

Social Security Household Benefits: Measuring Program Knowledge

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A RAND LABOR AND POPULATION CENTER

Background and Motivation

- Spousal and survivors benefits provide an opportunity for spouses who haven't work or with limited earnings to receive Social Security benefits in retirement
- Literature suggests retirement is coordinated within couples
 - Hurd 1990; Maestas 2001; Coile 2004; Gustman and Steinmeier 2004; Banks, Blundell, and Rivas 2010; Michaud and Vermeulen 2011; Baker 2002; Lalive and Staubli 2014

Background and Motivation

- Spousal and survivors benefits provide an opportunity for spouses who haven't work or with limited earnings to receive Social Security benefits in retirement
- Literature suggests retirement is coordinated within couples
- Household benefits have important implications for
 - Optimal timing of claiming
 - Necessary savings for retirement
 - Labor force participation
 - Marriage decisions

Background and Motivation

- However, our own research suggests households may not approach retirement timing or saving as a joint decision
 - Carman and Hung (2016)
 - Carman, Edwards, and Brown (2018)
- In the case of Social Security, this may represent a lack of knowledge about spousal and survivors benefits
 - Only 28 percent of respondents report that they are very or somewhat knowledgeable about how their own Social Security claiming decisions affects their spouses' benefits.
 - Almost 18 percent of respondents believe that someone who has never worked is not entitled to Social Security benefits even if his/her spouse is entitled to Social Security benefits.

Information from SSA about Benefits

Benefits For Your Family

How Much Will I Receive?

If you qualify and apply for your own retirement benefits and for benefits for your spouse, we always pay your own benefits first. If your benefits as a spouse are higher than your own retirement benefits, you will get a combination of benefits equaling the higher benefit.

Benefits paid to you and your spouse are based on the benefits they are entitled to. If you receive benefits sooner than you are eligible for, your benefits may be more than you are entitled to.

If you are receiving Social Security retirement benefits, some members of your family may be able to receive benefits on your record.

Your Estimated Benefits

- *Retirement
- *Disability
- *Family
- *Survivors

You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until age 70, your payment would be about \$ 1,840 a month.
If you get retirement or disability benefits, your spouse and children also may qualify for benefits. If you die this year, certain members of your family may qualify for the following benefits:
Your child \$ 1,284 a month
Your spouse who is caring for your child \$ 1,284 a month
Your spouse, if benefits start at full retirement age \$ 1,712 a month
Total family benefits cannot be more than \$ 3,176 a month

You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until age 61, your payment would be about \$ 1,268 a month.
If you get retirement or disability benefits, your spouse and children also may qualify for benefits. If you die this year, certain members of your family may qualify for the following benefits:
Your child \$ 1,664 a month
Your spouse who is caring for your child \$ 1,284 a month
Your spouse, if benefits start at full retirement age \$ 1,284 a month
Total family benefits cannot be more than \$ 3,176 a month

Key Research Questions

- Do individuals know that they are entitled to Social Security spousal benefits?
- Do individuals know how spousal and survivors benefits are determined?
- Do individuals know whether and how the timing of Social Security benefit claiming impacts their spousal and survivors benefits?

Data Collection

- Survey measures awareness of and knowledge about spousal and survivor benefits
- Understanding America Study survey fielded June 26
- Sample restricted to married or partnered respondents where neither is receiving Social Security
 - Oversample of married couples who both participate in UAS
- Goal 1500 respondents
 - At time of paper 964 respondents
 - Currently not weighted

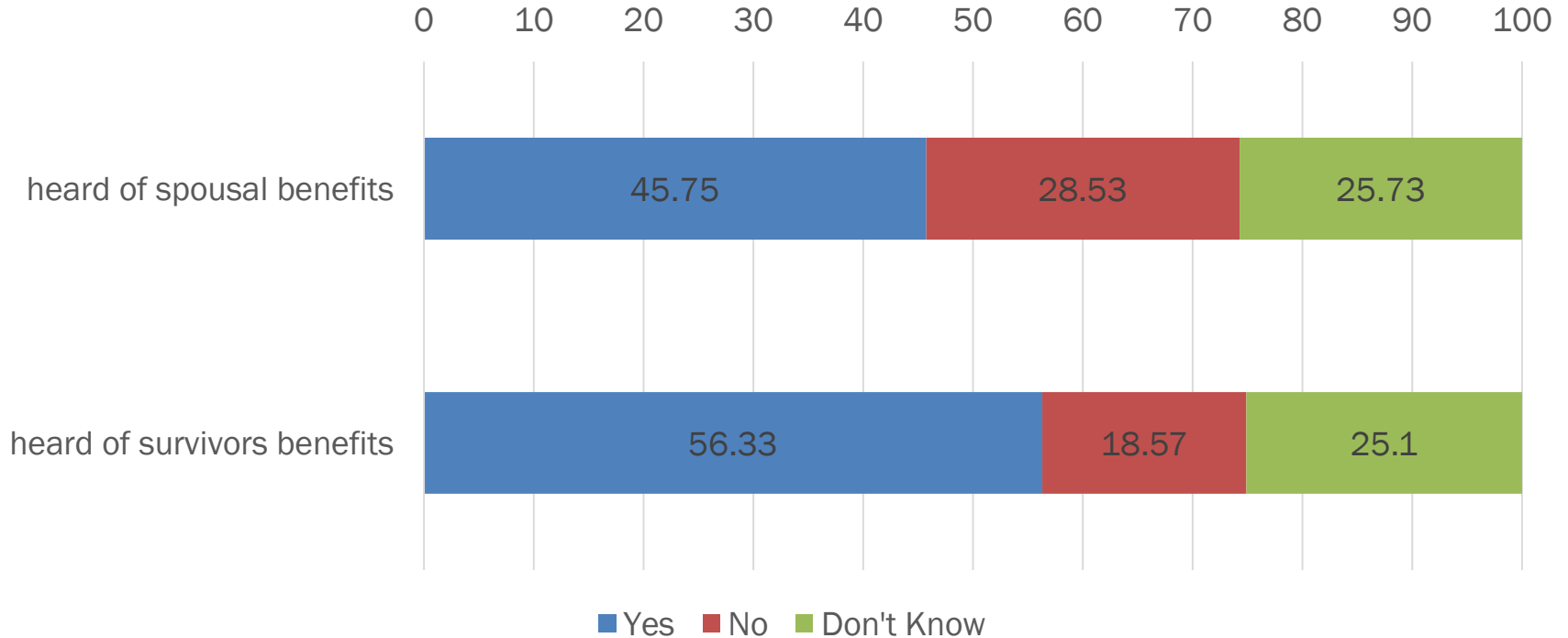
Key Characteristics

	Mean (SD)
Male	0.49 (0.500)
Age	45.64 (10.64)
Bachelor degree or more	0.43 (0.495)
Financial Literacy (0-14 scale)*	9.78 (3.069)
Share with high financial literacy*	0.57 (0.495)
Self assessed knowledge of Social Security*	0.60 (0.490)
N	964

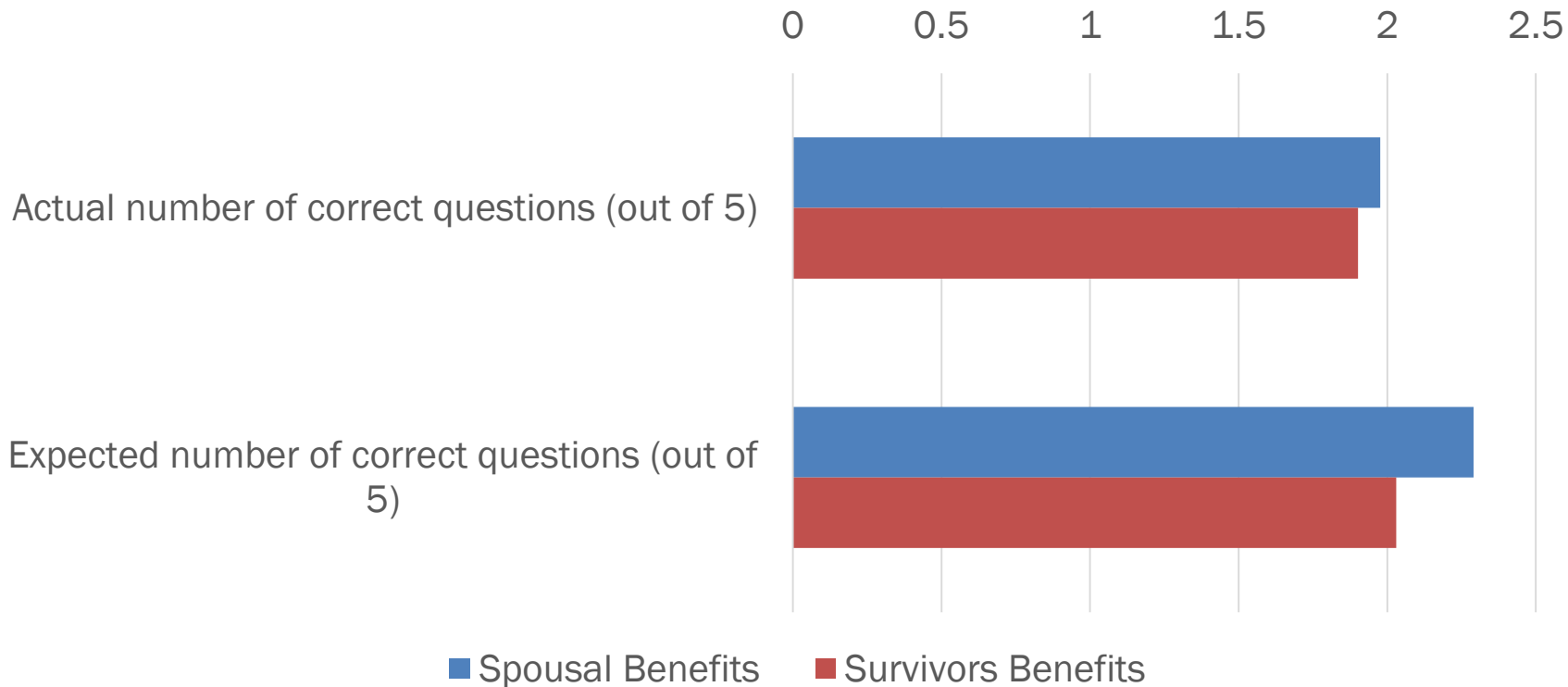
* From previous UAS surveys

Overview

Awareness of Spousal and Survivors Benefits



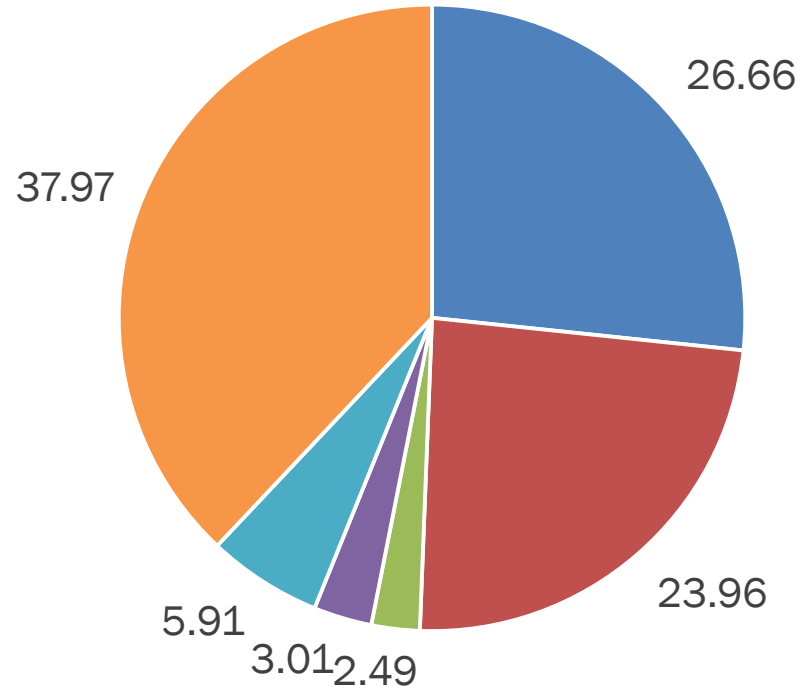
Knowledge about Spousal and Survivors Benefits



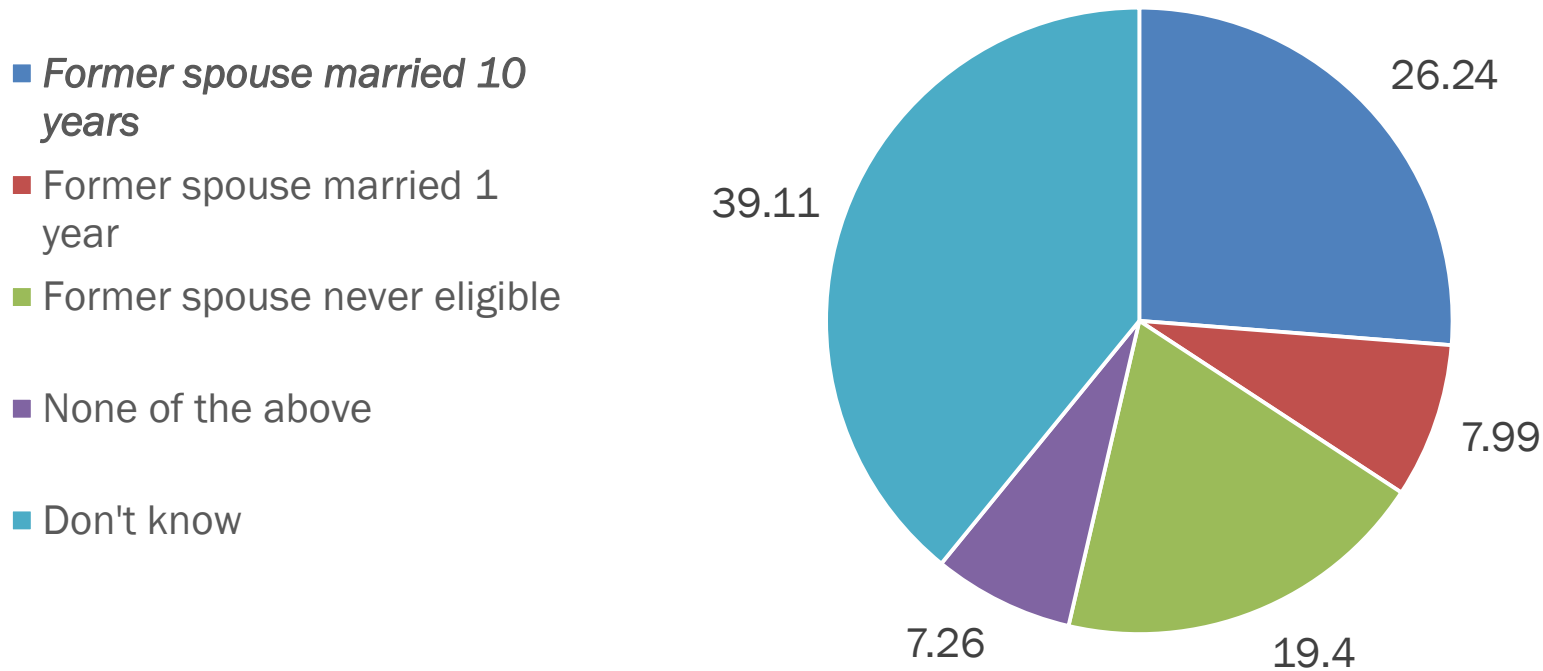
Spousal Benefits

Eligibility for Spousal Benefits among Married Individuals

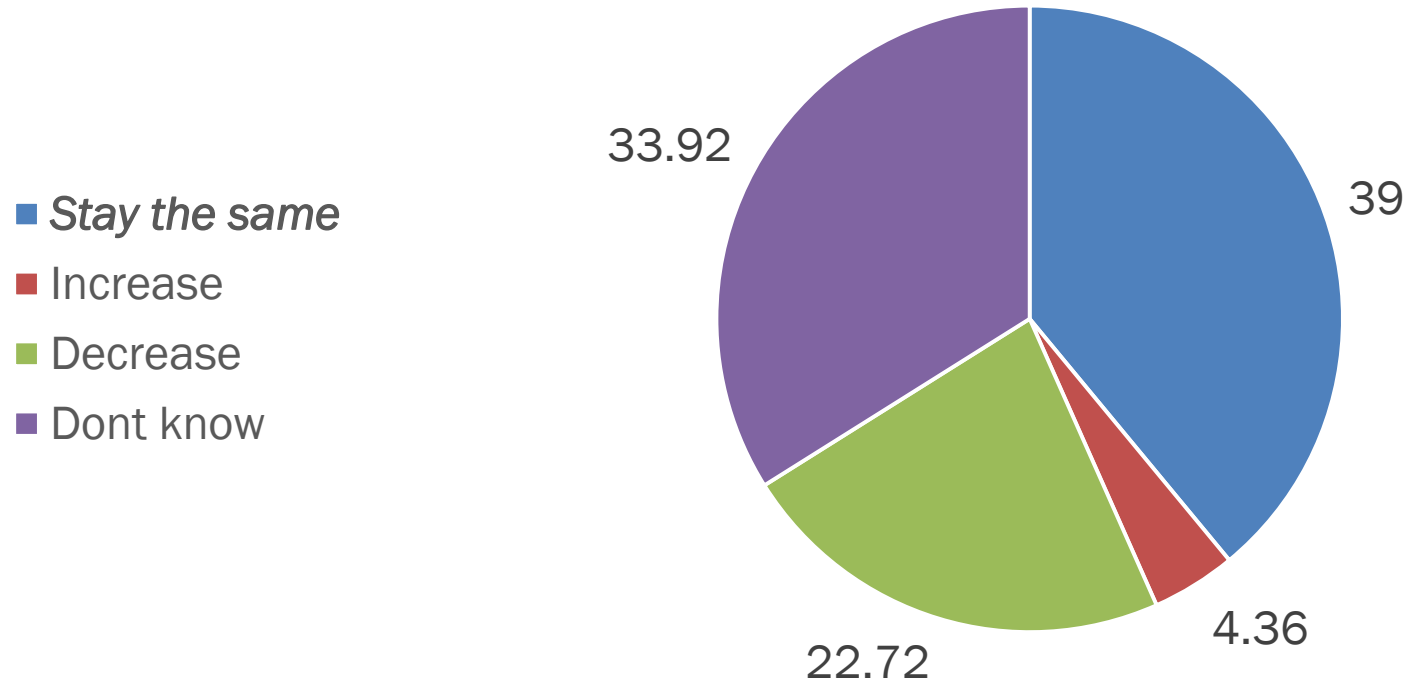
- *Current spouse married 1 year*
- Current spouse married 10 years
- Current spouse or partner 1 year
- Current spouse or partner 10 years
- None of the above
- Don't know



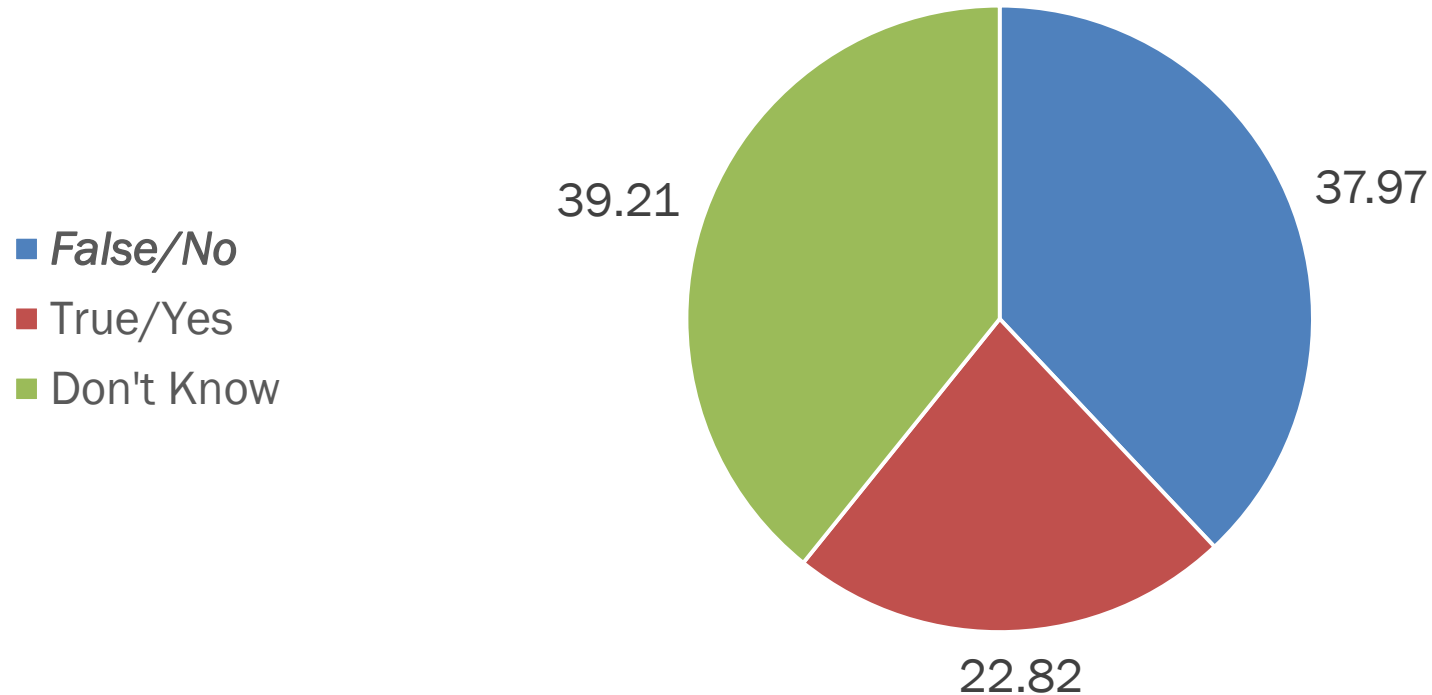
Eligibility for Spousal Benefits among Divorced Individuals



Impact of Spousal Benefits on Primary Beneficiary's Benefit Amount

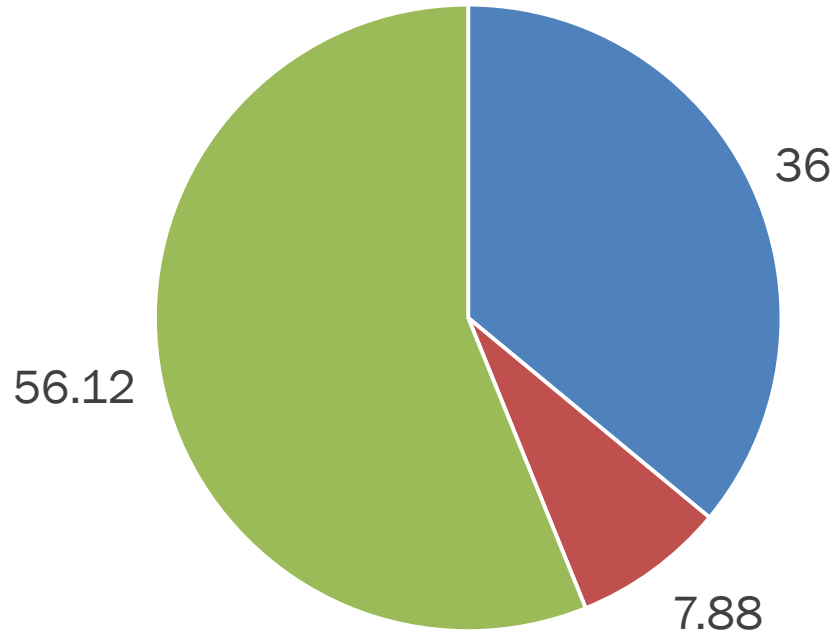


Current spouses can claim spousal benefits before primary beneficiary



Maximum Spousal Benefit Amounts

- *The spouses retirement benefit OR own benefit*
- The spouses retirement benefit PLUS own benefit
- Don't Know



Across Group Comparisons of Spousal Benefits Knowledge

	Full sample
Heard of Social Security spousal benefits	0.46
	(0.498)
Number of correct spousal benefit questions (out of 5)	1.66
	(1.298)
N	964

Across Group Comparisons of Spousal Benefits Knowledge

	Full sample	High Fin. Lit	Low Fin. Lit
Heard of Social Security spousal benefits	0.46	0.54 ***	0.35
	(0.498)	(0.499)	(0.477)
Number of correct spousal benefit questions (out of 5)	1.66	1.84 ***	1.41
	(1.298)	(1.315)	(1.235)
N	964	554	410

Across Group Comparisons of Spousal Benefits Knowledge

	Full sample	High Fin. Lit	Low Fin. Lit	High Subj. Soc Sec Knowledge	Low Subj. Soc Sec Knowledge
Heard of Social Security spousal benefits	0.46	0.54 ***	0.35	0.53 ***	0.34
	(0.498)	(0.499)	(0.477)	(0.500)	(0.475)
Number of correct spousal benefit questions (out of 5)	1.66	1.84 ***	1.41	1.78 ***	1.47
	(1.298)	(1.315)	(1.235)	(1.323)	(1.235)
N	964	554	410	578	382

Self-Assessed Knowledge about Spousal Benefits

	Full sample
Actual number of correct spousal benefit questions (out of 5) Conditional on measuring expected number	1.98
	(1.245)
Expected number of correct spousal benefit questions (out of 5)	2.29
	(1.346)
Expected minus Actual number correct	0.31
	(1.378)
Observations	673

Self-Assessed Knowledge about Spousal Benefits

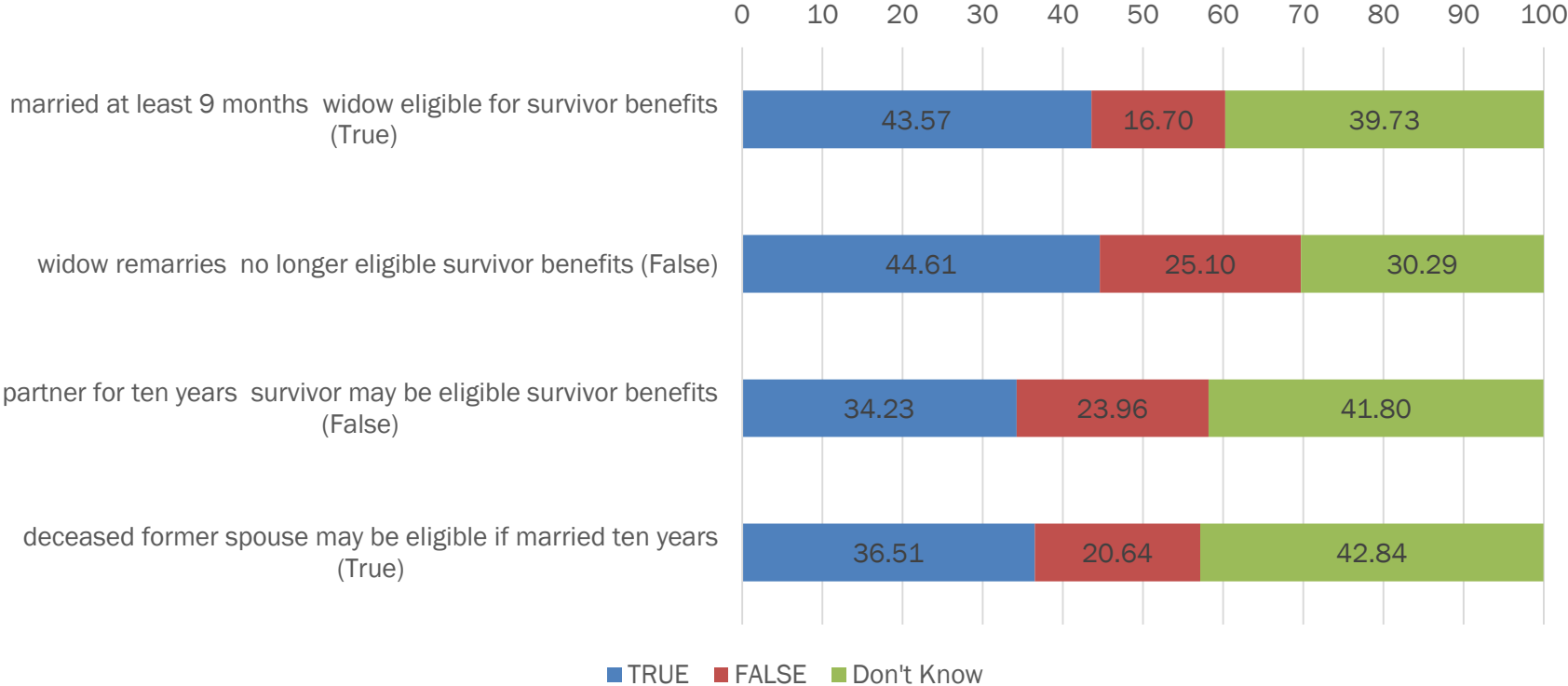
	Full sample	High Fin. Lit	Low Fin. Lit
Actual number of correct spousal benefit questions (out of 5) Conditional on measuring expected number	1.98	2.08**	1.79
	(1.245)	(1.258)	(1.201)
Expected number of correct spousal benefit questions (out of 5)	2.29	2.35	2.19
	(1.346)	(1.310)	(1.405)
Expected minus Actual number correct	0.31	0.26	0.40
	(1.378)	(1.343)	(1.435)
Observations	673	428	245

Self-Assessed Knowledge about Spousal Benefits

	Full sample	High Fin. Lit	Low Fin. Lit	High Subj. Soc Sec Knowledge	Low Subj. Soc Sec Knowledge
Actual number of correct spousal benefit questions (out of 5) Conditional on measuring expected number	1.98	2.08**	1.79	2.06*	1.832
	(1.245)	(1.258)	(1.201)	(1.272)	(1.184)
Expected number of correct spousal benefit questions (out of 5)	2.29	2.35	2.19	2.46 ***	1.99
	(1.346)	(1.310)	(1.405)	(1.337)	(1.312)
Expected minus Actual number correct	0.31	0.26	0.40	0.40 *	0.16
	(1.378)	(1.343)	(1.435)	(1.409)	(1.313)
Observations	673	428	245	421	250

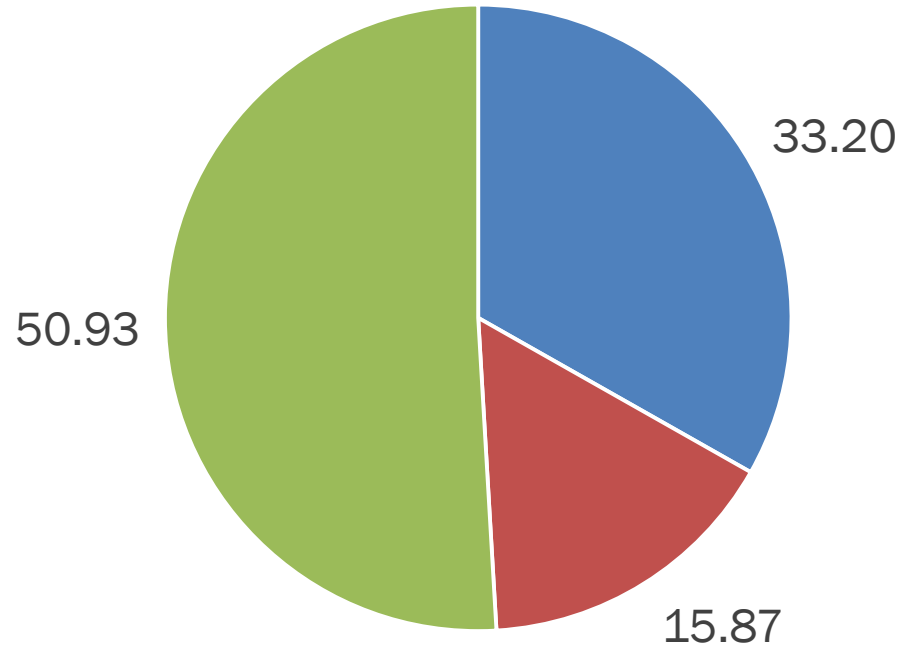
Survivors Benefits

Survivors Benefits Knowledge Questions



Maximum Survivor Benefit Amounts

- *The survivor retirement benefit Or own benefit*
- The survivor retirement benefit PLUS own benefit
- Don't Know



Across Group Comparisons of Survivors Benefits Knowledge

	Full sample
Heard of survivors benefits	0.56
	(0.496)
Number of correct survivors benefit questions (out of 5)	1.62
	(1.294)
Observations	964

Across Group Comparisons of Survivors Benefits Knowledge

	Full sample	High Fin. Lit	Low Fin. Lit	High Subj. Soc Sec Knowledge	Low Subj. Soc Sec Knowledge
Heard of survivors benefits	0.56	0.69 ***	0.40	0.65 ***	0.44
	(0.496)	(0.465)	(0.490)	(0.478)	(0.497)
Number of correct survivors benefit questions (out of 5)	1.62	1.81 ***	1.37	1.75 ***	1.44
	(1.294)	(1.303)	(1.239)	(1.302)	(1.257)
Observations	964	554	410	578	382

Self-Assessed Knowledge of Survivors benefits

	Full sample
Actual number of correct survivors benefit questions (out of 5) Conditional on measuring expected number	1.90
	(1.244)
Expected number of correct survivors benefit questions (out of 5)	2.03
	(1.321)
Expected minus Actual number correct	0.12
	(1.495)
Observations	673

Self-Assessed Knowledge of Survivors

benefits

	Full sample	High Fin. Lit	Low Fin. Lit	High Subj. Soc Sec Knowledge	Low Subj. Soc Sec Knowledge
Actual number of correct survivors benefit questions (out of 5) Conditional on measuring expected number	1.90	1.99***	1.62	1.97**	1.66
	(1.244)	(1.283)	(1.211)	(1.281)	(1.225)
Expected number of correct survivors benefit questions (out of 5)	2.03	2.06	1.96	2.19***	1.72
	(1.321)	(1.253)	(1.431)	(1.316)	(1.276)
Expected minus Actual number correct	0.12	0.01 *	0.32	0.19	0.01
	(1.495)	(1.436)	(1.574)	(1.527)	(1.437)
Observations	673	428	245	421	250

Conclusions

- Overall knowledge of spousal and survivor benefits is low
- Knowledge is higher among those who previously expressed knowledge of social security and those with high financial literacy
- Respondents perceive that they answered more questions correctly than they did
- More have heard of survivors benefits than of spousal benefits, but total number of questions correct is higher for spousal benefits, suggesting those questions are easier

Policy Implications

- Couples with limited or incorrect knowledge of social security spousal and survivors benefits may not plan for retirement optimally
- They may fail to report past marriages that would make them eligible for benefits

Demographics

Demographic Characteristic	Mean (SD)
Male	0.49 (0.500)
Age	45.64 (10.64)
Partnered	0.14 (0.347)
Less than High School	0.04 (0.204)
High School	0.18 (0.385)
Some college or Assoc. Degree	0.35 (0.476)
Bachelor degree or more	0.43 (0.495)
White, Non-Hispanic	0.81 (0.393)
Black, Non-Hispanic	0.05 (0.224)

Demographic Characteristic	Mean (SD)
Hispanic	0.08 (0.278)
Other Race	0.05 (0.226)
Currently Working	0.84 (0.371)
Household income < 50K	0.26 (0.441)
Household income 50-75K	0.20 (0.400)
Household income 75-100K	0.18 (0.382)
Household income 100-150K	0.22 (0.415)
Household income > 150K	0.14 (0.345)
N	964

Spousal Benefits Questions

- Please answer the next set of five questions on spousal retirement benefits to the best of your ability. If you are unsure, please just give us your best guess. For these questions, we'll use primary beneficiary to describe an individual who will receive retirement benefits based on his/her own earnings.

Spousal Benefits Questions

- Among current spouses and partners, which statement best describes who is eligible for Social Security spousal retirement benefits? Social Security spousal retirement benefits are available to:
 - **The current spouse of the primary beneficiary, for couples who have been married for at least one year.**
 - The current spouse of the primary beneficiary, for couples who have been married for at least ten years.
 - The current spouse or partner of the primary beneficiary, for couples who have lived together for at least one year.
 - The current spouse or partner of the primary beneficiary, for couples who have lived together for at least ten years.
 - None of the above
 - Don't know

Spousal Benefits Questions

- Among divorced spouses, which statement best describes who may be eligible for Social Security spousal retirement benefits? Social Security spousal retirement benefits may be available to:
 - The former spouse of the primary beneficiary, for couples who were married for at least one year.
 - **The former spouse of the primary beneficiary, for couples who were married for at least ten years.**
 - The former spouse of the primary beneficiary is never eligible.
 - None of the above
 - Don't know

Spousal Benefits Questions

- If a primary beneficiary's spouse claims Social Security spousal benefits, then does the primary beneficiary's own Social Security retirement benefits increase, decrease, or stay the same?
 - Increase
 - Decrease
 - **Stay the same**
 - Don't know

Spousal Benefits Questions

- Current spouses can claim spousal retirement benefits before the primary beneficiary claims his/her own benefits
 - True, **False**, Don't know
- The maximum Social Security retirement benefit that a spouse can receive is equivalent to:
 - The spouse's retirement benefit PLUS one-half the primary beneficiary's retirement benefit at Full Retirement Age
 - **The spouse's retirement benefit OR one-half the primary beneficiary's retirement benefit at Full Retirement Age, whichever is higher**
 - Don't know

Spousal Benefits Questions

- For the previous five questions on spousal benefits, you could have answered between zero and five correctly. We would like to know how many you think you got correct. Please tell us the percent chance that you got:
 - All five correct ___%
 - Exactly four correct ___%
 - Exactly three correct ___%
 - Exactly two correct ___%
 - Exactly one correct ___%
 - No correct answers ___%

Survivors Benefits Questions

- If the deceased had been married for at least 9 months prior to death, then his/her widow/widower may be eligible for survivors benefits.
 - True, False, Don't know
- If the deceased's widow/widower ever remarries, then the widow/widower is no longer eligible for survivors benefits.
 - True, **False**, Don't know

Survivors Benefits Questions

- If the deceased had been living with a partner for at least ten years, then the surviving partner may be eligible for survivors benefits
 - True, **False**, Don't know
- If the deceased had ever been divorced, then the deceased's surviving *former* spouse may be eligible for survivors benefits, if they were married for at least ten years before they divorced.
 - **True**, False, Don't know

Survivors Benefits Questions

- If the deceased did not have any dependents at the time of death, the maximum Social Security retirement benefit that a widow/widower can receive is equivalent to:
 - The widow's/widower's retirement benefit PLUS a benefit based on what the deceased would have been eligible to receive had he/she survived
 - **The widow's/widower's retirement benefit OR a benefit based on what the deceased would have been eligible to receive had he/she survived**
 - Don't know