

**The Influence of Race on the
Social Security Early Retirement Decision for Married
Couples**

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Abstract

There has been an extensive amount of research into the social security early and delayed retirement decision for married couples. The results have been mixed. This paper extends the analysis of prior research to the early and delayed retirement decision for married men and women. We analyze the decision for married couples by race. More specifically, we analyze the 9 married couple combinations for the following races: Whites (W), Hispanics (H) and Blacks (B). The nine husband/wife combinations are: WW, BB, HH, WB, BW, WH, HW, BH and HB. We develop an excel model to compute the breakeven IRR for each of the above 9 race combinations from age 62 through age 70. The breakeven IRR's can be interpreted as follows: If a couple's opportunity cost of capital (which can be considered a hurdle rate) is greater than (less than) the computed breakeven IRR, the couple should retire at the earlier (later) age. This study is limited to same age couples and we compute the breakeven IRR starting: at age 62 for all other years through age 70, at age 63 for all other years through age 70, at age 64 for all other years through age 70 and so on. Our results are fairly uniformly consistent across the 9 race combinations: Breakeven IRR's for a given "base age" are, in general, monotonically decreasing compared to older ages (the exceptions are when comparing age 62 to ages 63, 64 and 65). We conclude that, from a given base age, it is generally more optimal to retire now with a longer time horizon since the hurdle rate is lower and later with a short time horizon since the hurdle rate is higher.