

# Benefit Claiming Assumptions

Social Security Technical Panel

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**Table 2: NPV-Maximizing Strategies for Singles**

(a) Actual interest rate and mortality			(b) Constant interest rate and mortality	
Year of birth	Claiming age	Gains from delay	Claiming age	Gains from delay
<b>Male</b>				
1930	62	0.0%	64	2.1%
1933	62	0.0%	64	2.1%
1936	63	0.0%	64	2.1%
1939	64	1.2%	65	1.9%
1942	65	2.0%	65	1.7%
1945	67	2.8%	67	1.7%
1948	68	5.7%	67	1.7%
1951	69	12.6%	67	1.7%
<b>Female</b>				
1930	63	0.5%	65	3.8%
1933	63	0.7%	65	3.8%
1936	63	0.8%	65	3.8%
1939	66	3.2%	66	3.9%
1942	67	5.2%	67	4.2%
1945	68	6.5%	68	4.9%
1948	69	9.8%	68	4.9%
1951	70	17.8%	68	4.9%

Singles, gain in NPV relative to claiming at 62

**Table 4: NPV-Maximizing Strategies for Two-Earner Couples (No Spousal Benefit)**

a) Actual interest rate and mortality					b) Constant interest rate and mortality		
Primary year of birth	Secondary year of birth	Primary claiming age	Secondary claiming age	Gains from delay	Primary claiming age	Secondary claiming age	Gains from delay
<b>Case 1: Two-year age difference</b>							
1930	1932	65	62	1.1%	65	62	4.0%
1933	1935	65	62	1.5%	65	62	4.0%
1936	1938	65	62	1.7%	66	62	4.2%
1939	1941	68	62	5.0%	68	62	5.5%
1942	1944	70	62	7.2%	69	62	6.1%
1945	1947	70	62	8.5%	70	62	7.0%
1948	1950	70	62	11.1%	70	62	7.0%
1951	1953	70	67	17.1%	70	62	7.0%
<b>Case 2: Seven-year age difference</b>							
1930	1937	64	62	0.8%	65	62	4.2%
1933	1940	65	62	1.1%	66	62	4.3%
1936	1943	65	62	1.3%	67	62	4.8%
1939	1946	69	62	5.7%	69	62	6.5%
1942	1949	70	62	8.7%	70	62	7.5%
1945	1952	70	62	10.2%	70	62	8.6%
1948	1955	70	62	13.2%	70	62	8.6%
1951	1958	70	62	19.1%	70	62	8.6%

One Earner Couples, gain in NPV relative to claiming at 62

**Table 6: NPV-Maximizing Strategies for One-Earner Couples (No File and Suspend)**

a) Actual interest rate and mortality					b) Constant interest rate and mortality		
Primary year of birth	Secondary year of birth	Primary claiming age	Secondary claiming age	Gains from delay	Primary claiming age	Secondary claiming age	Gains from delay
<b>Case 1: Two-year age difference</b>							
1930	1932	64	63	1.2%	65	65	5.2%
1933	1935	65	63	1.7%	65	65	5.2%
1936	1938	65	63	1.8%	66	65	5.3%
1939	1941	67	65	5.2%	67	65	6.1%
1942	1944	68	66	7.4%	68	66	6.5%
1945	1947	68	66	8.3%	68	66	7.0%
1948	1950	68	66	11.0%	68	66	7.0%
1951	1953	69	67	16.7%	68	66	7.0%
<b>Case 2: Seven-year age difference</b>							
1930	1937	64	62	0.8%	65	64	4.7%
1933	1940	64	62	1.2%	66	64	4.6%
1936	1943	65	62	1.3%	67	62	5.0%
1939	1946	69	62	5.8%	69	62	6.8%
1942	1949	70	64	8.8%	69	62	7.5%
1945	1952	70	64	10.6%	70	64	8.8%
1948	1955	70	65	14.0%	70	64	8.7%
1951	1958	70	66	21.0%	70	63	8.6%

Two Earner Couples, gain in NPV relative to claiming at 62

# Summary

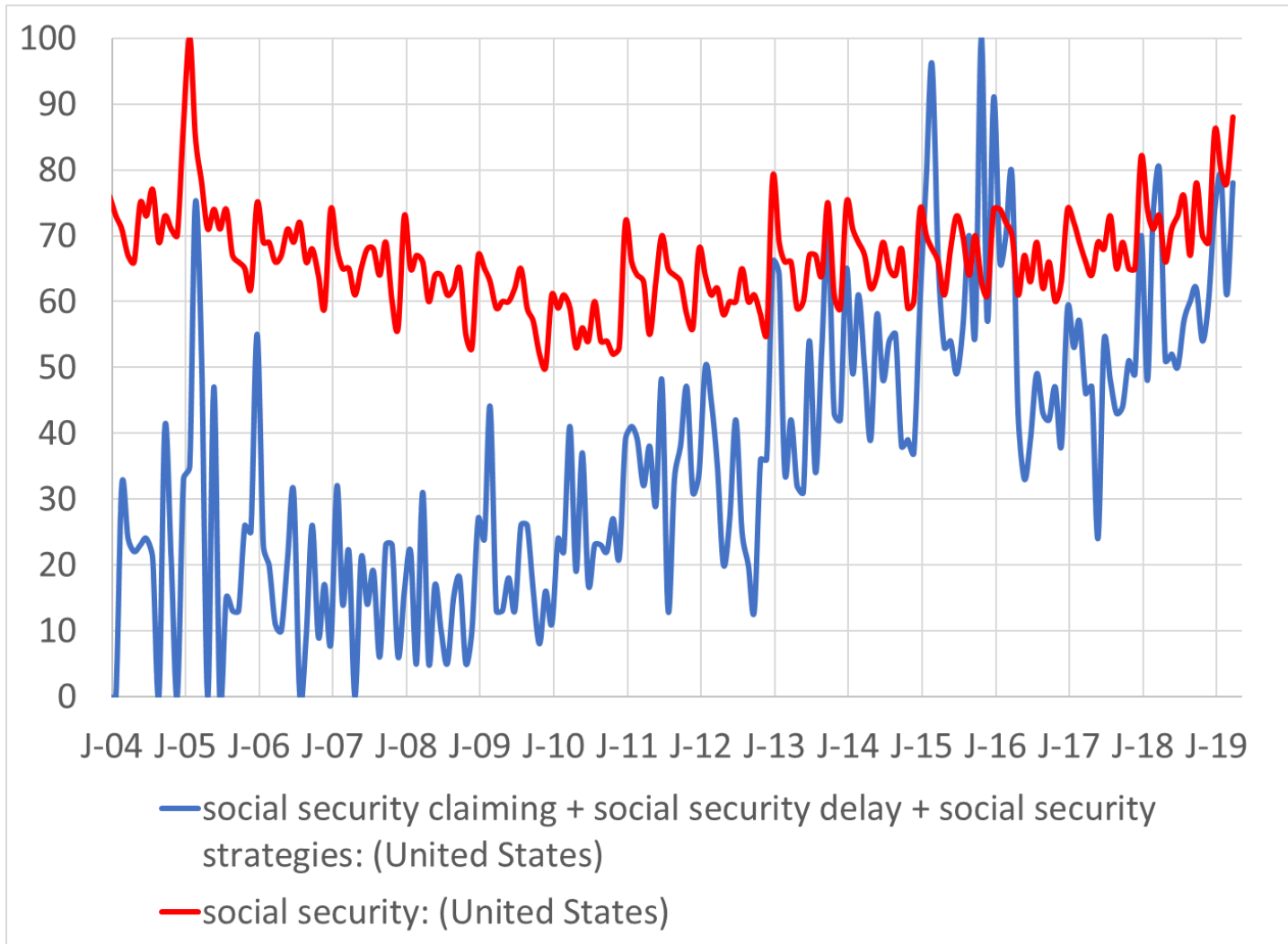
- Gains from delay have increased substantially over the past 20 years.
- Gains from delay are largest for couples when the primary earner delays, as higher benefits are passed on to widow.
  - Joint and survivor annuity is more valuable than single life annuity (singles) or first-to-die annuity (secondary earner).
- Utility maximization implies even longer delay than NPV calculation suggests, due to insurance value of annuity.
  - Worst case scenario for long term finances is individuals maximizing NPV.
  - Worst case scenario for depletion date is individuals accelerating claims just before.
- Interacts with interest rate assumption: lower real interest rate makes delay more attractive for individuals and worse for long-term finances.

# Observed claiming behavior

- Generally does not follow predicted optimal behavior.
- Early claiming is common.
- Claiming upon stopping work is common.
- Claiming is linked to reference points like FRA (Behaghel and Blau 2012; Siebold 2019)
- Benefit model based on actual claiming patterns
  - Claiming related to labor force participation and months to FRA.

# Concerns

- Publicity about gains from delay has increased in recent years.
  - Could this cause more people to delay in the future?
  - Important for long-term finances.
- Some evidence that individuals may claim early due to fear of benefit cuts.
  - “Run on the bank” scenario.
  - Important for short-term finances.
- Not necessarily plausible, but worth doing sensitivity analysis.



# Google Trends for Claiming Strategies

Data retrieved 4/19/2019