Couples' Knowledge about Social Security Rules: Evidence from a Survey of Spouses

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Focal Area #5: Improving Communication and Outreach

Effective communication about Social Security is critical in order to allow individuals to make informed retirement-related decisions, such as when to claim and when to retire and how much to save for retirement. We know that individuals have limited understanding of various aspects of Social Security, including the optimal time to claim benefits and future benefits levels. Little is, however, known about how knowledge about Social Security rules is distributed *within couple*s. Social Security knowledge, like financial knowledge, can be thought as a choice similar to human capital investment (Lusardi et al. 2017[4]). At the couple-level, it may be efficient if one spouse specializes in specific tasks, such as learning about, and planning for, retirement. The more knowledgeable spouse may hence make informed decisions related to saving and claiming for the household, securing financial well-being for both spouses.

Results from preliminary analysis of a new online survey of spouses (data collection funded by SSA, project NB21-06) shows however that such a within-couple specialization does not take place. Instead, errors about the Social Security rules are positively correlated between spouses. Moreover, individuals make correlated errors about different dimensions of the Social Security rules (e.g., increase in benefits due to delayed claiming, level of benefits as a function of earnings history). This suggests that the lack of knowledge is compounded within couples, placing some couples at a clear disadvantage in terms of their preparedness for retirement.

In this project, we propose to (i) investigate which groups of spouses are more prone to errors for specific aspects of Social Security rules, and (ii) evaluate the effectiveness of targeted randomized interventions that will deliver information about the Social Security rules. Because less knowledgeable individuals may easily become overburdened by complex information, we propose to develop different modules providing bite-size information clips on a specific aspect of Social Security rule. Some couples will randomly receive one clip while others will receive multiple. We will then investigate the effect of the interventions on the Social Security knowledge, and couple's plans for retirement, including savings and Social Security claiming age. In order to achieve this, we would like to increase the sample size of our current survey of spouses. In addition, we will use most of the funds for the second wave of data collection (while we had envisioned using the initial grant to fund both waves, ensuring high response rates from both spouses has meant that we have used most of the funds from the initial grant for the first wave, which is currently in the field).

This proposal nicely fits in Focal Area 5, "Improving Communication and Outreach". Our findings could have direct implications for the design of communication strategies, in particular whether couples rather than singles should be targeted for outreach, and which socio-economic or ethnic groups should be prioritized. Moreover, if we find evidence of cognitive burden in processing information for some couples, it would suggest that partial information about relevant aspects of Social Security may be more effective than more comprehensive information at improving couples' financial well-being for retirement.

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[4] Lusardi, A., Michaud, P.-C., & Mitchell, O. S. (2017). Optimal financial knowledge and wealth inequality. Journal of Political Economy, 125(2), 431–477.