

March 2014

Claiming Social Security: A Critical & Complex Decision for Retirement Security

Survey Results

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Executive summary

Financial Engines' research sought to understand what influences Americans' decision about when to claim Social Security, whether they know enough to navigate the complexities of this decision, and what types of education, messages and advisory services would be valuable to them as they approached this critical retirement planning decision. The study, which was conducted in 2013, included some preliminary focus groups as well as an online survey of over 1,000 individuals between the ages of 55 and 70. Respondents included those who had already claimed their Social Security retirement benefits and those for whom the decision still lies ahead. The paper focuses primarily on those yet to claim, whose plans can still be influenced and who can still benefit from expert education and guidance on maximizing their Social Security benefits.

Our study found respondents approaching the claiming decision do not fully appreciate how critical and complex claiming Social Security can be. There are literally thousands of claiming strategies for a married couple, and the decision requires an understanding of Social Security as well as other aspects of retirement planning. At the start of our survey, one-quarter of respondents felt very confident in their ability to make a good claiming decision for their household. At the conclusion, more than a third acknowledged that claiming Social Security is more complicated than they thought and four in ten were interested in getting help. Awareness and guidance had a big impact.

High confidence and low awareness lead many to underestimate the value of delayed claiming. A brief quiz embedded in our survey finds that three out of four respondents yet to claim receive a "C" or lower, and just 5% receive an "A" grade. Driving this is a low level of understanding about exactly how much benefits increase by delaying. Only 40% can reasonably approximate the percent increase resulting from a two year delay. Social Security claiming literacy is low, and many do not seem to understand how much money is left on the table with a sub-optimal claiming decision.

Uncertainty about the length of retirement weighs on many. One-quarter of respondents yet to claim view the decision to retire and the decision to claim Social Security as so closely related that they cannot be separated. On the whole, respondents expect to live 20 years in retirement—retiring at a median age of 65 and living to 85. Assessments of personal health and longevity are also important influencers in the claiming decision. There is considerable concern about losing money should an individual delay claiming and then die sooner than expected. In addition, many believe the only way they can afford to delay claiming is by working longer.

Awareness and guidance has a meaningful impact. At the outset, the median age respondents planned to claim Social Security benefits was age 65. Our survey included two brief text descriptions describing how much an individual's monthly benefit would increase by delaying the start of Social Security and how the delay may impact survivor benefits for a spouse. The text descriptions caused about half of those yet to claim to consider delaying. Respondents also viewed a 2-minute video illustrating an optimal claiming strategy for a fictional couple. In the end, the median age these respondents planned to claim was age 66. Delaying, for many, seems to mean waiting until full retirement age, but the research suggests that even minimal exposure to Social Security guidance can have a real and meaningful impact.

Americans approaching the claiming decision welcome help. More than two out of three Americans surveyed who have yet to claim Social Security suggest they would find a variety of claiming resources useful, including a website with articles and information and an online service that would show optimal claiming ages based on information entered. In addition, four in five suggest that speaking with an advisor for personalized guidance would be useful. Finding themselves largely uninformed and recognizing the complexities of the claiming decision, many are likely to reach out for expert help on how to identify and implement an effective Social Security claiming strategy.

Introduction

Claiming Social Security is an important financial decision—one that approximately 93% of all Americans will make as they enter into retirement.¹ It is also a complicated decision that requires Americans to understand and weigh a variety of difficult financial planning concepts while having sufficient Social Security literacy to navigate the thousands of claiming options available. Given the complexity, many studies, including this research sponsored by Financial Engines, suggest Americans would welcome help on this critical retirement decision.

The stakes are high—in large part because most retirees depend on Social Security for a substantial portion of their retirement income. Seven out of ten current retirees report that their Social Security benefits are a *major* source of their retirement income,² and according to Social Security Administration Fact Sheets, about one in four married couples and nearly half of unmarried persons rely on Social Security for 90% or more of their income.³ Despite the fact that few of today's workers feel confident that Social Security will continue to pay benefits comparable to what retirees currently receive,⁴ it is reasonable to assume that this pillar of retirement security will play a crucial role for future generations of retirees as well.

About one in four married couples and nearly half of unmarried persons rely on Social Security for 90% or more of their income.

Getting the most possible out of a system they have paid into over their entire working lives is an important driver in respondents' decision of when to claim Social Security retirement benefits. Yet, many claim as soon as they are eligible at age 62, ignoring or underestimating the impact on the income of a surviving spouse, the inflation protection inherent in Social Security, and the higher lifetime benefits associated with delayed claiming. Research indicates 60% of Social Security claimants take benefits within the first few months of turning 62 or the date of retirement, whichever comes later.⁵

¹ According to the Social Security Administration, 93% of all U.S. workers in 2010 were covered under the U.S. Social Security system. (<http://www.ssa.gov/pressoffice/basicfact.htm>).

² Employee Benefit Research Institute's 2013 RCS Fact Sheet #1: Retirement Confidence. (http://www.ebri.org/pdf/surveys/rscs/2013/Final-FS.RCS-13.FS_1.Conf.FINAL.pdf).

³ Social Security Basic Facts. July 26, 2013. (<http://www.ssa.gov/pressoffice/basicfact.htm>).

⁴ According to EBRI & Greenwald's 2013 Retirement Confidence Survey, 29% of workers feel very or somewhat confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today.

⁵ Shoven, John B. and Sita N. Slavov. February 2012. "The Decision to Delay Social Security Benefits: Theory and Evidence." National Bureau of Economic Research Working Paper 17866.

Because so few Americans seem to truly understand Social Security claiming options as this study shows, many households are likely leaving significant money on the table. The amount of additional expected lifetime benefits gained with the right claiming decision can be significant: up to \$100,000 more for individuals and \$250,000 for married couples.⁶ Note that these potential gains are comparable to the entire accumulated 401(k) balance of many near-retiree households. The reason for these gains is that, while Social Security benefits can be claimed at any age starting at age 62, the starting benefit amount increases by about five-ninths of 1% every month after age 62 until age 70. This works out to be between 6 and 8% a year, or a cumulative increase of 72% over the eight years from age 62 to 70. Moreover, the higher starting benefit will also increase with inflation in the future.

This research also demonstrates that even a small amount of strategic guidance can encourage people who have not yet claimed to consider a better strategy—one that may include delayed claiming to receive a higher benefit for themselves and their spouse. Providing help and guidance to single and married Americans on this important decision can have powerful impact on Americans' claiming intentions, and may ultimately lead to a more financially secure retirement.

⁶ Source, Financial Engines analysis.

Claiming Social Security is not a simple decision

Financial Engines estimates that there are over 8,000 claiming strategies for married couples.⁷ Yet, an informed claiming decision requires that individuals and couples first consider numerous complex retirement planning decisions and concepts, like assessing whether they have sufficient personal savings, deciding when to stop working, calculating what their lifestyle and expenses will be in retirement and estimating how long they (and their spouse) can expect to live in retirement.

Decisions to stop working and start Social Security claiming linked by most

The decision of when to retire is as complex as the decision of when to claim Social Security, made more difficult by the fact that these decisions are inextricably linked in the minds of most Americans. About a quarter (24%) of respondents in our survey who have yet to claim their Social Security benefits—the majority of whom are working full time (62%) or part-time (14%)—view the decision to retire (to stop working altogether) and the decision of when to claim Social Security as either the same decision or as decisions so closely related that it's hard for them to separate one from the other. Half (51%) see these as separate, but related decisions. Only about two in ten (22%) think of *retiring* and *claiming* as two totally separate decisions. When evaluating when to claim Social Security, nearly two-thirds of non-claimants (64%) indicate that claiming at the same time they stop working for pay altogether will be a very important consideration. Further, when asked what factors would influence their decision to *delay* claiming benefits, more than half (54%) of non-claimants say that having to work longer to afford the delay would have a great deal of influence.

Only 22% think of retiring and claiming as two totally separate decisions.

A critical part of both the retirement and claiming decisions is whether or not a person feels they can afford to retire, as well as whether they could afford to delay claiming. More than half of respondents who haven't claimed their benefit (54%) suggest covering basic living expenses will be an important driver of their decision about when to claim Social Security. At the same time, only 25% predict that their Social Security retirement benefits will be their primary source of income in retirement. Non-claimants in our research also seem more attuned to their 401(k)s and other retirement

⁷ Source, Financial Engines analysis.

savings plans, with more than four in five (85%) feeling knowledgeable about how much money they have in these vehicles. Importantly, however, more than one third (35%) are not confident about how to manage their retirement savings to generate a steady stream of income in retirement.

Health and longevity uncertainty adds to complexity

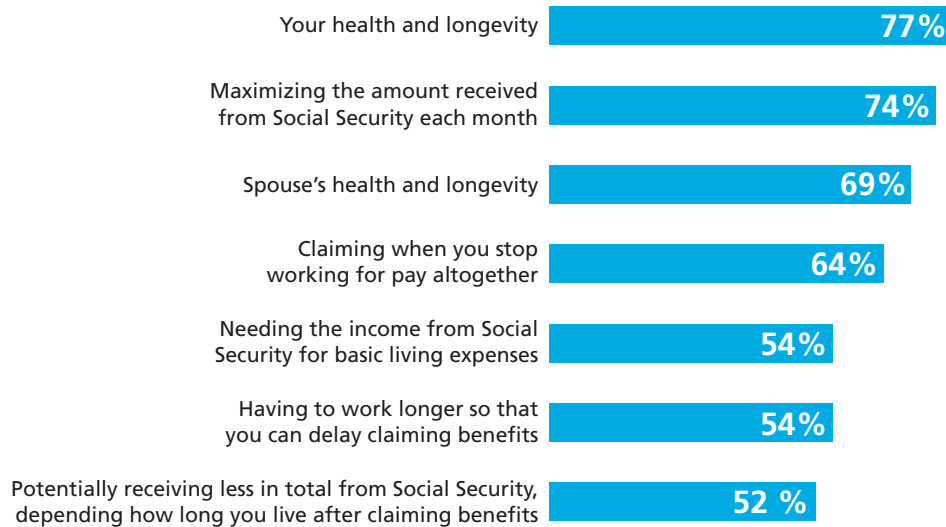
Further compounding the decisions facing near-retirees and near-claimants, calculations of how much money a household needs in order to retire depends largely on how long they expect their retirement to last. Thus, average Americans need to understand and evaluate their own health and longevity, and if married, the health and longevity of their spouse. Respondents in our survey who have yet to claim predict their retirements will last about 20 years—retiring at median age of 65 and living until a median age of 85. Current beneficiaries, by comparison report that they retired at median age of 61 and expect to live to 85—a slightly longer estimated retirement than those who have yet to claim. In both cases, individuals are potentially underestimating the probability that they will outlive their life expectancy.

Appropriately, respondents suggest that assessments of their own health and longevity will be a top consideration when determining when to claim their Social Security retirement benefits. In fact, 77% said that their own health and longevity will weigh heavily in their decision and 69% indicate that their spouse’s longevity will be an important influence. Estimating life expectancy is yet another complicated step in the decision of when to claim Social Security, and as a group, predictions are often skewed. The average life expectancy for most of our survey respondents is about 85 years old. However, one in three (34%) estimate they will die before that age. This is in line with a 2011 study by the Society of Actuaries, which found that four in ten people age 45 or older underestimate average life expectancy by five years or more.⁸

77% said that their own health and longevity will weigh heavily in their decision and 69% indicate that their spouse’s longevity will be an important influence of when to claim.

⁸ Society of Actuaries, 2011 Risks and Process of Retirement Survey. *Key Findings and Issues: Longevity*. June 2012. (<http://www.soa.org/files/research/projects/research-key-finding-longevity.pdf>).

Figure 1: How important/influential will each of the following be in your plans to claim Social Security?
(among those yet to claim)



The reason assessments of life expectancy are important for the claiming decision is that many—about half of those yet to claim (52%)—express concern about receiving less from Social Security overall if they delay claiming and then do not live as long as expected. Focus groups, conducted as an exploratory first step in this research, also found strong loss-aversion—the fear that delayed claiming may potentially result in lower lifetime benefits is pervasive.

Maximizing the amount received, important factor in claiming decision

Accordingly, many in the focus groups state that their goal was to get the most money possible out of the Social Security system—they paid in and they want to see the return. These qualitative findings were largely confirmed by our survey. Six out of ten non-claimants (59%) in the survey agree that thinking about Social Security in terms of *lifetime benefits* is optimal. Even more—seven in ten (71%)—feel that *maximizing household lifetime benefits* is a good way to think about the claiming decision. Clearly, one of the most important influences on the decision of when to claim Social Security retirement benefits is the drive to maximize the amount received. Three out of every four respondents who have yet to claim Social Security (74%) suggest this will be an important factor in their claiming decision.

Claiming confidence is high, but literacy low

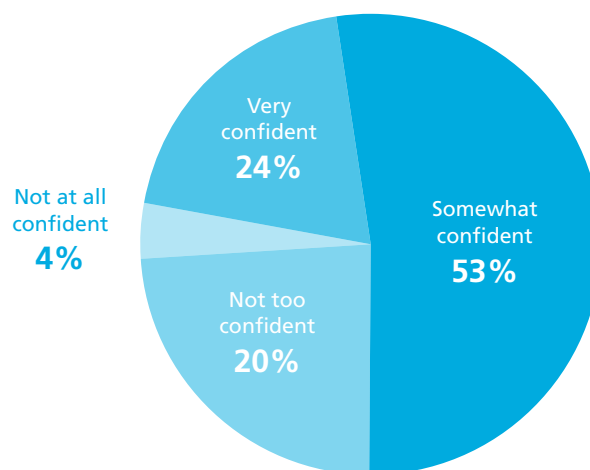
Claiming Social Security is an important financial decision that approximately 93% of all Americans will make as they enter into retirement.⁹ Yet, most will approach this decision with insufficient knowledge, or even worse, with false confidence. Much of this mistaken knowledge around optimal claiming strategies is based on misinformation gleaned from friends, family, and other non-experts. Making an appropriate claiming decision requires a complex evaluation of the Social Security program rules, as well as an assessment of retirement timing preferences, personal savings adequacy, retirement income needs and personal health status. Our research shows many do not have the ability to tie all of these concepts together into an optimal claiming strategy.

High confidence

One in four respondents (24%) who have not claimed Social Security feel very confident that they know enough to make a good claiming decision for their household, and half (53%) are somewhat confident. Confidence is highest among those with higher asset levels. That leaves one-quarter who are not too or not at all confident that they know enough.

Three out of four feel very or somewhat confident they know enough to make a good claiming decision for their household.

Figure 2: Confidence in ability to make the claiming decision (among those yet to claim)



⁹ According to the Social Security Administration, 93% of all U.S. workers in 2010 were covered under the U.S. Social Security system. (<http://www.ssa.gov/pressoffice/basicfact.htm>).

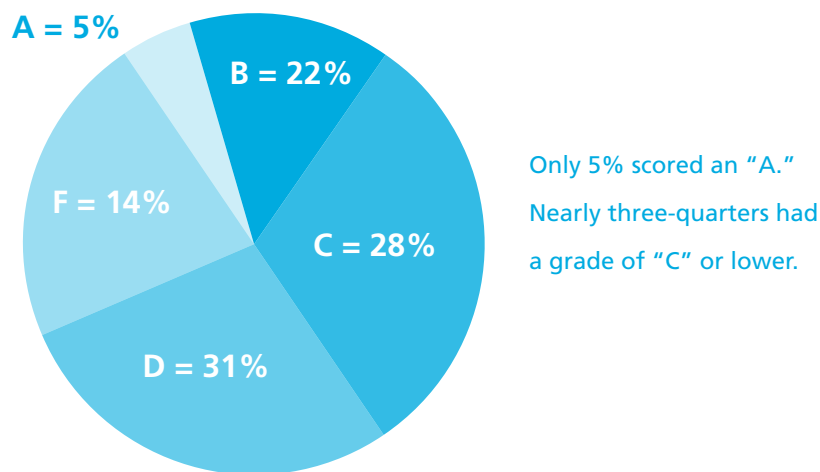
Two-thirds of respondents who have yet to claim Social Security (66%) feel highly knowledgeable about how much their monthly benefit will be if they claim at full retirement age, and nearly as many (58%) indicate they know how much their spouse's benefits will be. This suggests that materials received from the Social Security Administration have been effective in setting expectations for benefit levels. Moreover, an even greater share—seven out of ten (69%)—claim to be very knowledgeable about how their benefits may change based on the age at which they chose to claim them.

Quiz demonstrates low awareness of Social Security benefits and options

Unfortunately, most people do not know as much about claiming Social Security benefits as they think they do. Embedded in our survey was a brief quiz about Social Security claiming, designed to measure Americans' understanding of Social Security eligibility ages, how claiming age impacts benefit amounts, survivor benefits and a few other basic concepts. Among those who have not yet claimed benefits, only 5% got an "A" by answering all questions correctly and only two in ten (22%) received a "B," leaving nearly three-quarters (73%) with a grade of "C" or lower.¹⁰

Quiz questions and answers can be found at www.financialengines.com.

Figure 3: Graded 8-question claiming literacy results (among those yet to claim)



Those with lower assets—assets under \$50,000—demonstrate lowest Social Security awareness and literacy.

These low scores are concerning, as they demonstrate that many do not have enough knowledge about Social Security to make an informed claiming decision. It is even more worrisome that those who may end up being especially dependent on Social Security for their

¹⁰ The quiz included eight items; respondents earned two points for each correct answer. Respondents earning 16 out of 16 points received a grade of "A," those earning 14 points received a "B," those earning 12 points earned a "C" and those earning 10 points earned a "D." Lower point values, answering half or fewer of the questions correctly, were graded as an "F."

retirement income—those with current financial assets of less than \$50,000—demonstrate lower claiming literacy than those with greater resources (higher assets). Among respondents who have yet to claim their Social Security retirement benefits, half of those with assets under \$50,000 (52%) receive a quiz grade of “D” or “F.” Maximizing Social Security will be crucial for this group, and they appear to have the greatest need for claiming education and guidance. The combination of high confidence and low awareness does not bode well for households making informed decisions about Social Security.

Despite the fact that so many view the decision to retire and the decision of when to claim as nearly synonymous, the vast majority correctly answer a true-false question about whether or not claiming at retirement is a requirement; 88% know that these do not have to be the same event or decision. Yet, this basic understanding is less apparent when asked whether the statement “*To get the most out of Social Security, a person should always start collecting benefits as soon as possible*” is true or false—three out of every four non-claimants respond correctly to this question (false), a notable drop from the nearly nine in ten who understand that the claiming and retirement decisions are separate. Even though these are separate decisions, nearly a quarter of respondents still (falsely) believe this is *always* the best claiming strategy.

Three-quarters of respondents indicate a working knowledge of survivor benefits, correctly responding “true” to a statement about whether a person can receive benefits following the death of his or her spouse. Surprisingly fewer know that their Social Security benefits are adjusted for inflation, with 66% of non-claimants answering this correctly. The lowest scoring true-false item involves benefits for divorced people. Only 55% correctly respond to a statement about whether or not a divorced person can claim benefits based on his or her ex-spouse’s work history and earnings, provided they were married for at least ten years.

20% say they didn’t know what impact delayed claiming would have on their monthly benefit, and 14% incorrectly state there would be no difference with delayed claiming.

Another nine out of ten appear to understand that monthly benefit amounts vary based on the age at which they are claimed. In a final question, however, our survey finds many do not truly understand the extent to which benefits can increase between ages 62 and 70. Just 40% gave estimates that reasonably approximate the real percentage increase that would result from a two year delay (answers between 11–20% were graded as correct). More than one in eight (14%) state outright that there would be no difference if they delayed, while two in ten say they simply didn’t know what impact delayed claiming would have on their monthly benefit. These results suggest that many do not understand the real value of delayed claiming.

A little guidance goes a long way

The Financial Engines survey sought to understand how Americans' Social Security claiming intentions may change if armed with a better understanding of some key concepts. For example, if people knew the true extent to which benefits would increase for each year claiming was postponed between ages 62 and 70 and understood the financial impact delaying may have on a surviving spouse, how might that impact the timing of their claiming decision.

Guidance encourages consideration of delayed claiming

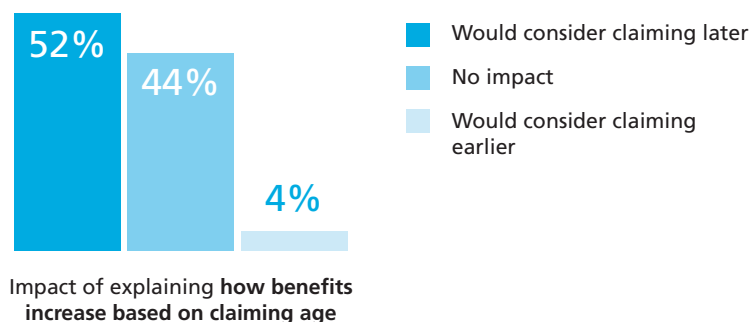
After the literacy quiz, respondents were exposed to the following text explanation along with an example of how benefits vary based on a person's age at claiming:

Depending on what year you were born, your full Social Security retirement age is 66 or 67. If you claim at that age, you get the full Social Security benefit that you are entitled to—no more, no less.

You can claim early—as early as age 62—but your benefit will be lower. You can also claim later. For each year you wait between age 62 and 70, your monthly benefit amount will go up by 6% to 8%. When you chose to claim can affect the benefit amount you will receive for the rest of your life.

Two-thirds of those yet to claim (65%) said they were aware of this prior to the survey, but, as shown in Figure 4, more than half (52%) suggest that reading the simple explanation encouraged them to consider claiming at a later age than initially planned. Moreover, three in ten (29%) strongly agree that they didn't realize how much their benefit would increase by waiting to claim later, and another quarter (26%) indicate some agreement with this sentiment.

Figure 4: Impact of benefit description (among those yet to claim)



A similar text explanation was shown to illustrate the impact delaying claiming may have on a surviving spouse's monthly benefit. "*By delaying and maximizing his or her own benefit,*" the description concluded, "*a person also maximizes what their spouse can receive as a survivor benefit.*" Exposure to this description caused more than four in ten respondents (44%) to consider claiming at a later date. After viewing these descriptions, half of those yet to claim indicate that increasing the monthly benefit their spouse would receive for life if they die first would have significant influence on when they chose to claim their Social Security retirement benefits.

As shown in Figure 4, 44% said that the new knowledge of how much monthly benefits could increase by delaying would *not* impact their decision of when to claim. 19% of them explain that health and the uncertainty of their life expectancy was the main reason their plans were unmoved by the information provided. Again, assessments of health and longevity appear as a strong driver of the claiming decision. In fact, among all non-claimants a message that frames the decision to delay as financial protection in old age

resonates with more than six out of ten respondents (63%): "Delaying when you claim Social Security gives you a larger amount of guaranteed income for old age when you might not have other assets to draw on."

Health and longevity topped reasons why knowledge about a potential increase would not change claiming age. However, reframing the message as old age protection resonated with six out of ten (63%).

Nearly one in four (24%) say they are unwilling to consider delayed claiming because they want to retire or are unable to continue working (12%) or because they will need the money for basic expenses in general (12%). Working, retiring and claiming are again inextricably linked—if the income is not coming from Social Security because of the decision to delay, then it must come from continued work, at least according to our survey respondents. This is one reason why a statement about working and claiming may have resonated so strongly. More than two in three respondents who have yet to claim (68%) found the statement "*If you're going to keep working into your 60s, you shouldn't claim Social Security until later because the monthly benefit you are entitled to will increase both because you continue working and paying-in and because your benefit goes up if you delay claiming*" highly compelling.

After reading the descriptions of how monthly Social Security benefit amounts increase by delaying and how the decision to delay may impact a surviving spouse, many are encouraged to claim later. Other considerations, like how to bridge the income gap caused by delayed claiming, also surface as important influencers. The primary driver remains—people want to receive the highest amount of lifetime benefits possible.

Video illustration of a delayed benefit strategy increased claiming age by one year for most

Next, as part of further education embedded in the survey, we showed respondents a video clip describing and illustrating a claiming strategy that would accomplish what they most desire—maximizing their total lifetime benefits. The video lasted two minutes, and walked respondents through an example of an optimal claiming strategy for a fictional couple, Dan and Jane. Watching the video had a remarkable impact on respondents’ claiming plans. Nearly half (47%) state that the video encouraged them to consider delayed claiming, but more importantly, after reading the text descriptions and watching the video, the median age that non-claimants planned to claim increased by one year from age 65 to age 66. Two in ten (20%) said they planned to delay for four years or more beyond the age they stated they would claim at the beginning of the survey. Even survey respondents who have already started claiming Social Security modified their desired claiming age after being exposed to the video example. They report having claimed at a median age of 62, but later report that they should have claimed at age 63.

After watching a short video illustrating the impact delayed claiming could have for a married couple, the median age that respondents planned to claim increased by one year, from 65 to 66. 20% said they planned to delay for four years or more beyond age stated at start of survey.

Figure 5: Pre- and post-education median claiming age estimates

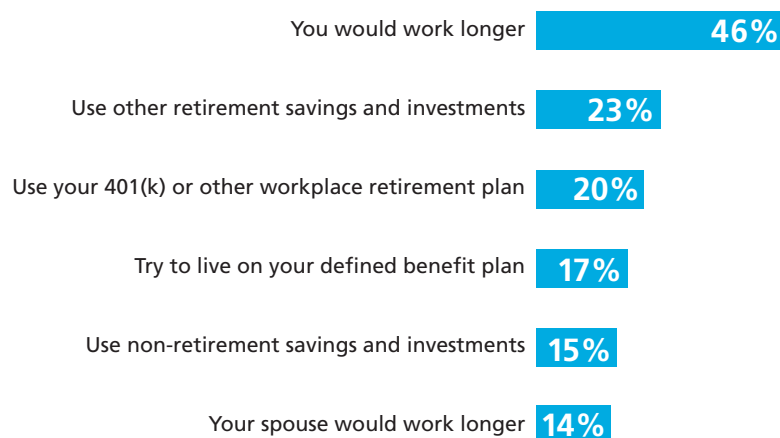
	Medians	
	Non-claimants	Claimants
Original (estimated) claim age	65	62
Claim age after video	66	63

In addition, after viewing the video, more than three out of four (76%) of those who have not yet claimed agreed that it is important to think of claiming Social Security as a household strategy, rather than an individual decision, and more than a third (36%) admit that claiming Social Security is more complicated than they thought.

Bridging the income gap

The Financial Engines' Social Security Claiming Survey also explored how people might bridge the income gap if they deferred their Social Security claiming. As shown in Figure 6, nearly half (46%) of survey respondents say they would work longer. Two in ten (20%) say they would use money from their 401(k) or other workplace retirement accounts, and slightly more (23%) would use money from other retirement savings or investments.

Figure 6: How respondents might bridge the income gap (top mentions among those yet to claim)



In addition, 57% suggest that having to use their own resources to bridge the income gap between when they retire and when they claim would have a significant influence on when they decide to claim Social Security. A large share (46%), however, suggest they would be comfortable using a portion of their savings to bridge the gap if they delayed claiming, and an even larger number of respondents find a message about self-funding the “gap” persuasive: *“If you can self-fund the first few years of your retirement through part-time work or using some of your savings, you can wait to claim Social Security and then get a higher monthly benefit for life.”* Nearly two out of three respondents yet to claim Social Security (63%) find this statement compelling.

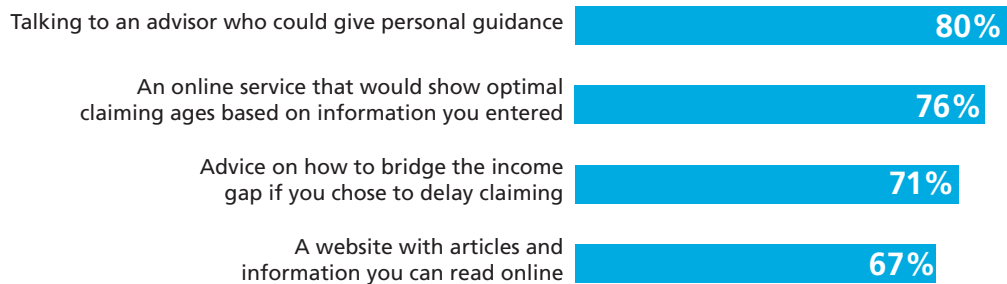
Help wanted

Realizing the complexity of the claiming decision, an overwhelmingly large proportion of survey respondents express an interest in Social Security claiming help and advice.

Claiming help most desired includes personalized guidance from an advisor

Two out of every three respondents yet to claim (67%) say they would find a website with articles and information on claiming very useful, while even more (76%) would find an online service that shows optimal claiming strategies based on personal information useful. Four out of five (80%) would find it very useful to speak with an advisor who could give personalized claiming guidance. In particular, seven in ten (71%) would find guidance on how to bridge the income gap if they elected to delay claiming highly beneficial.

Figure 7: Usefulness of claiming guidance and help (percent rating a 4 or 5 on a 5-point scale among those yet to claim)

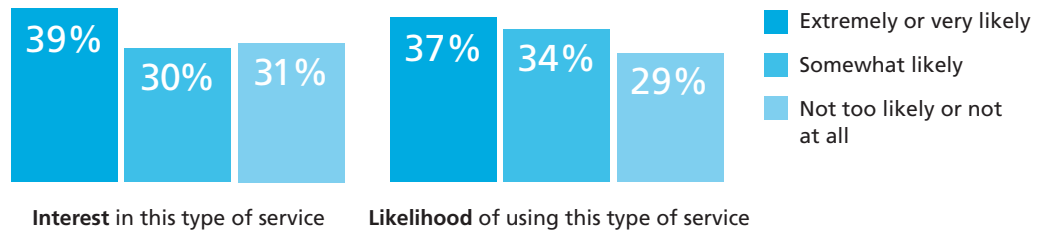


When asked about their interest and likelihood of using Social Security guidance provided through their employer that includes access to an advisor as well as personalized online help, 69% of those who have not yet claimed said that they would be *at least somewhat* interested in a service offering this type of help. Of these, 39%

Nearly seven in ten (69%) are interested in Social Security claiming help that includes online guidance as well as access to an advisor to provide personalized help.

said that they would be *extremely or very interested*. Nearly identical shares describe themselves as extremely or very likely (37%) to use a service offering this type of help. Only 29% say they are unlikely to use such a service.

Figure 8: Interest in and likelihood of using a service with personalized online help as well as access to an advisor (among those yet to claim)



For Social Security guidance and help, survey respondents would most trust retirement plan providers and experts selected by their employer

Recognizing that Americans have come to associate saving for retirement as a benefit made available through their employer, in the final part of the survey we tested how interested people would be in receiving assistance with Social Security decisions through the workplace.

Among those with the claiming decision still ahead of them, about one in three (36%) indicate that they would trust their retirement plan provider to offer this type of service, followed very closely by one in four (23%) who would prefer the service be offered by retirement experts from a company selected by their employer. Ten percent would look to their employer’s benefits staff.

The top selections indicate an important role for employers in vetting and selecting the Social Security experts to help their employees make the most of their retirement savings.

The top trusted help sources—401(k) providers and experts selected by employers—indicate an important role for employers in vetting and selecting Social Security help providers.

Conclusions

Our research reveals three major themes and next steps to help Americans make a more informed and financially advantageous decision. They include increased access to guidance and planning tools, as well as changing the way Americans think about the decisions to retire and to claim Social Security.

1. Change the conversation about eligibility age, full retirement age, and explain the value of delayed claiming.

Even though many demonstrate a basic understanding that their benefit amount would vary based on when they claimed, the majority could not reasonably estimate how much their benefits would increase if they delayed. When shown the extent of the increase, half were encouraged to postpone claiming. Additionally, six in ten respond favorably to this statement that reframes eligibility age, full retirement age and delaying: *If you claim at age 62, you get the minimum amount. At age 66 or 67, you get the standard amount, and at age 70, you receive the maximum amount.* Reframing can change the way people view these milestone ages, and simply educating people about the increase in benefits resulting from delayed claiming can have a meaningful impact as they seek to maximize what they receive from Social Security.

The high level of importance placed on maximizing benefits is countered by a fear of loss, however. Many of our survey respondents and focus group participants express concern about potentially receiving less from Social Security if they delay claiming and then die sooner than they expect. Yet, they rarely consider what would happen if they lived beyond their estimated life expectancy. When delayed claiming is framed as a way to ensure a higher benefit for a surviving spouse, for example, more than four in ten consider claiming later. Moreover, two out of three feel that thinking about delayed claiming as financial protection for old age is compelling. Helping Americans better understand not just the dollar amount increase, but the insurance value of delayed claiming, may motivate more people to consider waiting.

2. Make Social Security claiming a strategic decision, not just something you do when you stop working. If married, make it a household decision.

Retirement and not working are not synonymous; neither are retirement and claiming Social Security. In order to make an informed claiming decision, Americans need to first think about what their retirement will look like—sources of income, willingness to work part-time, and desired retirement lifestyle. For married couples, approaching the decision to claim Social Security as a joint strategy and understanding that these decisions will have a big impact on the income of the surviving spouse is critical. Using

strategic guidance to shift how Americans view the decisions to stop working and the decision to claim Social Security may unlock value and maximize the retirement benefits of what individuals and households have saved. This is especially important for women, who are likely to live longer, and for those with modest retirement assets.

3. Strategic guidance will need to include personalized help with bridging the income gap.

There are thousands of options for claiming Social Security, especially for married couples. Likewise, there are many different options for how to bridge the income gap when considering delayed claiming. For most respondents in our survey, delayed claiming means working longer. However, working is not the only way to bridge the income gap created by the decision to delay Social Security. Some of our respondents—nearly half, in fact—express a willingness and comfort with using part of their savings to bridge the income gap.

4. Provide resources and claiming help at the workplace.

Work is where many Americans think about and save for retirement, so it's not hard to understand why the most trusted sources of claiming advice and services come from workplace retirement plan providers, retirement experts selected by the employer, and to a lesser extent, the employers themselves. While employers themselves may not be the top preferred source of help, the retirement provider and other experts vetted and selected by the employer are trusted. Our survey found that nearly seven in ten would be very or somewhat interested in a service offered through their employer that could provide Social Security claiming help, including access to an advisor. Americans need help with this complicated decision, and making resources available at the workplace makes the most sense to our survey respondents.

About the survey

As a leading provider of retirement advice, Financial Engines was interested in learning more about how Americans think about the Social Security claiming decision, and what lessons could be gleaned from those who have already made the claiming decision. To do this, Financial Engines enlisted independent research firm, Greenwald & Associates, to conduct a survey of Americans approaching their eligibility age as well as those who have already claimed.

The research included exploratory focus groups as a first step to gauge how near-claimants discussed these issues, what was driving their decisions and what education and messages may lead them to consider delayed claiming. To aid in the development of the survey, two focus groups were conducted in September 2013 with consumers ages 58 to 64 years old who had not yet claimed their Social Security retirement benefits and did not have a firm or definite plan for when they wanted to do so. To be eligible to participate, recruits were required to be a financial decision-maker for their household, have an annual household income of \$50,000 or more (if not retired), and have total household assets between \$150,000 and under \$1 million. Most participants in each group were married.

Using, in part, what was learned in the qualitative phase, Financial Engines and Greenwald & Associates conducted a 15-minute online survey with 1,008 near-claimants and current beneficiaries between the ages of 55 and 70 who have an annual household income of at least \$50,000. The largest share of respondents (44%) reported assets between \$50,000 and \$499,999. Fielding took place in October 2013.

The survey included 374 individuals who had already claimed their Social Security retirement benefits and 634 respondents who have yet to claim such benefits. Non-claimants are the focus of this report. For the researchers, this was the most important group to focus on given that the claiming decision is still ahead of them and there is still time for them to rethink and adjust their Social Security claiming strategies.

Non-claimants represent mostly Late Boomers, with a median age of 59 (born 1954). Two out of three consider themselves to be in good or excellent health. Three in four report having 401(k) or similar defined contribution plan assets. With a median age of 65 (born 1948), respondents who have already claimed generally represent the Early Baby Boom generation. Slightly more than half in this group report having 401(k) plan savings, and slightly more than half rate their health as good or excellent.

In determining the survey findings, the responses were weighted by the respondent's age, gender and education to reflect the composition of the U.S. population ages 55 to 70 who meet the survey criteria. Population statistics are based on the 2012 Current Population Survey (CPS).

About Greenwald & Associates

Founded in 1985, Greenwald & Associates is a full-service market research firm with unique industry expertise in financial services, employee benefits & healthcare. We take pride in our reputation for extensive research knowledge, industry expertise and commitment to serving the needs of our clients.

For more information, please call (202) 686-0300 or visit www.greenwaldresearch.com

About Financial Engines

Financial Engines, America's largest defined contribution managed account provider, is dedicated to making high-quality retirement help available to everyone—regardless of how much money they have. We're proudly independent, which means we don't sell products or earn commissions based on our investment recommendations. The companies that choose to work with us offer our services to their workers as a valuable employee benefit.

Co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, Financial Engines currently offers personalized advice for saving, investing and living in retirement to millions of workers nationwide. Our strong ties with employers give us a unique opportunity to form direct relationships with their employees.

Some people love the challenge of investing. Others prefer to focus their time elsewhere, but everyone needs to plan for retirement. Whatever their interest level in investing, Financial Engines combines cutting-edge technology and a personal, human touch to help all types of investors reach their retirement goals.

For more information, visit www.financialengines.com

The survey results are for informational purposes only. Decisions regarding Social Security are highly personal and depend on a number of factors, such as current cash needs, health and family longevity, plans to work in retirement, other retirement income sources, anticipated future financial needs, and the amount of a future Social Security benefit.

For additional information on the financial impact of Social Security claiming strategies, see the Financial Engines white paper titled "Social Security in the New Retirement: Financial Engines' Social Security Methodology" at http://corp.financialengines.com/employer/research_and_resources.html.

Financial Engines
1050 Enterprise Way, 3rd Floor
Sunnyvale, CA 94089

www.financialengines.com

030614
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