

# Assets on the Threshold of Retirement

by SALLY R. SHERMAN\*

Since retirement is usually associated with a decline in income, the Social Security Administration study of retirement included an examination of assets as an alternative economic resource. This article describes the property and financial assets owned by persons in their preretirement years. Although these older persons are in general not very well-off, some of them are financially comfortable. Married men are more likely than non-married persons to own various assets. In addition, the value of owned assets is higher for the married man than for the nonmarried men and women. Homeownership is especially important, not only because of the value of the home itself but also because homeowners are more likely than non-homeowners to have other assets.

FACING THE so-called retirement years, older people often find themselves in perilous financial situations. If earnings have been a primary source of income, the imminent loss of those earnings—by choice or necessity—can cause considerable anxiety over future economic well-being. A nest egg of accumulated assets is one way to mitigate this anxiety over the drop in income. Such a nest egg is a resource upon which to draw either for regular living expenses or for such emergencies as unexpected illness. In other words, assets may function as an alternate or supplement to income.

Exhaustive documentation<sup>1</sup> exists that shows

\*Division of Retirement and Survivor Studies, Office of Research and Statistics.

<sup>1</sup> See, for example, *Hearings and Committee Prints of the Senate Special Committee on Aging—especially "Economics of Aging: Toward a Fuller Abundance," 1969-70; Hearings and Joint Committee Prints of the Subcommittee on Fiscal Policy of the Joint Economic Committee, on "Old-Age Income Assurance," (Parts I-VI), Dec. 1966; Mollie Orshansky, "The Shape of Poverty in 1966," Social Security Bulletin, March 1968, page 4; Richard F. Wendel, "The Economic Status of the Aged," The Gerontologist, Spring 1969, Part II, page 33; Robert Ferber, "A Study of the Comparative Financial Position of Older People in the United States," in *Age With a Future*, F. A. Davis Co., 1964, page 530; Michael J. Brennan et al., *The Economics of Age*, W. W. Norton and Co., 1967, page 14; Lenore A. Epstein and Janet H. Murray, *The Aged Population of the United States: The 1963 Social Security Survey of the Aged* (Research Report No. 19), Social Security Administration, 1966, chapter 3; Lenore E. Bixby, "Income of People Aged 65 and Older: Overview From 1968 Survey of the Aged," *Social Security Bulletin*, April 1970.*

the disadvantaged position of the aged in terms of their low income. It is often suggested that for older people, the appropriate measure of economic resources includes not only income, but also some measure of assets.<sup>2</sup> Peter Townsend and Dorothy Wedderburn, among others, have reported that, after retirement age is reached, the income level continues to decline.<sup>3</sup> For ownership of assets, however, they see no similar clear-cut tendency to decline. Instead, a pattern of considerable stability exists. The Townsend-Wedderburn study is based on a survey of the aged in Britain, but similarities between the income situation of the aged in Britain and the United States have been noted elsewhere.

Although asset ownership is not uncommon among the aged, the value of owned assets is very low, particularly when the amount of home equity is excluded. Ownership of a home, mortgage-free, is a substantial asset of aged units, especially for those in the lower income brackets.<sup>4</sup> In frequency of holding, the most prevalent are liquid assets, usually in the form of money in a savings account,<sup>5</sup> but most older people have only small amounts.

To investigate the implications of assets held by the aged for their economic well-being, further

<sup>2</sup> Peter O. Steiner and Robert Dorfman, *The Economic Status of the Aged*, University of California Press, 1967, page 4.

<sup>3</sup> Peter Townsend and Dorothy Wedderburn, *The Aged in the Welfare State*, G. Bell and Son, Ltd., 1965, page 105.

<sup>4</sup> Lenore A. Epstein and Janet H. Murray, *op. cit.*, chapter 4, and, for trends in assets and net worth of social security beneficiaries, 1941-62, see also Edna K. Wentworth and Dena K. Motley, *Resources After Retirement* (Research Report No. 34), Social Security Administration, 1970. See also James N. Morgan, "Measuring the Economic Status of the Aged," *International Economic Review*, January 1965, page 14; Dorothy Cole and John Utting, *The Economic Circumstances of Old People*, The Codicote Press, 1962, page 66; and Dorothy S. Projector and Gertrude S. Weiss, *Survey of Financial Characteristics of Consumers*, Board of Governors of the Federal Reserve System, 1966, page 10.

<sup>5</sup> Lenore A. Epstein and Janet H. Murray, *op. cit.* See also Janet Murray, "Homeownership and Financial Assets: Findings From the 1968 Survey of the Aged," *Social Security Bulletin*, August 1972, page 4.

research has been called for.<sup>6</sup> Such an investigation implies as a prerequisite some knowledge of what the assets of the aged are. This article is intended to show the type and amount of assets for a population on the verge of becoming the "aged." If the aged are in general not very well-off financially, is it because they have never enjoyed much in the way of economic security or because income has declined and assets have been used up? Are the older Americans going to enjoy a greater share of this country's wealth in the 1970's than in recent decades? Does the ownership of assets affect retirement plans and decisions? These are questions for which answers will be sought in this and subsequent reports. The first step is to describe the basic asset and debt characteristics of a cohort of older—albeit not yet "aged"—people.

The data presented here are part of the information collected for the Social Security Administration's Retirement History Study (RHS), a longitudinal study of the retirement process.<sup>7</sup> Ultimately, this study will provide data for in-depth analysis of the role of assets in the changing life situation of the aged. Because it is longitudinal, the RHS will afford, for the first time, an opportunity to see what changes occur in the asset holdings of the sample cohort over a period of time: as they are approaching retirement, through retirement, to the postretirement years—that is, from a time when they could be considered "older people" (ages 58–63) over a decade to a time when they could be described as a major component of the "aged" population (ages 68–73).

The study was designed to begin with prere-tirees, so the sample consisted of men and women who were aged 58–63 at the time of the initial interviews in the spring of 1969. It did not include women who were living with husbands when the sample was selected because it appeared that, to these women, the concept of retirement usually meant their husband's retirement, not their own. Interviews were completed for 11,153 respondents.<sup>8</sup>

<sup>6</sup> See "Status of Research in Applied Social Gerontology," *The Gerontologist*, Winter 1969.

<sup>7</sup> For a description of the study, see Lola M. Irelan, "Retirement History Study: Introduction," *Social Security Bulletin*, November 1972.

<sup>8</sup> For summary statement on sampling and weighting procedures, see Technical Note, pages 15-17.

The assets and debts of the survey population are described here in terms of subgroups classified by basic demographic characteristics: for married men living with their wives, for all other men, and for women with no spouse present. Each of these groups is further subclassified into 2-year categories—58–59, 60–61, and 62–63. For each group, information is reported on the proportions with owned assets, the amount of equity in a nonfarm home or other real estate, the value of their liquid and other financial assets, the types of personal debt, and the amount of personal debt.

The discussion of homeownership in the study is based on the number of units in the sample who were neither farmers nor lodgers. Although the usual definition of "nonfarm" excludes farmers but not lodgers, the RHS questionnaire construction and tabulation procedures excluded both. Except for nonmarried men, the proportion who were lodgers was so small, as the figures below show, that the effect of their exclusion should be insignificant.

Item	Married men	Nonmarried men	Nonmarried women
Total number (in thousands).....	4,117	729	1,954
Percent nonfarmers/non-lodgers.....	89	82	93
Percent farmers.....	11	9	4
Percent lodgers.....	( <sup>1</sup> )	8	3

<sup>1</sup> Less than 0.5 percent.

In all cases, reporting on ownership of an asset or on debt was much better than the reporting on their value. The respondent usually answered with a "yes" or "no" the question asking "do you have," but many said they did not know the answer to or would not answer a question asking "how much do you have." The cumulative effect of this nonresponse to individual asset questions amounts to 25 percent on the value of total assets for the married men, 16 percent for the nonmarried men, and 22 percent for the nonmarried women. The nonresponse was about equal for those who said they did not know the amount and those who, for whatever reason, gave no answer at all when they were asked for dollar amounts. No attempt was made to impute values when they were not provided by the respondent.

Typically, American men work at some job

TABLE 1.—Types of assets: Percent of units with assets, by sex, marital status, and age, 1969

Type of assets	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on all assets.....	6,785	4,109	1,504	1,352	1,253	728	246	253	229	1,948	624	626	698
Percent with:													
Any assets.....	89	95	95	94	95	74	73	75	73	81	80	84	81
Any assets other than a nonfarm home.....	83	89	89	89	89	69	69	71	68	75	74	77	74
Any property other than a nonfarm home.....	33	41	43	40	41	24	28	23	22	19	18	19	19
Farm home.....	11	15	18	14	15	9	8	8	10	5	6	4	6
Business or professional practice.....	10	14	15	13	14	7	10	7	5	3	4	3	3
Other real estate.....	18	22	22	22	23	12	14	12	9	12	12	13	13
Any financial assets.....	80	85	85	86	86	66	66	68	65	72	71	74	72
Any liquid assets.....	79	85	84	85	85	64	63	65	64	72	70	73	72
U.S. savings bonds.....	26	30	30	30	30	18	18	19	17	21	19	21	22
Checking account.....	62	70	69	71	71	42	42	44	40	53	51	54	54
Savings account.....	61	65	65	65	66	46	45	45	47	57	55	59	58
Any other financial assets.....	29	33	32	34	33	21	21	23	17	23	22	23	24
Stocks, corporate bonds, and mutual funds.....	23	27	26	28	27	14	14	16	12	18	16	18	19
Money owed by others.....	10	12	11	11	12	9	9	10	7	8	9	7	8
Nonfarm population, total <sup>1</sup> .....	6,043	3,638	1,321	1,202	1,115	598	208	206	184	1,807	573	587	647
Percent with nonfarm home.....	66	80	80	81	77	41	40	42	43	47	46	50	46

<sup>1</sup> Excludes farmers and lodgers.

for most of their adult lives and retire from work at about age 65. Although there are many social, moral, and psychological reasons why men work, financial need is an important and probably the primary motive. Earnings are usually the main source of income on which most rely for the means of purchasing the goods and services necessary for existence. What happens when earnings are no longer available? Perhaps one has income from other sources or an accumulation of assets.

### TYPE OF ASSETS

Nearly all the respondents reported on whether or not they owned assets, and table 1 shows that 9 out of 10 did own assets of some kind. Two other facts are immediately apparent from table 1. Virtually no differences in the proportions who own the various assets appear to be related to age, but there are noticeable differences by sex and marital status. The lack of differences among age categories confirms other survey evidence that frequency of ownership varies little with age.<sup>9</sup> The differences related to sex and marital status reflect many factors. For one thing, the assets reported for married men include any assets held by a spouse or child under age 18. Moreover, mar-

ried men often have higher incomes than non-married persons and, because of the association usually found between income and assets, the married men have higher rates of asset ownership. Among the nonmarried, women generally seem to fare better than men.

Ownership of a nonfarm home is widespread for every age group in America, and those aged 58-63 are no exception. According to the 1969 Survey of Consumer Finances (SCF), slightly more than 6 out of every 10 nonfarm families owned their own home in early 1969.<sup>10</sup> Among the RHS respondents, 66 percent of the units living neither on a farm or ranch nor as lodgers were homeowners. Impressive differences in homeownership rates occur, with those who are married much more likely than nonmarried persons to be homeowners.

Most people aged 58-63 owned at least some asset other than a nonfarm home, usually some liquid asset such as a checking or savings account. The SCF found that in 1969, 62 percent of all American families had some money in savings accounts and 26 percent had United States bonds—figures that correspond closely to the RHS data. A difference does exist, however, with respect to checking accounts, with fewer RHS units

<sup>9</sup> Dorothy S. Projector and Gertrude S. Weiss, *op. cit.*, page 13.

<sup>10</sup> George Katona et al., *Survey of Consumer Finances*, Survey Research Center, Institute of Social Research, University of Michigan, 1969, page 38.

TABLE 2.—Amount of equity in nonfarm home: Percentage distribution of homeowner units, by sex, marital status, and age, 1969

Amount of nonfarm home equity	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	4,002	2,897	1,061	974	862	248	84	86	78	857	266	291	300
Reporting on amount of home equity.....	3,668	2,686	988	900	798	226	74	81	71	756	233	256	267
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	1	0	1	0	0	1	0	1	2	1	1	1	0
\$1-3,999.....	9	8	9	8	8	14	10	16	14	11	9	12	11
4,000-6,999.....	13	12	11	13	12	19	22	17	18	14	16	13	13
7,000-9,999.....	13	13	14	13	12	11	9	12	13	14	14	15	13
10,000-14,999.....	20	20	21	20	20	21	22	21	18	20	21	21	19
15,000-19,999.....	17	17	18	16	18	13	13	12	13	18	18	16	20
20,000-24,999.....	10	10	10	10	10	9	10	7	11	9	11	9	7
25,000-29,999.....	7	8	7	9	7	5	4	6	6	6	3	5	8
30,000 or more.....	10	11	10	11	14	7	10	8	4	8	6	7	9
Quartile values for units with home equity:													
First quartile.....	\$7,715	\$8,100	\$8,200	\$7,897	\$8,311	\$5,779	\$5,969	\$5,554	\$5,788	\$7,029	\$6,941	\$7,000	\$7,150
Median.....	13,721	14,115	13,990	13,950	14,680	11,413	11,875	11,324	10,962	12,796	12,656	12,407	13,350
Third quartile.....	21,420	22,263	21,263	22,611	23,070	19,052	19,250	18,875	19,028	19,485	19,256	19,286	19,832

holding this type of asset (62 percent of RHS units, compared with 72 percent of the families in the SCF).

Stocks, bonds, and shares in mutual funds are the usual form in which money is invested in other financial assets. According to the SCF, about 23 percent of all Americans owned stocks in 1969,<sup>11</sup> and the New York Stock Exchange reported in a shareownership study that about 1 in every 4 adult Americans was a stockholder in 1970.<sup>12</sup> These figures also correspond to the finding for RHS units overall. Of course, ownership varies with type of unit, and married men are most likely to be owners of corporate stocks and bonds.

In terms of ownership of assets, then, pre-retirees are about as well off as the entire adult American population. In assessing economic well-being, however, it is perhaps more important to know the value of resources than the simple fact of ownership. The remainder of the article focuses on the values of the assets. In all cases these values refer only to assets of respondents who reported on amounts (including zero amounts). Because of the nonresponse rate on asset amounts mentioned earlier, comparisons are not made (except for nonfarm home equity) with asset values reported in other studies. Readers are urged to interpret the data cautiously. Unless indicated otherwise, median and other percentile values were computed on the dollar distributions of those reporting nonzero values.

### NONFARM HOME EQUITY AND MORTGAGE

Home equity for RHS is the respondent's estimate of the current market value of his home minus any outstanding mortgage and other debt. Mortgages include deeds of trust, land contracts, or contracts for deeds; "other debt" includes such items as back taxes or assessments, unpaid amounts of home improvement loans, or home repair bills.

Tables 2 and 3 show the distribution of nonfarm home equity and the proportion of homeowning units with mortgages. More respondents reported on their debts than on the market value of their homes. The number reporting on home equity is thus slightly lower than the number reporting on mortgages. In 1969 the RHS homeowner had a median equity of \$13,700. This amount exceeds by about one-third the \$10,200 median equity that the Survey of Consumer Finances reports for homeowners of all ages, probably because fewer of the RHS homeowners had any mortgage. Although 6 out of 10 homeowners of all ages had mortgages in 1969,<sup>13</sup> less than 4 out of 10 homeowners aged 58-63 still owed on a mortgage. Findings from studies of the aged show that the overwhelming majority of homeowners older than age 65 are without mortgage debt<sup>14</sup>—apparently because they paid it off before retiring. RHS data show this trend. For both the women and the married men, there was a pattern of difference among age categories

<sup>13</sup> George Katona, et al., *op. cit.*, page 38.

<sup>14</sup> Lenore A. Epstein and Janet H. Murray, *op. cit.*, page 186, and Janet Murray, *op. cit.*, page 4.

<sup>11</sup> George Katona, et al., *op. cit.*, page 99.

<sup>12</sup> New York Stock Exchange, *1972 Fact Book*, page 47.

TABLE 3.—Amount of nonfarm home mortgage: Percent of homeowner units with mortgage and quartile values for units with mortgage, by sex, marital status, and age, 1969

Amount of nonfarm home mortgage	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands): Reporting on amount of nonfarm home mortgage.....	3,940	2,851	1,042	959	850	242	80	85	77	847	262	288	297
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
Percent with home mortgage.....	37	41	46	41	34	33	40	27	31	26	30	27	23
Quartile values for units with home mortgage:													
First quartile.....	\$2,427	\$2,592	\$2,723	\$2,516	\$2,458	\$2,083	\$1,818	\$2,500	\$2,143	\$1,936	\$2,438	\$2,321	\$1,351
Median.....	5,418	5,612	5,562	5,703	5,575	5,417	5,000	6,500	4,583	4,557	5,139	4,868	3,088
Third quartile.....	10,340	10,592	10,942	10,792	9,878	9,772	10,000	9,166	11,000	8,973	8,750	10,208	7,656

in the proportion who owed mortgage debt that suggests a decline with age. Even for those older people who had mortgages, the median amount owed was far less than the median reported by SCF as owed by mortgage holders of all ages: \$5,400, compared with \$9,400.<sup>15</sup>

Overall, then, many in the RHS cohort will be entering their retirement years with at least the security of having their own home. But real financial security, both before and after retirement, requires something more than living quarters. What do these people own, other than a home, that will either yield income in some form or be readily convertible into cash?

### EQUITY IN OTHER PROPERTY

Property assets other than nonfarm homes are

<sup>15</sup> George Katona, et al., *op. cit.*, tables 3-6, page 44.

made up of such diverse assets as a business or professional practice, a farm, or other real estate. Although only one-third of the RHS cohort owned these assets, some of the people who do have such property report very large equity amounts (table 4).

One-fourth of the married men reporting this type of equity, for example, have more than \$42,000 in equity. Some of the owners, to be sure, report substantially smaller amounts. The diversity in the values is understandable because "other property" includes everything from the barren empty lot in arid New Mexico to the lush Minnesota farm and any business from that of a self-employed television repairman with few assets to the medical practice of a doctor with elaborate facilities and expensive equipment.

No noticeable differences related to the age categories appear in the proportions with other

TABLE 4.—Amount of equity in other property:<sup>1</sup> Percentage distribution of units, by sex, marital status, and age, 1969

Amount of equity in other property	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands): Total.....	6,800	4,117	1,508	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of equity in other property.....	6,434	3,860	1,418	1,265	1,177	695	232	242	221	1,870	603	606	670
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	72	64	62	65	64	80	77	81	82	85	85	84	85
\$1-3,999.....	6	8	9	7	7	5	5	4	7	4	5	5	4
4,000-6,999.....	3	4	4	4	5	2	2	2	1	2	2	2	2
7,000-9,999.....	2	2	3	3	2	2	3	2	1	2	2	2	2
10,000-14,999.....	3	4	5	4	5	3	3	3	2	2	1	2	1
15,000-19,999.....	2	3	2	3	2	2	3	1	1	1	2	1	2
20,000-24,999.....	2	2	2	2	3	1	2	1	1	1	0	1	1
25,000-29,999.....	1	1	1	2	1	1	1	2	1	1	1	1	0
30,000 or more.....	8	11	12	10	11	4	5	4	4	3	3	3	3
Quartile values for units with equity in other property:													
First quartile.....	\$4,620	\$5,001	\$4,667	\$5,139	\$5,255	\$3,833	\$5,686	\$4,750	\$2,667	\$3,524	\$3,333	\$3,429	\$3,815
Median.....	13,281	14,113	13,538	14,213	14,717	12,632	13,438	12,917	11,000	9,371	8,636	9,700	9,860
Third quartile.....	37,329	42,365	43,750	39,508	43,359	28,056	26,250	28,438	30,000	22,788	20,833	23,750	23,036

<sup>1</sup> Includes farm homes, business or professional practice, or other real estate.

TABLE 5.—Amount of liquid assets: Percentage distribution of units, by sex, marital status, and age, 1969

Amount of liquid assets	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of liquid assets.....	5,761	3,416	1,257	1,133	1,026	666	221	232	213	1,679	548	540	591
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	25	18	19	18	19	39	41	38	39	33	34	31	33
\$1-499.....	17	16	17	16	16	13	15	14	12	19	19	20	17
500-999.....	8	9	9	7	9	8	9	7	7	7	8	6	8
1,000-1,499.....	6	7	7	7	6	6	5	5	7	6	7	7	4
1,500-1,999.....	4	4	4	4	4	4	2	5	4	3	3	3	3
2,000-2,999.....	7	7	8	8	6	5	4	6	6	6	6	7	5
3,000-3,999.....	5	5	5	5	5	3	3	3	4	4	3	4	5
4,000-4,999.....	3	4	4	4	4	2	2	2	3	3	2	4	3
5,000-5,999.....	5	6	6	6	7	4	5	3	5	5	4	4	5
7,000-9,999.....	5	6	5	5	6	4	4	3	4	4	4	4	5
10,000-14,999.....	6	6	7	7	7	4	4	3	3	3	5	3	5
15,000-19,999.....	3	4	3	4	4	2	2	3	2	2	2	2	3
20,000-24,999.....	2	2	2	3	2	2	1	2	2	1	2	2	1
25,000 or more.....	4	6	4	6	7	3	3	3	3	3	2	3	3
Quartile values for units with assets:													
First quartile.....	\$619	\$727	\$671	\$776	\$726	\$618	\$513	\$643	\$708	\$444	\$437	\$436	\$460
Median.....	2,408	2,691	2,495	2,724	2,955	2,000	2,000	2,143	1,889	1,821	1,473	1,875	2,094
Third quartile.....	7,728	8,461	7,529	8,522	9,500	7,480	7,938	8,125	6,700	6,191	5,833	6,068	6,567

property equity, but, except for the nonmarried men, the median amounts of this type of equity are larger for those aged 62-63 than for those aged 58-59. The difference probably indicates that, as with an owned home, mortgages and other debts are paid off over the years.

**FINANCIAL ASSETS**

Since the largest proportion of RHS units who own assets of any kind have financial assets, the value of these assets is one of the most important items to know in trying to assess the economic situation of preretirees. Financial assets are composed of liquid and "other financial" assets, and tables 5 and 6 present information on these two components. Liquid assets are by far the more

frequently owned. For the men and women who own "other financial" assets, however, the median value of those assets is much higher than the median value of liquid assets reported. Since the other financial assets include stocks, this is not a surprising finding. Greater amounts of money tend to be invested in stocks than in liquid assets. Other studies (the 1966 Survey of Financial Characteristics of Consumers, for example) have noted that holdings of liquid assets are widely diffused but are frequently small.

Even taken together, liquid and other financial assets do not combine to form a very substantial amount for the RHS cohort. Table 7 shows that, for those who report on the amount of their total financial assets, half had less than \$3,200. When those reporting zero amounts are included, the median value of holdings is less than \$1,300. In

TABLE 6.—Amount of other financial assets: Percent of units with other financial assets and quartile values for units with other financial assets, by sex, marital status, and age, 1969

Amount of other financial assets	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of other financial assets.....	6,383	3,848	1,414	1,262	1,172	700	236	243	221	1,835	592	594	649
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
Percent with other financial assets.....	24	28	28	29	29	27	18	20	14	18	18	19	18
Quartile values for units with other financial assets:													
First quartile.....	\$1,178	\$1,262	\$1,083	\$1,326	\$1,354	\$1,114	\$969	\$1,250	\$969	\$943	\$865	\$1,097	\$904
Median.....	4,580	5,050	4,333	5,429	5,243	5,200	6,000	3,667	6,000	3,167	2,500	4,300	4,000
Third quartile.....	16,402	17,623	15,694	19,583	17,583	22,500	15,260	22,500	27,344	11,850	8,750	11,042	14,773

TABLE 7.—Amount of total financial assets: Percentage distribution of units, by sex, marital status, and age, 1969

Amount of total financial assets	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of financial assets.....	5,617	3,341	1,227	1,110	1,004	648	214	225	209	1,628	532	524	572
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	25	18	18	17	18	38	40	36	38	33	35	31	34
\$1-499.....	15	15	15	15	14	13	14	13	11	18	18	19	17
500-999.....	7	8	8	7	8	7	7	6	8	6	6	5	7
1,000-1,499.....	5	6	6	6	5	5	5	5	6	5	6	5	4
1,500-1,999.....	3	3	3	3	3	4	2	4	4	3	2	3	3
2,000-2,999.....	6	7	7	7	6	4	4	6	3	6	6	6	5
3,000-3,999.....	4	5	5	5	4	3	3	3	3	4	3	3	5
4,000-4,999.....	3	4	4	3	4	2	1	3	3	3	3	3	3
5,000-6,999.....	5	6	6	6	6	4	4	3	4	4	4	4	4
7,000-9,999.....	5	5	5	6	5	3	4	1	4	4	4	5	4
10,000-14,999.....	6	7	7	6	7	5	7	6	3	5	5	5	5
15,000-19,999.....	3	4	4	4	3	2	2	2	2	3	2	3	3
20,000-24,999.....	3	3	3	3	4	2	1	2	1	2	2	3	2
25,000 or more.....	9	11	9	12	13	8	7	8	8	5	4	5	6
Quartile values for units with financial assets:													
First quartile.....	\$741	\$876	\$818	\$926	\$903	\$723	\$608	\$741	\$743	\$471	\$463	\$462	\$488
Median.....	3,116	3,660	3,345	3,696	4,026	2,589	2,812	2,576	2,357	2,296	2,059	2,424	2,442
Third quartile.....	11,610	12,969	11,619	13,359	14,271	11,434	11,339	12,232	9,917	8,419	7,158	8,269	8,988
Quartile values for all reporting units:													
First quartile.....	\$13	\$242	\$229	\$252	\$246	0	0	0	0	0	0	0	0
Median.....	1,261	2,116	1,980	2,205	2,210	\$470	\$380	\$554	\$515	\$477	\$427	\$537	\$480
Third quartile.....	7,364	9,735	8,784	9,761	11,111	4,571	5,111	4,458	4,350	4,191	3,500	4,824	4,250

both cases, the married men have more than the nonmarried persons. It may be argued that a married man, by virtue of having at least one other person to support, "needs" at least double the amount of money required by a nonmarried person. Even if this need is a real one, the difference in the amount of financial assets reported is still disproportionate. That is, for all reporting units, the medians for the nonmarried are under \$500, or considerably less than half the median

for the married men (\$2,100). Even for the relatively "well-off" married men, however, such a nest egg is obviously not large enough to produce any sizable income or be converted into cash that could sustain an adequate standard of living for very long.

**TOTAL ASSETS**

Summing all the liquid and other financial

TABLE 8.—Amount of total assets: Percentage distribution of units, by sex, marital status, and age, 1969

Amount of total assets	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of total assets.....	5,232	3,098	1,139	1,029	930	610	201	212	197	1,624	500	489	535
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	15	7	7	7	7	32	33	29	33	24	25	21	25
\$1-999.....	8	5	4	5	6	12	13	11	12	13	12	13	14
1,000-1,999.....	4	3	3	2	3	6	5	6	6	5	5	4	4
2,000-2,999.....	3	2	3	2	3	4	4	4	3	4	4	5	3
3,000-4,999.....	5	5	4	5	5	4	5	6	4	6	6	6	6
5,000-9,999.....	12	13	13	13	12	9	8	9	8	13	14	12	12
10,000-14,999.....	10	11	12	11	11	9	10	8	8	8	8	9	7
15,000-19,999.....	8	9	9	10	9	4	5	5	3	7	7	7	6
20,000-24,999.....	6	7	8	7	7	4	3	5	3	5	6	5	5
25,000 or more.....	29	37	36	37	39	18	17	17	19	16	13	17	17
Quartile values for units with assets:													
First quartile.....	\$5,658	\$8,363	\$8,412	\$8,460	\$8,175	\$1,914	\$1,850	\$2,156	\$1,771	\$2,385	\$2,434	\$2,548	\$2,082
Median.....	15,274	19,146	18,800	19,038	19,719	10,277	10,952	9,605	10,147	9,031	8,732	9,549	8,904
Third quartile.....	44,526	53,353	52,124	52,877	55,260	27,778	24,883	24,875	34,375	21,851	20,134	22,120	23,462
Quartile values for all reporting units:													
First quartile.....	\$1,508	\$6,134	\$6,208	\$6,313	\$5,819	0	0	0	0	\$77	0	\$295	0
Median.....	11,433	17,060	16,825	17,139	17,500	\$2,190	\$1,850	\$2,875	\$1,875	4,468	\$4,226	5,287	\$4,029
Third quartile.....	34,556	49,489	48,164	48,958	51,562	15,833	14,940	17,000	15,625	16,818	15,441	17,743	17,284

TABLE 9.—Type of personal debt: Percent of units with personal debt, by sex and marital status, 1969

Type of personal debt	Total	Married men	Nonmarried men	Nonmarried women
Total number (in thousands)...	6,800	4,117	729	1,954
Auto debt:				
Number reporting..	6,735	4,085	719	1,931
Percent with.....	17	23	11	6
Store debt:				
Number reporting..	6,748	4,084	723	1,941
Percent with.....	18	20	10	16
Medical debt:				
Number reporting..	6,714	4,062	721	1,931
Percent with.....	12	13	9	9
Bank debt:				
Number reporting..	6,749	4,085	723	1,941
Percent with.....	9	11	8	5
Debt to others:				
Number reporting..	6,752	4,086	725	1,941
Percent with.....	2	2	2	1

assets with the amount of home and other property equity yields a simple measure of the total assets for the older Americans in RHS. The fact that the married men were in a somewhat advantageous position in the various components is especially evident in looking at the distribution of total assets in table 8.

Although one-third of the nonmarried men and one-fourth of the nonmarried women who reported have no assets of any kind, less than one-tenth of the married men are without any of these resources. At the other extreme, only 15-20 percent of the nonmarried reported \$25,000 or more in asset holdings, but almost 40 percent of the married men did so. Among those with assets the median for married men (\$19,150) is nearly double the median for nonmarried men and more than double that for nonmarried women. When one looks at the median asset values of all reporting units (including those with zero assets), the

large proportion of the nonmarried with no assets pulls the median down to less than \$4,500 for the women and less than \$2,200 for the men. The median value for the married men declines only 11 percent—to about \$17,000.

### PERSONAL DEBT

How well-off people are depends, of course, not only on what they have, but also on what they owe. Whatever mortgage or other debt is owed on a home or other property has been taken into account by considering equity rather than market value. In addition to property debt, which is not prevalent among the RHS cohort, there are various kinds of personal debt.

Table 9 shows that auto debt and store debt are the most common types of debt among the men, and store debt is most frequent for the women. For the married men, both the type of debt and amounts owed include any debt owed by a wife or by a child under age 18, and married men are more likely to have debt than are nonmarried persons. Medical debt, although it was not frequent in 1969, may be incurred more often as the cohort ages, especially because many respondents have reported postponement of needed medical care.<sup>16</sup>

Debt, either mortgage or personal, is generally not very large among older people.<sup>17</sup> For those

<sup>16</sup> Dena K. Motley, "Health in the Years Before Retirement," *Social Security Bulletin*, December 1972, pages 32-33.

<sup>17</sup> George Katona, et al., *op. cit.*, page 18, and Lenore A. Epstein and Janet H. Murray, *op. cit.*, page 62.

TABLE 10.—Amount of personal debt: Percentage distribution of units, by sex, marital status, and age, 1969

Amount of personal debt	Total	Married men			Nonmarried men				Nonmarried women				
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of personal debt.....	6,572	3,966	1,444	1,310	1,212	708	238	248	222	1,898	608	607	683
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	62	56	51	55	61	72	69	73	73	73	69	72	76
\$1-499.....	17	17	17	17	17	14	15	15	12	13	20	19	16
500-999.....	7	8	9	9	6	5	5	4	7	4	5	4	3
1,000-1,499.....	4	6	8	6	4	3	3	2	4	2	2	2	2
1,500-1,999.....	3	4	4	4	3	2	2	1	1	1	2	1	1
2,000-2,999.....	4	5	6	4	5	2	2	2	2	1	1	1	1
3,000 or more.....	3	4	5	5	4	3	3	4	1	1	1	1	0
Quartile values for units with personal debt:													
First quartile.....	\$278	\$325	\$353	\$326	\$289	\$255	\$257	\$236	\$278	\$190	\$196	\$189	\$185
Median.....	642	818	894	800	713	527	533	472	600	381	393	378	370
Third quartile.....	1,538	1,793	1,826	1,752	1,799	1,352	1,464	1,500	1,167	803	866	782	750

TABLE 11.—Amount of net worth: Percentage distribution of units by sex, marital status, and age, 1969

Amount of net worth	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of net worth.....	5,112	3,025	1,110	1,003	912	594	194	207	193	1,493	490	476	527
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
Negative.....	9	8	8	8	7	13	15	12	12	10	11	10	9
None.....	10	3	3	3	4	23	23	22	23	17	18	14	19
\$1-999.....	6	3	3	3	4	11	11	10	11	10	10	9	12
1,000-1,999.....	3	2	2	2	2	4	3	4	4	4	5	4	4
2,000-2,999.....	3	2	2	2	1	4	5	3	5	4	4	6	4
3,000-4,999.....	5	5	5	5	6	5	3	6	4	6	6	6	6
5,000-9,999.....	12	12	12	13	12	8	7	9	8	13	14	13	12
10,000-14,999.....	10	11	12	11	10	8	10	7	7	8	8	9	7
15,000-19,999.....	8	9	8	10	8	4	5	4	3	6	7	7	5
20,000-24,999.....	6	7	8	7	6	4	3	5	3	5	6	5	5
25,000 or more.....	28	36	35	36	39	18	16	16	20	16	13	17	17
Quartile values for all reporting units:													
First quartile.....	\$1,027	\$5,271	\$5,164	\$5,466	\$5,180	0	0	0	0	0	0	24	0
Median.....	10,860	16,278	15,506	16,301	17,143	\$2,080	\$1,600	\$2,643	\$1,938	\$4,424	\$4,111	\$5,323	\$3,969
Third quartile.....	33,530	48,577	46,359	47,905	51,696	15,673	14,868	16,250	16,458	16,671	16,391	17,671	17,000

in the RHS with personal debt, the median amounts owed are highest for married men (table 10).

## NET WORTH

Whatever the amount of personal debt, it alters the total asset picture. Subtracting personal debt from total assets yields a measure of net worth. Table 11 shows the distribution of units by amount of net worth. Out of more than 5 million units for whom there is an estimated figure, nearly 1 in 10 had negative net worth—that is, their debts exceeded their assets. The net worth of the nonmarried men and women was especially low. Almost half (47 percent) of those men who reported had a net worth of less than \$1,000, and more than a third of the women who reported had an equally low amount. Many of these individuals probably also have low incomes and will live their retirement years in poverty. On the other hand, one-fourth of the married men reporting on net worth had nearly \$50,000 or more, and one-fourth of the nonmarried persons had roughly \$16,000 or more.

## LIFE INSURANCE

Life insurance is not included with other financial assets, largely because it is so difficult to obtain a valid figure on cash surrender value<sup>18</sup>

<sup>18</sup> Dorothy S. Projector and Gertrude S. Weiss, *op. cit.*, page 48.

from the ordinary respondent. Information on ownership and the face value of such insurance is nevertheless of interest. Overall, the Survey of Consumer Finances reports that more than three-fourths of all American families carry life insurance. Another national survey, conducted by the Institute of Life Insurance, notes that among those aged 55-64, 80 percent are insured—the same proportion of owners reported by those aged 58-63 in RHS (table 12). Both surveys point out a relationship between income and insurance. Not only does ownership rise with income, but the value of the policy also rises.<sup>19</sup>

A relationship has been found in the SCF between life insurance coverage and liquid assets and between insurance and the number of dependents a person has.<sup>20</sup> Because of the combination of higher assets, a greater number of dependents, and probably a higher income, it is to be expected that in the RHS more married men than nonmarried persons have life insurance coverage, and table 12 shows this—about 85 percent of the married men have life insurance, compared with about 67 percent of the nonmarried persons. This ownership rate for the married men includes that owned by a spouse or a child under age 18. The face value reported for the insurance is likewise expected to be and is, in fact, higher for the married units: \$7,000, compared with

<sup>19</sup> George Katona, et al., *op. cit.*, page 98, and *Life Insurance Fact Book, 1970*, pages 10-13.

<sup>20</sup> George Katona, et al., *op. cit.*, page 98.

TABLE 12.—Face value of life insurance: Percentage distribution of units, by sex, marital status, and age, 1969

Face value of life insurance	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on face value amount of life insurance.....	6,302	3,905	1,436	1,287	1,182	648	220	227	201	1,749	549	562	638
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	21	14	13	14	15	34	31	35	36	32	28	33	35
\$1-499.....	1	1	0	0	1	1	1	1	1	3	3	4	3
500-999.....	5	2	2	2	1	6	6	5	6	13	15	10	12
1,000-1,499.....	11	6	4	6	7	12	13	11	13	23	21	23	25
1,500-1,999.....	4	3	3	3	4	4	4	4	5	5	6	5	4
2,000-2,999.....	10	10	9	11	12	9	10	7	10	9	10	9	8
3,000-3,999.....	5	7	6	6	8	4	5	3	4	3	3	4	1
4,000-4,999.....	4	5	5	5	5	2	1	2	2	2	2	1	1
5,000-6,999.....	8	10	10	9	10	8	10	9	6	4	4	4	5
7,000-9,999.....	7	9	10	9	8	4	4	5	4	3	3	3	2
10,000-14,999.....	9	12	13	13	11	7	8	7	6	3	3	4	2
15,000-19,999.....	4	6	6	6	6	2	3	2	2	1	1	1	0
20,000-24,999.....	3	5	6	5	3	2	2	2	1	0	1	0	0
25,000 or more.....	7	11	12	11	8	4	5	5	2	0	0	0	1
Quartile values for units with life insurance:													
First quartile.....	\$1,768	\$2,985	\$3,570	\$2,915	\$2,677	\$1,394	\$1,179	\$1,438	\$1,332	\$1,025	\$978	\$1,072	\$1,016
Median.....	4,747	6,941	7,890	7,292	5,911	3,192	3,300	4,250	2,675	1,394	1,415	1,817	1,995
Third quartile.....	12,075	14,878	16,223	15,547	13,405	9,143	10,000	10,078	6,962	2,797	2,918	2,985	2,495

\$3,200 for nonmarried men and \$1,400 for non-married women.

Annuities other than life insurance are almost nonexistent. Barely 3 percent of all respondents reported any.

### ASSETS IN RELATION TO HOMEOWNERSHIP AND INCOME

So far, a rather bleak asset and net-worth situation has been described for many of the 58-

to 63-year-olds, but perhaps their circumstances are not as unfavorable as they seem. Those who do not own a home may have other assets that could balance somewhat the overall financial situation for them. Table 13 explores this possibility by comparing the distribution of financial assets for homeowners and nonhomeowners. (This comparison is based on the population that excludes farmers and lodgers.)

The differences between the owners and non-owners are striking, but not in a way that is bene-

TABLE 13.—Financial assets and homeownership: Percentage distribution of units by homeownership status, sex, and marital status, 1969<sup>1</sup>

Amount of financial assets	Total reporting on home ownership	Married men		Nonmarried men		Nonmarried women	
		Homeowners	Nonowners	Homeowners	Nonowners	Homeowners	Nonowners
Number (in thousands):							
Total.....	6,043	2,899	738	247	350	857	949
Reporting on amount of financial assets.....	4,953	2,290	635	212	316	684	816
Total percent.....	100	100	100	100	100	100	100
None.....	24	13	35	17	47	21	42
\$1-499.....	16	15	16	12	14	17	18
500-999.....	7	8	6	8	7	7	6
1,000-1,499.....	5	6	5	7	4	6	4
1,500-1,999.....	3	3	2	5	3	4	2
2,000-2,999.....	6	6	5	6	3	7	4
3,000-3,999.....	4	5	3	4	2	5	3
4,000-4,999.....	4	3	2	5	1	3	3
5,000-6,999.....	5	6	3	5	3	5	4
7,000-9,999.....	5	6	4	5	2	5	3
10,000-14,999.....	6	8	5	6	5	7	4
15,000-19,999.....	4	3	2	4	1	4	2
20,000-24,999.....	3	3	2	4	1	3	2
25,000 or more.....	9	13	8	12	6	7	4
Quartile values for units with financial assets:							
First quartile.....	\$751	\$984	\$500	\$1,107	\$473	\$694	\$405
Median.....	3,237	4,135	2,500	4,000	1,688	2,784	1,653
Third quartile.....	11,978	13,834	10,560	13,846	9,812	10,706	6,672

<sup>1</sup> Excludes farmers and lodgers.

TABLE 14.—Assets less nonfarm home equity: Percentage distribution of units by sex, marital status, and age, 1969

Amount of assets less nonfarm home equity	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,115	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of assets and on non-farm home equity.....	5,399	3,187	1,168	1,061	958	625	203	219	203	1,587	520	513	554
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
None.....	22	14	14	14	14	36	38	34	37	31	32	28	32
\$1-999.....	18	16	17	16	16	16	15	15	17	21	20	21	21
1,000-1,999.....	7	7	7	7	7	8	7	9	10	7	8	7	6
2,000-2,999.....	5	5	6	5	5	4	2	6	3	6	6	7	4
3,000-4,999.....	7	7	7	7	7	5	3	6	5	6	6	6	7
5,000-9,999.....	10	11	10	11	11	7	8	5	8	9	10	10	9
10,000-14,999.....	7	8	8	7	8	7	8	7	4	5	5	5	4
15,000-19,999.....	4	5	4	6	5	3	3	4	1	3	3	3	4
20,000-24,999.....	3	4	4	4	5	2	2	2	2	2	2	3	3
25,000 or more.....	18	23	22	22	24	13	12	13	14	9	8	9	10
Quartile values for units with assets and non-farm home equity:													
First quartile.....	\$1,276	\$1,757	\$1,649	\$1,747	\$1,929	\$1,033	\$1,089	\$1,171	0	0	0	0	0
Median.....	6,380	8,450	7,786	8,312	9,418	4,825	7,206	4,417	\$3,818	\$3,222	\$2,879	\$3,250	\$3,579
Third quartile.....	22,079	29,546	26,684	27,939	34,295	18,681	18,393	18,594	19,583	12,403	10,982	12,500	14,091
Quartile values for all reporting units:													
First quartile.....	\$188	\$651	\$636	\$655	\$644	0	0	0	0	0	0	0	0
Median.....	2,893	5,095	4,619	5,021	6,068	\$884	\$784	\$1,132	\$757	\$919	\$896	\$1,097	\$833
Third quartile.....	15,182	22,269	20,714	21,518	24,402	9,738	10,662	11,016	7,417	7,175	6,400	7,819	7,296

ficial for the nonowners. Instead of having other assets to offset their lack of homeownership, those without owned homes possess less than the homeowners in the way of financial assets. In fact, for every type of unit that reports the amount of financial assets, nonhomeowners are two to three times as likely as owners to report zero financial assets. And among units with some financial assets, the median amounts are always much higher for homeowners than for those without an owned home. Thus, homeownership appears to be an indication of financial status. It is likely that those who own homes have higher incomes that allow increased savings and other assets, in addition to the owned home.

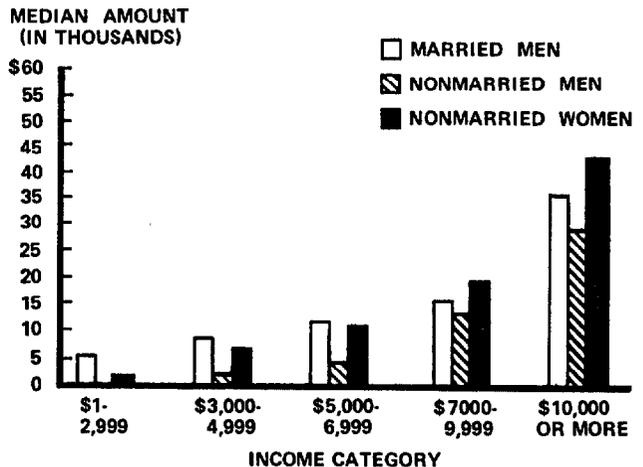
The amount of equity in a home can be a family's most substantial asset. The importance of home equity may be illustrated by comparing the distributions of total assets or net worth, as already described, with the distributions of these variables when the value of nonfarm home equity is excluded (tables 14 and 15). Nonmarried men and women have very little in the way of assets or net worth other than equity in a home. The proportion of married men with zero assets, or zero or negative net worth, is doubled when this equity is excluded. For every type of unit, the median asset or net worth of all those reporting drops roughly two-thirds when the value of home equity is excluded. Thus, many people, par-

ticularly those without spouses, are approaching retirement with little in the way of assets except their homes.

The income-asset relationship is one that has been explored often. Income has been demonstrated to have a positive correlation to assets,<sup>21</sup> a relationship further documented by the RHS data. The accompanying chart shows the median

<sup>21</sup> Janet Murray, *op. cit.*, table 14, pages 20-21, and Dorothy S. Projector and Gertrude S. Weiss, *op. cit.*, page 5.

Median asset amount, by income category and by marital status and sex, 1969<sup>1</sup>



<sup>1</sup> Based on total income of respondent (and spouse, if any), as reported for 1968.

TABLE 15.—Amount of net worth less nonfarm home equity: Percentage distribution of units, by sex, marital status, and age, 1969

Amount of net worth less nonfarm home equity	Total	Married men				Nonmarried men				Nonmarried women			
		Total	58-59	60-61	62-63	Total	58-59	60-61	62-63	Total	58-59	60-61	62-63
Number (in thousands):													
Total.....	6,800	4,117	1,506	1,356	1,255	729	246	254	229	1,954	625	628	701
Reporting on amount of net worth and on nonfarm home equity.....	5,283	3,118	1,138	1,040	940	612	198	215	199	1,553	509	498	546
Total percent.....	100	100	100	100	100	100	100	100	100	100	100	100	100
Negative.....	17	18	19	20	16	16	17	16	16	15	17	16	13
None.....	13	6	6	6	6	25	26	24	26	21	21	18	24
\$1-999.....	12	10	11	9	10	13	12	13	15	16	16	16	17
1,000-1,999.....	6	6	5	6	5	6	4	6	7	6	7	7	6
2,000-2,999.....	5	5	6	4	4	4	4	5	2	6	6	7	4
3,000-4,999.....	6	6	6	6	7	5	2	6	6	6	5	6	7
5,000-9,999.....	10	10	11	10	10	7	9	5	7	9	9	10	9
10,000-14,999.....	6	7	8	7	7	6	8	7	4	5	6	5	4
15,000-19,999.....	4	5	4	5	5	3	3	3	1	3	3	3	3
20,000-24,999.....	3	4	4	4	5	2	2	3	2	2	2	3	3
25,000 or more.....	17	22	21	22	24	13	12	12	14	9	8	9	10
Quartile values for units with net worth less nonfarm home equity:													
First quartile.....	\$1,881	\$2,672	\$2,484	\$2,694	\$2,966	\$1,264	\$1,444	\$1,393	\$1,018	\$973	\$949	\$1,125	\$927
Median.....	8,063	10,465	9,590	10,888	11,346	6,337	8,529	5,417	4,750	4,074	3,630	4,233	4,270
Third quartile.....	24,788	36,840	34,682	35,820	40,148	20,804	19,286	20,417	23,438	13,815	12,629	13,990	15,197
Quartile values for all reporting:													
First quartile.....	0	\$63	0	0	\$269	0	0	0	0	0	0	0	0
Median.....	\$2,382	4,645	\$4,059	\$4,556	5,561	\$664	\$543	\$334	\$604	\$825	\$730	\$988	\$775
Third quartile.....	14,857	21,870	19,946	21,071	24,333	9,419	10,441	10,089	7,589	7,109	6,306	7,704	7,250

asset amount for each income class<sup>22</sup> among the three types of units. Practically all units with income above \$10,000 report some assets, but from one-fourth to more than one-half of the units with income less than \$3,000 report no assets. Median assets rise with each higher income category. The unfavorable asset situation of many of the preretirees considered here may thus to a large extent reflect their low lifetime income.

### SUMMARY AND LOOK AHEAD

Because retirement is often associated with a decline in income, one concern in a study of retirement is what the available alternatives are. Resources in the form of property and financial assets have been the focus of this article. Of what type and what value are the assets of a cohort of older Americans on the threshold of retirement? The answer differs for different people, depending on several characteristics. Not only are married men more likely than nonmarried persons to own assets, but, among the asset owners, the value of the assets is typically higher for married men than for the others.

Homeownership is an especially important

<sup>22</sup> Income classes are based on reported total income in 1968. For the married men, this amount includes the spouse's income.

form of investment, with those who own nonfarm homes better off (in terms of also having other assets) than those who are not homeowners. Income may be the single most important factor in determining how substantial one's assets are, because of the strong, positive correlation between these two items. A married man who owns his own home and has a comfortable income is likely to have built up some amount of financial security in assets. At the other extreme, a nonmarried person, particularly a man whose income is below average, will probably not own a home and have little in the way of financial resources on which to draw.

Half of all the reporting nonmarried units aged 58-63 had a total net worth in 1969 of less than \$4,500. When the value of home equity is excluded, this amount drops below \$900. It seems unlikely that these men and women will be able to rely either on income from assets or on the assets themselves to sustain them after they retire. In general, married men are in an advantaged position financially, with half the units reporting more than \$16,000 in net worth and more than \$4,600 in net worth other than home equity.

There are few age-associated differences within each type of unit. Age is expected to be of importance during the succeeding years of the survey, as the cohort will be passing through some critical years of the life cycle—the retirement

years. Subsequent reports will examine what happens to accumulated assets during those years and what happens to those with little or no assets.

The fascinating aspect of a longitudinal study is the opportunity it provides to study individual change. Successive cross-sectional studies tend to mask such change. It has been noted that, overall, older people are not very well-off financially. Yet some among them are. There are subgroups within the aggregate at each level of the economic continuum. There are, as well, factors other than the economic ones that contribute to the various life styles and attitudes of the RHS cohort. The task of the RHS is to identify these subgroups and to study the retirement process through analysis of the changes that occur within these groups over the next several years.

## Technical Note\*

This report is based on first-year data, collected in 1969 as the baseline for a 10-year longitudinal study conducted by the Social Security Administration to study the retirement attitudes, plans, resources, and activities of older Americans. The study, composed of individuals in three initial age cohorts, those aged 58-59, 60-61, and 62-63, focuses on three groups for whom retirement is meaningful: (1) married men, wife present, (2) nonmarried men, and (3) nonmarried women. Persons in institutions were excluded.

The sampling frame selected for the Retirement History Study (RHS) was that used by the U.S. Bureau of the Census for the Current Population Survey (CPS).<sup>1</sup> Sample members were persons meeting the age-sex-marital status requirements described above and living in households that had last participated in CPS before February 1969. In any month the CPS panel consists of eight groups of households selected up to 18 months previously. The "oldest" of these rotation groups is dropped and replaced by a new one each month. In order to get a sample size

\*Prepared by Bennie A. Clemmer, Division of Retirement and Survivor Studies.

<sup>1</sup> Bureau of the Census, *The Current Population Survey—A Report on Methodology*, Technical Paper No. 7, 1963.

for RHS of approximately 13,000 persons, 19 of these "discontinued" groups were used.

Information was gathered from sample members by interviewers of the Bureau of the Census. The interview schedule contained six sections: (1) labor-force history, (2) retirement and retirement plans, (3) health, (4) household, family, and social activities, (5) income, assets, and debts, and (6) spouse's labor-force history.

## Noninterviews

A total of 12,549 persons from the CPS sampling frame met the RHS criteria of age, sex, and marital status. Of these, 11,153 furnished complete schedules, giving a response rate of 89 percent. The reasons for noninterviews are given in table I.

TABLE I.—Number of noninterviews, by reason

Reason	Number
Total.....	1,396
Refusals.....	717
Deceased.....	255
Unable to contact.....	237
Temporarily absent.....	45
Institutionalized.....	45
Other <sup>1</sup> .....	39
Lost in mail.....	27
Partial interviews <sup>2</sup> .....	26
Duplicate cases.....	5

<sup>1</sup> Includes those who were mentally unable to answer the questions, those out of the country for a long visit, etc.

<sup>2</sup> Less than two-thirds of the interview schedule completed.

## Estimation

Estimates of population numbers were made by weighting the individual sample members by appropriate weights outlined by the Bureau of the Census for the CPS. Since the weighting procedures used for the estimation assume a response rate of 100 percent, an adjustment to the weights was necessary to account for noninterviews. The sample members were divided into categories of race, sex-marital status, age cohort, and region of the country. Then by the application of a category-specific adjustment, the respondents were weighted to represent not only themselves but also the nonrespondents in their category.

After all weighting and adjustment the average weight for a sample member was 612.7. Thus 11,153 respondents represent 6,834,000 persons

in the population who in the spring of 1969 had the age and sex-marital status characteristics outlined for RHS.<sup>2</sup>

### Sampling Variability

Since the population estimates given in this report are based on the response of individuals in a sample, they will differ from the values that would have been obtained in a complete census. A measure of this sampling variability of an estimate is given by the standard error of the estimate. Generally speaking, the chances are about 68 out of 100 that an estimate will differ from the value given by a complete census by less than one standard error. The chances are about 95 out of 100 that the difference will be less than twice the standard error.

Table II gives approximate standard errors for the total number of individuals estimated from the sample to have certain characteristics. Table III gives approximate standard errors for estimated percentages. Linear interpolation may be used to obtain values not specifically given. In order to derive standard errors that are applicable to a wide variety of items, a number of assumptions and approximations were required. As a result the tables of standard errors provide an indication of the order of magnitude rather than the precise standard error for any specific item.

Suppose, for example, it is estimated that 52 percent of 400,000 men have a certain characteristic. Interpolation in table III gives an estimate of the standard error to be 2.2 percent. Thus with 95 percent confidence the percentage of men in the population with this characteristic lies between 47.6 and 56.4.

In order to make a rough determination of the statistical significance of the difference between two independent percentages, the following procedure may be used. Find estimates of the standard errors of the percents in question, using table III. Square these standard errors to get variances and add the variances. Take the square

<sup>2</sup> Forty-eight women who were not married at the time of their selection into the sample were married at the time of their first interview. Their interviews were excluded from the 1969 tabulations, but their retention as sample members brings the total to 11,153.

TABLE II.—Approximations of standard errors of estimated totals

[In thousands]	
Level of estimate	Standard error
50.....	5
100.....	8
150.....	10
200.....	11
250.....	13
300.....	14
400.....	16
500.....	18
600.....	20
700.....	22
800.....	23
900.....	24
1,000.....	26
2,000.....	36
2,500.....	40
3,000.....	44
4,000.....	51
5,000.....	56
6,000.....	61
7,000.....	65

root of this sum to get the standard error of the difference. If the absolute difference between the two percentages in question is greater than twice the standard error of the difference, they are said to be significantly different from one another at the 5-percent level.

*Confidence intervals for estimated percentiles.*—The percentiles of a distribution are values of the variable under discussion below which a stated percentage of units of the population lies. In particular, the 50th percentile is known as the median, and the 25th, 50th, and 75th percentiles are known as quartiles of the distribution. Estimates of these population values are subject to sampling variability that may be estimated in the following way and used to calculate confidence intervals for the percentiles in question:

- (1) Using the appropriate base determine from table III the standard error of the percent in question—for example, the standard error of a 50-percent characteristic.
- (2) For 95 percent confidence limits, add to and subtract from the desired percent twice the standard error found in step 1.
- (3) On the cumulated distribution of the variable in question, find by linear interpolation the values that correspond to the limits in step 2. These values are the 95-percent confidence limits for the percentile under discussion.

If the cumulative distribution of all units (including those with zero or negative amounts of the variable in question) is given, and percentiles and confidence limits of the distribution of units

with nonzero amounts are desired, the zero and negative units must be excluded and the percentage distribution recalculated to include only those with "some" of the characteristic involved.

For this study, sample estimates of percentiles

are calculated from grouped data and therefore are not unique. The estimates obtained depend on the size of interval used and on whether the frequency or the percentage distribution was used.

TABLE III.—Approximations of standard errors of estimated percentages

Base of percentages (in thousands)	Percent									
	2.0 or 98.0	5.0 or 95.0	8.0 or 92.0	10.0 or 90.0	15.0 or 85.0	20.0 or 80.0	25.0 or 75.0	30.0 or 70.0	40.0 or 60.0	50.0
50.....	1.7	2.6	3.3	3.6	4.3	4.8	5.2	5.5	5.9	6.0
100.....	1.2	1.8	2.3	2.6	3.3	3.4	3.7	3.9	4.2	4.2
150.....	1.0	1.6	1.9	2.1	2.5	2.8	3.0	3.2	3.3	3.5
200.....	.8	1.3	1.6	1.8	2.1	2.4	2.6	2.8	2.9	3.0
250.....	.8	1.2	1.5	1.6	1.9	2.2	2.3	2.5	2.6	2.7
300.....	.7	1.1	1.3	1.5	1.8	2.0	2.1	2.2	2.4	2.4
400.....	.6	1.0	1.2	1.3	1.5	1.7	1.8	1.9	2.1	2.2
500.....	.5	.8	1.0	1.1	1.4	1.5	1.6	1.7	1.8	1.9
600.....	.5	.8	.9	1.0	1.2	1.4	1.5	1.6	1.7	1.7
700.....	.4	.7	.9	1.0	1.1	1.3	1.4	1.5	1.6	1.6
800.....	.4	.7	.8	.9	1.1	1.2	1.3	1.4	1.5	1.5
900.....	.4	.6	.9	.8	1.0	1.1	1.2	1.3	1.4	1.4
1,000.....	.4	.6	.7	.8	1.0	1.1	1.2	1.2	1.3	1.3
2,000.....	.3	.4	.5	.6	.7	.8	.8	.9	.9	.9
2,500.....	.2	.4	.5	.5	.6	.7	.7	.8	.8	.8
3,000.....	.2	.3	.4	.5	.6	.6	.7	.7	.8	.8
4,000.....	.2	.3	.4	.4	.5	.5	.6	.6	.6	.7
5,000.....	.2	.3	.3	.4	.4	.5	.5	.5	.6	.6
6,000.....	.2	.2	.3	.3	.4	.4	.5	.5	.5	.5
7,000.....	.1	.2	.3	.3	.4	.4	.4	.5	.5	.5