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DELAYS IN CLAIMING SOCIAL SECURITY BENEFITS

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Abstract

This paper focuses on Social Security benefit claiming behavior, a take-up decision that has been ignored in the previous literature. Using financial calculations and simulations based on an expected utility maximization model, we show that delaying benefit claim for a period of time after retirement is optimal in a wide variety of cases and that gains from delay may be significant. We find that approximately 10% of men retiring before their 62nd birthday delay claiming for at least one year after eligibility. We estimate hazard and probit models using data from the New Beneficiary Data System to test four cross-sectional predictions. While the data suggest that too few men delay, we find that the pattern of delays by early retirees is generally consistent with the hypotheses generated by our theoretical model.

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