



# Racial and Ethnic Disparities in Knowledge about Social Security Programs

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Imperfect or limited knowledge of Social Security may result in suboptimal decisions related to benefit claiming and retirement. Prior research has revealed knowledge disparities about Social Security programs across race and ethnic groups. Understanding the source of these disparities, and addressing them, is important. Poor understanding can lead to suboptimal decisions that result in lower welfare in old age or in missed opportunities to benefit from disability programs. Limited knowledge about the design and incentives built into Social Security among these groups can extend and worsen racial and ethnic disparities in living standards and well-being into retirement years.

We investigate racial and ethnic disparities in Social Security knowledge and information sources using the Understanding America Study (UAS). The UAS is a nationally representative panel of the U.S. population 18 and older with currently close to 10,000 participants. UAS respondents answer queries from researchers once to twice a month. Topics range from personal and household characteristics and financial conditions, to other social science and health topics. There are over 490 fielded surveys in the UAS covering various topics. In this research, we use three recent surveys related to Social Security knowledge, channels of information about Social Security, and knowledge about disability programs.

We document significant racial/ethnic disparities in knowledge about Social Security programs, both in knowledge about issues related to old age and survivor benefits, but also disability programs. We find that Black and Hispanic respondents score 8% to 14% lower on knowledge tests of Old Age, Survivors, and Disability Insurance program eligibility and benefits. Differences in Social Security knowledge across racial and ethnic groups are not explained by group differences in income, wealth, employment history, or the levels of education. Further, we find similarly strong racial/ethnic disparities within specific groups (i.e., retired beneficiaries, workers with strong attachment to the labor force, married women) suggesting that these disparities persist even amongst subgroups with stronger incentives to acquire knowledge.

Our research reveals several challenges to reducing these disparities. Despite their lower knowledge test scores, Black and Hispanic respondents are more likely than white respondents to express confidence that they understand Social Security, which might indicate it is more common that people in these groups “do not know that they don’t know” about how Social Security works. This result might stem from differences in information sources or experiences with SSA programs. We find no meaningful differences by race and ethnicity on responses to questions about

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general knowledge of Social Security, but differences arise when considering confidence in knowledge about specific topics. Lastly, there exist similar or worse racial/ethnic discrepancies in financial literacy. Less Social Security knowledge may reflect broader informational challenges related to personal finance and retirement.

We document important differences in sources of information about Social Security by race and ethnic groups. Black respondents are 25% more likely than white respondents to have no source of information on Social Security and Hispanic respondents are 15% more likely than white respondents. Friends and family are the most common source of information, but Black and Hispanic respondents are significantly less likely than white respondents to report them as a source of information. Additionally, Black and Hispanic respondents report 22% and 30% fewer sources of information, respectively. Outside of friends and family, the Social Security Administration, for profit businesses, and employers are the next most important sources of information. Black and Hispanic respondents report seeking information from Social Security 11% and 15% less than white respondents. Media are not a common source of information about Social Security. We also find that Black and Hispanic respondents are more likely to have heard of my Social Security accounts but, conditional on having heard of it, they are less likely to use it.

We explore the interrelationship between Social Security information sources and knowledge. Without information sources, it is more difficult to accumulate knowledge about Social Security. Within networks with limited Social Security knowledge, it may be more difficult to find sources of information about Social Security. We find that having more sources of information about Social Security is

associated with higher scores in knowledge tests. If the model were interpreted causally, increasing the number of information sources to offset the disparities by race/ethnicity would require about two new sources. While not a causal relationship, this suggests that informational outreach could be a mechanism for addressing some of the racial/ethnic disparities in Social Security knowledge.

The extent to which the disparities in knowledge translate into differences in actual decisions remains unclear due to data limitations. We explored relationships between Social Security knowledge and retirement outcomes. Consistent with a past analysis, we do not find a significant relationship between Social Security knowledge and the timing of starting benefits, but we do find a positive relationship among retirement beneficiaries with subjective outcomes, such as satisfaction with the claiming age decision and whether the respondent felt they had enough information to make the decision. While suggestive, these results are far from definitive. These relationships are based on realized choices — a respondent's knowledge and circumstance are measured after they have claimed benefits. Explanatory factors may change during the potential claiming period, obscuring the preclaim influence of knowledge and characteristics on the claiming decision. Importantly, these changes may occur differentially by racial/ethnic groups given the disparities in Social Security knowledge and informational networks about Social Security. Future research could consider an informational experiment to determine the feasibility of reducing racial and ethnic disparities in Social Security knowledge through informational interventions and whether improvements in Social Security knowledge have a discernible impact on Social Security beneficiaries' decisions and well-being. ❖

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