SOCIAL SECURITY may be the most beloved of all the government’s programs, partly because it requires so little thinking. You pay taxes while you work, then you and your spouse collect until you die.

This description oversimplifies things, of course. Social Security, as it’s currently constituted, is refreshingly straightforward but you do have to make one important choice, and many people could make their lives after retirement better if they chose differently.

As I discussed in a previous column, most economists and financial advisers say that in retirement, Americans would do well to increase the proportion of their wealth that pays a guaranteed income for life, much as Social Security does. The technical word for the financial instrument that accomplishes this feat is an annuity.

Traditional pensions are a form of annuity, and people who have them usually seem to love them. What’s odd is that people with retirement plans like 401(k)’s generally do not buy annuities, even though annuities would simplify and stabilize their financial lives. Economists call this state of affairs the annuity puzzle.

Several readers wrote to explain why they did not own (or recommend) annuities. Three major worries stood out:

-Most annuities are not inflation protected, so what happens if high inflation returns?

-How can a buyer be sure that the company selling the annuity will be able to make the payments 20 or 30 years from now?

-Annuiites can be complicated and are sometimes sold with large fees. How can buyers know whether they are getting a good deal?

All of these concerns are legitimate. I wish I had found a simple recipe to solve all of these problems, but they are tough ones. Still, the federal government could help matters. For example, it might create rules to encourage more employers to offer safe and fairly priced annuities within their 401(k) plans. There is interest in Washington in doing this, but the details are tricky. Employers would like a clear-cut rule absolving them from the responsibility of choosing an annuity provider, say, by granting a safe harbor if the insurance company has a satisfactory credit
rating, but given the recent track record of rating agencies, this particular rule is unlikely to be adopted.

In light of these difficulties, let’s focus on the one source of annuities that is fully inflation protected, is fairly priced, and, because it is run by the government, is reasonably safe: Social Security benefits. Claiming that Social Security benefits are safe may sound naïve, but my view is actually quite cynical. I believe that as long as the elderly continue to vote in large numbers, no Congress will renege on promised payouts for those already eligible to receive benefits.

Of course, the system has to be tweaked to keep it self-sufficient, but economists of every stripe agree that this is a relatively easy fix, unlike, say, trimming the rising cost of Medicare. The fix might trim benefits in some way, perhaps through a less generous indexing formula, but I believe that anyone already eligible to claim benefits can safely count on getting them.

If you think this premise is preposterous, stop reading here, and complain to your representatives in Congress. (While you’re at it, you might also tell them to get the debt ceiling raised, or better yet, simply eliminate it, so we do not frighten people into thinking we would actually default on our debts, even to ourselves.)

So here is a bit of good news. There is a simple, easy way to convert a portion of your wealth into a fairly priced, inflation-adjusted annuity. Simply delay when you start receiving Social Security benefits.

Participants are first eligible to start claiming benefits at age 62. For those who wait, the monthly payments increase in an actuarially fair manner until age 70. The claiming formula is designed to make the economic value of the stream of benefits the same, regardless of when you start. The longer you wait, the greater your monthly benefits when you start getting checks, because you will not receive them for as long a period. If you wait from 62 to 66 to start, your payments go up by at least a third, and if you wait all the way until 70 to start claiming, your benefits go up by at least 75 percent. (I say “at least” because if you delay claiming and keep working it is possible that you can qualify for an even higher benefit level.)

With these rules, waiting is the cheapest way to buy more annuity coverage. However, few take advantage of this opportunity. Currently, about 46 percent of participants begin claiming at 62, the first year in which they are eligible, the government says. Less than 5 percent of participants delay past age 66. This is unfortunate. If you are in good health and you can afford to wait, my advice is that you should wait as long as possible. The greater is your guaranteed lifetime income, the easier it will be to organize your retirement budget, and the less you will worry about living “too long.”

The Social Security Administration could take some steps to encourage people to delay. First, change some confusing terminology. For historical reasons, Social Security labels an intermediate age between 62 and 70 as the “Full (normal) Retirement Age.” Yes, the parenthetical “normal” is part of the official language. The age had traditionally been 65, but it is slowly being raised to age 67. For anyone born between 1943 and 1954, for example, the age is set at 66.
Let’s get rid of this awkward and misleading term. Benefits at that age are not “full” and retiring at that age is not “normal.” Research shows that the designation of a full retirement age can serve as an anchor that influences people’s choices, and may help explain why so few people delay claiming past age 66.

THERE is a bolder step that could make additional Social Security benefits available for many people. Pamela Perun of the Aspen Institute suggests that participants be able to “top up” their Social Security benefits. Participants could buy up to $100,000 in additional annuity benefits by sending a check to the Social Security Administration. The $100,000 cap is arbitrary, but the idea behind having a cap is to leave the high-end market to the private sector. Payments would just be added to the usual Social Security check, so the administrative costs would be small.

These reforms will not solve everyone’s problems, but they would make household budgeting easier and less worrisome. With baby boomers starting to reach retirement age, now is a great time to take these steps.