Informing the Debate

Retirement Funding:

Expectations of Income Sources and Income Reliance

Authors
Dr. Janet Bokemeier, Professor of Sociology,
Elizabeth Ann Whitaker, M.B.A., Doctoral Candidate in Sociology
And
Colleen Wilson-Rood, M.A., Doctoral Candidate in Sociology

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MICHIGAN STATE UNIVERSITY | Institute for Public Policy and Social Research

Introduction:

Retirement as a stage of life is undergoing a dramatic transformation while retirees are facing major social and economic changes. Trends associated with the transformation of retirement include the expansion of the 65 years and older cohort, indicative of an aging society; increased life expectancy in addition to declining and delayed fertility compared to previous generations; and, finally, the decreasing working-age cohort and increasing "old age dependency ratio," which indicates the number of retired-per-working-age persons. The recent economic downturn characterized by increasing unemployment and poverty rates as well as decreasing home values and ownership has exacerbated challenges to financial planning and investing for retirement. These challenges have been especially acute in Michigan, one of the states hardest hit by de-industrialization and the current "Great Recession. Michigan policy makers must address the transformations and the suitability and viability of current programs that serve the growing population of Michigan retirees.

This research examines Michigan adults' expectations of retirement income from various sources and their saving behavior. Additionally we identify differences in planning and preparation for retirement by gender, race, socioeconomic status, employment and marital and family status. A better understanding of who relies on alternative sources for retirement funds will further establish the disadvantages and consequent needs related to financial vulnerability before and during retirement. For example, this research finds that policies related to public services including Social Security will impact the more economically vulnerable who have limited alternative sources for retirement. Finally, we examine three state policies related to retirement and economic plans for Michigan elders.

Background on Retirement Issues:

The "baby boom" cohort that includes approximately 78 million people born between 1946 and 1964 is now entering retirement. As a result, the elderly population of the U.S. will grow exponentially within the next two decades. In 2006, the number of people in the U.S. turning age 60 each day was 7,918, or about 330 people every hour (U.S. Census Bureau 2006). In Michigan, the 65 and older cohort is expected to rise from 12.37 percent to 18.07 percent of the state's population by 2025 (Menchik 2002). Census projections show that by 2030 the Michigan 65-years-and-older cohort will make up 19.5 percent of the state's population and 2.7 percent of the state's population will be 85 years and older (U.S. Census Bureau 2006).

More Americans are living to the age of retirement. The number of additional years individuals can expect to live if they reach age 65 has grown by about 30 percent since 1960 to 82.2 years for men and 85 years for women (National Center for Health Statistics 2007). Population projections also show that the aging population cohorts are becoming increasingly diverse, to the point that, in addition to the doubling of the elderly White population by 2050, the elderly African American population will triple and the elderly Latino population will increase eleven fold (Kandea and Adams 2009; Wheeler and Grunta 2009). This increased racial and ethnic heterogeneity will be crucial in determining the needs of elderly in the next few decades as they relate to cumulative inequality.

As the elderly population has grown, the overall U.S. population fertility rate has steadily declined. Thus, the "old age dependency ratio" or the number of retired people ages 65 and older divided by the working population ages 20-64, is increasing. In 2000, the dependency ratio was 0.19 and it is projected to increase to 0.36 by 2050 (Population Reference Bureau 2007; Myers 2008).

Growing elderly populations and longer life expectancies escalate the importance of preparedness for retirement. Cohorts facing retirement will end their primary labor force participation and will need to create their post-employment livelihoods during a new economic and demographic era. Policy makers and researchers are concerned that retirement expectations and associated planning behaviors may not be adapted to meet social and economic changes, especially for those most vulnerable in society. Planning behaviors, if they occur, include actions such as saving, participating in pensions, and developing knowledge related to investments like calculating income replacement rates and income sustainability. These actions are taken by individuals within a family context, though families take on different forms within and across generations. Additionally, public sources of funds such as Social Security and Medicaid are part of retirement plans and are often the exclusive source of post-retirement income either consciously or through insufficient or no planning.

Traditionally, research has investigated the individual retirement expectations and planning behaviors of predominantly white male cohorts (Brown and Warner 2008). Research has only scratched the surface of issues relating to at-risk groups and the decision-making patterns of differing households, families and couples in relation to retirement.

Additionally, it is important to investigate the sources of retirement income that people expect to rely upon. The degree to which expectations and decision-making processes involve inter-dependence within families and across generations can be informative to policies related to retirement planning, as can information on expectations for reliance on public and employer programs .. Both are important to study. Even before the current economic downturn, the viability of retirement funding sources was changing, and individual expectations of income sources and levels needed to change as well. The Center for Retirement Research at Boston College (2009) calls ensuring retirement security for an aging population one of the most compelling challenges in the U.S. A recent survey on the ability to meet essential expenses found that 78 percent of senior households are financially vulnerable even though this cohort reached retirement under conditions of stronger Social Security and better employer-provided retirement provisions than future cohorts can expect (Brandeis University 2009). By examining systematic differences, the vulnerable groups will be identified.

For instance, one systematic difference we will examine is gender. In the U.S., women comprise the majority of the elderly and widowed. Seventy-two percent of women over the age of 80 are widowed in comparison to 27 percent of their male peers (James et al 2006). Survival pensions and personal savings are extremely important to the standard of living and economic viability of elderly women, a group less likely than men to have adequate resources in retirement and more vulnerable to related negative consequences for their health and well-being (Croy et al. 2010; Cawthorne 2008). Similarly, racial and ethnic minorities on average have disproportionate rates of poverty, tend to be concentrated in the secondary labor force and have less access to quality health care (Burr & Mutcher 2007). To create policies to facilitate economic sufficiency in retirement, we must consider the diverse experiences and expectations across the life course of the Michigan population.

Michigan Applied Public Policy Research Initiative

To inform public decision-making regarding programs and policies geared toward ensuring citizens will be adequately prepared and provided for in their elder years, the current research investigates how Michiganders of different race, gender, socio-economic status and at different stages in the life course expect to meet financial needs in retirement. The research looks specifically at whether Michiganders' expectations are changing to reflect new realities related to their prospects of being self-sufficient or reliant on others in their elder years.

This project has been generously sponsored by the Michigan Applied Public Policy Research Initiative. To gather information on these opinions and expectations a series of questions was included in the Winter 2010 State of the State Survey (MSU SOSS 55). Survey questions addressed current savings activities of respondents and partners, expected levels of reliance on difference income sources in retirement, level of effort toward retirement planning, and attitudes toward current policy issues related to retirement and healthcare.

The data were gathered from February 2010 through April 2010 by Michigan State University Institute of Public Policy and Social Research's Office for Survey Research. This data was gathered through a random-digit-dialing (RDD), computer-assisted telephone-interview (CATI) survey of 1,969 English-speaking adults ages 18 years of age and older in Michigan. Respondents were randomly assigned to two versions of the interview with 997 asked questions of Version B. Version B contained four sets of questions – health and health insurance coverage, marital assessment and parental attitudes, retirement planning and finance and responses to downturn of the economy. The questionnaire consists almost entirely of closed-ended questions. The sampling design is a stratified sample based on regions of the state and an oversample to insure racial representation. For this analysis, the final results were weighted to account for the over-sampling of non-White residents and to allow the survey to provide a state representative sample.

Using the outcome disposition categories of the American Association of Public Opinion Researchers' Standard Definitions and the accompanying formulas for calculating outcomes, the overall response rate for the survey was 41.5 percent, the refusal rate was 14.8 percent, the cooperation rate was 73.7 percent, and the contact rate was 87.8 percent. Within households containing at least one eligible adult, the respondent was selected randomly using the Trohldal-Carter technique (Trohldal and Carter 1964). The average interview lasted 19.5 minutes.

Our analyses of a) reliance on alternative sources for retirement and b) systematic differences in expectations and behavior will draw public attention to the needs and disadvantages related to financial vulnerability and sufficiency in retirement. For a series of variables regarding expectations, attitudes and behavior toward retirement, the following analysis examines differences by demographic and social characteristics (i.e. gender, age, marital status, employment status, education, income). Relationships are examined through bi-variate analyses to identify trends and where appropriate, through multivariate analyses in the form of multiple linear regression.

Age of Retirement Expectations:

The concept of “retirement” and the socially accepted “age of retirement” in the U.S. are both socially constructed. From a practical standpoint, retirement age derives from the age when one can leave one’s work position and/or receive full benefits under a retirement plan. The age that rules and regulations codify as retirement age becomes accepted as the “normal” time to end labor force participation. As a specific life stage, retirement is perceived socially and culturally as a time to relax and focus on personal and family interests.

In the U.S. the “normal retirement age” has been 65 years of age. Individuals born prior to 1938 are eligible for full benefits under Social Security at age 65 years. With the anticipated entrance of the baby boomer generation into retirement, in 1983 the Social Security Administration took measures to delay the strain on Social Security by increasing the age of retirement for those born after 1937. A two-month delay was added for every year past 1937 up to 1943. For those born between 1943-1954, 66 years is the full retirement age, adding two additional months for every year past 1954-1959 and capping the age for those born in 1960 and later at 67 for the full age of retirement (Social Security Administration 2010).

Evidence suggests that with the federal regulatory changes, expectations and norms may be changing as well. The Employee Benefit Research Institute (EBRI) 2008 Retirement Confidence Survey reports that nationally workers of all ages, on average, plan to delay retirement past the age of retirement of similar age cohorts 10 years earlier. Among all workers surveyed in 2008, 30 percent expected to retire at age 66 or older compared to 9 percent in 1998 (EBRI 2009).

The norm of age 65 as retirement age appears to be changing in Michigan too. The State of the State MAPPR survey results show for pre-retirees the average expected age of retirement is 65.9, almost exactly the age when current new retirees become eligible for full benefits.

Expected age of retirement fluctuated across the life course. Using a dichotomous categorization of the sample into those under age 40 and the 40 and over age groups, the mean expected age of retirement was statistically significantly different. The younger cohort maintained the traditional expectation of 65 as their expected retirement age while the older cohort plans, on average, to have delay retirement two years beyond the traditional age.

A multivariate analysis of retirement age expectations (See Table 1) reveals that, controlling for multiple influences, the following factors significantly affect Michiganders' expectations for their retirement age:

- Older, full-time employed Michiganders expect to retire at an older age;
- Those who have not planned for retirement and who expect to rely more on one's self for retirement income also have an older age of expected retirement;
- Race is significantly associated with age of retirement such that white people expect to retire at younger ages than people of color; and,
- Controlling for all of these variables, gender, education, marital status, income and presence of children were not significantly associated with age of retirement.

Table 1: Linear Regression Results for Age of Expected Retirement

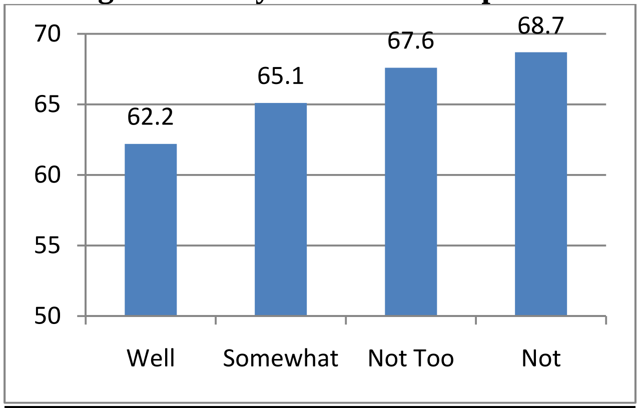
Independent Variables	B
Gender (0=male, 1=female)	.04
Marital Status	.681

(0=not married, 1=married)	
Age (yrs)	.17*
Employment Status (0=not employed, 1=employed)	2.32*
Presence of Children (0=children, 1=no children)	1.71
Respondent Education (yrs)	.14
Household Income	-.02
Race (0=white, 1=not white)	-2.41*
Level of Planning (1=none, 2,3,4=high)	-3.16*
Level of Self-Reliance in Retirement (0%-100%)	.06*
Constant	41.26

* = p ≤ .05, r-square = .18

The results of the linear regression are compelling for understanding the importance of planning (See Table 2) and inter-dependence. Controlling for the socioeconomic variables, planning and the ability to rely on others beside oneself are still important factors for people's expectations of earlier age of retirement. These multivariate relationships underscore the importance of promoting financial literacy as well as family-level planning and communication about finances.

Table 2: Mean Expected Retirement Age:
How well thought out are your retirement plans?



Preparation for Retirement (Planning, Saving and Investing):

Preparing for retirement should involve envisioning a timeline, but also understanding the resources that will be needed to create and/or maintain a specific standard of living during retirement years, commonly referred to as replacement rates for retirement. One major concern of researchers and policy makers is the limited amount of information and knowledge pre-retirees have about retirement funding including knowledge of Social Security and pension benefits, investments and general financial planning. According to the Health, Retirement and Savings Survey (2002), financial education is associated with higher savings and higher wealth. The EBRI (2009) reports that despite approaching retirement age, nationally almost half of workers age 45 and older have not attempted to conduct a retirement needs calculation. This provides just a small glimpse into workers' lack of preparations for retirement.

Financial planners are known for assisting in these types of calculations. Pre-retirees may also turn to innovations such as online calculators for help to estimate what they need to save. However, there are limits to external sources of planning assistance. Online financial calculators have been shown to be less reliable than other sources of information because they do not tend to take into account factors such as marital status, gender, race or other social factors that may contribute to one’s financial resources and decision-making processes (Lown 2008).

The Health, Retirement and Savings Survey (2002) compared workers’ predictions of their Social Security benefits for retirement with the workers’ actual Social Security and pension values. Findings revealed that only half of respondents correctly identified their pension plan type and fewer than half correctly identified their age of eligibility. The general lack of knowledge about retirement resource holdings is crucial to understanding the general lack of preparedness of pre-retirees.

Regardless of financial knowledge, many people are just not in a position to save for retirement. Interviews conducted by Levy and Seefeldt (2008) in Detroit revealed that for many low-income households, especially for women, resource sharing is expected and often prevents workers from having assets to put away for retirement. Responsibilities for caretaking, the presence of dependent children and/or other family members coupled with low socioeconomic status sometimes do not allow for follow through with intentions to save. This trend becomes increasingly relevant with the current economic issues facing Michigan and the nation.

Planning and Investing for Retirement

Preparation for retirement requires both a willingness to save or invest and the financial capacity to save or invest reinforced by behavior directed to that end. Simply, behavior needs to be prompted by intention. Thus, we asked Michigan citizens how well, if at all, their long term investment and financial plans for retirement were thought out. Additionally, we asked if they were married, how much had they discussed the plans with their spouse. About two-thirds of Michigan adults (69 percent) said that their financial plans for retirement were "somewhat" or "very well" thought out. Still, about one-quarter (23.3 percent) indicated that they had no plans at all in place. When we examined the personal characteristics that account for differences in planning levels, we found that older Michiganders with higher income levels and more education were more likely to have well or somewhat well thought-out long-term plans. Women (31.6 percent) were much more likely than men (20.7 percent) to report that they had no plans in place.

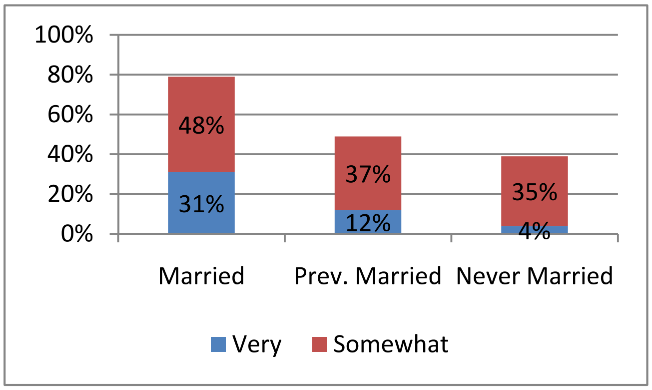
Looking at a multivariate analyses, gender, marital status, age, education and income were significantly associated with pre-retirement planning, and these variables accounted for a meaningful portion of variance in planning levels (See Table 3). Being married, male, older and of higher socio-economic status on income and education are all associated with more well thought-out planning.

Table 3: Linear Regression Results for Level of Pre-Retirement Planning
(1=no plans in place, 4=plans very well thought out)

Independent variables	B
Gender (0=male, 1=female)	-.23*
Marital Status (0=not married, 1=married)	.70*
Age (yrs)	.02*
Employment Status (0=not employed, 1=employed)	.18*
Presence of Children (0=children, 1=no children)	.01
Respondent Education (yrs)	.07*
Household Income	.01*
Race (0=white, 1=not white)	-.13
Constant	.26

* = $p \leq .05$, r-square=.32

Table 4: How well thought out are your retirement plans (Based on marital status)?



As expected the financial well-being of married individuals is intertwined, and the Winter SOSS survey data reveal that marital communication on retirement issues often could be improved. Fewer than half (46.4 percent) of Michigan respondents under age 40 had discussed retirement finances a lot or quite a bit with their spouse, and more than one in ten (13.6 percent) had never discussed the topic. See Table 4. Communication on retirement planning improves over age 40 as 64.6 percent of respondents reported a lot or quite a bit of discussion and 8.7 percent said they had never discussed the topic. Because of financial interdependence among family members and the importance of long-term planning, improving communication among couples of all ages is a worthy focus for policy makers and financial educators.

Current Savings and Investing Behavior

The survey results established the importance of advance planning and marital communication for retirement preparedness. In addition, to ensure a society where retirees, specifically the most elderly, all have adequate resources, it is critical to see who is actively taking steps under the current circumstances and which specific steps they are taking to build up retirement funds. The survey directly addressed savings behavior for retirement using savings accounts, formal retirement plans, and non-plan investment in financial markets through stocks, bonds and/or mutual funds.

A slight majority of pre-retired individual Michigan residents (59.3 percent) currently save by placing their own money into a standard savings account. Fewer than half (46.6 percent) of pre-retired Michiganders currently save in a formal retirement plan such as a 401(k), 403b, IRA or Keogh plan. These are plans earmarked for retirement and, through tax policy, offer advantageous tax benefits to encourage retirement saving.

Among the individuals who do invest in a plan, only a third (35 percent) makes their maximum allowable contribution and gain full savings and tax advantages. See Table 5.

These formal retirement plans are often tied to market rates through investment in stocks, bonds, and/or mutual funds so that savers can increase the value of their assets over time and, hopefully, maintain or grow the spending power of their money over time. Traditional savings accounts do not have investment risk for losing the initial investment, but they offer little chance for growth or maintenance of spending power. While individual participation in formal plans is lower than necessary to ensure both asset accumulation and asset growth, it is apparent that formal plans do encourage the use of financial market investment. Based on survey results, less than one quarter of pre-retired Michiganders (23.8 percent) currently invest in the financial markets on their own outside of a formal retirement plan.

Table 5: Overall Rate of Current Investment in Different Financial Options*

Do you personally invest in…?	
Formal Plan (401(k), 403b) (n=790)	46.6%
Savings Account (n=797)	59.3%
Stocks/Bonds/MFs (n=791)	23.8%
Spouse puts in Formal Plan (married respondents only, n=456)	64.3%

*Responses of pre-retirees only

Married individuals are much more likely to put money into a formal plan than non-married individuals (64 percent v. 47 percent). On a household level, of married pre-retirees who invest in their own plan, 76.8 percent also have a spouse investing. Contrary to the hypothesis that married non-investors make this choice because their partner handles the investing; through marriage, only an additional 11 percent of married Michiganders have activity in a formal retirement plan through their spouse. Married respondents who do not invest in their own plan tend to have spouses who also do not invest or save. Nearly 7 in 10 (68.9 percent) of the spouses of formal plan non-participants also do not participate.

Saving rates in formal retirement plans are not statistically different for men and women overall, however across age they are different. Participation rates by age and gender show that men's participation jumps to its highest level when men are in their 30s while women's participation jumps to its highest level when women are in their 40s (See Table 6). This trend suggests that women, perhaps due to childbearing and the demands of motherhood in their 20s and 30s, delay long-term financial goals. With the importance of investment and the time value of money, a one decade delay in planning, saving and investing can make a meaningful difference in the amount of funds available and in the quality of life in retirement.

Table 6: Individual Participation in Formal Retirement Plans

	Total (n=796)	18-24 (n=111)	25-29 (n=79)	30-39 (n=196)	40-49 (n=203)	50-59 (n=122)	60-64 (n=30)	65+ (n=47)
Overall	46.7%	11.7%	15.2%	54.1%	63.5%	58.2%	63.3%	38.3%
Men	48.6%	15.2	16.7	76.1	53.4	57.9	81.3	28.6
Women	45%	10.6	7.1	34.6	69.2	58.5	42.9	41.2

Expected Sources of Retirement Income:

According to research based on the Health, Retirement and Savings (HRS) Survey, the U.S. median household wealth of retirees is comprised of 61 percent retirement wealth, 19 percent housing wealth and 20 percent financial assets (HRS 2002). This national survey also reports that Social Security wealth alone makes up 41 percent of the assets for households near the median. Ninety-six percent of HRS households report having Social Security coverage, 81 percent had some financial assets, 76 percent owned their primary residence and only 38 percent had dedicated personal retirement assets in the form of plans such as a 401(k). These findings show retirees' level of dependence on Social Security, and they show the importance of housing values and savings. The housing market decline has surely had an impact on financial preparedness and ability to sustain quality standards of living for retirees. Additionally, Lown (2008) reports the largest increase of household debt from 2001-2004 was among households headed by persons 75 and older. Lown also reports 35 percent of early baby boomers and 44 percent of late baby boomers are at risk of being unable to maintain current standards of living in retirement.

Demographic, political and ideological shifts in the role of the state and the employer in economic livelihood have altered the character and viability of many retirement funding sources. Social Security faces increasing strain as the baby-boom generation ages and relatively fewer workers contribute to this system that supports more and more beneficiaries (Rice and Fineman 2003). At the same time, the predominant form of employer-sponsored retirement plan has shifted from defined-benefit plan to defined-contribution plan (Munnell and Perun 2006). Only state, local and federal governments have consistently provided defined benefit plans (McCourt 2006) which are plans (e.g. pension plans) in which an employer manages monies and commits to providing a predetermined level of retirement benefits.

Defined-contribution plans (e.g. 401(k) plans) are plans in which employers manage or oversee an investment process, but the level of retirement benefit is dependent on the success of the investments. Most defined-contribution investments are in 401(k) plans that require employees to invest their own assets (McCourt 2006). Defined-benefit and contribution plans can take on different manifestations, but the key differentiating factor is the transfer of investment risk. Outside of an employer-employee relationship, individuals can independently seek out and establish earmarked, tax-advantaged retirement plans like Individual Retirement Accounts (IRAs) or Keogh plans. Plans established outside one's work put all of the responsibility for management and investment risks with the individual. Hacker (2006) calls this trend in the shift of responsibility for managing economic risk from government and employers to individuals and their families the defining economic transformation of our times. In Michigan, more older workers from union shops and government funded positions have access to pensions for retirement than younger generations who must contribute to retirement accounts. Individuals and families must depend on their personal financial planning actions and skills, and formal programs are more likely to place investment risk on the individual investor.

This increased emphasis on individual savings activity is particularly detrimental to women. Women have been and still are subject to a gender wage gap (Wong and Hardy 2009; Padavic and Reskin 2002; O"Rand 1996) and interruptions to their work-force trajectories for care-giving (Burr and Mutcher 2007; Crittendon 2001). Women are disproportionately in the secondary labor market with low rates of retirement plan coverage (Hardy and Shuey 2000). Women may deal with their lower accumulating retirement assets by reliance on a partner for economic support in retirement. Yet, women have longer life expectancies than men, are more likely to live alone or head single-parent households (Fields 2004, Day 1996); and, are less likely than men to remarry (Hetherington 2002). It is clear that the aggregate effects of the position of women within society have long-term economic outcomes for women as they reach later stages of life and must deal with the cumulative impacts of inequality across their life course.

Additionally, racial and ethnic minorities are economically disadvantaged, as they experience disproportionate rates of poverty and are more likely than white Americans to be employed in the secondary labor force. They also have lesser access to quality health care. U.S. Census Bureau Current Population Reports revealed in 2008, 24.7 percent of Black Americans lived in poverty as did 23.2 percent of Hispanic Americans and 11.8 percent of Asian Americans. In terms of health insurance, in 2008, 19.1 percent of Blacks were uninsured compared to 30.7 percent for Hispanics and 17.6 percent for Asians.

Because financial position and financial dependency on family, community and public sources differs dramatically for different social and demographic groups throughout the life course, it would be expected that economic reliance would vary during retirement. By understanding differences in expectations across Michigan residents, we will contribute to more effective education, planning and policy development to facilitate better outcomes in retirement.

Each Michigan respondent was asked to rate the degree to which they would rely, in retirement, on a series of funding sources that they, themselves, were responsible for accruing. Specifically, we asked about Social Security income they were eligible for based on their own lifetime employment; savings they had made; formal retirement plans they had saved in; income they would earn after retirement, and; the value of a home they owned. If the respondent then indicated that, in retirement, they expected to be dependent on resources through another person, they were asked which other resources they expected in some way to rely on from other people.

Given the pervasive traditional expectations associated with retirement, surprisingly the EBRI reports 64 percent of all workers surveyed indicate they plan to work past retirement. Women are more likely than men to cite insurance, healthcare benefits and "wanting money to make ends meet" as their reasons for continued labor force participation after retirement (EBRI 2009). Thus it seems that structural changes are translating into a redefinition of the social concept of retirement from an end of labor force participation to an end of primary career participation with intentions to continue in some reduced or altered capacity to work for pay. Within Michigan, the current Winter SOSS survey found that four-fifths of men (79.8 percent) and three-quarters of women (75.4 percent) expected that in retirement they will rely in some way on income from continuing to work.

Through multiple regression analyses, we found that different characteristics are associated with expectations of reliance on each type of funding source. Social characteristics contribute to more variation in the level of expectation for reliance on Social Security than for any of the other individual sources of retirement funds (See Table 7). The research reveals the following:

- Being unmarried, older, less educated, and a racial minority were all statistically significantly related to higher expectations for relying on one's own Social Security. As discussed earlier, these characteristics are related to financial inequality and disadvantage, as is a high level of reliance on Social Security as their retirement income source.

- Being female, married, employed, with children currently at home, and having lower levels of education were all significantly related to higher expectations to rely on one's own pension. With pensions declining in prevalence, these groups in the future may also begin to feel more vulnerability.
- Being male, married, younger, employed, better educated, higher income, and a racial minority were all associated with higher expectations for relying on one's own formal retirement plan. Access to formal retirement plans is usually but not always related to full-time employment in non-government sectors. The characteristics found to be related to formal plan reliance likely compared to demographic associations within this employment sector.
- Being male, younger, not employed, currently having children at home, and having higher income were associated with higher expectations for relying on one's own savings accounts.
- Being male, having less education, having children currently at home and having higher income were all associated with reporting higher expectations for relying on one's home value. Especially with the recent housing price shake-up, these associations may reveal propensities for future vulnerability in older individuals with little time for their housing prices to recover and offer the income resource they anticipated.

- Being male, unmarried, younger, educated, having lower income, and having children currently at home were all associated with expectations for relying on "other sources" of funding for retirement.
- Being younger, having children currently at home, and having lower income were all associated with expectations to rely on income from work after retirement.

Table 7: Regression Results predicting level of reliance in retirement from sources of funding (1 = not rely at all, 5= rely completely)

Dependent Variables	Own Social Security	Own Pension	Own Formal retire-ment Plan	Own Savings	Own Home Value	Other Sources of Own	Income from Own Work
Independent varia.	B	B	B	B	B	B	B
Gender (0=male, 1=female)	.15	.28**	-.18*	-.43**	-.34**	-.25**	.01
Marital Status (0=not married, 1=married)	-.20**	.54**	.51**	.12	.13	-.24**	-.03
Age (yrs)	.02**	-.00	-.01**	-.01**	.00	-.01**	-.01**
Employment Status (0=not employed, 1=employed)	.14	.25**	.29**	-.29**	-.16	-.09	.10
Presence of Children (0=children, 1=no children)	.11	.32**	.09	.32**	.37**	-.04	.26**
Respondent Education (yrs)	-.11**	-.12**	.04*	.03	-.04*	.04**	-.08**
Household Income	-.01	-.00	.01**	.00**	.00**	-.00*	-.00
Race (0=white, 1=not white)	.38**	.51**	.23*	.13	-.08	.19*	-.13
Constant	3.84	3.65	2.22	3.06	3.07	2.15	4.17
** = p ≤ .05, *p≤ .1	r-sq=.15	r-sq=.08	r-sq=.10	r-sq=.08	r-sq=.05	r-sq=.06	r-sq=.06

Forty percent (39.9 percent) of respondents expected to rely completely on their own resources. The remaining 60 percent reported that they would rely on income sources associated with others including spouses and children.

Well over half of pre-retirees, 62.9 percent, reported that they are expecting to rely on other's Social Security payments. 53 percent of men will rely on other's Social Security income compared to 71.8 percent of women. Almost 60 percent (59.6 percent) of pre-retirees will rely on another's pension. Again gender differences are revealed with 56 percent of men expecting to rely on another's pensions compared to 63.2 percent of women.

Close to half (49 percent) of those surveyed report they will rely on other's savings and investments. Of men, 38.9 percent will rely on other's savings and investments whereas 60.1 percent of women will rely on others in regard to these sources. Finally, just over 10 percent of those surveyed will rely on other's income, 8.1 percent of men will compared to 12.1 percent of women.

Women were significantly more likely than men to depend on someone else's Social Security income and some else's savings and investments. Women were also almost three times as likely as men to say they would rely on resources from their children during retirement. Married respondents were significantly more likely than those previously married and those never married to expect to rely on someone else's Social Security, pension, savings and investments. Previously married respondents expected very different alternate sources with over one-third (35.6 percent) believing they would rely on funds from their parents and 28 percent saying income from someone else. Previously married individuals were significantly less likely than married and never-married individuals to believe others' savings or investments would be a resource in retirement.

Table 8: Will you rely on ....? Percent saying "Yes" by Gender
(Base = Those who will rely on someone other than self at least 1%)

	Total (n=492)	Men (n=233)	Women (n=259)
Others SS	62.9	53	71.8*
Others Pension	59.6	56	63.2
Others savings/inv	49.7	38.9	60.1*
Others income	10.2	8.1	12.1
Parents	26.5	27.2	25.9
Children#	9.8 (n=346)	4.5 (n=134)	12.8* (n=212)

#Only those who currently have children asked, * p<.05

Table 9: Will you rely on ....? Percent saying "Yes" by Marital Status
(Base = Those who will rely on someone other than self at least 1%)

	Total (n=492)	Married (n=272)	Prev marry (n=58)	Never marry (n=162)
Others SS	62.9	73.1*	31.0	57.0
Others Pension	59.6	72.2*	18.6	53.8
Others savings/inv	49.7	59.5*	18.6	45.3
Others income	10.2	6.2*	28.3	10.6
Parents	26.5	18.8*	35.6	35.8
Children#	9.8 (n=345)	7.1* (n=255)	3.8 (n=52)	35.9 (n=39)

#Only those who currently have children asked, * p<.05

Expectation of Self-Reliance in Retirement

In the survey of Michigan adults, we asked respondents what percent of their retirement funds would come from their own resources or from others such as their spouse, children et cetera. Four out of ten Michigan adults who have not retired expect to be self-reliant, that is, they anticipate that they will rely exclusively on their own resources in retirement, including their own Social Security. We regressed personal and family characteristics on whether respondents indicated they expect to be self reliant or rely on others for part of their retirement funds. See Table 10. When all variables are considered in the model, being married/remarried greatly increases the likelihood that

Michigan adults expect to be self reliant in retirement. However whether they have children does not account for whether one expects to be self reliant. Those who have less education are more likely to expect to be self reliant.

Table 10: Logistic Regression Results for Expect to be Self Reliant

(1=all own resources, 0=not all own resources)

Independent variables	B
Gender (0=male, 1=female)	.351*
Marital Status (0=not married, 1=married)	1.162**
Age (yrs)	.012
Employment – Full-time =ref cat	**
Part-time	-.008
Other	-.528*
Homemaker	-1.328**
Presence of Children (0=children, 1=no children)	.140
Respondent Education	-.125**
Household Income	-.044
Race- White = ref cat	*
Black	.668**
Other	.445
Constant	-093

* = p ≤ .05, **=.01 N r-sq = .138 N=671

Women are more likely than men to expect to be self reliant and Blacks are more likely than Whites to expect to be self reliant. The difference between men and women is explained in great part by the significantly higher rate of self reliance among Black women than others. We also find that younger women are more likely to expect to be self reliant than older women (49.1 percent vs. 37.7 percent); whereas younger men are less likely to expect to be self reliant than older men (30.7 percent vs. 44.5 percent). The employment status of a preretirement adult accounts for differences in expectations about whom, if anyone, will provide resources for them in retirement. The most significant difference is between individuals who are working full-time and those who report they are homemakers. Homemakers have a very low likelihood of expectation to rely exclusively on their own, personal resources in retirement; whereas those who work full-time expect to provide some, if not all, resources through personal means.

Confidence in Resources for Retirement Well-being:

Concerns over income, wealth, health and dependency associated with the retirement planning process may affect the confidence of pre-retirees about their plans and well-being in retirement. The Employee Benefits Research Institute (EBRI) survey for 2009 found that nationally confidence in retirement sources and planning are falling amongst American workers whom are less confident than workers a decade ago about having enough money for a comfortable retirement and having enough to pay for basic expenses (EBRI 2009). Many people assume that in retirement Medicare will cover a majority of their health costs while Medicaid will address long-term nursing care needs (Villarreal and Herrick 2009). Workers' confidence in public resources is also falling. The EBRI survey reports 67 percent of workers are "not too" or "not at all" confident that Social Security will provide benefits of at least equal value to the benefits retirees receive currently; and 61 percent of workers are "not too" or "not at all" confident that Medicare will continue to provide benefits of at least equal value to the benefits received by retirees today.

Winter-SOSS Data Summary: How confident are you in your retirement resources?

In order to gauge confidence in whether Michigan adults would have resources in retirement to meet individual needs, survey participants who are not retired and are 40 years of age and over were asked four questions. They were asked "How confident are you that you will have enough money (1) to live comfortably throughout your retirement years? (2) to take care of basic expenses? (3) to take care of medical expenses? and (4) to pay for long-term care in your retirement years?"

Overall, the number of individuals who were confident about their retirement resources meeting individual needs is quite low. About 1 in 3 (31 percent) are "very confident" in their resources to meet basic needs in retirement. Only 1 in 5 of the pre-retirees in the Michigan survey are "very confident" in their resources as a means of providing them with a comfortable living during retirement. About 1 in 6 (16 percent) are "very confident" in their ability to meet medical needs and 1 in 8 (13 %) are "very confident" in their ability to pay for long-term care in their retirement years.

Of these four indicators of confidence, Michigan adults in their middle years are least confident in their ability to pay for long-term care expenses in their retirement years. Similar to the national sample in the EBRI 2009 study, 67 percent of Michigan adults are not very or not at all confident that they will be able to pay for long-term care and 53 percent of Michigan adults are not very or not at all confident that they will be able to meet medical expenses. As more and more Michigan adults question their ability to meet medical and long-term care expenses in retirement, they may try to stay in the labor force rather than retire in order to maintain health benefits from employment (Wong and Hardy 2009: Honig, 1996).

Confidence in resources for retirement may increase as individuals approach retirement age and have more certainty as to how much they have available to cover their expenses. As discovered with analyses of preparation for retirement, those who are better educated, working full-time and who have greater household incomes are more likely to be confident in their ability to meet expenses in retirement. Knowledge about their resources and whether they will be adequate for retirement is likely related to careful planning.

To examine the factors that explain different levels of confidence we did linear regression analyses with personal characteristics (age, gender, education, race, work full-time, and health), family characteristics (married, have children, income) and status of long-term retirement plans, and level of reliance on personal resources for retirement as independent variables. All the regression models explained significant variance in the confidence variables. See Table 11.

Table 11: Regression Models for Confidence in Resources for Retirement Needs
(1 = very confident, to 4= Not confident at all)

Dependent variables	Money to Meet Basic Expenses	Money to Live Comfortably	Money to Meet Medical Needs	Pay Long-Term Care
Indep. Variables	B	B	B	B
Gender (0=male, 1=female)	.137	.013	.085	.177
Marital Status (0=not married, 1=married)	.220*	.145	.281*	.381**
Age (yrs)	-.011*	-.009	-.017**	-.007

Employment Status (0=not employed, 1=employed)	-.242*	-.129	-.016	.044
Presence of Children (0=children, 1=no children)	.241*	.210	.227	.291
Respondent Education	-.026	-.003	-.037	-.024
Household Income	-.069**	-.056**	-.029	-.059*
Race (0=white, 1=not white)	-.009	.017	-.014	-.025
Personal Health Status	.113**	.088*	.186**	.095
Status Long term plans	.413**	.392**	.161**	.224**
Self reliant to totally dependent on Others	.020	.024	-.082*	-.087*
Constant	1.875**	1.884**	3.02**	2.517**
** = p ≤ .01, *p≤ .05	Adj R Squ=.467	.351	.175	.177
N (pre-retired, 40 yrs or older)	295	296	293	292

More confidence in having resources and money to meet basic needs in retirement is strongly related to higher household income, and being employed. Being married and not having children is related to less confidence of having money to meet basic needs in retirement. Those who are older, in better personal health and have well thought out long-term plans are more confident. The importance of other variables in the model for explaining different levels of confidence for money to meet basic needs is not significant when other variables have already been taken into account in the regression.

Regression analysis using independent variables regarding how confident respondents were that they would have money to live comfortably in retirement, showed income, personal health and status of long-term planning to be statistically significant. Increased confidence in having money to live comfortably in retirement is strongly related to higher household income and better personal health as well as to having well thought-out long term plans. With both measures of confidence, the variable of status of long-term plans for retirement has the greatest standardized coefficients which suggest it is the most important variable.

Respondents' confidence in having money to meet medical needs in retirement is higher, with other variables controlled, if they are older and not currently married. In addition, respondents who perceive that they have excellent health, have well thought-out long-term plans and are expecting to have a greater proportion of their retirement resources from someone else indicated more confidence that they would have money to meet medical needs in retirement.

Finally, for Michigan pre-retirees, more confidence that they will have money to pay for long term care in retirement is associated with being not currently married and having better personal health. Confidence in having money for long-term care in retirement is associated with more dependence on others for retirement resources and having well thought-out long-term plans.

This analysis clearly shows the importance of personal health as pre-retirees look to their retirement years. Policies that will improve access to medical care and medical insurance and enhance health and quality of life may greatly improve outlooks for retirement. Likewise, these results document how important it is to promote planning for retirement.

Policy Questions Background and Summary:

Given the increasing old-age dependency ratio, the mass retirement of baby boomers from the labor force could potentially lead to issues such as brain drain from the labor force, reduction in the overall tax base, increased demand for social programs as a main source of income resources and heightened healthcare demands (Laing et al. 2009). In Michigan, the challenges of an aging population on tax revenue stem in part from the reduction in the income base of retirees and the income tax and property tax breaks received by the elderly (Menchik 2002). Additionally, many individuals assume that Medicare will cover a majority of their health costs while Medicaid will address long term nursing care needs (Villarreal and Herrick 2009). However rising costs of health care, growing demands on public services such as Medicaid and the decline in prime working age laborers' investing in "pay as you go" pension systems (such as Social Security) are raising concerns about the financial capacity and vulnerability of people entering retirement age in addition to the fiscal pressures facing State and Federal governments (James et al 2006; Schieber 2008).

We surveyed Michigan adults about three potential changes in policy legislations: 1) Should the state establish one retirement health plan that covers all state employees? 2) Should the state tax social security and pension payments for those making $100,000 or more a year? And 3) Should the state change the law so that health care savings accounts can accumulate over time and are transferable?.

Seventy-five percent of the respondents agree that the state should change the policy to one retirement health plan. Support of this policy is different by race with Blacks (85.2

percent) significantly more likely to support changing to one retirement health plan for state employees than are Whites (73.9 percent). In addition, those who were over 40 years old (77.6 percent) were more likely than younger citizens (72.7 percent) to support the change to one retirement health care plan. Of those with some college education 82.2 percent thought this policy should change compared to 76.7 percent of those with a high school degree or less education and 67.4 percent of those with at least a bachelor's college degree. Also, married respondents (77.9 percent) were much more likely than those previously married and single (71.2 percent) to support this policy change. There are some differences in the level of support for changing the retirement health plan for state employees by personal and family characteristics, the level of public support for this policy change in Michigan remains fairly high across all these variables.

In regard to taxing social security and pension payments, overall about four out of ten (42 percent) agreed that the policy of not imposing state income tax on Social Security or private pension payments for those earning $100,000 or more should be changed. Women are more likely than men (44.4 percent vs. 38.8 percent) and Whites were more likely than Blacks (43.5 percent vs. 33.8 percent) to agree with imposing state tax on social security and pensions. Michigan adults who had never married or previously married were more likely to agree than those who were married (47.1 percent and 51.1 percent vs. 37.2 percent). Michigan adults with some college (51.5 percent) supported this change more than those with a high school degree or less (39.9 percent) or at least a college degree (34.4 percent). Interestingly, those working full-time (39.1 percent) and part-time (35.8 percent) were less likely to support this policy change than those who are retired (41.7 percent). However, respondents who currently earn more than $100,000 annually (29.7 percent) indicate the least support for this change and those earning less than $40,000 annually (55.2 percent) report the greatest support.

Among Michigan adults, 86 percent agree that the state should change the law so that flexible health care savings accounts that use pretax dollars through their employer should be allowed to accumulate over time and be transferable. In regard to health care saving accounts, people who were currently married (88.5 percent) and those with children (87.1 percent) were more in favor of this change than those who were not married (80.4 percent) or did not have children (81.4 percent). Those who had a college degree or more education (81.8 percent) are less likely to support this change than those with high school (87.7 percent) or some college (87.7 percent). As flexible health care savings accounts are provided through employment, we expected that Michigan citizens who are currently in the labor force (87.5 percent) would be more in support of this change than those not in the labor force (82.5 percent). While we did find some differences in the level of support for changing health care savings accounts by personal and family characteristics, the level of public support for this policy change in Michigan is extremely high across all these variables.

Given the politically charged nature of the electorate now, it is important to examine if support for policies differs significantly by political ideology and party affiliation of respondents. The likelihood that respondents would support changing to one retirement health care plan did not differ by political affiliation. However, Michigan adults who say they are liberal or Democrat were more likely than others to think that the state should change its policy and tax social security and pensions for individuals who earn more than $100,000. In regard to health care savings accounts, conservatives or Republicans were significantly less likely than moderates/liberals or Independents/Democrats to think the state policy should change to allow them to be transferable or to accumulate year to year.

Summary and Conclusions

This research paints a bleak picture of retirement for many Michigan citizens. Pre-retirees in Michigan are only minimally preparing for this stage of life and their knowledge of the breadth to which they should be preparing is limited. Respondents reported delaying until their 30s and 40s before they begin to invest in formal retirement accounts or to plan and/or discuss with their spouses how they will reach long-term goals in retirement. As funding for retirement is more typically in the form of defined contribution plans and more dependent on the proactive saving and investing behavior of adults, this low level of preparation suggests that many Michiganders will reach the normal retirement age without adequate resources to meet their needs. It is not surprising that, given this lack of preparation, we find that the majority of Michiganders expect to continue to work for pay after they retire and that they have such low confidence in their ability to meet basic needs, medical needs or long-term care expenses in retirement.

The transformation of retirement may impact greatest those most vulnerable, that is, those with lower household incomes, fewer years of education, and periods of unemployment. These characteristics along with being a racial minority are associated with greater reliance on Social Security. Women are more likely than men to depend on other's Social Security income. The potential increases in eligible age for Social Security or changes in levels of return will differentially impact these workers.

Critical issues associated with demographic changes and vulnerable populations should be paramount on the agenda of decision makers in Michigan given the projected need, dependency and demand for public resources, knowledge and leadership that is on the horizon. Demographic changes coupled with inequalities among the age cohorts transitioning into the traditional retirement age compound challenges relating to healthcare, medical expenses, quality long term care and other issues associated with retirement needs and costs. Addressing the lack of information and accurate knowledge related to saving, investment, earned benefits and replacement rates is a massive need that could have a significant impact on the quality of life of aging Michiganders. These will become critical issues for a large portion of the population that will affect society as a whole.

This research calls for critical social and policy action. First, it is important to create a culture of planning early in the life course. Financial literacy through initiatives to begin financial education in school could challenge the perception that financial planning is a task to undertake only later in life. Educational programs related to personal finances could address retirement preparedness. Likewise, premarital counseling that encourages couples to discuss and consider their long-term financial plans should be established. As women are assuming greater family financial and breadwinner roles, they need to start retirement savings earlier. One possibility is to require employers to automatically enroll employees in formal retirement accounts. Workers are less likely to ask to be taken off such accounts than they are to enroll in them without the assistance of their employers. Health care expenses and retirement savings and planning are intertwined. Our respondents overwhelmingly support changing health care savings accounts so they can accumulate funds over time. This support for personal financial management may indirectly enhance savings for retirement.

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