



Promoting research on retirement and Social Security policy

Research Brief 384 | SEPTEMBER 2018

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, survivor 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 a strong understanding of spousal benefits.

In this research, we use new survey data to assess the state of knowledge about spousal and survivor benefits. Our survey asks more detailed questions about knowledge of Social Security spousal and survivors benefits than have previously been asked. We focus on the following research questions:

- Do individuals know that they are entitled to Social Security spousal benefits?
- Do individuals know how spousal and survivor benefits are determined?
- Do individuals know whether and how the timing of Social Security benefit claiming impacts their spousal and survivor benefits?

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DATA

To answer our key research questions, we developed a new survey module to field on the UAS. 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 put into the field on June 26, 2018, and data collection ended on August 22, 2018. The survey had 1,652 respondents, of which 1,406 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.

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 five questions about survivor 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.

RESULTS

We find that more respondents have heard of survivor benefits than have heard of spousal benefits: 55 percent have heard of survivor benefits, whereas 46 percent of respondents have heard of spousal benefits. Regarding the questions that measure knowledge of spousal and survivor 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 five questions about spousal benefits and 1.62 questions about survivor benefits correctly. This represents a relatively low level of knowledge about spousal and survivor benefits.

While there are a few exceptions, overall, Social Security spousal and survivor 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 survivor benefits. In other words, respondents are more likely to overestimate their knowledge of spousal benefits than their knowledge of survivor benefits.

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Sponsor information: The research reported herein was performed pursuant to grant RRC08098401-10 from the U.S. Social Security Administration (SSA) through the Michigan Retirement Research Center (MRRRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRRRC.

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