

Retirement Savings and Types of Investment Assets among Near-Retirees: How do Women Save and Invest Differently than Men

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Abstract

Using data from the 2004 Health and Retirement Study (HRS), this study examined the financial portfolios of near-retiree women aged 51 – 64, compared their assets to near-retiree men aged 51 – 64, and investigated how economic and demographic factors were associated with the probability of holding IRAs or stocks, and the level of net worth. The sample for this study included individuals aged 51-64 who reported themselves as “not retired.” The study sample was 6,390 near retirees and the sub-samples consisted of men (n=2,724) and women (n=3,666). Descriptive findings suggested that less than half of both the female and male groups had dollar amounts in IRAs and approximately 6 percent of both the female and male groups reported dollar amounts in bonds. The descriptive statistics also indicated that overall, average levels of all asset categories for the female group were much lower than they were for the male group among near-retirees. According to the findings of this study, women tended to invest in safer assets such as CDs, savings bonds, and T-bills than in more aggressive assets such as stocks, business assets, and real estate assets.

The OLS results indicated that gender had no statistically significant impact on the level of net worth among near-retirees aged 51 – 64. The effects of income on the level of net worth showed significant and positive effects. For every one dollar household income increased, there was an increase of 37,549 dollars in net worth. It was evident that boomer near-retirees (aged 51 – 58) had significantly lower amounts of net worth than did non-boomer near-retirees (aged 59 – 64). Boomer near-retirees had approximately 206,214 less dollars of net worth than did non-boomer near-retirees. Education showed a significant and positive impact on the level of net worth among near-retirees.

The results of the Logistic regression analysis indicated that gender had a statistically significant impact on the likelihood of owning IRAs; however, the effect of gender on the likelihood of owning stocks was not statistically significant. The logit results also indicated that income, income squared, education, age, marital status, race, and self-reported health were all statistically significant predictors of the likelihood of owning IRAs or stocks for near-retirees aged 51 – 64. The relationship between household income and the likelihood of having IRAs or stocks among near retirees was significant and positive. The higher the level of education near-retirees obtained, the more likely they were to own IRAs as well as stocks. Non-boomers were more likely to own IRAs or stocks than were boomers. Divorced and never married near-retirees were less likely to own IRAs or stocks than were married near-retirees. Black near-retirees were less likely to own IRAs or stocks than were White near-retirees. The poorer individuals reported their health status, the less likely they were to own IRAs or stocks.

Retirement planning is very difficult for many people, but it is crucial for women that are entering the near-retirement stage of their life cycle. Since this study investigated the factors associated with the types of assets, the findings of this study could be beneficial to professionals, financial educators, and planners when they educate individuals, in particular women, to make better investment decisions. Financial planners and educators can better address this problem and work with clients to gain control of their financial situations. The findings of this study also would benefit policy makers in important retirement policy decisions to assist with the distribution of limited resources to appropriate educational programs for women.

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