Is Social Security Claiming Influenced by How Information Is Framed?

Economists have long understood that important economic decisions are influenced by the way the information is framed. One decision that almost all Americans have to make is when to start receiving Social Security benefits. The so-called "normal" retirement age is 66 for those born 1943–1954 (and 67 for people born 1960 and later), at which point individuals are entitled to receive their full (or "unreduced") Social Security benefits. But the claiming decision is complicated by the fact that people can begin to claim their benefits at any time between the ages of 62 and 70.

The choice of when to start claiming benefits can make a great difference in people's monthly retirement incomes. For example, people who stop working at age 62 but wait to claim benefits until age 70 will receive 76 percent more dollars per month for the rest of their lives than they would if they had claimed benefits at age 62 (in inflation-corrected terms). The adjustments are said to be "actuarially fair" because, over their lifetimes, people who take a lower benefit early would expect to receive about the same total amount in benefits as if they had waited for the higher monthly benefit starting later. However, given heterogeneity in the population, some people

would do better by delaying their benefits beyond age 62, particularly when spouse and survivor benefits are taken into account.

The Social Security Administration (SSA), the main source of information about this choice, is careful to avoid offering explicit advice about when to claim benefits. The agency does, however, explain how the date of claiming will influence benefits.

This project hypothesized that *how* this information is conveyed may influence *when* people are likely to claim their benefits. Ideally, this hypothesis would be tested using data on the type of information beneficiaries receive and their actual age when first claiming Social Security benefits. Such data do not exist, however, so this project explored how alternative approaches to (or frames for) conveying information about the relationship between age of claiming and benefits affected the *expected* age of claiming in a sample of individuals surveyed by the American Life Panel (ALP), an Internet-based survey of approximately 3,000 U.S. households.

Results to date suggest that *how benefit information is framed strongly shapes the expected claiming age of ALP respondents.* This finding, which is consistent with recent developments in the behavioral sciences, challenges the

assumption that individuals are rational decisionmakers who are optimizing outcomes.

Developing the Frames

The research team first conducted focus groups in the Chicago, Los Angeles, Philadelphia, and Washington, D.C., areas to understand how individuals thought about claiming Social Security benefits and to ensure that the language used in the survey was clear to participants. Focus groups revealed, among other things, that participants are more responsive to narratives that emphasized rewards rather than penalties, that they prefer to see the monthly benefit level at every claiming age—in a chart or slider format—from 62 to 70, and that they want more information on how working longer can influence benefit payments (as well as spousal and survivor benefits).

Armed with this information, the investigators developed a set of ten frames presenting people with the same underlying claiming information—namely, the monthly Social Security benefit that could be anticipated at each age—but altering the language used to present this information. Each respondent was shown six frames distributed over three waves of data collection. In the first wave, each respondent was shown two frames randomly selected from the ten frames; in the second wave, the respondent was shown two more frames randomly selected from the remaining eight; in the third wave, he or she received additional presentations randomly selected from the remaining six.

The "baseline" frame is quite similar to the approach used by the SSA since 2008 in its public information on claiming. This approach depicts the information as neutrally as possible, making no attempt to induce people to claim early or late. This frame is "anchored" at age 66, the normal retirement age for the people surveyed. *Anchoring* here simply means that that all choices are calculated with reference to the benefits earned at age 66.

The second frame conveys the choice in terms of a "breakeven" calculation. It notes that delaying claiming results in a loss of one year's worth of benefits, which would be recouped over time due to the higher benefits payable at a later date. Specifically, the message is

that the individual would not come out ahead in terms of total benefits received unless the individual lived to at least age X, where X is the age when total payments would be equalized. This approach was formerly used by the agency before it moved to the current, more-neutral approach. Many private-sector financial planners also describe the choice in "breakeven" terms to their clients.

The remaining eight frames vary along three key dimensions identified as important in behavioral research:

- **Consumption versus investment.** The claiming outcome can be presented in terms of purchasing power in retirement, or in terms of "investment" returns on contributions while working.
- **Gains versus losses.** The claiming outcome can be framed in terms of a gain (delaying claiming by one year will increase your annuity by $X per month) or a loss (claiming one year earlier will reduce your annuity by $X per month).
- **Older versus younger reference ages.** The claiming outcome can be framed in terms of the reference age used for calculating gains and losses (e.g., 62, 66, or 70). For this study, the presentations anchored gains at 62 and loss frames at 70, as well as both gain and loss formats that are anchored at age 66.

Table 1 lists the ten frames. Frames 3 to 10 are offered first in terms of a consumption or investment choice. Along those two dimensions, the information is then framed in terms of whether the reader will gain or lose by

Table 1. Ten Frames

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

that choice. Finally, a consumption/investment, gain/loss frame is anchored at different ages, as noted above.

In all frames, respondents were provided with a "sliding scale" showing how much the monthly benefit would be at each age from 62 to 70 (in monthly increments) as shown in Figure 1. Individuals use a computer mouse to slide along the scale and watch benefits change with each claiming age. The initial "starting point" for the claim-age indicator matches the reference age provided in each

frame. After the respondent views a frame, the survey asks the respondent to use the sliding scale to pinpoint the age at which he or she is most likely to claim benefits.

Findings

The authors' central finding is that *how* claiming information is framed has a strong influence on expected benefit-claiming ages.

Figure 1. Screen Capture of Frame 4: Consumption Gain Anchored at Age 62

The Breakeven Approach Leads to the Lowest Expected Claiming Age

The experimental approach clearly demonstrates that the breakeven calculation leads people to report substantially earlier expected claiming dates than does any of the other nine frames. In fact, compared with the neutral frame (the baseline), the breakeven frame appears to *induce expected claiming one year earlier*. The magnitude of this result is quite striking when compared with previous estimates of how changes in economic variables influence retirement dates.

Emphasizing Gains Rather Than Losses Leads to Later Expected Claiming

Additionally, frames that emphasize benefit increases, rather than benefit reductions, lead to later expected claiming. This is particularly true when the gain is presented in a consumption framework.

Emphasizing Both Consumption and Gains Yields the Highest Expected Claiming Age

The interactions across these dimensions lead to important differences. When people are presented with *gains*, they tend to report a later expected claiming age than when presented with *losses*. Across the ten fames, presenting respondents with a consumption-gain frame anchored at age 66 (frame 4 in Table 1) yields the latest expected claiming age, although several others also generate significantly later claiming ages than the neutral one.

Anchoring at Older Ages Delays Expected Claiming

People also claim later when presented with computations that point to benefit increases for later claiming ages. For example, the consumption-gain frame with age 66 as an anchor yields a claiming age that is about two to three months higher than the same frame with age 62 as an anchor; a similar difference results when comparing the investment gain frames at ages 66 and 62. Combining an emphasis on consumption with a reference to age 66 yields the highest expected claiming age, though several other frames also generate significantly later claiming ages than the neutral frame, such as the investment-gain frame at 66 and the consumption-loss frame at 70.

Frame Sensitivity Is Higher for Women and the Less Educated

The team also explored differences in responses to the ten frames in terms of demographic factors including age and level of education. This provides an indication of how sensitive particular groups are to how the information is presented. Results show that less educated respondents respond more than the college educated, suggesting that the less educated are more susceptible to framing effects. Women also appear more susceptible to framing than men are.

Policy Implications

This work has interesting implications for both the SSA and others providing financial guidance, such as financial advisers and private retirement-plan providers. Evidently, how benefit information is packaged can affect the age at which people expect to claim Social Security benefits. The change in responses based on how the information is framed can be substantial, with perhaps as much as a year difference in expected claiming age. If these claiming expectations correspond to actual behavior, this research suggests that framing alone could significantly affect the stream of Social Security payments made to older Americans. ●