

The Texas Baby Boomer Survey

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This report is one in a series being published by the Texas Department on Aging in an effort to provide timely, relevant, and customized information on aging issues to the legislature, state and local government, and other stakeholders.

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EXECUTIVE SUMMARY

Baby Boomers influenced public policy issues and societal institutions at each stage of their life cycle, and they may well alter societal responses to old age and retirement in the immediate future.

- ◆ Texas Baby Boomers are defined as persons born between 1946 and 1964.
- ◆ The Texas Baby Boomer population totals over 5.6 million or about 28 percent of the total Texas population.
- ◆ Fifty-nine percent of the Texas Baby Boomer generation is White, 26 percent is Hispanic, 11 percent is Black, and 4 percent is Native American, Asian, or Pacific Islander.

THE TEXAS BABY BOOMER SURVEY

The purpose of the survey was to investigate Baby Boomer attitudes toward and expectations for retirement and financial preparations for later life. Attention was focused on racial, ethnic, and gender comparisons. In addition, the low-income segment that is most likely to rely on public services was examined.

Telephone interviews were conducted with a random sample of 1000 Texas residents born between 1946 and 1964. The sample was generally representative, however, Hispanics, persons with lower levels of formal education, and lower income individuals were underrepresented. Contacting these persons was difficult because of cultural and linguistic factors and barriers associated with poverty. Also, an analysis of Asians, Native Americans, and Pacific Islanders was not possible because of the small absolute numbers in the sample. While the purpose of the study was not compromised, the findings presented here understate the problem of poverty, and this qualification should be kept in mind when interpreting the findings. The underrepresented groups should be the focus of future research.

SAMPLE DEMOGRAPHICS

- ◆ Texas Baby Boomers' ages ranged from 35 to 53 years, and the average age was 44 years.
- ◆ The majority of Texas Baby Boomers were married (66%), but almost a quarter were divorced or separated (22%). Fewer Blacks were married (54%) compared to Whites (69%) and Hispanics (64%). Blacks (31%) were more likely to be divorced or separated than either Whites (20%) or Hispanics (21%).
- ◆ Twice as many Blacks (11%) and Hispanics (12%) had not completed high school compared to Whites (5%). Whites (15%) were more than twice as likely to have completed post-graduate work compared to Blacks (5%) and Hispanics (7%).

- ♦ Median annual household income for the sample (\$56,416) was higher than for the general Texas Baby Boomer population (\$52,000) and much higher than the median household income for all Texans (\$40,611). The median income for White Boomers was \$61,098, for Hispanics, \$50,655 and for Blacks, \$44,574. The median income for non-married men was \$44,752 and for non-married women was \$32,169.
- ♦ Most Texas Baby Boomers (84%) were parents, and the average number of children was 2.65.
- ♦ The majority of Baby Boomers were employed full-time (73%), eight percent were employed part-time, three percent were retired, and two percent were unemployed.

BABY BOOMER ATTITUDES, BELIEFS, AND EXPECTATIONS

Attitudes and Beliefs

Texas Boomers generally had positive attitudes toward retirement and old age.

- ♦ Ninety percent indicated they would have plenty of time for recreation.
- ♦ Seventy-nine percent had a hobby or interest to which they intended to devote time during retirement.
- ♦ Seventy-nine percent were not frightened by the idea of growing old.

However, some Baby Boomers revealed feelings of concern over financial issues.

- ♦ Sixty-five percent were concerned they would have to scale back their lifestyle during retirement.
- ♦ Forty-one percent were concerned they would outlive retirement savings.
- ♦ Thirty-nine percent worried they would have to struggle to make ends meet.
- ♦ Forty percent worried they would not be able to afford to retire.

Self-reliance

Texas Baby Boomers expressed a strong spirit of self-reliance and belief that they would be able to take care of themselves during retirement.

- ♦ Most Baby Boomers expressed confidence in their ability to prepare adequately for retirement. Fifty-one percent were very confident and 40 percent were somewhat confident.
- ♦ Ninety-four percent of the Baby Boomers indicated they would not depend on their family for financial support during retirement.
- ♦ Whites were most likely to report they would not depend on family (96%), followed by Hispanics (89%) and Blacks (86%).

Expectations for Work During Retirement

Baby Boomers expressed interest in maintaining workforce participation during retirement.

- ◆ Sixty-eight percent indicated they would work during their later years.
- ◆ Twenty-nine percent stated they would retire from their current jobs and work full-time in other employment.
- ◆ Thirty-nine percent were interested in starting their own businesses.
- ◆ Reasons given for continuing employment during retirement were:
 - needed income (51%),
 - interest or enjoyment (71%), and
 - health insurance coverage (33%).

FINANCIAL PREPARATION FOR RETIREMENT

Anticipated Sources of Income

Baby Boomers had access to defined contribution and defined benefit pensions. The principal sources of income anticipated were:

- ◆ Individual Retirement Accounts and 401(k) Plans (76%),
- ◆ Savings and Investments (75%),
- ◆ Employment Pensions (65%), and
- ◆ Social Security (51%).

Types of Saving Plans

Baby Boomers reported the use of multiple approaches to save for retirement.

- ◆ Individual Retirement Accounts and 401(k) plans (73%)
- ◆ Regular savings (44%)
- ◆ Mutual funds (43%)
- ◆ Long-term savings (40%)

Perceived Adequacy of Savings

Sixty-eight percent of Baby Boomers expressed satisfaction with the amount of money they were saving for retirement.

- ◆ Women were slightly more satisfied (69%) with their savings performance than were men (67%).
- ◆ Whites (69%) and Hispanics (67%) were more satisfied with their savings performance than were Blacks (59%).

Baby Boomers cited several reasons to explain why they were not saving more.

- ♦ Forty-three percent claimed that the high cost of living prevented a more aggressive approach to savings.
- ♦ Thirty-six percent indicated that low incomes precluded higher levels of savings.
- ♦ Twenty percent had responsibility for the care of dependents that made saving more difficult.

Home ownership

The rate of home ownership among Baby Boomers was high (78%), however, there were racial and ethnic differences.

- ♦ Home ownership was highest for Whites (80%) and Hispanics (81%).
- ♦ Blacks had the lowest rate of home ownership (57%).

Sources of Information for Financial Planning

Baby Boomers reported that they were consumers of several sources of information for financial planning.

- ♦ Newspaper and television reports (86%)
- ♦ Workplace (i.e., human resources departments) (82%)
- ♦ Financial planners (79%)
- ♦ Government agencies and publications (75%)
- ♦ Friends and relatives (74%)
- ♦ Organizations for senior citizens (68%)

Not all Baby Boomers found the above information equally useful.

- ♦ Financial planners were rated most useful (71%).
- ♦ The workplace (65%) and friends and relatives (64%) were ranked second.
- ♦ The remaining sources of information were ranked third with 59 percent of Boomers rating them useful.
- ♦ Thirty-eight percent of the Baby Boomers surveyed indicated that they needed more information for financial planning.

FINANCING LONG-TERM CARE

Significant proportions of the Baby Boomers had limited knowledge of issues related to the financing of long-term care.

- ◆ Forty-one percent erroneously assumed that Medicare would cover long-term nursing home care.
- ◆ Twenty-one percent of the Boomers indicated they had purchased long-term care insurance, but when asked if their policy covered long-term care in a nursing facility, almost one quarter (23%) reported they did not know.

TEXAS BABY BOOMERS FINANCIALLY AT RISK

Nineteen percent of Baby Boomers earned less than \$30,000 annually. For analytical purposes, this low income segment was designated a Financially At Risk group and compared to higher income Baby Boomers. The Financially At Risk Boomers may be at greatest risk for publicly funded long-term care services as they enter old age with inadequate financial resources.

- ◆ Median annual household income for the Financially At Risk was low (\$18,149).
- ◆ The majority were women (62%).
- ◆ Minorities were overrepresented among the Financially At Risk; Blacks comprised 15 percent, Hispanics were 27 percent, and Whites were 58 percent.
- ◆ The rate of marriage (37%) was almost identical to the rate of divorce or separation (38%) in the Financially At Risk group, an additional 7 percent were widowed, and 15 percent were never married.
- ◆ Most (78%) were parents with an average of 2.64 children.
- ◆ Fifty-six percent were employed full-time, 15 percent were employed part-time, and 14 percent were disabled.
- ◆ The educational attainment levels of the Financially At Risk were much lower than those found for higher income Baby Boomers. For example, 18 percent of the At Risk had not finished high school while only 3 percent of the higher income segment had not.

Several demographic characteristics of the Financially At Risk group were especially worrisome.

- ◆ Single females with children to support comprised the majority of the At Risk segment.
- ◆ The low levels of formal education achieved by this group may limit their opportunity to prepare adequately for retirement.
- ◆ Minorities were disproportionately represented in this segment of the Boomer sample.

Attitudes and Beliefs

Many of the Financially At Risk anticipated financial hardship in retirement.

- ♦ The majority (68%) of At Risk Boomers were anxious they would have to struggle to make ends meet compared to only 31 percent of the higher income Boomers.
- ♦ Over half (53%) of the At Risk were concerned they would outlive retirement savings compared to only 40 percent of the higher income Boomers.
- ♦ Sixty-three percent of the At Risk Boomers worried they would not be able to afford to retire compared to only 35 percent of the higher income Boomers.

Self-reliance

The strong self-reliant attitude that characterized the Baby Boomer sample as a whole was diluted in the Financially At Risk segment.

- ♦ Fifteen percent of the At Risk group reported they anticipated relying financially on their families during retirement compared to only three percent of the higher income Boomers.
- ♦ The percentage of those expressing some level of confidence in their ability to adequately prepare for retirement dropped from a high of 94 percent in the higher income group to only 77 percent in the At Risk group.

Expectations for Work During Retirement

- ♦ A greater proportion of the Financially At Risk Baby Boomers (42%) reported they planned to retire from their current jobs but work full-time for pay in different employment compared to the higher income group (26%).
- ♦ The At Risk group (70%) was planning to work part-time for needed income at a greater rate than the higher income group (51%).
- ♦ The percentage of those planning to start their own business after retiring was similar between the At Risk group (45%) and the higher income group (40%).
- ♦ The majority of At Risk (64%) and higher income Boomers (73%) anticipated working part-time for enjoyment or interest during retirement.

Anticipated Sources of Income

- ◆ Less than half of the Financially At Risk Boomers (40%) anticipated income from IRAs and 401(k) plans compared to 85 percent of the higher income Boomers.
- ◆ Only 43 percent of the At Risk population anticipated support from an employment pension compared to 70 percent of the higher income Boomers.
- ◆ Far fewer At Risk Boomers (43%) anticipated income from savings and investments compared to higher income Boomers (83%).
- ◆ The majority (70%) of At Risk Baby Boomers reported they would be relying on Social Security for retirement income compared to less than half (45%) of the higher income Boomers.
- ◆ Home ownership was much lower among the At Risk (58%) than among the higher income Boomers (83%).

Savings Plans

At Risk Boomers were saving for retirement at lower rates than the higher income Boomers in all types of savings plans.

- ◆ Both groups were saving in IRAs and 401(k) plans, but participation was much lower for the At Risk (36%) compared to the higher income (82%) Boomers.
- ◆ The At Risk Boomers (16%) saved in long-term savings at a lower rate than the higher income Boomers (46%).

Perceived Adequacy of Savings

- ◆ Almost two-thirds (64%) of the At Risk Boomers reported they were not satisfied with the amounts they were saving compared to only 25 percent of the higher income segment.
- ◆ About half (52%) of the At Risk Boomers reported that their level of income prohibited them from saving enough money compared to 29 percent of higher income Boomers.
- ◆ Almost two thirds (63%) of At Risk Boomers said they needed more information to plan for retirement while only a third (33%) of the higher income Boomers reported this need.

Financing Long-Term Care

The At Risk and higher income groups had different expectations regarding a financing mechanism for their long-term care.

- ♦ Fifty percent of At Risk Boomers said a government program would pay for long-term care services, compared to only 17 percent of higher income Boomers.
- ♦ Higher income Boomers (36%) were much more likely to report an anticipated reliance on personal savings for long-term care expenses than the At Risk Boomers (9%).

CONCLUSION AND POLICY RECOMMENDATIONS

In general, Texas Baby Boomers reported positive attitudes toward retirement and later life. Interestingly, many expressed an intention to remain in the workforce in later life at levels which mark a departure from the pattern established by the present older generation.

Most Baby Boomers had access to and were utilizing the conventional pension and savings vehicles to financially prepare for retirement. However, relatively large numbers of individuals expressed some reservation and anxiety over their future financial situations. In addition, many Boomers were not satisfied with the information sources available to them for financial planning.

Accurate knowledge of public financing for long-term care (LTC) was limited. Many Boomers wrongfully assumed that Medicare covered long-term nursing care. Consumer decisions regarding the purchase of private LTC insurance policies could be suppressed if Boomers wrongly assume that coverage exists through Medicare.

About one-fifth of Texas Baby Boomers had household incomes under \$30,000 a year. The ethnic and racial minorities, and women were disproportionately represented in this group. Since lower income Baby Boomers face formidable obstacles to making the preparations that will allow them to maintain self-reliance in later life, they could likely be at risk for public services at a time when the State's capacity to deliver these services could be strained.

If a more promising future is to materialize, policy initiatives that move the human resource potential of the Texas' Baby Boomer cohort toward greater financial self-reliance are clearly needed. The first two of the following recommendations are applicable to all Baby Boomers, and the last three recommendations primarily address Boomers in the lower socioeconomic strata.

- ♦ As defined contribution pension plans have shifted responsibility for financial security to the individual, an emphasis on financial education and planning is critical for all Baby Boomers if they are to make informed investment decisions.
- ♦ Since many employers do not sponsor employment-based retirement plans, employers' level of knowledge about plan options and the business benefits of sponsoring plans should be increased (EBRI, 1999).
- ♦ Increased workforce training and life long education programs should be targeted to lower income groups to develop the employment opportunities that will augment financial security in retirement (Poulos & Nightingale, 1997).
- ♦ The racial and ethnic diversity that characterizes the population of Texas requires education and training programs that are effective across cultural and linguistic groups.
- ♦ The overrepresentation of women among the economically disadvantaged segment in Texas highlights the need for public policy debate and political action on issues such as workplace supported childcare and gender wage inequity (AARP, 2000).

The Texas Department on Aging has taken an important step towards meeting these objectives. A statewide, informational campaign called *Aging Texas Well* (ATW) has been endorsed by the Texas Legislature and implemented by the Texas Department on Aging. ATW is a long-range effort to inform and influence individual attitudes, public and private decisions, and policies that address the challenges of an aging population. However, more remains to be done. "If we wish to fix those things that need to be fixed, it is demographically easier to do so now than it will be in 2020 or 2030 when an unprecedented percentage of our residents will be elderly" (Murdock et al., 1997).

TEXAS BABY BOOMER SURVEY

INTRODUCTION

THE BABY BOOM GENERATION

A virtual explosion occurred in the U.S. birth rate during the years following World War II. In 1946, the number of births reached 3.4 million, up from 2.3 million during the low point of the Depression. Births did not fall below 4 million until 1965. The generation born between 1946 and 1964, during this surge in birth rates, has come to be known as the Baby Boom generation.

At each stage of their life cycle, the Baby Boom generation has profoundly affected societal institutions and public policy issues. In the 1950s and 1960s, public elementary and secondary schools were overwhelmed with the education of the Baby Boomers. As Boomers began entering young adulthood, music, pop culture, and political activism were significantly influenced by their participation. When working age Boomers began entering their childbearing years in the 1970s, they restructured the relationship between the workplace and family.

Just as the Baby Boomers have redefined aspects of each previous life cycle phase, the Boomer generation will likely continue to shape public policy and transform societal concepts of aging and retirement. The impact of the Baby Boom generation on the meaning of retirement and the concept of aging will soon begin as the leading edge of Baby Boomers reaches age 60 in 2006.

TEXAS BABY BOOMERS

The Baby Boom generation in Texas is over 5.6 million strong, or about 28 percent of the State's total population. The average age of Texas Boomers is 43.4 years, and the Boomer population is nearly equally distributed by gender, with 49.6 percent male and 50.4 percent female. A key characteristic of the Boomer population, as well as the general population of Texas, is racial and ethnic diversity. While the majority of the Boomer population is White (59%), sizable proportions are Hispanic (26%) and Black (11%). Native Americans, Asians, and Pacific Islanders comprise 4 percent (Texas State Data Center, 1998). Diversity also characterizes the Boomer population on important socioeconomic variables, such as, education, income, and attitudes toward retirement.

THE SURVEY

PURPOSE AND METHODS

The Texas Baby Boomer survey investigated attitudes towards and expectations for the retirement years, focusing on issues related to the financial preparation of Baby Boomers for their later years. Racial, ethnic, and gender comparisons that frame important issues of social inequity in Texas were also examined. Special attention was given to the lowest income segment that is financially vulnerable and likely to rely on public services in later life.

The questionnaire items were developed by the Texas Department on Aging staff, adapting some items from the American Association of Retired Persons' (AARP) national study of Baby Boomers (AARP, 1999). Data were collected by telephone interviews with a random sample of Texas residents born between 1946 and 1964. Interviews were completed with 1000 Baby Boomers between November 29, 1999 and December 21, 1999.

SAMPLE CHARACTERISTICS

The sample was generally representative of the Texas Baby Boomer population. However, the Hispanic population, low-income populations, and populations with low levels of formal education were slightly underrepresented. Contacting these groups was difficult because of cultural and linguistic barriers and other factors related to poverty. In addition, an analysis of Asians, Native Americans, and Pacific Islanders was not possible because of the small absolute numbers in the sample. While the sample characteristics did not compromise the objectives of the study, the findings presented here understate the problems associated with poverty and linguistic and cultural barriers. The groups inadequately represented in the sample should be the focus of future research.

Age The Baby Boom generation consisted of people born between 1946 and 1964. In 1999, at the time of the survey, Boomers ranged in age from 35 to 53, with an average age of 44 for the entire Boomer sample. Since this generation spans almost 20 years, a comparative analysis was conducted between those Boomers born earlier, between 1946 and 1955, and those born later, between 1956 and 1964. Any significant differences found between the Early and Late Baby Boomers are reported.

Gender The Baby Boomer sample contained slightly more men (53%) than women (47%).

Race and Ethnicity The majority of Baby Boomers were White (69%), 19 percent were Hispanic, and 10 percent were Black. A small number (2%) were Native American, Asian, and Pacific Islander.

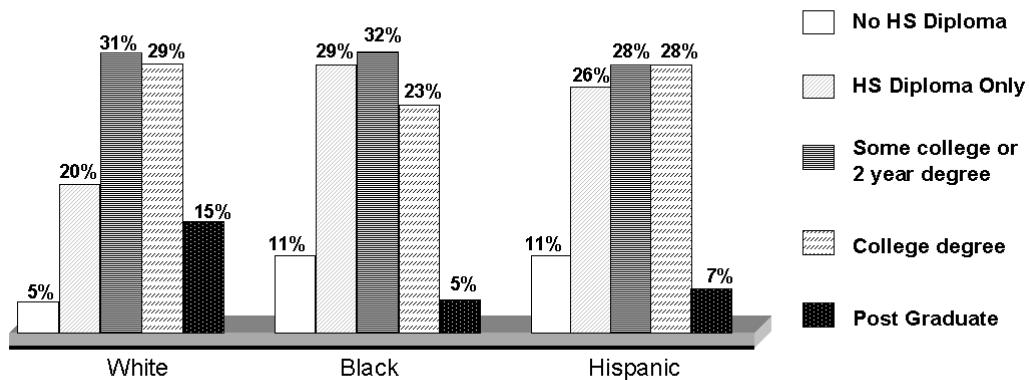
Marital Status The majority of Baby Boomers surveyed were married (66%), but almost a quarter were divorced or separated (22%). Eight percent were never married. Fewer Blacks (54%) were married than Whites (68%) or Hispanics (64%). Blacks (31%) were more likely to be divorced or separated than either Whites (20%) or Hispanics (21%). Blacks (12%) and Hispanics (10%) were more likely to be have been never married than Whites (7%).

Family Size Most Baby Boomers (84%) were parents with an average of 2.65 children. No differences were found between racial or ethnic groups for the average number of children. However, Blacks (95%) were more likely than Whites (82%) or Hispanics (85%) to have been parents.

Education In the Boomer sample, only 6 percent did not have a high school degree; 22 percent had completed High School; 31 percent had completed at least some college; and 41 percent had completed college or beyond.

Educational attainment for race and ethnicity is displayed in Figure 1. The most striking differences in attainment were found at the extremes. At the lower level of educational attainment, there were more than twice as many minorities (Blacks 11% and Hispanics 12%) compared to Whites (5%) that had not graduated from high school. At the highest level of educational attainment, Whites (15%) were more than twice as likely to have completed post-graduate work than were Blacks (5%) or Hispanics (7%).

Figure 1. Racial/Ethnic Differences in Educational Attainment of Texas Baby Boomers



Employment The majority of Baby Boomers were employed full-time (73%), eight percent were employed part-time, three percent reported having retired early and two percent were unemployed. The remaining Boomers were homemakers (9%), students (1%), and disabled (4%).

The employment statuses of racial and ethnic groups were equivalent, but traditional gender differences were found. Women (18%) were much more likely

than men (less than 1%) to be homemakers. Women (12%) were more likely to be employed part-time than men (3%). Only 62 percent of women were employed full-time compared to 86 percent of men.

Income Median annual household income for the sample (\$56,416) was higher than for the general Texas Baby Boomer population (\$52,000) and much higher than the median household income of all Texans (\$40,611). The highest median household income was found for Whites (\$61,098) and the lowest was for Blacks (\$44,574). Hispanics' household income fell between the two extremes (\$50,655).

An analysis of household incomes for unmarried men and unmarried women revealed a gender gap. The median household income for non-married men (\$44,752) was much higher than that for non-married women (\$32,169).

Forty-three percent of the Baby Boomers surveyed were members of dual income households. Predictably, the median income for dual income households (\$69,458) was higher than that for the Baby Boomer sample as a whole.

ATTITUDES, BELIEFS, AND EXPECTATIONS CONCERNING RETIREMENT

Retirement is conventionally defined as the termination of full-time employment with a source of income from a pension earned by virtue of long-term participation in the workforce. However, employment in another occupation or with another employer is an option for persons receiving pension income. Currently, only about 12 percent of the 65+ population are in the workforce indicating that the older population does not widely entertain the notion of work during the retirement years (Administration on Aging, 1999). Social Security restrictions against earned income are considered a major determinate of the low workforce participation of older workers. Although recent legislation has relaxed the Social Security penalty on earnings, the effect on work during retirement for future older cohorts is not clear (Social Security Administration, 2000).

ATTITUDES AND BELIEFS REGARDING RETIREMENT AND OLD AGE

Baby Boomer attitudes toward retirement and later life were generally positive and optimistic. Most Boomers (90%) expressed optimism about retirement and getting older in terms of increased opportunities for recreation. A large proportion of Boomers (79%) indicated they had a hobby or interest to which they intended to dedicate time during retirement. Most Baby Boomers (79%) were not frightened by the idea of old age.

However, Baby Boomers did admit to some feelings of uncertainty or ambivalence about retirement. For example, responses to an open-ended

question exploring the subjective meaning of retirement produced conflicting results. Some Boomers responded that the first thing that came to mind when thinking about retirement was recreation, travel, and not working or free time (46%). Twenty-eight percent, however, responded that financial insecurity was the first thing to come to mind when they thought about retirement.

In addition, Boomers were asked what concerned them the most about retirement. They indicated that not having enough money (59%) was their primary concern. Social Security not being available was mentioned by an additional ten percent.

More than six in ten Baby Boomers (65%) were concerned they would have to scale back their life style during retirement and 39 percent worried they would have to struggle to make ends meet. A higher percentage of women (43%) than men (34%) worried they would have to struggle to make ends meet.

Further evidence of uncertainty about future finances was indicated by the Baby Boomers. Significant percentages worried they would be unable to afford to retire (40%) or that they would outlive their retirement savings (41%). A higher percentage of Blacks (52%) and Hispanics (49%) were anxious that they would outlive their retirement savings compared to Whites (37%).

Self-reliance Baby Boomers provided strong evidence of a self-reliant attitude towards retirement. Most expressed confidence in their ability to prepare adequately for retirement; Fifty-one percent were very confident and 40 percent were somewhat confident. Ninety-four percent of the Baby Boomers indicated they would not depend on their family for financial support during retirement. Whites were most likely to report that they would not depend on family (96%), followed by Hispanics (89%) and Blacks (87%).

Retirement Relocation Currently, only about four to five percent of people aged 60+ move across state lines each five-year period (Longino, 1998). Texas Boomers, however, may change this pattern. Many Boomers (39%) expected to move to a new geographic area when they retire or in their later years. More late Baby Boomers (44%) than early Baby Boomers (35%) envisioned moving away from their current place of residence to another when they retired or got older.

Family Involvement Baby Boomers embraced the idea of involvement in kinship relations. Eighty-three percent expected to live most of their retirement years with a spouse or partner. Sixty-eight percent expected to live near an adult child. Eighty-eight percent were looking forward to being grandparents.

In addition, relatively large numbers of Baby Boomers anticipated informal caregiving responsibilities. Thirty-nine percent of the Baby Boomers in Texas assumed they would provide care to their parents or relatives during retirement. Women (44%) were more likely to identify themselves as future caregivers than

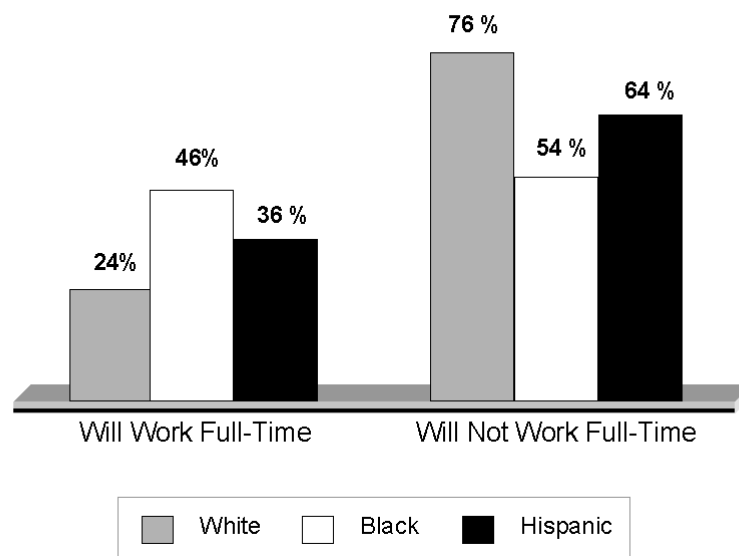
were men (33%). Blacks (48%) were most likely to perceive themselves as future caregivers followed by Whites (40%) and Hispanics (32%). Furthermore, more late Baby Boomers (42%) identified themselves as future caregivers compared to early Baby Boomers (36%).

EXPECTATIONS FOR WORK DURING RETIREMENT

Texas Boomers expressed a high level of interest in labor force participation during retirement. Some indication of this can be appreciated from Boomer responses to a series of employment related statements that required agree or disagree responses. At the most general level, 68 percent of the Baby Boomers surveyed anticipated that they would be employed during their later years, and only 32 percent indicated that they would not work at all. Men (71%) were more likely than women (64%) to express an interest in working during retirement. A higher percentage of early Boomers (71%) expected to work during retirement compared to late Boomers (65%). The magnitude of differences between racial and ethnic groups was negligible.

In addition, over a quarter (29%) of the Baby Boomers indicated that they would retire from their current jobs but work full-time for pay in different employment. As illustrated in Figure 2, Blacks (46%) were most likely to indicate they planned to retire from their current jobs but re-enter the labor force, followed by Hispanics (36%), and Whites (24%). Negligible gender differences were found.

Figure 2. Expectation to Retire from Current Job But Work Full-Time for Pay by Race/Ethnicity



Different reasons were given for considering part-time employment. A large portion of the Boomers (51%) emphasized they would work after retirement for needed income; however, an overwhelming majority (71%) considered part-time work for interest or enjoyment's sake. A smaller number (33%) indicated health care coverage would be a motivation.

Finally, thirty-nine percent expected to start their own business. This expectation was more likely for Blacks (55%) and Hispanics (47%), and less so for Whites (34%). More Texans in the late Baby Boomer group (43%) envisioned starting their own business compared to the early Baby Boomer group (36%). More men (42%) than women (36%) indicated they would start their own business after retirement.

The above findings, considered in their totality, clearly establish a significant interest on the part of Baby Boomers in employment during retirement. Measured against the standard of the 12 percent of the older population currently in the workforce, Boomers may change the level of labor force participation of the next cohort of older persons.

FINANCIAL PREPARATION FOR RETIREMENT

Recent debate in the national media has focused on the adequacy of retirement saving for the Boomer generation. Observers who argue that Boomers are not saving adequately cite the low level of national savings in the U.S. compared to other industrialized nations and pension coverage that is limited to approximately half of the workforce (Goldman, 2000; GAO, 2000). Opponents of the view that Boomers are not saving adequately cite contrary findings and point out that housing wealth is not included in some studies that predict disaster (Russell, 1995). While a quantitative analysis of the adequacy of retirement savings is beyond the scope of this study, pension availability, type of savings accounts, and the perceived adequacy of financial preparations by Texas Boomers are discussed.

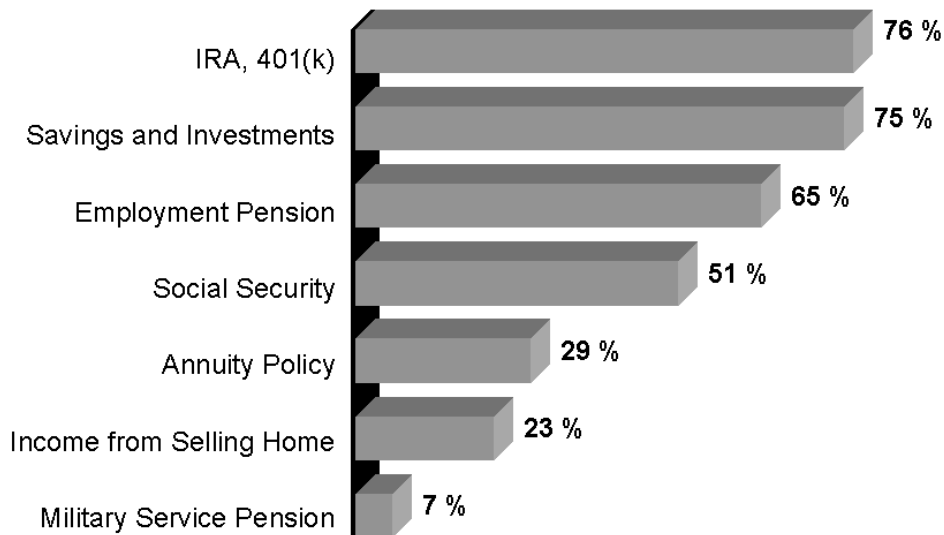
ANTICIPATED SOURCES OF INCOME

Most Baby Boomers had access to defined contribution (Individual Retirement Accounts and 401(k)s) and defined benefit pensions (See IFEBP, 2000 for pension definitions). Seventy-six percent of the Baby Boomers anticipated income from IRAs and 401(k) plans, and 65 percent anticipated income from employment pensions (Figure 3).

Boomers also anticipated retirement income from other sources. Income from savings and investments was mentioned by 75 percent of Boomers. An

additional 51 percent indicated that Social Security was an anticipated income source during their retirement years. Other income sources were annuities from insurance (29%), proceeds from home sales (23%), and military service pensions (7%). (See Figure 3.)

Figure 3. Anticipated Sources of Income During Retirement for Texas Baby Boomers

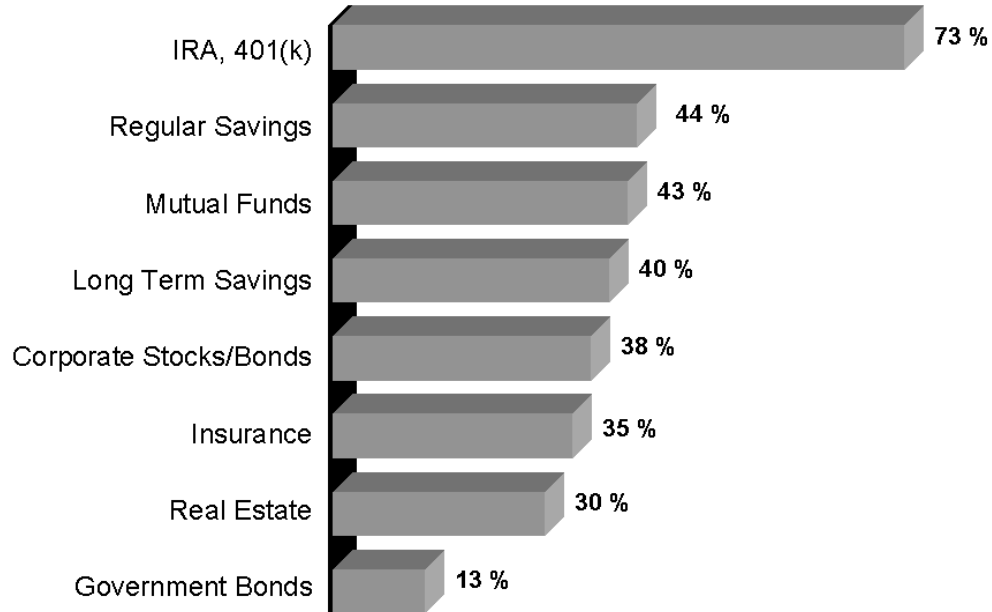


Another potential source of income for Baby Boomers may be inheritance. Twenty-five percent indicated they were likely to inherit properties (i.e., cash, stocks, bond, and/or real estate) from their parents and/or other family members in an amount that could affect their retirement planning. There were ethnic/racial differences in anticipated inheritance; Whites (29%) and Hispanics (21%) were more likely to anticipate an inheritance than were Blacks (13%).

TYPES OF SAVINGS PLANS

Boomers reported a variety of approaches to build savings for retirement. These included regular savings accounts, long term savings accounts (e.g., certificates of deposit), Individual Retirement Accounts or 401(k) plans, government bonds, corporate stocks or bonds, mutual funds, investing money in real estate, and annuities from insurance. The types of accounts used most frequently to save for retirement included IRAs or 401(k)s (73%), regular savings accounts (44%), and mutual funds (43%). (See Figure 4.)

Figure 4. Types of Savings Plans Reported By Boomers



Whites were most likely to utilize financial instruments with options, such as mutual funds and equity portfolios, that have historically yielded higher rates of return than simple savings accounts. IRAs or 401(k)s were utilized most frequently by Whites (76%) compared to Blacks (65%) and Hispanics (66%). Mutual funds were more likely savings instruments for Whites (47%) compared to Hispanics (38%) and Blacks (26%). Corporate stock and bond investments were most frequently reported by Whites (42%) compared to Blacks (27%) or Hispanics (29%). In addition, men (41%) were more likely to invest in corporate stocks and bonds than were women (35%).

Home ownership Home ownership was high among the Baby Boomers in Texas. Almost eight in ten Baby Boomers (78%) were homeowners while only 19 percent were renting a home. More late Baby Boomers (23%) were renting than early Baby Boomers (15%). There were also racial differences in home ownership. Fewer Blacks (57%) owned their own homes in comparison to Whites (80%) and Hispanics (81%).

Perceived Adequacy of Savings While not all Boomers were satisfied with the adequacy of their financial preparations, the majority were satisfied with their ability to save for retirement. Sixty-eight percent expressed satisfaction with the amount they were saving for later life. Whites (69%) and Hispanics

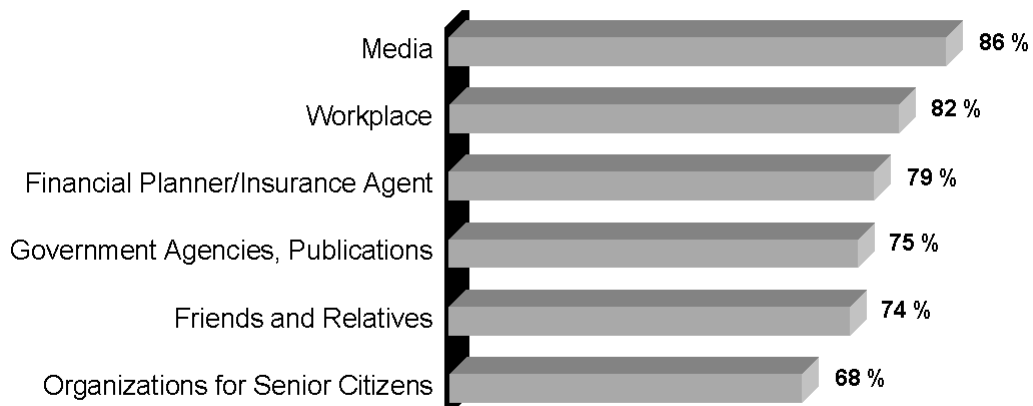
(67%) expressed greater satisfaction than Blacks (59%). Men and women did not express markedly different levels of satisfaction.

When Boomers were asked to explain why they were not saving more money for retirement, 43 percent indicated that the cost of living was too high. Thirty-six percent indicated they did not have enough income, and 20 percent indicated they were not saving more because they were responsible for dependent children.

SOURCES OF INFORMATION FOR RETIREMENT PLANNING

The sources of information for retirement planning reported by Texas Boomers, in descending order of utilization, were the media (i.e., newspaper or television reports) (86%), the workplace (i.e., human resource departments) (82%), and financial planners or insurance agents (79%). Government agencies or publications (75%), friends and relatives (74%), and organizations for senior citizens (68%) rounded out the list of information sources (Figure 5).

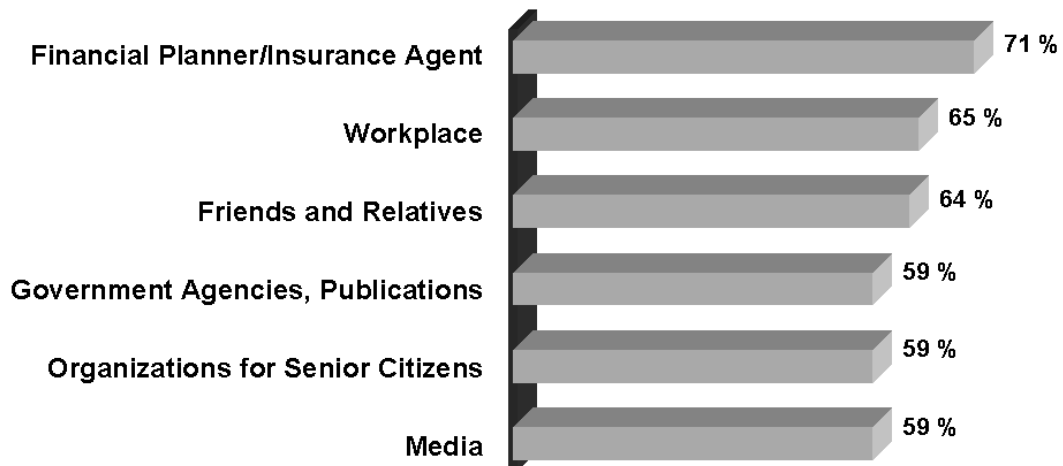
Figure 5. Sources of Information Utilized for Retirement Planning



However, the information sources were not equally useful according to Boomer responses. The media, government agencies or publications, and organizations for senior citizens were rated useful by only 59 percent. The workplace (human resource departments) and friends and relatives were nearly identical in their rated usefulness, 65 percent and 64 percent, respectively. The highest percentage (71%) indicated that financial planners or insurance agents were useful information sources (Figure 6). Despite the availability and utilization of

numerous sources of retirement information, more than a third (38%) of the Boomers reported they needed more information and direction to adequately plan financially for retirement.

Figure 6. Usefulness of Retirement Planning Sources



FINANCING LONG TERM CARE

The financing of long-term care (LTC) services for disabled older adults represents a major concern for state government. Under present conditions, nursing home and home health care are not covered to any significant extent by Medicare, and few individuals have purchased private LTC insurance. Persons who need LTC typically deplete their private resources and then are certified for coverage under the Medicaid program, which is the main third-party payer of LTC costs (Weiner & Stevenson, 1998).

Since the state administers, sets policy for, and partially finances Medicaid through general revenues, a major concern for state government is controlling the rate of increase in state spending. In Texas, the situation is complicated by projections for demographic growth which may increase demand on public services at the same time household incomes and State revenues are projected to decline (Murdock, Hogue, Michael, White, & Pecotte, 1997). In addition, new challenges will likely arise from recent state and federal developments in the reform of long-term care which assure LTC alternatives in community rather than

institutional settings. Reorganization of the LTC delivery system to provide more options for community-based care will require long-term planning with leadership at the state and federal level.

One strategy for controlling state LTC Medicaid spending is to increase contributions through private insurance. For middle-income individuals, LTC insurance could prevent impoverishment and subsequent reliance on the Medicaid program. However, accurate knowledge of LTC financing issues assumes pivotal importance in this scenario. Consumer decisions to purchase private insurance could be suppressed if Boomers erroneously assume LTC coverage is available through public programs, such as Medicare, or have a poor grasp of coverage provided by private policies.

ANTICIPATED NEED FOR NURSING HOME CARE

When asked about the likelihood of needing nursing home care in old age, 31 percent of Baby Boomers thought the need likely. On the matter of how they would pay for nursing home care, 30 percent indicated they would pay from private savings, 22 percent indicated that costs would be paid by a government program, 21 percent indicated costs would be paid by a long-term care insurance policy, and 23 percent did not know how costs for nursing home care would be paid. Only four percent of the Boomers expected family members to pay for nursing home care.

PRIVATE LTC INSURANCE COVERAGE

A total of 21 percent of the Boomers indicated they had LTC insurance (14 percent had a private policy and 7 percent had employer sponsored coverage). While most policyholders (65%) indicated they had coverage for all or some of the cost of care in a nursing facility, 12 percent did not think the policy would cover care in a nursing facility and 23 percent did not know.

Women (24%) were more likely to have purchased a private LTC policy than were men (19%). However, women (26%) were actually less likely to know if the policy covered care in a nursing facility compared to men (19%).

KNOWLEDGE OF MEDICARE LTC COVERAGE

When asked if Medicare covered long-term nursing home care, 41 percent responded incorrectly. Whites tended to be more accurate about Medicare LTC coverage than Blacks and Hispanics. Sixty-two percent of Whites responded correctly compared to 54 percent of Hispanics and 48 percent of Blacks.

In summary, significant gaps in knowledge on the financing of LTC were apparent. Large numbers of Baby Boomers did not have accurate knowledge of public program financing of LTC. Even Boomers with private LTC policies were sometimes unsure or did not know if nursing home care was covered.

THE FINANCIALLY AT RISK SEGMENT

Nineteen percent of Baby Boomers earned less than \$30,000 annually. Boomers at this income level encounter significant challenges to preparing adequately for retirement and risk financial vulnerability as they enter old age. Since this group faces formidable obstacles to achieving self-reliance in later life, they will likely be at risk for public services. Therefore, a more focused analysis of this At Risk segment of the Baby Boom generation was warranted. The At Risk segment (Boomers making less than \$30,000) was compared to higher income Boomers earning \$30,000 or more to examine the At Risk segment's potential vulnerability.

DEMOGRAPHIC CHARACTERISTICS OF BOOMERS FINANCIALLY AT RISK

- ◆ Financially At Risk Boomers were on average 44.5 years old.
- ◆ The majority (62%) were women.
- ◆ Minorities were disproportionately represented among the Financially At Risk; Blacks comprised 15 percent of the Financially At Risk segment, Hispanics were 27 percent and Whites were 58 percent.
- ◆ The rates of marriage (37%) and divorce or separation (38%) were almost identical for the Financially At Risk, an additional 7 percent were widowed, and 15 percent were never married.
- ◆ Median household income for the Financially At Risk was low (\$18,149).
- ◆ Most (78%) Financially At Risk Boomers were parents with an average of 2.64 children.
- ◆ Fifty-six percent were employed full-time, 15 percent were employed part-time, and 14 percent were disabled.
- ◆ The educational attainment levels of the Financially At Risk were low. Eighteen percent had not finished high school, 36 percent had earned their high school degree, 30 percent had some college, but only 16 percent had completed college or beyond.

Several demographic characteristics of the Financially At Risk group were especially worrisome.

- ◆ Single females with children to support comprised the majority of the At Risk segment.
- ◆ The low levels of completed formal education achieved by this group may limit their opportunity to prepare adequately for retirement.
- ◆ Minorities were disproportionately represented in this segment of the Boomer sample.

ATTITUDES, BELIEFS, AND EXPECTATIONS CONCERNING RETIREMENT

In contrast to the overall positive attitude toward retirement expressed by higher income Baby Boomers, attitudes of those in the Financially At Risk segment conveyed more concern. They were more apprehensive about retirement than higher income Baby Boomers. A third (33%) of the Financially At Risk reported they found the idea of growing old frightening compared to only 18 percent of higher income Boomers who shared that feeling. Much of their concern centered on financial considerations. Many of the Financially At Risk anticipated financial hardship in retirement.

- ◆ The majority (68%) of At Risk Boomers were anxious they would have to struggle to make ends meet compared to only 31 percent of the higher income Boomers.
- ◆ Over half (53%) of the At Risk were concerned they would outlive retirement savings compared to only 40 percent of the higher income Boomers.
- ◆ Sixty-three percent of the At Risk Boomers worried they would not be able to afford to retire compared to only 35 percent of the higher income Boomers.

Financial concerns were understandably paramount to Baby Boomers regardless of income level. The Financially At Risk (62%) and higher income Boomers (61%) shared finances as their primary retirement concern. The two groups diverged on the concern expressed regarding Social Security availability. Thirteen percent of the At Risk group reported Social Security availability as the primary concern compared to eight percent of the higher income group.

Also notable was the difference in the level of concern expressed by the two groups regarding the perceived impact of health on retirement activities. Forty-two percent of the At Risk group expressed concern that poor health would prevent them from doing what they wanted in retirement compared to only 11 percent of the higher income group.

Self-reliance The strong self-reliant attitude that characterized the Baby Boomer sample as a whole was diluted in the Financially At Risk segment. Fifteen percent of the At Risk group reported they anticipated relying financially on their families during retirement compared to only three percent of the higher income Boomers. The percentage of those expressing some level of confidence in their ability to adequately prepare for retirement dropped from a high of 94 percent in the higher income group to only 77 percent in the At Risk group.

Work Expectations During Retirement A greater proportion of the At Risk Baby Boomers (42%) reported they planned to retire from their current jobs but work full-time for pay in different employment compared to the higher income group (26%). Similarly, the At Risk group (70%) was planning to work part-time for needed income at a greater rate than the higher income group (51%). Plans to start a business after retiring were similar between the At Risk group (45%) and the higher income group (40%). The majority of At Risk (64%) and higher income Boomers (73%) anticipated working part-time for enjoyment or interest during retirement.

FINANCIAL PREPARATION FOR RETIREMENT

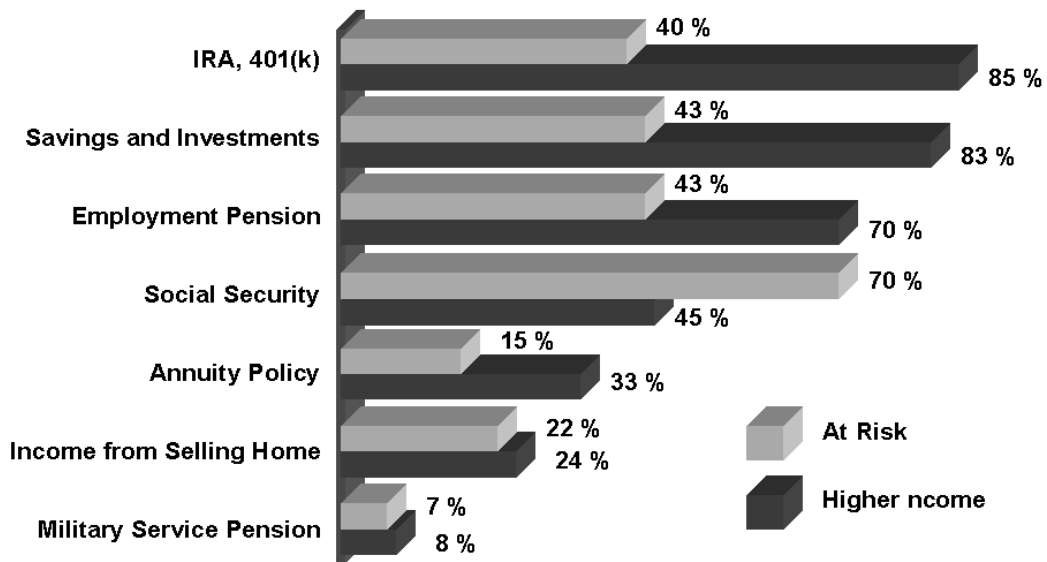
Analysis of the anticipated sources of retirement income of the Financially At Risk indicated the concern expressed by this group was warranted. There were major differences in the level of preparation for retirement between At Risk and higher income Baby Boomers.

Anticipated Sources of Income A comparison of the Financially At Risk to higher income Boomers (Figure 7) indicated that the At Risk Boomers were not well positioned with regard to pension plans. Major differences were reported on the availability of defined contribution (IRAs and 401(k)s) and defined benefit pensions (See IFEBP, 2000 for pension definitions). For example, less than half of the At Risk Boomers (40%) anticipated income from IRAs and 401(k) plans compared to 85 percent of the higher income Boomers. Similarly, only 43 percent of the At Risk population anticipated support from an employment (defined benefit) pension compared to 70 percent of the higher income Boomers. The At Risk segment also compared less favorably on anticipated income from savings and investments (43% to 83%) and anticipated income from annuities (15% to 33%). The precarious situation of the At Risk Boomers with respect to financial preparation was reflected in their anticipated reliance on Social Security for retirement income. The majority (70%) of At Risk Baby Boomers reported they would be relying on Social Security for retirement income compared to less than half (45%) of the higher income Boomers.

Housing wealth was much lower among the At Risk segment than among the higher income Boomers. Only 58 percent of the At Risk segment owned homes, while the corresponding figure for the higher income Boomers was 83 percent.

Although equal percentages indicated that the sale of a home was an anticipated source of retirement income (Figure 7), in reality far fewer At Risk Boomers will have the option.

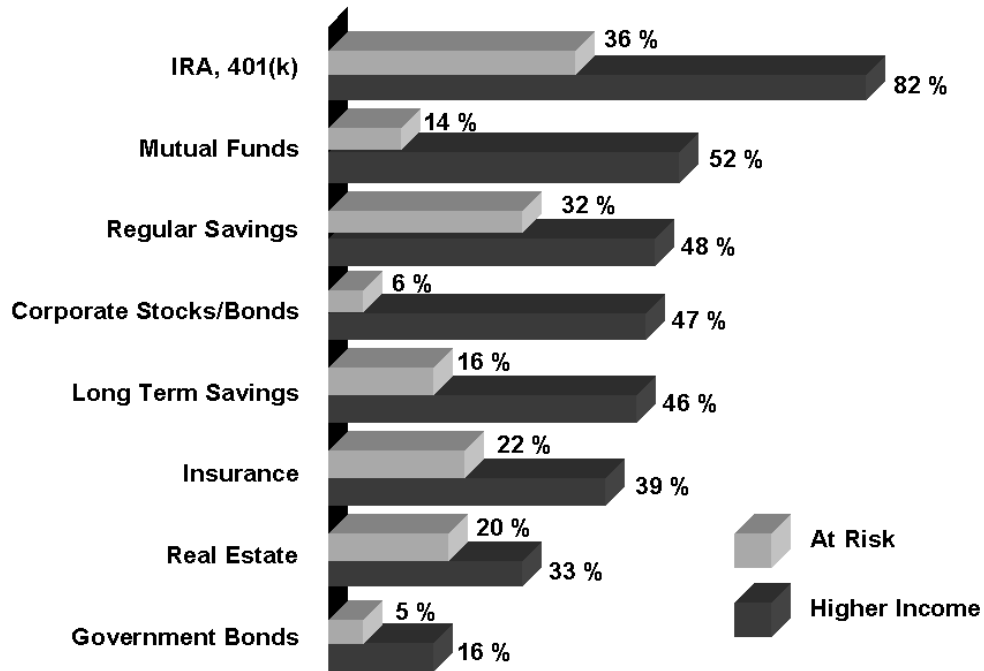
Figure 7. Sources of Anticipated Retirement Income for At Risk and Higher Income Boomers



Types of Savings Plans Only 71 percent of the At Risk group were attempting to save for retirement compared to 97 percent of the higher income Boomers. As illustrated in Figure 8, regardless of the type of plan, far fewer At Risk Boomers were saving compared to higher income Boomers. For example, both groups were saving in IRAs and 401(k) plans, but participation was much lower for the At Risk (36%) compared to the higher income Boomers (82%).

Investments with options that have historically yielded higher rates of returns than savings accounts, such as mutual fund and equity market portfolios, were not well utilized by the At Risk group. Only 14 percent of the At Risk group were invested in mutual funds compared to 52 percent of higher income Boomers. Similarly, the rate of investment in corporate stocks and bonds is extremely disparate between the At Risk Boomers, who are invested at a rate of 6 percent, and the higher income Boomers, invested at a 47 percent rate.

Figure 8. Sources of Savings for At Risk and Higher Income Boomers



Perceived Adequacy of Savings Almost two-thirds (64%) of the At Risk Boomers reported they were not satisfied with the amounts they were saving compared to only 25 percent of the higher income segment. About half (52%) of the At Risk Boomers reported that their level of income prohibited them from saving enough money compared to 29 percent of higher income boomers.

In addition, the At Risk Boomers were disproportionately concerned about their lack of information for retirement planning. Almost two thirds (63%) of At Risk Boomers said they needed more information to plan for retirement while only a third (33%) of the higher income Boomers reported this need.

FINANCING LONG-TERM CARE

Considering the marginal financial situation of the At Risk Boomers, the issue of paying for long-term care services may present an overwhelming challenge. When asked how long-term care would be paid for if they were to need it, 50 percent of At Risk Boomers said a government program would pay for these services, compared to only 17 percent of higher income boomers. Higher income Boomers (36%) were much more likely to report an anticipated reliance on personal savings for long-term care expenses than the At Risk Boomers (9%). An especially vulnerable group will be the 14 percent of the Financially At Risk

who were unemployed due to disability at the time of the survey. Their disabled status may leave them little opportunity to prepare for future long-term care needs.

CONCLUSION AND POLICY RECOMMENDATIONS

As a group, Texas Baby Boomers reported positive attitudes toward retirement and old age. Interestingly, many expressed an intention to remain in the workforce in later life at levels that marked a departure from the pattern established by the present population of older adults.

Most Baby Boomers had access to and utilized conventional pension plans and savings vehicles to prepare for retirement. However, relatively large numbers of individuals expressed some reservation and anxiety over their future financial security. In addition, many Boomers were not satisfied with the sources of information available for financial planning, and significant numbers expressed the need for more financial information.

Many Boomers did not have accurate knowledge related to the financing of LTC services. The role of public programs was grossly overestimated. In addition, some Boomers with private policies were unsure about the coverage provided. Inaccurate knowledge of existing coverage may suppress consumer decisions to purchase private policies and could be counterproductive for state initiatives to increase private contributions for LTC.

About one-fifth of Texas Baby Boomers had annual household incomes under \$30,000, and the ethnic and racial minorities and women were disproportionately represented in this segment. The less favorable attitudes towards retirement of this financially vulnerable group were obscured by the generally positive averages reported by the Baby Boomers as a whole. The lower income Boomers were significantly more concerned about financial security and self-reliance in later life compared to the higher income Boomers. In addition, the lower income group had less access to pensions and reported more difficulty saving. Since the possession of wealth toward the end of life represents accumulation over a lifetime, prospects are not encouraging for lower-income Boomers on the threshold of old age.

To complicate matters, demographic projections of population growth, household incomes and State revenues over the next 30 years present a situation which could prove problematic for Texas. Accelerated growth is projected for population segments that traditionally have had low household incomes. If household incomes decline, sales tax revenues generated from household expenditures could also decline. Thus, at the same time that the State's capacity to fund public services may be strained by diminished general revenues, a

growing number of lower-income boomers could likely be at risk for public services (Murdock et al., 1997). The demographic shift, in combination with socioeconomic factors, could result in an undesirable set of circumstances that could limit the growth of the economy and produce a declining standard of living for all Texans (Murdock et al., 1997).

If a more promising future is to develop, policy initiatives that move the human resource potential of Texas Baby Boomers toward greater financial self-reliance are clearly needed. The first two of the following recommendations are applicable to all Baby Boomers, and the remaining recommendations primarily address Boomers in the lower socioeconomic strata.

- ♦ As defined contribution pension plans have shifted responsibility for financial security to the individual, an emphasis on financial education and planning is critical for all Baby Boomers if they are to make informed investment decisions.
- ♦ Since many employers do not sponsor employment-based retirement plans, employers' level of knowledge about plan options and the business benefits of sponsoring plans should be increased (EBRI, 1999).
- ♦ Increased workforce training and life long education programs should be targeted to lower income groups to develop the employment opportunities that will augment financial security in retirement (Poulos & Nightingale, 1997).
- ♦ The racial and ethnic diversity that characterizes the population of Texas requires education and training programs that are effective across cultural and linguistic groups.
- ♦ The overrepresentation of women among the economically disadvantaged segment in Texas highlights the need for public policy debate and political action on issues such as workplace supported childcare and gender wage inequity (AARP, 2000).

An important step towards these objectives has been taken. In partnership with many public and private sector organizations, the Texas Department on Aging (TDoA) has implemented a statewide campaign called *Aging Texas Well* (ATW). Endorsed by the Texas Legislature, ATW is a long-range effort to inform and influence individual attitudes, future public and private decisions, and policies that address the challenges of the Baby Boomer population. ATW offers a proactive approach to foster self-reliance in individuals as they plan for retirement. In addition, ATW encourages the development of State policy recommendations to ensure that government is prepared for the demographic wave created by the Baby Boomers.

However, to address the challenges outlined in the survey of Texas Baby Boomers, more remains to be done. "If we wish to fix those things that need to be fixed, it is demographically easier to do so now than it will be in 2020 or 2030 when an unprecedented percentage of our residents will be elderly" (Murdock et al., 1997).

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