HOW MUCH IS THE SOCIAL SECURITY ADMINISTRATION SAVING WITH EARLY ENTITLEMENTS?

Dr. Peg Horan, Wagner College, New York, USA
Prof. Ian Wise, Wagner College, New York, USA
Prof. Thomas Horan, St Joseph's College, Brooklyn Campus, New York, USA

Abstract

The Social Security retirements benefits provided by the US Government depends on basically two factors 1) the amount the claimants have paid in over their working lifetime and 2) the age at which payments are initiated. The focus here is on the latter. How it works is that the normal age of retirement is 66 for most when 100% of benefits are collectable. Electing to collect as early as age 62 reduces the monthly benefit to 75%. Electing to defer to age 70 increases the monthly benefit to 132%. The research interest here is to project, on a macro level, the aggregate lifetime dollar difference between what will be paid to one group of earlier claimants as opposed to how much would have been paid if they collectively deferred to age 66. The methodology for this study focused on the first-time group of early claimants in 2014, and projected their lifetime payout benefits and then recalculated the lifetime payout benefits as if they had deferred as a group to age 66. The data used for the study was taken from the "Annual Statistical Supplement to the Social Security Bulletin 2015" Table 6 A.3., which presents the number of first-time early claimants in 2014, by category of male or female and the average monthly benefits paid to each. The finding was that this group of early claimants from 2014 will collectively lose approximately $26 billion by collecting before full retirement age. This is a significant dollar amount for only one year of early claimants which if extrapolated for each group of early claimants in the system over lifetime payouts would aggregate to a tremendous amount. Also, the literature review reflects that the group of early claimants are more vulnerable, have a lack of employment opportunities, and are of lower income. Thus, this disparity also reflects an inequality issue.

Keywords: Social Security, Mortality rates, Full Retirement Age