

WORKING PAPER

Executive Summary

OCTOBER 2007, WP# 2007-17

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WHY DO MARRIED MEN CLAIM SOCIAL SECURITY BENEFITS SO EARLY? IGNORANCE OR CADDISHNESS?

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Most married men claim Social Security benefits at age 62 or 63, well short of both Social Security's Full Retirement Age and the age that maximizes the household's expected present value of benefits (EPVB). Most workers claim when they retire, even though claiming and retiring are separate decisions. To get a clean view of the claiming decision, we analyzed decisions of married men who retired prior to becoming eligible for Social Security at age 62. Using data from the HRS and linked Social Security Administrative data, the average age such men in our sample maximize household EPVB is 66. But the great majority claim at 62. This results in a relatively small loss of less than 4 percent in household EPVB. Essentially the entire loss, however, is born by the survivor benefit, which on average is nearly 20 percent less than its value at the maximizing age. Very low incomes among elderly widows are already a major problem. If married men continue to claim as early as they do at present, the problem could worsen with the rise in Social Security's Full Retirement Age.

To better understand why married men claim so early, we ran regressions to identify the effect of ignorance, caddishness, and the household decision-making power of the husband. The results are limited by small sample size (999), the small number of men who postponed claiming at least one year (24), and limits on the information available for our sample in the HRS, especially on caddishness and financial literacy. The regression found no association between early claiming and caddishness, the ability of husbands to make claiming decisions independently, and financial-numerical literacy as captured by the few questions in the HRS that essentially all respondents answer. The one statistically significant finding is the association of college education and later claiming, which cautiously take to indicate greater financial awareness.

These results suggest that an effective educational campaign might be able to raise the claiming ages of married men and thereby improve widows' retirement income security. But financial education has not been especially effective in changing behavior. Explaining the value of the insurance Social Security provides, over and above the EPVB, is especially difficult, but crucial if workers are to understand the value of the program's survivor benefit. Thus policymakers should consider other initiatives that raise the claiming ages of married men or otherwise assure a survivor benefit greater than that produced by an age 62 or 63 husbands' claiming age. Such initiatives include raising the Earliest Eligibility Age, requiring

spousal consent for claiming prior to the Full Retirement Age, and preserving the survivor benefit at its Full Retirement Age value and allowing the higher-earning spouse to access only a portion of his (or her) Primary Insured Amount prior to the Full Retirement Age.

Raising the ages at which married men claim, or preserving the survivor benefit at its Full Retirement Age value, would significantly improve retirement income security. It would also raise Social Security's benefit obligations, albeit modestly, at a time when the program faces serious financing shortfalls. If these initiatives result in later retirement ages, these higher obligations could be offset by additional OASDI and Medicare payroll tax and federal income tax revenues.

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