

SENATE SPECIAL COMMITTEE ON AGING

“Maximizing Your Social Security Benefits: What You Need to Know”

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Opening Statement

Many financial experts consider the Social Security claiming decision to be the most important financial decision a person can make in retirement. Yet it is staggering that so many Americans don't even realize that this is a decision at all. Many think you just claim at 62, or when you stop working, or when you claim Medicare or when you hit full retirement age at 66 or 67. In fact, fewer than one in three people in a recent AARP study knew that 70 is the magic age at which you can get the most out of your Social Security benefits. Another study found one in three people didn't even realize they could get a larger benefit simply by waiting to claim.

How much more? 8 percent per year. That's how much more a senior can earn annually for life for waiting to claim by just one year. It really is the best deal in town. You can't invest in a risk-free, inflation-protected annuity – which is what Social Security is – in your 60s and expect to see any kind of return like that.

So why don't more people know about this? That is what Chairman Collins and I wanted to find out when we sent the GAO online and into field offices to see what prospective beneficiaries were being told. This was supposed to be a two-part investigation. The first part was focused on what field office employees told claimants when a GAO investigator was sitting in the room. The second part was an undercover portion where we were going to hear what people were being told when a third party was not watching.

Sadly, we didn't even need to do the second part. What these investigators heard in their official visits was so disturbing and disheartening that there was no need for GAO investigators to go undercover as secret shoppers. Multiple people were told they could claim their benefits retroactively and get a big check today without the incredibly important warning that this would reduce their benefits for life. Others were given outdated information like breakeven analyses that we know pushes people to claim benefits earlier. Now, I know that this is not a scientifically significant sample, but the idea that so many mixed and inconsistent messages occurred in just 30 interviews is startling, and it unfortunately is not surprising to those who do business in field offices on a regular basis.

Now this is not an attack on field office workers. These people are dealing with understaffing and underfunding while seeing an increasing volume of retiring Baby Boomers. This Committee has explored the difficulties faced around the country due to closing field offices. And just this week, the Center on Budget and Policy Priorities released a report showing a nationwide reduction of 6 percent of field office staff – and more than 20 percent in seven states. So this is not on the field office workers. This is on the agency as a whole. Until 2008, SSA used to advise seniors on when to claim, using a breakeven analysis, which told people how long they would have to live to make up for the fact that they were claiming later. As I

mentioned earlier, research has shown this advice has prompted people to claim earlier. Now the agency claims to be agnostic. But this lack of any real position creates a void, and the public is getting mixed messages.

SSA claims it does not want to be a financial advisor, but that is not what we are asking for here. All we want – and this goes back to Bowles-Simpson and Domenici-Rivlin all the way up to the Bipartisan Policy Center report we examined at last week’s hearing – is for SSA to provide some more targeted information. It’s not hard to ask people a few simple questions. Did you know that for every year you wait, you get an 8% increase in your benefits for life? Did you know you don’t have to file for Social Security when you stop working, or when you claim Medicare, or even when you hit 62, 66 or 67? This does not require a huge revamping of the system. It just requires a new mindset. Stop telling people about the breakeven analysis. Tell people that if you make it to 65, odds are you are going to live at least 20 more years. And at that point, for most Americans, your only income will be that Social Security check. Tell them that the decision you make in your 60s will live with you for the rest of your life.

Now we have experts here today to talk about the benefits of waiting. And they will also explain that waiting is not for everyone. And I don’t want that idea to get lost here. Waiting does not make sense for people in poor health or who can no longer work and have no other income. And for a secondary earner in a couple, the research is a somewhat mixed on whether that person benefits by waiting. Professor Slavov and Bill Meyer will delve deeper into these ideas. I am especially pleased to welcome Bill, who lives right across the border in Leawood, Kansas, but who has a satellite office in Missouri, so we are going to claim him as ours. Bill is actually here to say things that could hurt his business, but the very point he is trying to make is that a lot of the information companies pay him for is information SSA should be disseminating.

And that’s the thing. While people of means or who work for large companies may be able to pay a financial adviser to help them crunch the numbers, not everyone has or needs a financial professional. And it shouldn’t take a financial professional to impart the basic message we are talking about today. Every person who claims benefits must interact with SSA, so this is our last stop to inform people about the advantages of waiting. We hope SSA will see it is in all of our interests to make sure the public is fully educated on this issue.