

The Art of Persuasion and Social Security

Retirees could get substantially more in their Social Security check if they would just wait longer – up to age 70 – to sign up.

But only a tiny fraction of workers make it to 70, and more than a third get the minimum monthly benefits because they start them as soon as the program allows, at 62. A Bocconi University professor and three UCLA professors have set about trying to change minds by testing 13 ways of encouraging older workers to hold off and lock in a larger Social Security check.

The techniques, which they tried on various groups of workers between ages 40 and 61, ranged widely in approach. But two of the most successful tests had one thing in common: participants were asked to engage in a little reflection about the personal impact of choosing when to start receiving their Social Security. This approach departed from the more common strategy of trying to influence people by feeding them financial or other information.

Everyone began the same way: they saw a table showing how much more they would receive from Social Security for each year after 62 that they delayed. One of the most effective tests was an exercise in self-reflection. The participants were asked to list “their own reasons” for how delaying would help them personally. Only after this step did they list the reasons to start their benefits at a younger age.

The order of these requests was intentional and intended to counteract the tendency by most people to focus on their short-term desires. This group reported that they intended to sign up 10 months later than the control group, which wasn’t exposed to the test, according to the study conducted for the Retirement Research Consortium.

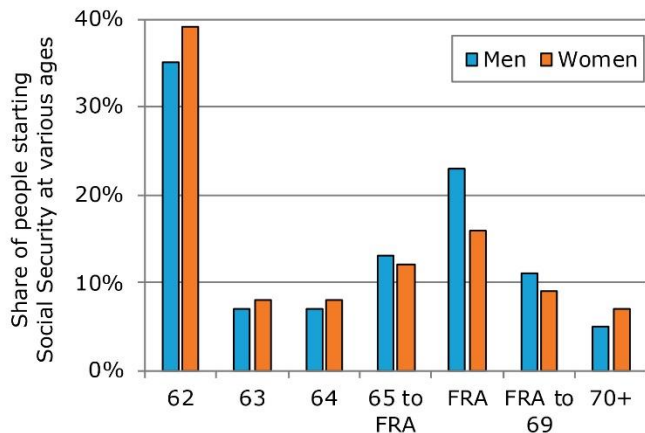
A second exercise prompted participants to reflect on the implications of living to a very old age. As people get older, they face growing risks in the form of large medical bills and depleted retirement accounts. The participants were instructed to weigh the risks of longevity for someone in their life and to recommend a claiming age to them. This produced a six-month delay in when they intended to claim their benefits.

Individual workers have myriad personal reasons – health, unemployment, financial – for their decisions. But this study shows that something else also matters: how their choices are presented to them.

To view the entire study, visit: http://projects.nber.org/projects_backend/rrc/papers/orrc18-06.pdf

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62 is Most Popular Age to Start Social Security



Source: Center for Retirement Research at Boston College.