



Definitions of **bolded key terms** are at the end of this article.

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**Authors, Titles and Publication Dates of the Articles Addressed in the Insight**  
Jeffrey R. Brown, Arie Kapteyn, and Olivia S. Mitchell. 2016. "Framing and Claiming: How Information-Framing Affects Expected Social Security Claiming Behavior." *Journal of Risk and Insurance* 83 (1): 139–62.  
[www.ncbi.nlm.nih.gov/pmc/articles/PMC5453649/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC5453649/)

Eric Johnson, Kirstin Appelt, Melissa Knoll, and Jon Westfall. 2016. "Preference Checklists: Selective and Effective Choice Architecture for Retirement Decisions." *Research Dialogue*, Issue 127, TIAA Institute, Bethesda, MD.  
[www.tiaainstitute.org/sites/default/files/presentations/2017-02/rd\\_selective\\_effective\\_choice\\_architecture\\_for\\_retirement\\_decisions\\_1.pdf](http://www.tiaainstitute.org/sites/default/files/presentations/2017-02/rd_selective_effective_choice_architecture_for_retirement_decisions_1.pdf)

## *Insight:* **THE SIGNIFICANCE OF CHOICE ARCHITECTURE IN SOCIAL SECURITY BENEFIT CLAIMING DECISIONS**

### **IDEAS IN THE INSIGHT YOU CAN PUT INTO ACTION**

These articles suggest that the way that the question of when to claim Social Security retirement benefits is framed can significantly influence pre-retirees' decisions. The authors show three effective frames and their results: (1) Simply describing monthly benefit amounts if claimed at age 66 and if claimed at age 65 or age 67 leads to later claiming than the break-even framing used by the Social Security Administration (SSA). (2) Anchoring the claiming decision at later ages delays when pre-retirees expect to claim benefits. (3) Suggesting to pre-retirees that they consider a checklist of reasons they might delay claiming benefits *before* they consider a checklist of reasons they might claim early can significantly delay when they expect to claim benefits. Delaying benefit claiming would be beneficial for most—but not all—pre-retirees. The two articles this Insight considers suggest that using a lifestyle-informed life expectancy calculator to tailor the framing can help even those who should claim early make better decisions.

### **PRINCIPAL INSIGHTS**

These two articles focus on how Social Security Administration (SSA) and **financial professionals** can use **choice architecture** (i.e., the context in which decisions are made), to help individuals make better decisions about when to claim Social Security retirement **benefits**. Both "Framing and Claiming: How Information-Framing Affects Expected Social Security Claiming Behavior" and "Preference Checklists: Selective and Effective Choice Architecture for Retirement Decisions" used online surveys of individuals who were either eligible or expecting to become eligible for Social Security benefits to test how variations in the claiming choice architecture could help Americans maximize their Social Security benefits in **retirement**.

Individuals can claim Social Security benefits at any point between age 62 and 70. A plurality claim at the earliest possible age even though lifetime monthly payments when claimed at age 70 are 76 percent greater (in real dollars) than monthly payments when claimed at age 62. Although SSA designed this payment scale to be actuarially neutral, an individual's claiming date can significantly influence their financial well-being as a **retiree** during their retirement.

SSA's **framing** of the claiming decision for several decades prior to 2008 likely prompted several generations of American workers to claim benefits earlier than they otherwise might have, but alternative frames could encourage workers to claim benefits later. In "Framing and Claiming," Jeffrey R. Brown, Arie Kapteyn, and Olivia S. Mitchell used the internet-based RAND American Life Panel survey, which regularly interviews a nationally representative sample of US households, to test the effect of a variety of frames on their claiming decisions.

Around six weeks before the study began, all participants (1,437 adults who had not claimed a Social Security benefit and who had worked for at least 10 years) provided the age at which they expected to claim Social Security retirement benefits as a baseline estimate. The study then proceeded in three survey waves, with each wave around two weeks apart. In each wave, participants were randomly assigned to two of the ten experimental frames; they then indicated what their preferred claiming age would be in the context of each frame in turn. By the end of the study, each participant had responded to six different frames. To control for differences across individuals, the authors subtracted from each response the respondent's initial baseline claiming estimate.

The study primarily compared break-even and symmetric framing. The *break-even framing*—which SSA used for many years—outlined participants' hypothetical benefits if they claimed at age 62 rather than age 63. Participants were told that, if they claimed at age 63 instead of age 62, they would forfeit a year of benefits in return for higher monthly benefits later; they were also told that they would not break even (i.e., receive the same level of lifetime benefits) until some later specified time, depending on their age at the time of the survey. By contrast, the *symmetric framing* simply described a participant's monthly benefit amounts if they claimed at age 66 compared to monthly benefit amounts if they claimed at age 65 or age 67.

The other eight frames emphasized either the consumption value or the investment properties of the claiming decision, and either the gains of, or the losses incurred by, different claiming decisions.<sup>1</sup> Each frame was paired with an age **anchor**, yielding the 10 total frames:

1. Break-even frame
2. Symmetric frame
3. Consumption gain from age 62 frame
4. Consumption gain from age 66 frame
5. Consumption loss from age 66 frame
6. Consumption loss from age 70 frame
7. Investment gain from age 62 frame
8. Investment gain from age 66 frame
9. Investment loss from age 66 frame
10. Investment loss from age 70 frame

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1. Both the consumption and the investment frames included language about purchasing power, but the investment frame also repeatedly referred to benefits as returns.

The authors devoted special attention to the results of the first survey wave, since there was no risk that these results were influenced by earlier survey waves. In the first survey wave, the symmetric frame led to claiming 14.9 months later than the break-even frame, which is a statistically and economically significant difference. The effect was similar (and retained statistical and economic significance) among respondents aged 50 and over, whom the authors posited might be more likely to provide meaningful responses than younger respondents. Expanding the analysis to all waves of the study and controlling for prior frames also did not substantially change the effect. In all analyses, the break-even frame led to a significantly lower expected claiming age.

The authors also test the four consumption frames versus the four investment frames, differences across gains and losses, and the effect of the different age anchors. They find no difference between the consumption and investment framing. Although past research has found differences in how individuals view the value of **lifetime annuities** relative to other financial products depending on whether the annuities are presented using a consumption or an investment frame, Brown, Kapteyn, and Mitchell test something slightly different: they test smaller annuities earlier versus larger annuities later, and suggest that this difference is the reason for the **null effect**. Finally, while claiming decisions did not differ between the age anchors of 66 and 70, participants whose decisions were anchored at age 62 said they would claim benefits three months earlier than participants whose decisions were anchored at older ages.

The authors largely focused on the first frame in the first survey wave to avoid carryover effects from previous frames; however, they evaluated later frames while controlling for each participant's exposure to earlier frames. Although the effects of framing within the same periods were much larger than any carryover effects, the authors found that about one-third of framing suggestions affected participants' later decisions about when they claimed their benefits. This suggests that past exposure to claiming information could weaken real-world attempts to alter claiming age by changing framing; this is a particularly relevant finding, given SSA's decades-long reliance on break-even framing.

Choice architecture can also take the form of checklists of items presented in a specific order that guide **pre-retirees** through the possible reasons to claim benefits earlier versus later. In "Preference Checklists," Eric Johnson, Kirstin Appelt, Melissa Knoll, and Jon Westfall use two internet-based surveys of pre-retirees between the ages of 45 and 65 who are eligible or expecting to become eligible for Social Security retirement benefits, to test whether such checklists could influence claiming behavior. They find that asking pre-retirees to think about why they might delay claiming Social Security benefits *before* asking them to think about why they might claim early can significantly delay when they claim benefits. Although this outcome is not ideal for the few Americans who should claim early due to a shorter life expectancy, it represents an improvement for most pre-retirees. Moreover, tailoring which checklist pre-retirees should consider first, based on their life expectancies, could improve claiming decisions across the board.

The first survey randomly assigned all 451 respondents to one of four conditions: (1) control, (2) default, (3) later-first, and (4) early-first. All participants were first asked to imagine they were approaching retirement age and would soon be eligible for Social Security benefits, and then were shown an explanation of how claiming benefits at different ages between 62 and 70 would affect their lifetime monthly benefit. The control group and the default group then both proceeded directly to making their claiming decision. Those in the control group chose the age at which they expected to claim benefits with no further information; the default group's claiming decision was preset to age 70, but they were free to change it.

The later-first and early-first groups, on the other hand, were shown two preference checklists of common choice-relevant thoughts before making their claiming decision. They were asked to evaluate whether each checklist item was something they would consider when making the claiming decision. One checklist focused on the arguments for claiming benefits later, and one focused on the arguments for claiming benefits earlier. The later-first group used a checklist with the eight arguments that support claiming benefits later listed first, while the early-first group used a checklist with the eight arguments that support claiming benefits early listed first.<sup>2</sup> After completing the checklist exercise, these groups proceeded to make their claiming decision.

The early-first group's claiming decisions were the same as the control group's claiming decisions, but the later-first group said they would claim benefits 18 months later than the control and early-first groups. Moreover, the later-first group said they would claim benefits nearly 11 months later than the default group. The later-first group's claiming decisions differed least among the four groups from the longevity-based, actuarially optimal claiming age for an individual (calculated by the authors based on individuals' responses to demographic and lifestyle questions in the survey). The later-first condition did, however, likely nudge some participants to claim benefits later than they should have. The early-first condition led to the smallest differences from the ideal claiming ages among the small number of participants who should, based on life expectancy, claim benefits early. Nevertheless, participants in the later-first group did not make any errors that were notably larger than the errors made by participants in the control or default groups.

In a second survey, 479 different participants completed a lifestyle-informed life expectancy calculator prior to making their claiming decision. Respondents were randomly assigned to one of five groups: (1) the control or (2) default conditions, unchanged from the first survey; (3) early-first or (4) later-first conditions from the first survey, modified to include the life expectancy estimate; or (5) a new life expectancy condition. In the new life expectancy condition, between reading the generic retirement benefits information and making the claiming decision, participants read the following statement, tailored to their life expectancy calculation: "There is a 50 percent chance that you will live past age {calculated 50th percentile age}. (Note: The life expectancy calculator produced this personalized estimate based on your age, gender, race, marital status, and smoking, exercise, and driving habits.)" The early-first and later-first checklist conditions remained the same as in the first survey, with one exception: The first checklist item in the later-first condition was the same tailored life expectancy statement as in the life expectancy condition. The first checklist item for the early-first group was also the tailored life expectancy statement, but "live past" was replaced with "die by," capitalizing on previous research showing that perceptions of life expectancy are susceptible to framing, with "live past" framing leading to longer life expectancy estimates than "die by" framing.

Including the life expectancy calculator for all groups overwhelmed the effects of the tested interventions; participants' checklist condition in the second survey had no statistically significant effect on preferred claiming age. At the same time, neither participants' self-generated life expectancy estimates, nor their calculated life expectancies, predicted their claiming decision. The authors suggest that just completing the lifestyle-informed life expectancy calculator might function as an informal checklist, and so might muddy the effects of the other interventions.

2. Two examples of the later-first arguments are, "Since people usually need more money to spend on medical bills as they get older, I'll delay claiming as long as possible—that way I'll have more money when I'll probably need it most" and "I will probably work part-time as the years go on—that way I can put off collecting my benefits." Early-first arguments included, "I want to collect benefits as soon as possible because Social Security may run out of money soon" and "I don't want to have to work until I'm old—I want to enjoy some non-work time with friends and family."

The authors of these articles convincingly show that the choice architecture within which pre-retirees make Social Security claiming decisions significantly affects those decisions. In “Framing and Claiming,” the authors find that symmetric framing—simply stating the benefit amounts of claiming at a given age, one year earlier than that age, and one year later than that age—prompts pre-retirees to delay claiming by nearly 15 months, on average. Those same authors also find that anchoring the decision at age 66 or above can delay claiming by around three months. “Preference Checklists” focuses more on the effects of nudging claimants to consider the ramifications of claiming at certain times in structured ways, and the authors primarily find that prompting claimants to think through reasons to delay claiming before thinking about reasons to claim early can delay claims by up to 18 months.

Combined, these articles outline a set of effective and compatible choice architecture interventions. Since most Americans claim Social Security benefits earlier than would be optimal for them, SSA and financial professionals should provide symmetric information about the effects of claiming at various ages using an age anchor of at least 66. They should then prompt pre-retirees to consider various arguments for claiming later and arguments for claiming earlier, and should order those arguments based on the best age for them to claim benefits: early-first for those with shorter life expectancies and later-first for those with longer life expectancies.

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**KEY TERMS** *indicated at first use with bold font*

**anchor:** Data point or piece of information on which an individual relies to make a decision, even if it is not the right or best information.

**benefit:** A feature that can provide benefits or protection to you or your beneficiaries.

**choice architecture:** The context in which decisions are made.

**financial professionals:** A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.

**frame, framing:** Framing is how financial products are presented to consumers.

**lifetime annuity:** A lifetime annuity is an investment vehicle that functions as a personal pension plan.

**null effect:** An experimental outcome that does not show an otherwise expected effect.

**pre-retiree:** Adults age 45 and up who have not retired.

**retiree:** Someone who has retired, regardless of age or investments.

**retirement:** Where you are in terms of your financial priorities and needs; for instance, growing your money or drawing from your money later in life.

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