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ARTICLE

Older peoples' willingness to delay social security claiming

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Abstract

We have designed and implemented an experimental module in the 2014 Health and Retirement Study to measure older persons' willingness to defer claiming of Social Security benefits. Under the current system' *status quo* where delaying claiming boosts eventual benefits, we show that 46% of the respondents would delay claiming and work longer. If respondents were instead offered an actuarially fair *lump sum* payment instead of higher lifelong benefits, about 56% indicate they would delay claiming. Without a work requirement, the average amount needed to induce delayed claiming is only $60,400, while when part-time work is stipulated, the amount is slightly higher, $66,700. This small difference implies a low utility value of leisure foregone, of under 20% of average household income.

Key words: Annuity; labor supply; lump sum; retirement age; social security

JEL Codes: D03; D91; G11; H55

When to claim Social Security benefits and when to stop working are momentous financial decisions confronting 10,000 Baby Boomers retiring each day through the year 2029 (Pew, 2010). At present, Social Security benefits are provided as a lifelong income stream beginning as early as age 62, or they can be delayed to later ages up to age 70. Claiming early reduces one's benefit amounts, whereas deferring claiming entitles the individual to a lifetime benefit 8% higher for each year that claiming is delayed (Shoven and Slavov, 2012, 2014; Maurer *et al.*, 2018; Mitchell and Maurer, 2018). Under current rules, the system neither makes nor loses money for those who delay on average, as the benefit increment earned by waiting is roughly actuarially fair.

Yet contrary to basic insurance principles, over one-third of all retiring Americans still claim Social Security benefits around age 62.[1] One explanation for this behavior is that their advisers frequently focus on the so-called (and misleading) 'breakeven' approach to claiming. That is, they encourage their clients to claim benefits early to avoid potentially 'forfeiting' their deferred benefits should they die too soon (Brown *et al.*, 2016). Another explanation for early claiming is that many people underweight the economic value of lifetime benefit streams (Brown *et al.*, 2017). This latter rationale motivates the current study, which explores whether making the benefit *increment* due to delayed claiming payable as a lump sum instead of a monthly benefit could serve as an incentive to drive later claiming and longer worklives.[2]

[1]See Social Security Administration [SSA], (2015), Table 6.B5.
[2]Other incentives to encourage delayed claiming in the US context have been analyzed by Laitner and Silverman (2017); a recent analysis of delayed claiming in Norway is provided by Hernæs *et al.* (2016).

In what follows, we describe the hypothetical choice experiment that we designed and fielded in the Health and Retirement Study (HRS), where we measured older persons' willingness to voluntarily defer claiming of Social Security benefits, and potentially to work longer, as a function of incentives to delay claiming these benefits. We use a nationally representative sample of people aged 51–70 for whom claiming decisions are of the utmost financial importance, and we investigate whether and which individuals indicate that they would be willing to delay claiming Social Security benefits in exchange for different compensation options. In particular, we ask for respondents' stated preferences regarding whether they would be willing to receive their delayed retirement benefit from Social Security as a lump sum instead of a lifetime benefit stream, under a variety of circumstances. We also collect additional variables to control for potentially confounding factors such as heterogeneity in wealth, health, financial literacy, and preferences.

While economists tend to favor evidence based on consumers' actual choices in natural settings, believing this to be more compelling, we believe our stated preferences approach has several advantages. First, our module allows us to observe selections made by the same individuals under a variety of price settings, for a broadly representative sample of the older US population. Second, Brown *et al.* (2016) have confirmed that expected and actual claiming patterns are highly correlated in the HRS.[3] We are aware that relatively low stakes in the experimental context could induce respondents to exert less effort and seek out fewer resources to assist them with their decisions. Nevertheless, we have no reason to believe that this would systematically affect peoples' stated preferences *differentially* from actual choices. These positives render the experimental setting particularly instructive.

Our results show that many older Americans would be willing to delay claiming their Social Security benefits if they were offered an approximately actuarially fair lump sum incentive to do so. Overall, half of the respondents say they would delay claiming given a lump sum incentive to delay if no-work requirement is in place, and around the same fraction would delay with a work requirement. Specifically, when offered a lump sum of $60,000 to delay claiming (an approximately actuarially fair amount), willingness to delay claiming rose from 49% to 70% without the work requirement, and from 43% to 56% with the work condition. We also asked people to tell us how large a lump sum they would need with and without a work requirement if they did not like the actuarially fair amount. When no work was required, the average amount needed to induce delayed claiming was about $60,400, while when part-time work was required, the average was $66,700. Our findings should be of interest to policymakers seeking to encourage longer worklives by enhancing delayed claiming incentives.

1. Prior literature

There are several good economic reasons that Americans might delay claiming their Social Security benefits rather than taking them as early as possible, at age 62.[4] One reason is that an 8% increase in benefits per year of delay is likely to be far more than most people can earn on financial investments on their own, particularly in the current low return environment (Horneff *et al.*, 2018). A second reason to delay claiming is that, even though the Social Security benefit increase is roughly actuarially fair, risk-averse individuals will value the higher deferred benefit as it provides insurance protection against outliving their retirement savings.[5] And yet another reason – particularly relevant to those in better-than-average health – is that this gives them access to higher payments for their anticipated longer-than-average lifetimes.[6]

[3]While this need not imply that changes in expected claiming ages will be correlated with changes in actual claiming patterns, we nonetheless take comfort in the fact that respondent expectations and actual claiming behavior are highly correlated in the levels (Brown et al., 2016).

[4]For reviews on the economics of retirement behavior, see Mitchell and Fields (1984) and Lumsdaine and Mitchell (1999). Recently Ni and Podgursky (2016) addressed the incentive effects of teacher retirement benefit systems.

[5]Gustman and Steinmeier (2015) showed that those who are more confident about the future of Social Security are also likely to delay claiming.

[6]Deferring claiming can also boost both spouse and spousal survivor benefits; see Gustman and Steinmeier (2015) and Hubener *et al.* (2016). Schirle (2008) concluded that joint retirement behavior cannot be explained by financial incentives.

In our prior theoretical work, we explored whether a reform giving workers an actuarially fair lump sum as a payment for delayed retirement -- rather than as an addition to their lifetime Social Security benefits -- might induce them to work longer on a voluntary basis (Chai *et al.*, 2013; Maurer *et al.*, 2017). We modeled how economic agents would trade off a benefit stream for a lump sum, and we examined the consequences of such tradeoffs for work, retirement, and life-cycle wellbeing. That theoretical study suggested that, given the chance to receive a delayed retirement credit as a lump sum payment, workers would delay retirement ages by 1–2 years with little or no decline in welfare. Results were robust to the inclusion of bequest motives. Thus, from a theoretical vantage point, providing a lump sum does not simply result in wealth transfers to the next generation, consistent with the rationale for Social Security as a national social insurance scheme intended to support consumption for the elderly.

In an earlier empirical exploration with respondents age 18–70, we used the American Life Panel (ALP) to investigate a related topic (Maurer *et al.*, 2018). There, respondents indicated they would voluntarily claim about 6 months later if a lump sum were paid for claiming beyond the early retirement age. Moreover, people stated that they would work about one-third to one-half of the additional months, and those who said they would claim young under the *status quo* were also most responsive to the lump sum offer. One drawback of that study was that it included very few respondents near retirement age, though one would imagine that persons age 50 + should take the questions more seriously in the context of their own lives. Accordingly, in what follows, we use a specially designed module we developed for the HRS to concentrate on older individuals for whom delayed benefit claiming decisions are most relevant.

2. Methods

Our approach examines empirically whether people might be willing to delay claiming Social Security benefits in exchange for alternative compensation options. The module was implemented using HRS respondents age 51–70 in 2014 using two sets of questions (see the Appendices). The first examined whether HRS respondents would be willing to defer Social Security claiming if they received their benefit increase from delaying as a *lump sum* instead of a higher lifetime income stream, with no need to work longer. In the second setting, we asked respondents if they would defer claiming if they had to work at least part-time, in order to receive the lump sum. In both settings, the compensation for delay (and additional work, in the second case) was framed either as a lump sum or a lifelong payment stream.

2.1 The status quo

To begin with, we asked each respondent whether – as under the current system rules – he would prefer claiming $1,000 per month in monthly Social Security benefits at age 62, or wait to age 66 when he could claim $1,330 in monthly payments for life.[7] This presentation stipulated that the individual had sufficient private saving so he need not work longer:

> For the sake of these questions, assume that you are currently age 62, and you are single. You are thinking about when to claim your Social Security benefit. If you claim it at age 62, you will receive $1,000 per month for life.
>
> Now imagine you have a choice: either you can receive that $1,000 monthly benefit from age 62 for life, or you can delay receiving the benefit until age 66. If you delay, assume that you **have enough savings to live on without working** from age 62 to age 66. Assume that, on average, the government will neither lose nor make money as a result.[8]
>
> In exchange for delaying your Social Security benefit until age 66, you will receive a monthly benefit of $1,330 dollars per month from age 66 for life. Would you be willing to delay receiving your benefit until age 66? {Yes/No/DK/ RF}

[7]As in related work, married individuals were told to assume that spousal benefits would remain the same for either choice (Brown *et al.*, 2017), and this raised no particular questions among respondents.

[8]The purpose of this last sentence was to allay concerns that this might end up reducing respondents' lifetime Social Security benefits. Similar language was employed in Brown *et al.* (2016), and Maurer *et al.* (2018).

The size of the larger benefit payable for the delay is consistent with the current Social Security rules, so we classified a respondent as 'willing to delay claiming under the *status quo*' if he responded 'Yes' (WillingtoWaitSQ). Otherwise, his response was coded as 'No, Don't Know', or 'Refuse.'

2.2 The lump sum

Next, we asked the respondent to indicate whether he would be willing to delay claiming for $1,000 taken at age 62, or $1,000 plus a lump sum of $60,000 if claimed at age 66:

> Now suppose that in exchange for delaying your Social Security benefit until age 66, you will then receive a monthly benefit of $1,000 per month from age 66 for life, plus a lump sum of $60,000 paid at age 66. Would you be willing to delay receiving your benefit to age 66? {Yes/No/DK/ RF}

Someone saying 'Yes' was routed to a subsequent question where he was asked to specify the smallest lump sum he would take, payable at age 66, paired with the same $1,000 monthly benefit.[9] Someone saying 'No' was routed to a question asking what he would need as a larger lump sum to delay benefits to age 66, again paired with the $1,000 monthly amount. The lump sum value of $60,000 was computed to be actuarially equivalent to the delayed benefit increase payable for life, using unisex mortality tables as per Social Security rules.[10]

2.3 The work condition

The second presentation we showed to respondents stipulated that the individual had to work at least half time to receive the higher deferred benefit (both for the higher lifelong payment and the lump sum case):

> Again, assume you are currently age 62, and you are single. And again you have a similar choice: either you can receive that $1,000 monthly benefit for life from Social Security from age 62, or you can delay receiving the benefit until age 66. If you delay, again assume that you have enough savings to live on without working from age 62 to age 66, but **you must work at least half time in all 4 years** to get the increased benefit. Like before, assume that, on average, the government will neither lose nor make money as a result.
>
> In exchange for delaying your Social Security benefit and working 4 additional years until age 66, you will receive a monthly benefit of $1,330 per month from age 66 for life. Would you be willing to work longer and delay receiving the benefits to age 66? {Yes/No/DK/ RF}
>
> Instead, in exchange for delaying your Social Security benefit and working 4 additional years until age 66, you will receive a monthly benefit of $1,000 per month from age 66 for life, plus a lump sum of $60,000 paid at age 66. Would you be willing to work longer and delay receiving the benefits to age 66? {Yes/No/DK/ RF}

Someone responding 'Yes' to the question with the work requirement was again routed to a subsequent question where he was asked to specify the smallest lump sum he would take, payable at age 66, paired with the same $1,000 monthly benefit.[11] Someone saying 'No' was routed to a question asking what he would need to get as a larger lump sum to delay benefits to age 66, again paired with the work requirement and the $1,000 monthly amount.[12]

[9]Unfolding brackets in this and the next question were offered to people that did not give an amount; see Appendices.

[10]Assuming a 2.9% interest rate (used by the Social Security Trust Fund in its intermediate cost scenario), a unisex table based on mortality probabilities used in the Social Security's Trustees Report (SSA, 2013), and a full retirement age of 66, the value of $60,000 is basically actuarially fair; see Maurer *et al.* (2018).

[11]Unfolding brackets in this and the next question were offered to people that did not give an amount; see the Appendices.

[12]Respondents always received the two scenarios in the same order, such that the work condition case appeared after the no-work case. We cannot test whether this may have primed respondents to respond less positively to the second scenario,

Accordingly, the goals of this experiment were to measure the respondent's willingness to trade a decrease in his annuity benefit stream for a delayed lump sum (i) if no extra work were required in the interim; and (ii) if at least half-time work were required.[13] In what follows, we describe our results and examine how the older respondents answered these questions controlling on important social and demographic factors including age, education, marital status, work history, risk aversion, and anticipated longevity, with the latter variables taken from the Core HRS.

3. Results: descriptive statistics

Our HRS module includes $N = 911$ respondents, whose characteristics closely match those of the overall HRS respondents age 70 or younger (Wave 16). For instance, our module contains 42% males, identical to the full HRS in the same age group; 53% (54%) with some college education; 63% (59%) are White, and 71% (70%) responded that they were in good health status or better. Moreover, 95% of the module respondents indicated that our module was somewhat clear/mostly clear, or very clear, suggesting that they comprehended the questions.[14]

Table 1 reports the frequency of respondents indicating they would delay claiming under the actuarially fair Lump Sum compared to the *status quo*, on average as well as by sex, age bracket, educational category, race/ethnicity, and self-reported health (excellent/very good/good versus fair/poor). Panel A reports the answers in the no-work scenario,[15] while Panel B shows results when people are required to work at least half time if the delayed their Social Security benefit until age 66. Overall, half (49.9%) of the respondents would delay claiming under the status quo if no-work requirement were in place (and almost the same percent, 46%, with a work requirement). The high frequency of workers claiming their benefits at age 62 is in line with evidence from the overall HRS sample, which report that 47% claim their benefits at age 62. Yet only 14% claim at age 66 in the overall HRS survey. This discrepancy is due to the fact that in actuality, people who do not claim Social Security at age 62 can delay to any age up to 70, not just two points in time as in our module.[16]

Given a lump sum of $60,000 for claiming at the later age with no additional work stipulated, 20 percentage points more respondents would delay claiming, compared to a base of 49.9 percentage points. If delayed claiming necessitated at least half-time work, 22% more respondents would defer (9.9 percentage points on a base of 45.6 percentage points). These are rather large increases in claiming patterns.

It is also interesting that delayed claiming patterns rise more for men (by 49%) than women (35.8%) under the *status quo*. This is sensible, in that the lump sum is calculated using unisex mortality tables as per Social Security rules; accordingly, the lump sum is a better 'deal' for men on average (though the delayed claiming difference is small under the work condition). Younger interviewees age 50–59 are more likely to delay claiming for a lump sum compared to their older counterparts in the no-work condition (by 43% versus 39%). A similar differential is evident in the work condition. The College + group shows a large percentage delay in the no-work situation, with over a 34% increase in the sample willing to delay compared to the *status quo* (and 22% if work is required). The least educated indicate that two-third would delay for a lump sum and no additional work, which is 50% more compared to the status quo. Nevertheless, if additional work were required, this interest is greatly attenuated.

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though we believe that, if anything, our ordering could produce an *understatement* of possible responses to the work condition scenario.

[13]This sort of work requirement could be interpreted as a government requirement since the question specifies that the individual has saved enough to live on. We acknowledge that this is not current Social Security policy but HRS respondents are frequently asked how they might respond to hypothetical scenarios.

[14]See also Appendix A for a comparison of the full HRS sample in this age range with our Module sample.

[15]Appendix C reports the module questions in detail. Of the 911 module respondents, 896 (884) participants answered the question with (without) the work condition.

[16]Additional explanations might include the facts that respondents were told to assume they were single, had sufficient savings to live to a delayed claiming age, and would not be taxed on the lump sums. We cannot test these possibilities directly but the lack of significance of marital status and wealth in our multivariate regressions below suggests that these factors were unlikely to bias answers.

Table 1. Frequency (%) saying they would delay claiming under the *Status Quo* (SQ) versus a Lump Sum (LS) of $60,000, and differences by work versus no-work condition

	No work				With Work			
	Status Quo	Lump Sum	*LS-SQ* Diff	% change	Status Quo	Lump Sum	*LS-SQ* diff	% change
Total	49.9	70.3	20.4	40.9	45.6	55.5	9.9	21.7
Men	46.3	69.0	22.6	48.9	46.0	55.9	9.9	21.6
Women	52.5	71.3	18.8	35.7	45.3	55.2	9.9	21.8
Age 50–59	51.5	73.6	22.1	42.9	46.2	59.1	12.8	27.7
Age 60–70	48.6	67.6	19.0	39.0	44.5	51.9	7.4	16.6
HS or less	44.5	66.9	22.4	50.3	45.0	54.9	9.9	22.0
Some College +	54.6	73.3	18.7	34.2	46.1	56.0	9.9	21.5
White	51.3	72.8	21.5	41.9	46.4	55.5	9.1	19.6
Black	45.6	67.4	21.8	47.9	39.8	56.2	16.4	41.2
Other	51.5	63.1	11.7	22.6	53.5	53.1	−0.4	−0.8
Health E/VG/G	51.6	72.8	21.2	41.1	47.1	56.5	9.5	20.1
Health F/P	45.5	63.9	18.4	40.6	41.8	52.8	11.0	26.3

Notes: The table reports relative frequencies (as a % of the overall sample) of respondents indicating they would delay claiming of benefits from age 62 to 66. Left panel represents the no-work condition, while the right panel reports when half-time work is required.
Source: Authors' calculations.

Members of all racial/ethnic groups also say they would defer claiming under the no-work condition, with the percentage change the largest for Blacks who are 48% more likely to delay claiming (changes are smaller under the work condition). And lastly, older respondents who report themselves to be in excellent, very good, or good health, are much more likely (41%) to delay claiming with a lump sum and no-work requirement (and 20% more with the work condition). Interestingly, delayed claiming for people in fair or poor health rises 40% without the work requirement, but by less with the work condition. In other words, the additional work requirement is unattractive to those in poor health.

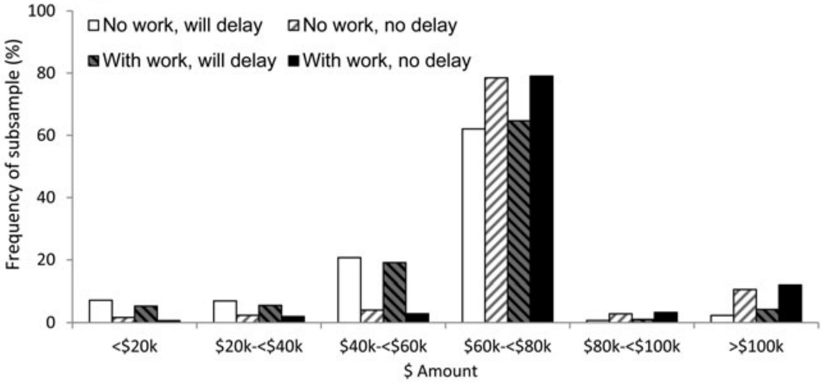
Anyone answering 'Yes' to the delay question is then routed to a subsequent question and asked to specify the smallest lump sum he or she would take, payable at age 66, paired with the same $1,000 monthly benefit.[17] Someone saying 'No' is routed to a question asking what he or she would need as a larger lump sum to delay benefits to age 66, again paired with the $1,000 monthly amount. The lump sum value of $60,000 was computed to be actuarially equivalent to the delayed benefit increase payable for life, using unisex mortality tables as per Social Security rules

Panel A of Figure 1 reports relative frequencies (as a percent of the respective subgroup) of dollar amounts that respondents indicate they would require in order to delay claiming benefits for a lump sum. The two lighter bars in each category indicate how much respondents (as a percent of the subsample) said they needed to delay in the *no-work* condition. The white bars refer to the subsample of people willing to delay claiming under the *status quo*. The white hatched bars refer to those unwilling to delay increased lifelong benefits. The two darker bars represent responses when additional work is required: the gray hatched bars are those who are willing to delay benefits under the *status quo*, and the black bars represent those not willing to delay claiming under the status quo. Panel B reports summary statistics of the lump sum values needed to delay claiming for the four subgroups.

For all four subgroups, the modal respondent indicated that the effective 'price' for deferring claiming from age 62 to 66 is $60,000–80,000, though a substantial fraction of respondents indicate that they would accept smaller lump sums. For instance, 35% of those who say they would delay claiming under the *status quo* would also accept less than the actuarially fair amount of $60,000 in the no-work condition (and 30% in the work condition). Very few respondents, only 2%, demand more than $100,000 to defer claiming in the no-work condition (5% in the work condition). The lump sum needed to induce people to delay claiming in the no-work condition averages $53,711, or 11% less than the actuarially equivalent amount (with a standard deviation of $29,000); and $61,406 (with a standard deviation of $53,417) when part-time work was required (see Panel B).

[17]Unfolding brackets in this and the next question are offered to people that do not give an amount; see the Appendices.

Panel A: Frequencies



Panel B: Average Dollar Amounts

	No Work		With Work	
	Will delay under SQ	Will not delay under SQ	Will delay under SQ	Will not delay under SQ
Mean $	53,711	67,192	61,406	70,247
Std.Dev $	29,213	43,289	53,417	55,548
N	430	423	377	454

Figure 1. Frequencies and Average of Dollar Amounts Needed to Delay Claiming for a *Lump Sum.* Panel A: Frequencies. Panel B: Average Dollar Amounts.

Notes: Panel A reports relative frequencies (as a % of the respective subgroup) of dollar amounts that HRS 2014 respondents who indicated they would demand to delay claiming benefits from age 62 to 66 for a lump sum. The bars represent four subgroups. The white bar two lighter bars in each category indicate the *no-work* condition: white background the subgroup of those willing to wait under the status quo and white hatched background not willing to wait under status quo. The two darker bars indicate the response when *half-time work is required*: gray (black) those (not) willing to wait under the status quo. Panel B reports for the four subgroups summary statistics. Source: Authors' calculations.

It is interesting that those unwilling to delay benefit claiming under the *status quo* are also not very inclined to delay benefits for a less-than-actuarially fair lump sum: only 8% accept less than $ 60,000 in the no-work condition, and 6% in the work condition. Also, 13% of those who are unwilling to wait under the *status quo* require a lump sum of at least $80,000 in the no-work condition (and 15% in the work condition). The average lump sum people require to wait until age 66 to claim is $ 67,192 when work is not required and $ 70,247 when part-time is required. Both values are far higher than the actuarially fair amount of $ 60,000.

4. Results: multivariate analysis

Next we turn to a multivariate linear probability analysis to investigate which sorts of people would be most likely to delay claiming with the lump sum offer. Table 2 provides two sets of estimated coefficients. The first is from an OLS regression model that controls for whether the person was willing to delay under the *status quo*, as well as the most commonly-used socio-demographic controls: sex, age, education, White, self-reported health, and (ln) household income (see Appendix B). The second extends the vector of controls to include marital status, having an optimistic expectation of own survival probability (compared to an age/sex-specific cohort life table), household wealth, financial literacy score, cognition score, number of living children (as a proxy for a bequest motive), and the respondent's estimated chance of leaving an inheritance.[18] Columns 1 and 2 include the full sample

[18]The cognition score is provided in the RAND 2012 version of the HRS survey, and the financial literacy score is taken from the 2014 HRS core (see Lusardi and Mitchell, 2014); the latter is the sum of the number of correct answers to the financial literacy questions in the module. Means for all variables appear in the Appendices.

Table 2. Linear probability regressions on probability of delaying under the lump sum

	\$1k/mon + \$60k		\$1k/mon + <\$60k		\$1k/mon + >\$60k	
(A) No-work condition						
WillingtoWaitSQ (V652)	0.387***	0.380***	0.233***	0.240***	0.310***	0.344***
	(0.028)	(0.028)	(0.036)	(0.036)	(0.081)	(0.076)
Male	−0.003	−0.017	0.064*	0.061	0.048	−0.003
	(0.029)	(0.030)	(0.037)	(0.039)	(0.061)	(0.062)
Age less than 59	0.056**	0.065**	0.082**	0.090**	0.106*	0.097
	(0.028)	(0.028)	(0.037)	(0.037)	(0.063)	(0.064)
Some college +	−0.006	−0.023	−0.020	−0.036	0.061	−0.022
	(0.029)	(0.032)	(0.037)	(0.041)	(0.064)	(0.071)
White	0.046	0.041	0.026	0.031	0.053	−0.030
	(0.030)	(0.031)	(0.040)	(0.043)	(0.063)	(0.064)
Self-reported good health	0.050	0.027	−0.020	−0.027	0.058	−0.009
	(0.032)	(0.032)	(0.043)	(0.044)	(0.065)	(0.068)
Ln(HH income)	0.014**	0.010	−0.031***	−0.037***	0.001	−0.011
	(0.007)	(0.008)	(0.010)	(0.010)	(0.014)	(0.015)
Married		−0.020		0.013		0.102
		(0.030)		(0.040)		(0.069)
Optimistic live		0.039		0.037		−0.029
		(0.031)		(0.040)		(0.072)
Wealth (\$1,000)		0.000		0.000		0.000
		(0.000)		(0.000)		(0.000)
Financial literacy index		0.007		0.025		0.085**
		(0.020)		(0.025)		(0.042)
Cognition score		0.005		−0.008*		−0.004
		(0.004)		(0.005)		(0.009)
# living children		0.019***		0.006		−0.013
		(0.007)		(0.009)		(0.020)
Prob. leave inheritance 10k/ +		0.001		0.000		0.002**
		(0.000)		(0.001)		(0.001)
Intercept	0.275***	0.148	0.426***	0.600***	0.197	0.349*
	(0.072)	(0.102)	(0.107)	(0.139)	(0.139)	(0.205)
N	889	889	612	612	256	256
R^2	0.203	0.222	0.085	0.102	0.090	0.181
Mean of dependent variable	0.703	0.703	0.306	0.306	0.414	0.414
Std.dev. of dependent variable	0.457	0.457	0.461	0.461	0.494	0.494
(B) With work condition						
WillingtoWaitSQ (V652)	0.302***	0.300***	0.226***	0.228***	0.168***	0.162***
	(0.032)	(0.033)	(0.039)	(0.039)	(0.054)	(0.054)
Male	0.025	0.022	0.103**	0.107**	0.131***	0.083
	(0.033)	(0.034)	(0.042)	(0.044)	(0.049)	(0.052)
Age less than 59	0.063*	0.061*	0.060	0.074*	−0.021	−0.021
	(0.033)	(0.033)	(0.042)	(0.043)	(0.050)	(0.050)
Some college +	−0.026	−0.023	−0.048	−0.063	−0.058	−0.097*
	(0.035)	(0.038)	(0.042)	(0.048)	(0.052)	(0.057)
White	−0.003	−0.005	0.035	0.042	0.015	−0.037
	(0.034)	(0.036)	(0.044)	(0.048)	(0.056)	(0.058)
Self-reported good health	0.028	0.021	−0.050	−0.076	0.009	−0.028
	(0.037)	(0.038)	(0.049)	(0.051)	(0.054)	(0.057)
Ln(HH income)	−0.004	−0.007	−0.022**	−0.027**	0.039***	0.031**
	(0.008)	(0.009)	(0.011)	(0.011)	(0.013)	(0.014)
Married		0.053		−0.016		0.036
		(0.036)		(0.045)		(0.053)
Optimistic live		0.062*		−0.004		0.001
		(0.037)		(0.046)		(0.055)
Wealth (\$1,000)		0.000		0.000		0.000
		(0.000)		(0.000)		(0.000)
Financial literacy index		−0.011		0.005		0.091***
		(0.023)		(0.030)		(0.034)
Cognition score		0.005		0.002		−0.005
		(0.005)		(0.006)		(0.007)
# living children		−0.008		0.017		0.014
		(0.009)		(0.012)		(0.013)

(*Continued*)

Table 2. (*Continued.*)

	$1k/mon + $60k		$1k/mon + <$60k		$1k/mon + >$60k	
Prob. leave inheritance 10k/ +		0.000		0.000		0.001
		(0.000)		(0.001)		(0.001)
Intercept	0.398***	0.355***	0.357***	0.312*	−0.146	−0.077
	(0.086)	(0.123)	(0.116)	(0.160)	(0.132)	(0.187)
N	860	860	470	470	369	369
R^2	0.101	0.115	0.086	0.113	0.081	0.122
Mean of dependent variable	0.555	0.555	0.299	0.299	0.346	0.346
Std.dev. of dependent variable	0.497	0.497	0.458	0.458	0.476	0.476

Notes: The dependent variable in the OLS regression is a dummy which takes a value of 1 if people delay and 0 otherwise. **Significant at 0.05 level, ***Significant at 0.01 level. All models also include missing value dummies with robust errors clustered on HH. See Appendix B for variable descriptions.
Source: Authors' calculations.

since everyone received the question on willingness to delay for the initially offered lump sum of $60,000. The next two columns include the subset of persons indicating they would be willing to delay for less than the actuarially fair amount, and the final two columns include only those who stipulated they would be willing to delay for more. Panel A of Table 2 reports findings for the no-work condition, while Panel B summarizes outcomes when the work condition is applied.

One striking result evident from the first row of Panel A is that people who would delay claiming under the *status quo* are also more likely to delay under the lump sum condition. The size of the association is substantial: someone willing to delay under the current rules would be 23–38 percentage points more likely to delay given the lump sum, other things constant.[19] This translates into a 54%–74% increase given the lump sum. These results are in line with the qualitative results on younger adults reported in Maurer *et al.* (2018), but the magnitude of the effect in the older population is far larger.[20] In Panel B, with the work requirement, there is also a large (46%–53%) rise in the percentage of people willing to delay claiming.[21] This pattern persists across the columns, in that people willing to claim later under the *status quo* are willing to delay claiming when provided the lump sum, irrespective of whether the lump sum is actuarially fair or not. When the work condition is imposed (Panel B), the results are quantitatively smaller but qualitatively similar.

We also see from Panel A of Table 2 that older men and women do not differ in their willingness to delay without a work condition, though men are somewhat more willing to defer with the work condition. Younger respondents under the age of 59 when surveyed are also slightly more responsive than their older counterparts, especially in Panel A when no additional work is required. We find very few other systematic differences in claiming patterns by a demographic characteristic including race, education, health, long-life expectations, cognition, or the number of living children, as well as by marital status and wealth. Only for the subset of those requiring a lump sum in excess of $60,000 is there a significant positive effect of the financial literacy score; this conforms with other research showing that more financially literate individuals are more likely to understand annuities (Brown *et al.*, 2016, 2017).

Table 3 shows how large the lump sum would need to be to incentivize these older adults to delay claiming. We focus on responses to the no-work requirement condition (but Panel B reports the work requirement condition); control variables are as before. The dependent variable is measured in thousands of dollars, with mean values appearing at the base of the table.[22] Focusing first on Panel A, we note that the average amount people need to delay claiming is about $60,400 for the entire sample.

[19]We also note that estimates are similar to those reported in the Table if we limit the sample to those age 51-61, hence younger than the Social Security Early Retirement Age.
[20]That is, 54% (=38/70) and 74% (=23/31).
[21]That is, 46% (=16/35) and 53% (=30/56).
[22]The sample for this table omits one respondent who indicated needing $10 million to delay, as well as anyone with missing values for the *status quo* question.

Table 3. Linear multivariate regressions on dollar amount ($000) needed to delay: *Status Quo* versus Lump Sum

	$1k/mon + $60k		$1k/mon + <$60k		$1k/mon + >$60k	
(A) No-work condition						
WillingtoWaitSQ (V652)	−14.519***	−14.289***	−5.320***	−5.440***	2.436	1.265
	(2.632)	(2.516)	(1.162)	(1.147)	(14.473)	(15.110)
Male	2.175	1.521	−0.605	−0.355	8.108	0.762
	(2.482)	(2.838)	(1.193)	(1.230)	(8.559)	(9.392)
Age less than 59	−1.810	−1.310	−0.808	−0.833	0.731	4.858
	(2.377)	(2.315)	(1.214)	(1.229)	(7.936)	(7.815)
Some college +	7.859***	4.721**	2.487**	2.388	21.097***	11.203*
	(2.277)	(1.905)	(1.194)	(1.280)	(7.204)	(6.744)
White	2.701	−0.279	−0.058	−1.054	9.495	3.140
	(2.193)	(2.104)	(1.366)	(1.473)	(6.696)	(6.245)
Self-reported good health	0.774	−0.292	−0.053	−0.136	3.374	−0.235
	(1.996)	(2.106)	(1.389)	(1.397)	(5.205)	(6.901)
Ln(HH income)	1.100**	0.726	1.595***	1.593***	0.856	0.042
	(0.471)	(0.487)	(0.491)	(0.520)	(0.936)	(0.824)
Married		−1.457		−1.014		−1.594
		(2.469)		(1.357)		(6.875)
Optimistic live		−2.442		−2.703		3.489
		(2.687)		(1.444)		(9.082)
Wealth ($1,000)		0.004		0.000		0.016
		−0.005		(0.001)		(0.019)
Financial literacy index		2.884		−0.622		12.140
		(2.557)		(0.758)		(9.187)
Cognition score		0.244		0.565***		−0.557
		(0.350)		(0.168)		(1.220)
# living children		−0.076		0.143		0.717
		(0.411)		(0.300)		(1.965)
Prob. leave inheritance 10k +		0.019		−0.006		0.083
		(4.550)		(7.019)		(9.607)
Intercept	49.564***	47.485***	38.560***	28.030***	48.563***	56.188**
	(4.922)	(7.803)	(5.139)	(6.227)	(10.855)	(23.121)
N	853	853	611	611	242	242
R^2	0.058	0.075	0.09	0.126	0.061	0.129
Mean of dependent variable	60.396	60.396	52.591	52.591	80.103	80.103
Std.dev. of dependent variable	37.462	37.462	14.813	14.813	62.141	62.141
(B) With work condition						
WillingtoWaitSQ (V652)	−5.944**	−5.471**	−5.589***	−5.654***	9.897	8.737
	(2.696)	(2.665)	(1.181)	(1.208)	(7.372)	(7.225)
Male	0.205	−1.197	−3.137**	−2.887**	5.077	1.289
	(2.854)	(3.202)	(1.335)	(1.418)	(5.761)	(6.614)
Age less than 59	−0.647	0.280	−0.969	−1.313	3.990	5.113
	(3.258)	(3.111)	(1.305)	(1.299)	(7.606)	(6.925)
Some college +	5.664**	3.619	1.995	2.592*	7.914	3.685
	(2.516)	(2.295)	(1.294)	(1.510)	(4.928)	(4.255)
White	5.101*	2.735	−0.704	−1.191	10.084*	5.934
	(2.610)	(2.375)	(1.415)	(1.521)	(5.153)	(4.755)
Self-reported good health	2.765	1.449	1.046	1.383	5.539	1.810
	(1.930)	(1.938)	(1.593)	(1.625)	(3.866)	(3.947)
Ln(HH income)	1.492***	1.028**	1.101**	1.174**	1.974**	1.107
	(0.521)	(0.500)	(0.473)	(0.506)	(0.993)	(0.800)
Married		1.534		−0.344		5.026
		(2.194)		(1.500)		(3.828)
Optimistic live		−2.120		−0.745		−0.540
		(2.884)		(1.472)		(5.990)
Wealth ($1,000)		0.007		−0.001		0.009
		(0.005)		(0.001)		(0.008)
Financial literacy index		3.937**		−0.507		5.859
		(1.817)		(0.886)		(3.954)
Cognition score		−0.732*		0.067		−1.036*
		(0.384)		(0.223)		(0.597)
# living children		0.717		0.174		0.798
		(0.459)		(0.373)		(0.862)

(*Continued*)

Table 3. (*Continued.*)

	$1k/mon + $60k		$1k/mon + <$60k		$1k/mon + >$60k	
Prob. leave inheritance 10k +		0.045		0.013		0.073
		(2.668)		(2.627)		(6.053)
Intercept	42.956***	55.699***	45.729***	42.854***	34.648**	56.288***
	(7.249)	(8.191)	(4.827)	(6.355)	(14.800)	(14.604)
N	830	830	468	468	358	358
R^2	0.023	0.051	0.083	0.134	0.045	0.082
Mean of dependent variable	63.665	63.665	53.216	53.216	77.365	77.365
Std.dev. of dependent variable	43.917	43.917	14.052	14.052	62.361	62.361

Notes: The dependent variable in each OLS regression is the dollar amount (divided by 1,000) needed as a lump sum to delay claiming from age 62 until 66. Robust standard errors in parentheses **Significant at 0.05 level, ***Significant at 0.01 level. All models also include missing value dummies with robust errors clustered on HH. See Appendix B for variable descriptions.
Source: Authors' calculations.

Among those requiring less than the initially offered lump sum, the average is only $53,000, while it amounts to $80,100 among those needing more. By comparison, in Panel B we see that imposing the work condition raises the average amount required by way of a required lump sum. Here the overall average is $63,700 for the entire sample, with a mean of $53,200 among those willing to take a lump sum less than initially offered, and $77,400 among those requiring more. This implies that the utility value of the leisure foregone from part-time work until the delayed claiming age of 66 in the second condition is only about $3,300 on average,[23] a relatively low amount compared to an average household income of $67,000.

Results in Panel A also indicate that those willing to delay under the *status quo* generally requested a smaller lump sum to delay under the no-work condition. For instance, the first two columns show that respondents' desired lump sums amounted to $14,000 (or 35%) less if they previously indicated a willingness to delay claiming. People who had been willing to delay for less than $60,000 if offered, needed only about $5,300 to delay. This is striking in that it is less than 10% of the actuarially fair lump sum value. In the final two columns, respondents wanting a lump sum in excess of $60,000 to delay demanded a lump sum of $80,000 on average, and previous indications that they were willing to delay do not alter this requirement. Additionally, the amounts needed do not differ markedly across different types of respondents, by and large. Thus men, younger persons, Whites, those in good health, those with more living children, and those planning on leaving an inheritance, are not statistically different from their counterparts. There is a suggestion that the more educated demand a higher lump sum, as do the higher income individuals. The effect of cognition scores is not robust across columns.

Similar results are obtained in Panel B of Table 3. Generally speaking, younger persons, Whites, those in good health, those with more living children, and those planning on leaving an inheritance, are not statistically different from their counterparts. People with higher household income do require higher lump sums, and cognition scores again have no robust effects across columns.

5. Conclusions and policy significance

Our survey using a nationally representative sample of older Americans age 50–70 has demonstrated that many respondents would be willing to delay claiming their Social Security benefits if they were offered a lump sum incentive to do so. We underscore that this proposal does not 'privatize' the system; rather it offers people an opportunity to still receive lifelong payments, along with a sum of money they could use to pay off debt. Our work shows that this would have a positive effect on retirement security, in that people's Social Security benefits rise each year of delay: in fact, benefits claimed at age 70 are over 75% higher than at age 62. Our survey posed two scenarios to our respondents, one of which asked people if they would be willing to receive their delayed Social Security retirement benefit as a lump sum instead of a lifetime benefit stream *without* having to work longer, while the second

[23]i.e., $60,400 versus $63,700 on average.

asked whether respondents would take delayed benefits instead of a lump sum if they had to work at least part-time.

We find that many of the older HRS respondents indicate they would willingly defer claiming their Social Security benefits if they could access a lifelong benefit plus an actuarially fair lump sum payment at the later claiming date. For instance, without the work condition, 20 percentage points more respondents say they would delay claiming with the lump sum incentive; if part-time work were required, almost 10 percentage points more respondents would do so. Moreover, many individuals indicate they are willing to delay claiming for much less than actuarially fair value, and many would also be willing to work longer.

These findings are policy-relevant for several reasons. First, a similar policy is already in place in the UK (Sheldon, 2019), providing proof of concept for this policy in culture similar to the USA. Second, if substantial subsets of the population would be willing to delay claiming and work longer for a less-than actuarially fair lump sum, it implies that the system could save money by providing these lump sums.[24] Third, recent evidence indicates that working longer may well be associated with better mental and physical health (Rohwedder and Willis, 2010), so reforms encouraging delayed claiming could be beneficial to many. Fourth, from a macroeconomic perspective, longer work lives also offer additional economic resources to help cover the costs of population aging (NRC, 2013). Accordingly, policies to incentivize people to voluntarily delay claiming their Social Security benefits in exchange for lump sums could benefit society and older individuals as well.

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Appendix A – Comparison of HRS 2016 module with full HRS sample (age > 50 and ⩽ age 70).

Variable	*N*	Mean	Std. Dev.	*N*	Mean	Std. Dev.
Age	911	59.9	5.7	13,903	58.7	6.5
Male	911	42%	49%	13,903	42%	49%
Ethnicity, white	911	63%	48%	13,825	59%	49%
Hispanic	910	18%	38%	13,867	20%	40%
Married	910	58%	49%	13,881	67%	47%
Some college +	906	53%	50%	13,818	54%	50%
Self-reported good health	911	71%	45%	13,889	70%	46%
	911	13,903				

Appendix B – Variable definitions and descriptive statistics

	No-work condition		With work condition	
	Mean	Std. Dev.	Mean	Std. Dev.
$ Amount of lumpsum ($1,000)	60.40	37.46	63.66	43.92
WillingtoWaitSQ (V652)	0.50	0.50	0.50	0.50
Male	0.43	0.49	0.43	0.50
Age less than 59	0.47	0.50	0.48	0.50
Some college +	0.53	0.50	0.53	0.50
White	0.63	0.48	0.62	0.48
Self-reported good health	0.72	0.45	0.72	0.45
Ln(HH income)	10.33	2.07	10.33	2.10
Married	0.59	0.49	0.59	0.49
Optimistic live	0.30	0.46	0.30	0.46
Wealth ($1,000)	308	721	309	729
Financial literacy index	1.26	0.88	1.27	0.87
Cognition score	23.32	4.26	23.34	4.22
# living children	2.89	1.91	2.89	1.86
Prob. leave inheritance 10k+	59.07	39.83	59.32	39.69
N	853		830	

Source: Authors' calculations using the HRS (see text).

Appendix C – HRS 2014 module

Administered to a random sample of respondents > age 50 and ⩽ age 70.

V651_INTRO-NOWRK

INTRODUCTION FOR NO WORK REQUIRED

For the sake of these questions, assume that you are currently age 62, and you are single. You are thinking about when to claim your Social Security benefit. If you claim it at age 62, you will receive $1,000 per month for life.

Now imagine you have a choice: either you can receive that $1,000 monthly benefit from age 62 for life, or you can delay receiving the benefit until age 66. If you delay, assume that you have enough savings to live on without working from age 62 to age 66. Assume that, on average, the government will neither lose nor make money as a result.

V652_ NOWRKDEL-ANN

NO WORK- IF DELAY TO 66 FOR LGR ANNUITY

In exchange for delaying your Social Security benefit until age 66, you will receive a monthly benefit of $1,330 dollars per month from age 66 for life. Would you be willing to delay receiving your benefit until age 66?

1. Yes
5. No
8. DK
9. RF

V653_NOWRKDEL-LS

NO WORK-IF DELAY TO 66 PLUS LUMP SUM

Now suppose that in exchange for delaying your Social Security benefit until age 66, you will then receive a monthly benefit of $1,000 per month from age 66 for life, plus a lump sum of $60,000 paid at age 66.

Would you be willing to delay receiving your benefit to age 66?

1. Yes
5. No → GO TO V659
8. DK → GO TO V664
9. RF → GO TO V664

V654_NOWRK-IFLESSLS

NO WORK- IF SMALLER LUMP SUM IF DELAY TO 66

You indicated that you would be willing to delay your benefit until age 66 in exchange for a lump sum of $60,000 paid at age 66 and a monthly benefit of $1,000 for life. Would you be willing to take a smaller lump sum with the same monthly benefit?

1. Yes
5. No → GO TO V664
8. DK → GO TO V664
9. RF → GO TO V664

V655_NOWRK-LESSLSAMT

NO WRK-SMALLEST LUMP SUM TO DELAY AMOUNT

What is the smallest lump-sum that you would be willing to accept in exchange for delaying your benefit to age 66?

[IWER: ENTER '−1' IF R SAYS 'would not accept any lump sum']

$ ______ → GO TO V664

Amount (Range −1 to $99,999,997)

DK 99999998

RF 99999999

V656 – V658 Unfolding Sequence

Would it be less than $, more than $, or what?

PROCEDURE: 1UP1DOWN

BREAKPOINTS: $30,000, $40,000, $50,000

-------- GO TO V664 -------- 11

V659_NOWRK-IFLRGRLS

NO WRK-IF MORE THAN 60K LUMP SUM TO DELAY

You indicated that you would not be willing to delay your benefit until age 66 in exchange for a lump sum of $60,000 paid at age 66 and a monthly benefit of $1,000 for life. Would you be willing to delay in exchange for a larger lump sum with the same monthly benefit?

1. Yes
5. No → GO TO V664
8. DK → GO TO V664
9. RF → GO TO V664

V660_NOWRK-LRGRLSAMT
NO WRK-LRGR THAN 60K LUMP SUM MIN AMOUNT
What is the smallest lump-sum that you would be willing to accept in exchange for delaying your benefit to age 66?
[IWER: ENTER '−1' IF R SAYS 'would not accept any lump sum']
$ _______ → GO TO V664
Amount (Range −1 to $99,999,997)
DK 99999998
RF 99999999

V661 – V663 Unfolding Sequence
Would it be less than $, more than $, or what?
PROCEDURE: 1UP1DOWN
BREAKPOINTS: $70,000, $80,000, $90,000
DK 99999998
RF 99999999
ASK EVERYONE

V664_INTRO-WORK
Again, assume you are currently age 62, and you are single. And again you have a similar choice: either you can receive that $1,000 monthly benefit for life from Social Security from age 62, or you can delay receiving the benefit until age 66. If you delay, again assume that you have enough savings to live on without working from age 62 to age 66, but you must work at least half time in all 4 years to get the increased benefit. Like before, assume that, on average, the government will neither lose nor make money as a result.

V665_WRK-DEL66ANN
WORK_DELAY TO 66_ANNUITY
In exchange for delaying your Social Security benefit and working 4 additional years until age 66, you will receive a monthly benefit of $1,330 per month from age 66 for life.
Would you be willing to work longer and delay receiving the benefits to age 66?
1. Yes
5. No
8. DK
9. RF

V666_WORK-DELLS
WORK-IF DELAY TO 66 PLUS LUMP SUM
Instead, in exchange for delaying your Social Security benefit and working 4 additional years until age 66, you will receive a monthly benefit of $1,000 per month from age 66 for life, plus a lump sum of $60,000 paid at age 66.
Would you be willing to work longer and delay receiving the benefits to age 66?
1. Yes
5. No → GO TO V672
8. DK → GO TO V677
9. RF → GO TO V677

V667_WORK-IFLESSLS
WORK- IF SMALLER LUMP SUM IF DELAY TO 66
You indicated that you would be willing to delay your benefit and work 4 additional years until age 66 in exchange for a lump sum of $60,000 paid at age 66 and a monthly benefit of $1,000 for life. Would you be willing to take a smaller lump sum with the same monthly benefit?
1. Yes
5. No → GO TO V677
8. DK → GO TO V677
9. RF → GO TO V677

V668_WRK-LESSLSAMT
WORK-SMALLEST LUMP SUM TO DELAY AMOUNT
What is the smallest lump-sum that you would be willing to accept in exchange for working and delaying your benefit to age 66?
[IWER: ENTER '−1' IF R SAYS 'would not accept any lump sum']
$ ______ → GO TO V677
Amount (Range −1 to $99,999,997)
DK 99999998
RF 99999999

V669-V671 Unfolding Sequence
Would it be less than $, more than $, or what?
PROCEDURE: 1UP1DOWN
BREAKPOINTS: $30,000, $40,000, $50,000
------------ GO TO V677 ----------

V672_WRK-IFLRGRLS
WORK-IF MORE THAN 60K LUMP SUM TO DELAY
You indicated that you would not be willing to work and delay your benefit until age 66 in exchange for a lump sum of $60,000 paid at age 66 and a monthly benefit of $1,000 for life. Would you be willing to work to age 66 and delay in exchange for a larger lump sum with the same monthly benefit?
1. Yes
5. No → GO TO V677
8. DK → GO TO V677
9. RF → GO TO V677

V673_ WRKDEL-MORE
WORK-LRGR THAN 60K LUMP SUM MIN AMOUNT
What is the smallest lump-sum that you would be willing to accept in exchange for working and delaying your benefit to age 66?
[IWER: ENTER '−1' IF R SAYS 'would not accept any lump sum']
$__________ → GO TO V677
Amount (Range −1 to $99,999,997)
DK 99999998
RF 99999999

V674-V676 Unfolding Sequence
Would it be less than $, more than $, or what?
____
PROCEDURE: 1UP1DOWN
BREAKPOINTS: $70,000, $80,000, $90,000

ASK EVERYONE:
V677_HOWCLEAR
HOW CLEAR WERE QUESTIONS
How clear were the questions we asked -- were they unclear, somewhat clear, mostly clear, or very clear?
1. Unclear
2. Somewhat clear
3. Mostly clear
4. Very clear
8. DK
9. RF

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