



Equity Implications of the Rising Full Retirement Age and Social Security Communications: An Analysis of Past and Future Disparities in the Economic Security of Retirees

*Philip Armour, Marwa AlFakhri, and Mandlenkosi Dube**

In this study, we compare the economic characteristics of white, Black, and Hispanic heads of households at two ages: at age 60, before the Social Security early eligibility age of 62, and at age 70, once there are no additional credits from delaying claiming benefits. We measure how income and wealth have evolved across birth cohorts that face different Social Security full retirement ages (FRAs); specifically, how levels have changed within racial/ethnic groups and how disparities across these groups have changed across birth cohorts. Among our main findings is that age-60 income and wealth disparities have been increasing in more recent birth cohorts who face higher FRAs and, thus, a lower overall Social Security wealth, suggesting greater differences in reliance on Social Security benefits. We do note though

that increases in life expectancy among men prior to 2020 have largely offset the impact of statutorily reduced Social Security benefits.

We conduct decompositions to determine how much of these disparities can be explained by factors that predate receipt of Social Security retirement benefits, namely health, education, marital status, and sex of heads of household by race/ethnicity, all of which systematically vary by racial/ethnic group and by birth cohort. Although these factors can explain a fraction of the observed disparities, a substantial unexplained fraction remains, suggesting that other societal factors play a strong role in shaping retirement preparedness.

We then turn to how outcomes differ after 10 years, when

* **Philip Armour** is an economist at the RAND Corporation and a professor at the Pardee RAND Graduate School. **Marwa AlFakhri** is an associate policy researcher at the RAND Corporation. **Mandlenkosi Dube** is an assistant policy researcher and doctoral fellow at the Pardee RAND Graduate School. This research brief is based on working paper MRDRC WP 2023-481, UM23-15.

these heads of households are age 70. We first document that mortality expectations among heads of households varied considerably from actual life expectancy. Specifically, Black heads of household are most optimistic about their longevity yet are least likely to live to age 70 compared to non-Hispanic white and Hispanic heads of household. These mortality differences are increasingly explained by socioeconomic characteristics at age 60, suggesting a possible role for pre-age-62 policy in addressing these differentials.

We next examine how income and wealth differences arise at age 70, finding that white-Black and white-Hispanic disparities have been flat or falling for recent cohorts with Social Security income representing a plurality of income in retirement and playing a disparity-reducing role. Our

analyses suggest that white heads of households are indeed working longer and delaying wealth decumulation, although differences in capital income (e.g., interest and dividends) are a substantial driver of income disparities at both ages 60 and 70, pointing to wealth accumulation during working ages as a strong driver of disparities in retirement.

A primary finding is that age 60 socioeconomic characteristics can explain nearly all of age 70 economic disparities. On the one hand, this finding suggests that non-Social Security factors drive retirement disparities. On the other hand, economic disparities at age 60 are increasing with more recent cohorts and, with the still rising FRA, absent any additional policy intervention, we can expect racial and ethnic disparities to widen with older workers approaching retirement. ❖

Michigan Retirement and Disability Research Center

Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321

Fax: (734) 615-2180

mrdrumich@umich.edu www.mrdrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center

(MRDRC). 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 MRDRC.

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Jordan B. Acker, Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Sarah Hubbard, Okemos; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Santa J. Ono, *ex officio*