Framing & Peer Effects on Social Security Claiming

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November 18, 2010
Washington, D.C.
Methodology

» Ten focus groups

» All participants were required to be ages 50 – 61, eligible to receive Social Security, and in excellent or good health (self-reported)

» Income of participants

>$20k to $39.9k

>$40k to $74.9k

>$75k to $149k

Acknowledgement: Olivia Mitchell of the Wharton School, Jeffrey Brown of the University of Illinois and Arie Kapteyn of RAND worked on this project.
Limitations of Focus Groups

» Small sample size
» Lack of random selection
» Questions not asked in the same order across groups
» Impact of persuasive participants
  > Various techniques used to eliminate this impact on key issues and questions
Objectives of Groups

» Aid in design of quantitative study
  > Stimuli
  > Question wording
  > Development of hypotheses for quantitative testing
» Exploration of new issues
» Possibility of serendipitous findings
  > New hypotheses
  > New stimuli
  > New questions and changes in question wording
Peer effects on when to permanently leave the labor force are diminished by:

- Limitations on financial information disclosed
- Widespread belief that financial situation is different than peers – even co-workers with same position and tenure
- “Disappearance” of co-workers after they leave the company for retirement
Peer Effect – Main impact on decision to retire

» Reports of experience in retirement
  > Fun, sociable, less stressful, not expensive OR
  > Lonely, depressing, isolated, expensive
Issue Concerning the Annual Social Security Statement

» The importance of estimated benefit reported on annual “Your Social Security Statement”
» Incorporation of estimate into planning for leaving work force
» Low awareness of deduction for Medicare premiums and taxation of benefits when income exceeds certain limits

When informed of these potential deductions, there is a strong sense that this information should appear on the statement.

“I want to know the final number. The net number is better than having the gross number.”
An idea for providing information on deductions for Medicare premiums

» It is impossible to estimate the size of future deductions from Social Security benefits

» One idea generated by the group is to present information of the last three years of Medicare premium levels
There is a powerful loss aversion factor concerning claim decisions

» Break-even analysis, which informs participants that the one year of benefit payments not received due to delaying claiming will be made up in a specified period of time, encourages early claims

> Even among those who believe they will live well beyond break-even point

> Even among those concerned about outliving financial resources
Moderate and high income participants tend to be more open to later labor force participation than lower income people

» Many higher income participants enjoy their work and do not mind the prospect of delayed retirement

» A number of lower income participants find work physically hard, stressful, and unpleasant

“After I’m retired I don’t want to work part time or any time because I’m exhausted. I want a break. I wish I could retire today because I don’t want to work forever.”
Concerns about solvency of Social Security System pushes some toward earlier claiming

» Concerns about solvency of Social Security System is widespread
» Some feel cuts will not be made for those receiving benefits
  > This leads some to conclude it is wise to claim early

“I’d rather have the $15,000 annually now than get an extra $100 per month. Waiting could be a problem because I can see the day when the government will not be able to make those payments.”

– Low income participant
There is strong sensitivity to message from government agency

» A few consider the term “payment cuts” too harsh

» Negative reaction by a few to the phrase you can use your Social Security benefit “to pay for goods and services.” (This lead to change in quantitative study stimuli.)

“I don’t like the phrase “paying for goods and services.” I’ll pay for whatever I want to pay for.”

– Medium income participant
There is a high degree of trust in the Social Security Administration

» Almost all accept Social Security estimates and information without question

» Information from the Social Security Administration is considered important and worth reviewing

» However, many are not seeking out information from the Social Security Administration

> Few report using the website