

The Impact of Age Differences and Race on the Social Security Early Retirement Decision for Married Couples: An Extension with Gender Role Reversals

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Abstract

The purpose of this study is to examine the impact of age differences on the social security early and delayed retirement decision for married couples. This paper extends the analysis of Docking, Fortin and Michelson's 2015 study which assumed the working husband (male) was older than the non-working wife (female). In this current study we reverse the husband and wife employment role and ages. We now assume a working wife (female) who is older than her non-working husband (male). We analyze the nine married couple combinations for the following races: Whites (W), Hispanics (H) and Blacks (B). We develop an Excel model to compute the breakeven internal rate of return (BE IRR) for each of 9 race combinations. Three claiming scenarios are considered: receiving benefits early (e.g., at age 62 versus 66), the maximum realistic delay period (e.g., at age 62 versus 70), and delaying benefits past full retirement age (e.g., age 66 versus 70). Within these 3 claiming scenarios we examine couples by race combination who retire at the same age and at different ages, and with age differences of 0, 4, 7 and 10 years. We compare the results of the two studies.

The primary substantive conclusions from this study depends on the age comparisons that are being made. For couples who retire at the same age or at different ages, the greater the age difference the greater the incentive to retire early as the hurdle rate is lower to overcome. This is true irrespective who is older and the breadwinner (earning spouse).

Women almost always have higher BE IRRs than men. The implication is that in marriages where the wife is the breadwinner and the older partner, it is more difficult for the couple to retire early, as compared to marriages where the husband is the breadwinner and the older partner.

Irrespective of who is the breadwinner, Hispanics have higher hurdle rates; while Whites have lower hurdle rates. For a given retirement age comparison/age difference the results can be interpreted as follows: the high (low) breakeven group would prefer to retire later (earlier) since the hurdle rate is more difficult (less difficult) to overcome. Thus, Hispanics have a more difficult time retiring early, while Whites have a less difficult time retiring early.