mothers were interviewed. Those who had just had their second child expected on the average to have 3 children when their families are completed; those who had had a fourth child expected 4.6 children. While these expectations are somewhat lower than those found among white Detroit area women at comparable parities, there is serious question as to whether they are realistic. Attitudes and use of birth control among the Negro sample lend credence to the idea that expectations may not be realized. A fairly high proportion indicated that they were in favor of birth control, but considerable numbers also reported never having used it.

Family income, education, and occupation were all positively related to later marriage and slower family building patterns. Twenty-five percent of the second-parity families and 52 percent of the fourth either were receiving welfare assistance at the time of the interview or had received it sometime in the past. While a sample of this size does not provide a large number of cases for detailed analysis, the differences were large and striking and worth comment. Wives who were receiving welfare, or had been in the past, expected more children than those who had never been on welfare, and timing patterns indicate that the differentials in expectations of the two groups may if anything be accentuated when families are completed. Earlier marriage, more illegitimacy, and shorter intervals between births characterized the welfare group.

There was a great deal of dissatisfaction with this timing of children. The low proportion who have ever used birth control, however, makes the probability slight that the spacing pattern will change to one more to the respondents' liking.

Private Pensions and Individual Savings*

People who expect to have a half-way adequate income in retirement save more than those whose prospects for retirement are less favorable. This is one of the conclusions drawn from a study of private pensions and individual savings conducted by the Survey Research Center at the University of Michigan under the direction of Professor George Katona. The study, which was supported in part by a grant from the Social Security Administration under its cooperative research and demonstration grant program, was based on personal interviews with a representative sample of American consumers. Some of the findings are presented here.

Many workers today expect to have payments from a private pension plan when they retire. Those with favorable prospects for retirement tend to save more than others—a situation that may be interpreted in two ways: (1) Perception of favorable retirement prospects induces individuals to accumulate financial reserves because concrete and attainable rewards provide special incentives; and (2) thrifty persons evaluate their retirement prospects more favorably than the less thrifty. And perhaps both tendencies are operative at the same time. A person with sizable assets may see his retirement prospects in a favorable light, and the perception of favorable prospects may stimulate additional savings. As a corollary, and contrary to some expectations, favorable retirement prospects do not generally and necessarily inhibit or retard savings.

WORKERS' UNDERSTANDING OF OASDI

Data were obtained not only on retirement expectations and savings behavior but on the level of workers' information about the social security program and the specific types of benefit payable under that program. Two approaches were used. The first was nonsuggestive and asked respondents to name the specific benefits that they could recall. About two-thirds of the group (approximately 5,000) spontaneously mentioned retirement benefits, compared with 30 percent who mentioned survivor benefits and 17 percent who mentioned disability benefits. There was greater awareness of the various programs among the high-income respondents than among those with low incomes.

When those who had not spontaneously mentioned the survivor benefits were prompted by a

* Prepared in the Office of Research and Statistics. Based on *Private Pensions and Individual Saving*, by George Katona, Monograph No. 40, Survey Research Center, University of Michigan, 1965. Research for the study was supported in part by Social Security Administration Grant No. 058. Copies of the report may be obtained from the Survey Research Center, University of Michigan, Ann Arbor, Michigan.

question about payments to dependents in case of death, 3 out of 4 indicated awareness of the survivorship provisions. Direct questions about retirement benefits addressed to the respondents who did not mention them spontaneously might have greatly increased the proportion indicating awareness of the retirement provisions under the Social Security Act.

EXPECTATIONS ABOUT RETIREMENT

Questions on expectations about retirement were directed only to those described as the "crucial group." The group consisted of almost 2,000 family units composed of complete families, with the head of the household (aged 35–64) in the labor force and with a family income of $3,000 or more. Single persons, housewives, students, younger persons, and those not in the labor force were excluded.

About three-fourths of those in the crucial group gave a definite age in response to a question about when they plan to retire. Only 7 percent refused to consider retirement, and about 16 percent expressed uncertainty about age of retirement. The majority of those who gave a date for their retirement mentioned an age between 65 and 70. A few expected to retire at age 70 or later. A sizable group, about one-fourth of the total, planned to retire before 65.

With respect to changing residence at retirement, nearly 3 out of 5 said they expected to live in the same town after retirement. One-fourth expected to live elsewhere, and 17 percent were not certain or had not given any thought to the question.

The majority of the respondents unequivocally said that they looked forward to retirement and considered it something desirable and pleasant. One-fifth of the group, however, said they dreaded retirement, and among lower-income and older people the proportion who were apprehensive was slightly higher. Two-thirds said they would have no financial problems when they retire, 13 percent could foresee financial problems, 12 percent did not know how they would get along, and about 1 in 10 was uncertain. Pessimistic answers were more frequent among those aged 55–64 than among younger persons; being close to retirement appears to increase awareness of financial problems during retirement. Retirement income was most often expected to be about half current income. The lower the income, the more frequent were high estimates (in relation to current income); and the higher the income, the more frequent were low estimates. This difference may be related to the provisions of the Social Security Act: the OASDI program provides a higher proportion of earned income at low-income levels than at higher levels.

SOURCES OF RETIREMENT INCOME

Practically all respondents in the group knew they were covered by some form of public retirement program (including railroad retirement and civil-service pensions). Participation in private pension plans, though it has increased greatly during the past few years, was still restricted to less than half the members of the crucial group. It was much less frequent in the $3,000–$6,000 income group than in the higher-income group, yet the rate of participation did not appear to increase beyond an income level of $12,000.

Most participants had some knowledge about the size of retirement income provided by their private pension plans. The amounts expected were fairly low among respondents with incomes of less than $10,000 and rarely exceeded the expected OASDI benefit. At higher income levels, however, participation in private pensions was frequently expected to result in a retirement income twice as high and sometimes even three times as high as the OASDI benefit that the same persons expected. About two-thirds of all respondents in the crucial group did not expect any income from life insurance, annuities, or similar sources during their retirement. About half said that they or their wives anticipated earning some money after they retired from their regular jobs, most commonly in part-time jobs or self-employment.

Age made no differences in the amount of retirement income expected. Those close to retirement gave estimates similar to those given by much younger people. Uncertainty about the size of income to be earned during retirement was pronounced, however, in all population groups studied.

Earnings represented a sizable portion of total expected retirement income only among those who expected relatively low retirement pay. Life insurance and annuities accounted in some cases for a substantial share of total retirement income, but the proportion of families expecting such income was relatively small. In explaining why they anticipated few financial problems during retirement, only 4 percent of the crucial group referred spontaneously to earnings, and less than 3 percent to insurance or annuities. Income from OASDI benefits and private pensions represented a substantial share of the total for most of the respondents.

RELATION OF CURRENT INCOME TO RETIREMENT INCOME

When the distribution of current income is considered separately for those covered by a private pension plan and those without such protection, there is considerable difference in median income —$9,000 for the first group and $7,000 for the second. There is also substantial difference in the expected retirement income of the two groups—$4,000 compared with $2,950. High ratios of expected retirement income to current income were found more often among those covered by pension plans than among those not covered.

In all income groups, a private pension raised substantially the ratio of expected retirement income to current income. The difference in current income among those with and those without pension-plan coverage appeared to be related to education and occupation. The two occupational groups least likely to have such protection were self-employed businessmen and farmers. Self-employed businessmen were characterized by relatively high income, and farmers by low income. The three groups in which private pension-plan coverage was the most frequent were professional people, managers of business firms, and skilled workers.

In many respects—age, residential location, number of persons in the family, and liquid assets (bank deposits, bonds, and stocks)—the differences between persons with and without pension-plan coverage were relatively small. Differences in occupation, education, and income were, however, substantial.

When asked whether or not they would lose their pension rights if they changed jobs, almost half of those participating in private pension plans replied that they would, and approximately 25 percent replied in the negative.

Persons with private pension-plan coverage were asked whether the prospect of receiving a check regularly after retirement made any difference in the way they spent or saved money. Twenty-four percent answered in the affirmative, usually saying that "it may make some difference." However, when these respondents were asked about the kind of difference they had in mind, only 10 percent gave definitive answers; about 7 percent said they were spending more than they would have otherwise done, and about 2 percent said they were saving more. It appears that relatively few people are truly aware of any impact that participation in private pension plans has on their spending and saving behavior.

Three devices were used in the study to measure retirement income expectation: (1) a ratio of expected retirement income to current income, (2) a ratio of expected retirement income to the amount respondents believe they would need after retirement, and (3) the respondent's estimate of his financial situation during retirement (based on whether he expected to encounter financial problems during retirement and whether he thought he would have enough for retirement). These three measures were correlated with participation in private pension plans. Correlation between private pension-plan coverage and each of the three measures, though positive, was low. On the other hand, expectation of high retirement income correlated strongly with expected income larger than needed. The absence of any pronounced correlation between the other measures may result from the fact that 58 percent of the members of private pension plans and 46 percent of those without private-plan coverage said they would have enough for retirement.

In a study of the impact of various factors on spending and saving behavior, the crucial variable to be explained is the proportion of income saved. Of primary interest for this study is "discretionary saving"—that is, net changes in various forms of deposits with banks and savings institutions as well as in bonds and stocks. (The term "saving" in this report stands for discretionary saving.)

Amounts saved had to be determined through memory questions since only one interview was possible with each respondent. Assets at the time of the interview were first determined, and then questions were asked about any change in each type of asset during the previous 12 months—in checking accounts, savings accounts, government bonds, and stocks.

Two indicators of saving performance were used. The first consisted of the proportion of income saved during the past 12 months exceeding 5 percent of current income. The second, called "saving behavior," was obtained by asking about changes in savings and also by asking about current savings compared with savings 2 years earlier. Those saving more than 5 percent were characterized as "large savers." Another indicator, called "saving-mindedness," was obtained by asking what the respondent would do with extra money—an amount equal to 1 week's wages—if it were available.

The correlation between the first two indicators (saving 5 percent or more from current income and saving behavior) was fairly high, but saving-mindedness showed a low correlation with saving behavior and percent of income saved. The differences between participating in pension plans and not participating were found to be significant for large savers and saving-mindedness; they were positive, but much less significant, for saving behavior. In other words, both persons participating in pension plans and those who estimated their retirement situation favorably were more likely to be savers. This was true when all other factors were held constant.

Retirement prospects were also studied in relation to major expenditures or durable goods (which fluctuate to a much greater extent than expenditures for food and other necessities). The findings indicate that though participation in a pension plan stimulates discretionary saving, it does not detract from major durable expenditure. Additional variables, such as education and home ownership, were considered but did not result in a significant change in the explanatory value of the independent variables.

CONCLUSIONS

There appears to be little reason to doubt that the direction of causation runs from participation in pension plans to the stimulation of saving. The supposition that the thrifty, or those with financial reserves, are more often members of pension plans than the nonthrifty is not considered plausible. On the whole, workers are covered by pension plans because their employment is of a certain type and not because of voluntary action resulting from predisposition to thriftiness. The direction of causation, in summary, is not a simple matter to determine, and favorable retirement prospects may be both a result and a cause of substantial saving performance. Or with some people, it may be one way; with other people, it may be the other way.

In evaluating the findings, it is emphasized that persons who expect some kind of old-age pension were not compared with others who do not have such an expectation. Rather, in view of the almost universal coverage of the labor force by the social security program, those who expected both OASDI benefits and private pensions were compared with those who expected only the benefits under the public program. Findings indicate that the former group tends to save more than the latter.

It is concluded that, under the conditions prevailing today, coverage by private pension plans stimulates individual saving. The notion that people tend to reduce the amounts they voluntarily save by the amounts they are compelled to save through their own and their employer's contributions to pension plans has been contradicted. So has the argument that expectation of retirement income from pension plans weakens the motivation to save and induces more liberal spending. It should be noted that behavior was studied at a time when business trends were favorable, when consumer expectations were fairly optimistic, and when many pension plans were fairly new. Circumstances may change, however, and habituation to pension plans may change attitudes and therefore saving behavior.