



Bipartisan Policy Center

Hedging the Risk of a Longer-than-Expected Life

The Value of a Social Security Bridge Strategy



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Executive Summary

Social Security’s old-age benefits are the foundation of retirement income for virtually all Americans, but many individuals claim Social Security earlier than they should, reducing their monthly benefit for the rest of their life.

This is concerning because early claiming not only reduces expected lifetime benefits but also undermines Social Security’s vital role as longevity insurance. Regardless of what happens in the economy, in markets, and to an individual’s expenses, Social Security benefits offer consistent purchasing power for the rest of one’s life. This report analyzes the merits of the “bridge strategy” in which a household bridges the gap between retirement and the claiming of Social Security by drawing down retirement savings.

KEY FINDINGS

- **Delaying claiming increases wealth and expected lifetime benefits.** Social Security benefit calculations include actuarial adjustments to provide equal lifetime benefit amounts to a person regardless of when they claim, but these adjustments are outdated and no longer calibrated for today's demographics and economy. As a result, most Americans receive greater total benefits by claiming later than they do by claiming earlier.
- **Delaying claiming mitigates the single largest risk to retirement security: longevity risk.** No one knows how long they will live, which causes retirees to spend conservatively to avoid running out of money. But Social Security provides a guaranteed, inflation-protected stream of income for as long as someone is alive. Maximizing this monthly income allows beneficiaries to spend more comfortably, knowing that they will receive another check the following month. It also protects against future expense shocks by maximizing the baseline, inflation-protected income a retiree can rely on.
- **A bridge strategy provides a cost-effective hedge against the risk of a longer-than-expected life.** This approach involves spending substantial retirement savings early in retirement, but that additional outlay secures higher Social Security benefits—and therefore less need for non-Social Security income—for the remainder of retirement. As a result, those who use a bridge strategy:
 - need to start retirement with less in assets than they would need if they do not use a bridge;
 - can spend more in retirement than they could spend with the same level of assets not using a bridge;
 - or will make their assets last longer than they would with the same level of spending but not using a bridge.
- **Despite the benefits, few Americans use any guaranteed-income solutions,** let alone products to facilitate bridge strategies, for reasons that include psychological barriers and insufficient product offerings. Both industry and the public sector could help by improving education, products, and policy.

The Bipartisan Policy Center has long supported public policies to help Americans make better and more informed Social Security claiming decisions, and bridge strategies can play a key role by enabling delayed claiming. A well-designed bridge strategy can significantly enhance retirement security and improve retirees' financial well-being. By addressing barriers to adoption and promoting innovative solutions, the financial industry and policymakers can empower individuals to maximize their retirement income and protect against the risks of a longer-than-expected life.

INTRODUCTION

Social Security benefits serve as the foundation of retirement income for virtually all Americans. The program’s importance is bolstered by its near-universality and the fact that benefits are, essentially, an inflation-protected life annuity. Congress intended for Social Security (formally the Old-Age and Survivors Insurance program, or OASI) to insure individuals against income reductions due to old age or the death of a spouse, but not to provide a full lifelong retirement pension. Despite this, many Americans depend on Social Security for most of their retirement income: Benefits make up at least 90% of household income for 1 in 7 individuals in the United States ages 65 or older and at least 75% of household income for 1 in 5 (Bee et al., 2024, Table 5).

The age at which an individual claims Social Security old-age benefits determines the monthly amount they will receive for the rest of their life.^o What’s more, the rest of one’s life might last substantially longer than expected: One in 4 62-year-old American women will live 29.8 more years, nearly to age 92, and 1 in 4 62-year-old American men will live 26.8 more years, nearly to age 89.

Deciding on an “optimal” claiming strategy, however, is a complex personal decision that involves considering many factors and trade-offs. Certainly, some households face intense financial pressures that force them to claim benefits at a certain time, but Americans tend to claim suboptimally early, largely due to an underappreciation of Social Security’s value as longevity insurance. Leveraging even modest accumulated assets to bridge the gap between age 62 (the earliest age one can claim OASI) and later claiming is a promising approach to help retirees both maximize their monthly income and protect themselves against outliving their savings.

This paper outlines the benefits of delayed claiming and describes how using such a “bridge” strategy can provide significant value to retirees. It also highlights the barriers to wider adoption of bridge strategies and proposes ways for both industry and policymakers to overcome those barriers.

Figure 1:
Delaying Social Security Claiming Increases the Monthly Benefit Amount
Lifetime monthly benefit by claiming age for a person with primary insurance amount (PIA) of \$2,000*



*PIA is the monthly benefit amount for a person who claims OASI at the full retirement age of 67.

Source: BPC calculations using SSA information.

^o The Social Security Administration (SSA) adjusts monthly benefit amounts annually for inflation.

THE BENEFITS OF DELAYED CLAIMING

The age at which someone claims Social Security benefits has significant consequences for a retiree’s foundational monthly income in the years to come, as Figure 1 and Table 1 show. Monthly benefits increase as one’s claiming age rises (between ages 62 and 70) to ensure that an individual with average life expectancy receives approximately the same level of total lifetime benefits regardless of when they begin receiving benefits. But these actuarial adjustments were developed decades ago, and significant changes in longevity and interest rates mean that claiming later nets the average retiree more benefits over their lifetime (Biggs et al., 2021). As a result, research shows that most Americans claim benefits earlier than the age that would maximize their lifetime benefits.

Fellowes et al. (2019, p. 1), for example, found, “Only 4 percent of retirees make the financially optimal decision about when to claim Social Security. About 57 percent of retirees would build more wealth through their life if they waited to claim until they were 70 years old.” Yet only 10% of retirees currently claim their benefits at age 70, according to SSA (2024a). Conversely, 35% of retirees currently claim benefits before age 64 (ibid.), which Fellowes et al. found maximizes wealth for only 6.5% of retirees.

Moreover, research from 2019 found that current retirees would collectively lose \$3.4 trillion in potential retirement income—an average of \$111,000 per household over the course of retirement—because they

Table 1: Investments in Delayed Claiming Yield Significant Returns
Lifetime monthly benefit by claiming age for a person with PIA of \$2,000

Claiming Age	Lifetime Monthly Benefit Amount	
62	\$1,400	The monthly benefit amount if claimed at the earliest eligibility age of 62 is 30% lower than if claimed at the full retirement age (FRA) of 67 and 44% lower than if claimed at age 70.
63	\$1,500	Delaying one year yields a real return of 7%; an additional year, to age 64, nets nearly the same.
64	\$1,600	
65	\$1,733	Delaying further yields even larger returns—more than 8% for delaying from age 64 to 65 and just under 8% for waiting until age 66.
66	\$1,867	
67	\$2,000	Claiming at FRA secures a lifetime monthly benefit that is 43% larger than if claimed at age 62.
68	\$2,160	Monthly benefits increase by approximately 8% per year for those who delay beyond FRA.
69	\$2,320	
70	\$2,480	Waiting to claim until age 70 provides a monthly benefit amount that is 24% higher than the benefit if claimed at FRA and 77% higher than if claimed at age 62.

*Amounts not adjusted for inflation. A beneficiary’s PIA is set at age 62 based on earnings in their 35 highest-earning years. Each year claiming is delayed, the PIA is adjusted in two ways: for inflation via Social Security’s annual cost-of-living adjustment and, if applicable, to reflect a year of earnings that replaces past lower-earning years. To establish monthly benefit amounts, the resulting PIA is then actuarially adjusted for claiming age, as specified in Figure 1 and Table 1.

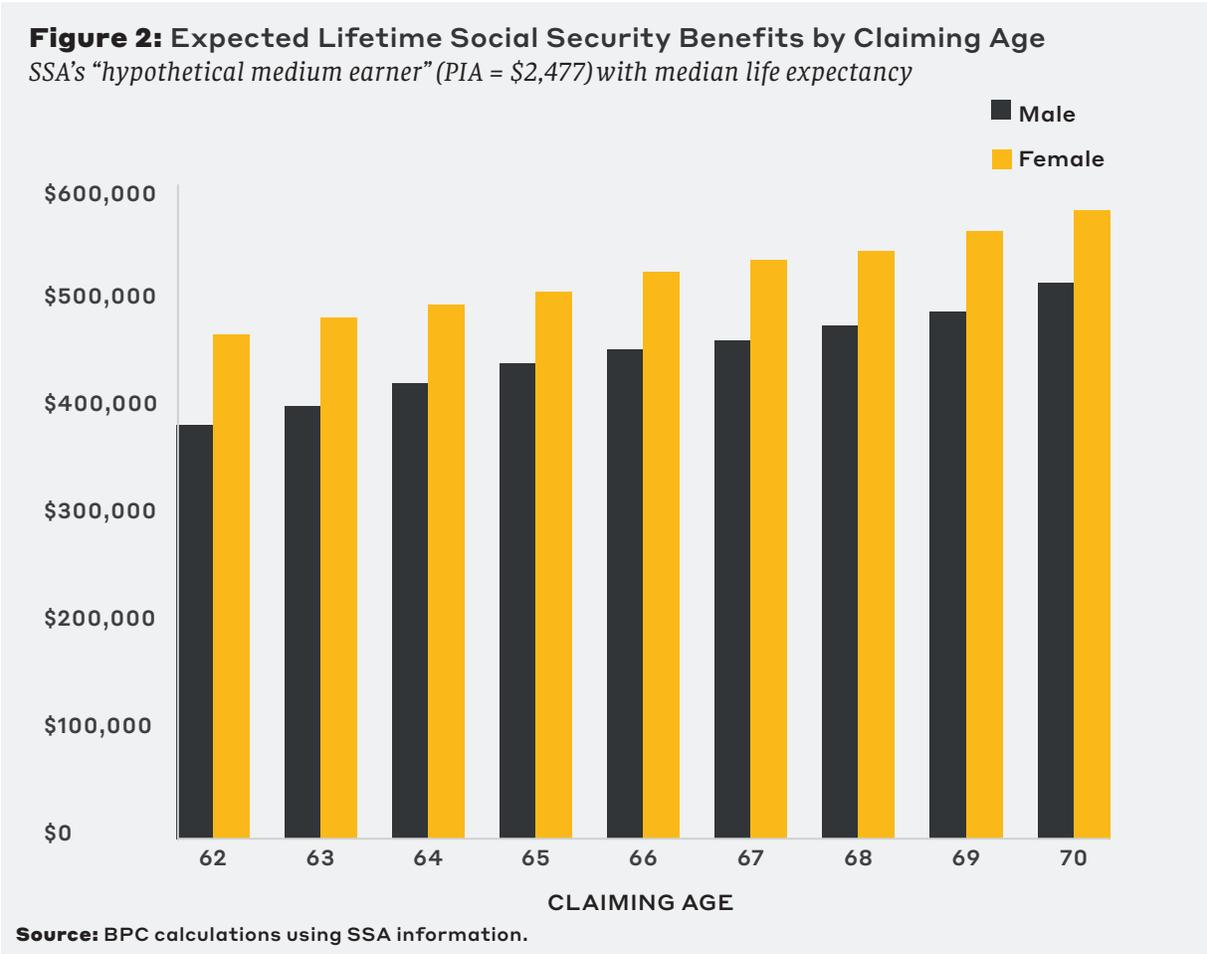
Source: BPC calculations based on SSA information.

claimed Social Security at a suboptimal time (Fellowes et al., 2019, p. 1). Figure 2 shows how projected lifetime Social Security benefits for a median earner increase every year they delay claiming.

But a focus solely on maximizing the lifetime value of Social Security overlooks arguably the most important function of the program: longevity insurance. Deciding when to claim Social Security benefits entails complex trade-offs between monthly income, total expected lifetime benefits, the need or desire for income now, and protection against the financial risks of a longer-than-expected life. Given that everyone will value these trade-offs differently, we define optimality as maximizing someone’s expected well-being given their preferences and situation. As Fichtner et al. (2020) explain:

A younger claiming age may yield higher expected lifetime benefits (e.g., because the claimant expects to live a shorter life than average), but an older claiming age may still be optimal because it provides income security if the claimant lives longer than expected and could provide a higher survivor benefit to a spouse. Conversely, for some, claiming later may maximize expected lifetime benefits, but claiming now might be optimal because it meets an urgent financial need that cannot be filled otherwise. (p. 10)

One’s monthly benefit amount, expected lifetime benefits, and immediate needs are important, but individuals and advisers often underappreciate Social Security’s insurance value. For nearly everyone, Social Security is the only income stream guaranteed to provide the same purchasing power month after month regardless of how long one lives. Thus, waiting to claim benefits as long as possible is paramount for maximizing the program’s insurance value.



Financial Risks in Retirement: The Four Ms

The decision of how much to spend in retirement is plagued by four primary risks: mortality, morbidity, market performance, and macroeconomic conditions. The first two describe how long one might live and in what health. The latter two reflect how one's assets will evolve, both in nominal and real terms. Delaying claiming Social Security benefits can mitigate all four risks.

Mortality: In the financial context, mortality risk is actually longevity risk—the risk of outliving one's assets. Social Security benefits, however, are guaranteed until death. Even then, benefits can continue for some households in the form of survivor benefits. Thus, maximizing the monthly benefit amount by delaying claiming maximizes the foundational income one can rely on for life, as well as the benefits their spouse will receive after their death. The value of this longevity protection increases with the unpredictability of one's lifespan. As a result, this insurance is particularly important for Black beneficiaries and those with low levels of education, who face the greatest uncertainty in their life expectancies (Arapakis et al., 2023).

Morbidity: Morbidity refers to the risk of experiencing adverse health outcomes, which pose significant financial risks to older Americans (Chen et al., 2025). These unexpected health-related expenses can quickly deplete retirement savings, forcing individuals to rely on their investments rather than stable income sources. By choosing to delay Social Security claiming, individuals are not only securing a larger monthly benefit but also creating a higher floor of guaranteed income that can help mitigate the impact of high medical costs. This strategy allows retirees to preserve their savings for emergencies and health care needs in the event of declines in health, thus enhancing their financial resilience in the face of unexpected morbidity.

Market performance: Because Social Security benefits maintain the same purchasing power as the year they were claimed,^b delaying claiming to secure greater purchasing power throughout retirement provides strong protection against the volatility of market performance. The larger benefit secured by claiming later provides a financial cushion during market downturns, reducing the need to liquidate investments at inopportune moments.

Macroeconomic conditions: Americans were reminded of the value of Social Security's annual cost-of-living adjustments in 2023, when monthly benefit amounts were increased by 8.7% to keep up with rates of inflation not seen since the early 1980s. Regardless of macroeconomic conditions, Social Security provides a guaranteed level of purchasing power every month for the rest of a beneficiary's life—a valuable hedge against inflation.

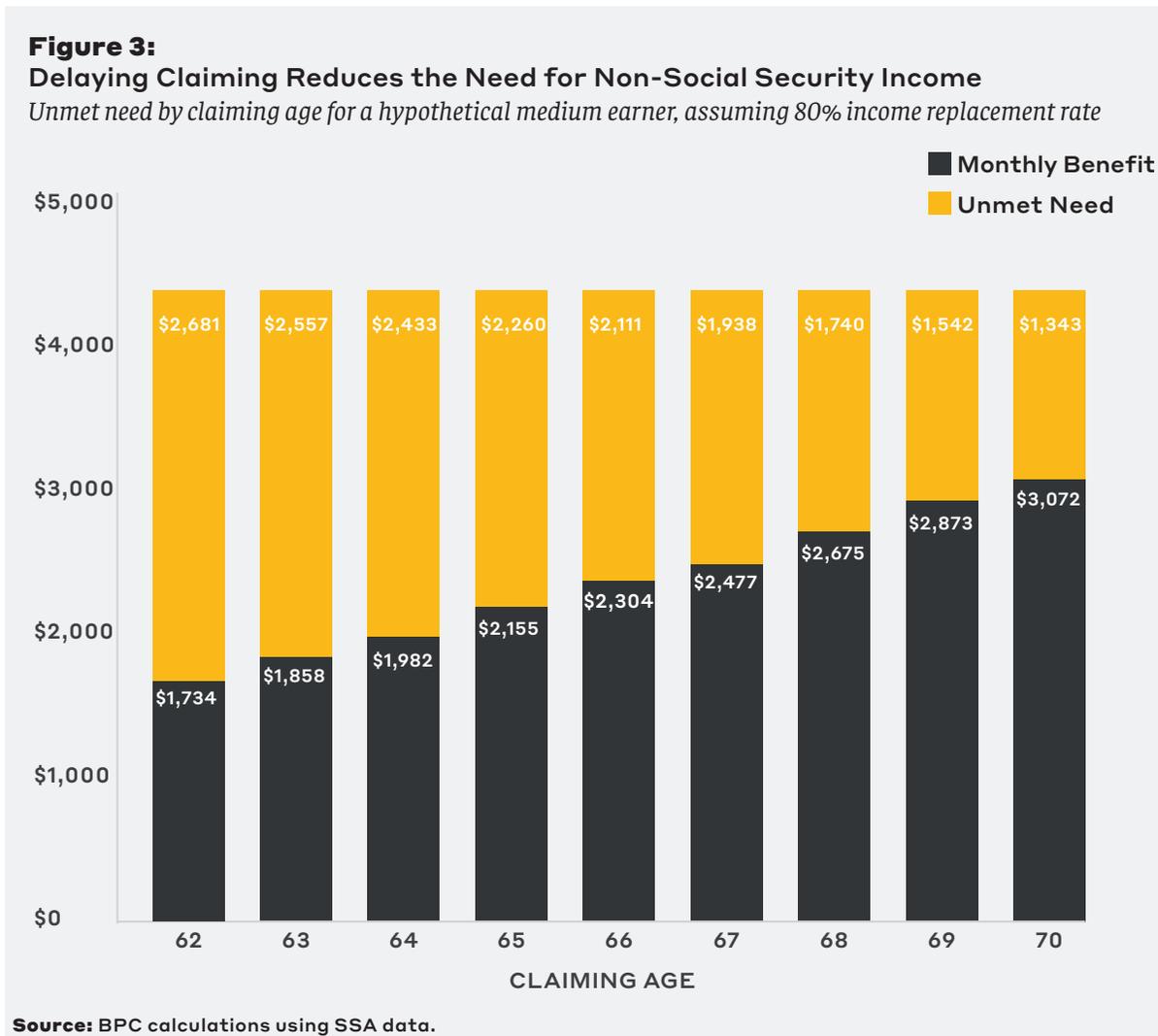
Given the immense uncertainty created by these risks, retirees tend to both allocate their assets too conservatively and to spend significantly less than they could because they want to preserve their assets in case of a longer-than-expected life (Blanchett and Finke, 2025, p. 3). Delaying claiming can help on both fronts. First, a larger Social Security benefit ensures that a guaranteed, inflation-protected income stream covers a larger proportion of one's retirement expenses, reducing pressure on (and the consequences of depleting) one's portfolio. This advantage can allow retirees to invest more aggressively to further increase spending ability or to maximize bequests. Second, Blanchett and Finke (2024) show that having protected income streams such as Social Security give retirees a "license to spend" in retirement, significantly boosting their quality of life—and the bigger that income stream, the better.

^b In fact, because Social Security cannot have a negative cost-of-living adjustment, benefits can gain purchasing power during deflationary periods, as happened in 2009.

BRIDGING THE GAP TO A MORE SECURE RETIREMENT

Delaying claiming Social Security benefits is a powerful strategy that many Americans could use to maximize financial wellness in the face of significant uncertainty and risk. Delaying, of course, is not costless. A person must either continue working until claiming or use other assets, such as those accumulated in a 401(k), to cover their living expenses before claiming. They can do so either by purchasing an annuity or spending down their other retirement assets to create a “bridge” from retirement to claiming. The latter option is underappreciated and underused, likely because of misconceptions about how much money a bridge strategy requires and how big of a return the strategy yields over a lifetime.

Consider SSA’s “hypothetical medium earner”—someone who earned an average of \$66,223 annually (adjusted for inflation) for at least 35 years, yielding average monthly earnings, indexed for inflation, of \$5,519 (Burkhalter and Rose, 2025). Assuming a generous target income replacement rate in retirement of 80%, this person needs monthly income of \$4,415.^c As shown in Figure 3, claiming Social Security old age benefits at age 62 nets only \$1,734 per month, leaving a gap of \$2,681 per month for life. But



^c The proportion of preretirement income that a retiree needs to replace depends on many factors, but most experts recommend replacing 70%–80% to maintain one’s standard of living (Government Accountability Office, 2016; T. Rowe Price, 2024).

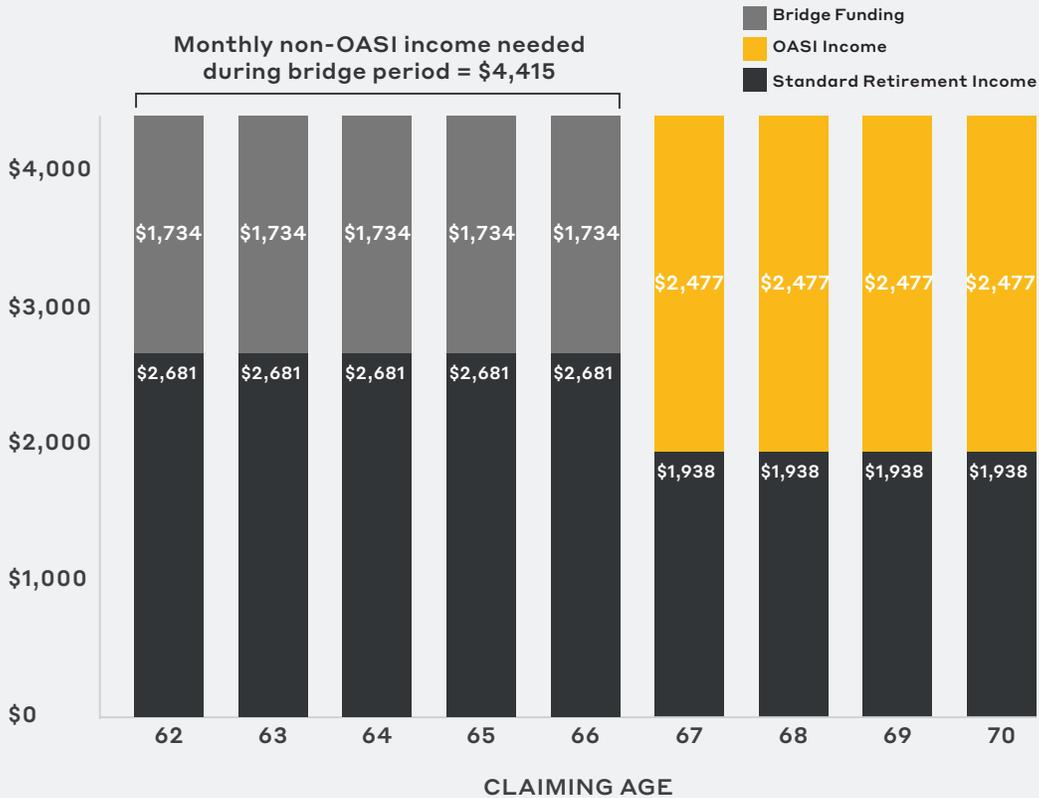
waiting to claim until the FRA of 67 nets a monthly benefit of \$2,477, leaving a much smaller gap of \$1,938 per month. Waiting until 70 reduces that gap even further, to \$1,343.

Figure 4 shows how the hypothetical medium earner who retires at age 62 could use a bridge strategy to increase their lifetime monthly benefit amount. Instead of claiming Social Security upon retirement, this person draws an additional \$1,734 per month from their retirement savings to replace their age-62 benefit. At 67 (FRA), the individual claims Social Security, securing monthly inflation-protected benefits of \$2,477. Funding the bridge required \$104,035—an amount they will receive in increased Social Security benefits in under 12 years, well below life expectancy for a 67-year-old American (SSA, 2024b).^d

A substantial body of literature shows that many retirees could improve not only their protection against living longer than expected but also their standard of living by using a bridge strategy. For example, Munnell et al. (2022) compared the longevity-insurance value of a Social Security bridge until age 65 to that of immediate annuities (income streams that are purchased and begin payments at age 65) and

Figure 4: Visualizing a Bridge to Full Retirement Age

Monthly income sources for a hypothetical medium earner who claims at FRA, assuming 80% income replacement rate



Note: The analysis for this paper conceptualizes the amount needed for a bridge as the amount of OASI benefits that could be claimed at age 62 multiplied by the length of the bridge period in months. One could conceptualize this amount in different ways, as illustrated in the Appendix.

Source: BPC calculations using SSA data.

^d Other methods of calculating the amount of the bridge funding show a cost of up to \$148,620. This would be surpassed by higher Social Security benefits within 17 years, which is still below life expectancy at age 67. See Appendix for more detail.

deferred annuities (purchased ahead of time and beginning payments at age 85).^e The study showed that a bridge strategy is clearly the best option for a household with median wealth drawing down its assets in line with required minimum distributions (RMDs).^f Moreover, the authors found that allocating 40% of assets to the bridge was substantially better than allocating only 20%.^g For higher-wealth households, the picture was slightly less clear, with deferred annuities providing higher value (due in large part to the positive association between wealth and longevity). Still, they identified a bridge strategy combined with a deferred annuity as the optimal option for a household at even the 90th percentile of wealth.

Munnell et al. (2022, p. 218) frame a bridge strategy as buying annuity income from Social Security, but Social Security income and a comparable commercial product are not perfect substitutes. Rather, Social Security is substantially more generous than market offerings. Five main factors account for this, as discussed by Blanchett (2022), Look and Szapiro (2022), and Munnell et al. (2022):

1. Social Security benefits are indexed to the Consumer Price Index and thus are completely protected against inflation—a feature that is rare and commands a high price in private markets. This protection is extremely valuable from a longevity-insurance perspective.
2. Social Security provides robust survivor benefits, another rare and expensive feature in private markets.
3. The “price” of purchasing Social Security income (i.e., of a bridge strategy) is fairer for the average person because benefit adjustments are based on average population life expectancy rather than the above-average life expectancy of purchasers of commercial annuities.
4. Social Security does not require a profit margin.
5. Social Security benefits are tax-advantaged compared with other income, including annuity income.

Hedging the Risk of a Longer-than-Expected Life

Considering outcomes for those individuals who live beyond average life expectancy clarifies the main advantage of a bridge strategy. In fact, Yaari’s (1965) seminal work on longevity insurance and annuitization shows that the only appropriate time horizon on which to value pension benefits, from a longevity-risk perspective, is the maximum lifespan (Altig et al., 2023, Note 10). Altig et al., therefore, used a private-sector Social Security benefit optimizer to maximize lifetime benefits for American workers ages 45–62 who will live to age 100.^h Based on this methodology, claiming at the earliest eligibility age of 62—the most common choice for claimants, according to the Social Security Administration (SSA) (2024a, Table 6.B5)—is a suboptimal choice for virtually all beneficiaries who reach the age of 100 (considered the “maximum lifespan” for the purposes of Altig et al.’s analysis). Rather, 99.9% of heads of household (and 98.7% of spouses) maximize the longevity-insurance value of Social Security by claiming after age 65, with 97.9% of heads of household (81.9% of spouses) optimizing at age 70.

^e For more information, see Julia Kagan, 2024, “Guide to Annuities: What They Are, Types, and How They Work,” Investopedia. Available at: <https://www.investopedia.com/terms/a/annuity.asp>.

^f RMDs are the minimum amounts that participants must withdraw from their retirement accounts each year, typically beginning at age 73 (soon to rise to age 75). U.S. tax law requires these distributions to ensure that savers ultimately pay income taxes on tax-deferred retirement savings, but increasing evidence shows that RMDs can shape retirement spending to a much greater degree than intended. See, e.g., John Manganaro, 2025, “Did Raising the RMD Age Hurt Retirees?” ThinkAdvisor. Available at: <https://www.thinkadvisor.com/2025/04/03/did-raising-the-rmd-age-hurt-retirees/>.

^g The authors only modeled allocations of 20% and 40% to a bridge strategy.

^h Age 100 is not actually the maximum lifespan, given that 2.5% of women and 0.9% of men will live beyond 100.

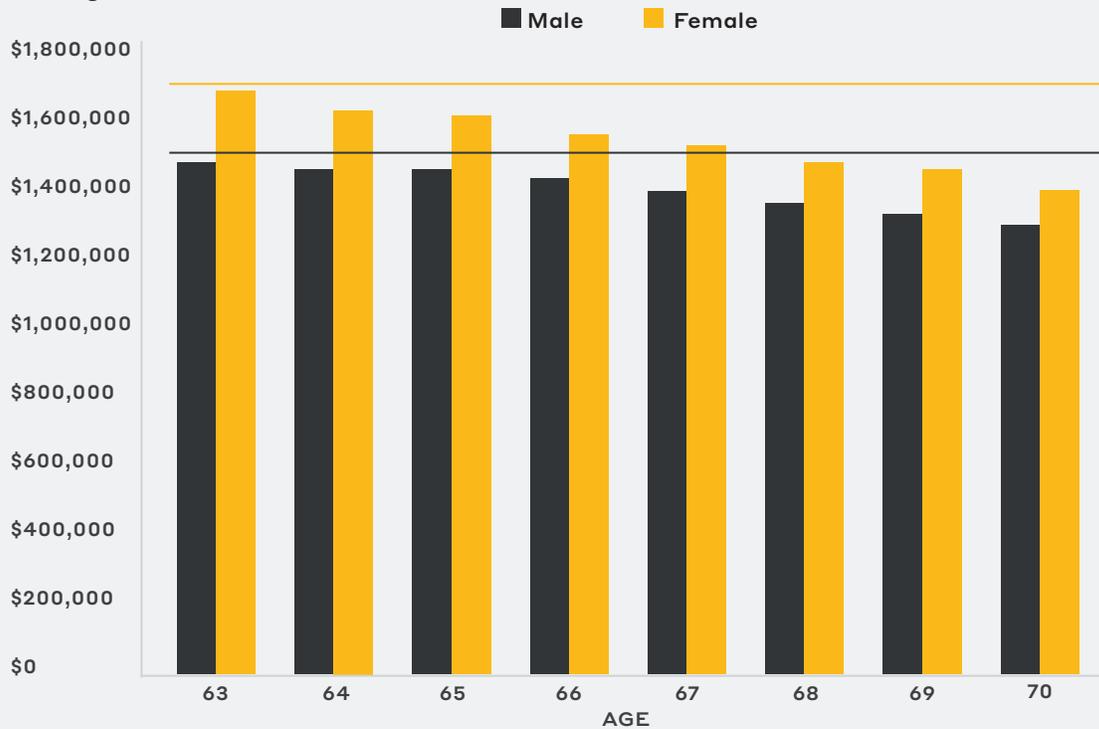
These findings broadly hold even when far more conservative assumptions are used. One in 4 62-year-old American women will live 29.8 more years, nearly to age 92. One in 4 62-year-old American men will live 26.8 more years, nearly to age 89. For this group, the value of increased monthly Social Security benefits exceeds the cost of the bridge required to secure them. Figure 5 shows this comparison for a hypothetical low, medium, and high earner (those who earned an average of \$29,800, \$66,223, and \$105,957 annually, adjusted for inflation, for at least 35 years [Burkhalter and Rose, 2025]).

A medium earner who claims Social Security benefits at age 62 (and therefore needs \$2,681 per month in non-Social Security income) will spend \$160,920 from non-Social Security sources to meet their 80% replacement rate goal between the ages of 62 and 67. If this earner delays claiming, meeting all spending needs during those five years with non-Social Security income, they will spend \$264,900 over that same period—about \$100,000 more. (Our conservative methodology does not consider investment returns. See Appendix.)

But that additional outlay early in retirement secures higher Social Security benefits—and therefore less need for non-Social Security income—for the remainder of retirement. For an individual claiming at age 62 and using a bridge to age 67, Figure 6 shows lifetime assets needed for each additional year lived. After approximately 15 years, the additional Social Security benefits surpass the early outlays. In other words, a 62-year-old who is expected to live to at least the age of 78:

Figure 5: A Bridge Strategy Can Require Less Assets than Claiming at Age 62
Lifetime assets needed for a bridge from 62 to each claiming age, compared to assets needed if claiming benefits at 62, 75th-percentile life expectancy

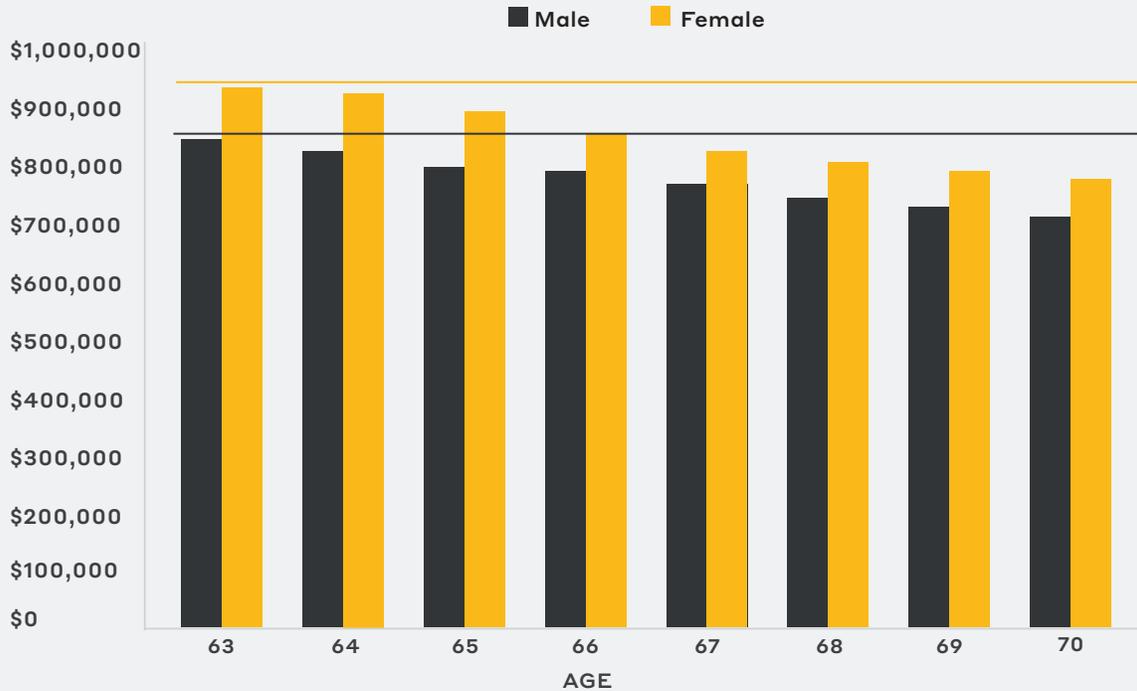
A) High earner



Total assets of **\$1.7 million for women** and **\$1.5 million for men** are required to meet spending needs for high earners who claim at age 62.

Each year using a bridge strategy to delay claiming **reduces** the total assets needed when considering the cost of the bridge.

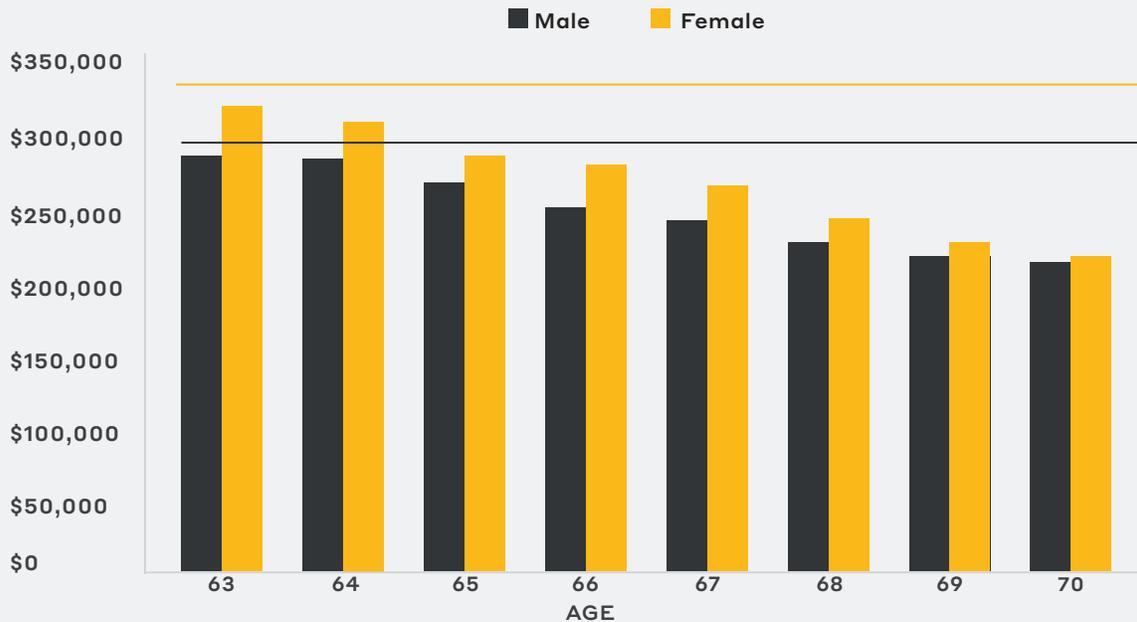
B) Medium earner



Total assets of **\$959,000 for women** and **\$864,000 for men** are required to meet spending needs for high earners who claim at age 62.

Each year using a bridge strategy to delay claiming **reduces** the total assets needed when considering the cost of the bridge.

C) Low earner



Total assets of **\$334,000 for women** and **\$300,000 for men** are required to meet spending needs for high earners who claim at age 62.

Each year using a bridge strategy to delay claiming **reduces** the total assets needed when considering the cost of the bridge.

Source: BPC calculations using SSA information.

- needs to start retirement with less in assets if they choose to implement a bridge strategy than they would need if they do not use a bridge;
- can spend more in retirement using a bridge strategy than they can spend with the same level of assets not using a bridge strategy;
- or will make their assets last longer by using a bridge strategy than having the same level of spending without a bridge.

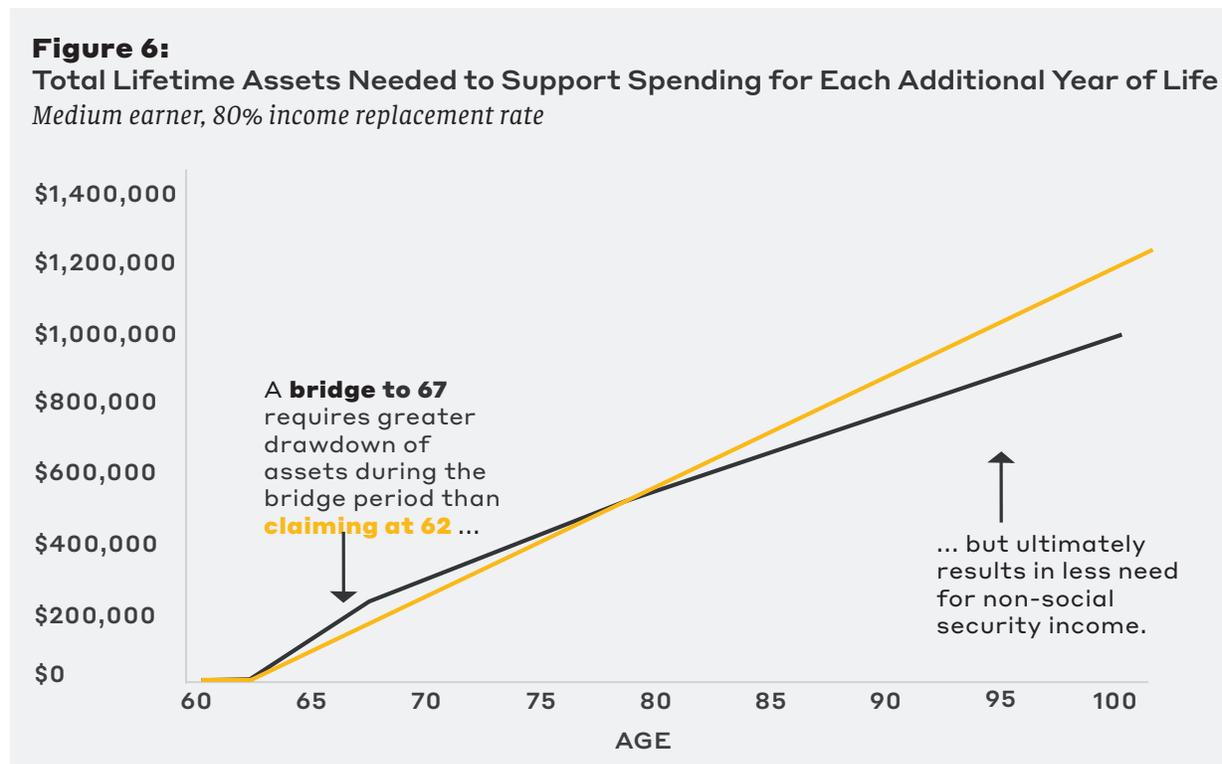
Most important, however, a bridge strategy provides invaluable financial protection for those who do eventually deplete their savings by increasing their baseline purchasing power (by 43%, in the case of a bridge from ages 62-67, equal to \$442 per month for a low earner, \$721 per month for a medium earner, and \$971 per month for a high earner).¹

Considerations for Using a Bridge

As with all financial decisions, determining how best to use a bridge strategy is complex, and individuals and financial professionals must consider many factors. Two of the most important include:

Bridge Source and Structure: There are three primary mechanisms by which individuals can implement a bridge strategy.

1. A systematic withdrawal plan is a strategy in which a retiree takes income regularly from their investments. This approach provides maximum flexibility but also opens the door to sequence of returns risk, or the risk of poor investment returns near the beginning of retirement, which can have a



¹ This paper emphasizes the longevity-insurance value of a bridge strategy by focusing on those who live beyond average life expectancy. As Altig et al. (2023, p. 143) put it, “No one will die precisely on time, at their expected age of death given their mortality probabilities.” As Figure 6 shows, however, this analysis holds (at least under the set of assumptions used in this paper) for average 62-year-old women (who live to age 84) and men (who live to age 81).

dramatic effect on long-term retirement security.^j Systematic withdrawals can be highly structured, but this strategy might require ongoing decision-making and reevaluation from the retiree.

2. An immediate annuity certain (also called a term certain annuity) provides a guaranteed stream of payments for a set period, beginning when purchased.^k Annuities certain lack the flexibility that systematic withdrawals can provide, but they are likely the simplest option for a bridge strategy, requiring only a single decision, and they can mitigate market risk if interest rates are low at the time of purchase. Conversely, high interest rates at the time of purchase make immediate annuities less attractive.
3. A deferred annuity certain is likely optimal for many savers, as it allows preretirees to purchase protected income for a set period relatively inexpensively and to time that purchase based on interest rates and market conditions (or to purchase a series of deferred annuities over time to mitigate timing risks—see Commission on Retirement Security and Personal Savings, 2016, p. 63). The primary risk of a deferred annuity is that one’s circumstances might change between purchase and retirement.

Desire for Liquid Reserves: Liquidity needs and wants can support a decision not to tie up funds in protected income products or a bridge strategy, but these approaches can also increase one’s liquid assets in the long run. Many retirees want to continue accumulating assets to leave as bequests, or they worry about future needs, such as those arising from declining health or the need for long-term care. A bridge strategy requires a significant depletion of liquid assets early in retirement, but it ultimately reduces pressure on any remaining assets, as it paves the way for monthly Social Security benefits to cover a greater proportion of expenses later in retirement. Thus, retirees can allocate a greater proportion of their remaining assets to higher-risk and higher-return equities, which, under many market conditions, can ultimately increase assets later in retirement and at death (Ameriks et al., 2001; Malhotra, 2012; and Horneff et al., 2015).

BARRIERS TO BRIDGE STRATEGY USE

Despite the clear evidence of a bridge strategy’s value, few Americans use any protected-income products, let alone products to facilitate bridge strategies. Evidence from the behavior of participants in TIAA, a large and mature retirement plan administrator with many protected-income options and historically high annuitization rates, provides arguably the clearest insight into the choices of those Americans who have convenient access to protected-income products. Recent research on this population shows that, in 2018, just 13% of participants chose nonlife guaranteed payments (the most suitable options for implementing a bridge strategy) as their initial retirement income choice (Brown et al., 2023, p. 15). Given the rapid decline of all participants opting for life annuities, from 52% in 2008 to 31% in 2018, RMDs have become the primary distribution option for new retirees, with more than half of all initial income from TIAA coming in the form of an RMD (ibid.). Although individuals can use systematic withdrawals to implement a bridge strategy, it is unlikely that RMDs—which Congress

^j See, e.g., U.S. Bank, “How sequence of returns risk can impact when to retire.” Available at: <https://www.usbank.com/retirement-planning/financial-perspectives/sequence-of-returns-risk-impact-when-to-retire.html>.

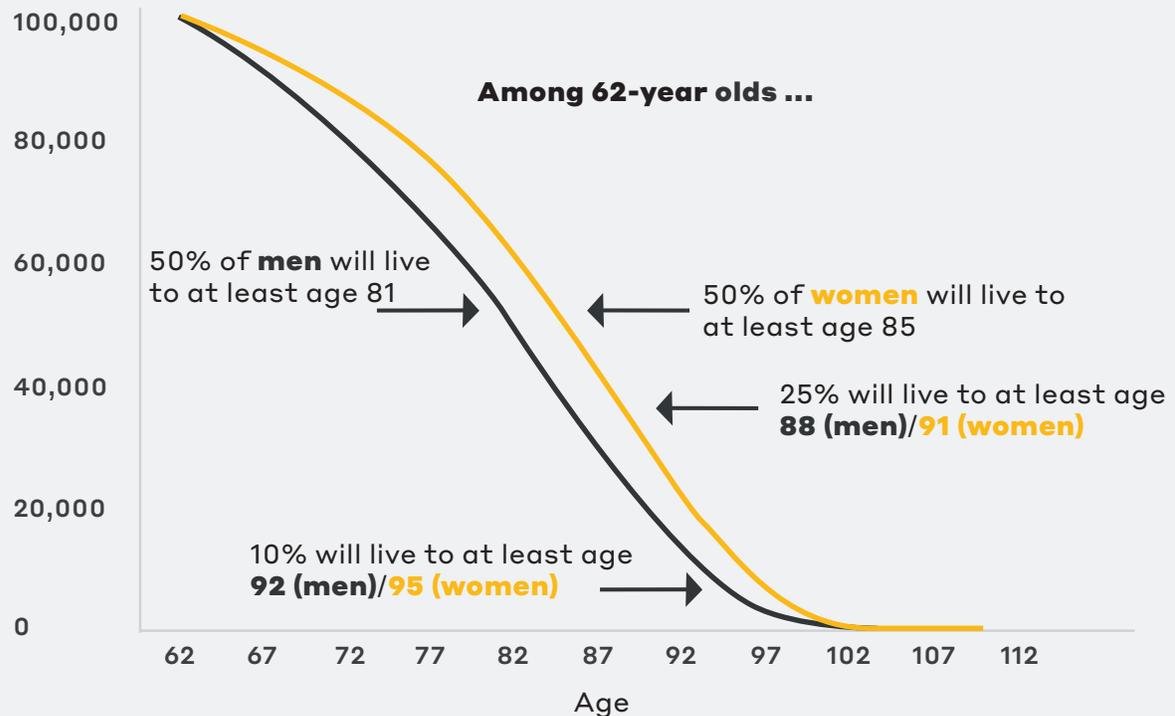
^k For more information, see Julia Kagan, 2021, “Term Certain Annuity: What it is, How it Works,” Investopedia. Available at: <https://www.investopedia.com/terms/t/termcertainannuity.asp>.

enacted to ensure that investors eventually pay income taxes on tax-deferred retirement savings, not to prescribe retirement income—provide an appropriate level of income for that purpose.

More broadly, protected income has become less prevalent, with only 30% of 63- to 65-year-olds in the late 2010s having any protected income outside of Social Security, compared with more than 45% of 63- to 65-year-olds in the mid-1990s (Sabelhaus, 2022). Given the decline of defined-benefit pension plans (Myers and Topoleski, 2021), workers must now seek out and purchase protected streams of retirement income, but myriad obstacles—in the form of psychological limitations, regulation, and a lack of appropriate private-sector offerings—prevent most Americans from using the most effective tools available to ensure financial security in retirement.

To date, most analysis of underutilization of bridge strategies (and of the “annuity puzzle” more generally) has focused on psychological barriers and participant shortcomings. Kolluri and Yakoboski (2023) showed that Americans lacked “longevity literacy,” or the understanding of how long people tend to live in retirement. The TIAA Institute-Global Financial Literacy Excellence Center Personal Finance Index found that more than half of U.S. adults either were unsure about or underestimate life expectancy, and that this was associated with inadequate saving before retirement and financial shortfalls and anxiety during retirement (Yakoboski et al., 2023; Lusardi et al., 2023). A basic understanding of the life expectancy curve (see Figure 7) is integral for retirement preparedness: The less time someone expects to spend in retirement (and the more certain they are about that judgment), the less attractive strategies

Figure 7:
Out of 100,000 62-Year-Olds, How Many Will Be Alive at Any Given Age?
Life expectancy curve for 62-year-old Americans, 2021



¹ For a description of the annuity puzzle, see Richard Thaler’s June 2011 piece in The New York Times, “The Annuity Puzzle.”

that insure against outliving their assets will be. Moreover, protected-income products typically require a large, nonrefundable payment (or, in some cases, a payment that is refundable but only at the cost of 2%-2.5% of the annuitized assets)—a one-time premium equal to a substantial portion of one’s total assets. Irreversibly giving up accumulated assets can be psychologically difficult (Benartzi et al., 2011, 156-57). It can also be risky. Health risks, in particular—and the attendant potential for large health care costs—substantially drive down demand for protected income in retirement (Peijnenburg et al., 2017).

... one-third of beneficiaries have enough wealth in their IRA alone to finance at least two years of Social Security benefits at the time they claim, and one-quarter have enough retirement savings to finance at least four years of benefits.

But research suggests that liquidity constraints are a smaller barrier to delaying Social Security—whether via annuitization or systematic withdrawals—than might be expected. Goda et al. (2018) found that one-third of beneficiaries have enough wealth in their IRA alone to finance at least two years of Social Security benefits at the time they claim, and one-quarter have enough retirement savings to finance at least four years of benefits. Adding other sources of wealth, including checking and

savings accounts, investments in nonretirement accounts, and other savings (less debt) increases the proportions to 64% and 54%, respectively, ruling out liquidity constraints as a reason to claim Social Security benefits early for a significant share of the sample.

For plan sponsors subject to fiduciary responsibilities, exploring, testing, and implementing plan options that include protected income is fraught. Legal and regulatory changes are needed. Plan sponsors’ fiduciary responsibilities come from the Employee Retirement Income Security Act of 1974 (ERISA). As Toland and Treichel (2022) outlined:

ERISA has the benefit that its non-prescriptive nature allows plan fiduciaries great leeway to do what is best for the plan and its participants. On the flip side, that nature creates fear for plan fiduciaries who are seeking a roadmap. Unfortunately, the roadmap often arrives in the form of caselaw or after a series of large settlements, both of which are anathema to plan sponsors, who want to keep their names out of the headlines. Therefore, absent this guidance, a plan sponsor may be inclined to operate from a place of fear when seeking to implement new solutions, including annuities, for its plan. (p. 2)

Despite the hurdles outlined above, there is cause for some optimism. For one, survey evidence suggests that participants are interested in annuitization in general and bridge strategies in particular. Munnell and Wettstein (2022), for example, found that between one-quarter and one-third of workers near retirement age said they would elect to use a bridge strategy, allocating around 20% of their retirement assets on average to such a strategy.

In addition, industry leaders have made major progress in recent years toward incorporating protected income into defined contribution plans, especially within target date funds. TIAA, for example, lets plan sponsors add a fixed income annuity to their retirement plans. The fixed income annuity, which replaces part of a target date fund’s bond allocation, guarantees a minimum level of returns during

the accumulation phase and gives participants the ability to easily convert a portion of their target date fund into a guaranteed stream of income for life upon retirement.^m BlackRock’s LifePath Paycheck, launched in 2024, has a similar structure.ⁿ These private-sector innovations focus on providing lifetime income in general, rather than facilitating a bridge strategy to delay Social Security claiming, but they represent a significant step toward broader income security in retirement.

INDUSTRY AND POLICY OPPORTUNITIES

Individuals must consider many factors to ensure they use a bridge strategy appropriate to their circumstances. Ultimately, however, industry and government should provide savers with the tools they need to use a bridge strategy. Legal and regulatory changes must continue to protect savers and investors while paving the way for industry innovation—the creation, perhaps, of products that combine the dynamism of systematic withdrawals with the risk profile and value of annuities certain.

Overcoming Longevity Illiteracy: As described above, most U.S. adults have overly pessimistic projections of their life expectancy (Yakoboski et al., 2023; Lusardi et al., 2023)—meaning they underestimate the length of time for which they need to financially prepare. To this end, SSA, financial professionals, industry publications, and personal finance reporters have a key role to play. These experts should emphasize the importance in retirement planning of understanding both one’s remaining life expectancy and—equally as important—the long tails of that probability distribution. For example, the average 62-year-old female in 2021 would live to 84 and 1 month, but more than 1 in 10 would live to age 95 (SSA, 2024b). This reality, combined with multiple surveys showing that many U.S. adults underestimate their remaining years of life (Society of Actuaries, 2020; Yakoboski et al., 2023), means that a woman nearing retirement age has a significant chance of living more than 10 years longer than she expects.^o

SSA provides a basic life expectancy calculator on its website, and many more-detailed calculators, which ask about health, education level, race, and other factors, are available.^p

Strengthening Product Offerings: Product innovation can also promote better retirement outcomes by increasing the uptake of protected income and bridge strategies. TIAA’s Income Test Drive product, for example, represents a significant step toward overcoming the aversion to irreversible payments. The Income Test Drive lets TIAA clients receive guaranteed-income payments for up to two years before making a final commitment to the underlying annuity product; this gives them the flexibility to cancel at any time without cost or penalty.

^m Nuveen’s Lifecycle Income target date funds were launched in 2024 and embed the TIAA fixed income annuity into retirement plans. Nuveen, “TIAA Secure Income Account,” accessed May 2025. Available at: <https://www.nuveen.com/en-us/investments/retirement/secure-income-account>.

ⁿ Aaron Levitt, “BlackRock’s LifePath Paycheck: A Simplified Approach to Retirement Income,” Dividend.com, October 28, 2024. Available at: <https://www.dividend.com/retirement-channel/blackrock-lifepath-paycheck-target-date-funds-with-embedded-annuities/>.

^o In general, the same holds for men but to a lesser degree. Men have shorter life expectancies on average than women and less chance of living far beyond the average. According to SSA (2024b), the average life expectancy for a 60-year-old man in 2020 was an additional 20 years and 6 months (to 80 and 6 months), and a 60-year-old man had a less-than-5% chance of living to 95.

^p Social Security Administration, Retirement & Survivors Benefits: Life Expectancy Calculator.

Currently, however, many retirement plans do not even deliver on the basics: A survey of 155 plan sponsors in the United States showed that only 13% of plans offer a Social Security claiming optimization tool to participants (O'Connor, 2023, 4).

Increasing Use of Bridge Strategies: Even the best products benefit from improvements in choice architecture, or the way in which choices are presented. Optimizing defaults can serve as a powerful tool for improving consumer outcomes (Carroll et al., 2009). One way to do this, according to Blanchett (2022), is to create a bridge “sleeve” within defined contribution plans:

One potential approach to nudge more participants to delay claiming would be to create an explicit “delayed claiming account” sleeve within the default investment, which is typically a target-date fund. The bridge sleeve (or account) would be used to bridge the income gap during the delay period and would generally be expected to be invested in relatively liquid securities (e.g., mostly fixed income but also equities and alternatives). Having the explicit sleeve geared towards delayed claiming would not only precondition participants to delay claiming (i.e., behaviorally prepare them for it), but it also results in a significantly higher level of flexibility compared to other strategies that require a higher level of commitment, from both participants and plan sponsors. (p. 2)

The funds in such a sleeve could be used, by default, to purchase a deferred annuity certain product designed to bridge a gap from age 62 to the full retirement age of 67, for example. Conversely, those funds could be left in the market but invested differently than the rest of the portfolio so that they are invested in stable-value assets and therefore protected from sequence of returns risk during the bridge period.

Plan sponsors and providers could also offer targeted education and clearer information about claiming and bridge strategies at key moments in participants’ lives—regularly after reaching age 50, upon reaching 62, and at retirement, for example. Plan sponsors could also implement an active-choice approach at one of those key moments, whereby they present participants with a simplified menu of options and require individuals to choose their preference.

Improving SSA’s Framing: Bridge strategies provide value by facilitating delayed claiming of Social Security benefits, but many workers do not have enough knowledge about Social Security to put that decision into an appropriate context: In a survey fielded by Bank of America (2024, 20), 37% of U.S. employees say they have little to no understanding of their projected benefits. In addition, SSA used to explain the effects of claiming Social Security benefits at different ages using the “breakeven analysis,” even though research shows it leads people to claim earlier than they otherwise would (Brown et al., 2016, pp. 1-4). A breakeven analysis tells someone how long they would have to live for their lifetime benefits from delayed claiming to catch up with the benefits they would receive from claiming at age 62. For example, the claimant from Table 1 at age 62 would have to live nearly 15 more years, to age 76 and 10 months, for benefits claimed at age 63 to catch up with benefits claimed at age 62. Waiting until FRA puts the breakeven point at age 79 and 10 months, and waiting until age 70 puts it at age 81 and 8 months.

This framing makes delaying claiming seem like a risky bet on the length of one’s life and encourages earlier claiming. In fact, however, the average 62-year-old woman can expect to live an additional 22 years to age 84—significantly beyond the breakeven point of delaying claiming even as long as possible. Breakeven analysis can add context to one’s claiming decision but can only provide real value to someone who understands the probability distribution of their remaining lifespan. As explained previously,

however, longevity illiteracy prevails. More broadly, the very premise of breakeven analysis ignores Social Security’s immense value as longevity insurance in favor of maximizing lifetime benefits.

SSA has moved away from using the breakeven analysis after many years of relying heavily on it, but financial professionals, industry publications, and personal finance reporters continue⁹—and should stop. Moreover, SSA should join those groups in using its educational materials to more strongly emphasize Social Security’s insurance value.

**BRIDGE STRATEGIES PROVIDE VALUE BY FACILITATING
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In addition, the terms SSA uses to describe different claiming ages—62 is the “early eligibility age,” 67 is the “full retirement age,” and delaying claiming nets “delayed retirement credits” until age 70—are imprecise and encourage people to claim benefits early (Pérez-Arce et al., 2019). In 2023, a bipartisan group of senators introduced legislation to improve this language, which they reintroduced in 2025. The Claiming Age Clarity Act would rebrand age 62 as the “minimum monthly benefit age,” age 67 as the “standard monthly benefit age,” and age 70 as the “maximum monthly benefit age”—terminology that Pérez-Arce et al. show would significantly improve understanding of the impact of claiming age on Social Security benefits and increase average claiming age by approximately two and a half months. This would represent significant progress, and SSA need not wait for Congress to pass the legislation. Instead, SSA should implement these changes itself (Fichtner et al., 2020, p. 31).

Advancing Public Policy: Many Americans currently do not have enough savings to execute a bridge strategy—let alone to provide a comfortable retirement. A large part of the problem is that between one-quarter and one-half of U.S. employees lack access to the most effective tool for saving for retirement—a 401(k)-type tax-advantaged account through one’s employer (Sprick, 2024, p. 27). Some state governments have demonstrated that automatic IRA programs can play a key role in expanding coverage, and the federal government should build on that progress (Sprick, 2024).

To enable product innovation and education around bridge strategies, lawmakers and regulators must continue to find ways to protect savers and investors while mitigating the litigation risks that plan sponsors and administrators face. The SECURE Act of 2019 and SECURE 2.0 Act of 2022 took significant steps forward on this front, providing some clarity to plan sponsors on the regulatory requirements involved in incorporating protected-income products into their plans and expanding options for participants to partially or fully annuitize their retirement savings.

⁹ For example, according to *Financial Advisor*, the National Association of Registered Social Security Analysts launched a new tool in October 2023 emphasizing breakeven analysis.

A straightforward additional step would be to provide plan sponsors with a safe harbor to implement features that help participants make informed decisions about when to claim Social Security benefits and that assist participants in using their retirement-plan savings to enable later claiming (Commission on Retirement Security and Personal Savings, 2016, p. 65). These features should include the ability to generate customized analyses based on plan data and participant-supplied information. For example, an online tool could guide participants to select appropriate investments and schedule a series of plan withdrawals that would approximate forgone Social Security benefits.

FUTURE RESEARCH

This report quantifies the value of a bridge strategy for SSA's hypothetical low, medium, and high earners, using as a demonstrative example 62-year-old men and women who live to the 75th-percentile of life expectancy. Because the analysis in this report uses simple parameters—excluding, for example, any consideration of interest rates or investment returns (see Appendix)—further research should explore several refinements.

First, future analysis should incorporate expected net-present-value calculations, following Duffy et al. (2021, pp. 9-10), and include real investment returns to more precisely compare the net cost of a bridge strategy and claiming at age 62. Analyzing different income replacement rates and incorporating changing income needs throughout retirement would add further robustness to the results, as would expanding the analysis beyond 75th-percentile life expectancy.

Perhaps most important, adding consumption shocks to the analysis (as in Munnell et al., 2022, pp. 223-24) would provide greater clarity on the longevity-insurance value of a bridge strategy.

CONCLUSION

The decision of when to claim Social Security benefits is one of the most consequential financial choices Americans face. This paper has shown that using a bridge strategy to delay claiming can provide significant advantages to retirees. By delaying, individuals can substantially increase their monthly Social Security benefits, enhance their protection against longevity risk, and mitigate the financial uncertainties inherent in retirement, including market volatility and macroeconomic shocks. Suboptimal claiming decisions remain prevalent, however, due to psychological biases, a lack of “longevity literacy,” and structural barriers within the financial industry and public policy.

For many retirees, a bridge strategy can facilitate delayed claiming and lead to greater lifetime wealth, increased spending potential, and enhanced financial security. But the decision to implement a bridge strategy is complex and requires careful consideration of individual circumstances, risk tolerance, and financial resources. Financial professionals and policymakers must work together to overcome the barriers that prevent wider adoption of bridge strategies.

This paper proposes a series of actionable recommendations for the financial industry and policymakers:

- **Industry leaders** should continue to innovate and provide products that better facilitate bridge strategies. This includes enhancing the flexibility of protected income products, providing education and clarity on product offerings and strategies, and integrating Social Security claiming optimization tools into retirement plans.
- **Financial professionals** should reframe the Social Security claiming decision away from the “breakeven analysis” and focus on the program’s value as longevity insurance. They should also work to improve clients’ understanding of their life expectancy.
- **Policymakers** should build on the progress made by the SECURE Act and SECURE 2.0, further clarifying regulatory requirements for incorporating protected-income products into retirement plans and mitigating litigation risks for plan sponsors. Moreover, policymakers should consider ways to further expand access to 401(k)-type plans and improve public understanding of Social Security benefits.

Although future research should continue to refine our understanding of the value of bridge strategies across different scenarios and demographics, the fundamental message is clear: Delaying Social Security claiming, facilitated by a well-designed bridge strategy, can significantly enhance retirement security and improve the financial well-being of American retirees. By addressing the barriers to adoption and promoting innovative solutions, the financial industry and policymakers can empower individuals to make informed decisions that maximize their retirement income and protect against the risks of a longer-than-expected life.

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APPENDIX: METHODOLOGY

This analysis generates lifetime asset needs by first calculating Social Security Old-Age and Survivors Insurance (OASI) benefit amounts for an individual with a given average lifetime annual income who claims at any age. An individual's monthly need is the difference between their OASI benefit amount and 80% of their average lifetime monthly income. The findings in this paper are robust to different reasonable replacement rates. The 80% replacement rate used represents the top end of the range of recommended replacement rates (which shifts the projected monthly need up), and those recommendations typically relate to income in the later years of a career (which shifts the projected monthly need down because career-average income is likely lower than average late-career income).

Lifetime assets needed for an individual who does not use a bridge strategy are calculated by multiplying their monthly unmet need by their remaining years of life, using SSA's period life table. Lifetime assets needed for an individual who uses a bridge strategy are calculated by adding two products:

1. Their total monthly need during the bridge period (80% of the average lifetime monthly income) multiplied by the number of months between age 62 and the FRA of 67.
2. Their unmet need after claiming OASI benefits (80% of average lifetime monthly income minus the OASI benefit amount) multiplied by their remaining months of life.

All numbers are in 2025 dollars. For simplicity, interest rates, investment returns, and inflation are not included in this analysis.

Bridge Funding Calculation Methods

There are three ways to think about the amount of a bridge from ages 62-67:

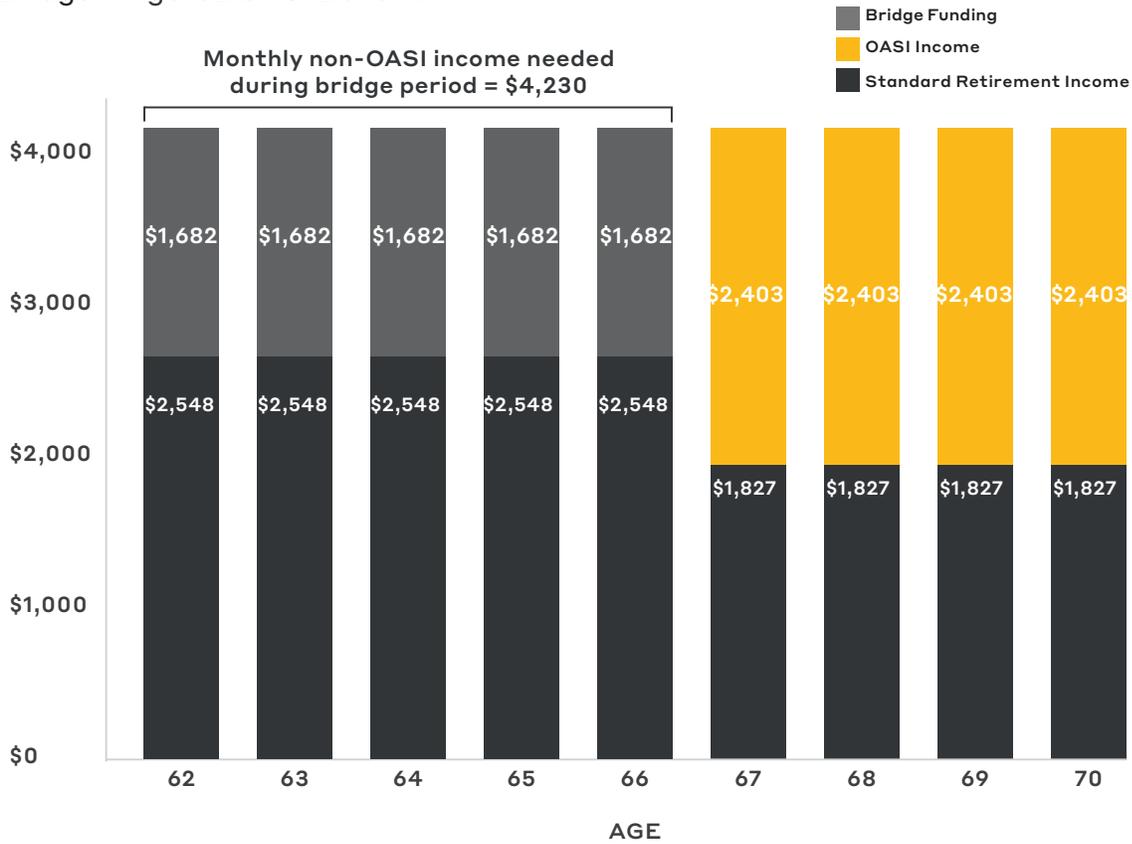
1. The amount of OASI benefits that could be claimed at age 62 (i.e., benefits foregone by not claiming at age 62).
2. The amount of OASI benefits that could be claimed at one's current age (i.e., benefits foregone by not claiming at one's current age).
3. The amount of OASI benefits that could be claimed at age 67 (i.e., the benefit amount to which one is bridging).

Although these three approaches imply different costs and benefits of the same bridge strategy, they are identical in terms of total assets needed for the bridge period, as illustrated in Appendix Figure 1.

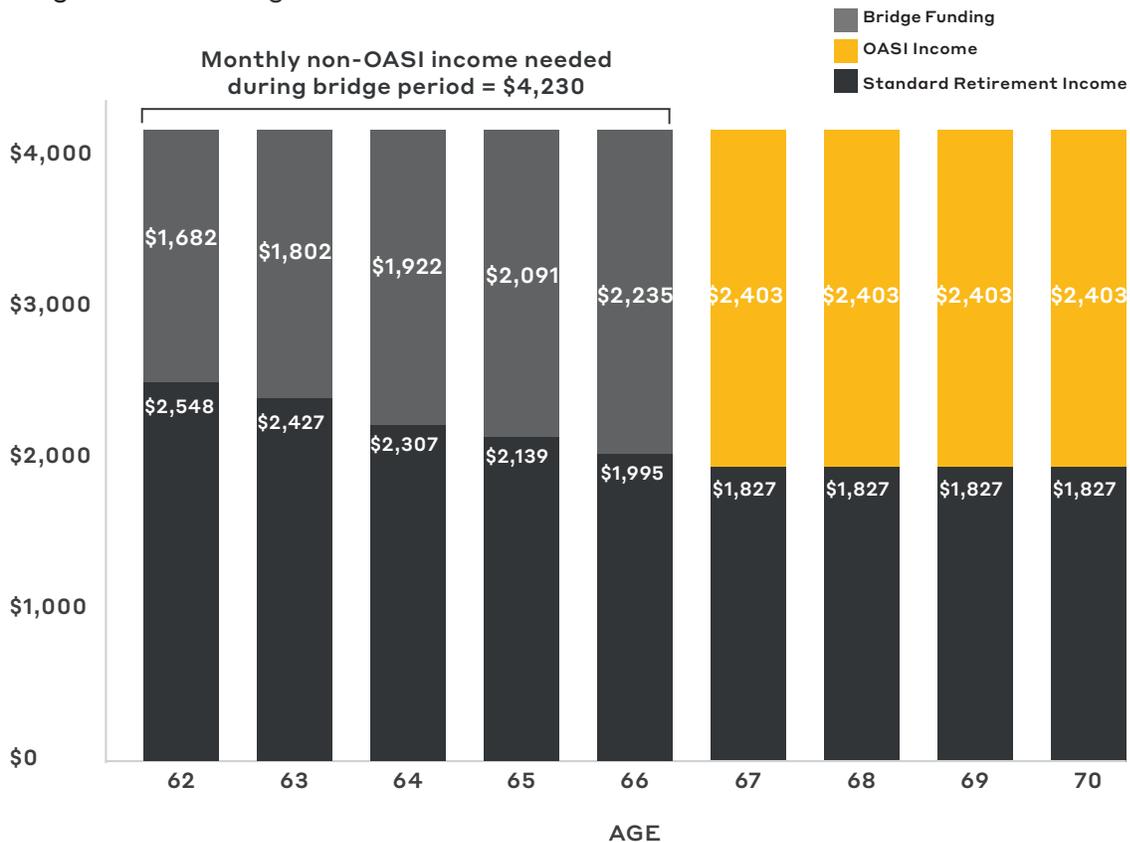
Appendix Figure 1: Visualizing a Bridge to FRA

Monthly income needs for a medium earner, assuming 80% income replacement rate

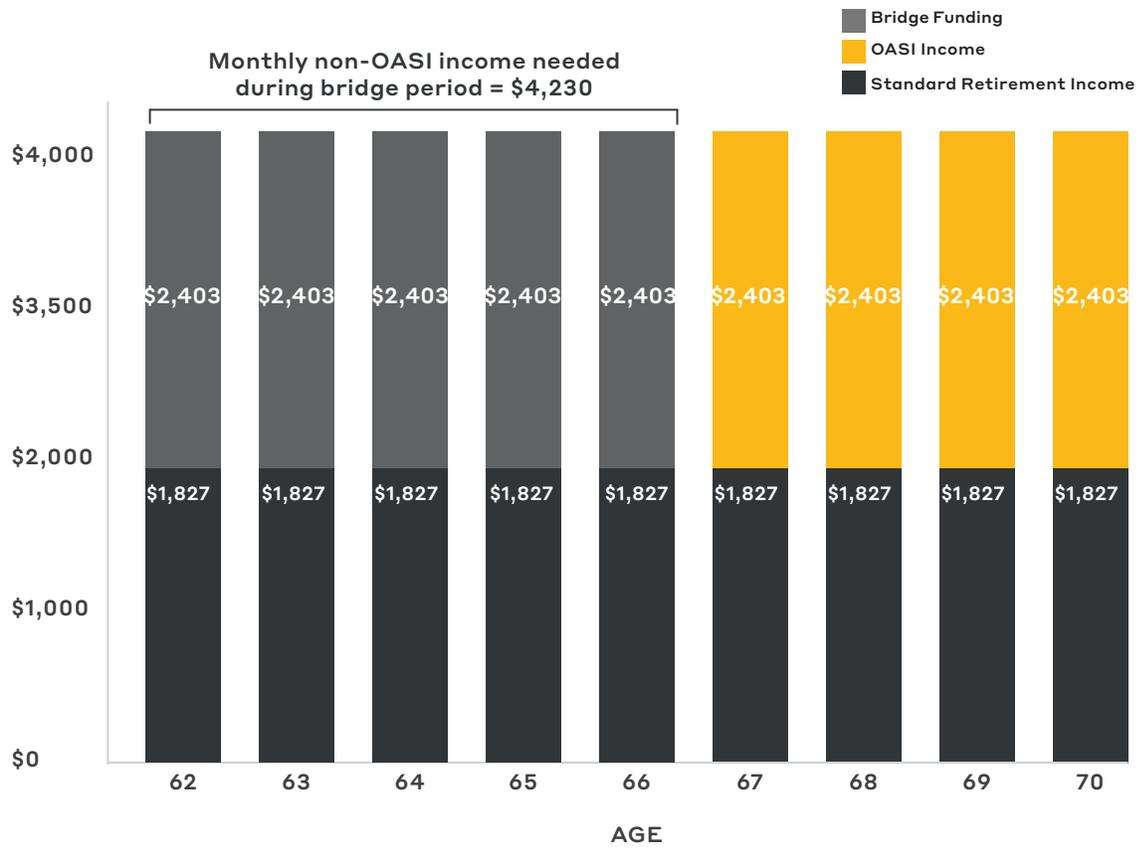
A) Bridge = Age-62 OASI Benefit



B) Bridge = Current-Age OASI Benefit



C) Bridge = Age-67 OASI Benefit



Source: BPC calculations



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