



**HEARING BEFORE  
THE SPECIAL COMMITTEE AGING  
UNITED STATES SENATE**

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**STATEMENT  
OF  
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Chairman Kohl, Ranking Member Corker, and Members of the Committee, thank you for the opportunity to speak to you about the importance of the Social Security retirement decision, and how it affects women. I am LaTina Burse Greene, the Assistant Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration.

For over 75 years, Social Security has provided a solid foundation of financial protection for the American public. Our programs have allowed Americans to retire with dignity, and without fear of poverty. During fiscal year (FY) 2011, we paid nearly 60 million people over \$770 billion in benefits. For most people, retirement is one of the most important decisions they will make, and our role is to help ensure that the American people have the accurate information they need to make sound, informed decisions about Social Security retirement benefits.

Clearly, Social Security benefits are a very important part of an individual's retirement security. However, Social Security was never intended to provide for all of a worker's retirement income needs. Income from an additional retirement programs and personal savings should be part of an individual's sound financial plan. Nonetheless, individual financial situations vary greatly, and each retiree should weigh all factors carefully, considering individual circumstances -- such as anticipated financial needs and obligations, health and family longevity, and any plans to earn employment income in retirement-- before making the important decision about when to begin receiving Social Security benefits.

### Social Security Protection For Women

I would like to begin by outlining some of the program features of Social Security that are particularly important to women. Although Social Security program is gender neutral—individuals with identical earnings receive the same benefits—some elements of the program are particularly helpful for women for several reasons. First, women tend to live longer; second, women generally have lower lifetime earnings than men; and third, women often retire with smaller pensions and other assets than men.

Currently, women represent 57 percent of all Social Security beneficiaries aged 62 and older and approximately 68 percent of all such beneficiaries aged 85 and older. In addition, because of their greater longevity, women have a greater chance of exhausting other sources of income. Income from other retirement programs and savings may run out, but Social Security benefits continue for life.

One important feature is the benefit formula. Since the Social Security program's inception in 1935, the benefit formula was structured to replace a larger portion of pre-retirement earnings for lower earners than for higher earners.

Another important feature is the automatic cost-of-living adjustment provision (COLAs), enacted in 1972, to maintain the purchasing power of benefits. This COLA feature is particularly important for women because of their greater life expectancy.

A third feature is that family members of retired, disabled, and deceased workers are eligible for benefits as well. In addition to potential eligibility for benefits as a retired or disabled worker, women may be eligible for benefits as a spouse, divorced spouse, or widow. These benefits are especially important to women because they are more likely to receive spouse's or widow's benefits due to their lower lifetime earnings, and many times women are eligible for spouse's or widow's benefits in addition to benefits they receive based on their own earnings. In other words, women may be entitled to benefits based not only on their own work and earnings, but on the work and earnings of a spouse. In addition, as women's participation in the workforce increases, disability coverage becomes more prevalent and more important to financial security.

### Social Security Retirement Decisions and Financial Security

Choosing when to retire will determine the amount of Social Security benefits a person will receive for the rest of his or her life and also can affect his or her spouse's benefits. For this reason, we have developed a strong policy framework to provide complete and accurate information -- not advice -- to assist claimants with making a personal decision on when to retire, without influencing their decision.

When people ask us--"What is the best age to start receiving retirement benefits?" --we tell them that there is no "best age" for everyone and that ultimately, it is their choice. It is a personal decision that should be based on a number of factors, such as their current cash needs, health and family longevity, whether they plan to earn employment income in retirement, whether they have other retirement income sources, their anticipated future financial needs and obligations, whether others may be dependent on them or their Social Security benefit, and, of course, the amount of their future Social Security benefit.

Anyone interested in filing for retirement benefits can reach us through a variety of service channels. We are available online, on the telephone, and in person to answer questions and provide information. People can obtain retirement information by accessing our "Retirement Planner: When to Apply" webpage from

our homepage at [www.socialsecurity.gov](http://www.socialsecurity.gov) or download our factsheet “When to Start Receiving Retirement Benefits”. As more people choose to conduct their business online, we believe that our online services will become the preferred method of contacting us. Nevertheless, we recognize that some people will need or prefer to talk to one of our experts to answer their questions.

Regardless of how a person chooses to file for retirement, our policy is to provide information about the monthly benefit amounts payable at various ages, such as the earliest possible month of entitlement - age 62, at full-retirement age, at age 70, or at any other age the person requests. We also discuss how earnings can affect benefits, and we explain other benefits that may be available, such as benefits that could be payable to a spouse or to a child.

### Impact Of Early Retirement

Some research has suggested that the way we presented information on claiming benefits in the past may have induced some people to take their Social Security benefits early. Although the age a person begins receiving retirement benefits will not make a difference in total lifetime benefits on average, age does have an impact on the amount of the monthly payment. Taking benefits early, before reaching full retirement age, means that the monthly benefit amount will be smaller, in order to account for the longer period over which the benefit will be paid.

Taking Social Security benefits early results in a permanent reduction in the amount of the monthly retirement benefit. The maximum reduction at age 62 in comparison to full retirement age was 25 percent for people who reached age 62 in 2008 or earlier. As the full retirement age continues to increase to age 67, the reduction will increase to 30 percent for people born after 1959.

Conversely, taking benefits later can result in a permanent increase in the amount of the monthly benefit. Workers who delay retirement to beyond their normal retirement age can earn delayed retirement credits that increase their monthly benefit. For those born in 1943 and later, the increase is 8 percent per year of delayed retirement through age 69. Clearly, the age of a person claiming benefits makes a significant difference in the monthly benefit amount. For example, assume that an individual’s full retirement age is 66 with a monthly benefit of \$1,000. If she chooses to start receiving benefits at age 62, her monthly benefit would be reduced to \$750 to account for the longer period of time she will receive benefits. In general, the decision to receive benefits before the full retirement age permanently reduces her monthly benefit.

If she chooses to wait to receive benefits until age 70, she would permanently increase her monthly benefit amount to \$1,320. This increase is based on delayed retirement credits she gets for her decision to postpone receiving benefits past her full retirement age. The benefit amount at age 70 in this example is 32 percent more than she would receive per month if she chose to start getting benefits at full retirement age.

The decision on when to apply for Social Security affects not only the amount of the worker's own benefit, but will affect the amount of any potential benefit paid to the worker's survivors. This factor can be very important to married women, who may claim a widow's benefit on the record of their deceased spouse. In effect, the same reduction in the worker's benefit will apply to the widow(er)'s benefit.

### Our Retirement Planning Tools

We have developed many new, easy-to-use tools to help people navigate the complexities of their retirement decisions. The Retirement Planner on our website provides a great deal of information and a number of tools that the public can use to better understand our programs and the importance of the retirement decision.

Our online Retirement Estimator provides immediate and personalized retirement benefit estimates. The Estimator will allow a person to create "what if" scenarios. For instance, users can change the date they plan to stop working and expected future earnings to create and compare different retirement options. It enables users to see the effects of these decisions on their retirement benefits at age 62, current age, full retirement age, age 70, or any other age requested.

The Retirement Estimator greatly improved the information available to people as they plan the right time to retire. It is simple, easy-to-use, and provides highly accurate benefit estimates. Since its launch in 2008, this tool has become popular with the American public. It is the second highest rated electronic service in the Federal government, ranking only one point behind our online benefit application (iClaim) in the University of Michigan's American Customer Satisfaction Index (ASCI) survey. It scored higher than popular private sites like Google and Amazon, and is now available in Spanish.

As a complement to the Estimator, we developed an Online Life-Expectancy Calculator - another simple, but important, tool to assist the public with retirement planning. Many people substantially underestimate life expectancy, and this online service adds a measure of accuracy to retirement planning by providing average life expectancies at different ages based on the person's gender and date of birth, drawing on assumptions provided in the annual Trustees' report. According

to our most recent data, a man reaching age 65 today can expect to live, on average, until age 83. A woman turning age 65 today can expect to live, on average, until age 85. Keep in mind, however, that one out of every four 65 year olds today will live past age 90 and one out of 10 will live past age 95.

Another tool that we have developed is a Retirement Age calculator that allows a beneficiary to compute the effect of receiving early or late retirement benefits. The user enters his or her date of birth and the effective month for beginning benefits. From this information, the tool can provide the effect of early or delayed retirement as a percentage of the basic benefit amount.

Our webpage, [www.socialsecurity.gov/women](http://www.socialsecurity.gov/women), has been a staple on our website since 2001. It offers important information for working women, brides and new mothers, divorced women and caregivers, as well as women who are receiving benefits.

We also have print resources specifically designed for women. These include:

- a fact sheet “Social Security Is Important to Women,” and
- *Publications including* “What Every Woman Should Know,” and “Understanding the Benefits”

Individuals can download these publications from our website or request them through our 800 number.

One of our most useful retirement planning tools is the *Social Security Statement*, which provides workers with estimates of future monthly retirement, disability, and survivors benefits. This is especially important to women, who are likely to spend longer in retirement than men, and are more likely to be entitled to benefits as a widow. In February of this year, we resumed mailing the *Statement* to workers age 60 and older. On May 1, we made it available on our website at [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement). This past Monday, we resumed first time mailings to workers at age 25.

### Our Research on Challenges Facing Women

We conduct extensive research about the role of Social Security in women’s retirement security and the challenges they face. I would like to mention some important themes from our research include:

Women are more reliant on Social Security for retirement income than men.

- In 2010, Social Security comprised an average of 54 percent of women's (65 or older) family income and at least 90 percent of the income of 26 percent of these women.<sup>i</sup>
- Among women 80 or older in 2010, Social Security comprised an average of 63 percent of women's family income and at least 90 percent of the income of 35 percent of these women
- Social Security spouse and survivor benefits are a particularly important source of retirement income. At the end of 2010, 12.9 million women Social Security beneficiaries aged 62 or older (54 percent) received at least part of their benefit as wives or widows of entitled workers.<sup>ii</sup>

However, demographic changes in the population are reshaping the types and amounts of Social Security benefits women may receive, which may have an important effect on their retirement income.

- A growing tendency toward never marrying, along with shorter marriages before divorce, may foreshadow a decline in women's eligibility for spouse or widow benefits in future years.<sup>iii</sup> This trend may have particularly marked effects for certain minorities or economic groups.
- At the same time, rising labor force participation among women means that they are more likely to qualify for Social Security benefits based on their own earnings record.<sup>iv</sup> However, due to continued earnings differences between men and women, many of these women will continue to rely on widow's benefits if they outlive their husbands.

Despite increased labor force participation and earnings, women still face unique challenges in accumulating retirement resources.

- Women tend to have lower contribution rates to retirement savings accounts, such as in 401(k) plans and IRAs. Women's concentration in lower-wage or part-time jobs contributes to this.<sup>v</sup>
- Analysis of national survey data has revealed that younger single women are less likely than single men or their married counterparts to view retirement as an important reason to save, and are less likely to have an IRA account or participate in a defined-contribution pension plan. This may lead to lower accumulation of retirement resources.<sup>vi</sup>

In addition, we recently conducted a study using our microsimulation model that highlights the impact of changes in married women's earnings on the types of Social Security benefits that women will receive over the next several decades. The projections suggest that because women's earnings are increasing, a greater share of beneficiary wives from more recent birth cohorts will be eligible for Social Security benefits based on their own earnings record. However, the majority of these women are projected to continue to receive widow benefits due to having lower lifetime earnings than their husband. Thus, surviving spouse benefits are likely to continue to play a critical role in the retirement security of future beneficiary women<sup>vii</sup>

### Our Work To Support Financial Literacy

Our financial literacy, retirement security and education initiatives to encourage saving are useful to women who are planning for retirement now. We participate in pre-retirement seminars and other forums to provide information targeted towards women. This coming Saturday we will be participating in a public program in Chicago hosted by the Department of Labor that will include panel discussions on how women can better manage and protect retirement savings and what to look for in the retirement marketplace.

### Conclusion

Chairman Kohl and Members of the Committee, thank you again for inviting me to testify. I also want to thank you for your ongoing support of our programs. We recognize that we play an important role in providing the information women and men need to make their retirement planning decisions. We strive to make available, through a variety of channels, current, thorough, and easy to understand information that people can use as they plan their financial future.

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### ENDNOTES

<sup>i</sup> U.S. Social Security Administration. 2012. "Income of the Population 55 or Older, 2010." [http://www.ssa.gov/policy/docs/statcomps/income\\_pop55/index.html](http://www.ssa.gov/policy/docs/statcomps/income_pop55/index.html)

<sup>ii</sup> U.S. Social Security Administration. 2011. "Annual Statistical Supplement." <http://ssa.gov/policy/docs/statcomps/supplement/index.html>

<sup>iii</sup> Tamborini, Christopher R. and Kevin Whitman. (2007). "Women, Marriage, and Social Security Benefits Revisited." *Social Security Bulletin*, 67 (4),1-20.

<sup>iv</sup> Iams, Howard and Christopher R. Tamborini. (2012). "The Implications of Marital History Change on Women's

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Eligibility for Social Security Wife and Widow Benefits, 1990–2009” *Social Security Bulletin*, 72(2), 23-38.

<sup>iv</sup> Iams, Howard and Christopher R. Tamborini. (2012). “The Implications of Marital History Change on Women’s Eligibility for Social Security Wife and Widow Benefits, 1990–2009” *Social Security Bulletin*, 72(2), 23-38.

<sup>v</sup> Purcell, Patrick. 2009. “Pension Sponsorship and Participation: Summary of Recent Trends.” Congressional Research Service.

Knoll, Melissa A.Z, Christopher R. Tamborini, and Kevin Whitman. (2012). “I Do... Want to Save: Marriage and Retirement Savings in Young Households.” *Journal of Marriage and Family*, 74 (1), 86-100.

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<sup>vi</sup> Knoll, Melissa A.Z, Christopher R. Tamborini, and Kevin Whitman. (2012). “I Do... Want to Save: Marriage and Retirement Savings in Young Households.” *Journal of Marriage and Family*, 74 (1), 86-100.