

United States Senate

March 2, 2023

Dr. Kilolo Kijakazi
Acting Commissioner
Social Security Administration
6401 Security Boulevard
Baltimore, MD 21235

Dear Acting Commissioner Kijakazi:

The decision of when to claim Social Security benefits is crucial to the financial security of older Americans. We write to request that the Social Security Administration (SSA) develop an action plan to help individuals make more informed claiming decisions, with the goal of enhancing retirement security.

As you know, Social Security is the foundation of retirement security in the United States, and it has made the difference between poverty and a comfortable retirement for millions of Americans. Among households headed by someone aged 65 or over, four in ten rely on Social Security benefits for a majority of their total income, while 14 percent depend on Social Security for at least 90 percent of income.¹ Social Security provides not only income but also crucial protection against the risk of outliving one's assets. This is particularly important today, as Americans are living longer than ever before and rising health care costs often lead to unexpected expenses that can drain savings.

When to claim Social Security benefits is a critical decision for older Americans planning their retirement. Most people, however, do not claim benefits at the age that would maximize their income in retirement, usually because they claim too early. A large body of evidence has confirmed that delaying claiming past the Early Eligibility Age (EEA) of 62 is financially advantageous for most Americans, as it provides them with a greater monthly benefit for the remainder of their lives.² Nonetheless, 62 remains the most frequent claiming age, with nearly

¹ Irena Dushi and Brad Trenkamp. "Improving the Measurement of Retirement Income of the Aged Population." ORES Working Paper No. 116, 2021. Available at: <https://www.ssa.gov/policy/docs/workingpapers/wp116.html>.

² Svetlana Pashchenko and Ponpoje Porapakarm, Accounting for Social Security Claiming Behavior, CRR Working Paper No. 2018-8, Center for Retirement Research at Boston College, 2018. Available at: http://crr.bc.edu/wp-content/uploads/2018/09/wp_2018-8.pdf.

35 percent of men and 40 percent of women claiming at the EEA in 2018.³ In 2020, the Bipartisan Policy Center released a report detailing issues surrounding suboptimal claiming and presenting policy options that could help America’s seniors make more advantageous claiming decisions.⁴

By claiming early, Americans forgo a significant amount of retirement income. A 2019 study estimated that today’s older Americans will lose a total of \$3.4 trillion in potential income because of early claiming, with an average lifetime loss of \$111,000 per household.⁵ Strikingly, only 4 percent wait to claim until age 70, even though this research finds that about 57 percent of older Americans would maximize their lifetime wealth if they waited to claim until then. The study estimates that the poverty rate for Americans over age 70 would be nearly cut in half—from 13 percent to 7 percent—if all older Americans claimed Social Security at the ages that would maximize their lifetime income.

When to claim Social Security benefits is ultimately a personal decision that must reflect seniors’ individual financial circumstances and needs. Indeed, early claiming is wise for a minority of Americans based on liquidity constraints, financial shocks, inability to continue working, life expectancy, or preferences for passing on assets to heirs. However, given that many older Americans make claiming decisions that put them at a financial disadvantage for the rest of their lives, we believe that SSA should take more proactive measures to provide Americans with the tools and resources to determine how best to set themselves and their families up for financial security in retirement.

Accordingly, we request a response to the following questions about SSA’s practices to inform Americans’ claiming decisions no later than June 2, 2023:

1. What are the primary factors leading Americans to claim Social Security retirement benefits earlier than the full retirement age? What actions has SSA taken thus far to address these factors or educate the public about the tradeoffs of early versus delayed claiming?
2. What further steps does SSA plan to take to help Americans make more informed decisions about when to claim Social Security retirement benefits? We have included in

³ U.S. Social Security Administration, Annual Statistical Supplement to the Social Security Bulletin, 2019, Table 6.B5, November 2019. Available at:

<https://www.ssa.gov/policy/docs/statcomps/supplement/2019/supplement19.pdf>.

⁴ Fichtner, Jason, et al., How to Help Americans Claim Social Security at the Right Age, Bipartisan Policy Center, 2020. Available at: <https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2020/08/BPC-Economy-Brief-SS-Claiming-2.pdf>.

⁵ Matt Fellowes, et al., “The Retirement Solution Hiding in Plain Sight: How Much Retirees Would Gain by Improving Social Security Decisions,” United Income, June 2019. Available at: <https://maringroup.com/wp-content/uploads/2019/06/Retirement-Solution-Hiding-in-Plain-Sight.pdf>.

the appendix potential reform options that may be of value to you as you respond to this question.

3. Research has found that the current nomenclature that SSA uses to refer to claiming ages and benefits for delayed claiming—“early eligibility age,” “full retirement age,” and “delayed retirement credits”—is confusing to many Americans and that changing the terminology to “minimum benefit age,” “standard benefit age,” and “maximum benefit age” would delay average claiming and increase understanding of Social Security’s claiming design.⁶ Does SSA intend to change the claiming nomenclature to improve Americans’ understanding of how the program operates?
4. We believe that the redesigned Social Security Statement is a positive step towards providing Americans comprehensive information in a digestible format and commend the agency for that work. We also believe that the refreshed statement should be distributed on a more regular basis. Has SSA seen any difference in claiming behavior because of the rollout of the new Statement?

We look forward to continuing to work with you to help Americans make informed decisions about claiming Social Security benefits, thereby promoting enhanced retirement security.

Sincerely,

⁶ Francisco Perez-Arce et al., “Three Little Words? The Impact of Social Security Terminology,” CESR-Schaeffer Working Paper No. 2019-005, University of Southern California Center for Economic and Social Research, University of Southern California Schaeffer Center for Health Policy and Economics, 2019. Available at: https://cesr.usc.edu/documents/WP_2019_005.pdf.

Bill Cassidy, M.D.

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