



---

# EFFECTS OF INCOME PAYMENT TIMING ON FINANCIAL SHORTFALLS FOR RETIREES AND PEOPLE WITH DISABILITIES

*Research conducted by Madelaine L'Esperance, The University of Alabama  
July 2022*

Social Security beneficiaries' probability of experiencing a financial shortfall, that is when they do not have enough liquidity to cover expenditures, increases over the pay cycle. Shortfalls over the pay cycle are driven by both declines in liquidity and increases in consumption which make it difficult for some beneficiaries to cover expenses.

## **Effects of Payment Timing on Financial Shortfalls of Social Security Beneficiaries**

### **Social Security Pay Cycle Increases Financial Shortfalls**

A key question that this study aims to explore is whether Social Security income payment timing affects financial shortfalls. We would expect that pay cycle would not affect likelihood of financial shortfall. However, this study finds that as beneficiaries progress through the pay cycle, they are more likely to experience a financial shortfall.

### **Increase in Financial Shortfalls Driven by Increases in Consumption and Declines in Liquidity over Pay Cycle**

The effect of income payment timing on financial shortfalls is driven by a general increase in consumption over the pay cycle and decline in liquidity. Beneficiaries appear to have difficulty managing their cash flow particularly at the end of the pay cycle where declines in liquidity and increases in consumption are relatively large.

### **Implications**

- Beneficiaries experience financial shortfalls over the pay cycle.
- Financial shortfalls result as some beneficiaries are not able to match liquidity to consumption needs.
- They face increasing probability of falling financial shortfalls which may result in costly missed payments and potentially forgoing expenditures to avoid a shortfall.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.