

***WHAT DO PEOPLE KNOW ABOUT
SOCIAL SECURITY?***

*Joanne Young, Lila Rabinovich,
Saw Htay Wah*

Paper No: 2015-022

**CESR-SCHAEFFER
WORKING PAPER SERIES**

The Working Papers in this series have not undergone peer review or been edited by USC. The series is intended to make results of CESR and Schaeffer Center research widely available, in preliminary form, to encourage discussion and input from the research community before publication in a formal, peer-reviewed journal. CESR-Schaeffer working papers can be cited without permission of the author so long as the source is clearly referred to as a CESR-Schaeffer working paper.

What do people know about Social Security?

Joanne Yoong, Lila Rabinovich, Saw Htay Wah

**CESR Working Paper
November 16, 2015**

For the United States, a key pillar of citizens' financial stability in retirement is the Social Security system. Hence, robust comprehension of Social Security benefits and how they may change due to individual choices are vital components of long-term financial planning and wellbeing. In this 2015 study, based on a 2010 benchmark survey by Greenwald *et al*, we update our understanding of what people know about Social Security, explore the current state of Social Security literacy and its association with retirement planning and, where feasible, make comparisons over time. We also expand upon the scope of the 2010 analysis by considering the experiences and knowledge of individuals above the age of 65 and those who have already retired.

In brief, we continue to find low levels of self-reported retirement preparedness, and actual and self-reported retirement literacy overall. While respondents can identify the general features of the Social Security system, still lacking are clear understandings of how the system works and the impact of their individual choices. For example, respondents express most familiarity with the age of eligibility, and many know benefits are affected by claiming age and do not have to be claimed upon retirement. However, many people are unfamiliar with how their benefits are calculated and how their actions can affect those benefits. In fact, fewer than 5% of individuals feel they were very knowledgeable about retirement benefit calculation. There is relatively widespread confusion about the full retirement age and how Delayed Retirement Credits work. We find the factors of age, income and education are significantly and independently positively associated with knowledge and preparedness across all our measures. Meanwhile, Hispanics and Blacks are at a particular disadvantage relative to non-Hispanic Whites.

1. Introduction

A growing body of global research has convincingly shown that low levels of financial literacy are widespread, and likely to adversely affect individuals' ability to plan, save and invest successfully for the long-term (Alessie *et al*, 2011; Fornero and Monticone, 2011; Lusardi and Mitchell 2007a,b,c, 2009, 2011a,b, 2014; Klapper and Panos, 2011; Van Rooij *et al*, 2011). In the United States, a key pillar of retirement security is the Social Security system, and hence a robust understanding of Social Security benefits and how these change depending on individual choices is a vital component of long-term financial planning and well-being (Gustman and Steinmeier, 1999)

In 2010, researchers at the Financial Literacy Center conducted a study of Americans aged 25-65 regarding their retirement knowledge and planning, as well as their awareness of Social Security (Greenwald *et al*, 2010). The purpose of this study was to establish a benchmark from which the Social Security Administration (SSA) could measure the progress of efforts towards increasing financial literacy while gaining insight into what retirement-related issues are most important to the American public, and identifying what knowledge gaps exist when it comes to Social Security. Possessing that information, the SSA then could prioritize the focus of future initiatives. The survey found high expectations of and trust in Social Security, yet low benefit literacy and belief in the program's long-term future. Many individuals did not report taking full advantage of existing resources provided by Social Security while simultaneously expressing a strong desire for the SSA to play a proactive role in retirement and benefits education. Indeed, while the vast majority of respondents said it is very important for the SSA to educate people about how the system works and, more generally, how to prepare financially for retirement, few seemed to be taking proactive steps to obtain information from the SSA.

Research has shown that since 2010, developments relevant to financial literacy and retirement savings in the United States remain a concern. In 2009, the Investor Education Foundation of the Financial Industry Regulatory Authority (FINRA) commissioned the first National Financial Capability Study (NCFCS), which was followed by a second in 2012. The NCFCS found that over this period, self-perceptions of financial knowledge have become more positive rather than less. However, these perceptions may be misleading, as measured financial literacy appears to have stagnated or marginally declined. Specifically, NCFCS respondents answered a five-question quiz (on interest, inflation, bond pricing, mortgages and risk) then were asked about behavior related to multiple domains of financial capability. In 2012, respondents' performance on four out of the five domains decreased by 1 to 5 percentage points compared to 2009. (Knowledge of bond pricing was already low and remained unchanged). Also, only a small minority (14%) of respondents answered all five questions correctly. Disparities identified earlier remained: performing worse were African-Americans, Hispanics, women, younger Americans, those with lower educational attainment and those with household incomes below \$25,000. Turning to behavior, only 54% of respondents actually had any kind of retirement account (employer-based or individual), a decrease from 57% in 2009 (FINRA, 2013)

Another nationally representative study, the Retirement Confidence Survey (RCS) undertaken by the Employee Benefit Research Institution (EBRI), reported the percentage of workers confident about having enough money for a comfortable retirement increased from 13% in 2009 to 18% in 2014. But 36% of respondents reported having savings or investments of less than \$1,000 – a sharp rise from 28% just the year before (EBRI 2014). Strikingly, both

surveys reported the percentage of respondents who ever had tried figuring out how much they need to save for retirement remained virtually unchanged in recent years (37% of NCFSS respondents and 44% of RCS respondents and/or their spouses).

Given these developments, it is important to consider how these findings may be related to changes in perceptions or understanding of Social Security. It remains a concern that a dearth of knowledge may lead to suboptimal behavior for claiming, planning and saving – resulting in, ultimately, a lack of wellbeing in retirement. At a population level, this information is more policy-relevant than ever: Responding to the pressure of fiscal and other demands, the SSA has articulated a strategic plan – Vision 2025 – to deliver higher-value and more efficient service, with a key element being a focus on customer experience. For the SSA to know consumers’ expectations, as well as the extent to which it understands benefits and disparities among subpopulation groups, are critical to assessing the effectiveness of current communications platforms, plus prioritizing future messaging and outreach.

This 2015 study aims to update our understanding of what people know about Social Security, to further explore the current state of Social Security literacy and its association with retirement planning, and to make comparisons to the 2010 findings for the same overall population as well as across population groups. We also expand the scope of the 2010 analysis to consider the experiences and knowledge of individuals above the age of 65 and those who have already retired.

In brief, we continue to find low levels of self-reported retirement preparedness and actual and self-reported retirement literacy overall. While respondents can identify the general features of the Social Security system, clear understanding of how the system works and the impact of their individual choices remains lacking. For instance, respondents expressed most familiarity with the age of eligibility. Many knew that benefits are indeed affected by claiming age and that these benefits do not have to be claimed upon retirement. However, many were not familiar with how their benefits are calculated or how their actions would affect their benefits - in fact fewer than 5% of individuals felt they were very knowledgeable about retirement benefit calculation. There is relatively widespread confusion about the full retirement age and how delayed retirement credits work. We find that age, income and education are significantly and independently positively associated with knowledge and preparedness across all our measures, while Hispanics and Blacks are at a particular disadvantage relative to non-Hispanic Whites.

The paper is structured as follows: Section 2 describes the study design, the Understanding America Study, the main sample characteristics and the subsamples used for comparative purposes; Section 3 presents general results and makes comparisons to the 2010 study results; Section 4 describes disparities across population groups; and Section 5 concludes.

2. Survey Design

Based on Greenwald *et al* (2010), we designed a follow-up survey, with a number of modified and new questions, to learn more about individuals’ understanding of how Social Security works and the challenges they face. While Greenwald *et al* (2010) conducted both a telephone and online survey among individuals aged 25-64, our survey was online only, consisting of a 30-minute module fielded in the Understanding America Study. In addition to collecting basic household demographics, we covered knowledge, attitudes and perceptions of retirement planning in general; understanding of eligibility and entitlements; and views on expectations of Social Security, as well as its role and future. A second related survey

covered aspects of how people currently receive information about Social Security and their preferred channels of communication (Rabinovich and Yoong, 2015).

2.1. The Understanding America Study

The Understanding America Study (UAS) is a panel study, managed by the University of Southern California, of approximately 2,000 households representing the entire United States. The UAS is an Internet panel, which means respondents answer surveys on a computer, tablet or smart phone, wherever they are and whenever they wish to participate.

Although the majority of panel members have Internet access, it is not a requirement for participation because the panel was recruited by means of address-based sampling. Anyone willing to participate yet lacking a computer or Internet access has been provided a tablet and broadband Internet. In principle, any device with the capability to access the Internet (like smartphones) can be used to participate. Panel members answer questions about once or twice a month. Surveys are restricted to about 30 minutes per interview but as all data can be linked, a large amount of information is available about panel members, including financial behavior and financial literacy, cognitive capability and personality.

Sampling weights for the UAS are generated using an iterative raking algorithm. Specifically, a survey respondent is assigned a weight such that the weighted distributions of specific socio-demographic variables in the survey sample match their population counterparts (benchmark or target distributions). The benchmark distributions against which the survey is weighted are derived from the Current Population Survey (CPS) Annual Social and Economic Supplement. The reference population for the UAS pool of respondents is the U.S. population of those aged 18 and older, excluding military personnel and institutionalized individuals. The set of socio-demographic variables whose distributions are matched to produce sample weights in the UAS are race, gender x age, gender x education and household income x number of household members. For the purpose of weighting, the number of categories distinguished for each variable is limited to five to avoid cells with very few observations (which would potentially lead to very large or very small weights).

The variable “race” has three categories: White, Black and Hispanic/Others. The variable “education” has three categories: High School or Less, Some College, Bachelor or More. The variable “age” has five cohorts: 18-34, 35-44, 45-54, 55-64, and 65+. The variable “household income” has three categories: <\$35,000; \$35,000-\$74,999; \$75,000+. The variable “number of household members” has three categories: one member, two or three members, four or more members. Before implementing the raking algorithm, missing values of socio-demographic variables are imputed, except gender.

2.2 Sample Description

Data for this study were collected in the UAS, and fielded in both English and Spanish. This draft reports on results for a total of 1413 individuals aged 18-91 who answered the survey between May 21 and October 21st of 2015. Of these, 261 individuals had already retired. Table 1 shows the demographic characteristics of both the raw and weighted sample. For the remainder of the analysis, we apply the weights throughout.

Table 1: Descriptive Statistics (weighted and unweighted) N = 1413

	Unweighted	Weighted
Female	52.5%	51.8%
Non-Hispanic White	73.5%	67.9%
Non-Hispanic Black	11.5%	12.5%
Hispanic / Latino	7.8%	15.1%
Other	7.2%	4.5%
Age: <35	20.5%	30.2%
Age: 35-54	41.0%	34.6%
Age: 55-64	22.1%	16.7%
Age: 65+	16.5%	18.6%
Ever Married	54.4%	53.0%
Income: <\$30,000	26.6%	28.3%
Income: \$30,000-\$49,999	15.8%	16.9%
Income: \$50,000-\$74,999	20.9%	21.3%
Income: >\$75,000	36.6%	33.4%
Education: High school degree or less	20.9%	42.0%
Education: Some college	36.4%	28.7%
Education: College degree or more	42.6%	29.3%
Unemployed	8.1%	8.3%
Retired	18.5%	17.3%

For our population measures, we use all adults in our sample above, weighted to match the US population. We also define subpopulations of *retirees* and *non-retirees* using individuals who self-report as being retired or not retired, with no age exclusion. We define *beneficiaries* as individuals who self-report currently receiving benefits from Social Security.

For purposes of drawing comparisons with the 2010 study (see Table 2), we refer to the 2010 Matthew Greenwald and Associates telephone survey (MGA) and the 2010 online survey in the American Life Panel (ALP). Portions of the MGA study were administered only to two split samples, A and B, which are noted where relevant.

In both the MGA and ALP, samples were restricted to ages 25-65 (independent of retirement status), so in our tables of comparison over time, we present statistics reflecting the UAS sample of only ages 25-65. To minimize potentially confounding effects, when making comparisons to the online UAS survey, we refer mostly to the online ALP component of Greenwald *et al* (2010) but present the MGA phone survey results for completeness as well.

Table 2: Comparison of MGA, ALP and UAS weighted samples

	(1)	(2)	(3)
	MGA 2010 all age 25-65 (n=2,000)	ALP 2010 all age 25-65 (n = 1,536)	UAS 2015 all age 25-65 (n=1,147)
Gender			
Male	49%	49%	49%
Female	51	50	51
Age			
25 to 39	36%	27%	42%
40 to 49	26	25	20%
50 to 59	27	31	26%
60 to 65	11	15	11%
Mean (years)	44.9	47.1	44.0
Race/Ethnicity			
Non-Hispanic White	67%	73%	66%
Non-Hispanic Black	13	13	13%
Hispanic / Latino	14		17%
Other	6	12	4%
Marital Status			
Married	59%	66%	57%

*MGA 2010 – Matthew Greenwald and Associates telephone survey; ALP 2010 – American Life Panel online survey; UAS 2015 – Understanding America Study online survey.

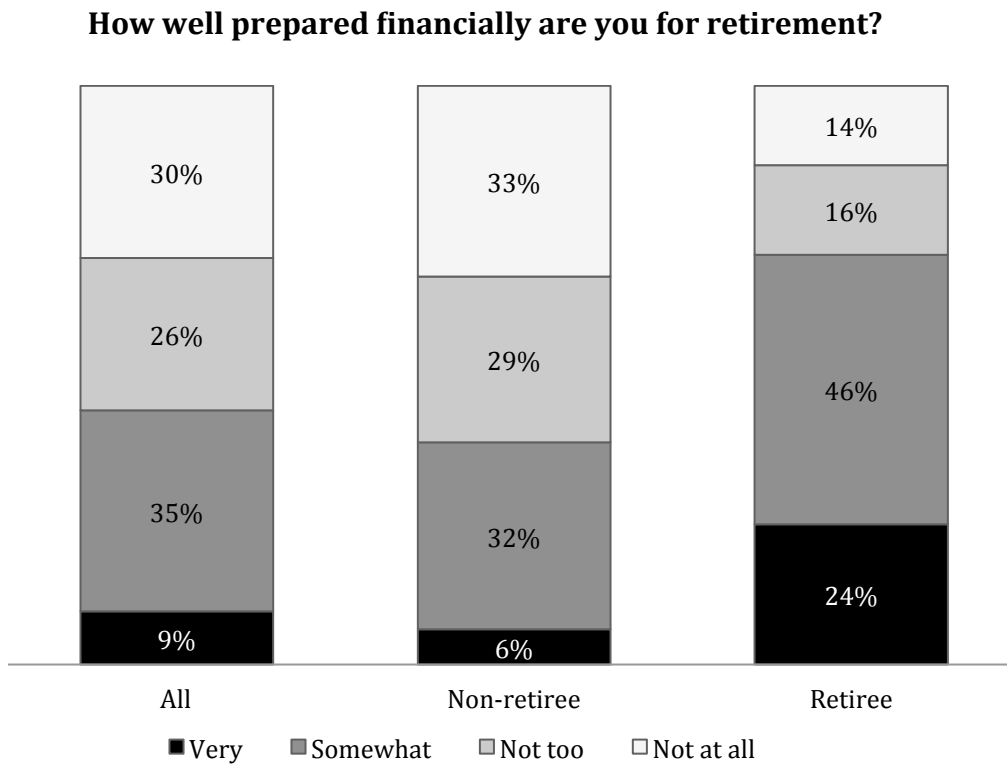
3. Main Results

3.1 Views about General Retirement Preparedness

All respondents were asked how prepared they felt for retirement, by assigning themselves a grade from A-D (very prepared, somewhat prepared, not too prepared, or not prepared at all). Figure 1 shows that among all individuals who had not yet retired, only a small minority (6%) feels very prepared for retirement. More than sixty percent feel not too (29%) or not at all (32%) prepared. Among those already retired, almost half feel somewhat financially prepared (46%) while a smaller yet sizable number of respondents feel very prepared (24%). However, almost a third of those already in retirement feel not too or not at all prepared to manage their current situation.

Comparison of these results over time suggest that self-perceptions of retirement preparedness may be improving, although this is complicated by the fact 2010 MGA and ALP respondents were allowed to grade themselves on a scale of A-F, rather than A-D. However, if we compare only the top-coded responses, only 5% of the ALP respondents gave themselves an A, compared to 7% of UAS respondents in the same age group (Table 3). The proportion of respondents giving themselves at least an A or B in the 2015 UAS is 41%, compared to just 25% in the 2010 ALP and 34% in the 2010 MGA.

Figure 1: Views of Retirement Preparedness



3.2. Views About Knowledge of Financial Planning for Retirement

Respondents were asked to rate themselves on a scale of 1 (very knowledgeable), 2 (somewhat knowledgeable), 3 (not too knowledgeable) or 4 (not at all knowledgeable) about the following topics: the impact of inflation on retirement, how much they would need to have saved to comfortably retire, how long they might live in retirement, how to invest in retirement, how to manage spending in retirement and, finally, how Social Security works. Table 4 shows that, consistently, across all these domains 13-22% of non-retirees report being not at all knowledgeable while only 8-12% report being very knowledgeable. Most (about 70% of the sample) remain relatively equivocal: either somewhat or not too knowledgeable, with the distribution skewing towards being less knowledgeable. Individuals are somewhat less confident about the topics of longevity and investing, while marginally more confident in their knowledge of money management, inflation and savings.

Levels of perceived knowledge are consistently lower in the 2015 UAS compared to the 2010 ALP (Table 5), where similar questions were asked on inflation, how much to save, how the Social Security system works and how long you might live in retirement. Not only do fewer individuals report being very informed about every topic, but more people report feeling not informed at all. When asked about how Social Security works, in 2010 16% of ALP respondents felt very knowledgeable and 54% somewhat knowledgeable, with only 6% feeling not knowledgeable at all. In 2015, only 10% of UAS respondents in the same age groups feel very knowledgeable and 46% feel somewhat knowledgeable; 12% feel not at all knowledgeable, doubling the proportion in that category compared to the 2010 ALP.

Table 3: Comparisons on Views About Retirement, 2010-2015

<i>How well prepared financially are you for retirement? Please give yourself a grade [from A to F – MGA/ALP] [A to D - UAS]</i>	MGA (A) <i>n</i> =999	ALP <i>n</i> =1536	UAS <i>n</i> =1135
A	10%	5%	7%
B	24%	20%	34%
C	26%	33%	30%
D	15%	17%	29%
F	23%	23%	.
Don't know	2%		

Table 4: Views of Relevant Financial Knowledge

<i>How knowledgeable do you feel about the following financial issues?</i>	How inflation will affect your retirement	How much to save to retire comfortably	How Social Security works	How long you might live in retirement	How to invest your retirement money	How to manage spending in retirement
All						
Very	13%	13%	12%	9%	9%	15%
Somewhat	47%	44%	48%	42%	38%	45%
Not too	25%	28%	29%	28%	33%	26%
Not at all	15%	16%	11%	21%	20%	14%
Not retired						
Very	11%	10%	10%	8%	8%	12%
Somewhat	44%	44%	45%	40%	36%	44%
Not too	27%	30%	33%	30%	34%	29%
Not at all	18%	16%	13%	22%	21%	16%
Retired						
Very	23%	25%	25%	13%	14%	33%
Somewhat	59%	45%	63%	51%	45%	51%
Not too	15%	18%	9%	18%	27%	11%
Not at all	3%	12%	4%	18%	14%	4%

Table 5: Comparisons of Views about Knowledge of Retirement, 2010-2015

Please tell me how knowledgeable you feel about the following financial issues. Do you feel very, somewhat, not too or not at all knowledgeable when it comes to...?		Very	Somewhat	Not Too	Not At All	Don't know
a.	How inflation will affect your retirement ¹					
	MGA (A)	23%	47%	16%	13%	1%
	ALP	18%	53%	19%	7%	.
	UAS	12%	45%	26%	16%	.
b.	How much you will need to have saved to retire comfortably					
	MGA (A)	25%	51%	12%	9%	3%
	ALP	18%	51%	21%	8%	.
	UAS	11%	44%	29%	16%	.
c.	How the Social Security system works					
	MGA (A)	19%	57%	17%	7%	0%
	ALP	16%	54%	22%	6%	.
	UAS	10%	46%	32%	12%	.
d.	How long you might live in retirement					
	MGA (A)	22%	40%	17%	13%	8%
	ALP	12%	48%	24%	12%	.
	UAS	8%	41%	30%	21%	.

(n: MGA (A) = 999, ALP = 1536, UAS=1121)

3.3 Views about the Role of Social Security

Respondents were asked to select a definition of Social Security benefits that best characterized their perceived role of the Social Security System (Table 6). The options were: to get back the exact amount of Social Security benefits workers contribute after they retire, to replace part of a worker's earnings from work or to replace all of a worker's earnings from work. Most correctly identify the role of Social Security as to replace part of earnings from work (70%), although a small number (5%) mistakenly believe it should replace all of a worker's earnings. A significant minority (24%) holds the misperception that the role of Social Security is to repay individual contributions made during working life.

Respondents also were asked what level of support they believe Social Security should provide to Americans like themselves in retirement (Table 6). The most common response

¹ MGA and ALP: "How inflation will affect your retirement income."

(39%) is that Social Security should provide about the basic necessities of life i.e. ensure a minimum standard of living. Very few (9%) respondents believe Social Security benefits should provide less than the basic necessities of life and a significant number (26%) feel Social Security should provide more than basic necessities, albeit at less than full replacement rate. Another 26% believe that Social Security should provide beneficiaries with their pre-retirement standard of living. Table 7 shows these beliefs about what Social Security should provide have remained relatively unchanged between the 2010 ALP survey and the 2015 UAS survey.

Table 6 : Views of Role of Social Security

<i>Please choose which definition of Social Security retirement benefits best describes the main purpose of the program:</i>	All	Non-retirees	Retirees
To get back the exact amount of Social Security benefits workers contribute after they retire	24%	26%	19%
To replace part of a worker's earnings from work.	70%	68%	80%
To replace all of a worker's earnings from work.	5%	6%	1%

<i>Please tell us which one of the following statements comes closest to what you believe Social Security should provide to Americans like you during retirement.</i>	All	Non-retirees	Retirees
Less than you need for the basic necessities of life	9%	8%	12%
About what you need for the basic necessities of life	39%	39%	41%
More than you need for the basic necessities of life, but not enough to maintain your pre-retirement standard of living	26%	25%	31%
At least enough to maintain your pre-retirement standard of living	26%	28%	16%

Table 7: Comparisons of Views about What Social Security Should Provide, 2010-2015

<i>Which one of the following statements comes closest to what you believe Social Security should provide to Americans like you during retirement. Do you think it should provide...?</i>	MGA (n=2000)	ALP (n=1536)	UAS (n=1134)
Less than you need for the basic necessities of life	7%	9%	9%
About what you need for the basic necessities of life	42%	39%	38%
More than you need for the basic necessities of life, but not enough to maintain your pre-retirement standard of living	22%	27%	27%
At least enough to maintain your pre-retirement standard of living	28%	23%	26%
Don't Know	1%	.	.

3.4 Views about the Future Solvency and Adequacy of Social Security

All respondents were asked about their confidence in the future ability of the Social Security system to pay their promised benefits. The results are shown in Table 8. Overall, only 6% of respondents feel very confident. As might be expected, those who are already retired are

relatively less concerned, although only a minority (21%) are very confident that they will continue to get the same level of benefits.

Non-retirees are considerably less confident both in the capacity of Social Security to pay benefits in the future as well as the likelihood of benefits continuing to be paid. 69% (44+25) are not even somewhat confident in the ability of Social Security to pay benefits and, indeed, 1 in 4 are not confident at all. These respondents also were asked whether they felt Social Security benefits would be there for them when they retired: only 27% of non-retirees are at least somewhat confident their Social Security benefits will actually be there when they retire, while a large minority (41%) is not at all confident.

Table 8: Views of Solvency of Social Security

<i>How confident are you that the Social Security system will be able to pay your promised benefits in the future?</i>	All	Non-retirees	Retirees
Very	6%	4%	19%
Somewhat	32%	27%	57%
Not too	40%	44%	20%
Not at all	21%	25%	4%

<i>How confident are you that Social Security retirement benefits will be there for you when you retire?</i>	Non-retirees
Very	4%
Somewhat	23%
Not too	27%
Not at all	41%
Don't know	5%

Table 9: Views of Adequacy of Social Security

<i>Are your current Social Security benefits enough for a good standard of living? / Do you expect your future Social Security benefits to be enough to ensure a good standard of living in retirement?</i>	Non-retirees: Expected future benefits	Retirees: Current benefits
Much less than enough	38%	45%
Somewhat less than enough	32%	34%
Just enough	20%	19%
More than enough	2%	2%
Much more than enough	1%	0%
Don't know	7%	.

Additionally, we asked respondents to evaluate the adequacy of their own Social Security benefits, relative to a “good” standard of living (Table 9). We split the sample into retirees (asked about current benefits) and non-retirees (asked about future benefits). On average, only about 23% of respondents feel their actual or future expected benefits would be enough or more than enough to ensure a good standard of living in retirement. Virtually no one feels the benefits are or would be much more than enough. Non-retirees’ future expectations appear to

closely reflect the current experience of retired respondents: for instance, the majority of non-retirees (70%) expect their future benefits to be less or much less than needed to ensure a good standard of living in the future, while most retired respondents (79%) find their benefits are indeed less or much less than enough to do so.

While earlier results show expectations of what Social Security should provide remain relatively unchanged, Table 10 shows that expectations of what Social Security will actually provide have considerably decreased relative to Greenwald *et al* (2010). Comparing the ALP 2010 to the 2015 UAS, we find current respondents to be more pessimistic about the outlook for their Social Security benefits. In the 2010 survey, a slight majority (51%) of respondents reported being at least somewhat confident that the Social Security system will be able to provide them with the level of benefits they are currently entitled to, while in the 2015 survey this view is held by only a minority (31%). Fewer than a quarter (22%) of 2015 non-retired UAS respondents feel their future retirement benefits would suffice or more than suffice to maintain a good standard of living, as opposed to about half of the 2010 respondents (46% in the 2010 ALP and 56% in the 2010 MGA).

Table 10: Comparisons of Views of Solvency and Adequacy of Social Security, 2010-2015

<i>How confident are you that the Social Security system will be able to pay your promised benefits [provide you with the level of benefits you are supposed to get under current law] in the future?</i>	MGA (B) (n=1,001)	ALP (n=1,536)	UAS (n=1132)
Very confident	10%	6%	4%
Somewhat confident	34%	45%	27%
Not too confident	36%	36%	46%
Not at all confident	19%	10%	23%
Don't Know	1%	.	.

<i>On a 1 to 5 scale, where "1" means much less than enough [totally inadequate], and "5" means much more than enough [highly adequate] for a good standard of living, how would you rate the retirement benefits you expect to receive from Social Security?</i>	MGA (n=1,001)	ALP (n=1,536)	UAS (n=976)
Much less than enough [Totally inadequate]	16%	17%	39%
Somewhat less than enough	27%	33%	33%
Just enough	38%	41%	19%
Somewhat more than enough	12%	4%	2%
Much more than enough [Highly adequate]	6%	1%	1%
Don't Know	15%	0%	6%

*UAS non-retiree only

3.5. Self-Assessed Knowledge Of Social Security

We next considered respondents' self-evaluated knowledge of specific aspects of the Social Security system. Table 11 shows the responses from non-retirees asked to rate their knowledge of the following five topics, again using a scale of 1 (very knowledgeable), 2

(somewhat knowledgeable), 3 (not too knowledgeable) or 4 (not at all knowledgeable: how benefits are calculated, age of eligibility, impact of claiming while still working, the size of benefits, and the impact of claiming early or late.

Table 12 shows the responses from the subset of married individuals on three major aspects of spousal benefits: how much spousal benefits are likely to be, how one’s own claiming decisions affect one’s spouse’s benefits and how one’s spouse’s claiming behavior might affect one’s own benefits.

Respondents believe themselves to be most familiar with the age of eligibility for full retirement benefits (Table 11). About 70% report being very or at least somewhat knowledgeable about this issue. Also, most retirees feel at least somewhat familiar with most other topics except benefit calculations.

Among non-retirees, confidence is low when it comes to how much benefits would be and how they would be affected by working or early claiming: only 12-13% feel very knowledgeable and 32-37% feel somewhat knowledgeable. Respondents are least familiar with how their benefits are calculated: fewer than 5% of non-retirees feel they are very knowledgeable about this topic while most (65%) feel they are not too knowledgeable or not knowledgeable at all. Among non-retirees, 29% of individuals have no knowledge of what their spouse’s benefits will be and 33% have no knowledge of how their claiming behavior will affect their spouse’s benefits and vice versa (Table 12).

Table 11: Self-Assessed Knowledge of Social Security Retirement Benefits

<i>Below is a list of aspects of the Social Security system. Please choose whether you feel you are very knowledgeable, somewhat knowledgeable, not too knowledgeable, or not at all knowledgeable about each aspect.</i>	How retirement benefits are calculated	Eligibility age for full retirement benefits	How benefits are affected if work and claim at the same time	How much monthly retirement benefits will be	How benefits change if you claim sooner or later
All					
Very	6%	27%	14%	21%	20%
Somewhat	33%	43%	34%	31%	36%
Not too	39%	18%	34%	25%	26%
Not at all	22%	12%	17%	23%	18%
Not retired					
Very	5%	21%	10%	12%	13%
Somewhat	30%	44%	31%	32%	37%
Not too	41%	20%	38%	29%	29%
Not at all	24%	14%	21%	27%	22%
Retired					
Very	12%	55%	33%	63%	53%
Somewhat	47%	36%	49%	27%	33%
Not too	29%	8%	15%	6%	12%
Not at all	12%	2%	3%	4%	3%

Table 12: Self-Assessed Knowledge of Social Security Spousal Benefits

<i>Below is another list of aspects of the Social Security system. Please choose whether you feel you are very knowledgeable, somewhat knowledgeable, not too knowledgeable, or not at all knowledgeable about each aspect.</i>	How much spouse's monthly retirement benefits will be	How decision to claim affects spouse benefits	How spouse decision to claim affects benefits
All (married)			
Very	21%	15%	14%
Somewhat	27%	27%	24%
Not too	26%	31%	33%
Not at all	26%	28%	29%
Not retired (married)			
Very	12%	9%	9%
Somewhat	28%	25%	22%
Not too	31%	34%	36%
Not at all	29%	33%	33%
Retired (married)			
Very	60%	42%	37%
Somewhat	24%	35%	33%
Not too	5%	15%	19%
Not at all	11%	8%	11%

Table 13 (individual benefits) and 14 (spousal benefits) show the comparisons of 2010 MGA and ALP with 2015 UAS respondents. In both 2010 and 2015, respondents report being least familiar with how benefits are calculated and most familiar with the age of eligibility, while familiarity with spousal benefits is lower than familiarity with individual benefits.

However, like general retirement literacy, UAS respondents report lower levels of Social Security knowledge, for all topics, compared to respondents in the 2010 surveys. This is true for both individual and spousal benefits. The sizes of the differences are striking. In the 2010 ALP survey, 55% of respondents reported feeling very or somewhat knowledgeable about how benefits are calculated, compared to just 36% of 2015 UAS respondents in the same age range. The large majority (81%) of ALP respondents felt at least somewhat knowledgeable about the eligibility age for full retirement benefits, compared to 69% of UAS respondents. Across the board, 2015 UAS respondents are more likely than either 2010 MGA or ALP to say they feel “not too knowledgeable.”

Table 13: Comparisons of Views about Knowledge of Social Security, 2010-2015

<i>Below is a list of aspects of the Social Security system. Please choose whether you feel you are very knowledgeable, somewhat knowledgeable, not too knowledgeable, or not at all knowledgeable about each aspect.</i>					
	Very	Some- what	Not Too	Not At All	Don't know
a. How Social Security retirement benefits are calculated					
MGA (n=2,000)	13%	39%	23%	23%	1%
ALP (n=1,536)	11%	44%	29%	13%	0%
UAS (n=1,122)	5%	31%	41%	23%	.
b. The eligibility age for full Social Security retirement benefits					
MGA (n=2,000)	40%	43%	8%	9%	0%
ALP (n=1,536)	37%	44%	12%	4%	0%
UAS (n=1,122)	23%	46%	19%	11%	.
c. How your Social Security benefits are affected if you work at the same time that you receive benefits ²					
MGA (A) (n=999)	19%	45%	20%	15%	0%
ALP (n=1,536)	20%	45%	23%	10%	0%
UAS (n=1,122)	11%	33%	37%	19%	.
e. How your benefits change if you claim Social Security benefits sooner or later ³					
MGA (n=2,000)	29%	45%	13%	12%	1%
ALP (n=1,001)	28%	46%	16%	8%	0%
UAS (n=1,147)	14%	38%	28%	20%	.
f. How much your monthly Social Security retirement benefits will be					
MGA (NB) (n=1,534)	32%	40%	10%	17%	2%
ALP (n=1,001)	24% [^]	45%	19%	9%	0%
UAS (NB) (n=967)	10%	33%	29%	27%	.

*NB = non-beneficiaries

² Text for Greenwald *et al* (2010): “How working after you claim Social Security benefits could affect the benefit received.”

³ Text for Greenwald *et al* (2010): “How Social Security retirement benefits change based on the age you choose to claim them.”

**Table 14: Comparisons of Views about Knowledge of Social Security, 2010-2015
(married respondents)**

<i>Below is another list of aspects of the Social Security system. Please choose whether you feel you are very knowledgeable, somewhat knowledgeable, not too knowledgeable, or not at all knowledgeable about each aspect.</i>					
	Very	Some- what	Not Too	Not At All	Don't know
a. How your decision about when to claim Social Security retirement benefits can affect your spousal benefit					
MGA (A, M) (n=637)	18%	36%	23%	21%	1%
ALP (n=1,001)	12%	36%	34%	16%	0%
UAS (M) (n=627)	8%	27%	34%	32%	.
b. How much your spouse's monthly Social Security benefits will be					
MGA (B, M, NB) (n=510)	24%	35%	17%	21%	3%
ALP (M, NB) (n=859)	16% [^]	39%	26%	17%	0%
UAS (M, NB) (n=559)	10%	28%	31%	31%	.
c. How your spouse's decision about when to claim Social Security benefits may affect the amount of benefits you will receive					
MGA (B, M) (n=623)	21%	39%	20%	20%	0%
ALP (n=1,001)	13%	36%	30%	18%	0%
UAS (M) (n=626)	8%	23%	36%	33%	.

3.6. Assessment of Knowledge About Social Security Retirement Benefits

In addition to self-reported knowledge, to assess respondents' understanding of the Social Security system they were asked a series of multiple-choice questions. Table 15 shows the questions and responses for a set of True/False questions and a set of multiple-choice questions about basic aspects of Social Security, and Table 16 compares these answers to similar questions presented in Greenwald *et al* (2010). Respondents also were asked to give their best estimates of their personal eligibility ages for Social Security benefits, shown in Figures 2 and 3. More detailed questions were also asked about delayed retirement credits, spouse and survivor benefits, reported in Tables 17 and 18.

3.6.1. Basic Knowledge of Social Security Retirement Benefits

Overall, consistent with the self-reported evaluation, we find respondents have basic knowledge of most topics but fare most poorly on questions related to benefits calculation (Table 15). 82% of respondents can correctly identify how Social Security is paid for (by a tax on both workers and employees) and 78% know someone may be entitled to benefits even if they do not work, as long as their spouse works. 84% know benefits are affected by the age of claiming and 80% of correctly answer benefits do not have to be claimed as soon as someone retires. Respondents are somewhat less familiar with the consequences of working in retirement: 71% correctly answer that earned income during retirement might lead to taxes

being paid on benefits. On the other hand, 41% of non-retirees and even 22% of retirees do not know benefits are adjusted for inflation, and only a small minority (18% of both non-retired and retired respondents) can identify the correct method of calculation of benefits. We find non-retirees are somewhat less knowledgeable than retirees although, surprisingly, a significant number of retirees are misinformed about benefits they are claiming or for which they already are eligible. On average, out of 7 questions, non-retired respondents scored 4.6 correct, and retirees scored 5.3.

Table 15: Knowledge of Social Security Retirement Benefits

Multiple-Choice Questions:	All	Non-retirees	Retirees
a. Someone who has never worked for pay may still be able to claim benefits if one's spouse qualifies for Social Security			
<i>True</i>	78%	76%	89%
False	22%	24%	11%
b. Social Security benefits are not affected by the age at which someone starts claiming			
True	16%	18%	9%
<i>False</i>	84%	82%	91%
c. Social Security benefits are adjusted for inflation			
<i>True</i>	63%	59%	78%
False	37%	41%	22%
d. Social Security benefits have to be claimed as soon as someone retires			
True	20%	23%	10%
<i>False</i>	80%	78%	90%
e. Retired people who continue to earn income from working or investments may have to pay tax on their Social Security benefits			
<i>True</i>	71%	68%	88%
False	29%	32%	12%
f. Social Security is paid for by a tax placed on both workers and employers			
<i>True</i>	82%	82%	86%
False	18%	18%	14%
g. Which of the following best describes how a worker's Social Security benefits are calculated?			
They are based on how long you work as well as your pay during the last five years that you are employed	31%	27%	47%
<i>They are based on the average of the highest 35 years of your earnings</i>	18%	18%	18%
They are based on how much Social Security taxes you paid	45%	48%	32%
They are based on your income tax bracket when you claim benefits	6%	7%	3%
Total correct (out of 7)	4.68	4.53	5.31

*Correct answers are italicized

Six of these seven questions were asked in a similar form in Greenwald *et al* (2010). The comparison between the MGA, ALP and UAS comparable samples are shown below in Table 16. Differences in question text are noted, with the UAS question text simplified for clarity. The results show that for all but one of the questions (on the relationship between age and claiming), UAS respondents are 5-8% less likely to provide a correct answer than the ALP respondents (although in some cases their performance is comparable to the MGA respondents).

Table 16: Comparisons of Knowledge of Basic Social Security Retirement Benefits, 2010-2015

Percentage correctly answering, by question:	MGA (n=2000)	ALP (n=1536)	UAS (n=1122)
a. Someone who has never worked for pay may still be able to claim benefits if one's spouse qualifies for Social Security [If people are not eligible for Social Security benefits because they did not work for pay, they could still receive benefits if their spouse qualifies for Social Security benefits]	74%	82%	77%
b. Social Security benefits are not affected by the age at which someone starts claiming [No matter how old people are when claiming benefits, their monthly Social Security benefit check is always the same.]	64%	79%	83%
c. Social Security benefits are adjusted for inflation [After retirement, Social Security benefits are adjusted for inflation]	57%	60%	59%
d. Social Security benefits have to be claimed as soon as someone retires [People have to claim Social Security benefits as soon as they stop working completely]	75%	82%	79%
e. Retired people who continue to earn income from working or investments may have to pay tax on their Social Security benefits [If retirees have income above a certain level from work or investments while receiving Social Security benefits, their monthly benefit will be taxed]	57%	76%	69%
f. Which of the following best describes how a worker's Social Security benefits are calculated?	23%	25%	18%

[Text for Greenwald *et al* (2010) in brackets]

3.6.2 Knowledge of Claiming Ages

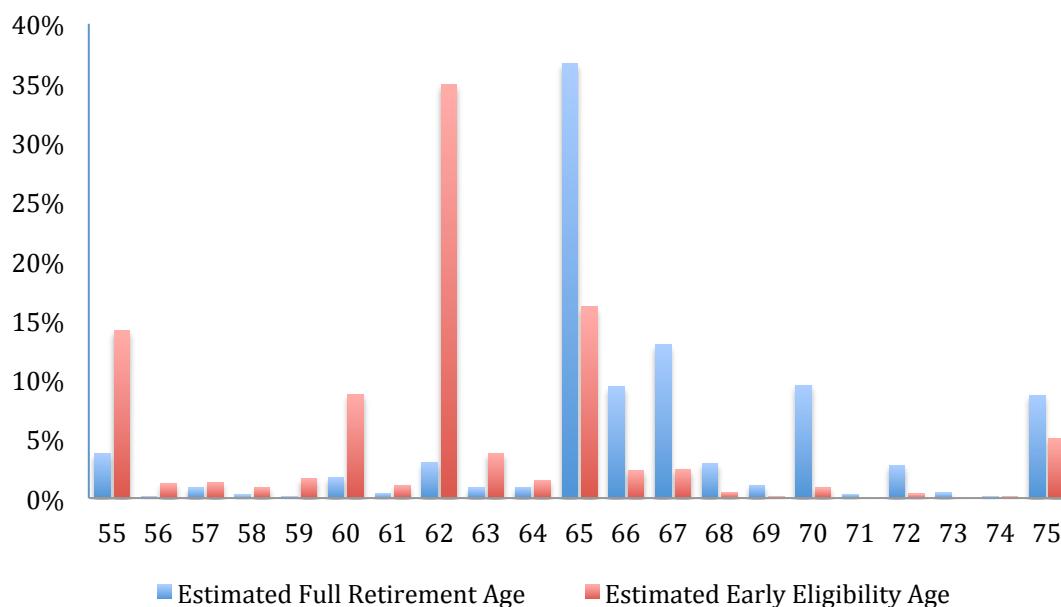
Respondents were asked to give their estimates of the earliest age at which they could claim benefits (Early Eligibility Age, or EEA) and the age at which they become eligible for full benefits (Full Retirement Age, or FRA). The EEA for all individuals is 62. FRA depends on birth year, but lies between 65 (for individuals born in 1937 or earlier) and 67 (for individuals born in 1960 or later), with an adjustment for individuals receiving benefits as survivors. For all respondents, we are able to compute the correct unadjusted and adjusted FRA.

Although many feel they are at least somewhat knowledgeable about the age of eligibility, this is not supported by their actual responses. As shown in Table 17, only 35% of respondents correctly give 62 as the EEA. Figure 2 shows the distribution of estimates of the EEA and FRA. A relatively high number of individuals give 55 or 65 (14% and 16%, respectively) as the EEA and 2% do not give any estimate.

Table 17 also shows that even fewer (21%) individuals give the correct FRA based on their birth-year (with or without correction for receiving benefits as a survivor). The most common estimate for FRA is 65 (37%), with 9% and 13% reporting, respectively, 66 and 67 (Figure 3). A sizable number of respondents (38%) report numbers outside this range, and 3% do not give any estimate.

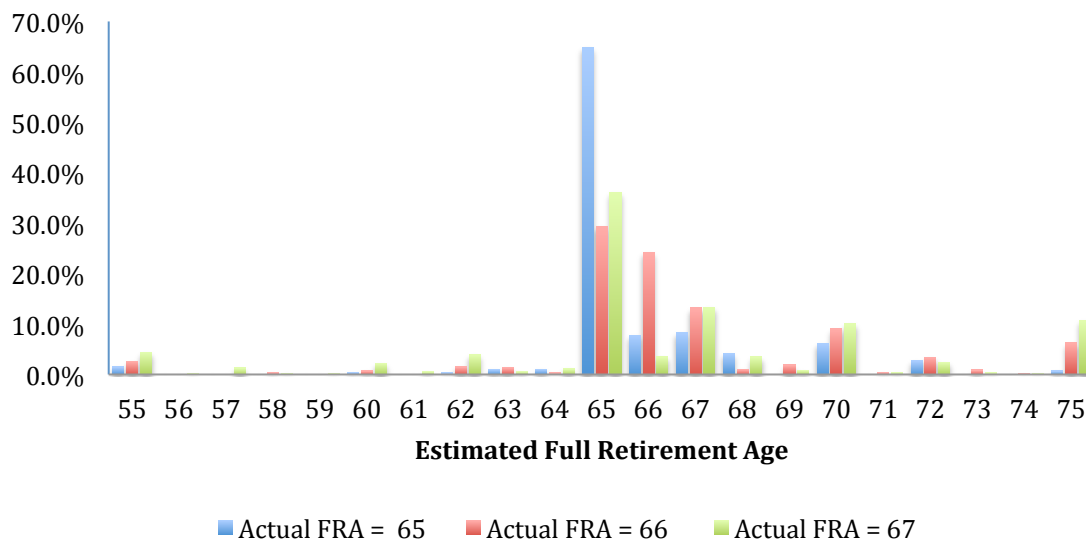
While respondents may not have a strong grasp of the specific numbers, Figure 2 also shows that in general, the distribution of estimated EEA lies below that of FRA, consistent with the finding that most individuals understand that it is possible to claim sooner than at the FRA.

Figure 2: Distribution of Estimates of Early Eligibility Age and Full Retirement Age



In Figure 3, we also look at separate distributions of estimated FRA by actual computed FRA. The modal response is 65 regardless of the actual FRA, although the distributions of the estimates shift upwards as the FRA increases. Hence, while most individuals for whom FRA is 65 are actually correct (65%), most individuals who have FRAs of 66 or 67 either underestimate (37% and 55% respectively) or overestimate it (36% and 27% respectively).

Figure 3: Distribution of Estimates of Full Retirement Age, by Actual Full Retirement Age



3.6.3 Knowledge of Delayed Retirement Credits

Respondents were also asked a series of questions to gauge their understanding of Delayed Retirement Credits (DRCs), credits that increase the amount of old-age benefits based on pushing back the claiming age (Table 17). DRCs increase during the period beginning at FRA and ending with the month when respondents turn 70 (72 before 1984).

First, when asked to choose the correct definition of “Delayed Retirement Credits” from three alternatives, almost 50% of all respondents report they do not know. About 27% are able to pick the correct definition (an increase in benefits due to delaying claims past FRA), but an equal number believe that DRCs are a bonus either for working past 65 (21%) or for working for an extended period of 40 years (3%).

Respondents also were asked when they were/would be first eligible to claim DRCs from the Social Security program: the EEA, FRA or a specific age. Only 15.4% of respondents explicitly choose the FRA and a further 1.4% states an age corresponding to their individual FRA, for a total of 16.8% correct answers. 67.4% state they do not know.

We also asked respondents to give the age at which they would stop being eligible for more credits i.e. when they would have already effectively maximized their DRCs. This age is 70

for all, except retirees who retired prior to 1984. In this case, only 5.4% give the correct answer; 11.5% give either the EEA or FRA, and a further 75.8% report they do not know.

Table 17: Knowledge of Eligibility Age and Delayed Retirement Credits

Percentage answering correctly:	All	Non-retirees	Retirees
a. To the best of your knowledge, what is your personal earliest eligibility age for claiming Social Security retirement benefits?	35%	29%	63%
b. To the best of your knowledge, what is your personal Full Retirement Age?	21%	15%	46%
c. One of the factors that can affect your monthly benefits is the so-called Delayed Retirement Credits (DRCs). Which one of the following statements is correct?	27%	25%	37%
1 The Delayed Retirement Credits are a bonus on Social Security benefits for people who have worked for at least 40 years.			
2 <i>The Delayed Retirement Credits indicate by what percentage monthly benefits increase if one waits until after FRA to claim benefits.</i>			
3 The Delayed Retirement Credits are an increase in benefits that comes from earning income by working after age 62.			
d. When are/were you first eligible to claim DRCs from the Social Security program	17%	17%	8%
e. At what age would you/did you stop earning additional delayed retirement credits (DRC) even if you continued to wait to claim benefits?	5%	4%	9%

**Correct answers are italicized*

3.7. Assessment of Knowledge about Disability Benefits

Most respondents know that workers who pay Social Security taxes are entitled to receive Social Security disability benefits (87% of non-retirees and 94% of retirees; Table 18). When asked to estimate the size of their own monthly disability benefits, non-retirees were most likely to believe they would receive \$500-999 (41%) while retirees were most likely to believe they would receive slightly more, \$1000-1499 (also 41%).

Table 18: Knowledge of Social Security Disability Benefits

Multiple-Choice Questions:	All	Non-retirees	Retirees
a. Workers who pay Social Security taxes are entitled to Social Security disability benefits if they become disabled and are no longer able to work			
<i>True</i>	88%	87%	94%
False	12%	13%	6%
b. If you were to become disabled and unable to work, about how much money per month do you think you would receive in Social Security disability benefits?			
<\$500	18%	20%	12%
\$500-\$999	38%	41%	24%
\$1,000-\$1,499	28%	26%	41%
\$1,500-\$1,999	10%	8%	16%

\$2,000 or more 6% 6% 6%

**Correct answers are italicized*

When compared to the 2010 study results (Table 19), we find awareness of benefits (as measured by the true/false question) is remarkably similar. Looking at the estimation of benefit amounts, a larger proportion of respondents in the 2015 UAS felt that they would receive lower sums monthly (for instance, 18% felt they would receive less than \$500, compared to 8-10% in 2010), although these results are not strictly comparable as the 2015 UAS did not allow for “Don’t Know” responses; hence, the unconditional distribution of responses is different. However, Table 19 also shows the distribution of estimated benefits in the 2015 UAS is still slightly lower when compared only to individuals who did provide an answer in the 2010 surveys (Table 19).

Table 19: Comparisons of Knowledge of Social Security Disability Benefits, 2010-2015

Percentage answering correctly:				
a. Workers who pay Social Security taxes are entitled to Social Security disability benefits if they become disabled and are no longer able to work ⁴				
	MGA (n=2000)	ALP (n=1536)	UAS (n=1122)	
<i>True</i>	88%	86%	90%	
<i>False</i>	8%	11%	10%	
<i>Don't know</i>	3%	.	.	
b. If you were to become disabled and unable to work, about how much money per month do you think you would receive in Social Security disability benefits?				
	MGA (n=1779)	ALP (n=1369)	UAS (n=1131)	
<\$500	10%	8%	18%	
\$500-\$999	33%	23%	40%	
\$1,000-\$1,499	19%	27%	27%	
\$1,500-\$1,999	11%	10%	9%	
\$2,000 or more	7%	4%	6%	
<i>Don't Know</i>	20%	25%	.	
(excluding “Don’t Know” responses)				
	MGA	ALP		
<\$500	13%	11%		
\$500-\$999	41%	31%		
\$1,000-\$1,499	24%	36%		
\$1,500-\$1,999	14%	13%		
\$2,000 or more	9%	5%		

**Correct answers are italicized*

3.8. Assessment of Knowledge about Survivor Benefits

The majority of respondents can answer basic questions about access to survivor benefits (Table 20). However, a sizable minority may be unaware of the additional protection Social Security provides for dependents. 81% know surviving underage children may claim benefits from a deceased parents. A smaller number (62%) are aware spouses may also claim, even if they have no children.

⁴ Text for Greenwald *et al* (2010): “To the best of your knowledge, is it true that most working people who pay Social Security taxes can get Social Security disability benefits if they become disabled and are unable to work?”

Table 20: Knowledge of Social Security Survivor Benefits

Multiple-Choice Questions:	All	Non-retirees	Retirees
a. If a worker who pays Social Security taxes dies, any of his/her children under age 18 may claim Social Security survivor benefits			
<i>True</i>	81%	79%	91%
<i>False</i>	19%	21%	9%
b. If a worker who pays Social Security taxes dies, his/her spouse may claim Social Security survivor benefits only if they have children			
<i>True</i>	38%	42%	20%
<i>False</i>	62%	58%	80%

**Correct answers are italicized*

Table 21: Comparisons of Knowledge of Social Security Survivor Benefits, 2010-2015

Percentage answering correctly:	MGA (n=999)	ALP (n=1536)	UAS (n=1122)
a. If a worker who pays Social Security taxes dies, any of his/her children under age 18 may claim Social Security survivor benefits			
[To the best of your knowledge, is it true that if a working person who pays Social Security taxes and has children under age 18 dies, his or her children get Social Security survivor benefits?]	84%	91%	81%
Percentage answering correctly:	MGA (n=1001)	ALP (n=1536)	UAS (n=1121)
b. If a worker who pays Social Security taxes dies, his/her spouse may claim Social Security survivor benefits only if they have children.			
[To the best of your knowledge, is it true that if a working person who pays Social Security taxes and is married dies, his or her spouse can get survivor benefits from the Social Security system even if they have no children?]	76%	86%	58%

[MGA/ALP text in brackets]

Table 21 shows the comparison between 2015 UAS and 2010 ALP/MGA data. In this instance, when looking at the question on children’s survivor benefits, the number of correct answers in the UAS data is considerably lower than the ALP data but comparable to the MGA.

On the other hand, the question on spousal eligibility in the absence of children shows much lower levels of correct responses in the UAS compared to both ALP and MGA. However, in this instance interpretation of differences may be partly confounded by framing effects – the 2015 question is framed negatively (with the answer as False) while the 2010 question is framed positively (with the answer as True). This suggests a potentially important area for future investigation.

4. Disparities across Subpopulations

In this section, we focus our attention on identifying disparities within the population that is not yet retired and further explore differences in potential vulnerabilities in preparation for retirement. We measured self-assessed preparedness as the fraction of individuals reporting feeling very financially prepared for retirement. We derived a measure of self-assessed general retirement planning literacy by computing the percentage of related domains in which the individual considers himself or herself “very knowledgeable” (out of the six mentioned previously: how inflation affects retirement, how much to save, how Social Security works, expected longevity, how to invest and how to manage spending). We used the same approach to compute a summary measure of self-assessed benefit literacy, using the five domains mentioned previously: how retirement benefits are calculated, eligibility age, effects of working on claiming, size of benefits and effect of claiming sooner/later). Finally, we computed a proxy for true Social Security literacy by taking the percentage of correctly answered questions about basic retirement benefits (as listed in Table 15).

Table 22 shows the results. When it comes to retirement preparedness, there are very clear effects for those above 65, whom are likely to be retirees. Perceived knowledge, both of general retirement planning and Social Security retirement benefits, increases with age, as does actual knowledge of Social Security.

There is a positive income gradient for both retirement preparedness and general planning literacy, rising from 3% in the lowest bracket to 18% in the highest. On the other hand, perceived/actual knowledge of Social Security increases then decreases weakly across income brackets; individuals in higher income brackets possibly have less need to rely on these payments.

Retirement preparedness and perceived/actual knowledge of Social Security also generally increase with education. Individuals with a college degree have somewhat better objective scores than those without (75%, compared to the sample average of 68%) but may be disproportionately more likely to rate their understanding highly (three times more likely compared to those with only a high school degree or less).

Black and Hispanic respondents feel less financially prepared and less knowledgeable than non-Hispanic whites across the board. Compared to White respondents (12%), only 1% of Black and 3% of Hispanic/Latino respondents feel they are very prepared for retirement. When it comes to views on general financial literacy as well as Social Security, Hispanic/Latino respondents specifically are less likely to say they are very knowledgeable about any of the topics compared to Black respondents, although their levels of assessed knowledge are approximately the same.

Table 22 also shows smaller but still existing disparities: Men are somewhat more likely than women to feel very financially prepared for retirement, and more likely to be (and feel) knowledgeable on both general financial literacy and Social Security. Being married is also positively associated with effects on all these measures.

Table 22: Differences in Views of Preparation, Views of Knowledge of Planning and Benefits and Actual Knowledge

	All	Age <35	Age 35-54	Age 55-64	Age 65+
Very financially prepared for retirement	9%	4%	8%	9%	20%
Retirement planning questions: % "very knowledgeable"	12%	8%	10%	13%	19%
Social Security benefit questions % "very knowledgeable"	13%	5%	9%	19%	29%
Social Security benefit questions % correct	68%	62%	67%	70%	77%

	Income <\$30,000	Income \$30,000-\$49,999	Income \$50,000-\$74,999	Income >\$75,000
Very financially prepared for retirement	3%	5%	9%	17%
Retirement planning questions: % "very knowledgeable"	7%	9%	11%	18%
Social Security benefit questions % "very knowledgeable"	9%	15%	17%	14%
Social Security benefit questions % correct	59%	67%	71%	74%

	Education: High school or less	Education: Some College	Education: College degree or more
Very financially prepared for retirement	5%	7%	17%
Retirement planning questions: % "very knowledgeable"	7%	11%	20%
Social Security benefit questions % "very knowledgeable"	11%	13%	16%
Social Security benefit questions % correct	63%	67%	75%

	White	Black	Hispanic /Latino	Other ethnicity
Very financially prepared for retirement	12%	1%	3%	8%
Retirement planning questions: % "very knowledgeable"	13%	10%	8%	12%
Social Security benefit questions % "very knowledgeable"	15%	12%	9%	10%
Social Security benefit questions % correct	71%	58%	60%	67%

	Male	Female	Married	Unmarried
Very financially prepared for retirement	10%	8%	13%	5%
Retirement planning questions: % "very knowledgeable"	14%	10%	14%	10%
Social Security benefit questions % "very knowledgeable"	13%	13%	14%	12%
Social Security benefit questions % correct	70%	66%	70%	65%

5. Discussion

Overall, we find that knowledge and understanding of Social Security leaves much to be desired, both by respondents themselves (few of whom perceive themselves to be very financially prepared for retirement) and by objective standards.

Most individuals have a reasonable expectation about how far their benefits are likely to go in terms of replacing their earnings and maintaining a good standard of living, and understand how Social Security is funded. At the same time, almost paradoxically, many would like to see Social Security provide more support in retirement yet express a lack of confidence in its future sustainability.

In general, most individuals can answer broad questions about Social Security yet many remain unclear about the details of their benefit calculation and how their work or retirement decisions may affect these benefits in the longer term. While the majority of individuals may be familiar with broad concepts, they still may struggle with a poor grasp of specific terms, especially with respect to Delayed Retirement Credits.

Our results also highlight some further concerns:

First, the findings suggest some individuals may well be at risk of making sub-optimal choices about Social Security and other savings before they retire. About a quarter of pre-retirees/future beneficiaries mistakenly believe that benefits need to be claimed at retirement, while one in five is unaware claiming early can negatively affect benefits. Furthermore, they may not have an accurate understanding of what they will actually receive: Many do not understand their benefits are inflation-indexed or that Medicare premiums will be deducted after 65. A significant minority may not be taking full advantage of their actual entitlements under Social Security: just over 10% are not aware of disability entitlements, almost 20% are unaware of the availability of survivor benefits for children and almost 40% do not know of the ability to claim spousal benefits even without children.

Second, knowledge appears to increase as age increases or retirement approaches. However, there are significant numbers of individuals retired or already beneficiaries who report not being financially prepared and lacking the appropriate knowledge to manage their retirement.

Thirdly, in some instances, respondents' self-perceptions of knowledge do not match their actual knowledge. Notably, while individuals are most likely to feel that they are knowledgeable about eligibility ages, when evaluated objectively the majority is not at all familiar with the basic terminology or specific age requirements. When it comes to DRCs, few respondents are able to correctly identify the starting point for increasing DRCs and even fewer were able to identify the period at which increments to DRCs end.

Fourthly, significant disparities exist for specific population groups related to gender, ethnicity, income and education. To help address these gaps related to Social Security and retirement literacy, in a companion paper (Rabinovich and Yoong, 2015) we discuss issues related to communications and appropriate/preferred forms of engagement for the general population as well as these specific groups.

Finally, many of our results, especially on perceptions of Social Security and on factual knowledge of aspects of the system, are broadly comparable to findings from five years ago, i.e. results in Greenwald et al (2010). However, there are differences in both self-reported and objectively assessed knowledge of the Social Security retirement benefits system compared to 2010, generally for the worse. Some of these differences may be attributable to mode

effects when compared to the telephone survey, the sample population composition (the UAS weighted sample is generally younger and includes a greater proportion of minorities) or survey design effects (such as framing or differences in response scales). However, we note that even with these limitations, these patterns of decline are remarkably consistent and persist even when comparing across online survey questions with the same restricted exclusion/inclusion restrictions. As noted in the Introduction, we also observe a similar decline in knowledge about retirement benefits but not other measures, such as perceived retirement preparedness, understanding of the general role of Social Security and disability benefits; this is consistent with trends observed in other national surveys showing a decline in retirement-related financial literacy.

While the extent of actual decreases in actual or perceived knowledge may be debated, it seems clear there have been few large, systematic gains in retirement-related literacy over the last five years. In other words, this 2015 survey suggests there is little room for complacency with respect to financial literacy and retirement preparedness as we look forward to new strategic priorities for the next five years and beyond.

References

Alessie, R., Van Rooij, M., & Lusardi, A. (2011). Financial literacy and retirement preparation in the Netherlands. *Journal of Pension Economics and Finance*, 10(04), 527-545.

Behrman, J. R., Mitchell, O. S., Soo, C. K., & Bravo, D. (2012). How financial literacy affects household wealth accumulation. *The American Economic Review*, 102(3), 300.

EBRI (2014), "The 2014 Retirement Confidence Survey: Confidence Rebounds—for Those With Retirement Plans", Issue Brief No 397, last accessed at http://www.ebri.org/pdf/surveys/rcs/2014/EBRI_IB_397_Mar14.RCS.pdf

FINRA Investor Education Foundation (2013). *Financial Capability in the United States: Report of Findings from the 2012 National Financial Capability Study* available online at http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Natl_Findings.pdf (last accessed on 17 September 2015)

Fornero, E., & Monticone, C. (2011). Financial literacy and pension plan participation in Italy. *Journal of Pension Economics and Finance*, 10(04), 547-564.

Greenwald, M., Kapteyn, A., Mitchell, O. S., & Schneider, L. (2010). *What Do People Know About Social Security?* Financial Literacy Consortium Report to the SSA, September.

Gustman, A. L., & Steinmeier, T. L. (1999). What people don't know about their pensions and Social Security: An analysis using linked data from the Health and Retirement Study (No. w7368). National Bureau of Economic Research.

Kim, K., & Hanna, S. D. (2013). Does financial sophistication matter in retirement preparedness of US households? Evidence from the 2010 Survey of Consumer Finances. *Consumer Interests Annual*, 59.

Klapper, L., & Panos, G. A. (2011). Financial literacy and retirement planning: the Russian case. *Journal of Pension Economics and Finance*, 10(04), 599-618.

Lusardi, A., & Mitchell, O. S. (2007a). Baby boomer retirement security: The roles of planning, financial literacy, and housing wealth. *Journal of monetary Economics*, 54(1), 205-224.

Lusardi, A., & Mitchell, O. S. (2007b). Financial literacy and retirement preparedness: Evidence and implications for financial education. *Business economics*, 42(1), 35-44.

Lusardi, A., & Mitchell, O. S. (2007c). Financial literacy and retirement planning: New evidence from the Rand American Life Panel. Michigan Retirement Research Center Research Paper No. WP, 157

Lusardi, A., & Mitchell, O. S. (2009). How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness (No. w15350). National Bureau of Economic Research.

Lusardi, A., & Mitchell, O. S. (2011a). Financial literacy and retirement planning in the United States. *Journal of pension economics and finance*, 10(04), 509-525.

Lusardi, A., & Mitchell, O. S. (2011b). Financial literacy and planning: Implications for retirement wellbeing (No. w17078). National Bureau of Economic Research.

Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), 5-44.

Rabinovich, L and J Yoong (2015). How Do People Learn About Social Security? CESR-Schaeffer Working Paper, University of Southern California

Van Rooij, M. C., Lusardi, A., & Alessie, R. J. (2011). Financial literacy and retirement planning in the Netherlands. *Journal of Economic Psychology*, 32(4), 593-608.