



## SOCIAL SECURITY STATEMENTS: NO EARLY “BIRTHDAY CARD” THIS YEAR, BUT WILL IT MATTER?

*In an effort to cut costs, the Social Security Administration (SSA) has suspended its automatic mailing of statements to workers. How much of an impact might this have on workers’ knowledge of their future Social Security benefits and, more importantly, on their behavior?*

For the past 15 years, the SSA has sent workers “the Statement”—a record of past earnings and a summary of estimated retirement benefits for different claiming ages. These statements were automatically sent two to three months before a worker’s birthday, making it the first “birthday card” they receive.

Not only did these four-page mailings list a personal earnings record and estimated retirement benefit, it also approximated a monthly disability retirement benefit, and a death benefit for the coming year.

The statements gave a concise overview of the Social Security program and allowed workers to review their recorded earnings / taxes paid for errors.

When the Social Security Administration first introduced the statements in 1995, they were sent only to 7 million workers age 60 and older. Over the next four years, the statement mailings phased in more and younger workers until October, 1999 when the statement was mailed to all workers ages 25 and older. In fiscal year 2010, the statement was mailed to 152 million people.

In April 2011, the SSA suspended these mailings for the foreseeable future. This move is expected to save approximately \$30 million in fiscal year 2011 and \$60 million in 2012.

### ➔ A QUICK LOOK

- The Social Security Administration (SSA) first introduced the “Statement” in 1995
- Findings reveal that the Statement improves recipients’ knowledge, but show no evidence of changing recipients’ behavior
- The SSA has discontinued mailing the Statement, though workers may estimate their expected benefits at any time using the SSA’s website, [www.ssa.gov](http://www.ssa.gov)

Since the mailings stopped in April, workers born July or later will not be receiving a paper statement in the mail this year. SSA plans to eventually resume mailing statements to workers in the age 60 and older group.

### WHAT DID WE LEARN FROM THIS?

To what extent did receiving these statements affect workers’ understanding of Social Security, and of their own estimated future benefits? A recent brief released by the Center for Retirement Research at Boston College, “Do Social Security Statements Affect Knowledge and Behavior?” by Giovanni Mastrobuoni, examines this question.

To help determine how much the Statement affected workers’ knowledge, Mastrobuoni looked to the Health and Retirement Study (HRS), a large-scale biennial survey of older Americans that focuses on the remaining decade of their work lives and into their retirement years.

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The HRS includes a variety of questions covering attitudes, expectations, and behaviors related to work and retirement, workers' levels and sources of income, the role of pension plans, health as it relates to retirement timing and life during retirement. Mastrobuoni focused on the HRS conducted between the years 1992-2000, the years immediately before and after the SSA began automatically mailing the statements. He also limited his focus to only workers between ages 55 and 70.

Whether or not the workers received the statements, the probability of delaying retirement remained the same.

Since the statements were sent in phases to workers according to age, it is possible compare the HRS answers of those who had received the statement against the HRS answers of those who had not. Mastrobuoni compared workers of the same age in different years (60-year-olds in 1992 versus 60-year-olds in 1994) and also workers of the same age in the same year (workers who had turned 60 before the start of the federal fiscal year, October 1, versus those who had turned 60 after).

One of the questions on the HRS tests how accurately participants are able to estimate their future Social Security benefit. It is not surprising that, since the SSA began mailing the statements in 1995, a far greater percentage of workers are able to report a benefit estimate.

Prior to 1995, workers could proactively contact SSA directly and ask for a personal benefit estimate. Fifty percent of workers did so by age 62.

After the statement was introduced, the HRS reported estimates of those who had never proactively contacted the SSA were nearly as accurate as those who had. So the Statement had a significant impact on workers' knowledge of their future Social Security benefit.

## TO KNOW IS TO DO?

However large an improvement the Statement has brought to workers' knowledge, the Statement does not appear to have any effect on workers' retirement plans.

The Statement lists estimated benefits for age 62, full retirement age, and age 70, with increases to incentivize workers to delay retirement. However, Mastrobuoni found that, whether the groups received the statements or not, the probability of delaying retirement remained the same.

He acknowledges that further research is needed to really determine the Statement's effectiveness on workers' behavior. This study does not take into account how the Statement might affect workers' behaviors in other ways—increasing saving before retirement, for example.

## AND THEN THERE WERE NONE

As for the future, the effects of discontinuing the Statement and turning workers instead to the SSA website for their estimates are yet to be seen. On the plus side, the website is immediate and can be accessed throughout the year. Potential disadvantages would be lack of awareness on the workers' part, lack of Internet access or knowledge, and the sudden shifting the impetus to the worker now to obtain the information.

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*The study, titled "Do Social Security Statements Affect Knowledge and Behavior?" was written by Giovanni Mastrobuoni Assistant Professor at the Collegio Carlo Alberto, and CeRP and Netspar Fellow. This brief was adapted from a longer paper (Mastrobuoni 2011 forthcoming). This research was supported by a Sandell Grant from the Center for Retirement Research at Boston College.*