

Social Security fails to properly explain benefits: Study

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You might want to get a second opinion before you decide to claim your Social Security retirement benefits.

The Social Security Administration often fails to give out key details to retirees in face-to-face meetings and online that could cost people tens of thousands of dollars in benefits, according to a new study by the Government Accountability Office.

The report's main finding is that the SSA should do a better job of informing people that they could receive higher monthly payments if they delayed claiming retirement benefits.

Here are the two most egregious examples in the report:

- SSA claims specialists did not discuss the advantages to waiting to claim benefits at a later age in eight of 26 in-person interviews that the GAO observed where people could have received a higher monthly benefit if they had waited to claim. SSA requires all its staff to talk to people about the pros and cons of their filing decisions.
- In 10 observed interviews, claims specialists offered the opportunity for people to claim up to 6 months of retroactive benefits as a lump sum. While a lump sum may be attractive to retirees, taking it means a permanent reduction in monthly benefits. Specialists explained this trade-off only in one interview that the GAO watched.

"For many people, SSA may be their only source of information when making the important decision of when to claim retirement benefits. Though we found SSA's claims process largely provides accurate information and avoids overt financial advice, certain key information is not provided or explained clearly during the claims process," GAO researchers concluded.

Claiming early

The earliest age someone can claim Social Security benefits is 62. More than 40 percent of workers claim at that age and most receive benefits before 70 when they can earn the maximum payout from Social Security.

Claiming at 62 means you will only receive 70 percent to 80 percent of your benefits depending on when you were born. You can receive your full benefits at full retirement age, which ranges from 65 to 67 and also depends on your birth year. Benefits grow by 8 percent per year beyond full retirement age until they reach their maximum at age 70.

Let's take an individual eligible for a \$1,000 monthly Social Security benefit at the full retirement age of 66. If that person took benefits at age 62, the monthly amount would be permanently reduced by 25 percent to

The SSA has closed 64 field offices, lost 5,000 employees to attrition, and reduced hours at the offices that remain open.

The cuts mean lengthy hold times at the SSA's toll-free number and longer waits for in-office visits, said Kathleen Romig, a senior policy analyst at the Center on Budget and Policy Priorities and a former SSA staffer.

Romig compares the SSA's budget situation to the old saying "Fast, cheap or good. Pick any two."

"[The SSA is] working fast and working on the cheap," Romig said. "Why would you expect their service to be exceptional?"

What you should do

"If you don't get the answer that you think you should get at the Social Security Administration, be sure to ask for a **Tier 2 representative**," said Sarenski, president and chief executive of Blue Ocean Strategic Capital in Syracuse, New York. Those employees have more specialized knowledge than the representatives people first encounter at the Social Security office.