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Social Security Retirement Benefit Claiming Age

Background

Social Security provides monthly cash benefits to retired or disabled workers and their family members, as well as to the family members of deceased workers. The Social Security *full retirement age* (FRA) is the age at which retired workers can first claim *full* Social Security retired-worker benefits. The FRA was 65 at the inception of Social Security in 1935. As part of legislation enacted in 1983 (P.L. 98-21), starting with workers born in 1938, the FRA increased by two months every birth year until the FRA reached 66 for workers born in 1943 to 1954 and then increased again in two-month increments until the FRA reached 67 for workers born in 1960 or later.

Retired workers can claim retirement benefits as early as age 62 (the *earliest eligibility age*, or EEA). Benefits claimed between age 62 and the FRA, however, are subject to a permanent reduction for early retirement. For each of the 36 months immediately preceding the FRA, the monthly rate of reduction from the full retirement benefit is five-ninths of 1%. For each month earlier than three years (36 months) before the FRA, the monthly rate of reduction is five-twelfths of 1%. Therefore, for a worker with an FRA of 65, claiming benefits at 62 results in a 20% permanent reduction in his or her monthly benefit. The reduction is 25% if the FRA is 66 and 30% if the FRA is 67.

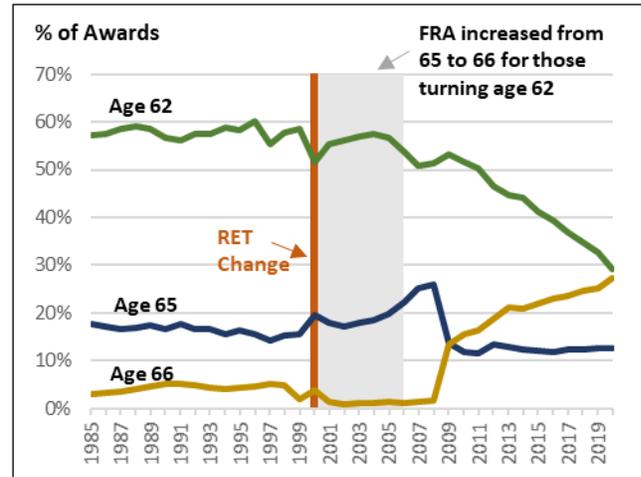
A retired worker who claims benefits after the FRA may receive a *delayed retirement credit* (DRC). The maximum age at which the DRC applies is age 70. Any further delay in claiming benefits past age 70 does not result in a higher benefit. Under current law, the amount of the credit varies based on the worker's year of birth. The credit for workers born in 1943 or later is 8% per year.

Age Distribution of Social Security Benefit Claims for Retired Workers

By Calendar Year

Before 2000, most retired workers claimed their retirement benefits at either age 62 (the EEA) or the FRA. In most years between 1985 and 1999, about three-quarters of retired-worker benefits were awarded to workers who claimed benefits at age 62 or the FRA (see **Figure 1**), 20% were awarded to retired workers older than the EEA but younger than the FRA, and the remaining 5% were awarded to retired workers who claimed benefits after the FRA. However, the age distribution of Social Security benefit claims has shifted to later ages in the past two decades. Several factors are likely to have contributed to the change in Social Security benefit claiming ages, including changes in the FRA, the retirement earnings test (RET), the DRC, the economic environment, and the population age distribution.

Figure 1. Social Security Retired-Worker Benefits, Claiming Age Distribution, 1985-2020



Source: Social Security Administration, Annual Statistical Supplement, 2000-2021, Table 6.A4, and Table 6.B5.

Notes: The RET was repealed in 2000 for workers who have reached the FRA (P.L. 106-182). The proportion of retired workers who claimed Social Security benefits at age 66 includes those between ages 66 and 69 during 1985-1998.

In 2000, for those reaching age 62, the FRA began to increase. Starting with retired workers born in 1938, the FRA increased from age 65 in two-month increments until the FRA reached 66 for workers born in 1943-1954. As a higher FRA results in a larger benefit reduction at age 62, the proportion of retired workers who claimed benefits at the FRA has increased and those who claimed benefits at age 62 has declined since 2003. The trend was affected by the economic recession (2007-2009) when some people claimed Social Security benefits early in response to the high unemployment rate. When the FRA reached age 66 for those born in 1943, age 66 replaced age 65 as the second peak age at which retired workers claimed Social Security benefits. Since then, there has been a continuing decline in the proportion of retired workers who claimed benefits at age 62 and an increase in the proportion of retired workers who claim benefits at the FRA of 66. The proportion of retired workers who claimed benefits at age 65 dropped but still remained above 11% after 2009.

The RET results in a withholding of monthly benefits for Social Security beneficiaries whose earnings exceed certain thresholds set in law. In 2000, Congress repealed the RET for workers who have reached the FRA (P.L. 106-182) in order to encourage older people to work. The earnings test now applies only to beneficiaries who are under the FRA. Numerous studies have found evidence that this provision encouraged more workers at and above the FRA to claim

Social Security benefits at the FRA, as their benefits would not be reduced for earnings. This among other reasons lead to a larger proportion of retired workers claiming benefits at the FRA and a smaller proportion at age 62 in 2000.

In addition, studies show that the increase in the DRC increased the incentive to take up benefits after the FRA, thus shifting the claiming age distribution of Social Security benefits toward later ages. Comparing workers who were born in 1925 with those born in 1943 or later, the DRC increased from 3.5% per year to 8%. The proportion of retired workers who claimed benefits after attaining the FRA increased from about 4% in 2010 (when people born in 1943 attained age 67) to 16% in 2020.

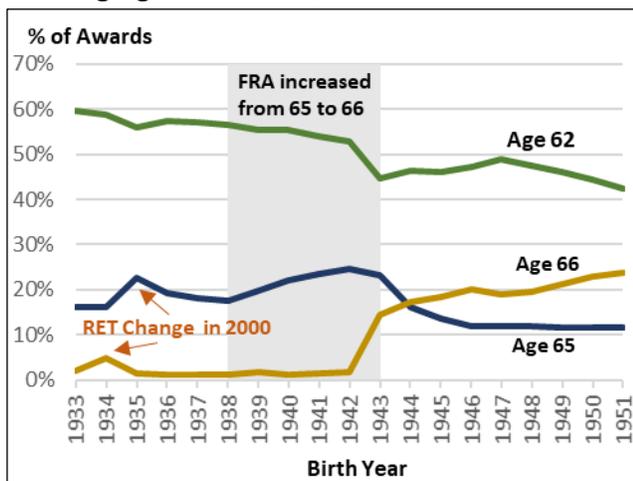
Baby boomers, who were born between 1946 and 1964, started to attain the EEA of 62 in 2008. So the change in the age distribution of Social Security benefit claims among retired workers also reflects the change in the population age distribution.

By Birth Year

To analyze the behavior of each birth cohort, **Figure 2** displays the proportion of retired workers between the ages of 62 and 69 who claimed Social Security benefits at age 62, 65, and 66 for workers in the birth cohorts from 1933 to 1951. (People born in 1951 attained age 69 in 2020.)

As noted earlier, the FRA gradually increased from age 65 to 66 for workers who were born between 1938 and 1943. Since a higher FRA results in a larger benefit reduction at the EEA of 62, the proportion of workers in the 1938-1943 birth cohorts who claimed benefits at age 62 declined, and the proportion of those workers who claimed benefits at the FRA increased. For workers who were born in 1943, when the FRA reached age 66, the proportion of workers who claimed benefits at the age of 66 increased more than 12 percentage points compared with the prior cohorts.

Figure 2. Social Security Retired-Worker Benefits Claiming Age Distribution, Birth Year 1933-1951



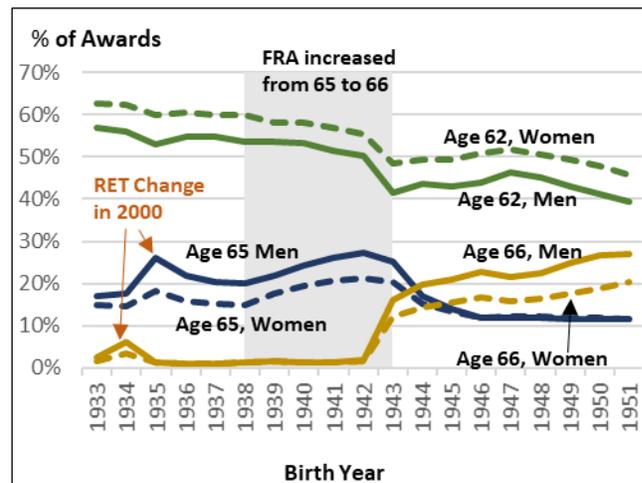
Source: Social Security Administration, Annual Statistical Supplement, 2000-2021, Table 6.A4.

Notes: The RET was repealed in 2000 for workers who have reached the FRA (P.L. 106-182).

Workers who were born between 1943 and 1951 have an FRA of 66. The proportion of those workers aged 62-69 who claimed Social Security benefits at age 62 decreased from 45% to 42%, the proportion of those who claimed benefits at age 65 declined from 23% to 12%, and the proportion of those who claimed benefits at the FRA increased from 14% to 24%.

The change in the distribution of Social Security benefit claiming age is relatively consistent for both male and female workers. But women were generally more likely than men to claim benefits at age 62, the EEA, and were less likely to claim benefits at the FRA (see **Figure 3**).

Figure 3. Social Security Retired-Worker Benefits Claiming Age Distribution by Gender, Birth Year 1933-1951



Source: Social Security Administration, Annual Statistical Supplement, 2000-2021, Table 6.A4.

Other Factors

In addition to the policy changes discussed above, some other factors may also affect the ages at which retired workers claim Social Security benefits. For example, one study finds that receipt of the Social Security Statement, a benefit estimate statement made available to workers by Social Security Administration since 1995, decreases the likelihood of benefit claiming at earlier ages and increases the likelihood of claiming at later ages such as 65. Some provisions in the Bipartisan Budget Act of 2015 (P.L. 114-74) changed certain Social Security benefits filing rules and will possibly affect the claiming behavior of some retired workers at the FRA and older.

Further, some studies suggest that couples like to retire together, and because husbands tend to be older than their wives on average, the increased labor force participation of women since the 1960s may lead to later retirement of men. Researchers have also shown that peers at the workplace or those closest in age tend to have an impact on individual retirement decisions, so policies that encourage later retirement spillover to adjacent cohorts and amplify the effect of changes in retirement incentives.

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