Understanding Social Security
What do People Know about Social Security?

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Lila Rabinovich
Saw Htay Wah

Update, September 1, 2016
Arie Kapteyn
Understanding America Study (UAS)

- Address Based Sample
- Provide tablet and Broadband Internet if needed
- Bilingual (English and Spanish)
- Currently 5500 respondents, who get interviewed once or twice a month
- About five hours worth of background information on all panel members
Background information in UAS

- Personality
- Cognitive tests, numeracy, understanding probabilities
- Complete Health and Retirement Study instrument
- Financial literacy
- Preparation for retirement and financial management
What do People Know about Social Security?

• 2010:
  – Matthew Greenwald and Associates MGA
    • Telephone
  – American Life Panel (ALP)
    • Internet

• 2016: UAS
Please tell me how knowledgeable you feel about how the Social Security System works?
How your benefits change if you claim Social Security benefits sooner or later?
Social Security Knowledge Quiz (True or False)

• Someone who has never worked for pay may still be able to claim benefits if one’s spouse qualifies for Social Security
• Social Security benefits are not affected by the age at which someone starts claiming
• Social Security benefits are adjusted for inflation
• Social Security benefits have to be claimed as soon as someone retires
• Retired people who continue to earn income from working or investments may have to pay tax on their Social Security benefits
• Social Security is paid for by a tax placed on both workers and employers
Social Security Knowledge Quiz
(Continued; select one)

• Which of the following best describes how a worker’s Social Security benefits are calculated?
  • They are based on how long you work as well as your pay during the last five years that you are employed
  • They are based on the average of the highest 35 years of your earnings
  • They are based on how much Social Security taxes you paid
  • They are based on your income tax bracket when you claim benefits
Knowledge and Preparedness go up with age

- Very financially prepared for retirement
- Retirement planning questions: % "very knowledgeable"
- Social Security benefit questions % "very knowledgeable"
- Social Security benefit questions % correct

USC Dornsife
Center for Economic and Social Research

University of Southern California
And with Income

- Very financially prepared for retirement
- Retirement planning questions: % "very knowledgeable"
- Social Security benefit questions % "very knowledgeable"
- Social Security benefit questions % correct

Graph showing percentages of very financially prepared for retirement, very knowledgeable in retirement planning, knowledgeable about Social Security benefit questions, and correct Social Security benefit questions across different income brackets (<30K, 30-50K, 50-75K, >75K)
And with Education

- **Very financially prepared for retirement**
- **Retirement planning questions: % "very knowledgeable"**
- **Social Security benefit questions % "very knowledgeable"**
- **Social Security benefit questions % correct**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Financially Prepared</th>
<th>Retirement Planning</th>
<th>Social Security Benefit Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS or less</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some College</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College</td>
<td></td>
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</tr>
</tbody>
</table>
And varies by Race/Ethnicity

Very financially prepared for retirement

Retirement planning questions: % "very knowledgeable"

Social Security benefit questions % "very knowledgeable"

Social Security benefit questions % correct

And varies by Race/Ethnicity

White

Black

Hispanic /Latino

Other ethnicity
Concluding Remarks

• Knowledge of how Social Security works does not seem to have improved over the last six years.
• As in 2010 the vast majority of respondents does not feel they are financially prepared for retirement.
• Knowledge and preparedness for retirement is lowest among the groups that need it most.
• Social Security terminology is less than intuitive and could probably be simplified.
Can we simplify?

• For instance; Full Retirement Age plays only a minor role these days
• Can we concentrate on a small number of key concepts?
  – Claiming window
  – Later claiming implies higher monthly benefits
  – Benefits are inflation protected
  – How benefits are related to earnings history
  – How benefits are related to spousal earnings
Are there better ways to make data available for policy?

• We are developing interactive tools to help policy makers explore data on knowledge and preparation (and many other things)

• [http://cesr.site/dataviz/uas26_q4.html](http://cesr.site/dataviz/uas26_q4.html)
This survey explores ways people get information on retirement and Social Security.

The main topic of this UAS panel survey asks respondents how they get and/or would prefer to receive information on retirement planning and from Social Security information and other sources. This survey is currently in the field. Respondents were paid $14 to complete the survey. Total respondents: 2,019

**Sought Information about retirement planning from following sources.**

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community organizations such as churches, libraries and community centers</td>
<td>9%</td>
</tr>
<tr>
<td>Employer</td>
<td>60%</td>
</tr>
<tr>
<td>Finance, mutual funds, or professional advisors</td>
<td>26%</td>
</tr>
<tr>
<td>Financial advisor/planner, annuities, insurance agent, brokers and/or the broker</td>
<td>18%</td>
</tr>
<tr>
<td>None of these above</td>
<td>14%</td>
</tr>
<tr>
<td>Office of nonprofit boards (e.g., AARP)</td>
<td>1%</td>
</tr>
<tr>
<td>Office of other government agencies (e.g., Department of Labor, Consumer, FSI, or the Federal Deposit Insurance Corporation)</td>
<td>1%</td>
</tr>
<tr>
<td>Social Security Administration (call center)</td>
<td>12%</td>
</tr>
<tr>
<td>Social Security Administration (phone line)</td>
<td>7%</td>
</tr>
<tr>
<td>Social Security Administration (website)</td>
<td>5%</td>
</tr>
<tr>
<td>Television, radio, newspapers, and other media</td>
<td>9%</td>
</tr>
<tr>
<td>Volunteers or nonprofit organizations (e.g., AARP)</td>
<td>9%</td>
</tr>
<tr>
<td>Volunteers or other government agencies (e.g., Department of Labor, Consumer, FSI, or the Federal Deposit Insurance Corporation)</td>
<td>6%</td>
</tr>
</tbody>
</table>

**Filter By:**

- **Marital Status**
  - Married
  - Never married
  - Divorced
  - Separated

- **Income**
  - Less than $10,000
  - $10,000 to $19,999
  - $20,000 to $29,999
  - $30,000 to $39,999
  - $40,000 to $49,999
  - $50,000 to $59,999
  - $60,000 to $69,999
  - $70,000 to $79,999
  - $80,000 to $89,999
  - $90,000 to $99,999
  - $100,000 to $149,999
  - $150,000 to $199,999
  - $200,000 to $249,999
  - $250,000 to $299,999
  - $300,000 to $349,999
  - $350,000 to $399,999
  - $400,000 to $499,999

- **Education**
  - Less than 12th grade
  - High school diploma or GED
  - Some college or associate degree
  - Bachelor's degree
  - Professional or graduate degree
This survey explores ways people get information on retirement and Social Security.

Sought Information about retirement planning from following sources.

- Organizations such as churches, libraries, and community centers
- Employer (HR)
- Family, friends, and other colleagues
- Financial advisor or planner, accountant, real estate agent, or lawyer
- Some other source
- U.S. Department of Labor, Employee Benefits Security Administration (EBSA)
- National Institute on Aging (NIA)
- Social Security Administration’s online site
- Social Security Administration’s YouTube channel
- Social Security Administration’s websites
- Radio, newspaper, or other media
- National Council on Teacher Retirement (NCTR)
- Other sources (such as local government agencies, libraries, or employers, or Federal Deposit Insurance Corporation (FDIC)

Filter By:

Marital Status
- Married
- Married/couple lives with each other
- Divorced
- Single
- Unmarried

Income
- Below $10,000
- $10,000 to $24,999
- $25,000 to $49,999
- $50,000 to $69,999
- $70,000 or more

Education
- Less than 9th grade
- 9th to 11th grade
- 12th grade
- Some college
- Associate degree
- Bachelor’s degree
- Master’s degree
- Professional degree

Narrow Search to Married; Income 50-60K
Sought Information about retirement planning from following sources.

- Community organizations such as churches, libraries and community centers.
- Employer (HR).
- Financial advisor, accountant, insurance agent, banker or broker.
- Friends, relatives or neighbors.
- Government agencies (e.g., Social Security Administration).
- Federal Reserve.
- Local or state government agencies.
- Local media (e.g., newspapers, radio, TV).
- National media (e.g., newspapers, radio, TV).
- Other information services (e.g., online, phone services).

Filter By:

- Marital Status
- Income
- Education

Selected: 60-70K
Selected: Bachelor's degree
Reset
Thank You
Poverty rates by age: 1959 and 2014

- All: 19 (14.8%) in 1959, 35.2% in 2014
- 18-64: 17 (13.5%) in 1959, 20.7% in 2014
- Children: 27.2% in 2014
- Elderly: 10% in 2014
Average Real Monthly Social Security Benefit 1959-2010

Sources: Social Security Supplement, P-156/529 2011
Average Monthly Social Security Benefit and Poverty Rate of 65+

SUBSTANTIAL PROBLEMS REMAIN

▪ Poverty rate for unmarried elderly women
  ▪ 63.3 percent in 1959
  ▪ 19.1 percent
  ▪ Large differences by race / ethnicity

▪ Poverty rate for unmarried women in 2008
  ▪ Elderly black women: 32.5 percent
  ▪ Elderly Hispanic women: 43.7 percent
HISTORY: OLD AGE ASSISTANCE

- State programs, expanded by SS Act of 1935

- Benefits were low, varied greatly across states
  - 1961 average of $34.64 Mississippi v. $94.52 Wisconsin
  - Corresponds to $279 vs. $761 today

- Various restrictions on benefits
  - Lien laws
  - Relative responsibility clauses
  - State residency requirements
  - Not an entitlement, often paid only partial benefits
SUPPLEMENTAL SECURITY INCOME

▪ In 1974 SSI replaced OAA as means tested cash transfer program
  ▪ SSI Also replaced state run programs of Aid to the Blind, and Aid to the Permanently and Totally Disabled

▪ SSI provides a guaranteed income to elderly, blind, and disabled
  ▪ Current federal guarantees are $733 singles and $1100 couples
  ▪ Note that poverty lines: $974 singles and $1194 couples
SSI: ELIGIBILITY

- **Income:**
  - Benefit = Income Guarantee \( \frac{733}{1100} \) - Countable income
    
    Countable income = Total Income -
    
    - $20 unearned income
    - $65 earned income
    - \( \frac{1}{2} \) (earned income > $65)

- Benefits reduced by 1/3 if living in the household of another
SSI: ELIGIBILITY

- Assets:
  - Countable assets less than $2000 singles, $3000 couples
  - Countable assets = Total Assets -
    Value of an owner occupied home
    Value of a car
    Personal property / household furnishings < $2000
    Burial expenses / small life insurance policies
SSI: STATE SUPPLEMENTATION

- States can supplement federal guarantees
- All but 6 states had some supplemental program in 2013
  - Some states offer supplements only to those needing medical care
- Examples
  - Alaska $1,039 / $1,539
  - California is $830 / $1,1407
  - Michigan is $688 / $1,039
  - Massachusetts is $803 / $1,213
- Amounts below poverty line in most states ( $974 / $1194)
SSI: CHARACTERISTICS OF PARTICIPANTS

- 70% are female
- 55% are white
- 25% are married
- 53% have less than 12 years of schooling
- 70% receive Social Security
- 60% receive other public assistance (mostly food stamps)
SSI: GENEROSITY

▪ Program has become less generous over time

▪ Initial asset limits were $1,500 and $2,250
  ▪ Increased $2,000 / $3,000 in 1989

▪ Same income disregards as in 1974

▪ In current dollars:
  ▪ The $1,500 / $2,250 asset limits would be $7,300 and $11,000
  ▪ The $65 earnings disregard would be ~$300
  ▪ The $20 unearned disregard would be ~$100
SSI: ELIGIBILITY

- Income test is more restrictive than asset test
- Based on prior work using AHEAD (population 70+):
  - Approximately 30 percent eligible based on asset test
  - Approximately 13 percent eligible based on income test
  - Approximately 8.6 percent eligible with both
SSI: CHANGES IN GENEROSITY

- Including home equity among countable assets
  - 9.4% eligible based on asset test alone v. 30% currently
  - Fraction eligible declines to 4.1% v. 8.6%

- Increasing income guarantees to the poverty line
  - 17% eligible based on income test alone v. 13%
  - Fraction eligible increases to 11.2% v. 8.6%
SSI: PARTICIPATION

- Those eligible are truly poor but participation in SSI is low
- Estimates approximately 50-55%
  - Studies done using enrollment in 1974, 1984, 1993
  - Why?
    - Lack of knowledge about program
    - Difficulty of the application procedure
    - Stigma
    - Not feeling needy
  - Mismeasurement of eligibility or receipt
SSI: EFFECT OF CHANGES SINCE 1993

- Continued deterioration of nominally denominated values
  - Fewer eligible but eligible drawn increasing less well-off

- Significant economic changes 1994-2010
  - Welfare reform
  - Economic and housing boom
  - Recession and housing crash
  - Low interest rates
  - Decline in DB coverage
Participation Rate

- 1974
- 1974
- 1984
- 1993
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
WHY DON’T THOSE ELIGIBLE ENROLL?

▪ Simulate eligibility for nationally representative samples of elderly
  ▪ Most studies use federal guarantees only
  ▪ Early studies did not have assets for asset test

▪ Analyze correlates of participation using proxies to control of hypothesized barriers to participation
  ▪ Lack of knowledge
  ▪ Difficulty of application
  ▪ Stigma
WHY DON’T THOSE ELIGIBLE ENROLL?

- Significantly positively related to participation:
  - Expected benefit amount
  - Nonwhite
  - Poor health

- Significantly negatively related to participation:
  - Own a home
  - Value of assets
  - MSA
  - Income (controlling for benefit)
  - Schooling
SSI: OUTREACH

▪ Direct Social Security Outreach
  ▪ Master Beneficiary Record Leads Project
  ▪ Information with Social Security checks and at enrollment

▪ Door to door canvassing and intensive advertising
  ▪ Radio / tv / community organizations

▪ Local efforts
  ▪ St. Louis $25 bounty in 1975 ($112, today)
  ▪ Expected 5,000 enrollees, got 71

▪ Efforts to reduce stigma
  ▪ Check color to match Social Security checks
  ▪ Direct deposit
SSI: MEASUREMENT ERROR

- Studies have indicated that public transfers are underreported and have shown underreports in the CPS

- SIPP appears to have more complete reporting than CPS and SSI appears to be better reported than other transfer income
Table 1: Percentage of Administrative Total Captured in CPS and SIPP

<table>
<thead>
<tr>
<th></th>
<th>CY 1997</th>
<th></th>
<th>CY 2002</th>
<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>CPS</td>
<td>SIPP</td>
<td>CPS</td>
<td>SIPP</td>
</tr>
<tr>
<td>Caseload</td>
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<td>TANF</td>
<td>62</td>
<td>83</td>
<td>54</td>
<td>59</td>
</tr>
<tr>
<td>FSP</td>
<td>67</td>
<td>85</td>
<td>61</td>
<td>83</td>
</tr>
<tr>
<td>SSI</td>
<td>80</td>
<td>104</td>
<td>73</td>
<td>98</td>
</tr>
<tr>
<td>Medicaid/SCHIP</td>
<td>82</td>
<td>89</td>
<td>71</td>
<td>80</td>
</tr>
<tr>
<td>Dollars</td>
<td></td>
<td></td>
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<tr>
<td>TANF</td>
<td>NA</td>
<td>NA</td>
<td>53</td>
<td>56</td>
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<tr>
<td>FSP</td>
<td>66</td>
<td>86</td>
<td>59</td>
<td>84</td>
</tr>
<tr>
<td>SSI</td>
<td>78</td>
<td>97</td>
<td>75</td>
<td>96</td>
</tr>
</tbody>
</table>


SSI: WELL BEING

- While benefits are below poverty line in nearly all states, SSI does reduce the poverty gap

- Categorically eligible for Medicaid in most states
  - Medically needy programs in many states as well

- Eligible for food stamps (except CA)
  - Family v. household
Composition of Income

Components of Income 2014, lowest quintile

- **Social Security**, 80.7%
- **SSI**, 9.5%

Composition of Income:
- Earnings
- Social Security
- Pensions
- Asset income
- SSI
- Other
SSI: INCREASING IMPACT

- Increase guarantees to the poverty line
- Increase asset limits
- Alternative: Minimum Social Security benefit
  - No concern regarding take-up
  - Cannot be targeted at needy
  - Does not include assets or other income
SSI: DATA AND QUESTIONS

- Are we under-estimating participation?
- Are we over-estimating eligibility due to under-reporting of income and/or assets?
- What are low income people doing to get by?
  - Irregular income?
  - Family transfers
  - In-kind transfers / community assistance
- What happens to those with a lifetime of SSI?
Composition of Income

Components of Income 2014, lowest quintile

- Social Security, 80.7%
- SSI, 9.5%
- Earnings
- Social Security
- Pensions
- Asset income
- SSI
- Other
Substantial problems remain

- Poverty rate for elderly women living alone:
  - Fell from 63.3% in 1959 to 19.1% now
  - Large racial/ethnic differences.
  - In 1999:
    - Black women living alone 44%
    - Hispanic women living alone 58%
SSI: INCREASING IMPACT

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- Increase asset limits
- Alternative: Minimum Social Security benefit
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  - Does not include assets or other income
SSI: DATA AND QUESTIONS

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- Are we over-estimating eligibility due to under-reporting of income and/or assets?
- What are low income people doing to get by?
  - Irregular income?
  - Family transfers
  - In-kind transfers / community assistance
- What happens to those with a lifetime of SSI?
Contribution of the Social Security Statement to the Retirement Security of American Workers

Barbara A. Smith, Social Security Administration
Kenneth A. Couch, University of Connecticut

Financial Security Research Symposium
U. S. Department of Treasury
September 7, 2016

The views expressed are those of the authors and do not reflect those of the Social Security Administration.
Background/Motivation

- Retirement security of American workers is of increasing concern to policymakers, researchers, and employers.
  *Only half of workers participate in employer-based plans; the shift from DB to DC plans; low amounts of retirement savings.

- Social Security retirement benefits represent an important component of retirement income for most seniors ages 65 or older.
  *More than 80% of retirement income for low-income seniors.
  *66% of retirement income for middle-income seniors.
  *44% of retirement income for upper-middle-income seniors.

- Surveys indicate that many Americans know little about their Social Security benefits despite their importance for retirement security.

- The Social Security Statement is a major government outreach effort. Can informational interventions like this that come at a low cost per-person influence behavior?
Previous research has suggested that the *Social Security Statement* has an effect on knowledge but not on behavior.

Looking at SSA’s administrative data, we noticed a correlation between mailing of the *Statement* and declines in the claiming of benefits.

In the current project, we investigate the impact of the *Statement* on claiming behavior.

Preliminary estimates indicate that the *Statement* has a significant impact on claiming decisions, resulting in decreases in claiming at younger ages and increases in claiming at older ages. The estimates also indicate it is related to delayed withdrawal from the labor force.
Effect of the Social Security Statement on the Knowledge of Younger Workers

<table>
<thead>
<tr>
<th>Program Knowledge</th>
<th>1998NS</th>
<th>2001NS</th>
<th>2001S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Pays Survivor Benefits</td>
<td>76.1</td>
<td>75.4</td>
<td>87.1*+</td>
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<tr>
<td>Social Security Pays Disability Benefits</td>
<td>78.5</td>
<td>79.7</td>
<td>85.2*+</td>
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<tr>
<td>Payroll Tax Finances Social Security</td>
<td>88.0</td>
<td>86.7</td>
<td>90.8*+</td>
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</table>

<table>
<thead>
<tr>
<th>Benefits Knowledge</th>
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</thead>
<tbody>
<tr>
<td>Benefits Adjusted for Cost of Living</td>
<td>43.8</td>
<td>52.7^</td>
<td>49.8*+</td>
</tr>
<tr>
<td>Full-Benefit Age is Rising</td>
<td>62.4</td>
<td>64.8</td>
<td>71.7*+</td>
</tr>
<tr>
<td>Retirement Benefits Depend on Earnings</td>
<td>81.4</td>
<td>86.5^</td>
<td>93.4*+</td>
</tr>
</tbody>
</table>

Current Project: Data and Initial Analysis

- Use data from the Continuous Work History Sample, a 1% sample of the MBR and MEF.

- Calculated percentage claiming at ages 62 through 70 by birth cohort born between 1913 and 1949. Also calculated the percentage not in labor force at those ages.

- Estimated linear probability models for cohorts turning age 62 in calendar years 1975 through 2007.

- Included dummy variables for receipt of one Statement or two or more Statements, for year effects, and for the increase in FRA.
Exploratory Data Analysis – Trends in Claiming at Age 62

Percentage of Fully-insured workers Who Claim at age 62 for Cohorts Born Between 1913 and 1949

- **Male**
- **Female**
Impact of Receipt of at Least One Social Security Statement on Retirement Benefit Claiming, Controlling for the Increase in Full Retirement Age (FRA)

<table>
<thead>
<tr>
<th>Age at Claiming</th>
<th>62</th>
<th>63</th>
<th>64</th>
<th>65</th>
<th>66</th>
<th>67</th>
<th>68</th>
<th>69</th>
<th>70</th>
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<tbody>
<tr>
<td>Intercept</td>
<td>0.4895</td>
<td>0.0716</td>
<td>0.1376</td>
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<td>0.0104</td>
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<td>0.0060</td>
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<td>SSS</td>
<td>-0.0044</td>
<td>-0.0090*</td>
<td>-0.0218*</td>
<td>0.0268*</td>
<td>0.0015</td>
<td>-0.0018*</td>
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<td>FRA65_2</td>
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<td>-0.0098**</td>
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<td>FRA65_6</td>
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<td>0.0027*</td>
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<td>-0.0314*</td>
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<tr>
<td>FRA65_10</td>
<td>-0.0599*</td>
<td>-0.0038</td>
<td>-0.0383*</td>
<td>0.0830*</td>
<td>0.0079*</td>
<td>0.0051*</td>
<td>0.0009</td>
<td>0.0018</td>
<td>0.0071*</td>
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<td>-0.0352*</td>
<td>-0.0325*</td>
<td>0.1433*</td>
<td>0.0072*</td>
<td>0.0006</td>
<td>-0.0027*</td>
<td>-0.0061*</td>
</tr>
</tbody>
</table>

*significant at the \( p = .01 \) level, ** significant at the \( p = .02 \) level, ***significant at the \( p = .05 \) level
### Receipt of One versus Multiple Statements: Impact on Retirement Benefit Claiming, Controlling for Year Effects

<table>
<thead>
<tr>
<th>Age at Claiming</th>
<th>62</th>
<th>63</th>
<th>64</th>
<th>65</th>
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<td>Intercept</td>
<td>0.5022</td>
<td>0.0608</td>
<td>0.1024</td>
<td>0.1198</td>
<td>0.0117</td>
<td>0.0201</td>
<td>0.0051</td>
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<td>0.0082</td>
<td>0.0018</td>
<td>0.0184*</td>
<td>-0.0114*</td>
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<td>Intercept</td>
<td>0.5023</td>
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<tr>
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<td>0.0282*</td>
<td>0.0231*</td>
<td>-0.0045</td>
<td>-0.0145*</td>
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<td>0.0005</td>
<td>0.0016</td>
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<td>SSS2</td>
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<td>0.0164*</td>
<td>0.0464*</td>
<td>-0.0034</td>
<td>-0.0125*</td>
<td>0.0001</td>
<td>0.0003</td>
<td>0.0015</td>
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</table>

*significant at the $p = .01$ level
Impact of Receipt of at Least One Social Security Statement on Labor Force Status, Controlling for Year Effects

Percentage Out of Labor Force at Selected Ages

<table>
<thead>
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<th></th>
<th>62</th>
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<tr>
<td>intercept</td>
<td>0.6160</td>
<td>0.6747</td>
<td>0.7168</td>
<td>0.7479</td>
<td>0.7890</td>
<td>0.8168</td>
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<tr>
<td>SSS</td>
<td>-0.0511*</td>
<td>-0.0570*</td>
<td>-0.0622*</td>
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<td>-0.0672*</td>
<td>-0.0669*</td>
<td>-0.0624*</td>
<td>-0.05805*</td>
<td>-0.0545*</td>
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</tbody>
</table>

*significant at the $p = .01$ level
Findings and Implications

Findings: Preliminary estimates indicate that receipt of one or more *Statements* resulted in statistically significant decreases of 1 to 3 percentage points in claiming at ages 62 and 63 and offsetting increases in claiming at later ages. Larger effects for males and whites. *Statement* receipt is also associated with statistically significant reductions in labor force withdrawals.

Implications: Our results suggest the provision of information regarding availability of expected retirement income might be an effective tool for policymakers interested in encouraging more thoughtful retirement and later life labor force decisions.
Further Research

- The preliminary results of this research indicate that people do alter retirement and work decisions in response to more information. Other major resources for retirement security are defined contribution savings plans [401(k)s, etc.] and defined benefit pensions. Piloting and evaluating incorporation of relevant information in these and other types of personal savings might also be useful, perhaps through a randomized research design.

- In much of the work done on financial security using administrative records, family units can not be constructed. It would be useful for Treasury and the Social Security Administration to discuss sharing information on family linkages available from tax records so that researchers and policy makers can gain a greater understanding of the role of joint decision-making on election of benefits and labor force decisions.
Previous Papers on the Social Security Statement


Social Security Literacy and Preparing for Retirement among Hispanics

Lila Rabinovich

w/ Barbara Smith, Janice Peterson, Tania Gutsche and Mallory Montgomery

*This project was funded by the Social Security Administration (SSA) and National Institute on Aging (NIA).
Hispanics, retirement and Social Security

• Focus groups (80 participants)
  – Puerto Rican, Mexican, Cuban
  – Spanish & English
  – Pre-focus group questionnaires
• Understanding America Study
• Literature review
Background

Hispanics now nation’s largest minority group: 17%

Share to increase by 2060 to 29%

Hispanic population also growing older

Lower socio-economic status, but greater life expectancy than other population groups
Hispanic Social Security beneficiaries

(Martin, 2007)
Language use varies

(Krogstad and Gonzalez-Barrera 2015)
“How well prepared financially are you for retirement?”
(Understanding America Study, 2015)
Hispanics engage in less retirement planning than the general population

Lag behind the general population in:
- Savings
- Ownership of financial assets
- Workplace retirement benefits
- IRAs

(Prudential Research 2014; NCLR 2015; SSA 2014)
Economic realities partly explain Hispanics’ low retirement preparedness

- Part-time work
- Lower earning jobs
- Less likely to have workplace retirement plans

(Prudential Research 2014, NCLR 2015; Rhee, 2013)
Culture also a factor in Hispanics’ low retirement preparedness

More financially conservative and risk averse than the general population (Wells Fargo, 2014; Prudential Research 2014)

Prioritize other long-term goals (owning property, paying kids’ college) (ING Retirement Research Institute 2012)

Expectation of care from kin/community in old age (Richman et al, 2012; Korzenny, 2015)

Plans to retire outside of the United States (Prudential Research 2014; Korzenny 2014)
What other reasons?

“Too young to plan”

- “You don’t think about [retirement]. You start thinking about it later on in life.
- We think we will never get old.
- Every time I look at myself in the mirror, I think, There is macho there for a long time!”

Not planning to retire (“work till you drop”)

- “...my mom and dad finished in 8th grade and 5th grade. They would say: ‘M’ijo, you got to go to work,’ and ultimately we work until we die. That’s what we do.”
Social Security benefit questions

% correct (UAS, 2015)

[Bar chart showing the percentage of correct answers for Social Security benefit questions by race/ethnicity: White (70%), Black (60%), Hispanic/Latino (60%), Other ethnicity (60%)]
## Retirement and SSA information
(Understanding America Study, 2015)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Hispanic</th>
<th>White</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>I currently have enough information to plan for my retirement</td>
<td>70%</td>
<td>60%</td>
<td>65%</td>
</tr>
<tr>
<td>I have enough information about Social Security retirement benefits</td>
<td>65%</td>
<td>46%</td>
<td>52%</td>
</tr>
<tr>
<td>I would like to receive more information from Social Security</td>
<td>82%</td>
<td>61%</td>
<td>68%</td>
</tr>
</tbody>
</table>
What do people want to know?

How to prepare for retirement
- “What do I need to do to plan better, or at least to learn and then plan, because we don’t know much. I don’t know much.”

Amount of their Social Security benefit
- “I would like to know how much I need to put in and how much I will get out”

Claiming age
- “I would like to know how it will affect my benefits if I delay my retirement.”

Social Security solvency
- “If the government defaults or the Social Security defaults, what’s going to happen to all of my savings through them? That, I’m very curious about.”
Concluding remarks

- Limited knowledge of retirement planning and Social Security benefits
- Cultural biases
- Very little provision for retirement
- Interest in obtaining information about retirement and Social Security
- Opportunity for outreach given interest
- Some differences by both descent and language
Directions for future research

- Heterogeneity in Hispanic community
- Tailoring retirement and SSA information/education
- Interaction of cultural biases, financial literacy and retirement planning behavior