Social Security Household Benefits: Measuring Program Knowledge

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Introduction

Social Security spousal benefits offer households the opportunity to claim benefits for one spouse who either doesn't qualify for Social Security benefits based on his or her own earnings history or who qualifies for benefits equal to less than one half of the other spouse's benefit. Furthermore, survivors benefits allow widows or widowers to claim their spouse's full benefit. The availability of household benefits from Social Security has important implications for determining the optimal timing of claiming, necessary savings for retirement, and potentially has implications for marriage decisions. Under a neoclassical household model, spouses will optimize their claiming decisions taking into account not only the impact on their own benefits but also the impact on their spouse's benefits. The availability of spousal benefits might also have implications for the labor force participation decisions on the intensive or extensive margins. Couples who are not aware of these benefits may make suboptimal decisions. Recent survey evidence from the University of Southern California's Understanding America Study (UAS) suggests that spouses may not have strong understanding of spousal 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.

In this research we use newly collected focus group data and UAS survey data to assess the state of knowledge about spousal and survivors benefits. Our survey asks more detailed questions about knowledge of Social Security spousal benefits and survivors benefits than have previously been asked. We focus on the following 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?

Survey Module on Spousal and Survivors Benefits

To answer our key research questions, we developed a new survey module to field on the UAS. We began by conducting focus groups to better understand current knowledge and to help develop the survey instrument.

Focus Groups

We conducted two focus groups consisting of 13 to 14 participants each; there were 27 participants in total. In each discussion, we asked about retirement planning, in general, and their knowledge of spousal retirement benefits and survivors benefits. The groups were stratified based on whether the participant is the household's primary or secondary earner. From the focus group discussions, there were several qualitative insights on how participants think about Social Security retirement benefits, spousal benefits, and survivors benefits that helped guide development of the survey instrument. First, we found that awareness of Social Security spousal benefits was low in both groups, but compared to the primary earner group, the secondary earner group was more familiar with spousal benefits. Second, both focus groups were more familiar with survivors benefits than spousal benefits. Lastly, both groups expressed pessimism about whether Social Security will provide retirement benefits at retirement age, and cited this as a reason for not expending effort to learn about their expected Social Security benefits, spousal benefits, or survivors benefits. Therefore, we include in the survey an item that measures confidence that Social Security will provide retirement benefits for the respondent, and the analysis will account for differences in confidence about the Social Security retirement program.

Survey Module

Respondents were asked about their overall confidence on the Social Security retirement

program, their awareness of Social Security benefits for spouses and survivors, five knowledge

questions on Social Security rules on spousal benefits, and finally five questions about survivors

benefits. Following each block of five questions on knowledge we asked for self-assessed

knowledge by eliciting respondents' subjective probability distributions over the number of

correct responses they think they provided. Comparing the actual number of knowledge

questions that a respondent answered correctly to the reported subjective expected number of

correct questions allows us to measure whether respondents think they know more than they

actually know, whether they think they know less than they actually know, or if their perception

of how much they know is well calibrated.

Data

We used data from a survey designed for the UAS, an online representative panel of

approximately 6,000 American households. For this survey we selected a sample of 2,000 panel

members who had participated in previous surveys about Social Security knowledge. The survey

was fielded on June 26, 2018 and data collection is ongoing. At the time of this writing, 1,156

responded to the survey, of which 964 were determined to be eligible. To be eligible, panel

members had to be married or partnered and neither could be currently receiving Social Security

benefits. Because our sample focuses on those who are not yet receiving Social Security, the

sample is younger than average.

Results

We find that more respondents have heard of survivors benefits than have heard of spousal

benefits: 46 percent of respondents have heard of spousal benefits, whereas 55 percent have

heard of survivors benefits. Regarding the questions that measure knowledge of spousal and on

knowledge of survivors benefits, we find that for each of the 10 questions, the majority of

individuals do not select the correct response. Furthermore, a large fraction report that they simply don't know the correct response. For each block of five questions, we can calculate a total number of correct. On average, respondents answer only 1.66 of the 5 questions about spousal benefits and 1.62 questions about survivors benefits correctly. This represents a relatively low level of knowledge about spousal and survivors benefits.

While there are a few exceptions, overall, Social Security spousal and survivors benefits knowledge is greater among those with high relative to low financial literacy. Likewise, knowledge about spousal and survivor benefits is higher for those who had previously described themselves as knowledgeable about Social Security.

We use respondents' subjective probability distributions over the number of correct responses they think they provided to calculate their expected number of questions correct as well as the gap between the expected number and the actual number of correct responses. The gap between the actual score and the expected value of the score is higher for spousal benefits than for survivors benefits; in other words, respondents are more likely to overestimate their knowledge of spousal benefits than their knowledge of survivors benefits. For spousal benefits, the average expected number of correct responses is 2.29, but the average actual number of correct responses among those answering the subjective probability questions[1] is 1.98 , and the average difference between expected and actual number of correct responses is 0.31. For survivors benefits, the pattern is similar but not as large: on average, respondents expected to get 2.03 questions correct, but on average among those answering the subjective probability questions[2] only 1.90 questions were correct, and the average difference between expected and actual number of correct responses is 0.12.

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[1] 291 respondents did not provide their subjective probability distributions over number of correct responses
[2] 334 respondents did not provide their subjective probability distributions over number of correct responses

Figure 1: Knowledge of Spousal and Survivors Benefits
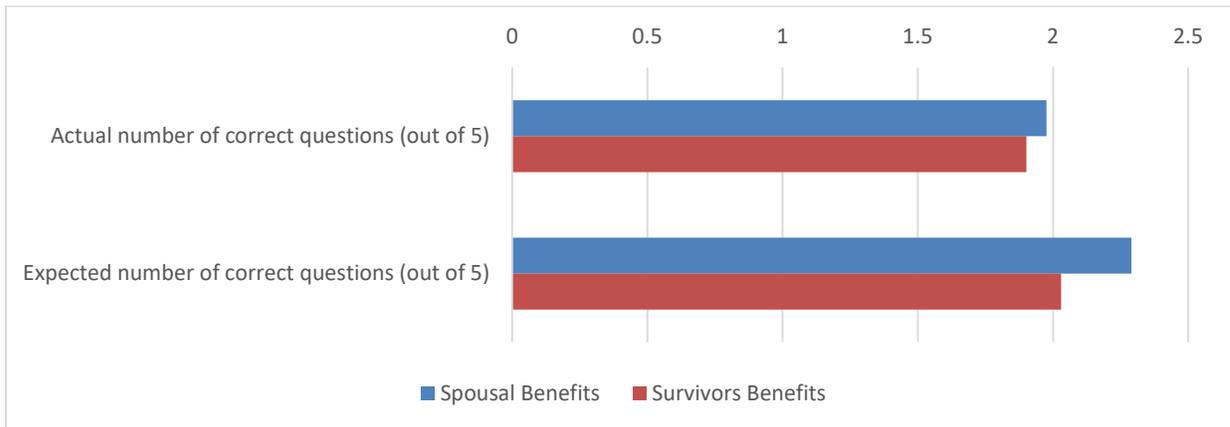
Conclusions

Overall, our results suggest that knowledge of spousal and survivors benefits is low. Individuals who are misinformed or uninformed about benefits may not optimally plan for retirement, or may fail to apply for benefits for which they are eligible. Furthermore, our results suggest that people's perceptions of their knowledge is misaligned with their actual knowledge, with many perceiving that they know more about Social Security than they actually do.

There are several limitations of our research. First, at this stage data collection is not yet complete. As result we do not yet have weights that allow us to adjust for any non-representativeness of our sample. It is possible that the results will change as more data comes in and when we weight our results. Second, the number of questions answered correctly is low even for respondents with high financial literacy or respondents who report that they are knowledgeable about Social Security in general, suggesting that our questions were difficult. It is likely that measured knowledge would have been higher if questions were easier. However, the details of spousal and survivors benefits are complicated, and simpler questions may have been too general to be meaningful.