

A STUDY OF COMPANY GRADE OFFICERS IN THE UNITED
STATES AIR FORCE AND THEIR PARTICIPATION
IN INDIVIDUAL RETIREMENT ACCOUNTS

By

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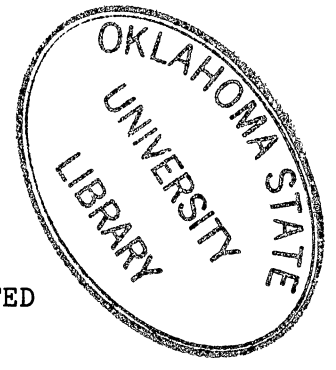
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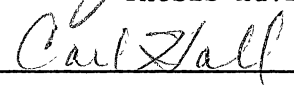


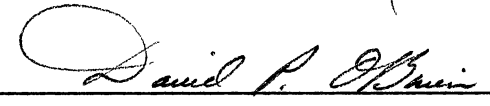
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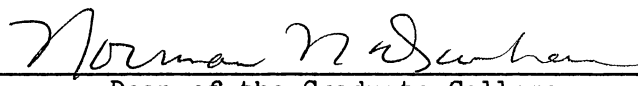
Thesis Approved:



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Dean of the Graduate College

PREFACE

This study was concerned with obtaining information about Air Force company grade officers and their participation in Individual Retirement Accounts. Special gratitude is owed to the men and women who fly the E-3 aircraft assigned to the 552nd Airborne Warning and Control System (AWACS) Wing for their participation in the study.

I would like to express appreciation to my thesis committee members for generously sharing their insights and expertise during the conduct of this study: Dr. William L. Johnston, Director of the Center for Consumer Services, who served as thesis adviser; Dr. Carl Hall, Head of the Department of Housing, Interior Design and Consumer Studies; and David P. O'Brien, Graduate Teaching Associate, Center for Consumer Services, Oklahoma State University.

A very special thanks is owed to my wife, Jane, for without her unwavering support, encouragement, and love, the study would not have been possible. I also acknowledge a special debt to my parents, Mr. and Mrs. Ralph D. Hollibaugh, for a lifetime of love and encouragement.

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CHAPTER I

INTRODUCTION

An Individual Retirement Account (IRA) is a retirement savings program authorized by the tax laws of the United States. Its purpose is to encourage individual taxpayers to save a portion of their compensation or earned income to supplement income in their retirement years (The World Almanac, 1985).

The primary benefit of establishing an IRA is that an individual taxpayer could provide funds for himself for the years when he was no longer working. Social Security cannot and was not intended to provide an individual's sole source of income after retirement. The Social Security system was enacted only to supplement a person's income after he retires. Consequently, the individual taxpayer must look to other investments such as an IRA to build up cash for later years (Knoles, 1978).

The idea for an IRA came from Canada. The IRA provisions are similar to those of the "Registered Retirement Savings Program" which is in effect in Canada. Registered Savings Plans were introduced into the Canadian Income Tax Act in 1957 to permit all taxpayers, employees, and self-employed to provide retirement income out of current pretax income (Knoles, 1978).

In 1974, Congress passed the Employee Retirement Income Security Act. The law improved the private retirement system in many ways.

According to the Investment Company Institute, one of the most important provisions included in the Employee Retirement Income Security Act was the establishment of the IRA. Stated in simplest terms, it represented a beginning toward helping people grasp firmer control over their financial future by permitting them to establish their own retirement programs (Investment Company Institute, 1984).

Statement of the Problem

The problem addressed in this study is lack of data concerning the participation to IRAs by company grade officers in the United States Air Force. Additionally, a need existed to identify the characteristics of IRA owners and nonowners.

Purpose of the Study

The purpose of this study was to establish a data base for future reference concerning Air Force company grade officers and their participation in IRAs. The study's primary research objective was to identify the characteristics of IRA owners and nonowners.

Value of the Study

This study was designed to gather data concerning the participation in IRAs by company grade officers in the United States Air Force. The study presents a considerable body of new information about both the IRA market and the financial needs of consumers, particularly as they relate to retirement. Such information could be used by Air Force Orientation Programs to better aid Air Force officers in satisfying their financial needs and better preparing them for retirement years.

Assumptions

The following assumptions were made by the researcher for the purpose of this study:

1. Accuracy and honesty in the survey responses provided by the company grade officers.
2. Validity of the survey developed by the Investment Company Institute for measuring the growth of activity in IRAs.

Limitations

The study was limited by the following factors:

1. Company grade officers, specifically captains, stationed at Tinker Air Force Base, Oklahoma, comprised the population.
2. Only those company grade officers who were assigned to the 552nd Airborne Warning and Control System (AWACS) Wing were asked to participate in the study.

Definitions

The following definitions were used in this study:

Airborne Warning and Control System (AWACS) refers to the long-range surveillance aircraft produced by the Boeing Aircraft Corporation.

Company Grade Officer is an officer in the United States Air Force in the grade of second Lieutenant through Captain.

Individual Retirement Account (IRA) is a tax-deductible investment which earns tax-deferred interest or dividends (The World Almanac, 1985).

Mutual Fund is an organization that allows many persons with similar objectives to pool their money for investment (Price, 1984).

Regular IRA Account refers to an account established for investment of tax-deductible contributions made by an employed or self-employed individual (Fidelity Investments, 1985).

Spousal IRA Account is an account used for investment of tax-deductible contributions made by a regular IRA shareholder on behalf of a spouse with no income (Fidelity Investments, 1985).

Summary

This chapter contains a brief description of an IRA and explains the purpose and primary benefit of establishing an IRA. The purpose of the study was to gather information about company grade officers in the United States Air Force and their participation in IRAs. The usefulness of the study is that new information about financial and retirement needs of company grade officers might be answered, since no data was available in the literature on this segment of the population. Assumptions and limitations were briefly discussed. Finally, terms and definitions utilized in the study were listed.

CHAPTER II

REVIEW OF LITERATURE

"Any wage earner in the nation who doesn't have an IRA is mad" (Lant, 1985, p. 90). Commencing in 1975, any individual earner under the age of 70-1/2 who was not an active participant in a qualified retirement program could open an IRA in a mutual fund, insurance company, or any other institution that qualified as a trustee (Drucker, 1976).

According to the Investment Company Institute (1984), the public's initial response to IRAs was not overwhelming; from the beginning of 1975 to the end of 1981, the number of dollars invested in IRAs was \$26 billion. Consequently, starting in 1982, individuals covered by qualified retirement plans, as well as those who were not, became eligible for an IRA. In addition, the limitation on deductible contributions was raised from \$1,500.00 to \$2,000.00 (Raphaelson, 1982). In the first year after the limit was raised, IRA assets rose by \$26 billion. At the end of 1984, IRA assets totaled \$132 billion, a sum which indicated the public's acceptance of "do-it-yourself" retirement programs (Investment Company Institute, 1984).

Why Congress Wanted IRAs for Everyone

One reason Congress made it possible for all workers to have IRAs was to encourage people to save more money. There was great concern

by many members in Congress over the fact that the United States had the lowest personal savings rate among major industrialized nations (Ullman and Bercoon, 1982).

There was also concern over serious inadequacies in the private pension system. Many people will receive little or no help from private pensions when they retire. In fact, only about one-fifth of all retired persons are paid any income from a private pension (Ullman and Bercoon, 1982).

According to Ullman and Bercoon (1982), the President's Commission on Pension Policy (established by the Carter Administration in 1978) found that many people now covered by private pensions will never receive any benefits, and many who do receive benefits will find them inadequate. By 1979, only 45% of all private-industry employees were covered by pensions, and only about one-fourth had invested benefits in their current job (Ullman and Bercoon, 1982).

Reasons for Opening an IRA

Saving on current taxes was the most frequently cited reason for opening an IRA. Of almost equal concern was the desire to supplement retirement income and the feeling that Social Security would not provide an adequate retirement income (Investment Company Institute, 1984).

Data from the New Beneficiary Survey conducted under the direction of the Social Security Administration indicated that, for recently retired couples, the median monthly Social Security benefits received in 1982 was \$646.00. Just over half of these couples also received retirement benefits from employer-sponsored plans; the median

monthly amount was \$490.00. Asset income, received by a substantial portion of the couples, contributed the least to monthly incomes--the median being \$180.00. The median monthly retirement income received by married couples totaled \$1,070.00 (Investment Company Institute, 1984).

In 1984, Social Security was the largest component of retirement income, but the median annual amount received by married couples was only \$7,800.00 (Investment Company Institute, 1984). The ownership of an IRA could increase the amount of retirement income received from assets of the individual and would add to the pool of available funds (Investment Company Institute, 1984).

Reasons for Not Opening an IRA

According to the study done by the Investment Company Institute in 1984, the primary reason mentioned for not opening an IRA was lack of money. Forty-two percent of nonowners indicated that they had not opened an IRA because there was nothing left over after paying their living expenses. Twenty-five percent said they could not afford to tie up savings in an IRA, 22% said they already had an adequate retirement plan, 19% had other savings objectives, 16% were not eligible, 16% were not interested, and 5% thought they were too young (Investment Company Institute, 1984).

Events Vital to Decision to Open an IRA

According to the study done by the Investment Company Institute in 1984, 48% of the nonowners said the event most vital in deciding to open an IRA was obtaining extra money. Twenty percent said they

needed more information, 12% said they needed to cut spending, 9% said their spouses needed to find work, 6% needed to shift their savings into an IRA, and 5% said they needed to open an IRA to take advantage of the tax breaks (Investment Company Institute, 1984).

Characteristics of IRA Owners and Nonowners

In 1984, there were 61 million households that did not own an IRA (Investment Company Institute, 1984). Twenty percent of nonowners were 65 years of age or older. Another 8% were in their early sixties, 12% were in their fifties, 16% were in their forties, 23% were in their thirties, and 21% were under thirty (Investment Company Institute, 1984).

According to the Investment Company Institute (1984), by November of 1984, 23 million households (28% of all households) owned an IRA. Six percent of these owners were 65 years of age or older. Another 12% were in their early sixties, 31% were in their fifties, 23% were in their forties, 21% were in their thirties, and 7% were under thirty (Investment Company Institute, 1984).

Nonowners had less formal education than did owners. Forty-seven percent of the nonowners never attended college, 30% had attended college, 15% had graduated from college, and 8% had attended graduate school or had a graduate degree. In contrast, only 28% of the owners never attended college, 31% had attended college, 22% had graduated from college, and 19% had attended graduate school or had a graduate degree (Investment Company Institute, 1984).

The income distributions of these two groups were likewise different. Over 40% of the nonowners had incomes under \$15,000.00 a

year; 75% of them had incomes under \$30,000 a year. For the owners, the reverse was true. Over 50% had incomes over \$30,000.00 a year and more than 20% had incomes in excess of \$50,000.00 a year (Investment Company Institute, 1984).

Summary

The review of literature provided introductory information on IRAs, the changes that were made to the original IRA program to encourage more people to open an IRA, and the reasons Congress wanted IRAs for everyone. Reasons for opening an IRA were discussed, as well as the reasons for not opening an IRA. The events vital to the decision for nonowners to open an IRA and the characteristics of IRA owners and nonowners were also discussed. The study done by the Investment Company Institute in 1984 concluded that age, income, and education were the determining factors for IRA ownership.

CHAPTER III

RESEARCH DESIGN

This study was designed to establish a data base for future reference concerning Air Force company grade officers and their participation in IRAs. The research method used to conduct the study is outlined in the following sections: Type of Research, Population, Instrumentation, Data Collection Process, Data Analysis, and Summary.

Type of Research

This study utilized the survey research design methodology as described by Kerlinger (1973). According to Kerlinger, survey research design is appropriate for accurate assessment of the characteristics of whole populations of people, what people think and what people do. Kerlinger stated that survey research has the advantage of wide scope; a great deal of information can be obtained from a large population. Kerlinger also stated that a sample of individuals can give a remarkably accurate portrait of a population--its values, attitudes, and beliefs.

Population

The population for this study consisted of 160 company grade officers, specifically captains, in the United States Air Force

stationed at Tinker Air Force Base, Oklahoma. In addition, all company grade officers were assigned to the 552nd AWACS Wing.

Instrumentation

The instrument used for this study was adapted from a survey questionnaire developed by the Investment Company Institute, Washington, D.C. Approval to use the questionnaire in the study was obtained from Ann S. Anderson, Director, Statistical Research, Investment Company Institute, on May 7, 1985 (Appendix A). The survey was designed to measure the growth of activity in IRAs, to identify the characteristics of IRA owners and nonowners, and to measure the impact of IRAs on saving.

The instrument developed by the Investment Company Institute contained 22 items directly concerned with IRAs, a section containing eight items concerned with employer pension plans, and a series of nine background questions dealing with sociodemographics of respondents (Appendix B). As adapted for this study, the instrument was modified to suit the military context of the population (Appendix C). Specific modifications to the instrument were:

1. The items which pertained to employer pension plans were deleted.
2. Two questions dealing with mutual fund participation were deleted from the sociodemographics section.
3. Two questions concerning the source of money contributed to IRAs were deleted from the IRA section.
4. The instrument was updated to reflect the current tax year.

Data Collection Process

The 160 company grade officers were personally contacted by the researcher and provided with a copy of the cover letter (Appendix A) and the research questionnaire. The importance of each individual's contribution to the success of the study was emphasized and the anonymity of the respondent was assured. After completing the questionnaire, each respondent personally returned it for tabulation and analysis. One hundred fifty-nine company grade officers participated in the study and provided complete and usable data. The data collection process was completed between October 1 and November 30, 1985.

Data Analysis

In order to accomplish both the descriptive and explanatory goals, responses to each item of the questionnaire were totaled, reviewed, and summarized in both graphic and narrative form, using frequency distribution. The frequency responses from each question was displayed in univariate tables. According to Babbie (1983), univariate analysis, the examination of isolated variables, allows the researcher to make descriptive inferences from the sample about a larger population.

Summary

The research methods employed in this study have been discussed in this chapter. The population for the survey was identified as 160 company grade officers, specifically captains, in the United States Air Force stationed at Tinker Air Force Base, Oklahoma. The

instrument used to gather the data was a survey questionnaire modified from a questionnaire developed by the Investment Company Institute. The survey was designed to measure the growth of activity in IRAs, to identify the characteristics of IRA owners and nonowners, and to measure the impact of IRAs on saving. The data were collected by having each respondent complete the instrument and return it to the researcher. Data analysis was both descriptive and explanatory in nature.

CHAPTER IV

ANALYSIS OF DATA

Introduction

The purpose of this study was to establish a data base concerning Air Force officers' participation in IRAs. An additional purpose was to identify the characteristics of IRA owners and nonowners. This chapter presents an analysis of respondents' sociodemographic characteristics and analyzes responses according to participation or nonparticipation in IRAs. Frequency counts were used to both describe sociodemographic characteristics and summarize participation and nonparticipation in IRAs.

Sociodemographic Characteristics

Questions 20 through 22 of the questionnaire concerned the sociodemographic characteristics of sex, marital status, and age. Of the 159 respondents, 149 were male and 10 were female. Concerning marital status, the largest single group consisted of those who were married; 118 respondents formed that segment. The next segment consisted of 33 respondents who were never married, and the last segment consisted of eight respondents who were divorced. Concerning age, the largest group consisted of persons between the ages of 30-39; 105 respondents formed that segment. The next segment consisted of 49 respondents who

were under 30 years of age, and the last segment consisted of five respondents who were 40 or older. (See Table I for respondent age and Table II for marital status.)

TABLE I
DISTRIBUTION OF RESPONDENTS BY AGE

Variable	N=159	%
<u>Age</u>		
Under 30	49	31
30-39	105	66
40-49	5	3

TABLE II
DISTRIBUTION OF RESPONDENTS BY MARITAL STATUS

Variable	N=159	%
<u>Marital Status</u>		
Never married	33	21
Married	118	74
Divorced	8	5

Question number 23 ascertained spousal employment. The largest segment, 59 respondents, consisted of those who had spouses that were employed. The next segment consisted of 49 respondents whose spouses were unemployed. Forty-one respondents had no spouse and 10 respondents had spouses who were self-employed. (See Table III for respondent spousal employment distribution.)

TABLE III
RESPONDENT SPOUSAL EMPLOYMENT

Variable	N=159	%
<u>Spousal Employment</u>		
Employed	59	37
Self-employed	10	6
Unemployed	49	31
No spouse	41	26

Question number 24 ascertained educational background. All respondents had at least a college education. Eighty-eight of the respondents had a college education, while 71 of the respondents had attended graduate school or had a graduate degree. (See Table IV for educational background data.)

Question number 25 ascertained familiarity with mutual funds. The largest group, 93 respondents, consisted of those who were somewhat familiar with mutual funds. The next segment consisted of 41

respondents who were very familiar with mutual funds and 25 respondents said that they were not at all familiar with mutual funds. (See Table V for mutual fund familiarity.)

TABLE IV
RESPONDENT EDUCATIONAL BACKGROUND

Variable	N=159	%
<u>Educational Level</u>		
College graduate	88	55
Graduate college	71	45

TABLE V
MUTUAL FUND FAMILIARITY

Variable	N=159	%
<u>Mutual Fund Familiarity</u>		
Somewhat familiar	93	58
Very familiar	41	26
Not at all familiar	25	16

Question number 26 ascertained how many household members contributed to household income. The largest group, 90 respondents, consisted of those who only had one member contributing to household income. The remaining respondents reported that two household members contributed to household income. (See Table VI for household members contributing to household income.)

TABLE VI
RESPONDENT HOUSEHOLD INCOME CONTRIBUTORS

Variable	N= 159	%
<u>Household Income Contributors</u>		
One	90	57
Two	69	43

Question number 27 ascertained annual income. The largest group consisted of those who had income between \$35,000 and \$39,999; 51 respondents formed that group. The next segment consisted of 41 respondents whose income was between \$30,000 and \$34,999. Twenty-one respondents reported income between \$25,000 and \$29,000, with 16 reporting an income of \$50,000 and above. Thirteen respondents reported income between \$40,000 and \$44,999, and 11 respondents reported income between \$45,000 and \$49,999, and six respondents reported income between \$20,000 and \$24,999 (See Table VII for income data.)

TABLE VII
RESPONDENT INCOME

Variable	N=159	%
<u>Income</u>		
\$20,000 to \$24,999	6	4
\$25,000 to \$29,999	21	13
\$30,000 to \$34,999	41	26
\$35,000 to \$39,999	51	32
\$40,000 to \$44,999	13	8
\$45,000 to \$49,999	11	7
\$50,000 and greater	16	10

Individual Retirement Account Participation

Results of the questionnaire indicated that the majority of the respondents were aware of IRAs. One hundred fifty-four respondents were aware that working persons could contribute up to \$2,000.00 per year to an IRA. Five respondents were not aware of IRAs. Concerning IRA ownership, 87 respondents did not own an IRA, while 72 respondents did own an IRA. (See Table VIII for respondent awareness of IRAs and IRA ownership.)

Results of question number three indicated that most owners had a high level of awareness of three key features designed to give owners flexibility in handling their IRA investments. Sixty-one respondents were aware that they could have more than one IRA account, 60 respondents were aware that they could transfer accounts, and 53 respondents were aware that they could borrow money to fund their IRA account. (See Table IX for respondent awareness of various IRA features.)

TABLE VIII
DISTRIBUTION OF RESPONDENTS BY IRA
AWARENESS AND OWNERSHIP

Variable	N=159	%
<u>Awareness</u>		
Aware	154	97
Not aware	5	3
<u>Ownership</u>		
Owners	72	45
Nonowners	87	55

TABLE IX
DISTRIBUTION OF RESPONDENT AWARENESS
OF VARIOUS IRA FEATURES

Variable	N=72	%
<u>Can Open More Than One Account</u>		
Aware	61	85
Not aware	11	15
<u>Can Transfer IRA Funds</u>		
Aware	60	83
Not aware	12	17
<u>Can Finance IRA With Borrowed Funds</u>		
Aware	53	74
Not aware	19	26

The results of question number four indicated that most IRA owners had only one IRA account and with only one institution. Fifty-six respondents reported that they only had one account and 60 respondents said they had their IRA in only one institution. (See Table X for respondent diversification of IRAs.)

TABLE X
RESPONDENT DIVERSIFICATION OF IRAs

Variable	N=72	%
<u>Number of Accounts</u>		
One	56	78
Two	13	18
Three	3	4
<u>Number of Institutions</u>		
One	60	83
Two	9	13
Three	3	4

Question number five, part a, concerned the type of financial institutions in which the respondents had invested their IRAs. Twenty-five of the respondents listed mutual funds, while 24 respondents reported credit unions. Ten respondents listed brokerage firms, six respondents listed commercial banks, four listed savings and loan institutions, and three reported insurance companies. (See Table XI for financial institution data.)

TABLE XI
RESPONDENT FINANCIAL INSTITUTIONS

Variable	N=72	%
<u>Structure of the Market</u>		
Mutual Funds	25	35
Credit Unions	24	33
Brokerage Firms	10	14
Commercial Banks	6	8
Savings and Loan Institutions	4	6
Life Insurance Companies	3	4

Question number five, part b, concerned the type of savings vehicle used to fund IRAs. Seventeen respondents listed stock mutual funds. Fourteen respondents listed certificates of deposit, 12 listed money market accounts, nine reported savings accounts, six reported money market mutual funds, four listed direct investments in stocks, four listed other, three reported zero coupon bonds, two listed bond mutual funds, and one listed Ginnie Mae's. (See Table XII for respondent savings and investment vehicles.)

Question number five, part c, ascertained the factors considered very important by the respondents in selecting investment vehicles. The largest single group consisted of those who responded with maximum potential yield; 40 respondents formed that segment. The next segment consisted of 39 respondents who selected high current yield as very important. Thirty-three respondents rated minimum risk as being very important. Twenty-two respondents thought fixed rate of return was important, 21

thought deposit insurance was important, and nine thought stock market condition was very important. (See Table XIII for key factors in selection of IRA funding vehicle.)

TABLE XII
RESPONDENT SAVING AND INVESTMENT VEHICLE

Variable	N=72	%
<u>Saving and Investment Vehicle</u>		
Certificate of Deposit	14	19
Savings Account	9	13
Money Market Accounts	12	16
Directly Invest in Stocks	4	6
Bond Mutual Funds	2	3
Money Market Mutual Funds	6	8
Stock Market Funds	17	24
Ginnie Mae's	1	1
Zero Coupon Bonds	3	4
Other	4	6

As part of the survey, IRA owners were asked in question numbers six and seven if someone in their household qualified for a nonworking spousal IRA and how they would react if they were able to make an additional deductible contribution of up to \$2,000.00 for the nonworking spouse rather than the current \$250.00. Twenty-eight owners responded that they had a household member qualifying for a spousal IRA.

TABLE XIII
KEY FACTORS IN SELECTION OF IRA
FUNDING VEHICLE

Variable	N=193	%
<u>Factors Very Important in Selection of Vehicle</u>		
Fixed rate of return	22	11
Maximum potential yield	40	21
High current yield	39	20
Low fees	29	15
Minimum risk	33	17
Deposit insurance	21	11
Stock market conditions	9	5

Of the 28 respondents, 12 reported that they would open an account, eight would add to an existing account, six would not open an account, and two would not add to their present account. (See Table XIV for reaction of IRA owners to expansion of deductible contribution for a nonworking spouse.)

Question numbers eight and nine concerned the hypothetical likelihood of owners making an additional contribution to their IRAs which would not be tax deductible but the earnings would accumulate tax free. The largest group consisted of those who said they were somewhat likely to contribute more; 27 respondents formed that segment. The next segment consisted of 24 respondents who said they were not at all likely to contribute more, and 21 respondents said that they were highly likely to contribute more. When the IRA owners were also asked how much they would contribute during the 1984 tax year over the set

limit, 39 respondents replied that they would contribute between \$1,000 and \$1,999, 14 stated that they would contribute less than \$1,000, 12 said between \$2,000 and \$2,999, 5 said more than \$4,000, and 2 respondents said between \$3,000 and \$3,999. (See Table XV for likelihood of IRA owners to make an additional contribution to their IRAs and the amount of contributions.)

TABLE XIV
REACTION OF IRA OWNERS TO EXPANSION OF
DEDUCTIBLE CONTRIBUTIONS FOR NON-
WORKING SPOUSES

Variable	N=28	%
<u>Own Spousal IRA</u>		
Yes	28	100
<u>Reaction to Expansion of Deductible Contributions for Nonworking Spouse</u>		
Would open an account	12	43
Would add to existing account	8	29
Would not add to account	2	7
Would not open an account	6	21

Question number 10 concerned the likelihood that owners would contribute less to their IRAs if there was a hypothetical increase in the penalty for early withdrawal of funds. Thirty respondents said it would be extremely unlikely. Twenty-nine respondents said it was somewhat unlikely, 11 said somewhat likely, and two respondents

reported that it would be extremely likely. (See Table XVI for likelihood of owners to contribute less if there was an increase in the penalty for early withdrawal of funds from an IRA.)

TABLE XV

LIKELIHOOD OF OWNERS MAKING AN ADDITIONAL CONTRIBUTION TO THEIR IRA WHICH WOULD NOT BE TAX DEDUCTIBLE BUT THE EARNINGS WOULD ACCUMULATE TAX FREE AND THE SIZE OF CONTRIBUTION

Variable	N=72	%
<u>Likelihood of Owners to Make Additional Contribution</u>		
Highly likely	21	29
Somewhat likely	27	38
Not at all likely	24	33
<u>Size of Contribution</u>		
Less than \$1,000	14	19
\$1,000 to \$1,999	39	54
\$2,000 to \$2,999	12	17
\$3,000 to \$3,999	2	3
\$4,000 and over	5	2

Question number 11 ascertained how often owners contributed to their IRAs. Thirty respondents indicated that they contributed annually, 30 respondents indicated monthly, 8 respondents indicated quarterly, and 4 indicated semiannually. (See Table XVII for respondent contribution frequency data.)

TABLE XVI

LIKELIHOOD THAT OWNERS WOULD CONTRIBUTE LESS TO
THEIR IRAs IF THERE WAS AN INCREASE IN THE
PENALTY FOR WITHDRAWING FUNDS PRIOR
TO AGE 59-1/2

Variable	N=72	%
<u>Likelihood Owners Would Contribute Less if Penalty for Withdrawing Funds Prior to Age 59-1/2 was Raised</u>		
Extremely likely	2	3
Somewhat likely	11	15
Somewhat unlikely	29	40
Extremely unlikely	30	42

TABLE XVII

IRA CONTRIBUTION FREQUENCY

Variable	N=72	%
<u>Contribution Frequency</u>		
Monthly	30	42
Quarterly	8	11
Semiannually	4	5
Annually	30	42

Question number 12 concerned the size of contribution to individual IRAs in tax year 1984. Forty-nine respondents reported \$2,000. Nine respondents reported between \$1,000 and \$1,999, 9 respondents reported less than \$1,000, and 5 reported no contribution made in tax

year 1984. (See Table XVIII for size of contribution to individual IRAs in tax year 1984.)

TABLE XVIII
SIZE OF IRA CONTRIBUTION IN TAX YEAR 1984

Variable	N=72	%
<u>Size of IRA Contribution</u> <u>in Tax Year 1984</u>		
Zero	5	7
Less than \$1,000	9	13
\$1,000 to \$1,999	9	13
\$2,000	49	67

In seeking to assess the impact of IRAs on saving, question number 13 asked, "Had you not put your money into an IRA during the 1984 tax year, how would the money have been used?" Forty-two respondents said that all the money would have been saved, 19 respondents said that some would have been spent and some saved, and 11 said all the money would have been spent. (See Table XIX for respondent savings out of current income had the money not been put into an IRA.)

Question number 14 ascertained what type of saving vehicle IRA owners would have used to save or invest the money had they not put their money into an IRA. Thirty respondents indicated that they would have put the money into long-term investments, 29 would have put the money into short-term liquid investments, and 13 said they would have

put the money into another short- or long-term tax shelter. (See Table XX for type of saving vehicle selected had money not been put into an IRA.)

TABLE XIX
SAVINGS OUT OF CURRENT INCOME HAD MONEY
NOT BEEN PUT INTO AN IRA

Variable	N=72	%
<u>Savings Out of Current Income Had Money Not Been Put Into an IRA</u>		
All spent on goods and services	11	16
All saved or invested	42	58
Some spent and some saved	19	26

TABLE XX
TYPE OF SAVING SELECTED HAD MONEY NOT
BEEN PUT INTO AN IRA

Variable	N=72	%
<u>Type of Saving Selected</u>		
Short-term liquid investment	29	40
Long-term investment	30	42
Another tax shelter	13	18

Question number 15 ascertained factors considered extremely important for opening an IRA. The largest single group consisted of those who said that saving on current taxes was the most important factor in opening an IRA; 19 respondents formed that segment. The next segment consisted of 18 respondents who thought Social Security would not provide an adequate retirement, 17 thought the need to supplement retirement income was extremely important, 14 thought opening an IRA helped them control their financial futures, and 4 thought opening an IRA was a good way to save. (See Table XXI for reasons considered extremely important for opening an IRA.)

TABLE XXI
REASONS CONSIDERED EXTREMELY IMPORTANT
FOR OPENING AN IRA

Variable	N=72	%
<u>Reasons for Opening an IRA</u>		
Good way to save	4	6
Supplement retirement income	17	24
Save on current taxes	19	26
Control financial future	14	10
Social Security inadequate	18	25

Individual Retirement Account Nonparticipation

Question number 16 ascertained why individuals did not have an IRA. Thirty-four respondents said they already had other savings

objectives. Twelve respondents said they could not afford to tie up savings, 11 said they were not interested, 11 respondents said they already had an adequate retirement plan, and 10 respondents said there was nothing left over after living expenses. Seven respondents said they needed additional information about IRAs, and two respondents said they were too young to worry about retirement. (See Table XXII for the reasons for not opening an IRA.)

TABLE XXII
REASONS FOR NOT OPENING AN IRA

Variable	N=87	%
<u>Reasons for Not Opening an IRA</u>		
Need additional information	7	8
Not interested	11	13
Nothing left over after living expenses	10	11
Can't afford to tie up savings an IRA	12	14
Already have adequate retirement plan	11	13
Have other savings objective	34	39
Too young to worry about retirement	2	2

IRA nonowners were asked in question number 17 if they were likely to open an IRA in the 1985 tax year. Forty-three respondents said that it was not at all likely, 30 respondents said somewhat likely, and 14 respondents said it was highly likely that they would

open an IRA in the 1985 tax year. (See Table XXIII for respondent likelihood of opening an IRA in tax year 1985.)

TABLE XXIII
RESPONDENT LIKELIHOOD TO OPEN AN IRA IN
TAX YEAR 1985

Variable	N=87	%
<u>Likely to Open an IRA</u>		
Highly likely	14	16
Somewhat likely	30	35
Not at all likely	43	49

Question number 18 concerned events vital to the decision to open an IRA. Seventeen respondents said they needed more information about IRAs, 16 respondents said they needed their spouse to obtain work to supplement income, and 15 respondents said they needed to shift existing savings into an IRA. Fourteen respondents said they needed to cut spending, 13 respondents said they needed to obtain extra money, and 12 respondents said that the realization that the opportunity for a tax break on 1985 income was slipping away would prompt them to open an IRA. (See Table XXIV for events vital to the decision to open an IRA.)

Question number 19 concerned the likelihood that nonowners would be less likely to open an IRA if there was a hypothetical increase in

the penalty for early withdrawal of funds prior to age 59-1/2. Forty-four respondents said yes and 44 respondents said no. (See Table XXV for likelihood of nonowners opening an IRA if there was an increase in the penalty for early withdrawal.)

TABLE XXIV
EVENTS VITAL TO THE DECISION TO OPEN AN IRA

Variable	N=87	%
<u>Events Vital to Decision to Open an IRA</u>		
Cutting spending	14	16
Obtaining more information about IRAs	17	20
Spouse obtaining work	16	18
Shift existing savings to IRA	15	17
Obtaining extra money	13	15
Recognizing tax break opportunities	12	14

TABLE XXV
LIKELIHOOD OF NONOWNERS TO OPEN AN IRA IF
THERE WAS AN INCREASE IN THE PENALTY
FOR EARLY FUND WITHDRAWAL

Variable	N=87	%
<u>Likelihood to Open an IRA if Penalty is Increased for Early Fund Withdrawal</u>		
Yes	44	51
No	43	49

Summary

This chapter provided an analysis of the sample's sociodemographic characteristics. The analysis reflected a sample which shared general characteristics concerning sex, marital status, age, spouse employment, education, number of household income contributors, and annual income.

Analysis of responses to 15 questions concerning IRA participation was conducted to determine the characteristics of IRA owners. The analysis indicated that IRA owners had a high level of awareness of the three key features designed to give owners flexibility in handling IRA investments, cited maximum potential yield as the most important factor influencing investment vehicles for funding IRAs, and saving on current taxes as the most important factor for opening an IRA.

Analysis of responses to four questions concerning IRA nonparticipation was conducted to determine the characteristics of IRA nonowners. The analysis indicated that IRA nonowners cited other savings objectives as the main reason for not opening an IRA, most were not at all likely to open an IRA, and most said they needed more information about IRAs before deciding to open an IRA account.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of this study was to establish a data base for future reference concerning Air Force company grade officers and their participation in IRAs. An additional purpose of the study was to identify the characteristics of IRA owners and nonowners. This chapter presents a summary of the study, conclusions drawn from the study, and recommendations for further research.

Summary of the Study

The study was undertaken to provide data on Air Force company grade officers and their participation in IRAs. The study used a questionnaire instrument developed by the Investment Company Institute of Washington, D.C. The population consisted of 160 Air Force captains assigned to the 552nd AWACS Wing, of which 159 completed the questionnaire for an overall response rate of 99.4%.

The results of the questionnaire were totaled, reviewed, and summarized in both graphic and narrative form, using frequency distribution to describe the sample's characteristics. The frequency responses from each question was displayed in univariate tables.

Findings and Conclusions

The following findings and conclusions were derived from the interpretation of data gathered for this study:

1. The sample largely shared the same gender, marital status, educational level, and income characteristics. The sample was predominantly male, had a college education, was married, and had yearly incomes between \$30,000 and \$39,999.

2. In spite of their awareness that they could have more than one IRA account, the majority of IRA owners had not yet taken advantage of that feature.

3. The majority of IRA owners contributed the maximum amount allowed to their IRAs. The majority would like to make additional contributions to their individual IRA, even if the contribution was not tax deductible.

4. The majority of IRA nonowners were not all likely to open an IRA. Having other savings objectives was cited most frequently as the reason for not opening an IRA.

Recommendations

This study resulted in data which served as the basis for the following additional research:

1. Additional research should be conducted concerning Air Force officers and their participation in IRAs. Future research should be conducted to determine if similar results of this study would be obtained at other military installations.

2. Future research should be based on a random or representative sample from a larger population to provide a substantial basis for generalization of findings. Such a population might be obtained by either using all company grade officers or by using client populations from several Air Force bases.

3. Future research should include some measurement of family size. The addition of such information may serve to provide a more complete description of why some military members do not have an IRA.

4. Future research should include some measurement of the military retirement system. The addition of such information may show to what extent military members rely on the military retirement system in order to meet their retirement objectives and if military members consider the military retirement system adequate.

5. Future research should include some measurement of personal IRA management. The addition of such information may be useful in determining to what extent individuals get involved in managing their retirement program.

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APPENDIXES

APPENDIX A
CORRESPONDENCE

INVESTMENT
 COMPANY
INSTITUTE

May 7, 1985

Mr. Ron Hollibaugh
3725 S. E. 48th Place
Oklahoma City, OK 73135

Dear Mr. Hollibaugh:

Attached is a copy of the questionnaire we used to conduct our recent IRA survey. As I told you in our telephone conversation you are certainly free to draw on the results of that study for any academic endeavors. If data from the survey is incorporated in any report, please cite the Investment Company Institute as your source.

Sincerely yours,



Ann S. Anderson
Director,
Statistical Research

AA/csc

Enclosure

FROM: Ronald D. Hollibaugh
SUBJECT: IRA Questionnaire
TO: Captains of the 552nd AWACW

I am a graduate student enrolled at Oklahoma State University, pursuing a Master of Science degree in Consumer Studies. I am currently conducting a survey of Air Force Captains to ascertain their involvement in Individual Retirement Accounts. Your responses are important to the success of this survey.

I personally guarantee the anonymity of your survey responses. After I tabulate survey results, your name will not be associated with your responses nor will your name appear in the final report.

Thank you for your cooperation and support in this study.

Ronald D. Hollibaugh
Graduate Student
Oklahoma State University

APPENDIX B

INVESTMENT COMPANY INSTITUTE QUESTIONNAIRE

SECTION I

1. Prior to receiving this questionnaire, were you aware that all working persons are able to make a contribution of up to \$2,000 a year (but not more than actual earned income) to an Individual Retirement Account (IRA)?
 - Yes []1 (14)
 - No []2

2. Do you (or anyone in your household) presently have an IRA?
 - Yes []1 (15)
 - No []2 ----> SKIP TO Q. 18

3. Before reading this questionnaire, were you aware that ...
 - a. you could open more than one account, as long as each year's IRA contribution did not exceed \$2,000? Yes []1 No []2 (16)
 - b. the tax laws permit you to transfer your existing IRA funds from one institution to another, or from one type of investment to another, without penalty? Yes []1 No []2 (17)
 - c. the tax laws permit you to borrow money to fund an IRA, and to take both the IRA deduction and the deduction for interest paid on the loan? Yes []1 No []2 (18)

4. Some investors have all of their IRA dollars handled by a single financial institution (e.g. one bank) and in one type of account (e.g. certificates of deposit) or more than one type of account (e.g. CD's and money market deposit account) handled by a single financial institution. Others use more than one institution, either all of the same type (e.g. all banks) or a mix of institutions (mutual funds, insurance companies, banks, etc.). Please indicate the total number of different accounts owned by you and members of your household for each type of IRA and the total number of institutions managing these accounts.

Please provide the information requested below for each type of IRA owned by you and members of your household.

TYPES OF IRAs	CURRENTLY OWN	YEAR FIRST OPENED	NUMBER OF DIFFERENT ACCOUNTS	NUMBER OF INSTITUTIONS	TOTAL AMOUNT PRESENTLY IN THE ACCOUNTS
INDIVIDUAL IRA (\$2,000 maximum investment per year)	[]1 Yes --> []1	Before 1982			
	[]2 No []3	1982			
	(19) []4	1983			\$ _____
		1984 (20)	(21-22)	(23-24)	(25-30)
SPOUSE EMPLOYED IRA (\$2,000 maximum investment per year)	[]1 Yes --> []1	Before 1982			
	[]2 No []3	1982			\$ _____
	(31) []4	1983	(33-34)	(35-36)	(37-42)
		1984 (32)			
SPOUSAL IRA (\$250 added to a second separate IRA for a non-working spouse for maximum total investment of \$2,250 jointly per year)	[]1 Yes --> []1	Before 1982			
	[]2 No []3	1982			\$ _____
	(43) []4	1983	(45-46)	(47-48)	(49-54)
		1984 (44)			
ROLLOVER IRA (accumulated pension dollars which were "rolled" into an IRA upon employment severance, death, disability, attainment of age 59-1/2, a plan termination distribution or a rollover from another IRA)	[]1 Yes --> []1	Before 1982			
	[]2 No []3	1982			\$ _____
	(55) []4	1983	(57-58)	(59-60)	(61-66)
		1984 (56)			67-78 open 79 <u>01</u> 80

5a. Please check the type of financial institution(s) currently handling the IRAs you described in response to Q. 4 (Check as many institutions as appropriate). In answering this question indicate type of institution(s) handling your IRA and in question 5b check type of savings vehicle(s) chosen to fund your account. If you bought a money market fund or stock or bond mutual fund from an insurance company or brokerage firm check one of these latter two boxes. If you bought mutual fund shares for your IRA directly from the investment company please check mutual fund company.

TYPE OF INSTITUTION	INDIVIDUAL IRA	IRA OF EMPLOYED SPOUSE	SPOUSAL IRA	ROLLOVER IRA
Brokerage Firm	[]1	[]1	[]1	[]1
Insurance Company	[]2	[]2	[]2	[]2
Commercial Bank	[]3	[]3	[]3	[]3
Credit Union	[]4	[]4	[]4	[]4
Mutual Fund Company	[]5	[]5	[]5	[]5
Savings and Loan Assns.	[]6	[]6	[]6	[]6
Mutual Savings Bank	[]7	[]7	[]7	[]7
Other _____ (Please Specify)	[]	[]	[]	[]
Don't know	[]-9 (13-14)	[]-9 (15-16)	[]-9 (17-18)	[]-9 (19-20)

5b. Please check the types of savings and investment vehicle you are currently using to fund the IRAs indicated in response to Q. 4. (Check as many types as appropriate)

TYPE OF SAVINGS VEHICLE	INDIVIDUAL IRA	IRA OF EMPLOYED SPOUSE	SPOUSAL IRA	ROLLOVER IRA
Annuities	[]1	[]1	[]1	[]1
Savings Certificates (certificate of deposit)	[]2	[]2	[]2	[]2
Savings Account	[]3	[]3	[]3	[]3
Money Market Deposit Accts.	[]4	[]4	[]4	[]4
Directly Invest in Stocks, Bonds, etc.	[]5	[]5	[]5	[]5
Bond Mutual Funds	[]6	[]6	[]6	[]6
Money Market Mutual Funds	[]7	[]7	[]7	[]7
Stock Mutual Funds	[]8	[]8	[]8	[]8
GNMA or Ginnie Mae's	[]9	[]9	[]9	[]9
Zero Coupon Bonds	[]9	[]9	[]9	[]9
Other _____ (Please Specify)	[]	[]	[]	[]
Don't know	[]-9 (21-22)	[]-9 (23-24)	[]-9 (25-26)	[]-9 (27-28)

5c. How important were the following in your selection of the above savings and investment vehicle(s)?

	VERY IMPORTANT	SOMEWHAT IMPORTANT	NOT IMPORTANT	
Fixed Rate of Return	[]1	[]2	[]3	(29)
Maximum Potential Yield	[]1	[]2	[]3	(30)
High Current Yield	[]1	[]2	[]3	(31)
Low Fees	[]1	[]2	[]3	(32)
Minimum Risk	[]1	[]2	[]3	(33)
Deposit Insurance	[]1	[]2	[]3	(34)
Stock Market Conditions	[]1	[]2	[]3	(35)

6. To be eligible for a non-working Spousal-IRA, one member of the married couple must be earning a salary and the "non-working spouse" must be under 70-1/2 years of age. Is someone in your household qualified for a non-working Spousal-IRA?

Yes []1 (36)
No []2 ----> SKIP TO Q. 8

7. If you could make an additional deductible contribution of up to \$2,000 for your non-working spouse, rather than the current \$250, would you:

- Open a spousal account if you don't already have one..... []1
- Add to the spousal account if you already have one..... []2 (37)
- Would not add to spousal account... []3
- Would not open a spousal account..... []4

8. Does your employer offer a payroll deduction plan for IRA contributions?

- Individual IRA Yes []1 No []2 (38)
- Employed Spouse IRA Yes []1 No []2 (39)

8a. Are contributions to your IRA or that of your employed spouse made through such a plan?

- Individual IRA Yes []1 No []2 (40)
- Employed Spouse IRA Yes []1 No []2 (41)

9. If you could make an additional contribution to your IRA during the 1984 tax year, which would not be tax deductible, but the earnings on which would accumulate tax free, how likely is it that you would make such a contribution in addition to your tax deductible contribution?

- Highly likely []1 Not at all likely []3 --> SKIP TO Q. 11
- Somewhat likely []2 (42)

10. How much would you contribute during the 1984 tax year (beyond the \$2,000 tax deductible contribution)?

- Less than \$1,000 []1 \$3,000 to \$3,999 []4
- \$1,000 to \$1,999 []2 \$4,000 or more []5 (43)
- \$2,000 to \$2,999 []3

11. Currently, there is a 10 percent penalty (in addition to normal income tax) on funds withdrawn from an IRA prior to age 59-1/2. If this penalty were raised to 15 percent, what is the likelihood that this would influence you to contribute less to your IRA in the future?

- Extremely likely []1 Somewhat unlikely []3
- Somewhat likely []2 Extremely unlikely..... []4 (44)

12. a. How often do you usually contribute to your IRA?

- Monthly []1 Annually []4
- Quarterly []2 Have not contributed every year []5 (45)
- Semi-annually []3

b. If annually, do you usually make the contribution: (Check One)

- Early in the tax year (January through April) []1
- Between May and December []2 (46)
- Late in the tax year (January through April of the next calendar year) []3
- It varies year to year []4

13. How much did you contribute to your IRA(s) for the 1983 tax year - the 15 1/2 month period ending April 15, 1984?

<u>Individual IRA</u>	<u>IRA of Employed Spouse</u>	<u>Spousal IRA</u>	<u>Rollover IRA</u>
\$ _____ (47-51)	\$ _____ (52-56)	\$ _____ (57-61)	\$ _____ (62-66)

No money was contributed in the 1983 tax year []1 ---> SKIP TO Q. 16 (67)

17. Between now and April 15, 1985, is it likely that you will transfer all or part of your IRA fund to:
- | | <u>Extremely
Likely</u> | <u>Somewhat
Likely</u> | <u>Don't
Know</u> | <u>Somewhat
Unlikely</u> | <u>Extremely
Unlikely</u> | |
|---|-----------------------------|----------------------------|-----------------------|------------------------------|-------------------------------|------|
| A different account within the same company (e.g. from a money market deposit account to a savings certificate) | []1 | []2 | []3 | []4 | []5 | (41) |
| A different company of the same type of institution (e.g. from one bank to another) | []1 | []2 | []3 | []4 | []5 | (42) |
| A different institution (e.g. from a bank to a mutual fund) | []1 | []2 | []3 | []4 | []5 | (43) |

SKIP TO Q. 23

ITEMS 18-22 TO BE ANSWERED ONLY BY HOUSEHOLDS WITHOUT AN IRA ACCOUNT

18. Why did no one in your house open an IRA? (CHECK MORE THAN ONE IF APPROPRIATE)
- | | | | |
|--|------|---|-------------|
| Did not know about IRAs | []1 | Already have adequate retirement plan | []7 |
| Need additional information | []2 | Will be retiring soon; not worthwhile | []8 |
| Not interested | []3 | Have other savings objectives (e.g. new home, children's education, etc.) | []9 |
| Not eligible (no earned income) | []4 | Just a gimmick | []-1 |
| Nothing left over after living expenses .. | []5 | Too young to worry about retirement | []-2 |
| Can't afford to tie up savings in IRAs ... | []6 | Other (specify) _____ | [] (44-45) |
19. a. Are you, or other members of your household, likely to open an IRA in the 1984 tax year (i.e. between now and April 15, 1985)?
- | | | | |
|-------------------------|------|---------------------|------|
| Highly likely | []1 | | |
| Somewhat likely | []2 | | (46) |
| Not at all likely | []3 | ---> SKIP TO Q. 20a | |
19. b. In what type of savings or investment will you place your IRA money?
- | | | | |
|--|------|------------------------------------|--------------|
| Savings Certificates | []1 | Stock Mutual Funds | []6 |
| Annuities | []2 | Money Market Funds | []7 |
| Invest in stocks, bonds, and other securities directly | []3 | Money Market Deposit Account | []8 (47-48) |
| Bond Mutual Funds | []4 | Don't Know | []9 |
| Savings Account | []5 | Other (Specify) _____ | [] |
20. a. Would you be interested in opening an IRA by having your employer automatically deduct, on a regular basis, a specified amount from wages or salary?
- | | | | |
|-----------------------------|------|------------------------------------|-----------|
| Very interested | []1 | Not at all interested | []3 |
| Moderately interested | []2 | Not employed outside the home | []4 (49) |
20. b. Which of the following events would be vital to the decision to open an IRA in the months ahead? (PLEASE CHECK ONLY ONE BOX)
- | | | | |
|---|------|---|-------------|
| Cutting spending in order to save in an IRA | []1 | Obtaining extra money (inheritance, a "windfall" of some type) | []5 |
| Obtaining more information about IRAs which convince me it is a good idea.. | []2 | Recognizing that the opportunity to get a tax break on 1984 income is slipping away ... | []6 |
| Spouse obtaining work which supplements income | []3 | Other (specify) _____ | [] (50-51) |
| Shift some existing savings to IRA | []4 | | |

21. Currently, there is a 10 percent penalty (in addition to normal income tax) on funds withdrawn from an IRA prior to age 59-1/2. If this penalty were raised to 15 percent, would you be less likely to open an IRA in the future?

Yes []1 No []2 (52)

22. Would you be more likely to open an IRA in tax year 1984 if you could withdraw money without penalty for the purchase of a principal residence, education expenses or financial emergencies?

Yes []1 No []2 (53)

SECTION II ALL RESPONDENTS SHOULD ANSWER THE REMAINING QUESTIONS

23. Are you:

Employed []1 Self-employed ... []2 Retired []3 Unemployed []4 (54)

24. Is your spouse:

Employed []1 Unemployed []4
Self-employed []2 No spouse []5 (55)
Retired []3

IF NEITHER YOU NOR YOUR SPOUSE ARE EMPLOYED SKIP TO Q. 31

25. If employed, how many years have you worked for your current employer?

	<u>Yourself</u>	<u>Spouse</u>	
0-5	[]1	[]1	
6-10	[]2	[]2	(56-57)
11-15	[]3	[]3	
Over 15	[]4	[]4	

26. If employed, does your employer offer a pension, profit sharing or retirement plan for employees?

	<u>Yourself</u>	<u>Spouse</u>	
Yes	[]1	[]1	
No	[]2	[]2	(58-59)
Don't know	[]3	[]3	

27. Are you or your spouse a participant in any pension, profit sharing or retirement plans?

	<u>Yourself</u>	<u>Spouse</u>	
Yes	[]1	[]1	
No	[]2	[]2	(60-61)
Don't know	[]3	[]3	

28. Most employers allow the employee to build up an equity in the pension fund which generally increases with the number of years of employment. This establishment of equity is known as vesting. Please check the box that describes your standing in the pension plan.

	<u>Yourself</u>	<u>Spouse</u>	
Partially vested	[]1	[]1	
Fully vested	[]2	[]2	
Not vested at all, haven't worked for company long enough	[]3	[]3	(62-63)
Don't know	[]4	[]4	

29. A 401 (k) plan is a tax-qualified retirement plan which includes a "Cash or Deferred" arrangement. The cash or deferred arrangement permits an employee to have a portion of his compensation contributed to a tax sheltered plan on his behalf or paid to him directly as additional taxable compensation. If employed, does your employer sponsor a deferred compensation 401 (k) plan (allowing the employee to reduce his taxable compensation with contributions to the plan or elect between taxable compensation and contributions to the plan where the amounts will accumulate tax-free?)

	<u>Yourself</u>	<u>Spouse</u>	
Yes	[]1	[]1	(64-65) ----> (IF NO ONE HAS A 401(k) PLAN, SKIP TO Q. 31)
No	[]2	[]2	
Don't know	[]3	[]3	

30. Do you participate in this plan?

	<u>Yourself</u>	<u>Spouse</u>	
Yes	[]1	[]1	(66-67)
No	[]2	[]2	

SECTION III

31. Are you:

Female	[]1	Male	[]2	(68)
--------------	------	------------	------	------

32. Are you:

Married	[]1	Never Married	[]4	(69)
Divorced	[]2	Separated	[]5	
Widowed	[]3			

33. Please check your age category.

Under 30	[]1	50-59	[]4	(70)
30-39	[]2	60-64	[]5	
40-49	[]3	65 and older	[]6	

34. Please check the highest level of education you have attained.

Some high school	[]1	College graduate	[]4	(71)
High school graduate	[]2	Graduate school	[]5	
Some college	[]3			

35. How much do you know about mutual funds?

Very familiar	[]1	(72)
Somewhat familiar	[]2	
Not at all familiar	[]3	

36. Do you, or others in your household currently own any of the following types of mutual funds, excluding those associated with an IRA?

Stock Fund	[]1	Municipal Bond Funds	[]4	(73)
Corporate Bond Fund	[]2	Other types of Mutual Funds	[]5	
Money Market Fund	[]3	Don't Presently Own Funds	[]6	

37. If no one in your household currently owns mutual funds, has anyone in your household owned them in the past?

Yes	[]1	No	[]2	(74)
-----------	------	----------	------	------

38. How many household members contribute to your household income?

One	[]1	Three or more	[]3	(75)
Two	[]2			

39. Please check the appropriate combined yearly family income for 1983 (before taxes) from all sources in your immediate household. Include income from salaries, dividends, rents, realized capital gains, bonuses, etc. Please remember that this is completely confidential.

Under \$5,000	[]1	\$30,000 - \$34,999	[]7	(76-77)
\$5,000 - \$9,999	[]2	\$35,000 - \$39,999	[]8	
\$10,000 - \$14,999	[]3	\$40,000 - \$44,999	[]9	
\$15,000 - \$19,999	[]4	\$45,000 - \$49,999	[]-1	
\$20,000 - \$24,999	[]5	\$50,000 - \$74,999	[]-2	
\$25,000 - \$29,999	[]6	\$75,000 and over	[]-3	

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WE GREATLY APPRECIATE YOUR PARTICIPATION IN THIS SURVEY AND HOPE YOU WILL RETURN THE QUESTIONNAIRE PROMPTLY IN THE ENCLOSED ENVELOPE.

APPENDIX C

QUESTIONNAIRE

SECTION I

1. Prior to receiving this questionnaire, were you aware that all working persons are able to make a contribution of up to \$2,000 a year (but not more than actual earned income) to an Individual Retirement Account (IRA)?

Yes []

No []

2. Do you (or anyone in your household) presently have an IRA?

Yes []

No [] Skip to Q. 16

3. Before reading this questionnaire, were you aware that

a. you could open more than one account as long as each year's IRA contribution did not exceed \$2,000?

Yes [] No []

b. the tax laws permit you to transfer your existing IRA funds from one institute to another, or from one type of investment to another, without penalty?

Yes [] No []

c. the tax laws permit you to borrow money to fund an IRA, and to take both the IRA deduction and the deduction for interest paid on the loan?

Yes [] No []

4. Some investors have all of their IRA dollars handled by a single financial institution (e.g. one bank) and in one type of account (e.g. certificates of deposit) or more than one type of account (e.g. CD's and money market deposit account) handled by a single financial institution. Others use more than one institution, either all of the same type (e.g. all banks) or a mix of institutions (mutual funds, insurance companies, banks, etc.). Please indicate the total number of different accounts owned by you and members of your household for each type of IRA and the total number of institutions managing these accounts.

Please provide the information requested below for each type of IRA owned by you and members of your household.

TYPES OF IRAs	CURRENTLY OWN	NUMBER OF DIFFERENT ACCOUNTS	NUMBER OF INSTITUTIONS
INDIVIDUAL IRA (\$2,000 maximum investment per year)	Yes <input type="checkbox"/>] No <input type="checkbox"/>]	-----	-----
SPOUSE EMPLOYED IRA (\$2,000 maximum investment per year)	Yes <input type="checkbox"/>] No <input type="checkbox"/>]	-----	-----
SPOUSAL IRA (\$250 added to a second separate IRA for a non-working spouse).	Yes <input type="checkbox"/>] No <input type="checkbox"/>]	-----	-----

5a. Please check the type of financial institution(s) currently handling the IRAs you described in response to Q. 4 (Check as many institutions as appropriate).

TYPE OF INSTITUTION	INDIVIDUAL IRA	IRA OF EMPLOYED SPOUSE	SPOUSAL IRA
Brokerage Firm	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Insurance Company	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Commercial Bank	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Credit Union	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Mutual Fund Company	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Savings and Loan Assns.	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Other _____ (Please Specify)	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Don't know	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]

5b. Please indicate the types of savings and investment vehicle you are currently using to fund the IRAs indicated in response to Q. 4 (Check as many types as appropriate).

TYPE OF SAVINGS VEHICLE	INDIVIDUAL IRA	IRA OF EMPLOYED SPOUSE	SPOUSAL IRA
Annuities	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Certificate of Deposit	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Savings Account	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Money Market Accts.	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Directly Invest in Stocks	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Bond Mutual Funds	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Money Market Mutual Funds	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Stock Mutual Funds	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
GNMA or Ginnie Mae's	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Zero Coupon Bonds	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Other _____ (Please Specify)	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Don't know	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]

5c. How important were the following in your selection of the above savings and investment vehicle(s)?

	VERY IMPORTANT	SOMEWHAT IMPORTANT	NOT IMPORTANT
Fixed Rate of Return	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Maximum Potential Yield	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
High Current Yield	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Low Fees	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Minimum Risk	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Deposit Insurance	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]
Stock Market Conditions	<input type="checkbox"/>]	<input type="checkbox"/>]	<input type="checkbox"/>]

5d. To be eligible for a non-working Spousal-IRA, one member of the married couple must be earning a salary and the "non-working spouse" must be under 70-1/2 years of age. Is someone in your household qualified for a non-working Spousal-IRA?

Yes[]
 No[] Skip to Q. 8

7. If you could make an additional deductible contribution of up to \$2,000 for your non-working spouse, rather than the current \$250, would you:

- Open a spousal account if you don't already have one]
 Add to the spousal account if you already have one]
 Would not add to spousal account]
 Would not open a spousal account]

8. If you could make an additional contribution to your IRA during the 1985 tax year, which would not be tax deductible, but the earnings on which would accumulate tax free, how likely is it that you would make such a contribution in addition to your tax deductible contribution?

- Highly Likely]
 Somewhat Likely]
 Not at all Likely] Skip to Q. 10

9. How much would you contribute during the 1985 tax year (beyond the \$2,000 tax deductible contribution)?

- Less than \$1,000] \$3,000 to \$3,999]
 \$1,000 to \$1,999] \$4,000 or more]
 \$2,000 to \$2,999]

10. Currently, there is a 10 percent penalty (in addition to normal income tax) on funds withdrawn from an IRA prior to age 59-1/2. If this penalty were raised to 15 percent, what is the likelihood that this would influence you to contribute less to your IRA in the future?

- Extremely Likely] Somewhat Unlikely]
 Somewhat Likely] Extremely Unlikely]

11. a. How often do you usually contribute to your IRA?

- Monthly] Annually]
 Quarterly] Have not contributed every
 Semi-annually] year]

b. If annually, do you usually make the contribution:
 (Check One)

- Early in the tax year
 (January through April)]
 Between May and December]
 Late in the tax year
 (January through April of the next calendar year)]
 It varies year to year]

12. How much did you contribute to your IRA(s) for the 1984 tax year?

Individual IRA IRA of Employed Spouse Spousal IRA
 \$ _____ \$ _____ \$ _____

No money was contributed in the 1984 tax year

13. Had you not put money into your IRA account(s) during the 1984 tax year, how would the money have been used?

All spent on goods and services
 All saved or invested
 Some spent and some saved
 (Please indicate percent that would have been spent
 _____% and percent saved _____%.)

14. Had you saved or invested your money, rather than put it into an IRA, would it have gone into: (Check more than one if appropriate).

Short-term liquid investment where you could get
 it easily
 Long-term investments such as stocks or bonds ...
 Another investment that is tax sheltered

15. People open an IRA account for a variety of reasons. Please rate the following in terms of their importance to your decision to open an IRA.

Extremely Very Somewhat Not very Not at all
 Important Important Important Important Important

a. Good way to save for almost any purpose.

b. Need to supplement retirement income.

c. Save on current taxes.

d. Helps me control my financial future.

e. Because social security will not provide me with
 an adequate retirement income.

f. Other (specify) _____

SKIP TO QUESTION 20

QUESTIONS 16-19 TO BE ANSWERED ONLY BY HOUSEHOLDS WITHOUT AN IRA ACCOUNT

16. Why did no one in your house open an IRA? (Check more than one if appropriate)

Did not know about IRAs []]
 Need additional information []]
 Not interested []]
 Nothing left over after living expenses []]
 Can't afford to tie up savings in IRAs []]
 Already have adequate retirement plan []]
 Have other savings objectives (e.g. new home,
 children's education, etc.) []]
 Just a gimmick []]
 Too young to worry about retirement []]
 Other (specify) []]

17. Are you, or other members of your household, likely to open an IRA in the 1985 tax year (i.e. between now and April 15, 1986)?

Highly Likely []]
 Somewhat Likely []]
 Not at all Likely []]

18. Which of the following events would be vital to the decision to open an IRA in the months ahead?
 (Please Check Only One Box)

Cutting spending in order to save in an IRA []]
 Obtaining more information about IRAs which
 convince me it is a good deal []]
 Spouse obtaining work which supplements income .. []]
 Shift some existing savings to IRA []]
 Obtaining extra money (inheritance) []]
 Recognizing that the opportunity to get a tax
 break on 1985 income is slipping away []]
 Other (specify) []]

19. Currently, there is a 10 percent penalty (in addition to normal income tax) on funds withdrawn from an IRA prior to age 59-1/2. If this penalty were raised to 15 percent, would you be less likely to open an IRA in the future?

Yes []]
 No []]

SECTION II

20. Are you:
- Male []
- Female []
21. Are you:
- Married []
- Divorced []
- Widowed []
- Never married []
- Separated []
22. Please check your age category.
- under 30 []
- 30-39 []
- 40-49 []
23. Is your spouse:
- Employed []
- Self-employed []
- Unemployed []
- No spouse []
24. Please check the highest level of education you have attained.
- Some high school []
- High school graduate []
- Some College []
- College graduate []
- Graduate school []
25. How much do you know about mutual funds?
- Very familiar []
- Somewhat familiar []
- Not at all familiar []
26. How many household members contribute to your household income?
- One []
- Two []
- Three or more []

27. Please check the appropriate combined yearly family income for 1984 (before taxes) from all sources in your immediate household. Please remember that this is completely confidential.

\$15,000 - \$19,999	[]
\$20,000 - \$24,999	[]
\$25,000 - \$29,999	[]
\$30,000 - \$34,999	[]
\$35,000 - \$39,999	[]
\$40,000 - \$44,999	[]
\$45,000 - \$49,999	[]
\$50,000 and over	[]

2
VITA

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