MICHIGAN RETIREMENT AND DISABILITY RESEARCH CENTER
UNIVERSITY OF MICHIGAN

Promoting research on retirement, disability, and Social Security policy

Which Households Benefit from Delayed Claiming?

*Irena Dushi, Leora Friedberg, and Anthony Webb**

Social Security benefit payments to widows and widowers cost $112 billion a year and amount to 10.3% of benefit payments. Survivor benefits are payable to deceased worker's spouse if that amount exceeds the surviving spouse's own retired-worker benefit. Moreover, survivor benefits depend on the age at which the deceased spouse claimed retired-worker benefits, but not the age at which the survivor initially claimed as a retired-worker. These features create complicated and largely unresearched interactions of claiming-age incentives for both spouses, often many years before the death of either spouse is expected. The incentives of either spouse to claim early or late depend on both spouses' relative ages and life expectancy. This stands in contrast to the simple incentive faced when ignoring survivor benefits: The higher one's life expectancy, the later one should claim.

Consider the common case in which spouses within a couple face opposite claiming-age incentives. This arises when a lower-earning wife claims as a retired worker but expects to receive survivor benefits later in life, both because she is likely to outlive her husband, which is typical because most wives are younger than their husbands and have longer life expectancy, and she has lower (but not drastically lower) lifetime earnings than he does. For 39.5% of married couples in the sample that we analyze, lifetime earnings are lower for the wife than the husband, but not so much lower that wives would immediately claim benefits as a dependent spouse rather than a retired worker. Because the amount of the wife's survivor benefit depends on her husband's claiming age, it lengthens the effective time horizon for his retired-worker claiming decision, which should lead to later claiming by husbands if the goal is to increase expected household benefits. And, because her survivor benefit does not depend on her claiming age for retired-worker benefits, it shortens the effective time horizon for her own claiming-age decision, which should lead to earlier claiming by wives. These divergent incentives within the household arise even though Social Security benefits are gender-neutral.

We analyze claiming ages of spouses and the impact on lifetime benefit payouts at the household level. We use administrative data from the U.S. Social Security Administration (SSA) merged with the Current Population Survey. We estimate whether husbands with the greatest incentive to claim late and wives with the greatest incentive to claim early do so, which indicates whether spouses may act to increase the expected present value of household benefits. We then incorporate couples' behavior into our previous analysis (Dushi, Friedberg, and Webb 2021), in which we

* **Irena Dushi** is an economist at the Social Security Administration, Office of Retirement and Disability Policy, Office of Research, Evaluation and Statistics. **Leora Friedberg** is an associate economics professor at the University of Virginia. **Anthony Webb** is a research director at the New School for Social Research.This research brief is based based on working paper MRDRC WP 2024-485, UM21-06.

demonstrated that the return to delayed claiming is more than actuarially fair for men who actually delay. Here, we consider whether adverse selection similarly arises among married couples.

We find that men and women claim in ways that increase but do not maximize the expected present value of lifetime benefits, raising Social Security outlays but not to the extreme. Married men claim later than single men, controlling for lifetime earnings; and married men with younger wives, who will likely spend more years as a surviving spouse, claim even later. Married women claim earlier than single women, particularly if their primary insurance amount is small relative to that of their husbands. For plausible wealth levels and preference parameters (Sun and Webb 2011), expected household utility is maximized if lower-earning married women claim at age 62, which is what we observe. However, while higher-earning married men should delay until 68, few are observed to do this.

Next, we find that married men have significantly and substantially lower mortality than single men, even after controlling for claiming age and lifetime-earnings quartile. The effect of their lower mortality is to further increase married men's return to delayed claiming of retired-worker benefits, and to redistribute Social Security wealth away from single individuals to married couples, already a more financially secure group on average. Holding female mortality constant, the lower mortality of married men will decrease the value of survivor benefits because wives will spend fewer years as a surviving spouse. But we similarly find that married women have lower mortality than single women, partially offsetting this effect. We find, further, that men with higher lifetime earnings have substantially lower mortality, including within the group of married men.

When we incorporate these differences in claiming and mortality at the household level, we find that the return to delayed claiming of the husband's retired-worker benefit is substantially more than actuarially fair, but for different reasons for different types of households. For disadvantaged households in our setting — households in which the husband has the relatively high average mortality of those who are in the lowest quartile of lifetime earnings and who typically claiming at age 62 — the return to delay by the husband arises more from the gains accruing to the survivor benefit than to the husband's retired-worker benefit. For advantaged households in our setting — households in which the husband has the low average mortality of those who are in the highest quartile of lifetime earnings and who typically claim at age 66 — the return to delay arises largely from the gains to the husband's retired-worker benefit.

These patterns deepen the insights gained in our earlier analysis in Dushi et al. (2021), which treated all men as single. There, we found evidence of adverse selection particularly benefitting high earners: As mortality and claiming-age patterns have diverged, the return to delaying claiming has become more than actuarially fair by a great deal for late claimers in high lifetime earnings quartiles but by only a little for early claimers in low lifetime earnings quartiles. Here, when we incorporate the availability of the survivor benefit in married households, it is apparent that the results are more nuanced. Advantaged men, who claim later on average, raise costs of the Old-Age and Survivors Insurance Trust Fund through higher retired-worker benefit payouts, while disadvantaged men, who claim relatively early on average, forgo an important gain from delaying in the form of higher survivor benefits that would accrue to their wives. ❖

Michigan Retirement and Disability Research Center
Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321
Phone: (734) 615-0422 **Fax:** (734) 615-2180
mrdrcumich@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.