

**The Psychology of SSA Claiming Decisions:
Toward the Understanding and Design of Interventions**

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In this paper we focus on psychological determinants of when people prefer to start claiming their Social Security benefits and on preferences for annuitization. Prior research by the authors has documented that higher perceived life expectations (which are subject to question framing), preferences for losses as measured through individual-level loss aversion, impatience or a preference for smaller amounts sooner versus larger amounts of money later, and personal beliefs about perceived ownership of SSA contributions are all significantly predictive of expressed preference for early versus late claiming. The interventions tested in this new project examine how providing cumulative payout information differentially affects claiming and annuity decisions, and also tests whether changing the format of such cumulative payout tables can affect claiming decisions. Furthermore, we use eye-tracking technology to better understand which information participants are attending to over the course of their decision making process. In all three studies, individual differences in life expectations, loss aversion, intertemporal patience, and perceived ownership are measured and controlled for.

Study Designs and Empirical Findings

Study 1. Our intent in Study 1 was primarily to see whether providing decision makers with a table of cumulative payout information would have different and opposite effects on annuity and Social Security claiming decisions among the same study respondents. The overall structure was a 2X2 design manipulating order of task (annuity or claiming) and information display (monthly payment only or cumulative payment table). We find that both the order and presentation manipulations were significant for claiming decisions, but were not significant for annuity decisions. Presentation has a significant negative effect ($\beta = -.505, p < .001$), indicating that seeing the cumulative payout table encourages earlier claiming by about six months. Order also has a significant negative effect ($\beta = -.532, p < .001$), indicating that completing the questions about annuities prior to the claiming task also makes individuals want to claim earlier by about six months. The individual differences measures are significant and in the predicted direction based on prior findings.

Study 2. A key idea in psychological studies of decision behavior is that decisions often reflect selective attention to information, and eye-tracking technology allows us to see which information participants are attending to during the course of their decision making process. Study 2 employs the same information, presentation manipulation, and claiming task as used in

Study 1. We find significant differences in how both early and late claimers look at the information provided to them regarding cumulative payouts for different claiming ages. Early claimers spent significantly more time on the columns for the younger “live to” ages of 73 and 78, while late claimers spent relatively more time looking at the cumulative payout amounts for later ages of 88 and 93. We also observe an attention shift midway through the decision task for late claimers, which does not seem to occur for early claimers.

Study 3. To further explore how information presentation may influence these decisions, Study 3 modifies the cumulative payout tables tested in Studies 1 and 2 to see whether reversing the rows and columns, in an attempt to shift attention to later payout ages, will affect claiming and annuity decisions. Participants saw either the same cumulative payout used in those studies in which rows represented claiming age options and columns represented the age for the cumulative payout figure, or a modified table that put the claiming ages into columns and the payout ages into the rows. We find a significant interaction effect on claiming for our manipulations of life expectations framing and information presentation. Participants who think about their probabilities of living to older ages and then see a table that better highlights the benefits of claiming later do indicate average claiming ages that are around 5 months later.

Summary

Taken together, our three studies offer the following insights about Social Security benefit claiming and annuity preferences: First, the impact of providing cumulative payout information is quite different for claiming versus annuity decisions. Providing a cumulative payout table decreases predicted claiming age for Social Security, but has either no effect or an increase in preference for annuities. Second, the four individual differences measures captured in our studies are much stronger predictors of claiming behavior than of annuity preferences. These two results imply that the decision to take an annuity is quite different psychologically than the decision of when to claim Social Security benefits. This point is important because many of the recent efforts in understanding, and influencing, Social Security claiming behavior have used annuity choices structured to mimic Social Security benefits as the experimental materials. Finally, the one individual difference measure that does regularly display significance for both types of decision is a measure of perceived ownership for the benefits in question, a psychological factor that is rarely considered in most models of retirement decisions.