

A Preliminary Study of Financial Management Assistance Use by the Elderly

Eun-Jin Kim, The Ohio State University¹
Loren V. Geistfeld, The Ohio State University²

Abstract

As life expectancy increases, decision-making in old age becomes more important, especially for financially related issues. A majority of elderly households do not have adequate savings for post-retirement expenses (Bernheim & Scholz, 1993; Retirement Confidence Survey, 2002). In addition, the proportion of elderly stockholders rose from 39% to 60% in the 1990s (AARP, 2000). These factors suggest an increased need for financial management to insure economic well being in later life. While financial decision-making becomes increasingly important for the elderly, decision-making capacity tends to decrease with aging (Finucane et al., 2002). This can lead to inferior outcomes in various decision-making tasks (Cole & Gaeth, 1990; Zwahr et al., 1999). Help-seeking is a potentially effective coping behavior for the elderly facing financial management problems (Grable & Joo, 1999).

This study examines factors affecting elderly assistance utilization with respect to financial management, using data from the 2000 Health and Retirement Study. The sample used in this study consists of 3,823 older respondents, those 65 years old and older. This study is based on the Andersen service utilization model (1968), which considers factors affecting assistance-utilization decisions.

A significant association between age and financial management assistance use was found. Each increase of one year in age increased the odds of using help with financial management by about 10% ($p < .001$). Educational attainment was negatively related to financial management assistance use by the elderly. Each increase of one year in education decreased the odds of assistance use by 28% ($p < .001$). When compared to Whites, Hispanics exhibited significantly less assistance utilization. The odds of using financial management assistance for Hispanics was 82% lower relative to Whites ($p < .05$). In addition, poorer health condition increased financial management assistance use by the elderly. Each unit increase in health condition increased the odds of using assistance by 180% ($p < .001$). Presence of a partner, household income, number of children in contact, debt/income ratio, stock holding/net worth ratio, and confidence with catching up inflation were not significantly associated with financial management assistance use by the elderly. In sum, it was found that age, education, ethnicity, and health status significantly affected assistance use for financial management by the elderly. The finding that older people are more likely to seek help for financial management suggests that older people may face cognitive problems, which may limit their ability to respond to the changing economic environment.

References

- American Association of Retired Persons. (2000). Wealth Distribution in 1998 Findings from the Survey of Consumer Finances. Retrieved January 19, 2003, from http://research.aarp.org/econ/dd44_wealth.html
- Andersen, R. M. (1968). A Behavioral Model of Families' Use of Health Services. Illinois: Center for Health Administration Studies.
- Bernheim, D. B., & Scholz, K. J. (1993). Do Americans save too little? Business Review, 3-21.
- Cole, C. A., & Gaeth, G. J. (1990). Cognitive and age-related differences in the ability to use nutritional information in a complex environment. Journal of Marketing Research, 27, 175-184.
- Finucane, M. L., Slovic, P., Hibbard, J. H., Peters, E., Mertz, C. K., & Macgregor, D. G. (2002). Aging and decision-making competence: An analysis of comprehension and consistency skills in older versus younger adults considering health-plan options. Journal of Behavioral Decision Making, 15, 141-164.
- Grable, J. E., & Joo, S. (1999). Financial help-seeking behavior: Theory and implications. Financial Counseling and Planning, 10(1), 13-23.
- Retirement Confidence Survey (2002). The 2002 Retirement Confidence Survey: Summary of Findings.
- Zwahr, M. D., Park, D. C. (1999). Judgment about estrogen replacement therapy: The role of age, cognitive abilities, and beliefs. Psychology & Aging, 14(2), 179-192.

¹ Ph.D. Candidate, Consumer Science, 1787 Neil Avenue Columbus OH 43210, (614)688-0725 kim.1151@osu.edu

² Professor, Consumer Science, 1787 Neil Avenue Columbus OH 43210, (614)292-4582 geistfeld.l@osu.edu