

Seniors in the Workforce and Reducing Confusion on the Most Important Retirement Decision – When to Claim Social Security

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Good morning, Chairman Scott, Ranking Member Gillibrand, and members of the committee. Thank you for inviting me to testify today.

My name is Jason Fichtner, and I am a Senior Fellow at the National Academy of Social Insurance, as well as a Senior Policy Fellow at the Center for Social Development (CSD) at the Brown School, Washington University in St. Louis. I am also the Executive Director of the LIMRA Retirement Income Institute. I am on the Board of Directors for the FINRA Investor Education Foundation, and a Member of the Puerto Rico Pension Reserve Trust, where I serve on both the Pension Benefits Council and the Pension Reserve Board. Previously I served in several positions at the Social Security Administration (SSA), including deputy commissioner of Social Security (acting) and chief economist. All opinions I express today are my own and do not necessarily reflect the views of any organization with which I am affiliated.

I’d like to begin by thanking Chairman Scott and Ranking Member Gillibrand for their leadership in ensuring that important public policy issues involving aging and Social Security get the attention and debate they deserve, and that ideas and viewpoints from all sides are aired in a collegial, productive, and respectful manner. It is truly a privilege for me to be testifying before this committee today.

My testimony today focuses primarily on the importance of reducing confusion around the Social Security claiming decision related to the Retirement Earnings Test (RET) and the nomenclature the Social Security Administration (SSA) uses to describe the various ages at which a beneficiary can claim retirement benefits. I will also point out how the RET and current framing around when to claim Social Security benefits may be perceived as a

¹ Biographical information, my CV and list of publications are available here: <https://sites.google.com/site/jasonfichtner/>.

barrier to seniors who wish to continue employment. From this discussion, I hope to provide the Committee with the following takeaways:

- 1) The Retirement Earnings Test (RET) is overly confusing and should be eliminated or, at least rebranded to better educate the public about its rules to clear up considerable confusion about the relationships between working and claiming retirement benefits;
- 2) The official names of claiming ages that SSA uses should be changed to better reflect the implications of claiming decisions. For instance, SSA could rename the “early eligibility age” as the “minimum monthly benefit age” and age 70 as the “maximum monthly benefit age”;
- 3) “Income is the Outcome.” We need to modernize the traditional three-legged stool to bring the concept into the current age by focusing how we can promote additional income in retirement, which includes reducing barriers to work for those who want and are able to continue doing so into their later years. Along with reducing confusion on the Social Security claiming decision, this includes reducing barriers for seniors to continue working in their later years; and
- 4) Don’t penalize lower-income people who want to save for emergencies and their future. I would be remiss if I didn’t point out that as Congress considers legislation to reduce confusion on when to claim Social Security, it should correct one of the most regressive, *anti*-saving provisions in federal law by finally updating the woefully out-of-date asset and income limits in the Supplemental Security Income (SSI) program, which provides monthly cash assistance to nearly 8 million older and disabled people with very low incomes and is barrier to saving even a modest amount for the future.

Fundamentally, claiming Social Security does not mean one needs to stop working, nor does stopping work mean one must claim Social Security at the same time. And receiving SSI should not discourage even minimum savings. Many people will either want or need to continue working and saving into their later years. Public policy should be designed to allow them to do so.

Claiming Social Security Retirement Benefits

One of the key financial decisions facing older Americans is when to claim Social Security retirement benefits. In fact, when to claim Social Security may be the most important retirement decision someone will make. While these benefits are available as early as age 62, claiming later permanently raises monthly benefits, with the maximum benefits available to those who claim at age 70. Delaying claiming is thus equivalent to purchasing a greater inflation adjusted annuity that will be paid for as long as the beneficiary lives. Most

people, however, do not claim Social Security at their optimal age², usually because they claim too early.³

While claiming is often driven by social, cultural, health, family, behavioral, and other factors, there are several ways policymakers could help older Americans make better informed choices that are likely to result in better outcomes. Policies that foster improved claiming decisions could, in turn, strengthen retirement security, reduce poverty among older Americans, and grow the economy.

The Retirement Earnings Test

In previous research, I and co-authors suggested that eliminating the Retirement Earnings Test or better educating the public about its rules would go far to clearing up considerable confusion about the relationships between working and claiming retirement benefits.⁴

If workers claim Social Security benefits before their Full Retirement Age (FRA)⁵ and continue to earn income over a certain threshold, SSA temporarily withholds some of their benefits using the RET.⁶ Once these early claimants reach their FRA, SSA permanently increases their monthly payments by an amount that is roughly actuarially equivalent to the withheld benefits. Benefits withheld under the RET are thus not lost but rather returned over a beneficiary's life beginning at their FRA. The figure below, from the SSA website, shows how the RET would affect the benefits of a hypothetical beneficiary who claimed at age 62, would have been eligible for \$1,000 of monthly benefits, and lived to age 86 (abstracting away cost-of-living benefit increases).⁷

² In this testimony I define an “optimal” age as one that maximizes someone’s expected well-being given their preferences and situation—or as an economist would say, maximizes their expected utility given their utility function and constraints. Note that this concept is different than simply maximizing expected lifetime Social Security income.

³ “The Retirement Solution Hiding in Plain Sight: How Much Retirees Would Gain by Improving Social Security Decisions.” <https://drive.google.com/file/d/1PCkajAbXYOrY1ufIxpBbnvyZ2fEGgkq/view>.

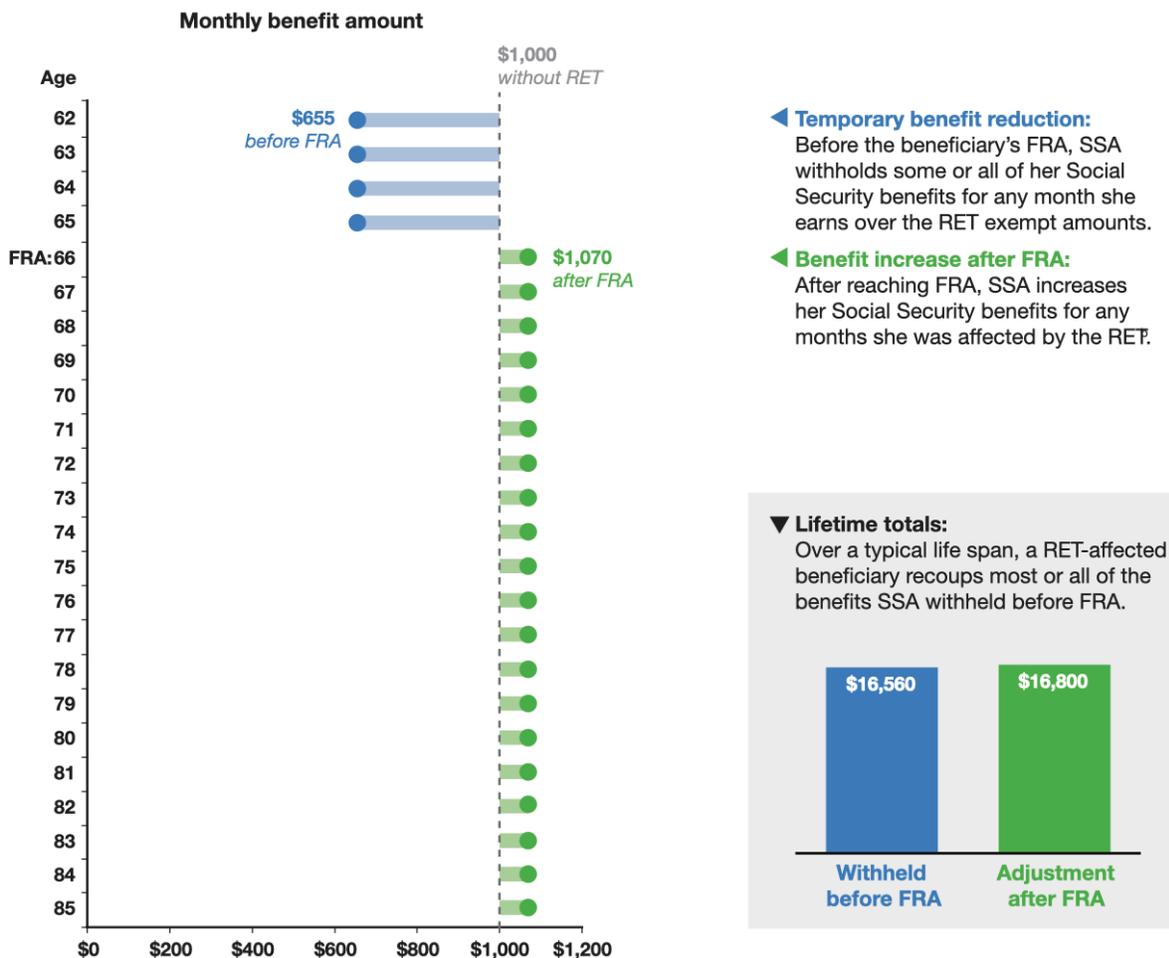
⁴ My testimony in sections on the Retirement Earnings Test and Re-Framing Claiming Decisions is primarily from previous research done with co-authors Gary Koenig, Shai Akabas, and Nicko Gladstone. “How to Help Americans Claim Social Security at the Right Age”, Bipartisan Policy Center. August 2020. Available at: <https://bipartisanpolicy.org/wp-content/uploads/2020/08/claiming-brief-final-2.pdf>.

⁵ The FRA is sometimes referred to as the Normal Retirement Age (NRA).

⁶ The RET exempts a specified level of earnings, depending on the year in which a person attains the FRA, before withholding \$1 in benefits for each \$2 earned in excess of that threshold. For those attaining the FRA in 2026, the RET earnings exemption is \$65,160 for any preceding months. For those attaining the FRA in future years, the 2026 exemption is \$24,480. “Exempt Amounts Under the Earnings Test”, Social Security Administration. Accessed March 19, 2026. Available at <https://www.ssa.gov/OACT/COLA/rtea.html>.

⁷ <https://www.ssa.gov/policy/docs/program-explainers/retirement-earnings-test.html>.

Monthly Benefits and Lifetime Totals for Hypothetical Beneficiary Affected by RET



The RET was originally included in Social Security based on the straightforward social insurance concept that to receive a retirement benefit, a person must have experienced a loss in income due to retirement.⁸ Unfortunately, the RET rules are widely misunderstood by beneficiaries today, and it discourages work in an era when earnings are an increasingly important component of old-age economic security.

⁸ Larry DeWitt, "Special Study #7: The History And Development Of The Social Security Retirement Earnings Test," U.S. Social Security Administration, 1999. Available at: <https://www.ssa.gov/history/ret2.html>.

The RET is enormously complicated and most older workers are unaware of it—at least until it affects them.⁹ Even when workers have heard of it, most misperceive it as a tax and think withheld benefits do not get returned.¹⁰

Indeed, if the RET were a tax, it would impose high marginal tax rates of 33% or 50%, depending on age.¹¹ Because the RET is commonly misunderstood as a tax, it likely causes workers to drop out of the labor force or limit their earnings. When the RET was eliminated in 2000 for workers between the FRA and age 70, people no longer subject to it became 1 to 4 percentage points more likely to participate in the labor force.¹² Additionally, earnings rose by 15% to 20% for those with incomes close to the RET income threshold.¹³ Studies commonly find that the RET's depressing effects on work are stronger for younger workers, suggesting the estimates from the 2000 reform are likely lower bounds of the RET's effect on the labor supply of workers below the FRA who are still subject to the rule.¹⁴

To be clear, the evidence only establishes that many workers misunderstand the RET and many work less because of it. Research does not establish whether responses to the RET are based on misconceptions. It may be, for example, that most workers do not bother to learn about the RET because they plan to retire and claim simultaneously. But the fact that

⁹ Jeffrey Liebman and Erzo Luttmer, *The Perception of Social Security Incentives for Labor Supply and Retirement: The Median Voter Knows More Than You'd Think*, NBER Working Paper No. 20562, National Bureau of Economic Research, 2014. Available at: <https://www.nber.org/papers/w20562>.

¹⁰ S. Kathi Brown, *The Impact of Claiming Age on Monthly Retirement Social Security Benefits: How Knowledgeable Are Future Beneficiaries?*, AARP, 2012. Available at: <https://assets.aarp.org/rgcenter/general/Impact-of-Claiming-Age-On-Monthly-Social-Security-Retirement-Benefits.pdf>.

¹¹ Leora Friedberg, "The Labor Supply Effects of the Social Security Earnings Test," *The Review of Economics and Statistics*, 82(1): 48-63, 2000.

¹² See, for example: Leora Friedberg and Anthony Webb, *New Evidence on the Labor Supply Effects of the Social Security Earnings Test*, (Chicago: University of Chicago Press, 2009), 1-35; Theodore Figinski, *Women and the Social Security Earnings Test*, University of California, Irvine, 2011. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1821290; and Jae Song and Joyce Manchester, "New Evidence on Earnings and Benefit Claiming Following Changes in the Retirement Earnings Test in 2000," *Journal of Public Economics*, 91(3-4): 669-700, 2007.

¹³ See, for example: Steven J. Haider and David S. Loughran, "The Effect of the Social Security Earnings Test on Male Labor Supply: New Evidence from Survey and Administrative Data," *The Journal of Human Resources*, 43(1): 57-87, 2008; Theodore Figinski, *Women and the Social Security Earnings Test*, University of California, Irvine, 2011. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1821290; Jae Song and Joyce Manchester, "New Evidence on Earnings and Benefit Claiming Following Changes in the Retirement Earnings Test in 2000," *Journal of Public Economics*, 91(3-4): 669-700, 2007; and Gary V. Engelhardt and Anil Kumar, *The Repeal of the Retirement Earnings Test and the Labor Supply of Older Men*, CRR Working Paper No. 2007-1, Center for Retirement Research at Boston College, 2007. Available at: https://crr.bc.edu/wp-content/uploads/2007/05/wp_2007-1-508.pdf.

¹⁴ Steven J. Haider and David S. Loughran, "The Effect of the Social Security Earnings Test on Male Labor Supply: New Evidence from Survey and Administrative Data," *The Journal of Human Resources*, 43(1): 57-87, 2008.

so many workers make the critical decision of whether and how much to work partly in response to such a widely misunderstood policy is alarming. As one study put it, “The mechanics of the Earnings Test are sufficiently obscure to most people that they are likely to have great difficulty deciding what is in their best interest.”¹⁵ If people work less or stop working in response to a tax that does not actually exist, the RET is causing decisions that are clearly suboptimal. Even when workers do understand the RET, it can be detrimental. For those still employed who claim Social Security early because they do not expect to live much longer, the RET reduces their lifetime Social Security benefits.¹⁶ Likewise, for older Americans who want and are able to work to supplement their Social Security income due to immediate financial obligations, such as medical bills, the RET potentially stands in the way.

It should be noted, however, that the RET may induce later claiming. By withholding benefits while a claimant is working, the RET encourages some workers younger than the FRA to delay claiming until they have retired. When lawmakers eliminated the RET for workers who had reached the FRA, many affected workers responded by claiming earlier.¹⁷ With most workers today claiming Social Security before the FRA, the effect of eliminating the RET entirely may lead to a much greater number of earlier claims than did eliminating the RET beginning at the FRA. Consequently, it is paramount that better education and information on the impacts of the Social Security claiming decision be provided to potential beneficiaries, including changing the way Social Security claiming is currently framed. Additionally, as Congress explores making reforms to the RET, it should do so in the context of larger reforms to ensure Social Security’s solvency.

Re-Framing Claiming Decisions

The official names of claiming ages should be revised to better reflect the implications of claiming decisions. For instance, SSA could rename the “early eligibility age” as the “minimum benefit age” and age 70 as the “maximum monthly benefit age.” Additionally, SSA should explore how various framings—showing benefits in monthly versus annual values (which may better align with how people think of their own budgets), presenting

¹⁵ Jeffrey Brown, Arie Kapteyn, Olivia Mitchell, and Teryn Mattox, “Framing the Social Security Earnings Test,” PRC Working Paper No. 2013-06, Pension Research Council, 2013. Available at: <https://pensionresearchcouncil.wharton.upenn.edu/wp-content/uploads/2015/09/WP2013-06-Brown-Kapteyn-OSM-Mattox-FINAL-7.24.2013.pdf>.

¹⁶ Gruber and Orszag, “What To Do About the Social Security Earnings Test?” CRR Issue Brief No. 1, Center for Retirement Research at Boston College, 1999. Available at: https://crr.bc.edu/wp-content/uploads/1999/07/ib_1.pdf.

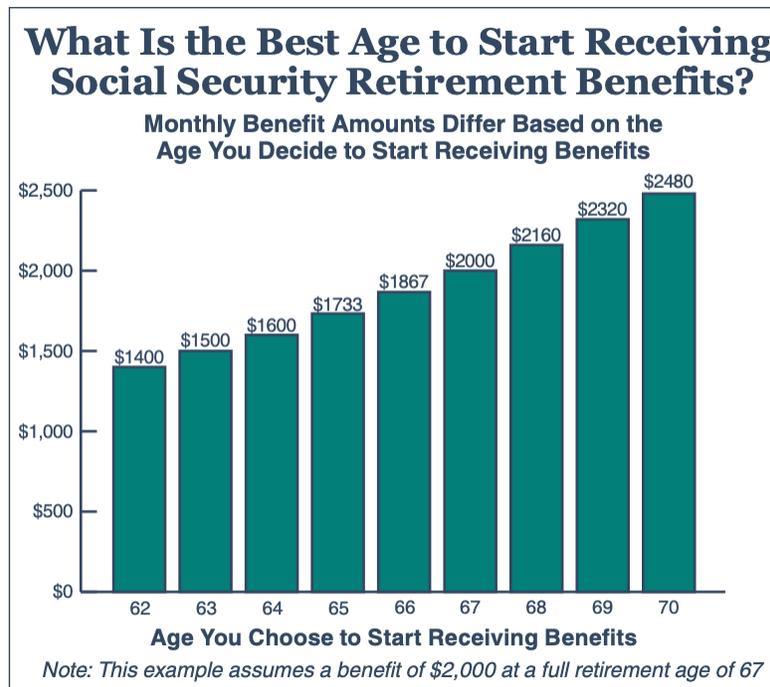
¹⁷ Anya Olsen and Kathleen Romig, “Modeling Behavioral Responses to the Retirement Earnings Test,” *Social Security Bulletin*, 73(1), 2013.

benefit levels as gains versus losses, using older claiming ages as a benchmark, distinguishing “retirement” versus “claiming”—affect claiming decisions.

Monthly Social Security benefits depend on the age at which someone claims. Workers who claim before their full retirement age, or FRA, accept reduced monthly benefits for the rest of their lives. As a result of legislation passed in the 1980s, the FRA is gradually increasing and will reach age 67 for workers born in or after 1960. People can claim as early as age 62—the early eligibility age, or EEA—and the earlier someone claims, the greater the benefit reduction.

Conversely, someone who delays claiming benefits until after their FRA, up to age 70, receives “delayed retirement credits” in the form of permanently higher monthly benefits. Delaying claiming is equivalent to purchasing additional annuity income—inflation protected income for the rest of one’s life—at the cost of forgoing early benefits.

The figure below is provided by the SSA and shows the monthly value of claiming at various ages for a hypothetical worker eligible to receive \$2,000 per month at the FRA of 67.¹⁸ By claiming at age 62 instead of age 70, the beneficiary would receive a monthly benefit that is 44% lower. To frame it differently, the age 70 monthly benefit amount is 77% higher than the age 62 monthly amount!



¹⁸ “When to Start Receiving Retirement Benefits.” Social Security Administration. Available at: <https://www.ssa.gov/pubs/EN-05-10147.pdf>.

The various claiming options are essentially a menu of annuities available to a beneficiary. The adjustments to monthly benefits by claiming age are meant to be actuarially neutral—meaning that a beneficiary who lives a life of average length would cost the program roughly the same amount in total lifetime benefits, adjusted for inflation, regardless of when they claimed. Claiming early will lead to lower lifetime benefits for those who live longer than average. Alternatively, those who live shorter lives than average will receive smaller lifetime benefits if they delay claiming. Regardless of expected benefit amount, anyone who claims later secures the longevity insurance of a higher monthly benefit, that is inflation projected, for the rest of their lives and, notably, at older ages when they may be more in need of higher monthly income to pay healthcare expenses.

Further, it is worth noting, that a worker’s Social Security benefit can also determine how much their spouse receives after the worker dies. This additional insurance value is particularly important to older women, who often receive survivor benefits after their spouse’s passing rather than continuing to receive retirement benefits based on their own work histories. When a worker claims early, however, it can reduce the survivor benefit for which their spouse is eligible. So, one spouse’s early claiming may reduce the financial security of the entire household, well after that claimant’s passing. Indeed, women face steep declines in income when widowed, and in 2016, the poverty rate of widows over age 65 was roughly three times that of their married counterparts.¹⁹ Thus, when making the personal decision of when to claim benefits, someone should not only consider their own life expectancy and financial needs but also their spouse’s.

Bipartisan legislation that recently passed the House²⁰ would require the SSA to replace the term “early eligibility age” to “minimum monthly benefit age”; the term “full retirement age” and “normal retirement age” to “standard monthly benefit age”; and finally, the term “delayed retirement credit” should not be used to refer to age 70 as the “maximum monthly benefit age”. This “Claiming Age Clarity Act”, was introduced in the House by Representatives Lloyd Smucker (R-PA) and Don Beyer (D-VA). This legislation was supported by AARP, and Bipartisan Policy Center Action.²¹ A companion bill was introduced in the Senate by Senator Bill Cassidy (R-LA) and currently has 12 co-sponsors, including Chairman Rick Scott (R-FL) and Ranking Member Gillibrand (D-NY).²²

¹⁹ Andrew Eschtruth and Alicia Munnell, “Modernizing Social Security: Minimum Benefits,” CRR Issue Brief No. 19-2, Center for Retirement Research at Boston College, 2019. Available at: https://crr.bc.edu/wp-content/uploads/2019/01/IB_19-2.pdf.

²⁰ <https://www.congress.gov/bills/119th-congress/house-bill/5284/text>.

²¹ <https://smucker.house.gov/media/press-releases/smucker-beyer-introduce-claiming-age-clarity-act/>; <https://www.aarp.org/social-security/retirement-age-clarity-act/> and <https://bpcaction.org/bpc-action-applauds-new-legislation-to-enhance-social-security-claiming/>.

²² <https://www.congress.gov/bills/119th-congress/senate-bill/1504/all-info>.

Working in Retirement

The year 2024 marked the beginning of the “Peak 65® Zone,” the largest surge of retirement age Americans turning 65 in our nation’s history.²³ Over 4.1 million Americans will turn 65 each year through 2027, which is more than 11,200 every day.²⁴ Many households face an uncertain financial future in retirement, with one measure suggesting that about half of all households are “at risk” of not having sufficient resources to maintain their standard of living in retirement.²⁵ Retirees face a challenge of having enough income in retirement.²⁶ And the nation’s retirees face a growing gap in the level of protected income they need and can count on throughout retirement. One research paper estimates that for households with insufficient income in retirement, the gap amounts to an annual shortfall of \$7,050. That would amount to an annual national retirement income gap of approximately \$230 billion in 2040.²⁷

Traditionally, retirement savings was thought to come from three main sources: an employer-provided defined-benefit pension plan; personal savings; and Social Security. This is the so-called three-legged stool of retirement security. One could easily assume using this framing that one-third of income in retirement should come from each of these three sources. In fact, Social Security was designed to replace about 40% of income in retirement for the average worker,²⁸ and today replaces about 37% for the average worker.²⁹ Therefore, for someone with an employer defined-benefit pension, that would mean two-thirds of their income in retirement was “protected” through some sort of annuity – a combination of Social Security and a regular distribution from a pension. The old metaphor of the three-legged stool of retirement planning—employer pensions, personal savings, and Social Security—no longer holds.³⁰

²³ Jason Fichtner, “The Peak 65® Zone is Here – Creating a New Framework for America’s Retirement Security.” Retirement Income Institute. January 2024. Available at: https://www.limraconsumer.com/wp-content/uploads/2024/01/Whitepaper_Fichtner.pdf.

²⁴ The data used for this calculation are from the Social Security Administration. <https://www.ssa.gov/OACT/HistEst/Population/2023/Population2023.html> & https://www.ssa.gov/OACT/HistEst/Population/2023/SSPopDec_TR2023.xlsx

²⁵ <https://crr.bc.edu/project-page/national-retirement-risk-index/>, accessed December 27, 2023.

²⁶ For a review of the literature and evidence, see, for example: “How Will Retirement Saving Change by 2050? Prospects for the Millennial Generation.” Gale, Gelfond and Fichtner. March 2019. <https://www.brookings.edu/wp-content/uploads/2019/03/How-Will-Retirement-Saving-Change-by-2050.docx.pdf>.

²⁷ “The Cost of Doing Nothing: Federal and State Impacts of Insufficient Retirement Savings.” ESI Econsult Solutions, Inc. May 2023. Available at: https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf.

²⁸ <https://www.ssa.gov/myaccount/assets/materials/workers-61-69.pdf>.

²⁹ <https://www.cbpp.org/sites/default/files/atoms/files/8-8-16socsec.pdf>.

³⁰ <https://www.ssa.gov/history/stool.html>.

Social Security is now the principal source of income for most retirees. According to the Social Security Administration (SSA), based on research released in 2021 using 2015 data, Social Security benefits represent approximately 30% of the income for those over age 65.³¹ Further, based on that same analysis, Social Security provides 50% or more of income for 37% of men and 42% of women age 65 and over, while providing 90% or more of income for 12% of men and 15% of women age 65 and older.^{32,33} Yet this wasn't always the case.

Today, in order to recreate the income protection from a pension, some financial planners recommend around 20%-25% of your retirement assets be in an annuity, not including Social Security benefits.³⁴ As a rule of thumb, retirement assets should be able to provide roughly 70-75% of pre-retirement income,³⁵ and some recommend a higher replacement rate of 85%.³⁶ But it is important to stress that one-size does not fit all.³⁷ Some low-income households won't require any additional annuitization beyond Social Security.³⁸ However, for many middle- and high-income earners, some additional annuitization beyond Social Security benefits is necessary to help mitigate risk and maintain their standard of living in retirement.

In part due to the decline of defined-benefit pension plans, many Americans lack sufficient, reliable, and protected retirement income that will last for the rest of their lives. It's time for a new retirement security framework that focuses on the need for sufficient protected income in retirement and modernizes the narrative framing of the three-legged stool.

The revised three-legged stool still relies on Social Security benefits as the foundation of retirement security. However, given the decline of defined-benefit pension plans and the

³¹ <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf> SSA 2023 Release, accessed December 27, 2023.

³² <https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html> and <https://www.ssa.gov/policy/docs/workingpapers/wp116.html>.

³³ <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf> SSA 2023 Release, accessed December 27, 2023.

³⁴ <https://alex.fyi/blog/how-much-should-i-allocate-to-an-income-annuity/>.

³⁵ <https://crr.bc.edu/working-papers/what-replacement-rates-do-households-actually-experience-in-retirement/>.

³⁶ <https://www.securian.com/insights-tools/articles/retirement-income-replacement-ratio.html>

³⁷ <https://www.forbes.com/sites/kotlikoff/2018/06/22/the-70-replacement-rate-in-retirement-is-rubbish/?sh=2715a0757917>.

³⁸ Note: Many low-income retirees are not homeowners and continue to rent throughout retirement. An unrelated study by the Urban Institute on replacement rates of unemployment insurance during the Covid-19 pandemic found that a 70% replacement rate would leave many low-income workers unable to pay for basic living expenses such as rent. Hence, low-income households may need close a 100% replacement rate or more during retirement to maintain the living standards they had during working years. See: <https://www.urban.org/urban-wire/moving-70-percent-income-replacement-unemployment-insurance-benefits-will-disproportionately-hurt-low-income-renters>.

rise in dominance of defined-contribution plans, the second leg of the stool now requires creating personal pensions and additional protected income, on top of Social Security, from defined-contribution plan assets. The third and final leg of the reimagined three-legged stool still includes income from personal savings, but now might also include earnings from later in life for those who are willing and able to work.

According to recent research by AARP, 68% of retirees felt like they retired at the right time, while nearly 3 in 10 (28%) felt they retired too early.³⁹ Additionally, 15% said they retired because they became eligible for Social Security. The AARP survey research also asks if people are working in retirement or looking for work. Of those respondents who were working or looking for work, 41% said their main reason for doing so was needing money for basic living expenses, and a combined 21% said they were doing so because they enjoyed working, it gave them something to do, or made them feel useful.⁴⁰ When asked whether if they were looking for a job how difficult they thought it would be to find one, 67% responded that it would be somewhat difficult or very difficult.⁴¹ When asked why they thought finding a job would be difficult, the top response (35%) was perception of age discrimination.⁴²

However, many employers are recognizing the benefits of hiring and retaining older workers.⁴³ This comes at a time when more people want to continue working into retirement or past the traditional cultural anchor age of retirement at 65. The number of employed Americans 65 and older increased more than 33% between 2015 and 2024, according to a CNBC analysis of data from the Bureau of Labor Statistics.⁴⁴ That equates to 7% of the American workforce in 2024, up from 5.7% a decade ago. It is also important to note that many workers cannot continue working past age 62, which is a main reason why people claim early, and therefore worsens their retirement security due to the permanent reduction in monthly Social Security benefits.

³⁹ <https://www.aarp.org/pri/topics/work-finances-retirement/employers-workforce/retirement-decisions-working-job-hunting/> Question 5A.

⁴⁰ <https://www.aarp.org/pri/topics/work-finances-retirement/employers-workforce/retirement-decisions-working-job-hunting/> Question 6.

⁴¹ <https://www.aarp.org/pri/topics/work-finances-retirement/employers-workforce/retirement-decisions-working-job-hunting/> Question 8.

⁴² <https://www.aarp.org/pri/topics/work-finances-retirement/employers-workforce/retirement-decisions-working-job-hunting/> Question 8A.

⁴³ <https://longevity.stanford.edu/why-more-companies-are-recognizing-the-benefits-of-keeping-older-employees/>

⁴⁴ <https://www.cnbc.com/2025/02/02/why-more-retirement-age-americans-keep-working.html>

The World Economic Forum recently posted “4 Ways to Retain Older Workers and Boost the Global Economy.”⁴⁵ The four are: provide flexible work arrangements, provide lifelong learning, anti-discrimination law enforcement, and help people have healthier lives. Additionally, organizations like SHRM provide toolkits to employers “Unlock the Benefits of Employing Older Workers.”⁴⁶

Lastly, the National Academy of Social Insurance (NASI) released a 2023 report based on its Older Workers’ Retirement Security Task Force.⁴⁷ The task force report includes several options to help older workers, including reforming the RET.

SSI Asset Limits

As Congress considers legislation to reduce confusion on when to claim Social Security, it should correct one of the most regressive, *anti-saving* provisions in federal law by finally updating the woefully out-of-date asset limits in the Supplemental Security Income (SSI) program, which provides monthly cash assistance to nearly 8 million older and disabled people with very low incomes and is barrier to saving even a modest amount for the future.

SSI benefits are quite modest. The maximum is only three-fourths of the federal poverty line, leaving 4 in 10 beneficiaries in poverty even with their benefits.⁴⁸ Further, with narrow exceptions (such as a primary residence), the rules limit beneficiaries’ savings and assets to a mere \$2,000 (or \$3,000 for a couple); anyone exceeding these limits is disqualified from the program.⁴⁹ These limits have been frozen for *over 40 years*, which has dramatically weakened the program.

In a 2022 op-ed, I co-authored with Rebecca Vallas (National Academy of Social Insurance) and Kathleen Romig (Center on Budget and Policy Priorities), we noted that when creating SSI in 1972, policymakers set asset limits that let beneficiaries have some savings to cover the cost of emergencies.⁵⁰ Legislation enacted in 1984 raised the asset limits but didn’t automatically adjust them for inflation, leaving beneficiaries largely unable to save for an accident, unexpected repair bill, or other expense — and completely unable to save for their future. Had SSI’s asset limits been indexed to inflation since 1984, they’d be more than twice as high as they are today. Had they been indexed since 1972, they’d be more

⁴⁵ <https://www.weforum.org/stories/2026/03/4-ways-to-retain-older-workers-and-boost-the-global-economy/>. March 18, 2026.

⁴⁶ <https://www.shrm.org/topics-tools/tools/toolkits/employing-older-workers-toolkit>. Accessed March 19, 2026.

⁴⁷ <https://www.nasi.org/wp-content/uploads/2023/09/OlderWorkersTaskForce-Report-FINAL.pdf>

⁴⁸ <https://www.cbpp.org/research/social-security/supplemental-security-income>.

⁴⁹ <https://www.cbpp.org/research/social-security/supplemental-security-income>.

⁵⁰ <https://thehill.com/opinion/finance/3532554-congress-should-give-ssi-asset-limits-a-21st-century-upgrade/>.

than four times as high.⁵¹ It is worth noting that SSI's income exclusion amounts have not changed in 1972, even to account for inflation.⁵²

In a more recent op-ed, co-authored with Andrew Biggs (American Enterprise Institute),⁵³ we noted that in 2024, the Social Security Administration spent \$5 billion⁵⁴ administering SSI while paying \$62 billion⁵⁵ in benefits. Relative to benefits paid, SSI is more than four times as expensive to administer as Social Security Disability Insurance and nearly 30 times more costly than the retirement program, with SSI's outdated asset test likely contributing to its disproportionate administrative costs. Yet 40%⁵⁶ of SSI recipients age 65 or older still live in poverty.

Congress could fix this with simple reforms. The bipartisan SSI Savings Penalty Elimination Act would inflation-adjust the asset limit upward to \$10,000 for an individual and \$20,000 for a couple and permanently index them to inflation. This bill has been introduced in the House⁵⁷ by Congressmen Brian Fitzpatrick (R-PA) and Danny K. Davis (D-IL), and a companion bill in the Senate⁵⁸ by Senators Catherine Cortez Masto (D-NV), Bill Cassidy (R-LA), Chairman Rick Scott (R-FL) and Senate Finance Committee Ranking Member Ron Wyden (D-OR).⁵⁹

Conclusion

Research demonstrates that many people lack the financial education and understanding to make complex financial decisions, including about risks in retirement.⁶⁰ The information people receive, and the form it takes, can also influence how people make financial choices.

The old metaphor of the three-legged stool of retirement planning no longer holds (employer pension, personal savings, and Social Security). Many Americans lack sufficient, reliable, and protected retirement income that will last for the rest of their lives. It's time for

⁵¹ <https://www.cbpp.org/research/social-security/policymakers-should-expand-and-simplify-supplemental-security-income>.

⁵² <https://www.cbpp.org/research/social-security/policymakers-should-expand-and-simplify-supplemental-security-income>

⁵³ <https://thehill.com/opinion/finance/5720836-ssi-reform-poverty-reduction/>.

⁵⁴ <https://www.ssa.gov/budget/assets/materials/2025/FY25-JEAC.pdf>.

⁵⁵ <https://www.ssa.gov/budget/assets/materials/2025/FY25-JEAC.pdf>.

⁵⁶ <https://www.ssa.gov/policy/docs/ssb/v69n1/v69n1p45.html>.

⁵⁷ <https://www.congress.gov/bill/119th-congress/house-bill/2540/text>.

⁵⁸ <https://www.congress.gov/bill/119th-congress/senate-bill/1234/all-info>.

⁵⁹ <https://fitzpatrick.house.gov/2025/4/fitzpatrick-davis-lead-bipartisan-bicameral-push-to-modernize-supplemental-security-income-program>.

⁶⁰ See, for example: "Risk Literacy in the U.S.: New Evidence and Implications for Retirement Planning and Financial Fragility." Lusardi, et al. December 2023. <https://www.protectedincome.org/research/risk-literacy-in-the-us-new-evidence-and-implications-for-retirement-planning-and-financial-fragility/>.

a new retirement security framework that reframes the three-legged stool to focus on income is the outcome in retirement, including reducing the confusion around the Social Security claiming decision, and reducing barriers to working later in life for those who want and are able to do so.

Thank you again for providing me with this opportunity to testify today.