

How Financially Secure Are Young Retirees and Older Workers?

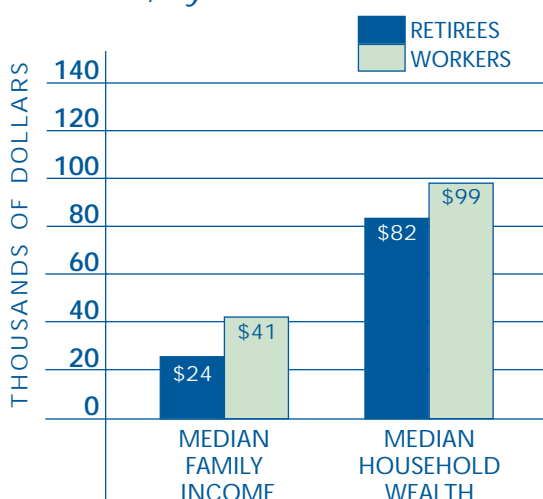
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FIGURE 1

Financial Status of People Age 51 to 59, by Work Status



SOURCE: National Academy on an Aging Society analysis of data from the 1992 *Health and Retirement Study*.

The notion that people retire early to enjoy the wealth they have accumulated is not supported by the data. In general, young retirees—people age 51 to 59 who have left the work force—are not a wealthy group. They are less well-off than workers their age. People who work into their later years—those who are age 60 and older and are still in the work force—generally are wealthy relative to their nonworking peers.

On average, young retirees are not well-off financially, but averages mask the diversity of this group.

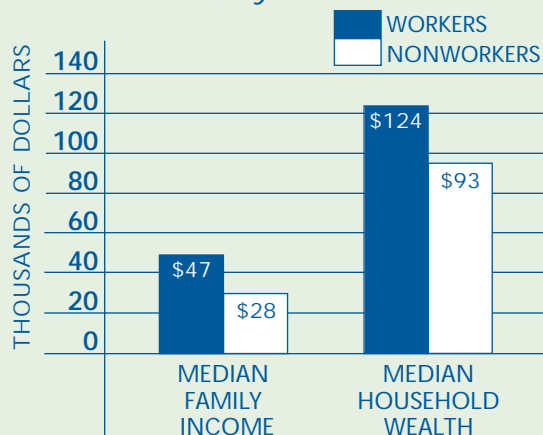
- Young retirees in the lowest wealth quintile live in households with no wealth, but the net median household wealth for the fifth of young retirees with the most wealth is \$583,000.

Differences in financial status for older workers are also large.

- Net median household wealth is \$3,000 for the fifth of older workers with the least wealth and \$446,280 for the wealthiest fifth.

FIGURE 2

Financial Status of People Age 60 and Older, by Work Status



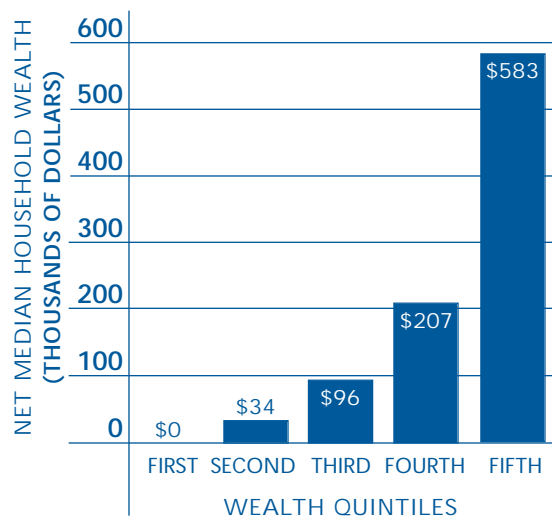
SOURCE: National Academy on an Aging Society analysis of data from the 1993 panel of the *Survey of Income and Program Participation*.

Some young retirees are wealthy, but many are not

There is a great deal of variation in the financial well-being of young retirees. Net median household wealth—total assets minus debt—ranges from zero for those in the lowest wealth quintile to more than a half-million dollars among the most affluent. Those in the highest quintile are considerably better off than the rest of the population (see Figure 3).

These differences suggest that people who leave the work force early do so for a variety of reasons. Some people are leaving the work force to change their lifestyles and enjoy the assets they have accumulated. But many others may be forced to stop working for health or other reasons, and may suffer financially as a result.

FIGURE 3
Distribution of Net Wealth for Retirees Age 51 to 59, by Quintile



SOURCE: National Academy on an Aging Society analysis of data from the 1992 *Health and Retirement Study*.

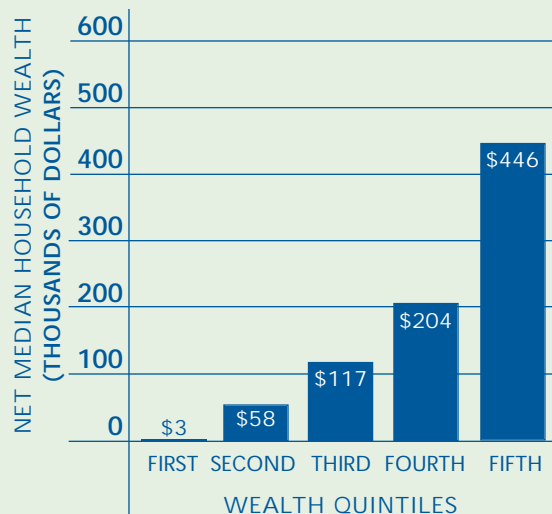
OLDER WORKERS

People age 60 and older work for different reasons

People who work past age 60 generally have more assets than people the same age who do not work, but there are large differences in net wealth among the workers (see Figure 4). Thus, some people may continue working into their later years because they need the income, while others may stay in the work force primarily because they enjoy their work.

Among older workers, those who are self-employed have more assets. Net median household wealth is almost \$110,000 for people age 60 and older who are employed by others, and almost \$178,000 for people the same age who are self-employed.

FIGURE 4
Distribution of Net Wealth for Workers Age 60 and Older, by Quintile

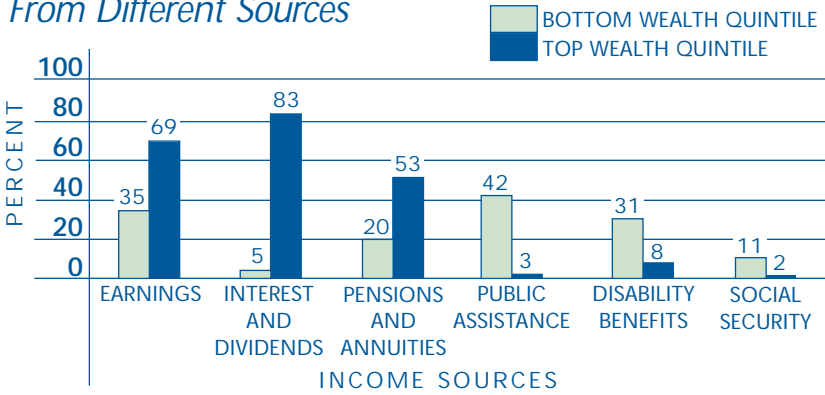


SOURCE: National Academy on an Aging Society analysis of data from the 1993 panel of the *Survey of Income and Program Participation*.

Sources of income vary by wealth status

Sources of income vary depending on wealth status. For example, the wealthiest retirees, age 51 to 59, are much more likely than the least wealthy retirees to have

FIGURE 5
Percent of Retirees Age 51 to 59 With Family Income From Different Sources

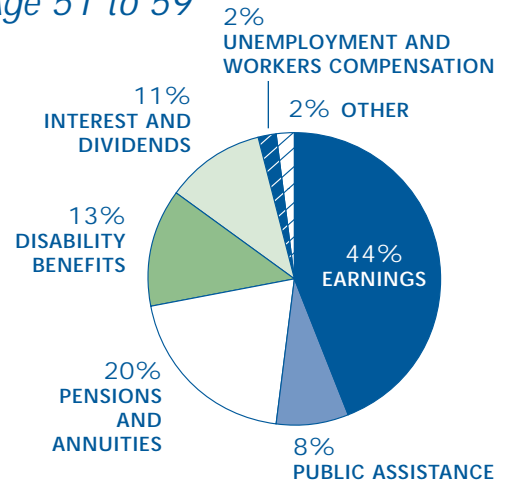


SOURCE: National Academy on an Aging Society analysis of data from the 1992 Health and Retirement Study.

income from interest and dividends, earnings, or pensions and annuities. Public assistance, disability, and Social Security payments are more common for retirees in the bottom wealth quintile (see Figure 5).

Earnings are the greatest source of family income for retirees age 51 to 59. Although one family member is retired, his or her spouse may have a job that generates income for the family. Earnings account for 44 percent of income. Pensions and annuities also contribute substantially to income for the families of young retirees (see Figure 6).

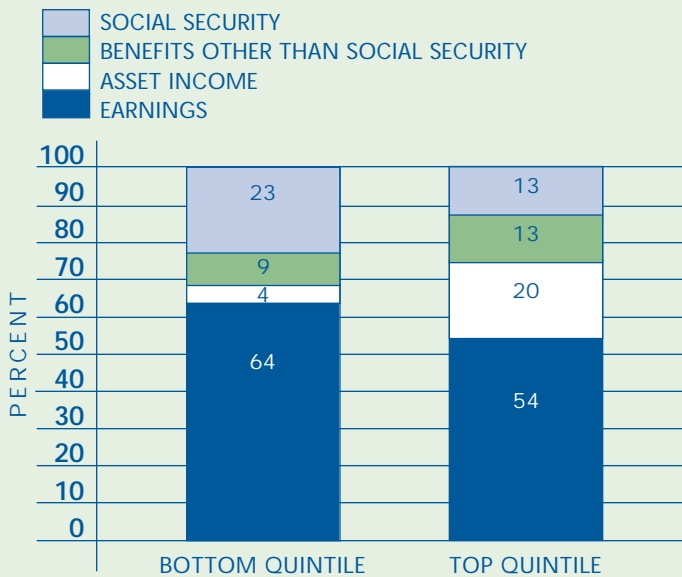
FIGURE 6
Share of Family Income From Different Sources for Retirees, Age 51 to 59



SOURCE: National Academy on an Aging Society analysis of data from the 1992 Health and Retirement Study.

OLDER WORKERS

FIGURE 7
Share of Family Income From Different Sources for Least and Most Wealthy Workers, Age 60 and Older



SOURCE: National Academy on an Aging Society analysis of data from the 1993 panel of the Survey of Income and Program Participation.

Workers with less wealth rely more on Social Security

Among older workers, earnings account for about 60 percent of family income, though they comprise a somewhat larger share of family income for workers in the bottom wealth quintile compared to those in the top wealth quintile. Social Security is the second most important income source for workers in the bottom wealth quintile. Besides earnings, asset income is the largest income source for the wealthiest older workers, but they too rely on Social Security (see Figure 7).

Sources of wealth differ by financial status

A comparison of workers and retirees age 51 to 59 shows very little difference in the share of total household wealth from different sources. This likely reflects the fact that large proportions of households with retirees also have spouses who are working. Home equity accounts for the largest share—40 percent of total wealth—for both worker and retiree households.

The share of total wealth from different sources does vary considerably for retirees in the top and bottom wealth quintiles, however. Households with retirees in the bottom wealth quintile are less likely than wealthier retiree households to have equity in their homes. In addition, they receive just 1 percent of wealth from stocks and mutual funds, pension plans such as IRAs and KEOGHs, or real estate other than their primary homes (see Figure 8).

FIGURE 8
Share of Total Household Wealth From Different Sources for Retirees Age 51 to 59 in the Top and Bottom Wealth Quintiles

SOURCE	TOP WEALTH QUINTILE (PERCENT)	BOTTOM WEALTH QUINTILE (PERCENT)
Home equity	22	14
Other real estate	24	1
Bank assets	16	22
Stock and mutual funds	13	1
IRA and KEOGH plans	15	1
Vehicle, business, and other equity	10	61

SOURCE: National Academy on an Aging Society analysis of data from the 1992 *Health and Retirement Study*.

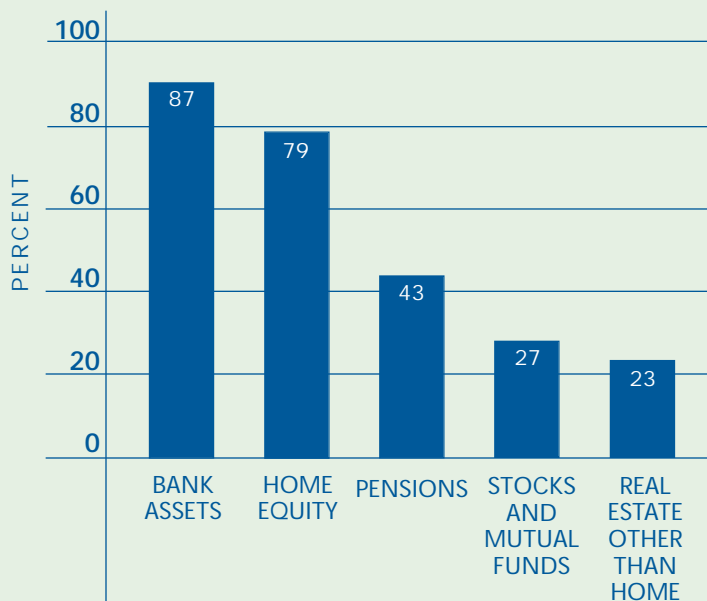
OLDER WORKERS

Home equity is an important source of wealth

Among workers age 60 and older, home equity is the most important source of wealth. It accounts for almost half of total household wealth—48 percent.

The majority of older workers have some bank assets or home equity. Much smaller proportions own stocks and mutual funds or other real estate (see Figure 9).

FIGURE 9
Proportion of Workers Age 60 and Older With Wealth From Different Sources



SOURCE: National Academy on an Aging Society analysis of data from the 1993 panel of the *Survey of Income and Program Participation*.

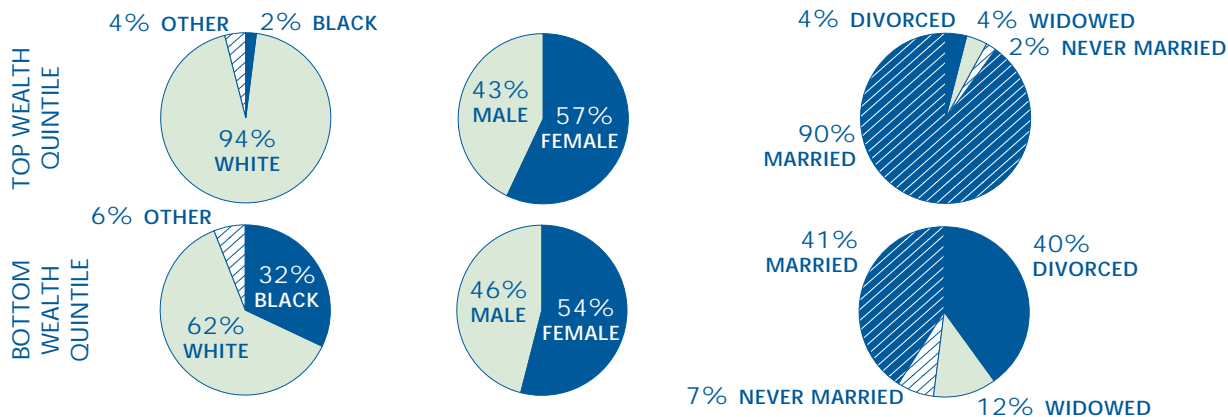
YOUNG RETIREES

Retirees with the least wealth are likely to be black and single

Blacks generally are not among the wealthier retirees. Net median household wealth for black retirees is approximately \$18,000 compared to \$120,000 for white retirees, and blacks comprise only 2 per-

cent of retirees in the top wealth quintile. Single retirees are also less likely to be wealthy. Almost 60 percent of retirees in the lowest wealth quintile are divorced, widowed, or have never been married. By contrast, single people account for only 10 percent of the wealthiest retirees age 51 to 59 (see Figure 10).

FIGURE 10
Description of Retirees Age 51 to 59 in the Top and Bottom Wealth Quintiles



SOURCE: National Academy on an Aging Society analysis of data from the 1992 Health and Retirement Study.

OLDER WORKERS

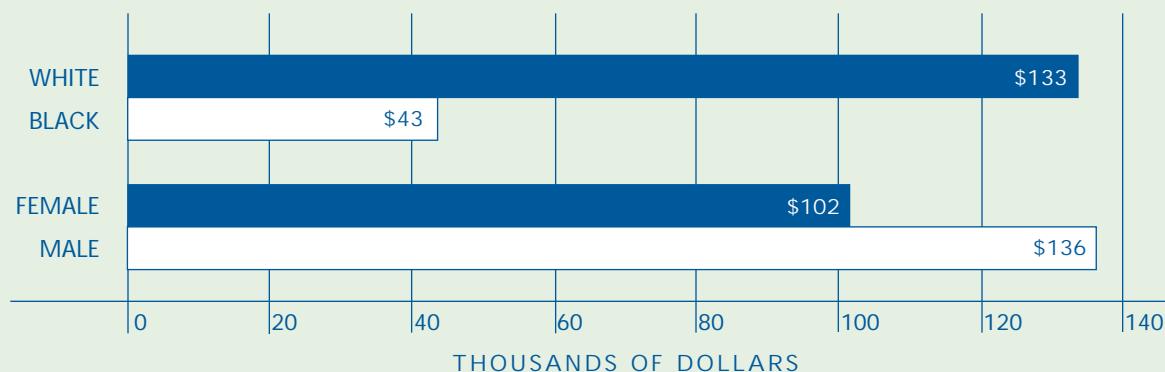
Workers who are black and female do not fare as well financially

Among those who work into their later years, whites tend to have substantially

more net wealth than blacks. Net median household wealth for white workers age 60 and older is more than three times as high as for blacks.

Men age 60 and older who work generally have more household wealth than working women the same age (see Figure 11).

FIGURE 11
Net Median Household Wealth for Workers Age 60 and Older



SOURCE: National Academy on an Aging Society analysis of data from the 1993 panel of the Survey of Income and Program Participation.

Health and work status appear to be related

Poor health is a factor that appears to be associated with early retirement. Among 51 to 59 year olds, a much higher propor-

tion of those who are retired—46 percent—compared to those who are working—12 percent—report that they are in fair to poor health. Almost three-quarters of retirees in the bottom wealth quintile—74 percent—report fair to poor health. This is a much higher proportion than the 16 percent of retirees in the top wealth quintile who report fair to poor health. This suggests that a large proportion of those with few resources were forced to retire for health reasons.

Health also appears to be a factor in the decisions older people make about work. Only 16 percent of workers age 60 or older report fair to poor health compared to 39 percent of nonworkers. Relatively small proportions of workers age 60 and older in both the lowest and highest wealth quintiles report fair to poor health. This suggests that while there are financial reasons to keep working in later years, some people may also work because they have the energy, ability, and enthusiasm to remain in the work force (see Figure 12).

FIGURE 12

Proportion of People Reporting Fair to Poor Health

	ALL (PERCENT)	BOTTOM WEALTH QUINTILE (PERCENT)	TOP WEALTH QUINTILE (PERCENT)
AGE 51 TO 59			
Retiree	46	74	16
Worker	12	24	6
AGE 60+			
Worker	16	21	10
Nonworker	39	56	22

SOURCE: National Academy on an Aging Society analysis of data from the 1992 *Health and Retirement Study*, and the 1993 panel of the *Survey of Income and Program Participation*.

ABOUT THE DATA

Unless otherwise noted, the data presented in this *Profile* are from three national surveys of the community-dwelling population living within the United States. The 1993 panel of the Survey of Income and Program Participation (SIPP) was conducted by the U.S. Census Bureau, and provides data for the population age 18 to 84. Wave 1 of the Health and Retirement Study (HRS) provides information for a population age 51 to 61 in 1992. Wave 1 of the Assets and Health Dynamics Among the Oldest Old (AHEAD) provides information about respondents age 70 and older in 1993 and 1994. Both the HRS and the AHEAD data sets were sponsored by the National Institute on Aging and the Institute for Social Research at the University of Michigan.

ABOUT THE *PROFILES*

This series, *Data Profiles: Young Retirees and Older Workers*, is supported by a grant from the AARP Andrus Foundation. This *Profile* was written by Laura Summer with assistance from Greg O'Neill and Lee Shirey. It is the second in the series. The first *Profile* was:

1. Who Are Young Retirees and Older Workers?

The National Academy on an Aging Society is a Washington-based nonpartisan policy institute of The Gerontological Society of America. The Academy studies the impact of demographic changes on public and private institutions and on the economic and health security of families and people of all ages.



NATIONAL ACADEMY ON AN AGING SOCIETY

1030 15th Street NW, Suite 250, Washington, DC 20005

PHONE 202-408-3375 FAX 202-842-1150

E-MAIL info@agingsociety.org WEBSITE www.agingsociety.org

