

# Life Expectations Judgments, Fairness, and Loss Aversion in the Psychology of Social Security Claiming Decisions

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We explore two primary questions related to individuals' intentions about when to claim Social Security benefits:

- At the individual level, how are claiming intentions related to differences in life expectations, loss aversion, perceived fairness (ownership), and intertemporal patience?
- Can Social Security claiming intentions be changed by information display and/or priming?

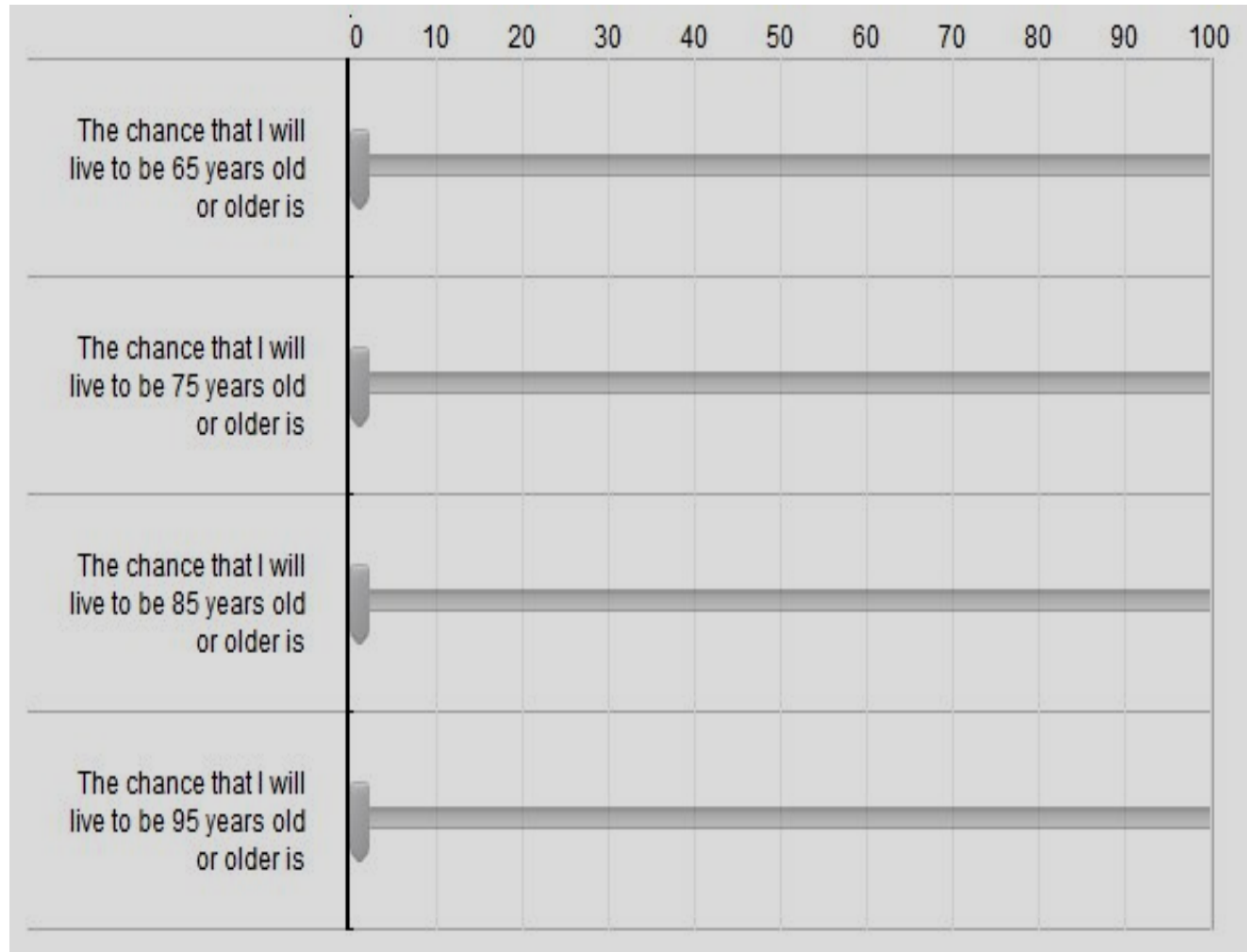
# Example of Claiming Task

“...based on the information provided on this page, at what age would you prefer to start claiming your Social Security retirement benefits? Please click one button to indicate your preference.”

62 yrs old	63 yrs old	64 yrs old	65 yrs old	66 yrs old	67 yrs old	68 yrs old	69 yrs old	70 yrs old
\$1,339	\$1,420	\$1,544	\$1,668	\$1,793	\$1,810	\$1,960	\$2,110	\$2,395
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

# Four Key Individual Difference Variables

# Subjective Life Expectations Task



# Loss Aversion Tasks – Sample Questions (3 of 10)

	45%	10%	45%
Gamble 1	\$600	\$0	-\$600
Gamble 2	\$400	\$0	-\$400

← 69%

	45%	10%	45%
Gamble 1	\$400	\$0	-\$400
Gamble 2	\$700	\$0	-\$600

← 58%

	45%	10%	45%
Gamble 1	-\$400	\$0	\$400
Gamble 2	-\$600	\$0	\$900

← 44%

# Fairness measured via “perceived ownership” for benefits

Strongly Disagree	Disagree	Slightly Disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly Agree
(1)	(2)	(3)	(4)	(5)	(6)	(7)

	Means
I feel that I have earned these retirement benefits.	6.5
The Social Security benefits that I will receive come from the money that I contributed.	5.5
Delaying claiming of my benefits might mean that I won't get all my money back.	4.4

# Intertemporal patience

Item 1		% chosen
Option A	you receive \$1,410 immediately	87%
Option B	you receive \$1,448 in 10 months	13%

Item 2		% chosen
Option A	you receive \$1,410 immediately	59%
Option B	you receive \$1,538 in 10 months	41%

Item 3		% chosen
Option A	you receive \$1,410 immediately	22%
Option B	you receive \$1,770 in 10 months	78%



# Manipulations of Display and the Priming of Social Security Contributions

# Sample Cumulative Display for Claiming

Cumulative amount paid to you by different age if you live to that age					
Starting Year and Payment	Age and Average Probability of Living to that Age				
	73	78	83	88	93
	81%	68%	51%	31%	13%
62 (\$1,339/month)	\$176,700	\$257,100	\$337,400	\$417,800	\$498,100
64 (\$1,544/month)	\$166,800	\$259,400	\$352,000	\$444,700	\$537,300
66 (\$1,793/month)	\$150,600	\$258,200	\$365,800	\$473,400	\$580,900
68 (\$1,960/month)	\$117,600	\$235,200	\$352,800	\$470,400	\$588,000
70 (\$2,395/month)	\$86,200	\$229,900	\$373,600	\$517,300	\$661,000

# Sample Cumulative Display for Claiming

Cumulative amount paid to you by different ages if you live to that age							
Starting age and payment	63	68	73	78	83	88	93
62 (\$1,339/month)	\$16,100	\$96,400	\$176,700	\$257,100	\$337,400	\$417,800	\$498,100
64 (\$1,544/month)	\$0	\$74,100	\$166,800	\$259,400	\$352,000	\$444,700	\$537,300
66 (\$1,793/month)	\$0	\$43,000	\$150,600	\$258,200	\$365,800	\$473,400	\$580,900
68 (\$1,960/month)	\$0	\$0	\$117,600	\$235,200	\$352,800	\$470,400	\$588,000
70 (\$2,395/month)	\$0	\$0	\$86,200	\$229,900	\$373,600	\$517,300	\$661,000

# Priming SSA Contribution Levels

“...imagine that you started working at age 20 ... salary started at around \$3,760 in 1968 .... around \$53,100 by the time you retire. Based on standard tax rates, you would see the following information on the Social Security website:”

Total estimated taxes paid for Social Security over your working career through the last year:

You paid: \$70,010

Your employers paid: \$72,157

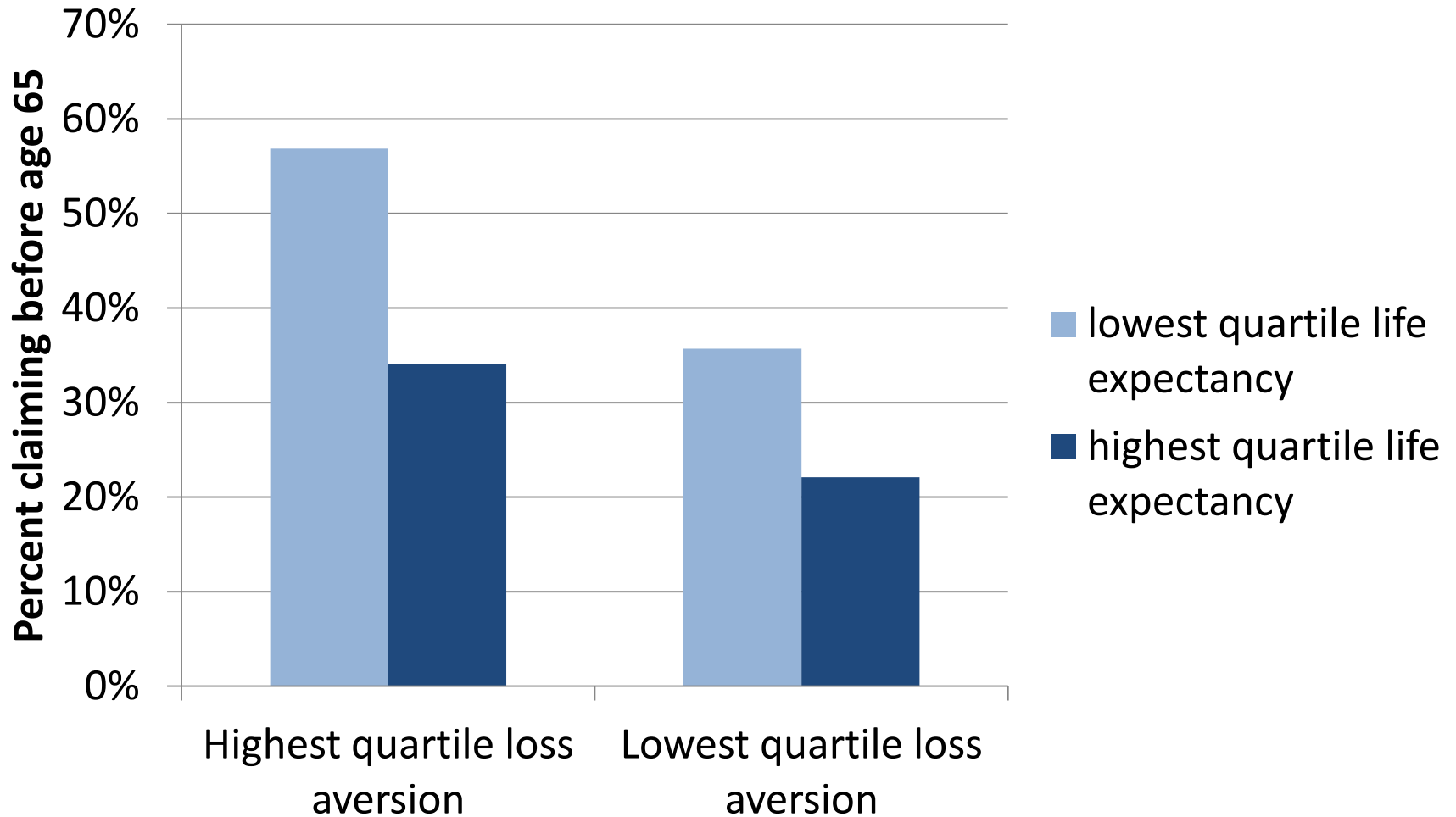
The total contributions paid: \$142,167

# Results

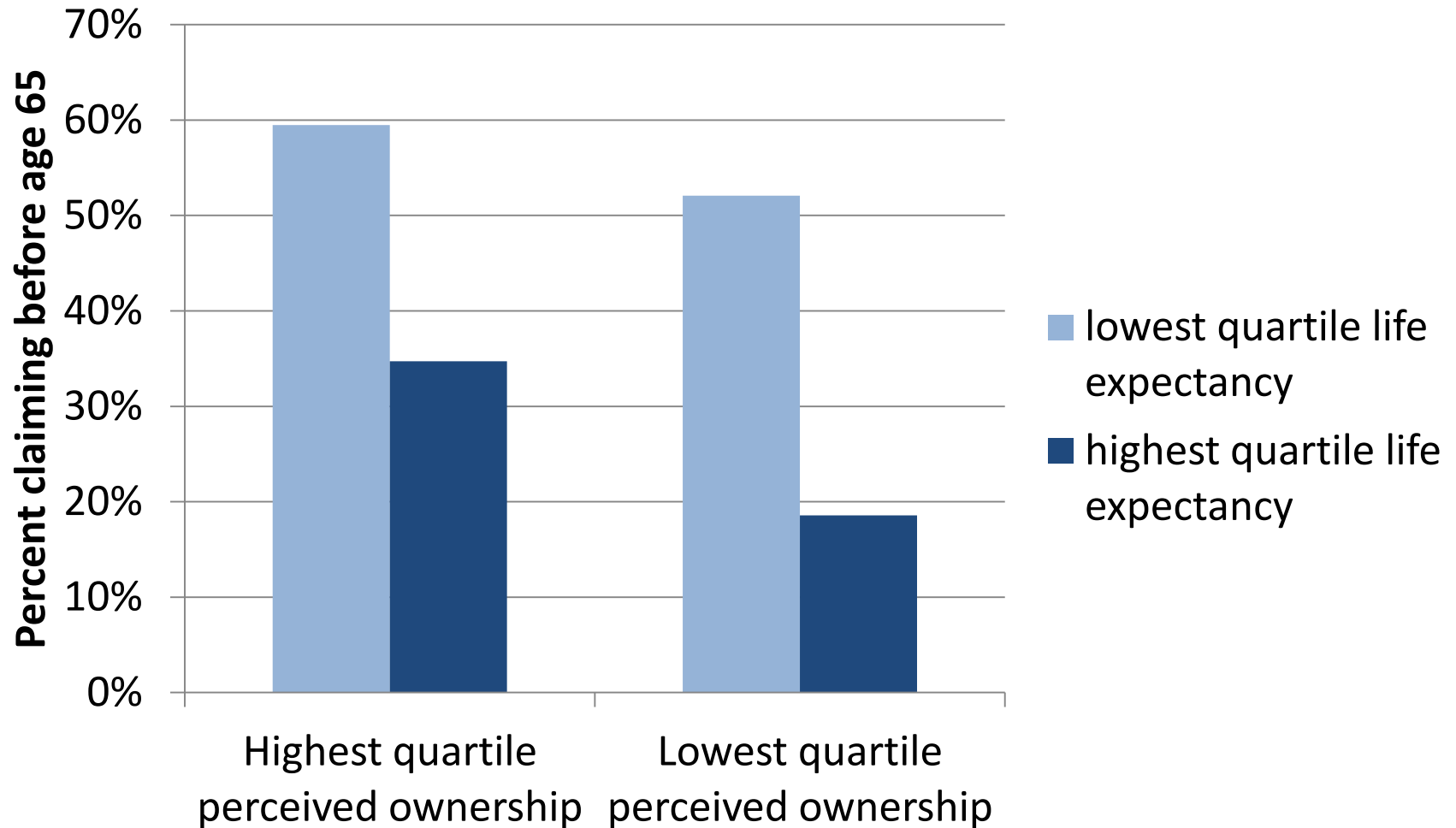
# Findings

- Life expectancy: individuals who expect to live longer prefer to claim later ( $\beta = .06$ ).
- Loss aversion: more loss averse individuals prefer to claim earlier ( $\beta = -.08$ ).
- Perceived ownership: individuals who see the benefits as “earned” and deserved prefer to claim earlier ( $\beta = -.25$ ).
- Intertemporal patience: more patient individuals prefer to claim later ( $\beta = .31$ ).
- Information framing and priming each have minimal effect
  - if anything, cumulative information encourages earlier claiming, opposite its effect on annuity preferences

# Effects of individual loss aversion

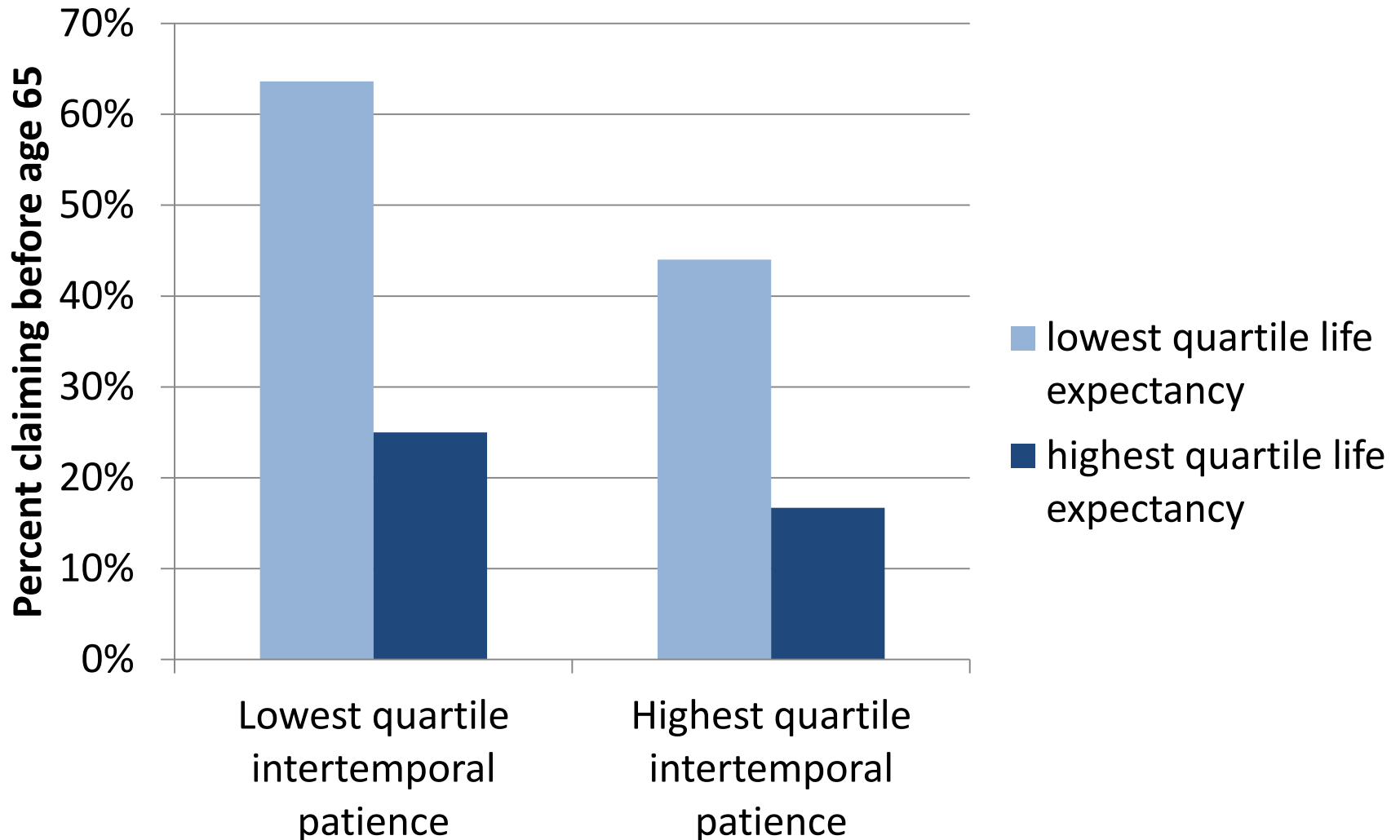


# Effects of individual perceived ownership





# Effects of intertemporal patience



# Summary

- Individuals' judgments about their own life expectancies influence claiming expectations
- Individual psychological measures of loss aversion, perceived ownership of benefits, and intertemporal patience also influence claiming expectations
- Information framing and priming interventions have not been successful at changing preferences
  - No interactions with individual difference measures
  - Next steps are to further test the influence of endowment effect interventions (i.e., change perceived ownership)