



February 1, 2016

The Honorable Michael Enzi  
Chairman  
United States Senate  
Committee on the Budget  
624 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Enzi,

Thank you for your letter regarding the Consumer Financial Protection Bureau's recently released "Planning for Retirement" tool to assist consumers with one of the most important financial decisions of their lives: claiming Social Security retirement benefits. This letter addresses the questions presented in your letter and provides additional information and documents that the Committee may find helpful.

The Bureau's Office for Older Americans, within the Consumer Education and Engagement Division, led the effort in creating the tool. The Dodd-Frank Wall Street Reform and Consumer Protection Act established the Office for Older Americans and charged it with helping consumers make sound financial decisions as they age. Specifically, the Office's mandate includes identifying effective tools, technology, and strategies to educate seniors about personal finance management with a focus on, among other topics, planning for retirement.<sup>1</sup>

Since the Office's creation, it has engaged with older consumers nationwide regarding many of the issues that often affect financial security in retirement. Bureau staff has also spoken with multiple stakeholders and subject matter experts about potential opportunities for consumer education around retirement. One issue repeatedly raised was the need for more information about when to claim Social Security benefits (also referred to as the claiming age decision). A report recently released by the Bureau indicated that many consumers choose when to begin collecting Social Security benefits based on limited or incorrect information.<sup>2</sup>

The Bureau created "Planning for Retirement" in response to this growing gap in financial education. As background, consumers are eligible to claim Social Security retirement benefits

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<sup>1</sup> 12 U.S.C. § 5493(g).

<sup>2</sup> CFPB, Issue Brief: Social Security claiming age and retirement security (Nov. 2015), available at [http://files.consumerfinance.gov/f/201511\\_cfpb\\_issue-brief-social-security-claiming-age-and-retirement-security.pdf](http://files.consumerfinance.gov/f/201511_cfpb_issue-brief-social-security-claiming-age-and-retirement-security.pdf).

without any reduction at their “full retirement age,” which is determined based on the year a consumer was born. Consumers can also claim their benefits up to several years before their full retirement age, agreeing to take less money each month, or they can claim up to several years after and get bigger monthly checks. Generally, the amount a consumer receives from Social Security is a one-time choice. This means that if a consumer claims the reduced or increased benefit, they receive that amount for the rest of their life, with annual cost-of-living adjustments.

To better educate consumers about the importance of their claiming age decision, the Office for Older Americans worked with the Social Security Administration in the development of the “Planning for Retirement” tool and continues to work with SSA to promote the tool. The Bureau’s tool complements and supports the efforts of SSA by clearly isolating and displaying the impact of claiming at a variety of ages. Furthermore, the Bureau’s benefits calculator is just one component of the consumer outreach and education available on the Bureau’s website through the “Planning for Retirement” tool. In addition to providing benefits estimates, we also provide users with information and action steps to help them see the impact of different retirement plans.

Using the Bureau’s benefits calculator, consumers can enter their date of birth and highest annual work income to see estimated monthly benefits for nine different claiming ages. For each claiming age, the tool also shows the estimated cumulative value of benefits by age 85. In this way, the Bureau’s tool not only shows the difference in benefits associated with claiming at age 62 versus age 70, for example, but also shows the cumulative impact of the claiming age decision throughout retirement. Consumers can thus better understand how this one-time decision may affect them in the long run and can assess the tradeoffs of claiming earlier as opposed to later.

The estimates produced by the Bureau’s “Planning for Retirement” tool may differ from the estimates produced by SSA’s Quick Calculator. SSA’s Quick Calculator provides most users with expected benefits at age 62, their full retirement age, and age 70. To generate these estimates, the Quick Calculator assumes that consumers will work until the year that they claim benefits, unless they specify the month and year in which they plan to stop working. In addition, SSA’s Quick Calculator does not provide estimates for additional ages unless users re-enter additional information about their expected retirement month and year. The Bureau created a tool that displayed the effects on the monthly benefit of claiming earlier and later without showing the additional effects from working longer.<sup>3</sup> In this way, the Bureau designed a tool that provided users with readily-available information about their claiming choices, as well as benefits at different ages, while minimizing usability barriers.

Because SSA’s Quick Calculator does not consistently estimate benefits at ages other than 62, full retirement age, and 70, and also assumes that a user will work until the date on which benefits are claimed, the Bureau decided to use SSA’s Quick Calculator for calculating the monthly benefit at full retirement age, and to generate its own estimates for all other ages by applying the standard actuarial increases and reductions in monthly benefits without making additional adjustments for

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<sup>3</sup> To minimize confusion, the Bureau’s tool includes the following explanation: “Remember, claiming age here refers only to your Social Security retirement benefit, and not when you decide to stop working or apply for Medicare.”



working longer.<sup>4</sup> This led to the differences between the estimates shown in SSA's Quick Calculator and the Bureau's tool for early and delayed benefits. Notwithstanding these differences, the Bureau's tool provides users the intended, actuarially fair comparison of the reduced and increased benefits compared to the full benefits, as well as increase/decrease rates that are consistent with what is shown in many SSA and industry publications.

The Bureau took a number of steps to avoid duplication of effort with SSA. We conducted an extensive field scan of products and tools already available to help consumers with their Social Security claiming decision, which included a review of SSA's resources and its online tools. We had conversations with SSA to understand its calculators and to determine how we could incorporate elements of their tools into ours while also providing consumers with unique features. Certain records pertaining to our discussions with SSA are enclosed for the Committee's review. As discussed above, the Bureau ultimately chose to use SSA's Quick Calculator to calculate the benefit at full retirement age. Estimates by our tool are thus based on current formulas from SSA, not a user's actual earnings record, and we thus direct consumers to available resources at SSA, such as "my Social Security" accounts, which provide much more customized information based on actual earnings record. While these tools are generally more accurate, they collect and rely on much more personal information about a consumer. The Bureau wanted to provide an easy and quick way for consumers to obtain estimates without requiring users to provide this data.

Bureau staff relied mostly on internal resources to design and develop the Bureau's tool in the span of a few months. Before releasing the tool, the Bureau used a vendor to conduct usability testing. The Bureau obtained the work under a standing contract that the Bureau has with the vendor, which is enclosed herein, as requested.

The Bureau appreciates the Committee's concern regarding certain differences in estimates. We share this concern, so Bureau staff worked to ensure our tool is both informative and reliable. As explained above, Bureau staff was aware that our methodology for generating estimates would lead to some differences in estimates but concluded that these differences did not undermine the intended purpose of the tool, which is to show users the impact of their claiming age decision. Additionally, the Bureau found that one of the discrepancies noted in your letter, which concerned retroactive benefits, was the result of an isolated coding error, which was promptly corrected using internal resources.

As a large number of Americans face a new retirement landscape defined by longer life expectancies, fewer traditional pensions, and greater personal control over retirement savings, an informed choice about when to claim Social Security is critical for a financially secure retirement. The Bureau's Office for Older Americans continues to work to further improve this initiative by identifying additional helpful content and resources and meeting with a variety of stakeholders.

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<sup>4</sup> The increases and decreases were based on Social Security's formula as shown at:  
[https://www.ssa.gov/oact/ProgData/ar\\_drc.html](https://www.ssa.gov/oact/ProgData/ar_drc.html)

Please do not hesitate to contact me should you have any additional questions, or have your staff contact Matthew Pippin in the Bureau's Office of Legislative Affairs or Anne Tindall in the Bureau's Legal Division. Mr. Pippin can be reached at (202) 435-7552 and Ms. Tindall can be reached at (202) 435-9591.

Sincerely,



Richard Cordray  
Director

cc: The Honorable Bernard Sanders, Ranking Member, Committee on the Budget