NBER Working Paper 17866 (February 2012); and Owen Haaga and Richard W. Johnson, *Social Security Claiming: Trends and Business Cycle Effects* (Center for Retirement Research at Boston College, working paper 2012-5, 2012). In addition, experts have highlighted the gains from delay based on the impact on survivors benefits. See, for example, William Meyer and William Reichenstein, "Social Security: When to Start Benefits and How to Minimize Longevity Risk," *Journal of Financial Planning*, vol. 23(3) (March 2010).

<sup>15</sup> Technically a claimant electing spousal benefits would receive both his own benefit, based on his own earnings history, and the spousal benefit, with the spousal benefit being reduced by the amount of his own benefit. In order to qualify for divorced spousal benefits, the couple must have been married for at least 10 years and the partner applying for spousal benefits must not be married. SSA also pays benefits in some circumstances to children of a claimant or deceased worker and dependent parents of a deceased claimant or worker.

<sup>16</sup> Spousal benefits are reduced 25/36 of 1 percent for each month before FRA, up to 36 months, and, by 5/12 of 1 percent per additional month more than 36 months before FRA. If the spouse is caring for a child entitled to child's insurance benefits, the spousal benefit is not reduced.

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withholds \$1.00 of benefits for every \$2.00 of earnings above \$15,720 for someone younger than FRA for the full year. In the year the claimant reaches FRA, the earnings limit rises to \$41,880 (for 2016), and \$1.00 of benefits is withheld for every \$3.00 in earnings in the months prior to the claimant reaching FRA.<sup>17</sup> Benefits withheld under the earnings test are not forfeited, but are really deferred, and are, on average, paid back later with interest.<sup>18</sup> In addition, every year after the initial claim for benefits, any new earnings the worker has are reflected in a recomputation of the AIME and a potential increase in the PIA.

Many other rules can potentially complicate claiming decisions, creating challenges in understanding key information for claimants and their spouses. For example, there are rules covering eligibility for dependent children (or grandchildren) and for maximum family benefits, to name a few. Over time, changes have been made to eligibility ages, the retirement earnings test, the FRA, and other important factors affecting claiming. The Bipartisan Budget Act of 2015 recently eliminated two complex strategies utilized by some married couples.<sup>19</sup> One allowed a person at or older than FRA to file for benefits, but then immediately suspend this claim so that no benefit would be paid. This "file-and-suspend" strategy allowed that person's spouse to claim spousal benefits on the suspender's record, while the primary worker's benefit accrued delayed retirement credits in suspension. Another strategy allowed a person at FRA or older to file a claim only for spousal benefits based on the earnings record of a primary worker who had claimed benefits. This allowed the spouse to receive a benefit while allowing the spouse's own benefit to grow, then later switch to their own benefit as late as age 70. The 2015 act eliminated the file-and-suspend strategy, effective April 30, 2016, by no longer allowing anyone to claim benefits on another person's

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<sup>17</sup> In addition to the annual earnings limit, for 1 year after claiming SSA also applies a monthly earnings limit. Regardless of annual earnings, if a claimant has monthly income of \$1,310 or less (for 2016) and did not perform "substantial services in self-employment," the claimant will not have any benefits withheld. For a claimant reaching FRA in 2016, the monthly limit is \$3,490.

<sup>18</sup> When the beneficiary reaches FRA, SSA recomputes the benefit level for future months, permanently removing such portion of the original early-retirement reduction as corresponds to the number of months in which any part of the benefit was withheld due to the earnings test.

<sup>19</sup> See Pub. L. No. 114-74, § 831, 129 Stat. 584,611.

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record while the primary claimant's benefits are suspended.<sup>20</sup> It also eliminated spousal-only claims for anyone born after January 1, 1954.

SSA pays retirement benefits from the Old Age and Survivors Insurance (OASI) Trust Fund. The fund receives revenue from, among other sources, Social Security payroll taxes paid by current workers, and pays current beneficiaries.<sup>21</sup> Workers and employers currently each pay a payroll tax of 6.2 percent of an employee's covered earnings, for a combined total tax rate of 12.4 percent, into the Social Security Trust Funds.<sup>22</sup> This payroll tax applies only to workers' earnings up to an annual limit (\$118,500 for 2016); this limit changes each year with changes in average wages and has generally increased each year. According to the 2016 report of the Social Security Trustees, the OASI Trust Fund is projected to become depleted in 2035, at which point payroll taxes of current workers are estimated to be enough to pay only 77 percent of promised benefits.<sup>23</sup>

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<sup>20</sup> According to SSA, divorced spouses who were receiving benefits on a suspended claimant's record will still be able to continue receiving benefits.

<sup>21</sup> Social Security revenues also come from interest on the Trust Fund and income taxes attributable to Social Security benefits.

<sup>22</sup> A portion of the payroll tax also funds the Disability Insurance (DI) Trust Fund, which pays disability benefits to qualified beneficiaries. The Bipartisan Budget Act of 2015 provided for a temporary reallocation of the payroll tax from 2016 to 2018, with 2.37 percent of the 12.4 percent payroll tax going to the DI Trust Fund, up from 1.80 percent. The DI Trust Fund is projected to be depleted in 2023, at which point expected revenue is projected to be sufficient to pay 89 percent of scheduled disability benefits.

<sup>23</sup> For more on Social Security's funding and options for reform, see GAO, *Social Security's Future: Answers to Key Questions*, GAO-16-75SP (Washington, D.C.: October 2015).

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**Lack of Understanding of Key Social Security Information, Along with Financial Need and Other Factors, May Contribute to Individuals Claiming Benefits Early**

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**Individuals Have Some Knowledge of Social Security Benefits, but Most Do Not Understand Key Program Rules and Details**

Our review of survey reports and academic studies, and interviews with people with Social Security expertise, suggest that most individuals do not understand important rules and details that could affect their retirement benefits or the benefits of their spouses and survivors.<sup>24</sup> Specifically, many people approaching retirement age are unclear on how claiming age affects the amount of monthly benefits, how earnings (both before and after claiming) affect benefits, the availability of spousal benefits, and other factors that may influence their claiming decision. Understanding this key information is central to making informed decisions about when to claim Social Security benefits because they concern the tradeoffs of claiming benefits (and perhaps retiring) earlier versus later—generally permanent decisions—and ultimately affect the amount of lifetime benefits and people's retirement security.<sup>25</sup> GAO recognizes that financial literacy is critical to empowering and helping individuals and families to stay financially healthy and stable and the role the federal government plays in promoting financial literacy. It also has highlighted financial security for older Americans as a key issue, including the importance of ensuring financial literacy in understanding the key factors that can affect their retirement income.

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<sup>24</sup> See appendix I for more details on these surveys and studies.

<sup>25</sup> According to SSA, individuals receiving Social Security benefits can withdraw their claim one time within 12 months of claiming if they pay back all benefits received by the individual and any family members based on the individual's application.

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How Claiming Age Affects  
Monthly Benefits

Seven of the surveys we reviewed found that some of the respondents are aware that their benefits would increase if they wait until FRA to claim; however, many do not have a good sense of how much and thus may not understand the tradeoffs of claiming earlier versus later. Claiming at younger ages means an earlier start to benefits, but at the expense of the permanently higher monthly benefit amounts that come with claiming at an older age. For example, in a phone survey of 2,000 individuals ages 25-65, the Financial Literacy Center found that when asked to estimate their monthly benefit at their planned claiming age and what they might expect if they waited two years, 62 percent of respondents seemed to understand their monthly benefit would increase if they delayed claiming.<sup>26</sup> However, 36 percent of respondents indicated they did not understand how their benefits would be adjusted depending on claiming age or incorrectly believed that their monthly benefit would be the same no matter when they claimed. Greenwald & Associates conducted for Financial Engines an on-line survey with over 1,000 near claimants and current beneficiaries between the ages of 55 and 70 and found that many respondents did not understand the extent to which benefits can increase between ages 62 and 70.<sup>27</sup> For example, only 40 percent gave estimates that approximated the real monthly increase that would result from a 2-year delay. In an AARP study that surveyed over 2,000 individuals ages 52-70, when participants were asked what would be the earliest age at which they should claim benefits to maximize the monthly amount, only 29 percent responded with the correct age of 70.<sup>28</sup>

How Lifetime Earnings  
Determine Benefit Amount

The three surveys that asked the respondents about the number of years in the benefit calculation found that most do not know that benefits are

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<sup>26</sup> Matthew Greenwald, Arie Kapteyn, Olivia S. Mitchell, and Lisa Schneider, *What Do People Know About Social Security?* (Financial Literacy Center working paper series, October 2010). The Financial Literacy Center project undertook two surveys to gain benchmark information on how much people know about Social Security. The report summarizes results from the two surveys. The first surveyed 2,000 individuals ages 25-65 by phone, and the second surveyed approximately 3,000 individuals ages 18 and older on-line.

<sup>27</sup> Financial Engines, *Claiming Social Security: A Critical & Complex Decision for Retirement Security, Survey Results*, survey by Greenwald & Associates, March 2014. The participants in this survey all had incomes of at least \$50,000.

<sup>28</sup> AARP, *The Impact of Claiming Age on Monthly Social Security Retirement Benefits: How Knowledgeable Are Future Beneficiaries?* Prepared by S. Kathi Brown, February 2012.

## Knowledge of Spousal and Survivors Benefits

based on their highest 35 years of earnings. If the individual has earnings in fewer than 35 years, non-earning years count as zeroes in the AIME calculation. Thus, some individuals could permanently raise their monthly benefits not only by delaying when they take benefits, but also by replacing zero or lower earning years with higher earning years in the "high-35" calculation. Three of the surveys we reviewed asked respondents how benefits are determined. The median respondent in an academic study that surveyed over 2,300 Social Security eligible individuals between ages 50 and 70 believed only the 10 highest years of earnings were counted.<sup>29</sup> A study conducted by Greenwald & Associates for the Financial Literacy Center reported that only 23 percent of the 2,000 age 25-65 phone-survey respondents could correctly identify that benefits are calculated based on 35 years of earnings, and 27 percent of the respondents believed, incorrectly, that benefits are based on the last 5 years of earnings and the number of years worked.<sup>30</sup> Another 23 percent thought benefits were based on the Social Security payroll taxes they paid and the interest earned on those taxes. An AARP survey of over 2,000 individuals age 52 through 70 who were eligible for Social Security benefits based on their own work asked respondents to select from a range of options the number of years of highest earnings used to calculate benefits.<sup>31</sup> Only 7 percent selected the correct number of years.

Results from five of the surveys and studies we reviewed that asked about spousal benefits indicate that many people may not know about spousal benefits based on a husband's or wife's earnings history. Only 48 percent of the more than 2,000 age 52-70 respondents to an AARP survey who were or ever had been married knew they could collect benefits based on their living spouse's record.<sup>32</sup> Similarly, an academic study found about 50 percent of the more than 2,300 survey respondents between ages 50 and 70 who were eligible for Social Security benefits incorrectly believed their spouse would not be eligible for benefits if the

<sup>29</sup> Jeffrey B. Liebman and Erzo F. P. Luttmer, *The Perception of Social Security Incentives for Labor Supply and Retirement: The Median Voter Knows More Than You'd Think*, NBER Working Paper No. 20562 (October 2014).

<sup>30</sup> Greenwald et al., *What Do People Know*, 2010.

<sup>31</sup> AARP, *The Impact of Claiming Age*, 2012.

<sup>32</sup> AARP, *The Impact of Claiming Age*, 2012.

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spouse had never been in the paid workforce.<sup>33</sup> Given the lack of awareness about how claiming age affects benefits for the claiming worker, it is likely the case that claimants do not know how early claiming may reduce spousal benefits. Six of the studies we reviewed found their respondents had a general understanding of survivors benefits. However, two of the surveys show that some married respondents are not aware of the effect their claiming age potentially could have on their widowed spouses' benefits, and one of the two studies also showed that just under half (48 percent) of married or ever married respondents were not aware of the additional effect the widowed spouse's own claiming age has on that benefit. A collaborative study by AARP and the Financial Planning Association that surveyed more than 1,200 future Social Security beneficiaries ages 45-64 showed that, among ever-married respondents who knew they could receive survivors benefits, many did not know that the age the deceased spouse or the age the surviving spouse claimed could affect the monthly benefit amount of the surviving spouse.<sup>34</sup>

Effect of Retirement Earnings  
Test on Benefits

Each of the four surveys that asked about the retirement earnings test found that individuals, if they know of the retirement earnings test at all, do not understand fully how working and receiving benefits before FRA can affect their benefit amounts over time. An AARP survey of over 2,000 individuals age 52 through 70 who were eligible for Social Security benefits based on their own work found that while 76 percent of survey respondents understood benefits could be reduced by earnings depending on the amount of earnings, 71 percent incorrectly believed that the reduction would be permanent.<sup>35</sup> In a 10-question survey of more than 1,500 individuals between ages 25 and 65, conducted on behalf of Massachusetts Mutual Life Insurance Company, more than half of respondents incorrectly believed that they could continue working while collecting all of their benefits regardless of their age.<sup>36</sup> A minority of the

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<sup>33</sup> Liebman et al., *The Perception of Social Security*, October 2014.

<sup>34</sup> AARP and the Financial Planning Association, *Social Security Planning in 2015 & Beyond: Perspectives of Future Beneficiaries and Financial Planners*, prepared by Rebecca Perron, 2015.

<sup>35</sup> AARP, *The Impact of Claiming Age*, 2012. These individuals had not yet claimed their benefits, but expected to do so in the next 15 years.

<sup>36</sup> MassMutual Research, *Survey Shows Concerning Knowledge Deficiency about Social Security Retirement Benefits*, survey conducted by KRC Research, 2015.

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	<p>over 2,300 respondents (40 percent) between age 50 and 70 in an academic study who were aware of the earnings test threshold understood correctly that any reduction for earnings up to FRA is offset by an increase of benefits after FRA.<sup>37</sup> Understanding the retirement earnings test could prevent individuals erroneously thinking the earnings limit will result in a permanent loss of benefits.<sup>38</sup> It might also prevent a claimant from seeing the earnings test as an incentive to retire and claim benefits at age 62 or reduce earnings to stay below the earnings threshold. Studies have pointed out that many claimants have earnings that cluster around the retirement earnings limit, suggesting they believe benefits withheld because of excess earnings are lost. Conversely, misunderstanding the earnings test could cause some individuals to delay claiming until FRA to avoid a perceived penalty.</p>
Benefits May Be Taxed as Income	<p>Understanding benefit taxation can affect retirement income planning and could, for some individuals, influence when they claim benefits. One study we reviewed that included a question on taxation of Social Security benefits in the phone-survey portion found that 42 percent of the 2,000 respondents ages 25-65 did not understand that benefits could be taxed.<sup>39</sup> Several financial firms include information on taxation on their web pages that cover Social Security.</p>
Life Expectancy and Longevity Risk	<p>Information on life expectancy and longevity risk is fundamental to the decision to claim benefits because a retiree receives benefits until death (and a surviving spouse might then continue to receive benefits until that spouse's death). Increasing life expectancy, along with increased likelihood of living to advanced ages, and resulting increased time spent in retirement raise the potential cost to retirees of claiming early, and receiving reduced benefits for life, especially if in these later years they have spent down other sources of retirement income. According to SSA's website, about one of every four 65-year-olds today will live past age 90,</p>

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<sup>37</sup> Liebman et al., *The Perception of Social Security*, October 2014.

<sup>38</sup> In 2016, SSA withholds \$1.00 of benefits for every \$2.00 of earnings above \$15,720 for someone younger than FRA for the full year. In the year the claimant reaches FRA, the earnings limit rises to \$41,880 (for 2016), and \$1.00 of benefits is withheld for every \$3.00 in earnings in the months prior to the claimant reaching FRA. SSA also applies a separate monthly earnings limit for 1 year after claiming.

<sup>39</sup> Greenwald et al., *What Do People Know*, 2010.

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and one of 10 will live past age 95.<sup>40</sup> At the same time, longevity depends on a claimant's health and family history; shorter longevity expectations may cause someone to claim benefits earlier.<sup>41</sup>

Three of the surveys we reviewed asked about longevity, and each of those surveys indicated that individuals might not understand the probability of living to old age and why that is important in their decision to claim benefits. The Financial Literacy Center found that roughly 30 percent of those surveyed indicated they had little or no idea about how long they anticipated living in retirement.<sup>42</sup> A Society of Actuaries survey of 1,600 individuals found that 4 in 10 respondents ages 45 and older underestimated average life-expectancy by 5 years or more.<sup>43</sup> Our interviews with academics who have expertise in Social Security underscored the importance of understanding life expectancy and longevity risk, and in particular the likelihood of living to very old age.<sup>44</sup> One Social Security expert we interviewed said that presenting people with average life expectancy figures may get them to focus on that number but not on the possibility of living well beyond that age. A second expert we spoke with emphasized that using "breakeven analysis"—calculating the age at which the cumulative higher monthly benefits starting later would equal the cumulative lower benefits from an earlier

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<sup>40</sup> SSA, "Calculators: Life Expectancy," accessed August 30, 2016, <https://www.ssa.gov/planners/lifeexpectancy.html>.

<sup>41</sup> A study examining the relationship between mortality and Social Security progressivity found that the growing mortality inequality has the effect of reducing the progressivity of Social Security. Gopi Shah Goda, John B. Shaven, and Sita Nataraj Slavov, "Differential Mortality by Income and Social Security Progressivity," in *Explorations in the Economics of Aging* (Chicago: University of Chicago Press, March 2011).

<sup>42</sup> Greenwald et al., *What Do People Know*, 2010.

<sup>43</sup> Society of Actuaries, *Key Findings and Issues: Longevity 2011 Risks and Process of Retirement Survey Report*, survey conducted by Greenwald & Associates, Inc. and the Employment Benefit Research Institute (EBRI), June 2012. Of the 1,600 surveyed, 800 were retirees and 800 were pre-retirees.

<sup>44</sup> The American Academy of Actuaries and the Society of Actuaries jointly published an online Actuaries Longevity Illustrator specifically designed to provide individuals with perspective on longevity risk rather than on life expectancy. See <http://www.longevityillustrator.org/>.

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claiming date-is an unsound way to decide when to start benefits.<sup>45</sup> Research shows that breakeven analysis can influence people to claim benefits earlier than they might otherwise, in part because people fear the potential loss of benefits if they die early more than they fear outliving their retirement savings.<sup>46</sup> Breakeven analysis also ignores the insurance value of higher monthly Social Security benefits protecting against outliving one's other retirement assets, and the potential benefit to a surviving spouse. The second expert said that Social Security is longevity insurance against outliving one's assets, and therefore, like other insurance, one should base the decision to "purchase" (in this case, by forgoing benefits at a younger age in order to lock in permanently higher monthly benefits) on preventing a bad financial outcome and not necessarily on the likelihood of breaking even.<sup>47</sup>

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**Financial and Psychological Factors Also May Influence When People Claim Social Security Benefits**

Even if people have accurate and complete information, when to claim retirement benefits is a complex and personal decision. Personal circumstances such as health, perceived life expectancy, savings, employment, and other factors can influence when someone claims benefits. In addition, psychological factors can affect how people with similar knowledge and circumstances may make different decisions.

For many people, financial need may make claiming benefits at 62 a necessity. Individuals who are laid off, particularly during periods of high unemployment, those who work in physically demanding jobs they can no longer perform, or those who suffer from poor health may retire earlier

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<sup>45</sup> An illustrative example takes a claimant with a FRA benefit of \$1,000 a month at age 66 who wants to compare claiming at age 62 versus age 66. At 62, he would receive a permanently reduced benefit of \$750 per month, but receive 48 more monthly payments than if he survives to age 66 and waits until then to begin receiving his benefit of \$1,000 per month. If this person claimed at age 66, it would take 12 years for the total benefits collected to equal the total benefits collected by claiming at age 62 - so his breakeven age is 78, 66 plus 12. This example assumes no cost-of-living-adjustments; cost-of-living adjustments reduce the breakeven number of years.

<sup>46</sup> Jeffrey B. Liebman and Erzo F.P. Luttmer, *The Perception of Social Security Incentives for Labor Supply and Retirement: The Median Voter Knows More Than You'd Think*, NBER Working Paper (October 2014), and Brown et al. (2011).

<sup>47</sup> Other experts have noted that choosing a later claiming age is equivalent to buying additional annuity protection against longevity risk, at a cost much lower than what it would cost to purchase an equivalent annuity in the retail market.

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than other individuals.<sup>48</sup> Many unemployed older workers may struggle to find new jobs and may face unique reemployment challenges, such as employer reluctance to hire older workers or out-of-date skills.<sup>49</sup> If these older workers cannot find other or more suitable employment and are 62 or older, Social Security may provide their only option for regular income. As a result, they may claim benefits earlier than they had planned, especially if they have little saved for retirement and no pension benefits.<sup>50</sup> On the other hand, among those that have savings, a decrease in their savings might induce them to delay their original claiming date; a 2010 study found that individuals more likely to have retirement savings retire later in response to weak financial markets.<sup>51</sup>

Beyond knowledge of benefit rules and financial need, psychological factors can influence when people claim benefits. Studies have shown that framing-how information is presented-may influence how people perceive Social Security choices, and ultimately have an impact on when they claim benefits. One 2010 study showed that when delaying claiming is framed as a gain (e.g., delaying claiming increases your benefits by \$X) rather than claiming early framed as a loss (e.g., claiming earlier reduces your benefit by \$X), individuals are more likely to report that they will delay claiming.<sup>52</sup>

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<sup>48</sup> GAO reported in 2014 that compared to all other occupations, those who held a blue-collar job at age 60 through 62 were 55 percent more likely to claim early, after controlling for other factors. These occupations also tend to be more physically demanding. See GAO, *Retirement Security- Challenges for Those Claiming Social Security Benefits Early and New Health Coverage Options*, GAO-14-311 (Washington, D.C.: Apr. 23, 2014).

<sup>49</sup> GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security*, GAO-12-445 (Washington, D.C.: Apr. 25, 2012).

<sup>50</sup> GAO reported in 2015 that approximately half of households with someone age 55 and older have no retirement savings, such as a defined contribution plan or an individual retirement account, and almost 30 percent have neither retirement savings nor defined benefit pension benefits. GAO, *Retirement Security: Most Households Approaching Retirement Have Low Savings*, GAO-15-419 (Washington, D.C.: May 12, 2015).

<sup>51</sup> Courtney C. Colle and Phillip B. Levine, *Reconsidering Retirement: How Losses and Layoffs Affect Older Workers*, NBER Working Paper (September 2010).

<sup>52</sup> Jeffrey B. Brown, Arie Kapteyn, and Olivia S. Mitchell, *Framing Effects and Expected Social Security Claiming Behavior*, NBER Working Paper (May 2011).

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Another factor that could lead individuals to claim early is loss aversion—people's tendency to prefer avoiding losses to acquiring gains of a similar magnitude. If individuals think of Social Security benefits as money they are entitled to once they reach age 62, the loss from delaying claiming—foregone benefits—could carry more weight than a higher monthly benefit in the future if they were to delay.<sup>53</sup> Under loss aversion, dying early without having claimed benefits, as opposed to living longer than expected with reduced benefits, could be seen as a risk to be avoided.<sup>54</sup>

Federal policy may also provide reference points or signals to individuals about the timing of claiming and retirement. The availability of Social Security benefits at age 62 and adjustments to benefits thereafter may give individuals mixed signals about when to claim benefits.<sup>55</sup> A 2012 study found that spikes in retirement claims at the FRA move along with changes in the FRA itself, suggesting that people may see "full retirement age" as a reference point for when they should claim.<sup>56</sup> Finally, uncertainty about future benefits may also influence when people claim. A 2011 study conducted an online survey and found that uncertainty may cause people to claim earlier than they might otherwise in order to lock in benefits.<sup>57</sup>

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<sup>53</sup> This endowment effect was observed in the seminal paper by Kahneman et al. (1990). Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler, "Experimental Tests of the Endowment Effect and the Coase Theorem," *The Journal of Political Economy*, 98(6) (December 1990).

<sup>54</sup> Loss aversion could also help explain people's preference for lump sums over lifetime annuities—even though the annuity pays an actuarially higher amount of money and provides insurance against outliving one's assets, many people might primarily focus on the potential for giving up a sure lump sum and dying early.

<sup>55</sup> GAO, *Retirement Decisions: Federal Policies Offer Mixed Signals about When to Retire*, GAO-07-753 (Washington, D.C.: Jul. 11, 2007).

<sup>56</sup> Luc Behaghel and David M. Blau, "Framing Social Security Reform: Behavioral Responses to Changes in the Full Retirement Age," *AEL: Economic Policy*, 4(4) (November 2012).

<sup>57</sup> Erzo F.P. Luttmer and Andrew A. Samwick, *The Costs and Consequences of Perceived Political Uncertainty in Social Security*, NBER Working Paper (September 2011).

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### SSA Provides Key Claiming Information on Its Website and in Publications, but Not Consistently during the Claiming Process

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#### SSA Provides Multi-Faceted Information and Tools to Help People Decide When to Claim Retirement Benefits

SSA provides, through various sources, comprehensive written information to help people decide when to claim retirement benefits. This information includes many of the items identified from our literature review and expert interviews including how claiming age affects monthly benefit amounts, how benefits are determined, details on spousal and survivors benefits, the retirement earnings test, information about life expectancy and longevity risk, and the taxation of benefits. The agency makes this information available through SSA's website, publications on various topics (available in electronic and paper forms), interactive tools such as online calculators, and a personalized benefit statement mailed to individuals and made available online. The different formats allow this information to be presented in varying degrees of complexity, specificity, and personalization.

#### SSA Web Pages and Publications

SSA's web pages and publications cover virtually all information that could inform a person's decision to claim retirement benefits. For example, the publication *When to Start Receiving Retirement Benefits* provides an overview of information needed to make the claiming decision, including a discussion of the tradeoffs of claiming benefits earlier versus later, information on life expectancy and longevity risk, how claiming could affect spousal and survivors benefits, and the retirement earnings test. The SSA website also includes pages that cover these topics individually. In addition, the web pages have links to related topics, interactive calculators, and printed publications, making it possible for someone with access to the Internet and comfort with using it to get information on what they need to consider before deciding to claim benefits.

Depending on the source, there are differences in how key information is presented. In the publication *Your Retirement Benefit: How It's Figured*, SSA explains that benefits are based on the highest 35 years of indexed earnings, and includes a worksheet for estimating benefits. In *Retirement*

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*Benefits*, however, SSA says only that benefits are based on "lifetime earnings." While it is reasonable that publications may present similar information in differing degrees of detail, such detail could be important for someone with less than 35 years of earnings. SSA covers longevity risk similarly. In some publications and web pages, SSA covers the personal nature of the claiming decision and notes that as many as one in three 65-year-olds today will live to age 90. At the same time, SSA says that lifetime benefits for anyone who lives to the average life expectancy will be the same regardless of what age they claim; this may run the risk of unintentionally conveying to claimants that the decision on when to claim does not matter. In contrast, when describing the retirement earnings test, a complicated and potentially critical piece of information for someone considering claiming prior to FRA, SSA explains consistently that monthly benefits will increase at FRA if any benefits were withheld due to the test.

#### Interactive Calculators

To further assist potential claimants, SSA provides 11 interactive calculators on its web site for users to estimate future benefits under varying scenarios, such as at different claiming ages and different earnings levels.<sup>58</sup> These calculators also generally vary in the precision of their benefit estimates. One calculator—the Earnings Test Calculator—estimates the reduction in benefits for individuals who continue to work after claiming, and another—the Benefits for Spouses Calculator—estimates spousal benefits. Others provide FRA or likely life expectancy based on one's date of birth.

The Retirement Estimator, for example, asks users to enter some identifying information in order to use a secure interface that accesses their earnings history in SSA's database. In contrast, the SSA online Calculator requires the user to enter earnings from each of their working years in order to determine their estimated monthly benefit. The instructions note the user should have his or her Social Security statement with earnings history available in order to complete the entries. Manually entering several decades of annual earnings can require considerable time, and carries more risk of inaccurate earnings information producing an inaccurate benefits estimate. Unlike the Retirement Estimator, though, the online Calculator gives users the option

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<sup>58</sup> See appendix III for descriptions of each calculator.

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of having the estimated benefit amount given in either current or future dollars. Both calculators also can be used to estimate benefits at different retirement ages.

Other calculators focus on more specific factors that can affect benefits. An Early or Late Retirement Calculator provides an estimate of how much less a user's benefit would be if the user claimed earlier than FRA. Others focus on the effect of the retirement earnings test or the Government Pension Offset (GPO) or Windfall Elimination Provision (WEP), which affect benefits for an individual receiving a pension from a job that was not covered by Social Security.<sup>59</sup>

#### Social Security Statement

The Social Security statement is the most widespread piece of communication that SSA provides to individuals about their future benefits. It is a 4- to 6-page summary of personalized information that includes an estimate of the individual's future benefit payable at age 62, FRA, and age 70, as well as estimates for the individual's current disability and survivor benefit amounts.<sup>60</sup> In 1995, SSA began mailing annual statements to individuals in selected age groups, beginning with those 60 and over.<sup>61</sup> By 2000, statements were generally mailed to all

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<sup>59</sup> The GPO generally affects individuals who receive a pension based on non-Social Security covered work for a federal, state, or local government and who are eligible to receive Social Security benefits based on their spouse's covered work. SSA may generally reduce their spousal or survivors benefit. The WEP can affect how SSA calculates individuals' retirement or disability benefits if they have non-covered work. Any pension received from that work can reduce Social Security benefits.

<sup>60</sup> The Social Security Act generally requires SSA to provide annual statements with benefits and earnings information to individuals age 25 and older who have a Social Security number and wages, net earnings from self-employment, or whose pattern of earnings indicate a likelihood of non-covered employment. 42 U.S.C. § 1320b-13(c)(2). The law generally requires each statement to contain an estimate of the potential monthly Social Security retirement, disability, survivor, and auxiliary benefits, and a description of the benefits under Medicare; the amount of wages paid to the employee and income from self-employment; an estimate of the individual's aggregate contributions paid to Social Security, including employer contributions; an estimate of the individual's aggregate contributions paid to Medicare, including employer contributions; and for individuals with non-covered employment, an explanation of the potential effects of the WEP and the GPO on their monthly Social Security benefits.

<sup>61</sup> See 42 U.S.C. § 1320b-13(c)(1).

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eligible individuals 25 and older.<sup>62</sup> In May 2012, SSA made the statement available electronically for those establishing an online account.<sup>63</sup> Since September 2014, SSA has mailed printed statements to eligible individuals age 25, 30, 35, 40, 45, 50, 55, and 60 or older who have not created a personal online Social Security account. At age 60, SSA sends the statement annually. The statement has three versions, one each for those ages 25 to 34, 35 to 54, and 55 and older, with certain information tailored for each group. For example, the statement for the age 25-to-34 cohorts has a section titled "Why should I think about retirement now?" For those 55 and older, there is additional information on monthly benefit amounts at different claiming ages and working while receiving benefits.

In addition to benefit estimates, the statement shows the individual's history of earnings on which he or she paid Social Security (and Medicare) taxes, and total taxes paid. It also explains how people qualify for benefits, assumptions SSA uses in their benefit estimates, and information on the GPO and WEP provisions that generally apply to people who receive pensions from non-covered employment. For those 55 and older, a section on the retirement earnings test explains that some benefits can be withheld from workers under FRA who earn over a certain amount, but goes on to explain that at FRA the worker's benefit amount will be increased to account for the benefits that were withheld. The statement does not, however, include some basic information that may help people understand some critical details about their benefits. Specifically, while the statement includes an example of how a claimant's monthly benefits would differ based on age when claiming, it does not make clear that the monthly benefit amount at claiming is permanent,

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<sup>62</sup> Eligible individuals are those having a Social Security number, age 25 or older, and having wages or net earnings from self-employment or whose pattern of wages or self-employment income indicate a likelihood of non-covered employment. 42 U.S.C. § 1320b-13(a)(3). In recent years, SSA has suspended mailings on various occasions, citing budgetary concerns. In March 2011, SSA suspended statement mailings. In 2012, SSA resumed statement mailings to workers age 60 or older and to workers age 25 before once again suspending all statement mailings in October of that year. In 2012, SSA resumed statement mailings to workers age 60 or older and to workers age 25 before once again suspending all statement mailings in October of that year.

<sup>63</sup> GAO, in testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives, recommended that SSA take steps to ensure access to the statement for all eligible workers, including those without Internet access or English proficiency. GAO, *Social Security Statements: Observations on SSA's Plans for the Social Security Statement*, GAO-11-787 T (Washington, D.C.: Jul. 8, 2011).

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except for cost-of-living adjustments. An SSA official said that a common misunderstanding by statement recipients is that a claimant will receive higher amounts as they get older even if they claim benefits at 62. Further, even though a section of the statement is titled "How Your Benefits are Estimated," it does not explain that benefits are calculated based on the individual's highest 35 years of earnings. It also does not say that an individual's claiming age affects not only his or her own benefit but potentially a spouse's survivor benefit. Finally, the statement does not mention that benefits, once they are received, may be subject to income tax.

According to various studies and surveys that looked at the statement, individuals who received the Social Security benefits statement were, in general, more knowledgeable about Social Security. According to SSA in 2012, surveys SSA has conducted found that 70 percent of respondents age 60 and older said they had enough information about Social Security from the benefits statement to plan for their financial future.<sup>64</sup> However, SSA's studies did not assess whether receipt of the statement changed behavior. A 2015 academic brief that reviewed additional studies reported they did not find that the Social Security statement affects claiming behavior.<sup>65</sup>

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**Claims Process  
Sometimes Does Not  
Provide Key Information  
That Could Help People  
Decide When to Claim  
Benefits**

While SSA provides important information through its website and publications to help people make informed decisions about when to claim benefits, our observation of the online and in-person claims process found that some key information may not be consistently provided to potential claimants when they file, particularly during in-person interviews.<sup>66</sup> SSA's Program Operations Manual System (POMS) states that claims specialists are to provide information, and avoid giving advice, to claimants. The POMS also specifies that when taking an application for Social Security benefits, the claims specialist is responsible for explaining the advantages and disadvantages of filing an application so that the

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<sup>64</sup> SSA, *Social Security Statement Review: A Report to Congress* (June 4, 2012).

<sup>65</sup> Steven A. Sass, *Does the Social Security Statement Add Value?* (Center for Retirement at Boston College, July 2015).

<sup>66</sup> Claimants may also claim by phone or mail, but we did not observe these modes of claiming.

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individual can make an informed filing decision.<sup>67</sup> However, our observation of a nongeneralizable sample of 30 face-to-face claims interview at 7 SSA field offices found that claims specialists did not consistently provide key information to potential claimants, or ensure individuals were aware of such information when they applied for benefits. The SSA claims protocol follows a screen-by-screen process of questions and prompts to collect basic information from claimants, but does not prompt questions or discussion of some key information. Compared to the in-person process, online applicants have more consistent access to key information on the screen or through tabs and pop-up boxes as they complete the application. Even so, the online process also left out potentially important information that could inform an individual's decision to claim benefits. Furthermore, for both face-to-face and online application methods, we found claimants were sometimes provided information that could inadvertently influence them to claim earlier than they might have otherwise.

#### In-Person Claims

Over 36 percent of people claiming retirement benefits in 2015 did so in person at an SSA office.<sup>68</sup> During the in-office claims we observed, claims specialists followed an automated step-by-step process for collecting and confirming basic information from potential claimants to ensure they qualify for Social Security benefits and to determine the benefit amount.<sup>69</sup> Such information included confirmation of a claimant's birth date, marital status, earnings history, and any receipt of pension benefits from an entity that did not participate in Social Security, among other information. This process also included prompts to provide information or ask questions about certain types of benefits, such as qualification for spousal benefits, and key program rules, such as the retirement earnings limit for claimants who are younger than FRA. However, in the in-office claims interviews we observed, the discussion did not include questions or prompts about other key program rules and information that could help inform the decision to

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<sup>67</sup> POMS GN 00201.005.

<sup>68</sup> According to SSA officials, 40.7 percent of people file for Social Security benefits via the Internet, 36.8 percent file by visiting an SSA office, and 21.6 percent file by phone. About 10 percent represents the use of applications through the mail and other methods, such as foreign service units.

<sup>69</sup> We observed a nongeneralizable sample of 30 face-to-face retirement claims applications and inquiries at 7 SSA field offices.

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claim benefits. For example, claimants were not consistently informed that monthly benefit amounts would be higher if the claimant waited, as specified in POMS. Similarly, the protocols did not prompt claims specialists to provide information on how working longer prior to claiming might raise monthly benefits, or how personal circumstances such as health, life expectancy, and longevity risk can factor into the decision on when to start benefits. Claims specialists generally provided accurate information about program rules and benefits and answered claimants' questions. In some instances, however, they presented or omitted key information in a way that could confuse or even bias people's claiming decisions. We discuss areas of key information, and how we observed they were covered in in-person claims, below:

**How claiming age affects monthly benefits:** POMS states that claimants filing for benefits should be advised that higher benefits may be payable if filing is delayed. It also states that claimants should, if applicable, be provided with at least three monthly benefit amounts at three different claiming ages—at the earliest possible month for claiming, at FRA, and age 70. Claims specialists should provide amounts for other months as well if requested by the claimant. In 18 of 26 interviews we observed in which delaying claiming was a potential choice, the claims specialist mentioned that the claimant's benefit amount would be higher if he or she delayed claiming. However, the remaining 8 did not discuss this option. Of the 18 interviews that mentioned delayed claiming, 13 claims specialists presented at least the three benefit amounts per POMS, while 5 did not.<sup>70</sup> Surveys have shown that most individuals do not know how much monthly benefits can increase by waiting to claim, so offering benefit estimates at different ages is likely to provide information many claimants do not have. This information can influence the age at which they claim, and expert opinion and past GAO reports found that delayed claiming can be an important strategy to consider for most retirees.

In 10 of the 30 observed interviews, claims specialists offered the opportunity to claim up to 6 months of retroactive benefits as a lump sum. SSA allows for up to 6 months of retroactive benefits when a claimant is at least FRA or has a "protective filing date"—a documented date within

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<sup>70</sup> In 4 of the 30 interviews, a discussion of delayed claiming was not relevant because the claimant filed and suspended benefits, was age 70 or older, or was not eligible for benefits.

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the 6 months prior to a claims appointment when a claimant first contacted SSA about filing a retirement claim.<sup>71</sup> While retroactive benefits offer an attractive lump sum, taking it essentially means applying for benefits 6 months earlier, and results in a permanent reduction in the monthly benefit amount. POMS provides eligibility criteria for retroactive benefits. However, POMS does not instruct claims specialists to inform claimants that taking lump-sum retroactive benefits will result in permanently lower monthly benefits, compared to not taking retroactive benefits, a tradeoff claimants may not be aware of. The claims specialist explained this tradeoff in only 1 of the interviews we observed. In another interview, a claimant who initially said he wanted benefits to start later in the year changed his mind to start 6 months earlier after being offered a lump sum.

During our observations, we also saw 6 instances in which a claims specialist presented a breakeven age—the age at which the cumulative higher monthly benefits starting later would equal the cumulative lower benefits from an earlier claiming date—to help a claimant compare claiming benefits now or waiting to claim. According to POMS, claims specialists "should no longer discuss [breakeven points] with claimants,"<sup>72</sup> and research shows that breakeven analysis can influence people to claim benefits earlier than they might otherwise. In some interviews, however, claims specialists not only offered a breakeven year, they added their conclusion that the analysis showed that claiming earlier was preferable. One claims specialist showed the claimant that it would take 11 and 12 years to make up the difference for waiting to claim, and added that "according to the actuaries, that [early claim] is a reasonable choice." Another claims specialist said the breakeven analysis showed "it pays to file early." In a seventh interview, breakeven had been discussed before the claimant came into the local office. The claimant said he had

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<sup>71</sup> Individuals claiming benefits after FRA can claim retroactive benefits covering up to 6 months. For those who file less than 6 months after FRA, retroactive benefits are paid back to the month of FRA attainment. Protective filing is a statement of intent to file for Title I benefits. It protects the claimant's date of acceptance as the claimant's application date. If at any time in the following 6 months the claimant decides to apply for benefits, the protective filing date will be considered the application date and the claimant will be able to receive retroactive benefits back to that date. After 6 months, the protective filing is closed out. See POMS GN 00204.010 and GN 00204.030.

<sup>72</sup> POMS GN 00204.039A.

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been planning to wait until age 70 to claim, but had been told by an SSA representative over the phone that his breakeven age analysis suggested he should claim earlier. While our observations are not generalizable, they suggest that SSA may be inadvertently influencing people's decisions on when to claim and lowering claimants' monthly benefit amounts. The 2011 SSA Office of the Inspector General report concluded that SSA needed to better explain to its claims specialists why the agency believes breakeven points are not relevant to a claimant's decision.<sup>73</sup>

**How lifetime earnings affect benefits:** We observed only 8 interviews in which a claims specialist mentioned that benefits are based on 35 years of earnings and that working longer could potentially raise benefits by boosting average lifetime earnings. While POMS does not require claims specialists to explain how earnings affect benefit amounts, the claims process could be modified to include prompts for claims specialists to inform claimants that benefits are based on 35 years of earnings-information that SSA already makes available on its website. By discussing how years of earnings are calculated to determine one's benefit amounts, claims specialists might better inform claimants who are deciding when to claim, especially for those who have less than 35 years of earnings.

**Spousal benefits:** The majority of claims specialists we observed compared the amount the claimant would receive as a spouse versus the amount based on his or her own earnings history, when applicable. However, in 8 of 15 interviews in which the claimant was potentially eligible to claim restricted spousal benefits or to file-and-suspend, the claims specialist did not mention these options.<sup>74</sup> To their credit, 4 claims specialists we observed explained that while spousal benefits were currently lower than the claimant's own benefit, taking the lower spouse benefit now and waiting to claim their own would increase the claimant's own benefit by 8 percent per year after FRA and up to age 70. As a result

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<sup>73</sup> Office of the Inspector General, Social Security Administration, *The Social Security Administration's Month of Election Policy for Retirement Benefits*, A-08-10-20183 (February 2011).

<sup>74</sup> The Bipartisan Budget Act of 2015 has ended these options for most claimants, but at the time of our observations they remained permissible.

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of the explanation, 2 claimants decided to take their spousal benefits at or older than FRA and wait to take their own benefits at age 70.

**Retirement earnings test:** In our observations, the step-by-step SSA claims process for a claimant younger than FRA included questions about plans to continue working. In the 18 interviews we observed in which a potential claimant was younger than FRA, 17 claims specialist explained, accurately, that the claimant would have benefits withheld if he or she earned more than the retirement earnings limit. However, in only 7 of these 17 interviews did the claims specialists explain that any benefits withheld due to earnings would be recalculated and result in higher benefit amounts after FRA. For the remaining interviews, the claims specialists mentioned only that earnings may result in lower benefits, or that the claimant cannot earn above the limit, perhaps inaccurately suggesting the earnings test would result in a permanent loss of benefits. In one interview, a claims specialist told the claimant she would be "penalized" if she earned over the limit. POMS states that, when applicable, the claims specialist should explain to claimants that earnings could be withheld based on the annual earnings test, but does not instruct claims specialists to explain that the earnings test is not a penalty or tax, or that withheld benefits are repaid. However, if claimants do not understand the full implications of the earnings test, they could erroneously think it will result in a permanent loss in benefits and, as a result, unnecessarily stop working or reduce their working income. This was made clear in one interview in which a claimant with earnings likely to be above the limit said she might have to quit one of her two jobs unless she waited until FRA to claim. Ultimately, the claimant decided to wait until she reached FRA and then start her benefits. This case illustrates the potential risks of SSA not making clear to claimants that the earnings test does not represent a permanent loss in benefits.

**Taxation of benefits:** That Social Security benefits are potentially subject to income tax did not routinely come up in the interviews we observed. While some claimants asked about withholding taxes from their Social Security benefit checks, in only two instances did a claimant ask if benefits themselves are taxable. In these instances, the claims specialist told the claimant the benefits could be taxable. One claims specialist also suggested that the claimant discuss this issue with their tax professional. Furthermore, in both instances, the claimants did not realize that their benefits can be taxed. POMS states that claims specialists "will not answer questions about taxation," and says they should refer individuals inquiring about taxation of benefits to IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, for additional information.

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However, a general explanation of taxation can be provided as it relates to month of election and suspension or withholding of benefits to recover overpayment.<sup>75</sup> A lack of information about the taxability of benefits could potentially affect the retirement planning of claimants.

**Life expectancy and longevity risk:** Claims specialists are not prompted to ask for or provide any information to claimants about life expectancy or longevity risk. Only twice in our 30 observations did family health and longevity arise and how it might factor into when to claim benefits, both times because the claimant raised the subject. While claims specialists are not specifically required to discuss life expectancy and longevity risk, the POMS does state that information should be provided to help claimants make informed filing decisions. SSA also emphasizes the importance of considering life expectancy and longevity risk in information made available on its website. According to the American Academy of Actuaries and the Society of Actuaries, understanding how longevity, and in particular longevity risk, can impact retirement planning is an important aspect of preparing for a well-funded retirement.

While time constraints may increase the pressure on claims specialists to manage their claims case load, we detected no systematic way that these constraints would push specialists to withhold key information from claimants. In general, the claims specialists we interviewed told us that they did not feel pressured by management to process a specific number of claims in a day, nor to limit the time they spent with claimants providing information and answering claimants' questions. Field office managers told us that their offices faced monthly performance goals for processing claims efficiently and accurately; and both managers and claims specialists acknowledged that some days present time constraints in serving all potential claimants. However, managers and claims specialists said they did not feel pressure to convince any people to claim benefits when they came in for a claims interviews or inquiry.

While we did not examine training in depth, SSA officials said claims specialists receive about four months of classroom training on processing claims and have a regular review of claims they handle during their first year. In addition, claims specialists have additional resources to help

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<sup>75</sup> SSA POMS GN 05001.020.

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	<p>them if questions arise during claims interview or inquires, including ready access to POMS and the ability to ask questions of onsite SSA technical experts. Our observations confirmed that claims specialists were able to spend as much time as claimants required for answering questions.</p>
Online Claims Process	<p>According to SSA, over 40 percent of people claiming retirement benefits in 2015 did so online through its website. SSA provided us a screen-by-screen demonstration of the online claiming process. In addition to collecting information from the claimant, the online process offers opportunities for the claimant to receive certain key information on the screen via links to SSA web pages and in pop-up boxes. In contrast to the in-person claims process, the online process includes screens that provide information on how claiming at different ages raises or lowers monthly benefits, and that any benefits withheld because of the retirement earnings test will raise monthly benefits after FRA. For example, one online screen asks the claimant to indicate when he or she would like to start taking benefits, and explains that if the claimant chooses to start receiving benefits early, before FRA, monthly benefits will be reduced. In another online screen, SSA explains that any benefits withheld because of the annual earnings test will raise monthly benefits after FRA. Similar to in-person interviews, however, the online application process does not inform claimants that benefits are based on the highest 35 years of earnings; that life expectancy and longevity risk are important considerations in deciding when to claim; and that benefits may be taxed. And, as with in-person claims, the online claims process may inadvertently influence people's claiming age through the information it presents. For example, if a claimant has the option of starting benefits retroactively (i.e., taking a lump sum), and chooses not to, the online process asks the claimant to provide a reason. This step runs the risk of making the claimant believe he is making an unusual decision, or a mistake, by choosing a later claiming date.</p>

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## Conclusions

Many American retirees rely greatly on Social Security, making it imperative that they have the information they need to make wise claiming decisions. Therefore, it is important that claimants understand key SSA rules and consider other factors that can assist them in making informed decisions about when to claim. For many people, SSA may be their only source of information when making the important decision of when to claim retirement benefits. Though we found SSA's claims process largely provides accurate information and avoids overt financial advice, certain key information is not provided or explained clearly during the claims process. POMS specifies that claims specialists should explain

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the advantages and disadvantages of filing for Social Security benefits to help individuals make informed filing decisions. However, because SSA is not fully operationalizing this guidance in the claims interviews, some claimants do not receive all the information that is critical to making informed claiming decisions. While SSA offers key retirement planning information on its website and in written publications, it cannot be assumed that potential claimants have obtained, read, or understood it when they actually claim benefits, especially given documented gaps in people's knowledge about Social Security.

Claims specialists we observed performed their jobs with professionalism and seemed very willing to help people navigate a complicated decision by providing accurate information and answering questions. However, in some areas, such as benefits of delayed filing and the inappropriate use of breakeven analysis, information was sometimes not provided consistent with POMS. Additionally, the claims interview could better inform claimants that benefits are based on 35 years of earnings, that benefits withheld due to the retirement earnings test are accounted for after FRA, that taking lump-sum retroactive benefits reduces future monthly benefits permanently, and that life expectancy and longevity risk should be a consideration in a person's decision to claim. The claims process, either in person with a claims specialist or online, allows for SSA to add additional questions or prompts-potentially using language SSA already provides on its website and in publications. This information would help each individual receive the information they need to make an optimal decision. While we recognize that SSA claims specialists face time constraints in processing claims, providing such information would not necessarily add much time to a typical claim or inquiry. In some cases, such as with breakeven ages, claims specialists could actually save time by providing less information than they do. Given the near-universality and broad dependence on Social Security for retirement income, improving the claims process could have a significant impact on people's retirement security.

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### Recommendations for Executive Action

To ensure that key information provided by claims specialists to potential claimants of Social Security retirement benefits is clear and consistent with POMS, the Commissioner of the SSA should take steps to ensure:

- when applicable, claims specialists inform that delaying claiming will result in permanently higher monthly benefit amounts, and at least offer to provide claimants their estimated benefits at their current age,

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at FRA (unless the claimant is already older than FRA), and age 70; and

- claims specialists understand that they should avoid the use of breakeven analysis to compare benefits at different claiming ages.

In addition, to ensure potential claimants are consistently provided with key information during the claiming process to help them make informed decisions about when to claim benefits, SSA should take steps to ensure that:

- when applicable, claims specialists inform claimants that monthly benefit amounts are determined by the highest (indexed) 35 years of earnings, and that in some cases, additional work could increase benefits;
- when appropriate, claims specialists clearly explain the retirement earnings test and inform claimants that any benefits withheld because of earnings above the earnings limit will result in higher monthly benefits starting at FRA;
- claims specialists explain that lump sum retroactive benefits will result in a permanent reduction of monthly benefits. For the online claiming process, SSA should evaluate removing or revising the online question that asks claimants to provide a reason for not choosing retroactive benefits; and
- the claims process include basic information on how life expectancy and longevity risk may affect the decision to claim benefits.

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### Agency Comments and Our Evaluation

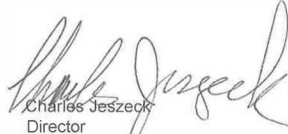
We provided a draft of this report to SSA for review and comment. SSA generally agreed with our recommendations. SSA's comments are reproduced in appendix IV. They correctly noted that some of our recommendations apply only to certain claimants; for example, additional information on the retirement earnings test would be important to provide only to a claimant who is younger than FRA and who intends to work after claiming. SSA emphasized that their claims specialists are not equipped to serve as financial advisors, and that claimants must select the age that is best for them based on their individual circumstances. We agree, and believe that our recommendations are consistent with the principle of providing important information-not financial advice-to claimants. To the extent that SSA can incorporate the information we recommend into the claims process, we believe that this will improve the likelihood that claimants consistently receive the information they need to decide their own optimal claiming decisions. SSA also provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the Commissioner of the Social Security Administration, appropriate congressional committees, and other interested parties. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made contributions to this report are listed in appendix V.



Charles Jeszeck  
Director  
Education, Workforce, and Income Security Issues

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## Appendix I: Objectives, Scope, and Methodology

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In this report, we examined: (1) the extent to which people understand Social Security rules affecting their benefits, and other factors that may influence when they claim retirement benefits; and (2) the information that the Social Security Administration (SSA) provides to individuals inquiring about claiming that enables them to make informed claiming decisions. We conducted this research from July 2015 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To address our objectives, we applied several methods for collecting and analyzing relevant information, as described below.

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### Identification and Review of Applicable Law and Regulations

We reviewed relevant federal laws and regulations for requirements relating to SSA providing the public with information about retirement benefits. Additionally, we reviewed relevant sections of the SSA Program Operations Manual System (POMS), a primary source of information used by SSA employees to process claims for Social Security benefits. We also interviewed SSA headquarters officials and District managers in seven field offices to learn how Social Security retirement benefit claims are processed.

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### Literature Search and Expert Interviews

Using the Internet and expert referrals, we found and reviewed surveys and academic studies that assessed understanding of Social Security benefits and identified the factors that influence claiming. The search comprised publications from GAO reports, other government agencies, research organizations, scholarly journals, and the financial industry from 2010 to 2015. Of the studies we found, nine were most relevant to our work. These studies are described in appendix II. We also interviewed a judgmental selection of Social Security experts from academia, public policy organizations, and financial firms to obtain their views on how SSA could provide information to better inform people about claiming benefits. Based on our review of studies and on expert interviews, we identified key information categories that are central to making an informed decision about when to claim retirement benefits.

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 Appendix I Objectives, Scope, and Methodology
 

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 Review of SSA Publications, Web Pages, and Calculators
 

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We identified materials to review from our own examination and search of SSA's website. We reviewed SSA's publications, web pages, and calculators that provided information related to understanding and filing for retirement benefits, including how benefits are calculated. We reviewed each of the publications and web pages and assessed how they addressed each of the key information components we found from our literature review and expert interviews that were not well understood by prospective claimants. A second reviewer verified any initial assessments that were used in this report. We reviewed the calculators to see if, collectively, they addressed each of the key information categories.

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 Observations of Claims Process at Field Offices and Online
 

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We observed a demonstration of SSA's online retirement claims process and a nongeneralizable sample of 30 face-to-face claims applications and inquiries at 7 SSA field offices. We identified the local SSA offices where we would observe the retirement claims process, taking into consideration regional geographic diversity, income level, urban and rural composition, and the number of new claims each office processes. SSA headquarters provided local office data from each of the 10 SSA regions. After reviewing those data and considering logistical issues, we selected 7 offices in the Philadelphia, Chicago, and San Francisco regions. We used SSA data to identify local offices with high volumes of inquiries and visits. We then looked at the number of retirement claims those offices were processing and considered thoughts of SSA regional and field office officials about pros and cons of each local office we had preliminarily chosen, such as foot traffic or appointment schedules. Based on our discussions with SSA headquarters and regional officials, and our analysis of data on the field offices, we selected SSA field offices in Alexandria, VA; Winchester, VA; and Arlington, VA (Philadelphia region); San Francisco, CA and Santa Rosa, CA (San Francisco region); and Mount Prospect, IL and Hillside, IL (Chicago region). We conducted these site visits from March to May 2016.

At our site visits, we observed SSA claims specialists handle claims intakes or inquiries from claimants for retirement benefits (including for survivors and spousal benefits). We noted the elements of the claims process and information the specialists provided to claimants during this process and evaluated what we observed against POMS guidance and to determine how specialists were addressing the six key information categories we identified from our literature review and expert interviews. We also interviewed managers and claims specialists at these offices about the process for completing retirement benefit claims, training on

completing claims applications, and how claims specialists' performance is evaluated.

To learn about the online claims process for retirement benefits, we observed a screen-by-screen demonstration by an SSA official covering the steps of a retirement claim, and asked the official questions about the process and the information provided. We did not observe an actual online claim, but saw all the screens that potential claimants see and the steps that they follow when a retirement claim is filed online through SSA's website.

## Appendix 11: Selected Surveys and Studies, 2010-2015

Table 1: Selected Surveys and Studies, 2010-2015, Identifying What People Understand about Social Security Retirement

Author/Organization	Survey: Population and Sample size	Findings
AARP and Financial Planning Association (2015)	(1) 1,215 future beneficiaries ages 45-64, not collecting yet, and (2) 1,279 Certified Financial Planning professionals with client base ages 45-64	The survey found future beneficiaries have a knowledge gap that may undermine their retirement expectations. <ul style="list-style-type: none"> <li>Majority knew that waiting increases benefits (67 percent underestimate the benefits of waiting from 62 to full retirement age) (FRA).</li> <li>27 percent knew benefits withheld due to the retirement earnings test will be returned over time after FRA.</li> <li>Half of ever married respondents knew they can receive benefits based on their living spouse's work record.</li> <li>97 percent knew surviving spouse can get benefits if surviving spouse had never worked.</li> <li>20 percent of ever-married respondents who knew they can receive survivors benefits do not know the age at which the deceased spouse started claiming benefits will affect the amount of the survivors benefit.</li> <li>Just over half of those who knew about survivors benefits knew the age the surviving spouse claimed made a difference also.</li> </ul>

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 Appendix II: Selected Surveys and Studies, 2010-2015
 

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AARP/Knowledge Networks (2012)	National panel, 2,053 people ages 52-70 eligible on own work, not yet claimed, expected to do so in next 15 years	<p>The survey revealed widespread knowledge of certain issues that affect how retirement benefits are determined but show a considerable lack of knowledge of some critical nuances.</p> <ul style="list-style-type: none"> <li>• 76 percent understood there would be a benefit reduction from work before Full Retirement Age, but</li> <li>• 71 percent of those that understood there would be a reduction (prior bullet) did not know the reduction was temporary.</li> <li>• 7 percent knew that 35 highest earning years are used to calculate benefits.</li> <li>• 95 percent of married or ever married respondents were aware of widow benefits, but only 48 percent of this group were aware of benefits from a living spouse.</li> <li>• 78 percent of those aware of availability of survivors benefits were also aware of how the age a worker claims affects survivor benefit.</li> <li>• 52 percent of married or ever married respondents indicated claiming age of widow affects widow's benefits.</li> <li>• 29 percent knew the earliest age to claim for maximizing benefits was 70.</li> <li>• 89 percent of respondents knew monthly benefit would be higher if benefits were claimed at FRA rather than 62, but few of those had an accurate sense of the amount.</li> </ul>
Center for Retirement Research at Boston College/ Steven A. Sass (2015)	Summary of findings of studies and surveys from the Social Security Administration's Retirement and Financial Literacy Research Consortiums	<p>The surveys showed that the Social Security Statement delivered significant value by improving benefit knowledge for those that do not otherwise contact the Social Security Administration.</p> <ul style="list-style-type: none"> <li>• Most workers could provide an estimate of their potential monthly benefit and how it would increase by delaying claiming.</li> <li>• However, the surveys and studies that reviewed the value of the Statement did <u>not</u> find that the Statement affected claiming behavior.</li> </ul>

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 Appendix II: Selected Surveys and Studies,  
 2010-2015
 

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Financial Engines/fielded by Greenwald & Associates (2014)	<p>Step 1: 2 preliminary focus groups with consumers between the ages of 58 and 64, who had not yet claimed Social Security benefits, and had no plans for what they wanted to do;</p> <p>Step 2: 15 minute online survey. 1,008 "near-claimants" and current beneficiaries between the ages of 55 and 70 with at least \$50,000 annual household income</p>	<p>This study found that claiming Social Security benefits is a complicated decision that requires understanding and weighing of difficult financial concepts. Of those surveyed:</p> <ul style="list-style-type: none"> <li>• 40 percent of all respondents could reasonably approximate the increase in benefits from a 2-year delay; and</li> <li>• 14 percent of respondents between age 62 and 70 said there would be no difference in their monthly benefits if they delayed claiming; 2 of 10 said they did not know the impact of delayed claiming.</li> <li>• 55 percent of respondents knew a divorced person could claim benefits based on his or her ex-spouse's work history and earnings, if they were married for 10 years.</li> <li>• Among those yet to claim, 24 percent of survey respondents viewed claiming and retiring as essentially the same decision, and 51 percent of respondents saw them as separate, but related; and</li> <li>• 52 percent of those yet to claim found reading a simple explanation encouraged them to consider claiming later than planned.</li> <li>• 75 percent of respondents indicate a working knowledge of survivors benefits.</li> <li>• 52 percent of those of those yet to claim expressed concern about receiving less from Social Security overall if they delay claiming and then do not live as long as expected.</li> <li>• 34 percent of all respondents estimate they would die before the average life expectancy of their cohort.</li> </ul>
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Appendix II: Selected Surveys and Studies, 2010-2015

<p>Financial Literacy Center/Greenwald, Kapteyn, Mitchell, Schneider (2010)</p>	<p>(1) 2,000 persons ages 25-65 using random-digit-dial phone survey; (2) 3,000 household Internet survey using the RAND-sponsored American Life Panel sample. Respondents were age 18 and older</p>	<p>Both surveys showed low level of Social Security literacy.</p> <ul style="list-style-type: none"> <li>• Half of respondents to survey 1 scored 'D' or 'F' overall on Social Security knowledge, with higher-income people faring better.</li> <li>• Only 23 percent of respondents to survey 1 correctly identified benefits calculated based on 35 highest earning years.</li> <li>• 42 percent of respondents to survey did not know benefits can be taxed; 43 percent did not know benefits are adjusted for inflation.</li> <li>• 76 percent of respondents were aware of survivors benefits.</li> <li>• Only 24 percent of married respondents suggested they had a very strong understanding of how much their spouses will receive.</li> <li>• 62 percent understood that monthly retirement benefits would increase if they delayed claiming.</li> <li>• 36 percent did not understand benefits are based on claiming age; only 29 percent felt very knowledgeable about how benefits can change based on when then claim.</li> <li>• 19 percent believed they had to claim when they stopped working.</li> <li>• 23 percent believed benefits are based on FICA (payroll) taxes paid in.</li> <li>• 27 percent believed benefits are based on number of years worked and the last 5 years of earnings.</li> <li>• 30 percent indicated they had little or no idea how long they anticipated living in retirement.</li> <li>• 25 percent of respondents to survey 2 knew how the benefits were calculated (35 years).</li> </ul>
<p>Massachusetts Mutual Life Insurance Company (2015)</p>	<p>1,513 Americans (1,000 non-Hispanic ages 25-65; 513 Hispanic age 18+)</p>	<p>The survey, which included a true/false quiz, showed the following results:</p> <ul style="list-style-type: none"> <li>• 72 percent of respondents failed the 10-question quiz on Social Security knowledge.</li> <li>• 71 percent did not know Full Retirement Age is no longer 65 for anyone born in 1938 or later.</li> <li>• 55 percent incorrectly believed they could continue working while collecting full Social Security benefits regardless of age.</li> </ul>

Appendix II: Selected Surveys and Studies,  
2010-2015

National Bureau of Economic Research/Liebman & Luttmner (2014)	2,331 people between ages 50 and 70, out of a nationally representative sample who were eligible and completed the survey; 77 questions in the survey instrument - one section asked about knowledge of 5 Social Security components	<p>The survey showed some understanding:</p> <ul style="list-style-type: none"> <li>• Participants were aware of survivors benefits-52 percent thought they would receive the same benefits as survivors and 42 percent believed benefits would rise.</li> <li>• 85 percent knew a delay in claiming between age 62 and 66 would increase benefits.</li> </ul> <p>Other points were less well understood:</p> <ul style="list-style-type: none"> <li>• Median respondent believed only the 10 highest years of earnings count in the benefit calculation.</li> <li>• About 30 percent understood that the highest earnings years counted in the benefit calculation.</li> <li>• About 50 percent believed non-labor force spouse would <u>not</u> be eligible for benefits.</li> <li>• Of those who believed there was a retirement earning test (threshold), 40 percent believed future benefits would increase if current benefits were reduced.</li> </ul>
Society of Actuaries (2011)	Telephone interviews with 1,600 adults ages 45-80 (800 retirees and 800 pre-retirees) from a nationwide targeted list	<ul style="list-style-type: none"> <li>• Of respondents willing to guess, approximately 4 in 10 underestimate average life expectancy by 5 or more years.</li> </ul>
Social Security Timing (2011)	Survey delivered via e-mail and completed on line. 532 respondents qualified and completed the survey; the respondents were married couples ages 60-66	<p>Survey found:</p> <ul style="list-style-type: none"> <li>• 87.2 percent of respondents were aware of how "timing" affects Social Security benefits.</li> <li>• 75.6 percent were aware of spousal and survivors benefits.</li> <li>• Only 27 percent were aware of file and suspend and restricted application options.</li> </ul>

Source: GAO analysis of selected surveys and academic studies that assessed understanding of Social Security benefits. | GAO-16-786

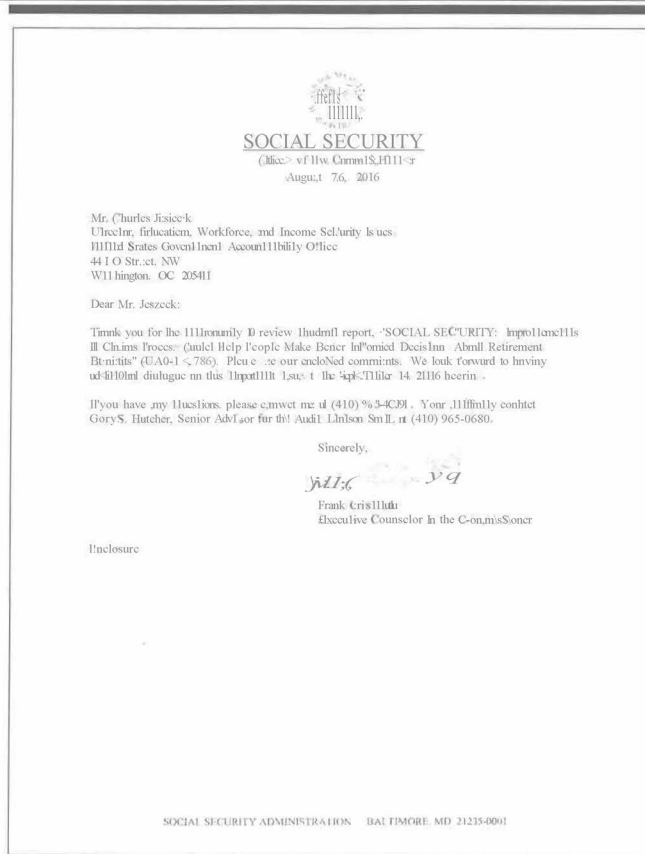
## Appendix III: Social Security Administration Online Calculators to Assist in Filing

Table 2 Social Security online calculators available to assist in filing retirement claims

Name	Description	Web Link (as of August 2016)
Retirement Estimator	Provides estimates of monthly benefits based on an individual's actual Social Security earnings record.	<a href="https://www.ssa.gov/retire/estimator.html">https://www.ssa.gov/retire/estimator.html</a>
Online Calculator	Provides estimates of the individual's retirement, disability, and survivors benefits using date of birth and complete earnings history. Projects future earnings until retirement date.	<a href="https://www.ssa.gov/planners/retire/AnyPiaApplet.html">https://www.ssa.gov/planners/retire/AnyPiaApplet.html</a>
Quick Calculator	Provides a rough estimate of an individual's benefits in today's dollars or future dollars with the input of date of birth and this year's earnings amount. Does not use actual earnings record.	<a href="https://www.socialsecurity.gov/OACT/quickcalc/">https://www.socialsecurity.gov/OACT/quickcalc/</a>
Detailed Calculator	Provides the most precise estimate of an individual's retirement, disability, and survivors benefits. Produces a Primary Insurance Amount and reductions or increases for early or delayed retirement. Must be downloaded and installed on the individual's computer.	<a href="https://www.ssa.gov/OACT/anypia/anypia.html">https://www.ssa.gov/OACT/anypia/anypia.html</a>
Benefits for Spouses Calculator	Computes the effect on an individual's spousal benefits of the age the individual starts the spousal benefit.	<a href="https://www.ssa.gov/OACT/quickcalc/spouse.html">https://www.ssa.gov/OACT/quickcalc/spouse.html</a>
Retirement Age Calculator	Individual can find his/her full retirement age and see how monthly benefits may be reduced by retiring before full retirement age.	<a href="https://www.ssa.gov/planners/retire/ageincrease.html">https://www.ssa.gov/planners/retire/ageincrease.html</a>
Early or Late Retirement Calculator	Computes the effect on the individual's benefit amount for filing for early or delayed retirement benefits.	<a href="https://www.socialsecurity.gov/OACT/quickcalc/early_late.html">https://www.socialsecurity.gov/OACT/quickcalc/early_late.html</a>
Earnings Test Calculator	Shows how an individual's earnings may affect benefit payments if the individual is currently working and eligible for retirement or survivors benefits this year.	<a href="https://www.ssa.gov/OACT/COLA/RTeffect.html">https://www.ssa.gov/OACT/COLA/RTeffect.html</a>
Life Expectancy Calculator	Provides rough estimates of how long an individual (or their spouse) might expect to live, on average.	<a href="http://www.socialsecurity.gov/OACT/population/longevity.html">http://www.socialsecurity.gov/OACT/population/longevity.html</a>
Government Pension Offset Calculator	Provides estimates of spousal, widow, or widower benefits for an individual who receives a pension from a government job not covered by Social Security.	<a href="https://www.socialsecurity.gov/planners/retire/gpo-calc.html">https://www.socialsecurity.gov/planners/retire/gpo-calc.html</a>
Windfall Elimination Provision Calculator	Provides estimates for an individual who is eligible for a pension based on work that was not covered by Social Security.	<a href="https://www.ssa.gov/planners/retire/anyPiaWepjs04.html">https://www.ssa.gov/planners/retire/anyPiaWepjs04.html</a>

Source: GAO analysis of Social Security Administration's interactive calculators. | GAO-16-786

## Appendix IV: Comments from the Social Security Administration



**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "SOCIAL SECURITY: IMPROVEMENTS TO CLAIMS PROCESS COULD HELP PEOPLE MAKE BETTER INFORMED DECISIONS ABOUT RETIREMENT BENEFITS" (GAO-16-786)**

Selecting the age at which to start receiving Social Security retirement benefits is an important decision that permanently affects the benefits a retiree and his or her family receive. There is no one age that is best for everyone; claimants must select the age that is best for them based on their individual circumstances, including other income, assets and obligations, health and family longevity, and the Social Security benefits available to dependents.

We appreciate that GAO acknowledged the comprehensive information that we provide on our website, in our publications, in our outreach initiatives, and in the Social Security Statement, to help people make informed retirement decisions. The Social Security Statement enables us to reach out to workers and provide them with beneficial information beginning at the age of 25 (age 18 for those with a disability) to the Online Statement so that they have time to consider the best claiming age. This information on our retirement benefit rules complements the information provided by our claims specialists during the claims intake process in our field offices.

We also appreciate that GAO recognized the professionalism of our employees, who go to great lengths to serve the public with respect, skill, and dignity. In their observations of a very small sample of retirement claims, GAO noted some areas we would improve. Although the small sample is not reflective of the millions of retirement claims and related discussions we have with the public every year, we nevertheless appreciate GAO's insights.

Please find below our responses to the report recommendations. We are also providing a number of technical comments separately.

**Recommendation 1**

Ensure, when applicable, claims specialists ask claimants if they know that delaying claiming will result in permanently higher monthly benefit amounts, and at least offer to provide claimants their estimated benefits at their current age, at full retirement age (FRA) (unless the claimant is already older than FRA), and age 70.

**Response**

We agree, but recommend changing this recommendation to state:

"Ensure when applicable, claims specialists inform claimants that delaying claiming will result in permanently higher monthly benefit amounts, and at least offer to provide claimants their estimated benefits at their current age, at FRA (unless the claimant is already older than FRA), and age 70."

Appendix IV: Comments from the Social Security Administration

As GAO noted, our current policy instructs claims specialists to provide this information. We will provide reminders to technicians to reinforce the instruction.

**Recommendation 2**

Ensure claims specialists understand that they should avoid the use of the Keene analysis to compare benefits of different claiming options.

**Response**

We agree. As GAO noted, our current policy is that claims specialists "should no longer discuss [broken points] with claimants." We will provide reminders to technicians to reinforce the instructions.

**Recommendation 3**

Ensure claims specialists inform claimants that monthly benefit amounts are determined by the highest (indexed) 35 years of earnings, and that in some cases, additional work could increase benefits.

**Response**

We agree, but recommend changing the recommendation to state:

"When applicable, ensure claims specialists inform claimants that monthly benefit amount is determined by the highest (indexed) 35 years of earnings, and that in some cases, additional work could increase benefits."

We agree that information regarding the 35 base-years of earnings in the primary benefit amount formula is useful to some individuals – namely, those who have gaps in their earnings history, who are not retired from work, and/or who plan on returning to work. At the same time, we believe that this information could be confusing or misleading to other claimants. Additionally, continued work does not always significantly increase the benefit in many cases, so this explanation could be misleading for some claimants. Therefore, we recommend that UAO modify the recommendation to call for providing this information "when applicable." As appropriate, we will issue a reminder to technicians or include instructions in our Program and Operation Manual System (POMS) to reinforce the instructions.

**Recommendation 4**

Ensure claims specialists clearly explain the retirement earnings test and inform claimants that they benefit is withheld because of earnings above the earnings limit will result in higher monthly benefits starting at YRA.

**Appendix IV: Comments from the Social Security Administration**

Response

We agree, but recommend changing this recommendation to state:

*"When appropriate, ensure claims specialists clearly explain the retirement earnings test and inform claimants that any benefits withheld because of earnings above the earnings limit will result in higher monthly benefits starting at FRA."*

As with recommendation 3, this information is relevant only to some claimants - in this case, those who intend to work after claiming benefits - and may be unhelpful or confusing to others. Therefore, we recommend that GAO modify the recommendation to call for providing this information "when appropriate (or applicable)." We agree that whenever we discuss the retirement earnings test, claims specialists should clearly explain that benefit would be increased at FRA to account for the amounts withheld due to earlier earning. As appropriate, we will issue a reminder to technicians or include instructions in our POMS to reinforce the instructions.

Recommendation 5

Ensure that claims specialists explain that lump sum retroactive benefits will result in a permanent reduction of monthly benefits. For the online claiming process, SSA should remove the online question that asks claimants to provide a reason for not choosing retroactive benefits.

Response

We agree in part.

For the first sentence of the recommendation, we agree. Whenever we discuss lump sum retroactive benefit with claimants, claims specialists should explain that it would result in a permanent reduction in monthly benefits. We will issue a reminder to technicians or include instructions in our POMS.

For the second sentence, we recommend a modification as follows:

*"For the online claiming process, SSA should evaluate removing or revising the online question that asks claimants to provide a reason for not choosing retroactive benefits."*

We note that this online claims question asks the claimant to provide a reason for choosing to start benefits at *any point other than the month of application*; this pertains to the choice to claim either earlier or later than that month, including both retroactive and delayed benefits. The answer may be an indication that we should contact the claimant to discuss the selection. We will explore the underlying rationale for this question and consider modifying the question.

Appendix IV: Comments from the Social Security Administration

Recommendation 6

Ensure that claims processes provide basic information on how life expectancy and longevity risk may affect the decision to claim benefits.

Response

We agree. We already provide basic information on these topics in our publications and webpages, but we recognize that there is ongoing research in these areas that we may be able to use to improve the information we provide. We are looking at what we can do to better explain the effect of delaying benefits and to explain longevity risk – and the related risk of outliving one's financial resources in old age. Our in-house researchers are continuing to contribute insights from psychology and behavioral economics, and we are engaging the White House Social and Behavioral Sciences Team to inform our work. We are also drawing on insights from work of other organizations, including the Society of Actuaries, AJRLI, the National Academy of Social Insurance, and others who are messaging on claiming decisions and longevity risk. As a first step, we will use our research findings from our own scholars and those of other organizations to explore improving the [What to Swell Retirement Publication](#) publication, which could also become a tool for use by our claims specialists in field offices.

We also note that although our claims specialists are not equipped to serve as financial advisors, nor are they experts in life expectancy or related concerns they do however, perform their job extremely well, and are well-versed in providing objective information to explain the law and how it applies to the claimant.

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## Appendix V: GAO Contact and Staff Acknowledgments

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### GAO Contact

Charles Jeszeck, (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov)

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### Staff Acknowledgments

Michael Collins (Assistant Director), Mark Glickman (Assistant Director), Laurel Beedon, Lilia Chaidez, Susan Chin, and Joel Marus made significant contributions to this report. In addition, support was provided by Susan Aschoff, James Bennett, Deborah Bland, Scott Clayton, Alexander Galuten, Teresa Heger, Tom Moscovitch, Ardith Spence, Frank Todisco (Chief Actuary), and Walter Vance.

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## Related GAO Products

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*Retirement Security: Low Defined Contribution Savings May Pose Challenges.* GAO-16-408. Washington, D.C.: May 5, 2016.

*Retirement Security: Shorter Life Expectancy Reduces Projected Lifetime Benefits for Lower Earners.* GAO-16-354. Washington, D.C.: March 25, 2016.

*Social Security's Future: Answers to Key Questions.* GAO-16-75SP. Washington, D.C.: October 27, 2015.

*Retirement Security: Federal Action Could Help State Efforts to Expand Private Sector Coverage.* GAO-15-556. Washington, D.C.: September 10, 2015.

*Retirement Security: Most Households Approaching Retirement Have Low Savings.* GAO-15-419. Washington, D.C.: May 12, 2015.

*Retirement Security: Challenges for Those Claiming Social Security Benefits Early and New Health Coverage Options.* GAO-14-311. Washington, D.C.: April 23, 2014.

*Retirement Security: Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees.* GAO-14-33. Washington, D.C.: January 15, 2014.

*Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security.* GAO-12-445. Washington, D.C.: April 25, 2012.

*Social Security Statements: Observations on SSA's Plans for the Social Security Statement.* GAO-11-787T. Washington, D.C.: July 8, 2011.

*Retirement Income: Ensuring Income throughout Retirement Requires Difficult Choices.* GAO-11-400. Washington, D.C.: June 7, 2011.

*Social Security Reform: Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls.* GAO-11-125. Washington, D.C.: November 18, 2010.

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