Cohort Differences in Wealth and Pension Participation of Near-Retirees

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Abstract

The approaching retirement of the Baby Boom generation has attracted both research and public policy attention. Many social and economic changes occurred during the second half of the twentieth century, changes that are likely to affect the retirement economic security of recent cohorts in many ways. In this paper we compare pension participation and non-pension net worth of two cohorts of near retirees. Particularly we look at people born in 1933-1939 who were 55-61 years old in 1994, and the more recent cohort consisting of people of the same age (55-61) in 2004 who were born in 1943-1949. Data are from the Health and Retirement Study.

1. Introduction

In the US retirement incomes are largely derived from three pillars: Social Security, employer pensions and personal saving (non-housing wealth and home equity).[1] In addition, individuals may continue working in retirement to supplement their retirement income, or receive income from welfare programs. In this paper we focus on two potential sources of income in retirement – employer pension participation and total non-pension wealth. Employer pensions play an important role in assuring a comfortable retirement. Participation in an employer pension plan potentially generates income after retirement. Non-housing wealth is readily available for spending and some forms such as stocks and bonds generate income flows. Home equity, an important component of total wealth, can also be used to finance retirement through an equity line of credit, a reverse mortgage, or outright sale (Eschtruth et al 2006). Only a small proportion of households draw down their housing wealth (Venti and Wise 2001, Smeeding et al. 2006), however.

Many social and economic changes have occurred since World War II, changes that are likely to affect the retirement income security of baby-boomers in many ways. Major changes have occurred in the past few decades in employer-provided pension plans – a shift from defined benefit (DB) plans where the main responsibilities rest with the employer toward defined contribution (DC) plans where the employee is responsible for her/his economic security in retirement (Munnell and Sunden 2004; Costo 2006). Defined benefit plans, usually funded by the employer, provide retirement benefits based on a formula typically involving the final salary, age, and years of service. In contrast, defined contribution pensions are savings accounts where employer and employee contributions into the account are invested and retirement benefits will depend on the account balance at retirement. Buessing and Soto (2006), using data from the

[1] See Holzmann and Hinz (2005) for a discussion of multi-pillars of old age income.

Form 5500 that employers file annually with the IRS and the Department of Labor, provide evidence of a dramatic shift in participation of private sector wage and salary workers from defined benefit to defined contribution pensions since 1981. In 1981, 27 percent of private workers participated only in a defined benefit plan, 9 percent participated only in a defined contribution plan, and 11 percent had dual plans. Almost two decades later in 1999, about 7 percent participated only in a defined benefit plan, 29 percent participated only in a defined contribution plan, and 14 percent participated in both plan types.

Several factors have influenced such a shift. First, due to their portability across jobs, employees find defined contribution plans attractive (Munnell and Sunden, 2004). Second, structural changes in the US economy have occurred, such as the shift in the labor force from the manufacturing sector and unionized jobs, where defined benefit plans are more often offered, toward the services sector and non-unionized jobs where defined contribution plans tend to be offered (Wiatrowski 2004). Several studies have attributed about 50 percent of the decline in defined benefit plans to such structural changes (Andrews 1992, Gustman and Steinmeier 1992, Ippolito 1995). Third, changes in the law since ERISA in 1974,[2] with respect to funding requirements for defined benefit plans or the introduction of 401(k) plans, may have decreased incentives for employers to offer DB plans. Schieber (1999) documents a shift in the focus of the federal regulation from limiting the loss of federal revenues through excessive deductions associated with employer-sponsored retirement plans prior to ERISA to increasing "short-term" federal tax collections in the 1980s and 1990s.[3] Fourth, pension accounting standards used for

[2] The 1974 Employee Retirement Income Security Act introduced provisions in the law related to participation and vesting standards (i.e., preservations of benefits for workers terminating employment prior to retirement eligibility), funding of plans, reporting and disclosure by plan sponsors. ERISA also created the Pension Benefit Guarantee Corporation (PBGC) that is a pension benefit insurance program (where the plan sponsors pay a premium determined by the law) which guarantees all benefits up to a limit in cases where the plan sponsor terminates the plan. All these provisions contributed to an increase in pension's administrative cost for plan sponsors.

[3] While sponsors of defined contribution plans could fully fund pension benefits on a pre-tax basis, funding limitations did not allow sponsors of defined benefit plans to fully fund their benefit obligations for younger

calculating long-term pension obligations of defined benefit plans have changed. Schieber (1999) observes that both changes in Financial Accounting and Standards Board (FASB) rules and changes in regulatory measures adopted since the early 1980s have slowed the funding of pension plans for the baby boom generation during the early part of their career. This contributed to increases in unfunded liabilities which were made more explicit to employers with subsequent changes in FASB rules (Wyand 2006). Finally, employers' pension liabilities may have increased due to decreases in mortality across all ages and especially among those aged 65 and over. All these changes have increased the cost of defined benefit plans and, moreover, such costs have become even more evident in the face of a global economy where US establishments compete with international ones that do not provide occupational pensions. Schieber (1999) concludes that such changes are likely to have significant implications for the retirement security of the baby boom generation since it is the first generation to have spent its whole career under such a regulated environment of the pension system.

In short, although over the last few decades pension participation rates have remained around 50 percent, all these factors have contributed to the shift in employer preferences toward defined contribution plans and therefore to a shift in the type of plans they offer. According to Munnel and Sunden (2004) there was a "virtual halt" in the formation of new defined pension plans in the 1980s and a surge in the adoption of 401(k) type pensions by new businesses.

This shift in pension types available to employees has important implications for retirement income security partly because of their different enrollment procedures. In traditional defined benefit plans employees are automatically included in the plan. In most defined contribution plans, employee participation is not automatic, and employees have to make a

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workers. As a result, sponsors of the latter plans not only can not take full tax advantage of pre-funding the plan but their costs will be higher in the future. Such a difference in tax treatment of defined benefit pensions and the greater tax appeal of defined contribution plans may have encouraged employers, especially new businesses, to favor DC plans.

decision whether to participate in the plan or not (Munnell and Sunden 2004; Copeland 2006). The employee responsibilities and risks associated with such plans may discourage employees from participating. Research by Madrian and Shea (2001), Choi at el (2002, 2004a and 2004b), and Iyengar, Huberman and Jiang (2004) has documented delayed participation or lower levels of participation in defined contribution plans than in defined benefit plans, resulting from the complexity of the decision on appropriate contribution rates and investment asset allocations. Madrian (2005) notes that another reason that many employees delay enrolling is that they can put it off. The 2006 Pension Protection Act included clauses permitting employer provision of financial investment advice and automatic enrollment into a default investment fund which varies investment's risk over the employee's ages. To the extent that employers will implement such provisions, the participation rate in defined contribution plans is expected to increase in the future. According to Madrian (2005, pg.11) "the most effective mechanism for increasing savings plan participation is automatic enrollment. Firms with automatic enrollment have participation rates ranging from 85% to 95% among those employees who are impacted." She cautions, however, that one of the drawbacks of automatic enrollment is the employer chosen default contribution rate and asset allocation.

Another reason that the shift in the type of pension matters is that defined benefit and defined contribution plans differ with respect to risks associated with them. Traditional defined benefit plans provide protection for longevity risk by paying benefits in the form of a life annuity (i.e., a monthly benefit through one's life). In addition, since ERISA, they provide spousal and survival benefit rights to the spouse of an eligible employee. The main risks for participants of defined benefit pensions are job mobility, which reduces the value of the pension, and the risk of pension termination either through bankruptcy or conversion. In recent years, several employers have either terminated or frozen their traditional defined benefit plans, whereas others have

converted them to a "cash balance" account which accrues value similar to a defined contribution account (Bellar 2005; Cahill and Soto 2003). While the PBGC insures against bankruptcy or termination, benefit payments for plans taken over by the PBGC are typically modest relative to the former plan.

In defined contribution plans employees bear all risks involving the adequacy of contributions, investment risk, management of money in retirement, and longevity risk, in contrast to defined benefit plans where the employer is the bearer of such risks. Defined contribution plans, in general, offer payments of benefits as a single lump-sum or over a set period of time, or allow transfers into a tax sheltered IRA from which the retiree withdraws money. Some plans offer monthly payments through an annuity.[4] Evidence suggests that among workers that separated from a job between 1992 and 2000, about 15.4 percent rolled over their pension entitlement into IRAs whereas 11.7 percent cashed it out. The cash out entitlements represented only a small proportion (5.3 percent) of entitlement dollars (Hurd and Panis 2006). Furthermore, evidence suggests that few buy annuities and the main form of distributions from defined contributions accounts is a lump sum amount that is rolled over into another account (either tax sheltered or not).[5] At that point the individual is responsible for managing the process of investing and spending down the account balances. This introduces the risk of "prematurely depleting the account" and outliving the pension income, i.e. longevity risk (Society of Actuaries 2006).

Defined contribution pensions have less protection for surviving spouses than DB plans. Unless an annuity payment is available most defined contribution plans do not offer a survivor annuity. There are rules for such plans that protect the surviving spouse as a beneficiary at one's

[4] See Blostin (2003) for a review of distribution options in defined benefit and defined contribution plans.
[5] See the studies reviewed in Hurd and Panis (2006). Also see Poterba et al., (1995); Moore and Muller (2002); Dworsky and Gale (2006).

death. However, account balances can be withdrawn in any form at the employee's discretion, without spousal consent when one reaches a distribution date such as retirement or termination of employment.

Despite the drawbacks, defined contribution plans have the potential of higher account balances, due to the compounding effect of long-term retirement saving if individuals have had them for a long period of time and made sound contribution and investment decisions. Simulations indicate that a lifetime defined contribution plan can generate as much or more money than defined benefit plans but usually do not (Munnell and Sunden 2004, Poterba, Venti, Rauh, and Wise 2006). It remains to be seen in years to come whether individuals with such plans will be better off in retirement.

Aside from these developments in the pension arena, dramatic changes have occurred in marriage, family, and women's roles in family and the workplace (Farley 1996, O'Rand and Henretta 1999, Society of Actuaries 2006, Butrica, Iams, and Smith 2003, Goldin 2006). More specifically, over the past four decades, the age at first marriage increased, the divorce rate increased, and the total fertility rate decreased to the replacement rate level. Multiple marriages over a lifetime also became more common. Furthermore, there has been a "quiet revolution" in perspectives among women about their roles, which began in the 1970's and continues today (Goldin, 2006), toward increased labor market experience and earning capacity over their lifetime, and shifting identities from home and family toward economic independence. These changes have fundamentally transformed the occupations and lifetime earnings of many women born after World War II. As a result, pension participation of women and, therefore, their expected retirement incomes are likely to have increased. Moore (2006) observed that as women's labor force participation rates changed over the past half century, succeeding cohorts of women have increased their opportunities for pension coverage.

Different cohorts, in particular the more recent ones, may be differently affected by such social and economic changes, which in turn are likely to affect pension and non-pension wealth and therefore retirement income. Motivated by all of these developments, in this paper, we compare potential retirement economic resources of two cohorts near eligibility for Social Security retired worker benefits (i.e., near-retirees), [6] those in 1994 to those in 2004, at ages (55 to 61). As this age group is just a few years away from retirement there is little time to accumulate substantial additional wealth. Therefore information on pension and personal saving available at such ages should provide a fairly accurate picture of these potential income resources at retirement.

Particularly, we look at individuals born in 1933-1939, often referred to as depression babies, who were 55-61 years old in 1994, and the more recent cohort consisting of individuals of the same age (55-61) in 2004 who were born in 1943-1949.[7] It is important to note that there is a major difference between these two cohorts in the household structure they established for themselves in their twenties and thirties. For the earlier cohort, the norm in the 1950s was that they marry and form one earner households with the husband as the "bread-winner." In contrast, for the later cohort, due to the so-called "quiet revolution," being in a dual-earner household in the 1970s and 1980s was more common. Such a difference is expected to translate into differences in economic resources available in retirement.

The remainder of the paper is organized as follows. We begin by describing the data set. We then provide information on access to pensions and pension type for the two cohorts by selected demographic characteristics and household type. Among couple households, for each cohort, we contrast pension participation and pension types of husbands only (based on their own

[6] Our data indicate that about one-third of those near-retirees aged 55-61 in 1994 and 2004 are either retired from a job or not in the labor force.

[7] Note that this cohort consists of the war babies (born in 1942-45) and part of the Baby Boom (born in 1946-64) generation as we know them.

employer pension), of wives only (based on their own employer pension), and of couples as a unit. Next we examine wealth holdings across cohorts by demographic characteristics and household composition (couples, single women, and single men). Some concluding comments follow.

2. Data Issues

We focus in particular on two potential income resources for retirement: pension participation as a measure of potential income from an employer pension and total non-pension net worth.[8] Of course, a more complete picture would include pension and Social Security wealth, however, calculating such wealth at retirement age is outside the scope of this paper.[9] Furthermore, pension participation and pension types available provide information only on the opportunity to establish pension income but do not tell us whether increased pension participation and shifts in pension type translate into higher or lower levels of pension wealth for the recent cohort of near-retirees relative to the earlier one.

In this study we use data from the Health and Retirement Study (HRS), a longitudinal, nationally representative survey of older Americans over the age of 50 and their spouses of any age. The first wave of interviews was conducted in 1992 and follow-up interviews were conducted every other year since then (see Appendix Table 1 for an illustration of different birth cohorts as they enter the survey and as they age throughout the survey). Due to our interest in changes over a decade, for this analysis we use the 1994 wave and the 2004 wave. More

[8] Measures of total net worth vary across studies depending on the objective of the research. The broadest measure of total net worth includes all assets held by households (financial wealth, real estate, business, vehicles, and personal retirement accounts) net of liabilities. It also includes employer pension wealth and Social Security wealth.
[9] Projected pension wealth at different ages for the earlier cohort (those aged 51-61 in 1992) is available on the Health and Retirement Study website, but for the more recent cohort such information is not yet available. The same is true for Social Security wealth. In future work we will incorporate pension and Social Security wealth.

specifically, we restrict our samples to those aged 55-61 (born in 1933-1939) in 1994 and those of the same age (born in 1943-1949) in 2004.[10]

It is common in previous research to look at pension coverage of workers in the current job at a point in time. However, a worker's access to and decision to participate in a pension plan will vary across jobs and at different stages of their working life. Moreover, some people in the age group 55-61, in particular, may have retired from a career job with a DB plan, for example, and may have taken another job that offers a DC plan (or no plan at all). Thus, by focusing on pension coverage and type in the current job, depending at what point we get to observe them, we will classify them as having a DB only plan, a DC only plan, or no pension. Instead, if we take a lifetime view we will classify these individuals as having had at least a pension through their working life and with respect to pension type having had "both" a DB and a DC plan. Thus, looking only at pension coverage in the current job is likely to underestimate access to pensions to the extent that individuals who do not have a pension in their current job might have had one in previous job(s).

In contrast to previous research that focuses on pension coverage of workers in the current job, we are interested in a broader measure - access to pensions over one's working life (to the extent it is retrospectively reported). This broader measure provides a better indication of the opportunity to establish pension income. The HRS collects data on all pension plans from the current job for respondents currently working, and for the most recent employer for a respondent not currently working.[11] In addition, it collects data on all pension plans for up to three jobs previously held (for at least five years) by either working or non working respondents.

[10] See Appendix Table 2 for demographic characteristics of the two cohorts. While similar in many respects, the recent cohort of near-retirees exhibits a higher level of educational attainment than the earlier one. In addition, the recent cohort of women is more likely to be working full-time than their earlier counterparts.

[11] Respondents are asked whether they are (were) included in any pension plan, and the type of pension plan(s) included. Therefore, here we will use access to pension and pension participation interchangeably.

Our lifetime measure of pension participation is defined as ever having had a pension in a job (whether current, last, or previous jobs) as reported in the current wave or in any of the previous waves that we observe them.[12] We define variables for pension types in the same way. In addition, focusing on pensions on an individual basis or on a household basis will provide different estimates. In married households, spouses may have access to pension income through their spouse's pension. Therefore, we construct a lifetime measure of pension participation for couples as a unit, defined as at least one of the spouses having ever participated in a pension; we do the same for pension types.

With respect to wealth, our variables of interest, which come from the RAND HRS data file,[13] are: total net worth, total non-housing wealth, home equity, assets in individual retirement accounts (IRA/Keogh), homeownership rate, and IRA/Keogh ownership rate. Total net worth is the sum of non-housing wealth, home equity, and IRA/Keogh assets; it does not include employer pension and social security wealth. Total non-housing wealth includes financial assets, business, vehicles, and other properties or assets, net of debt.[14]

[12] We are assuming that plan participants are vested in the plans in which they are included. There is no question in the pension sequence of the HRS that allows one to identify vesting status of respondents. Thus, to the extent that the respondent is not vested in the plan, our figures may be overestimated, in particular for defined benefit plans.

[13] The RAND HRS data file, available on the HRS website, is an edited and user friendly version of the Health and Retirement Study with consistently derived variables across waves. The Social Security Administration under an Interagency Agreement with the National Institute on Aging supports the RAND Corporation for the development and public dissemination of the user friendly data file. In addition, SSA supports the Health and Retirement Study to generate measures of expected lifetime employer pension wealth and Social Security wealth.

[14] Respondents in HRS that refused or didn't know the amount of any of the wealth components were asked a series of unfolding bracket questions. However, in the 1992, wave 1, no unfolding bracket questions were asked for the value of debt, the primary residence, all other mortgages, and home loans. Such a difference is likely to have an effect on the extent of biases in imputed values for each of those components, and therefore total net worth, in wave 1, relative to other waves. For an overview of the HRS see Juster and Suzman (1995). The HRS public release file contains imputations for many asset types, but the imputation method is not consistent across waves. In contrast, the RAND HRS data contain imputations of all assets and income types using a consistent method across waves.

3. Cohort differences in pension participation and pension type

We first start by examining *workers*' pension participation and types of plans in the current job and over their working life (current or all previous jobs). Second, we provide evidence on differences in lifetime pension participation and type between the *cohort of people* age 55-61 in 1994 and those of the same age in 2004. Finally, we examine lifetime pension by household type and wealth quintile.

Workers' pension in current job

In 2004, 41 percent of workers age 55-61 had no pension on their current job (Table 1a). Similar to previous research, we find that the lack of pension in a current job is strongly linked with education level, own earnings, and household income. Of workers with less than a high school degree 61 percent had no pension through their current job, compared to 33 percent of college graduates. Among workers in the lowest earnings quintile 86 percent do not have a pension in the current job, compared to only 15 percent of those in the upper earning quintile. Those in the lowest household income quintile are twice as likely as those in the highest quintile to be without a pension in the current job. Furthermore, Hispanics, those in poor health, divorced, separated, and part time workers are more likely to have no pension in the current job than their respective counterparts. Overall, in 2004, 26 percent of workers have only a DC plan from their current employer, whereas 16 percent have only a DB plan. Across demographic groups, non-Hispanic blacks, college graduates, and those in the highest earning and household income quintiles are more likely than their respective counterparts to have either a 'DB only' plan or 'Both' types of plans.

Workers' lifetime pension

The evidence provided in Table 1a confirms that looking at pension participation[15] and type in the current job does not give a full picture of the pension experience through someone's working life. In other words, lack of a pension in the current job underestimates one's lifetime opportunity to establish pension income. While 41 percent of workers in 2004 do not have a pension in the current job, only 18 percent of them have had no pension over their working life (current or all previous jobs reported). Note that our lifetime measure of lack of pension may be overly optimistic if individuals, who were included in a pension at some point in their life, were not vested or cashed out their account balances at job separation. As with the current job, lack of a lifetime pension differed across demographic groups. Compared to the overall figure, more than one third of Hispanics, high school drop-outs, part-time workers, and those in the lowest earning and household income quintile had no pension through their working life.

A different picture emerges with respect to pension types when we take a lifetime view. Across all demographic groups, about a quarter of workers report having had only a DC plan through their work life, and less than one fifth have had only a DB plan. The most striking pattern is that the prevalence of workers with both types of plans increases substantially from 14 percent through the current job to 45 percent through someone's working life. It is important to note here that having 'Both' types of plans in the current job mean that the worker is included in both a DB and a DC plan through current employer.

Earlier cohort of workers

Table 1a indicates that of workers age 55-61 in 1994, 44 percent had no pension in the current job. Similar to 2004, women, Hispanics, high-school drop outs, widows, those in poor

[15] Note that pension participation is the proportion of people who have a pension, i.e. it is 100% minus the % of people with no pension.

health, and those in the lowest earning and household income quintiles were more likely to be without a pension in the current job than their respective counterparts. Among workers with a pension in the current job the prevalence of those with only a DB plan was higher (28 percent) compared to those with only a DC plan (18 percent). When we contrast lifetime pension participation and pension types with those in current job, similar patterns emerge. The overall proportion of workers without a pension decreases from 44 percent in the current job to 26 percent in all reported jobs. Furthermore, the proportion of those who ever had 'Both' types of plans increased almost four-fold, from 9 percent in the current job to 32 percent in all jobs.

Trends over the decade

Table 1a shows that workers age 55-61 in 2004 are slightly less likely than their respective counterparts in 1994 to be without a pension in the current job (41 vs. 44 percent) or in all jobs (18 vs. 26 percent). Among working men the incidence of not having a pension in the current job or all jobs did not substantially change over the decade. In contrast, working women in 2004 were substantially less likely than their counterparts in 1994 to have no pension in current job and especially through their working life (19 vs. 33 percent). It is plausible to attribute such an improvement in access to pensions to increased education levels and labor force attachment of the recent cohort of women. Furthermore, there are no substantial gender differences in access to pensions in 2004. In contrast, in 1994, these gender differences are significant, and especially large for the lifetime measure.

Not surprisingly, we observe a shift in the plan types occurring between 1994 and 2004. The proportion of workers that had only a DB plan through their working life decreased from 27 percent in 1994 to 16 percent in 2004. The opposite trend is true for those who have only a DC plan, whose proportion increased from 14 percent in 1994 to 23 percent in 2004.

The evidence provided so far emphasizes the importance of looking at workers' exposure to the pension system through their working life. Although informative in the trends, cross-section figures underestimate pension coverage and portray a limited picture in terms of lifetime access to pensions.

Lifetime pensions of all people age 55-61

In Table 1b we examine differences in lifetime pensions of the entire cohort of people age 55-61 in 1994 and 2004. For both cohorts about three-fifth were working in 1994 and 2004 (see Appendix Table 2). The overall patterns and trends in lifetime pension participation and types are similar to the one observed for workers. In addition, we find that differences by demographic groups, such as education are the same. There are some differences in the levels, however, because individuals with no or limited labor market experience are likely to lack access to pension. For example, Table 1b indicates that, in 2004, 29 percent of people aged 55-61 had no pension throughout their working life, compared to 18 percent among workers of the same age group. Furthermore, the recent cohort of people aged 55-61 are less likely to lack a pension than the earlier cohort (29 vs. 36 percent, respectively).

With respect to pension type, the recent cohort of near-retirees in 2004 were almost half as likely to have only a DB plan through their working life as their counterparts in 1994. Furthermore, 38 percent of the recent cohort had had the opportunity to establish pension income from both a DB and a DC plan, a substantial increase from about 25 percent in 1994. The cohort differences in the overall figures of having at least a DB plan (either as 'DB only' or 'Both') and at least a DC plan (either as 'DC only' or 'Both') through someone's working life are noteworthy. While the prevalence of people with at least a DB plan is almost the same for the

two cohorts of near-retirees (about 52 percent) the proportion that has had at least a DC plan is substantially higher for the more recent cohort of (37 percent in 1994 vs. 56 percent in 2004).

In sum, trends in lifetime access to pensions and pension types are similar whether one looks at workers or all people. However, lifetime lack of pension among workers (Table 1a) is lower than among all people aged 55-61 (Table 1b), and therefore the latter measure provides a more complete picture of retirement income sources available for this age group.

Pension participation by wealth quintiles and marital status

In married households, each spouse may have access to pension income not only through their own pension(s) but also through their spouse's pension(s). Table 1c examines the joint distribution of pension participation by wealth quintiles and marital status. The evidence indicates that there is a strong relationship between lack of a pension and total net worth. In 2004, 45 percent of people aged 55-61 in the lowest net worth quintile have not had a pension over their working life. In contrast, only 24 percent of those in the highest wealth quintile never had a pension. The pattern is similar if we look at single or married people or at couples as a unit. Overall, single people (both men and women) are more likely than their married counterparts to be without a pension. Married women are more likely to be without a pension through their own employment history than their single counterparts (29 vs. 17 percent in the middle wealth quintile in 2004). However, they are less likely to be without a pension when we look at couples as a unit (only 7 percent of women have no pension through their own or husbands' employment). Across all wealth quintiles less than a quarter of couple households have never had a pension.[16]

[16] Our analysis, not reported here but available from the authors, indicates that among couples as a unit there has been a widening difference in lifetime access to pensions by demographic subgroups in 2004 compared to 1994. In

Similar patterns existed in 1994 by marital status within quintiles. However, as previously observed, the earlier cohort of near-retirees was more likely than their counterparts in 2004 to have never had a pension through their working life. Over the decade, lifetime pension participation through one's own employment history increased. Within each wealth quintile, married women experienced the biggest improvement in pension participation compared to other marital/gender groups (Table 1c). Given the increasing levels of education and labor market attachment of married women of the recent cohort, this is not surprising. Also, the proportion of married women without a pension through their own employment in 2004 is substantially lower than that of those of the same age in 1994.

With respect to the type of pension, the pattern of shifting away from DB plans is evident across all household types by wealth quintiles. The prevalence of people with both types of plans increased dramatically over the decade particularly for couples as a unit and for single women (from 24 to 46 percent). For example, in the highest wealth quintile, the prevalence of 'Both' plans increased for married couples from 48 percent in 1994 to 70 percent in 2004. There is no clear pattern of the prevalence of 'DB only' or 'DC only' by wealth quintiles. Based only on this information we cannot infer whether the recent cohort of near-retirees will have higher levels of pension wealth and therefore be better off at retirement.

To summarize, the recent cohort of near-retirees, in particular married women, are less likely than their earlier counterparts (28 vs. 36 percent, respectively) to lack a pension through their working life. Still, these overall figures hide the wide gap that exists by wealth quintiles. Almost a quarter of recent near-retirees in the highest three wealth quintiles report having no pension. In contrast, around 40 percent of individuals in the lowest two wealth quintiles are without a pension. The fact that many individuals in the latter group not only have no pension

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2004, Hispanics, high school drop-outs, and those in poor health are substantially more likely to be without a pension than their respective counterparts. They are also more likely to report having only a DB pension.

from which to potentially draw income, but also have very low wealth, raises concern about their income security in retirement. Thus, in retirement they may be likely to rely heavily on Social Security or welfare programs, or continue to work.

4. Wealth distribution by pension and household type

We now turn to the joint distribution of wealth holdings and pensions of near-retirees in 1994 and 2004, by household type (Table 2a).[17] Because the wealth distribution is highly skewed, looking at the mean may be misleading since such estimates are affected by a few observations in the upper end of the distribution. Therefore, we focus on the median which represents the midpoint of all households. Table 2a shows that, for both cohorts, median wealth holdings (total net worth and its components -- non-housing wealth, home equity, and assets in IRA/Keogh accounts) vary by access to pension and pension type. In 2004, median net worth was substantially higher among those who had a pension (the highest was about $129,000 for those with "Both" plans) and much lower for those without a pension (about $53,000). Median wealth for those with only a DC plan was about $107,000, or twice the level of wealth of those without a pension. Across all pension categories, the median home equity is higher than non-housing wealth. The higher median home equity among pension holders may reflect their higher homeownership rate (about 85 to 89 percent depending on type of pension) relative to the ownership rate of non-pension holders (about 75 percent). Among pension holders, the level of total net worth and its components did not consistently vary by marital status. While married couples with only a DC plan have higher levels of net worth than those with only a DB plan, the opposite is true among single men and women. Strikingly, among non-pension holders, single men and women have very little or no wealth at all.

[17] Wealth figures are per capita, i.e. the wealth of married individuals is divided by two. All wealth values are in 2004 dollars.

Similarly for the earlier cohort of near-retirees in 1994, median total net worth is lower among those without a pension than among those with a pension. In contrast to 2004, those with only a DB plan have a higher level of net worth than those with only a DC plan, although the difference is not significant. The main difference between the two cohorts of near-retirees is that the gap in net worth between those without a pension and those with "Both" types of pension has increased, mainly due to a decrease in the wealth of non-pension holders. In addition, among married couples, the total net worth of those with only a DC plan in 2004 is substantially higher than that of their counterparts in 1994. The opposite is true for single men and women. Furthermore, between 1994 and 2004, while the median net worth of those with only a DB pension or 'Both' pension types remained stable, the median net worth increased by 16 percent for those with only a DC pension and decreased by 15 percent for those without a pension.

We have seen that higher levels of net worth are associated with greater lifetime pension participation. Next we look at the level and composition of wealth holdings at selected points in the wealth distribution. More specifically, we rank households, separately for each cohort, by total net worth and classify them into wealth quintiles. Table 2b reports the mean of wealth holdings in each of the wealth quintiles, for all households and separately for each household type (married couples, single women and single men). The figures indicate that the wealth distribution is markedly skewed across all household types. The pattern that emerges for both cohorts is that about one-fifth of people aged 55-61 hold little or no wealth at all, whereas about two-fifths hold a substantial (more than $179,400) amount of wealth. Furthermore, Table 2b confirms the well know fact that the degree of wealth inequality has increased over time, with those at the top of the distribution becoming even wealthier. In 2004, for example, the mean total net worth in the highest quintile was (about $845,700) almost four times the level in the

fourth quintile, over eight times the level in the middle quintile, and about 20 times the level in the second quintile. The ratios across the quintiles are similar for married couples, single women, and single men.

We next examine the components of total net worth within quintiles of net worth. For the recent cohort of near retirees, in 2004, home equity comprises the largest share of total wealth in all quintiles (around 50 percent) except the highest one. In the highest quintile, non-housing wealth comprises more than 50 percent of total wealth, followed by home equity (about 27 percent). It is important to note that for the lowest three quintiles the amount of non-housing wealth is below $35,000 and the amount of assets in IRA/Keogh accounts is less than $12,000.[18]

Home and IRA/Keogh ownership rates are directly related to greater wealth holdings. Only 40 percent of households in the lower quintile own a home compared to more than 90 percent in the other four quintiles. The IRA/Keogh ownership rate sharply increases from ten percent in the lowest quintile to almost 50 percent in the middle quintile and to about 79 percent in the highest quintile. Within each wealth quintile ownership rates of married couples are higher than those of single men and women.

Between 1994 and 2004, average net worth increased by 32 percent in the highest quintile and 21 percent in the fourth quintile. In contrast, the average remained fairly stable in the middle and second quintile. For the most part, the increases over time were greatest among married couples. Surprisingly, although assets in IRA/Keogh accounts increased across all quintiles, the ownership rate has not increased. Two factors may have contributed to such an outcome. First, as we observed above, the recent cohort of retirees is more likely to have had a

[18] Such amount of non-housing wealth is quite low in relation to what one might potentially need to spend if one had a big health shock. To put this into perspective, it may not be adequate to cover the cost of one year in a nursing home. According to Genworth Financial's annual "Cost of Care" survey, the national average annual cost of living in a nursing home was above $70,000 dollars in 2006. Furthermore, an amount of $47,000 would buy an immediate annuity for a male at age 62 that will provide a monthly income of about $307 (and $285 for a female).

DC plan through their working life. As a result, it is plausible, they may be more likely to have saved through such accounts with their employer, and therefore, less likely to save through IRA/Keogh accounts.[19] Second, because by their nature assets in DC accounts are more portable than accrued wealth in DB plans, the observed increase in the amount of assets in IRA/Keogh accounts could be a result of an increased inflow (or rollover) of funds from DC accounts at or after job separation. However, over the last 10 years, employers with DB plans have also allowed employees to take a lump-sum distribution of their accrued DB wealth upon job separation. Different cohorts of near-retirees may have been differently affected by the types of plans they participated in and especially the availability of options for the disposition of their pension rights. Thus, for the recent cohort of near-retirees, it is likely that the majority of funds in IRA/Keogh accounts represent employer pension wealth rather than personal saving aside from employer pension. Whereas for the earlier cohort of near-retirees the majority of funds in IRA accounts may constitute personal retirement saving.

Evidence suggests that the sharp growth of assets in IRAs since mid 1990s was mainly as a result of rollovers from employment-based retirement plans and asset returns and not from new contributions (EBRI 2007). Furthermore, Copeland (2006) using data from the 2001 Survey of Income and Program Participation finds that workers who participated in an employment-base pension plan had a higher probability of owning an IRA account; and by 2003 about 70 percent of most recent lump-sum distributions were rolled over into an IRA.[20]

To summarize, for both cohorts of near-retirees, the evidence shows a very uneven distribution of wealth. In addition, housing equity comprises more than half of households' total net worth for all but those households in the highest quintile; whereas three-fifths of all households average less than $45,000 jointly in non-housing wealth or IRA/Keogh assets.

[19] The annual pre-tax contribution limits are higher for employer pension retirement account than in IRA accounts.
[20] For the age group of 51-60, the rollover rate was higher (74 percent).

Finally, as expected, those without a pension have much lower levels of net worth than those who report having a pension. The very low level of wealth among those without a pension coupled with the very low amount of IRA/Keogh and non-housing wealth (the most liquid asset) are indications that a proportion of the recent cohort of near-retirees are not well prepared for retirement, and therefore may be more likely to depend heavily on the social safety net at some point in retirement.

5. Conclusions

As the Baby Boomers approach retirement many are concerned about their economic security at retirement. Based on a comparison of the retirement economic resources of near-retirees (ages 55-61) in 2004 to those of the same age in 1994 we find that the recent cohort of near-retirees has had a greater opportunity to establish pension income through their working life. The overall figures hide differences that exist by demographic groups and wealth quintiles, however. We find that about 45 percent of those in the lowest wealth quintile have no pension over their lifetime compared to 24 percent in the highest wealth quintile. Furthermore, we find that the level of total net worth among those without a pension is about half of that of those with a pension.

For both cohorts of near-retirees about 40 percent hold little or no wealth at all, whereas another 40 percent hold a substantial amount of wealth. Moreover, the degree of wealth inequality has increased over time as the wealth holdings of those at the lower end of the wealth distribution remained low, but the holdings of those in the highest wealth quintile increased substantially. In addition, housing equity, which rarely is used to finance consumption in retirement, comprises more than one-half of total non-pension net worth, leaving a much smaller amount of wealth readily accessible if the need arises for about three-fifths of all household.

Even though recent near-retirees are more likely than their counterparts to have had access to a pension during their working life, we cannot infer whether overall they will be better off at retirement than earlier cohorts. This is especially true since the type of pensions available to them has shifted toward DC plans and given the increasingly lower level of non-housing wealth. If such increases in pension participation turn out to be associated with an increase in pension wealth that offsets the decrease in non-pension wealth, then the very low levels of non-pension wealth would be less of a concern.

Looking at the joint distribution of wealth and pensions has revealed important information, with some important policy implications, that would otherwise have been obscured in aggregated samples. The very low level of total net worth, for a substantial fraction of recent near-retirees, coupled with lack of pension access raises concerns about their income security in retirement.

In future work we will extend this analysis to include employer pension wealth, Social Security wealth and test for differences in the determinants of pension participation between cohorts.

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Table 1a. Pension access and type (%) among working individuals age 55-61 in 1994 and 2004, by selected characteristics

	1994								2004							
	Current job				Lifetime				Current job				Lifetime			
	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both
Total	44.2	27.8	18.3	8.6	26.2	27.1	14.5	32.1	41.2	16.3	26.0	14.5	18.2	12.8	22.6	45.1
Gender																
Men	41.8	28.4	18.0	10.5	20.9	28.8	13.0	37.1	41.3	16.6	25.5	15.5	17.4	13.1	21.1	47.5
Women	47.1	27.2	18.6	6.3	32.6	25.0	16.3	26.0	41.6	16.1	26.9	13.9	19.2	12.4	24.3	42.5
Race and ethnicity																
Non-hispanic white	43.2	28.0	19.0	8.9	24.7	26.9	14.7	33.7	40.5	16.2	27.2	15.0	17.1	11.9	23.3	46.3
Non-Hispanic black	47.4	27.5	14.8	8.3	28.9	32.6	13.4	23.9	37.0	21.2	22.1	16.7	14.5	20.7	18.2	45.0
Non-Hispanic other	50.8	20.4	19.5	8.6	30.8	20.2	12.7	35.6	44.8	20.5	24.6	9.1	20.6	9.5	27.3	42.6
Hispanic	52.6	28.9	13.4	4.7	43.7	23.7	13.6	18.9	56.9	11.2	19.2	10.3	35.3	13.9	18.7	31.3
Education																
Less than high school	58.2	22.3	13.6	4.2	45.7	24.0	12.1	17.7	61.1	13.7	20.7	2.8	39.0	11.5	21.9	26.2
High school graduate	44.6	25.0	21.5	7.8	26.1	26.8	17.4	29.4	45.1	14.8	24.4	14.5	21.0	11.2	21.2	45.1
Some college	41.8	29.2	17.1	10.9	20.4	28.0	13.5	38.1	40.6	15.0	27.4	15.3	16.2	14.6	26.7	41.7
College degree	34.4	36.2	17.6	11.5	15.5	29.2	12.1	43.2	33.2	19.8	28.3	17.4	11.8	13.1	20.6	53.2
Marital status																
Married	44.3	27.3	18.0	9.3	26.0	27.0	14.1	32.7	40.8	16.8	26.9	14.1	18.0	12.8	22.5	45.1
Widowed	50.1	23.8	21.9	3.1	28.4	29.2	19.3	22.4	40.6	5.3	29.0	24.0	19.6	10.1	14.6	55.8
Divorced/Separated	40.6	30.6	20.8	7.2	27.6	24.3	16.0	32.1	46.2	16.2	22.2	13.9	19.8	12.1	25.3	42.6
Never Married	45.1	41.0	8.2	5.6	20.3	38.1	8.2	33.4	39.4	22.5	22.3	15.8	16.0	18.1	25.1	40.9
Self-reported health status																
Poor/Fair	49.6	24.8	16.8	7.3	33.3	28.9	12.7	24.8	53.9	11.9	22.7	10.7	29.5	12.8	20.3	35.6
Good/Excellent	43.5	28.2	18.5	8.8	25.2	26.8	14.7	33.1	39.1	17.2	26.8	15.4	16.1	12.8	23.1	46.9

Table 1a (cont.)

	1994								2004							
	Current job				Lifetime				Current job				Lifetime			
	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both
Employment																
Employed full-time	35.8	32.0	20.9	10.2	21.2	27.3	15.2	36.1	32.6	18.8	29.9	17.0	14.3	12.5	23.8	48.3
Employed part-time	69.7	15.3	10.8	3.1	51.0	21.2	11.8	15.5	71.3	8.7	13.6	5.5	37.9	11.0	22.4	26.3
Retired and working	90.4	4.8	2.6	1.7	30.1	38.3	11.5	20.1	79.5	4.8	9.3	6.4	23.2	19.5	10.3	46.7
Earning quintiles																
Low	89.8	4.4	3.9	1.0	58.9	22.1	9.9	9.2	86.2	1.7	5.6	3	53.8	13.5	14.3	17.1
2	84.5	4.6	8.2	1.8	52.5	24.4	10.4	12.6	75.9	7.7	10.4	5.5	38.4	13.9	15.7	28.4
3	55.4	18.7	19.3	5.3	34.0	26.3	18.2	20.9	51.5	13.3	26.6	7.0	20.6	12.9	27.1	37.4
4	28.4	38.2	22.2	10.2	14.0	32.4	15.9	37.7	26.6	21.9	33.4	16.9	6.6	13.9	25.5	53.4
High	21.2	41.5	21.6	14.9	11.0	25.3	12.1	51.5	15.2	23.6	31.4	27.7	3.6	10.9	21.5	63.3
Household income quintiles																
Low	71.4	10.7	12.7	3.4	52.5	20.7	13.3	12.8	71.2	8.0	15.7	3.2	39.2	14.0	19.1	25.8
2	50.7	25.0	19.3	4.0	31.6	28.6	16.2	23.2	50.2	14.7	25.2	8.9	22.5	14.3	25.2	37.3
3	41.1	30.5	18.9	8.8	21.3	31.2	14.9	32.5	37.7	20.2	24.2	16.0	15.5	15.8	19.6	47.6
4	38.0	31.8	19.3	10.4	19.8	28.5	15.4	35.2	31.6	19.6	27.1	20.4	12.2	12.8	21.8	52.0
High	35.7	31.6	18.5	12.6	20.4	22.7	13.2	44.5	34.2	15.0	32.3	17.4	13.7	8.3	25.6	51.1

Notes : Data are from Health and Retirement Study. Lifetime access to pension and type is determined by taking into account the respondent's reports on pension (and type) in current job, last job, or in any other job previously held for at least five years, as reported in the current wave or in previous waves. People who report receiving pension income are considered as having a DB pension. To the extent that individuals misreport pension types across waves, our figures on the prevalence of having 'Both' types of plans through someone's working life may be biased. Our cohort differences should not be biased, however, if the two cohorts are similar in their misreports of pension type across waves. Values may not add up to 100% due to 'don't knows' or 'refusals'. Figures are weighted using survey weights for respective years.

Table 1b. Lifetime pension access and type (%) among all people age 55-61 in 1994 and 2004, by selected characteristics

	1994				2004			
	Without Pension	DB only	DC only	Both	Without Pension	DB only	DC only	Both
Total	35.7	27.3	12.3	24.6	28.5	14.1	17.9	38.4
Gender								
Men	22.7	33.3	11.5	32.4	23.2	15.2	17.7	43.2
Women	47.7	21.8	13.0	17.4	33.4	13.1	18.0	34.1
Race and ethnicity								
Non-hispanic white	33.2	27.6	12.8	26.5	25.1	14.0	19.2	40.5
Non-Hispanic black	39.4	31.7	11.1	17.1	35.1	18.2	12.4	33.5
Non-Hispanic other	40.1	23.8	9.4	26.3	38.3	10.8	16.9	34.0
Hispanic	59.9	18.9	9.3	12.0	50.6	11.7	12.1	24.7
Education								
Less than High School	57.6	20.6	9.6	12.0	60.8	10.7	12.8	15.0
High school graduate	35.4	27.6	14.3	22.6	30.4	13.9	16.5	38.0
Some College	28.1	29.1	12.2	30.7	24.1	15.4	21.2	38.1
College degree	17.5	33.0	11.3	38.3	15.8	14.7	18.6	50.0
Marital status								
Married	35.0	27.2	12.2	25.4	27.7	13.6	18.0	39.4
Widowed	44.0	26.8	13.2	15.6	33.7	18.6	10.8	37.0
Divorced/Separated	33.3	27.7	13.9	25.1	29.7	14.5	19.4	35.7
Never Married	41.5	29.1	7.0	22.4	33.1	16.3	18.6	31.9
Self-reported health status								
Poor/Fair	50.2	27.1	9.4	13.2	48.2	14.5	12.1	23.7
Good/Excellent	31.8	27.3	13.1	27.7	22.3	14.0	19.7	43.0
Employment status								
Employed full-time	21.2	27.3	15.2	36.1	14.3	12.5	23.8	48.3
Employed part-time	51.0	21.2	11.8	15.5	37.9	11.0	22.4	26.3
Unemployed	47.8	20.9	12.1	19.2	29.7	2.9	28.1	38.1
Retired	35.4	38.8	9.9	15.9	33.0	24.9	6.9	34.5
Disabled or NLF	81.0	11.7	5.3	2.0	79.4	6.1	4.8	9.1
Household income quintiles								
Low	62.8	20.6	10.0	6.4	54.7	15.5	11.1	17.6
2	37.6	30.0	12.8	19.4	30.7	15.9	18.4	34.1
3	28.9	30.7	13.2	27.2	22.8	15.9	17.1	43.1
4	24.5	31.2	13.3	31.0	16.9	13.5	19.6	48.9
High	24.5	24.1	12.2	39.2	17.3	9.6	23.1	48.6

Note: See notes in Table 1a.

Table 1c. Lifetime pension access and type (%) among all people age 55-61 in 1994 and 2004, by wealth quintiles and marrital status

	1994					2004				
	Total net worth quintiles					Total net worth quintiles				
	Low	2	3	4	High	Low	2	3	4	High
					All					
Without Pension	52.3	34.3	28.9	26.5	34.7	44.9	32.8	19.2	21.8	23.7
DB only	22.2	29.0	28.2	28.8	26.6	13.8	13.2	18.4	13.5	11.7
DC only	11.4	12.4	12.1	13.0	12.0	17.3	16.2	17.9	19.2	18.8
Both	14.1	24.1	30.6	31.8	26.6	22.7	36.8	44.1	44.1	44.5
					Couples as a unit					
Without Pension	35.0	13.1	5.4	9.3	16.5	25.7	14.9	7.4	6.8	11.4
DB only	25.8	31.6	28.4	26.5	25.3	13.9	13.0	14.2	12.2	6.4
DC only	12.0	9.6	8.1	7.9	10.3	15.2	12.5	12.9	14.5	12.0
Both	27.1	45.8	58.1	56.3	48.0	45.3	59.4	65.5	66.4	70.2
					Married men own pension					
Without Pension	38.9	18.6	9.9	15.4	23.2	33.7	28.0	11.5	17.4	21.0
DB only	27.8	36.8	36.4	31.7	28.1	17.3	13.5	20.9	13.8	8.8
DC only	11.5	11.9	11.5	10.1	14.1	16.3	17.2	16.0	19.8	19.5
Both	21.6	32.2	42.0	42.8	34.6	31.6	39.8	51.6	48.0	50.1
					Married women own pension					
Without Pension	65.0	51.1	47.5	40.7	48.9	47.6	40.3	29.4	30.7	28.4
DB only	17.3	21.7	19.2	25.3	22.1	15.1	10.6	14.0	11.7	10.3
DC only	9.5	13.4	11.2	15.0	11.6	16.0	14.9	19.7	20.8	19.1
Both	8.2	13.8	21.9	19.1	17.4	18.6	33.3	35.7	34.1	39.8
					Single women					
Without Pension	55.6	33.1	30.5	17.2	35.7	51.5	28.1	16.7	11.9	20.1
DB only	19.5	25.8	25.7	28.7	28.3	9.4	16.7	17.6	17.8	21.4
DC only	11.0	13.6	23.1	12.0	10.2	19.6	16.0	18.4	18.9	12.6
Both	13.9	27.5	20.7	42.1	24.4	18.1	39.2	47.3	51.4	46.0
					Single men					
Without Pension	47.5	39.1	37.3	13.4	16.4	50.2	30.5	9.5	15.9	19.1
DB only	26.4	27.2	37.6	34.8	41.1	12.3	19.0	33.8	15.5	15.5
DC only	17.0	4.4	4.4	19.6	5.0	17.1	17.5	19.3	5.5	24.7
Both	9.1	29.4	20.0	32.2	37.6	20.4	33.1	37.4	63.0	39.3

Notes: Data are from HRS. For pension definition of pension categories at individual level see notes in Table 1a. The sample for couples as a unit is determined based on the age eligibility of the wife. Access to pension and type for couples as a unit is determined based on reports of both husband and wife own pensions. Therefore, a couple has a pension (and type of pension) if at least one of the spouse report having a pension. Total net worth variable is taken from RAND Version F public data file and are in $2004. It is the sum of non-housing wealth, home equity, and personal retirement wealth (IRAs/KEOGH assets), and in this analysis is used on a per capita basis. Figures are weighted using survey weights for respective years.

Table 2a. Median wealth holdings (in '000 of dollars) of all people age 55-61 in 1994 and 2004, by pension and household type

	1994				2004			
	Without pension	DB only	DC only	Both	Without pension	DB only	DC only	Both
				All				
Total net worth	63.1	94.3	92.4	125.6	53.4	90.7	107.5	128.8
Non-housing wealth	16.6	31.6	29.3	41.4	11.2	22.5	22.0	36.0
Home equity	30.5	41.4	38.3	47.8	25.0	41.3	50.0	55.0
IRA/Keogh accounts assets	0.0	0.0	1.6	9.6	0.0	0.0	1.0	3.0
Home ownership rates (%)	73.5	85.3	83.2	89.8	75.3	84.6	86.9	89.2
IRA/Keogh ownership rate (%)	35.3	47.2	52.4	65.3	31.3	41.3	51.7	55.0
				Married couples				
Total net worth	43.7	92.4	90.3	126.9	36.3	89.0	100.5	139.5
Non-housing wealth	10.8	29.3	25.5	42.2	7.5	22.8	19.0	40.0
Home equity	24.2	41.4	38.9	47.8	22.5	41.3	45.0	53.5
IRA/Keogh accounts assets	0.0	0.0	0.0	9.6	0.0	0.0	3.0	6.9
Home ownership rates (%)	71.6	88.7	86.6	92.7	75.2	89.9	91.0	94.1
IRA/Keogh ownership rate (%)	30.3	47.1	48.6	67.1	24.9	34.4	55.2	60.3
				Single women				
Total net worth	14.9	68.9	52.1	102.3	8.0	97.0	45.0	108.0
Non-housing wealth	1.3	19.1	14.0	22.3	1.0	21.5	5.0	24.0
Home equity	0.0	31.9	26.8	44.6	0.0	40.0	30.0	50.0
IRA/Keogh accounts assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Home ownership rates (%)	47.5	68.3	62.5	72.6	47.0	76.5	70.9	75.6
IRA/Keogh ownership rate (%)	14.2	35.6	32.8	47.2	13.0	39.5	34.9	47.2
				Single men				
Total net worth	9.6	123.8	53.6	159.4	3.0	65.6	33.0	129.0
Non-housing wealth	1.5	50.4	17.9	55.9	2.5	15.0	12.5	34.8
Home equity	0.0	39.5	0.0	66.2	0.0	25.0	25.0	58.0
IRA/Keogh accounts assets	0.0	0.0	0.0	25.5	0.0	0.0	0.0	0.0
Home ownership rates (%)	46.0	66.3	44.4	73.1	36.7	63.3	59.7	70.4
IRA/Keogh ownership rate (%)	10.0	26.7	40.5	67.9	14.9	21.1	31.1	48.8

Notes : Data are from HRS. Sample of married couples is determined by the age of the wife, and wealth measures are per capita. Total net worth is the sum of non-housing wealth, home equity, and personal retirement wealth (IRAs/KEOGH assets). Non-housing wealth includes financial assets and other assets, it does not include employer pension wealth and Social Security wealth. Wealth variables are taken from RAND Version F public data file and are in $2004. For pension indicators see notes in Tables 1a and 1c. Figures are weighted using survey weights for respective years.

Table 2b. Mean wealth holdings (in '000 of dollars) of all people age 55-61 in 1994 and 2004, by net worth quintiles and household type

	1994					2004				
	Total net worth quintiles					Total net worth quintiles				
	Low	2	3	4	High	Low	2	3	4	High
					All					
Total net worth	-2.0	43.1	93.0	179.4	640.8	-4.2	41.0	100.0	217.8	845.7
Non-housing wealth	-12.9	13.8	35.2	80.8	437.1	-9.5	11.9	32.3	81.4	503.1
Home equity	-3.7	25.5	46.7	72.3	130.5	1.7	24.9	55.4	98.5	224.9
IRA/Keogh accounts assets	0.4	3.1	10.7	25.0	72.7	0.6	3.3	11.8	37.6	117.6
Home ownership rates (%)	36.3	87.5	95.4	95.1	96.5	39.9	91.1	95.2	97.9	96.7
IRA/Keogh ownership rate (%)	6.9	28.9	54.6	71.0	79.6	10.1	23.9	46.7	69.3	78.7
					Married couples					
Total net worth	-5.1	43.3	93.1	178.9	599.7	4.0	41.5	98.2	216.3	872.7
Non-housing wealth	-21.0	13.6	36.3	80.6	415.8	-2.9	10.8	33.9	78.2	509.1
Home equity	-7.2	27.0	45.6	71.3	114.6	2.8	26.1	51.5	94.6	244.2
IRA/Keogh accounts assets	0.5	2.6	11.2	25.1	68.1	0.7	3.2	12.4	43.0	119.5
Home ownership rates (%)	44.3	91.9	96.0	97.5	98.5	55.1	95.7	95.2	98.9	97.8
IRA/Keogh ownership rate (%)	8.8	29.1	57.8	75.5	83.3	12.3	26.5	51.0	75.8	79.3
					Single women					
Total net worth	2.2	41.0	91.0	181.9	655.0	-2.8	41.0	101.0	224.0	743.5
Non-housing wealth	-0.3	13.7	23.9	62.7	368.1	-8.9	11.4	23.5	78.3	371.2
Home equity	1.1	23.4	60.1	99.0	193.8	-1.9	25.3	66.3	124.9	228.7
IRA/Keogh accounts assets	0.2	3.6	7.1	20.1	93.1	0.8	4.2	11.1	20.8	143.6
Home ownership rates (%)	19.3	70.6	92.3	90.9	90.4	26.8	79.9	89.9	97.1	87.6
IRA/Keogh ownership rate (%)	4.4	23.5	38.1	52.0	64.7	9.5	23.1	39.2	57.4	69.4
					Single men					
Total net worth	1.3	47.2	94.5	177.0	695.0	-34.8	37.1	97.4	226.7	979.5
Non-housing wealth	0.9	15.6	29.3	89.0	473.8	-35.7	14.8	29.3	95.5	644.3
Home equity	3.2	22.3	61.1	61.0	141.5	2.6	20.6	59.6	103.0	240.9
IRA/Keogh accounts assets	0.3	8	4.1	27.1	79.7	0.3	1.6	9.2	28.2	94.3
Home ownership rates (%)	15.7	59.4	86.6	75.4	94.5	15.6	67.2	83.3	87.6	92.3
IRA/Keogh ownership rate (%)	1.7	30.0	17.9	53.0	68.0	5.1	13.9	26.7	59.0	79.3

Notes: See notes in Table 2a.

Appendix Table 1: Health and Retirement Survey sample as it ages from the 1992 to the 2004 wave, by cohort and birth year

Cohort	Birth Year	Interview year						
		1992	1994	1996	1998	2000	2002	2004
HRS	1931	61	63	65	67	69	71	73
	1932-1933	59-60	**61**-62	63-64	65-66	67-68	69-70	71-72
	1934-1935	57-58	**59-60**	61-62	63-64	65-66	67-68	69-70
	1936-1937	55-56	**57-58**	59-60	61-62	63-64	65-66	67-68
	1938-1939	53-54	**55-56**	57-58	59-60	61-62	63-64	65-66
	1940-1941	51-52	53-54	55-56	57-58	59-60	61-62	63-64
WB	1942-1943				55-56	57-58	59-60	**61**-62
	1944-1945				53-54	55-56	57-58	**59-60**
	1946-1947				51-52	53-54	55-56	**57-58**
EBB	1948-1949							**55-56**
	1950-1951							53-54
	1952-1953							51-52

Note : Numbers in each row indicate ages of each birth cohort throughout the survey period. Numbers in bold indicate the age groups of interest for this analaysis in 1994 and 2004.

Appendix Table 2. Demographic characteristics of individuals age 55-61 in 1994 and 2004 (%)

	1994			2004		
	All	Male	Female	All	Male	Female
All	100	48.0	52.0	100	48.0	52.0
Race and ethnicity						
Non-hispanic white	81.9	83.1	80.7	78.6	80.1	77.3
Non-Hispanic black	9.6	8.7	10.4	10.4	9.6	11.1
Non-Hispanic other	2.1	2.2	2.1	3.2	3.3	3.1
Hispanic	6.4	5.9	6.8	7.8	7.0	8.5
Education						
Less than High School	22.3	20.4	24.0	12.5	11.4	13.6
High school graduate	39.9	36.4	43.0	33.3	30.4	36.0
Some College	19.8	20.3	19.4	26.2	26.4	26.0
College degree	18.1	22.8	13.7	27.9	31.8	24.4
Marital status						
Married	78.8	84.5	73.5	76.4	83.1	70.2
Widowed	6.6	2.2	10.8	5.4	1.8	8.7
Divorced/Separated	11.1	9.5	12.5	13.9	10.9	16.7
Never Married	3.5	3.8	3.2	4.4	4.2	4.5
Self-reported health status						
Poor/Fair	21.0	20.8	21.2	23.7	23.7	23.8
Good/Excellent	79.0	79.2	78.8	76.3	76.3	76.2
Employment status						
Employed full-time	51.7	65.4	38.9	54.7	64.8	45.2
Employed part-time	9.7	4.5	14.4	9.6	5.0	13.9
Unemployed	2.1	2.2	2.0	2.4	2.8	2.0
Retired	23.8	23.5	24.1	22.0	22.6	21.4
Disabled or not in labor force	12.8	4.4	20.6	11.4	4.8	17.5
Number of observations	5,633	2,622	3,011	3,381	1,366	2,015

Notes: Data are from Health and Retirement Study. Figures are weighted using survey weights for respective years.