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AN ASSESSMENT OF PRERETIREMENT PLANNING FOR INCOME ADEQUACY BY OKLAHOMA PUBLIC SCHOOL TEACHERS AND ADMINISTRATORS

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AN ASSESSMENT OF PRERETIREMENT PLANNING FOR INCOME ADEQUACY BY OKLAHOMA PUBLIC SCHOOL TEACHERS AND ADMINISTRATORS

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To Wilmerth Hartsfield Martin, my Mother
and
Lonnie C. Martin, my Father

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CHAPTER I

INTRODUCTION

As Americans enter the decade of the eighties, the fastest growing segment of the population is the retirement group. Out of this group the age 75 and over comprised 3.7 percent in 1970, but by 1980 the percent had increased to 4.5. The age 65 and over population changed from 9.8 percent in 1970 to 11.4 percent in 1980.[1]

The advent of an older population has resulted from two major factors: The first is longevity due to improved health care, diet, and exercise. Life expectancy in 1979 for the total population was 73.7.[2] The second factor leading to an older population is the declining birth rate. The birth rate in 1950 was 24.1 per 1,000 population, but by 1978 the rate had declined to 15.9.[3]

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[1] U. S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1982-83 (Washington D.C.: Government Printing Office, 1982), p. 27.

[2] Ibid., p. 71.

[3] Ibid., p. 37

The 65 and older group comprise the majority of retired workers, who largely depend upon Social Security for financing their non-productive years. The increase in retired worker's longevity has strained the capacity of Social Security to provide the necessary outlays causing a crisis of confidence. Further strain has been placed on the system due to cost-of-living adjustments, extended benefits to those who do not contribute, and medical care benefits. The following table provides the distribution of benefits to 35.6 million persons in November 1980:[1]

TABLE I

DISTRIBUTION OF SOCIAL SECURITY BENEFITS
November 1980

	Persons	Percent
Retired Workers	19,524,000	54.8
Disabled Workers	2,860,000	8.0
Spouses (dependent or surviving)	8,445,000	23.8
Children (dependent or surviving)	4,660,000	13.0
	*	*

* Includes parents and special age-72 beneficiaries.

Presently, workers looking to future retirement are concerned with the ability of Social Security to provide retirement. As the labor force declines due to a lower birth rate, more strain will be placed upon the system;

[1]The 1981 White House Conference on Aging, Report of Technical Committee on Retirement Income, October 6, 1981, Washington, D.C.: Government Printing Office, p. 18

therefore, it is most unlikely that future retirees will receive benefits as generous as those received by retirees today. The instability of the Social Security System places an increasing responsibility upon individual workers to prepare for financial independence during retirement.

In recent years legislation has been passed affecting private pension plans such as the Employee Retirement Income Security Act (ERISA) in 1974 guaranteeing vesting rights for employer contributions even if all employee contributions are withdrawn when changing jobs. Vesting insures rights to a retirement income when retirement age is reached. Most pensions use earnings history and not terminal income as a base; therefore, length of work life is critical in evaluating the benefit level. Figures on pension adequacy come from the Retirement History Survey conducted by the Social Security Administration, which studies pension coverage and receipt of pensions in relation to the longest job held. From this study of persons in the private sector, 49 percent of men and 21 percent of women had pension coverage.[1]

Further legislation has provided incentives for retirement saving through tax-deferred programs such as tax-deferred annuities for government employees, Keogh for self-employed persons, and Individual Retirement Accounts.

The 80's ushered in a major recession, which caused the highest level of unemployment since the 1980's and severed many from their company pension plans. This event tends to strengthen the view of many economists for

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[1]Charlotte F. Muller, "Economic Roles and the Status of the Elderly," in Aging and Society, ed. Edgar F. Borgatta and Neil G. McCluskey (Beverly Hills: Sage Publications, 1980), p. 29.

individual retirement planning through self-directed investments and higher saving rates.

The rate of saving has roughly been five to seven percent of disposable income in American families, with the exception of the Great Depression and World War II.[1] Public policies, influenced by John Maynard Keynes' economic theory, have discouraged family savings. One such example was Regulation Q of the Federal Reserve System which maintained low interest rates on bank saving accounts. However, in this decade deregulation of the bank system is occurring and interest rates will more likely be influenced by market forces of supply and demand. Savings therefore may enjoy higher yields. Whether families will choose to save under these circumstances is a matter of much debate among economists.

In an article written by Martin Feldstein entitled, "Does the United States Save Too Little?" he argues that it is significant that the U. S. saving rate is lower than the rate in almost every other industrial country, because greater savings would provide greater benefits.[2]

Public policies have further discouraged saving by placing interest income in the "unearned bracket" and tax rates are levied at the highest level on this income. Pressures are mounting for Congress to change this provision to encourage family saving allowing for greater family stability during crises, unemployment, and retirement.

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[1]Ralph T. Byrns and Gerald W. Stone, Economics (Santa Monica, California: Goodyear Publishing Company, Inc., 1981), p. 190.

[2]Martin Feldstein, "Does the United States Save Too Little?", American Economic Review 67 (February 1977) 116-121.

Because policy makers do impact the retirement decision and the environment for effective retirement planning, it is their responsibility to address the following issues affecting the elderly:

1. The stability of funding Social Security and other private pension plans.
2. The stability of prices through prudent monetary and fiscal policies.
3. The encouragement of economic growth which will increase revenues for government funding and provide additional jobs for all persons in the economy.
4. The enactment of additional tax incentives for savers to accumulate wealth and savings for retirement income.
5. The development of preretirement educational programs.

Because of the many destablizing forces affecting retirement both in the 1970's and 1980's, the following study is designed to assess preparation for retirement, attitudes toward retirement finances, the savings patterns among families and their response to tax-incentive programs, the types of retirement income selected to supplement salaries and wages, and finally to determine the extent of preretirement counseling and planning for income adequacy with the implications these responses will provide for educational needs in this area.

Statement of the Problem

The need for retirement planning seems to be well established, but the extent to which planning occurs among educators is not known. The degree to which teachers and educators can look forward to retirement will in part depend upon the financial security achieved largely through self-direction and saving.

The primary problem of this study is to assess the extent of preretirement financial planning among Oklahoma Public School teachers and administrators.

Objectives of the Study

The objectives of this study are to examine (1) the dimensions of financial planning for retirement, (2) the dimensions of attitudes or perceptions of financial adequacy among presently retired persons, and (3) specific biographical and financial data among selected personnel in Oklahoma Public Schools.

Need for the Study

Due to the absence of adequate funding for the Social Security Administration on a long-term basis and the lack of confidence for future benefits, many citizens lack faith in this institution to provide needed financial assistance during retirement. Further, declining tax revenues in the state of Oklahoma could affect the Oklahoma Teachers' Retirement benefits. The instability of the economic system during the 1970's and 1980's points to the need for family financial planning, saving, and investing for retirement income.

The lack of financial and economic education required for graduation from Oklahoma Public Schools attest to the need for developing requirements and opportunities in this area. In addition, adult educational opportunities need to be assessed and developed to provide preretirement training and information.

Research Questions

Major questions, which are to be studied and analyzed throughout the reaserch, are:

1. Are there significant differences between preretirement planning and income?
2. Are there significant differences between preretirement planning and educational achievement?

3. Are there significant differences between preretirement planning and racial origin?
4. Are there significant differences between preretirement planning and sex (male versus female)?
5. Are there significant differences between preretirement planning and marital status?
6. Are there significant differences between preretirement planning and housing choices?
7. Are there significant differences between preretirement planning and bequest?

Assumptions

The following assumptions will be considered with respect to the study:

1. The faculty will respond in accord with their true feelings.
2. The respondents will properly follow directions in completing the questionnaire.
3. The sampling of Oklahoma Public School teachers and administrators is representative of the attitudes of all school teachers and administrators throughout the state.

Limitations

It is necessary to limit this study to specific financial factors affecting retirement and to factors influencing preretirement planning. Because the scope of retirement is so broad, it is necessary to delimit the variables to financial factors for primary consideration in this study.

A further limitation on the study will be the size of the random sample. Cost and expense of mailing is a necessary factor limiting the number to be sampled.

Operational Definitions

For the purposes of this study, the following terms are specifically defined for understanding of this research:

Older Worker. The term older worker is used and defined primarily by the United States Department of Labor as those members of the labor force 45 years of age and over. The maximum age of this group is generally 64 since age 65 is usually known as a worker's retirement age. Age 45 is normally considered slightly past the midpoint of normal working life, and workers 45-64 generally have many specific problems unique to any other age group in the labor market.

Retirement. No specific age is fixed for the term retirement as used in this study. Rather retirement means that point in a worker's life at which time his full-time occupational activity terminates, either voluntarily or involuntarily.

Replacement Rate. This term refers to the percent of retirement income in relation to preretirement income. If the retirement income is the same as preretirement income, the replacement rate would be 100 percent.

Investment. Although this term is specifically defined for use in the study of economics; for its usage in this study, it will be broader and include money loaned for interest such as savings accounts, certificates of deposit, Treasury bills, notes, bonds or any paper document representing financial claims on assets.

Saving. An economic definition of saving is the change in your total wealth over some period of time. Thus, the amount your wealth changes is the amount of your income not consumed. You may perceive some conflicts between this discussion and your previously held ideas about what the terms consumption and saving mean.

Saving Rate. The determination of the saving rate used in the questionnaire refers to the amount of money earned but not consumed compared to total income.

Intergenerational transfer. The exchange of money, property, or assets from one generation to the next usually through bequest or gifts within a family.

Capital. An economic term referring to goods which produce other goods, such as factories, plants, tools, equipment. If the term is to be substituted for money, it will be defined as financial capital.

Organization of the Study

Chapter I introduces the study and is followed by four additional chapters. Chapter II reviews the literature to provide a pertinent understanding of the issues and factors affecting retirement income and preretirement planning. Included in the review of literature are studies which provide results affecting this subject.

Chapter III describes the methods used in conducting the research. The results then are presented in Chapter IV. A summary of the study along with recommendations are included in Chapter V.

Summary

Although many studies have been completed on preretirement factors affecting various sectors of the economy, new studies need to be completed to determine preretirement planning for income adequacy in today's environment following the era of the 70's with its double-digit inflation rate. This chapter has introduced the many factors which have impacted income adequacy for retirement. Also included in the chapter are the research questions selected and the assumptions under which the research will be conducted. The existing limitations were described. Operational definitions were developed and an organization of the study presented.

CHAPTER II

REVIEW OF LITERATURE

Introduction

According to a projection by the Census Bureau, the elderly population will grow enormously in the next 70 years. By 2050 the number of people 85 and older is likely to equal the number who were 65 and older in 1950.[1] Who then is to provide income and support to this growing group while presently we struggle to keep Social Security from collapse?

Social Security established by the government in 1935 has become the major source of assistance to the elderly. Storey and Hendricks describe the expansion of the program:

> Though the program has never become universal, it has been greatly expanded over the years and currently provides potential protection for income in retirement for over 95 percent of workers employed in the private sector and their dependents. The Federal government has also established 68 separate retirement programs for federal employees, 90 percent of whom are not covered under Social Security in their current federal jobs.[2]

In addition to the retirement programs provided through the Federal government, there are at least 6,630 state and local retirement plans designed specifically to provide retirement benefits for state, county, and municipal

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[1]Gregory Spencer and John F. Long, "The New Census Bureau Projections, American Demographics 9 (April 1983): 24.

[2]James R. Storey and Gary Hendricks, Retirement Income Issues in an Aging Society (Washington, D. C.: The Urban Institute, 1979), p. 1.

employees. Further benefits are provided by private pension plans whereby it is estimated that 40 to 50 percent of employees are covered.[1]

From a study completed by the Urban Institute,

> . . .only about half of new social security retirees have any pension income other than social security; a fifth of age-65 retirees have less than 40 percent of final earnings replaced by pensions; and, most striking, over a third of households with aged heads live in poverty or near-poverty circumstances.[2]

According to Withers in The Crisis in Old Age Finance

> The most serious problem for older people is lack of sufficient income and employment. We have reached a technological level that enables us to produce the current supply of economic goods without the labor of older workers. They are forced to retire at ages that range from 65 down to 40. Once retired, their incomes fall by 50 percent or more, reducing many of them to poverty.[3]

However, the issue of income adequacy during retirement is widely debated. One of the major concerns among economists is that in-kind sources of income are not figured into the income statistics. In-kind sources refer to benefits directly received by recipients, such as medical care and food stamps. If in-kind transfers are added to income, they may overcompensate as these figures are based on government costs.

Because of the various methods by which income statistics are constructed, it is not easy to determine who lives in poverty. The most popular measure of poverty in this country is the Social Security Administration's poverty index, which was developed in the 1960's.

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[1]Ibid., p. 16.

[2]Ibid., p. 2.

[3]William Withers, The Crisis in Old Age Finance (Woodbury, New York: Barron's Educational Series, Inc., 1979), pp. 1-2.

A noted economist, James Schulz, describes the following:

> In 1970 the poverty index level for a non-farm, two person family with head age 65 or more was approximately $4,200; the one-person level was about $3,500. In 1977 there were 3.2 million aged (or 14.1 percent of all the aged) with money income below the poverty level. While the poverty rate for the white aged was ten percent in 1977, it was 24 percent for the aged in families with a female head. When other income sources are added and estimates for in-kind income are included, the number below the poverty level drops dramatically to only four percent. The addition of money estimates for food stamps, Medicare, and Medicaid is the principal reason for this decline.[1]

This figure indicates that poverty as defined by the Social Security Administration poverty index is quite low. However, most of the elderly still have money incomes below $6,000.[2]

Another method by which income adequacy for the elderly can be assessed is by the budgets for a retired couple developed by the Department of Labor. Three budgets are prepared for different living standards: Lower budget, intermediate budget, and higher budget. The summary of these budgets is shown on the following page.

The budgets represent the costs of three hypothetical lists of goods and services that were specified in the mid-1960's to portray three relative levels of living. A retired couple is defined as a husband, age 65 or over, and a wife, who are assumed to be self-supporting, residing in an urban area, in reasonably good heath, and able to care for themselves. The different budget levels provide different qualities and quantities of goods and services, but do

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[1] James H. Schulz, The Economics of Aging, Second Edition (Belmont, California: Wadsworth Publishing Company, Inc., 1980), p. 35.

[2] Ibid., p. 37.

not include personal income taxes. The lower budget is not interded to be a subsistence or poverty level of spending.[1]

TABLE 2

SUMMARY OF ANNUAL BUDGETS FOR A RETIRED COUPLE AT THREE LEVELS OF LIVING, URBAN UNITED STATES, FALL 1981

Component	Lower Budget	Intermediate Budget	Higher Budget
Total budget	$7,226	$10,226	$15,078
Total family			
Consumption	6,914	9,611	13,960
Food	2,183	2,898	3,642
Housing	2,377	3,393	5,307
Transportation	553	1,073	1,960
Clothing	244	409	629
Personal Care	198	290	424
Medical care	1,085	1,091	1,098
Other spending	275	457	901
Other items[2]	311	615	1,118

[2]Other items include gifts and contributions and life insurance

Although these measurements provide assistance in the determination of income adequacy for the elderly, the final decision lies with the individual. How do individuals perceive income adequacy for others in retirement and what income will be needed when retirement arrives for them is one of the major thrust of this study.

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[1]U. S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, Family Budgets, Vol. 105 No. 11 (Washington, D. C.: Government Printing Office, 1982), pp. 37-38.

The options available to those planning for financial adequacy in retirement include: Social Security, government pension plans, company plans, annuities, Individual Retirement Accounts (IRA's); or, if self-employed, Keogh accounts, and the acquisition of income-producing assets such as rental property or other types of wealth and savings.

The most important and popular of retirement plans is Social Security. Since nearly every working American has paid into the system for years, it is almost impossible to believe that Congress would allow the Social Security system to go broke. In the Graying of America, Jorgensen writes:

> The storm came up suddenly. Yesterday our national retirement system seemed benevolent and indestructible. But it has turned into a demon, creating a $10 trillion scandal so appalling that our public leaders have thus far chosen to suppress awareness of it. Congress must bear the main responsibility for it is Congress that has ingenuously transformed our entire national pension system into a giant iceberg in search of the Titanic.[1]
>
> . . .Consider this: Our government will collect about $500 billion this year in taxes. This is only one-twentieth of the $10 trillion currently estimated to be missing from our national pension plans.[2]

Attitudes toward Social Security have changed significantly as demonstrated by a Harris Poll taken in the early 70's, which revealed support for the Social Security system and widespread distrust of the private pension system; but, by 1979 a Harris Poll indicated 80 percent of American workers lack confidence in the Social Security system. The survey reported that over

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[1]James Jorgensen, The Graying of America (New York: The Dial Press, 1979), p. 6

[2]Ibid., p. 14.

one-third of both employees and employers who have already made extended payments into the system would, if given a chance, get out altogether.[1]

Not only is there concern about the various Social Security programs, but retirement plans established by the federal and state governments are also experiencing many of the same funding inadequacies. The troubles also extend to private pension funds. Lockheed Corporation's liability for vested benefits reaches $404 million, which is 160 percent more than the company's net worth. Bethlehem Steel has $1.3 billion missing from its account or 53 percent of its net worth.[2]

An attempt at insuring private pension plans was made under the Employee Retirement Income Security Act of 1974. This legislation was designed to eliminate some of the abuses of the private pension system. According to a 1979 study of major pension plans, the results indicated that between 1974 and 1978, 72 percent of the plans sampled had liberalized retirement formulas, 44 percent had lowered age and service requirements, 28 percent had raised benefits given to early retirees, and nearly all had provided vesting.[3]

Another bright spot on the horizon concerning pension plans is the enactment of legislation allowing individually-directed retirement accounts. These accounts have tax-deferred advantages: TSA, Tax Sheltered Annuities;

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[1] Jorgensen, The Graying of America, p. 14.

[2] Ibid., p. 11.

[3] Tabitha A. Doescher and John A. Turner, Retirement Policy: Planning for Change (Columbus, Ohio: Eric Reproduction Service, ED 220 724, 1982), pp. 9-10.

IRA, Individual Retirement Accounts; and HR 10 or Keogh Accounts for the self-employed. The TSA or Tax Sheltered Annuities are defined contribution plans; the employer may contribute up to 24 percent of the individual's earned income, minus contributions to the employer's pension plan, to a tax-deferred annuity. Legally, the employer, not the employee, makes the purchase; in practice, the employer usually deducts the purchase price of the annuity from the employee's before-tax salary. In 1979, 1.6 million people contributed to tax-deferred annuities with life insurance companies.[1]

Since the passage of the Economic Recovery Tax Act of 1981, all workers can establish an IRA account. IRA's are defined benefit plans under which a worker can contribute annually up to $2,000 or $2,250 with a non-working spouse or 100 percent of earned income, whichever is smaller. Social Security tax must be paid on the IRA contribution, but federal tax is not levied until income is removed from the fund. The advantage of the IRA account is that taxable dollars are allowed to earn interest until retirement. Employees can transfer lump sum distributions received from a pension, to a rollover IRA without paying taxes on the pension at that time. In 1978 deductions for IRA's were claimed on 2.4 million individual tax returns.[2] By 1982 11.8 million tax returns were claimed according to Internal Revenue Service.[3]

Keogh Accounts established by the self-employed workers are also allowed to earn interest until retirement. When workers reach 59½, income

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[1]American Council of Life Insurance, Pension Facts: 1980 (Washington, D.C.: American Council of Life Insurance, 1980), p. 30.

[2]Storey, Retirement Income Issues in an Aging Society, p. 30.

[3]"Is U.S. Treasury Paying Too High a Price for IRA Saving Program," Christian Science Monitor, 6 December 1983, p. B-9.

may be withdrawn and taxes are paid. If the tax-deferred funds are withdrawn before 59½, a ten percent penalty is assessed.

Although these tax-deferred plans are excellent investment vehicles for retirement, the inflation rate will determine the efficacy for retirement income. To effectively assess the rate of inflation's impact on retirement income, an eight percent rate of inflation may be too conservative based on recent U.S. experience. The following example illustrates the problem. If an individual plans to retire in 1990 assuming a rate of eight percent inflation and wishes to maintain a living standard equivalent to $25,000 in 1980 dollars, he must make $53,750 in 1990 to have the equivalent living standard.[1]

Another factor impacting retirement income is the effect of job changes. From a study, "Pensions, Job Mobility, and Preretirement Planning"; it is estimated between 1980 and 1982, 1.7 million covered workers will change jobs, resulting in 4.6 million losing benefits.[2]

Factors to be considered before changing jobs are:

1. The length of time needed to vest in the company's pension plan. Even if you do not like your present work environment, it may be wise to continue until vesting occurs;

2. Consideration that the employer may decide at some future date to increase pension benefits; and,

3. The pension plan of your new employer. In some cases, you may be too old to have time to qualify for the new company pension plan.[3]

The wealth factor must not be overlooked while seeking retirement income. Wealth can be acquired either through savings, property purchased

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[1]Elliot Raphaelson, Planning Your Financial Future (New York: John Wiley & Sons, 1982), p.6.

[2]Doescher and Turner, Retirement Policy, p. 29.

[3]Raphaelson, Planning Your Financial Future, p. 12.

through a mortgage, or by assets obtained through inheritances. The accumulation of wealth has been made increasingly difficult by the progressive income tax system and by higher inflation rates. Inheritances are also subjected to estate and inheritance taxes by both the Federal and state governments. Often it is necessary to sell some of the assets inherited to pay the tax liability.

The focus of many studies of wealth and saving is the life-cycle model of economic behavior by Ando and Modigliani, which emphasizes that consumption choices over the life cycle reflect a consideration of total resources available over that time.[1] These resources include all income sources such as earning, social security benefits, and private pensions as well as gifts and bequests from earlier generations. The original form of the life-cycle model did not include bequests to younger generations. Their subsequent inclusion has cast doubt on some of the simple results of the model because increased resources may result in an increase in the level of bequests rather than higher consumption.[2]

The decision to consume or to save is the subject of study by many economists. Typically, American savings lag behind other countries of the world. The U.S. personal-savings rate currently is less than half of that in West Germany, France and Canada; less than one-third that of Japan, and less than one-quarter of Italy. Why? Some results indicate that Americans don't feel the

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[1] A. Ando and F. Modigliani, "The Life Cycle Hypothesis of Saving: Aggregate Implications and Tests," American Economic Review, 53: 55-84, 1963 quoted in Thomas F. Dernburg and Duncan M. McDougall, Macroeconomics, Fifth Edition (New York: McGraw-Hill, Inc., 1976), p. 78.

[2] Lawrence Olson, Christopher Caton and Martin Duffy, The Elderly and the Future Economy (Lexington, Massachusetts: D.C. Heath and Company, 1981), p. 10.

need to save as much as others because they are better off as more Americans own their homes and view their equity as savings. Also Americans depend upon Social Security and Medicare. The U. S. Government through its taxing policies discourages saving and encourages borrowing. A major area of debate is whether the level of interest rates affect the saving habits. According to Robert Wescott of Wharton Econometric Forecasting Associates in Philadelphia, "Almost all academic studies show a very weak relationship between the level of interest rates and the level of savings.[1]

> A time-honored proposition of economic theory is that an increase in the rate of interest will induce consumers to forego some additional present consumption in order to take advantage of the better earnings opportunities that additional saving affords. Statistical evidence generally fails to support this hypothesis.[2]

While higher interest rates may induce some to increase their savings rate, higher interest may afford the opportunity for others to save less, such as the amount needed for a college education.

The savings rate and work versus retirement are impacted by Social Security. Martin Feldstein and Anthony Pellechio in 1979 report that additions to net social wealth decrease saving, but other economists have cast doubt on this premise. A study now being done for the President's Commission on Pension Policy will analyze the effect of Social Security and, analogously, private pensions on saving and retirement behavior. This study may help to resolve the issue.

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[1]Monroe W. Karmin, "Economy's Newest Mystery—Why Aren't People Saving More?," U.S. News and World Report 26 September 1983, p. 83.

[2]Thomas F. Dernburg and Duncan M. McDougall, Macro-Economics, Fifth Edition (New York: McGraw-Hill Book Company, Inc., 1976), p. 74.

In a report on how to ensure for retirement, the Committee for Economic Development calls for more reliance on private pension plan and personal savings and less reliance on Social Security benefits.[1] This report provides a very clear call for educational opportunities to be developed around this challenge.

Educators must face the retirement issue directly by training the young to earn, budget, and save. This life-cycle hypothesis is described in the following manner:

> Studies of consumption and saving patterns suggest that young families, who tend to have low incomes, also tend to save little or even to dissave. As they grow older and their incomes rise, their saving also rises substantially in order to pay back debts and to prepare for retirement, at which time saving again becomes negative and income declines.[2]

Likewise, educators must provide educational opportunities for those in the preretirement phase while their incomes are at higher levels. This adult education should include the various means by which individuals can provide retirement income through saving and investing. Preretirement education should further include information on the various options of Social Security and other pension plans plus an understanding of the factors affecting retirement finances.

Social Security

The original Social Security Act, enacted August 14, 1935, constituted an unprecedented expansion in the role of the federal government

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[1] U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, "Private Pension Plans Stressed," Vol. 105 No. 11, (Washington, D.C.: Government Printing Office, 1982), p. 50.

[2] A. Ando and F. Modigliani, "The Life Cycle Hypothesis of Saving: Aggregate Implications and Tests," American Economic Review, 53: 55-84, 1963 quoted in Thomas F. Dernburg and Duncan M. McDougall, Macroeconomics, Fifth Edition (New York: McGraw-Hill, Inc., 1976), p. 78.

> In only twenty-nine pages the act was divided into ten titles which created one federal compulsory program, the old-age insurance program (Titles II and VIII); a federal-state tax-offset program for unemployment compensation (Titles III and IX); and three federal-state categorical grant programs (old-age assistance, Title I; aid to dependent children, Title IV; and aid to the blind, Title X). Two other programs were created with nonuniform federal grants to states for maternal and child welfare (Title V) and public health (Title VI). The provisions of the original old-age insurance and old-age assistance program follows:[1]

To be covered under Social Security, employees had to pay the payroll tax. Those exempt from coverage were persons engaged in agriculture, domestic service in private homes, casual labor, seamen, employees of the United States government, state and local governments, and employees of any nonprofit organization, including educational, religious, and scientific organizations.

An earnings test was established which provided that an individual who continued to work in regular employment beyond the retirement age of sixty-five would lose the full monthly benefit payment for each month of employment.

Financing of the program came by appropriations from the general fund. Each fiscal year beginning June 20, 1937 funds were to be appropriated by the Secretary of Treasury to the "Old-Age Reserve Account," a newly created account in the Department of Treasury.[2]

The original act and the extent to which changes have occurred are profound. Recent legislation reforming the Social Security Act under

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[1]Carolyn L. Weaver, The Crisis in Social Security (Durham, North Carolina: Duke Press Policy Studies, 1982), p. 92.

[2]Ibid., p. 98.

amendments of 1983 mandate the following changes to bring stability to the over-burdened system:[1]

1. Payroll-tax rates for workers and their employers will be boosted on January 1, with more increases to follow. The self-employed will pay 100 percent of the combined rate plus the maximum income on which tax is paid will rise.

2. Cost-of-living adjustments normally paid to beneficiaries in July will be delayed until January.

3. For the first time, taxes will be levied on some benefits to middle and upper-income retirees.

4. Coverage will extend January 1 to employees of nonprofit groups, new federal workers, U.S. judges, members of Congress and the President.

5. The retirement age for receiving full benefits will be raised gradually from 65 to 67 in the next century.

Beginning in 1984, a part of a person's Social Security benefit will be included in his or her taxable income if the person's adjusted gross income, plus non-taxable interest income and half of his or her Social Security benefits, is more than a base amount. The base amount for an individual is $25,000; for a couple filing jointly it is $32,000, for a couple filing separately it is zero. The amount of benefits to be included in taxable income will be the lesser of: (1) one-half of the benefits for the year, or (2) one-half of the excess of the person's combined income—adjusted gross income, plus one-half of benefits—over the base amount.[2]

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[1] _____. "Social Security Rescue—What It Means to You," U.S. News & World Report, April 4, 1983, pp. 23-25.

[2] U.S. Department of Human Services, Social Security Administration, Social Security Strengthened, SSA Publication No. 05-10345 (Washington, D.C.: Government Printing Office, 1983) pp. 2-11.

In 1983, Social Security will pay 217 billion dollars in cash benefits from its three trust funds--to the elderly and survivors, the disabled and for medicare recipients, which is now about one-fourth of all federal spending.

To finance commitments of Social Security, more than 39 billion dollars, or about one-fourth of the approximately 165-billion dollar reform will be raised over the next six years by imposing steeper payroll taxes.[1]

Other changes will affect the self employed who traditionally have been taxed about three-fourths of the combined employee-employer rate. That rate will rise to 100 percent. Under this law benefits will be taxed on one-half of a person's benefits subject to federal taxes if the recipient has significant amounts of other income.

Another change will affect the cost-of-living adjustments usually made in July and January. Instead of receiving the July adjustment, a beneficiary would receive the same amount until January. This adjustment based on the Consumer Price Index will be computed using different time periods with an expected saving of 40 billion dollars.

Also, under the 1983 amendment newly hired federal civilian employees will be under Social Security. Members of the armed services are covered by the system, but civil-service employees are not presently under Social Security.

Nonprofit organization workers have previously had an option to belong to Social Security. Now such workers will be required to belong. With the addition of federal employees and nonprofit groups, an additional 20 billion will be added to the fund.[2]

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[1] "Social Security Rescue-What It Means to You," U.S. News and World Report, P. 24

[2] Ibid.

Some concerns about the possible side effects of Social Security upon economic growth have been expressed and studied by economists. From a number of recent studies, the result of Social Security on the retirement decision has been to substantially reduce their labor-force participation rate and to induce a trend to earlier retirement. The work decision of the elderly are affected in two ways by Social Security. At age 65 workers are eligible to receive a permanent monthly cash benefit. Given this option, the worker is motivated to opt for more leisure. The low-income worker with a spouse can actually quit work and receive a benefit equal to his preretirement income. If the worker takes into account that his benefits will not be taxed while his earnings would be taxed, and that his living expenses will typically fall by roughly 14 percent, some workers can improve their living standard by exercising the retirement option.

The retirement earnings test further discourages the elderly from working beyond the time of benefit eligibility. Such an individual who chooses to work faces a benefit reduction of $1 for each $2 earned above the initial exempt income. The earnings test implies an implicit marginal tax rate of 50 percent which added to payroll and federal income tax yields a tax rate in the 80 percent range. Data obtained from 1954 to 1974 indicates the percentage of elderly men engaged in part-time work doubled, and in 1974 two-thirds of all women and more than half of all men opted to draw Social Security benefits at age 62 rather than at full benefit age 65.[1]

The economic effects of early retirement decisions and those choosing to retire at 65 rather than work reduces the labor supply of the elderly, thus

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[1] Weaver, The Crisis in Social Security, p. 184.

reducing earned income and self-sufficiency. Such decisions exacerbates the burden placed on present workers to supply benefits.

Another effect which disturbs economists is the pay-as-you-go method of financing Social Security. The concern is its impact upon private saving and capital accumulation. Martin Feldstein of Harvard and presently chief economic adviser for President Reagan argues that workers who perceive government's promises to provide retirement benefits may substitute these benefits for their own retirement savings. Such a reduction in private savings leads to a decline in capital accumulation and eventually to a lower level of real income.

Feldstein estimated that in 1976 Social Security reduced personal saving by as much as $55 billion and thereby depressed total private saving by nearly 60 percent. The resulting decline in national income for that year translated into approximately $1,000 per family. Such losses result because current taxes approximate current revenues, and there is no significant asset accumulation or investment of funds in real capital. These indirect cost arise because workers are compelled to invest in unfunded government debt instead of higher yielding real capital (machinery, tools, and plants).[1]

> A recent study by Michael Darby, which allowed for bequest savings as well as retirement savings, corroborated the earlier studies that Social Security greatly reduces private savings. Combining his estimate of the decline in the saving rate with alternative estimates of the program's effect on labor supply, Darby concludes that Social Security has probably reduced the owned capital stock from 5-20 percent and real income from 2-7 percent.

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[1]Ibid., pp. 185-186.

Oklahoma Teachers' Retirement System

The Teachers' Retirement System of Oklahoma was established by a Constitutional Provision, Section 62 of Article 5 of the Constitution of the State of Oklahoma, which was adopted at a special election held on July 14 1942:

> The Legislature may enact Laws to provide for the retirement for meritorious service of teachers and other employees in the public schools, colleges and universities in this State supported wholly or in part by public funds, either of the State or of the several school districts. Payments from public funds shall be made in conformity to equality and uniformity within the same classifications according to duration of service and remuneration received during such service."[1]

The Teachers' Retirement Law was enacted during the 1943 Oklahoma Legislative Session with an appropriation of $200,000 to establish the system. The first year of operation began with a membership of 11,216.[2] Membership in the Teachers' Retirement System is available to persons employed by the public schools, schools of vocational education, colleges, or universities of Oklahoma. Prior service shall mean service rendered before 1 July 1943 while membership service shall mean service rendered after 1 July 1943 on which contributions have been paid.

Funding for Teachers' Retirement is provided by member contributions and by appropriations of revenue derived from 78 percent of the natural and

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[1] Teachers' Retirement System of Oklahoma 1943-1983 (Oklahoma City: Teachers' Retirement System of Oklahoma, 1983), p. 1.

[2] Teachers' Retirement System of Oklahoma, "Rules and Procedures for Operation of Teachers' Retirement System of Oklahoma," Board of Trustees, Oklahoma City, Oklahoma, December, 1974, p. 6 in Vincent F. Orza, Jr., "An Investigation and Analysis of Retirement Systems at Oklahoma Institutions of Higher Education" (unpublished Ed.D. dissertation, University of Oklahoma, 1976), p. 49.

casinghead gas tax, of which the first $125 million received by the State Treasurer is dedicated to the Retirement System.[1]

Changes pertinent to employees of the Retirement System were included in legislation passed in May, 1982, by the Oklahoma Legislature under Senate Bill 18 to become effective on July 1, 1982 with the following provisions:

Active Members

1. Define "normal retirement age" as age 62 for all members except those with 30 or more years of service; for members with 30 or more years of service, normal retirement age will be 55.

2. Increases the Maximum Contributory Salary from its current level of $17,000 per year to $25,000 per year. The contribution rate will continue to be five percent.

3. States that upon the death of an in-service member, TRS will pay the designated beneficiary a death benefit of $18,000. If there is no designated beneficiary, or if the designated beneficiary predeceases the member, the member's estate shall receive the death benefit.

   However, if the deceased member had 30 or more years of creditable service and the death occurred after 30 June 1981, a surviving spouse may elect to receive in lieu of the death benefit the retirement benefit to which the deceased member would have been entitled at the time of death under the Option 2 plan of retirement.

4. Defines "regular annual compensation" as a member's base salary and fringe benefits. Fringe benefits are defined as any additional financial payments including, but not limited to annuities, pension plans, insurance policies, or any other financial compensation.

5. Provides that any active contributing member who joined TRS after 1 July 1945, may pay the "normal cost" for years of TRS-related employment on which contributions were not paid. "Normal cost" is defined as the single sum which would have been paid under existing statutes at the time the service was performed, plus interest. The legislation also provides for a refund of any payments previously made that were based upon the actuarially determined cost. The options offered under this provision must be exercised before 30 June 1983.

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[1] Ibid

6. Re-establishes the provisions that permit members to purchase military and out-of-state service. Out-of-state service may be purchased at "normal cost" (see Section 5, above). The options under this provision must be exercised before 30 June 1983.

Retired Members

1. Provide a ten percent increase in retirement benefit to every annuitant who is receiving retirement benefits as of 30 June 1982.

2. States that classified members who retired prior to 1 July 1978, shall have their retirement allowance calculated on a minimum average salary of $8,000, or on his or her current minimum average salary plus $1,000 whichever is greater.

   No retirement benefit payments shall be made retroactively.

3. Provides that upon the death of an annuitant who has contributed to the System, the Retirement System shall pay to the designated beneficiary of the annuitant or, if there is no designated beneficiary predeceases the annuitant, to the estate of the annuitant, the sum of $2,500 as a death benefit.[1]

To chart retirement income, three steps are illustrated to calculate benefits. First, determine average salary by adding together the five highest annual earnings on which contributions were paid, and dividing by five. Maximum salary must not exceed the limits allowed by the published Maximum Salary History listed on table 3.

The second step is to multiply the average salary by 2 percent (.02). Then take the result of this step and third multiply this result by number of years of creditable service. This results in the amount of benefit for a year. To calculate the monthly income, divide by 12.

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[1]Oklahoma Teachers' Retirement System, "TRS Trends," (Oklahoma City: Oklahoma Teachers' Retirement System, September, 1982), p. 1.

TABLE 3

MAXIMUM SALARY HISTORY

1948-67	4%	$ 7,500
1967-69	4%	12,000
1969-73	5%	7,800
1973-75	5%	8,900
1975-76	5%	9,500
1976-78	5%	10,000
1978-80	5%	15,000
1980-81	5%	16,000
1981-82	5%	17,000
1982-	5%	25,000

Source: Oklahoma Teachers' Retirement System, "TRS Trends," September 1982, p. 3.

A retirement age study completed by the Teachers' Retirement System for the year 1 July 1980 to 30 June 1981 indicates the preferences of male and females to age for retirement. The following study is summarized.[1]

[1] Teachers' Retirement System of Oklahoma 1943-1983, p. 7.

RETIREMENT AGE STUDY

1 July 1980 - 30 June 1981
(1,177 Total Retirements)

30 + Years of Service			Less Than 30 Years of Service			Age 62 and Over
Age	Sex	Number	Age	Sex	Number	Number
61	Male	27	61	Male	31	716
	Female	52		Female	50	
60	Male	29		Male	16	
	Female	30		Female	52	
59	Male	29		Male	8	
	Female	30		Female	21	
58	Male	28		Male	4	
	Female	21		Female	17	
57	Male	6				
	Female	3				
56	Male	8				
	Female	2				
55	Male	5				
	Female	3				
54	Male	2				
	Female	1				
53	Male	0				
	Female	0				
52	Male	2				
	Female	0				
51	Male	1				
	Female	1				
	Male	137		Male	41	
	Female	143		Female	140	
	Total	280		Total	181	Total 716

The 1981 White House Conference on Aging

From a "Report of Technical Committee on Retirement Income" the majority of the committee considered retirement income the most important element, other than good health, for a rewarding retirement. The committee stated the following:

> Our committee believes that equity and prudence dictate that the elderly receive a retirement income beyond that needed for bare subsistence. We strongly oppose efforts to cut back on the social security program due to short-run budget consideration. This misguided approach breaks the compact workers have with their government on the extent of financial protection they can plan on upon retirement. Such efforts can destroy the will of workers to support the system and thereby destroy the system.
>
> Over the past two generations we have established a four tiered approach to providing retirement income, and this approach, while needing improvement, worked well. These tiers are (1) social security, (2) private and public occupational pension programs, (3) income from assets and savings, and (4) needs-tested programs such as the Federal Supplemental Security Income Program, which is supplemented by some states.[1]

The Committee recommended these four tiers be left in place and that effort should be made to provide a total retirement income equal to the preretirement standard of living; or, in the case of low income families, that retirement income be increased to the level of the intermediate budget for families submitted by the Bureau of Labor Statistics. The Committee further recommended that cost-of-living adjustments be continued to meet rising living expenses.

The characteristics which the committee identified as the most important among the aged are shown in the following tables compiled from data

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[1]The 1981 White House Conference on Aging, Report of Technical Committee on Retirement Income—White House Conference, 6 October 1981, p. 1.

provided by the Social Security Administration, of the March 1979 supplement of the Current Population Survey, conducted by the Bureau of the Census. The following data reveal that (1) older households predominate, (2) single persons predominate, (3) single women predominate, (4) total money income declined with age and (5) single women had lower median income than did single men while divorced women had the lowest median income of all subgroups by marital status.[1]

TABLE 4

OLDER HOUSEHOLDS PREDOMINATED

	Age	Number	Percent	
	65-67	3,806,000	20.9	33.5
	68-69	2,285,000	12.6	
	70-72	3,043,000	16.7	66.5
	73 and older	9,045,000	49.8	
Total	(65 and older)	18,179,000	100.0	

One-half of all aged households were age 73 and over, and two-thirds were age 70 and over.

[1]Ibid., p. 12-13.

TABLE 5

SINGLE PERSONS PREDOMINATED

Marital Status	Number	Percent
Married couples	7,152,000	39.3
Non-married couples	11,027,000	60.7
All aged households	18,179,000	100.0

Table 5 reveals that more than 60 percent of all aged households were single people.

The following table indicates that in the single family household, women more frequently predominate.

TABLE 6

SINGLE WOMEN PREDOMINATED

Marital Status	Number	Percent
Married couples	7,152,000	39.3
Non-married men	2,426,000	13.3
Non-married women	8,601,000	47.4
All aged households	18,170,000	100.0
Single Persons	Number	Percent
Non-married men	2,426,000	22.0
Non-married women	8,601,000	78.0
All Single persons	11,027,000	100.0

Accounting for 47 percent of all aged households, single women comprised nearly four-fifths of all non-married persons.

The following chart indicates that median total money income declined with age, regardless of marital status.

TABLE 7

MEDIAN TOTAL MONEY INCOME

Age	Married Couple	Non-married Men	Non-married Women
65-67	$11,600	$ 5,380	$ 4,350
68-69	10,500	4,240	4,220
70-72	9,780	4,960	4,080
73 and older	8,060	4,370	3,620
Total (65 and older)	$ 9,460	$ 4,580	$ 3,800

The committee report included a review of the sources of income for the elderly compiled from the March 1979 supplement of the Current Population Survey. The following table illustrates these sources, which reveal that Social Security was the most important source of retirement income (49 percent of the married couples' retirement income, 52 for single men and 56 for single women).

The following table illustrates the various sources of income to the households of 65 and older by marital status and sex:

TABLE 8

SHARES OF AGGREGATE RETIREMENT INCOME
OF AGED HOUSEHOLDS 65 AND OLDER

Source	Married Couples	Non-married Persons	
		Men	Women
Total Percent	100	100	100
Percent of income from:			
Retirement pensions*	73	76	73
Social security	49	52	56
Railroad retirement	1	2	1
Government employee pensions	8	8	8
Private pensions or annuities	11	11	6
Income from assets	26	22	26
Veterans benefits	1	2	1

*Note: Amounts of social security and railroad retirement are excluded from the separate items listed above for persons receiving both sources because the CPS questionnaire asks for the combined amount. Similarly, amounts of government employee pensions and private pensions are excluded from the items listed above for persons receiving both sources. All pension income is included in the "retirement pensions" category.

Source: Unpublished data from Office of Research and Statistics, Social Security Administration.

One of the results of the White House Conference on Aging and the President's Commission on Housing was a recommendation that means should be determined to make equity conversion possible, because there are approximately 12.5 million homes owned by Americans 65 years and older

of which eighty percent are owned and mortage free. Home ownership for many of these elderly Americans represents their largest single asset.[1]

A study of the Annual Housing Survey of 1977 by Bruce Jacobs, a professor at the University of Rochester, New York provided the following results:

> ...one-fourth of all low-income elderly homeowners could raise their incomes above the poverty level by drawing upon the equity in their homes; two-fifths of low-income homeowners over the age of 75 could use home equity to raise their monthly incomes above the poverty line. For these elderly, home equity could be used to meet primary monthly expenses.
>
> One policy criticism of home equity conversion is that it perpetuates the "overhousing" of the elderly, maintaining a single person or couple in a three-or four-bedroom house which might better be used by a younger family with children. This criticism overlooks the important psychological and social factors involving homeownership and financial independence for many older people. Older people should have a choice of living arrangements. Most older people do not want to move from familiar surroundings and neighborhoods and alternative housing may not be available near their present home. Also remaining in a home may be cheaper than renting in terms of monthly out-of-pocket costs or when the costs of finding, buying, and moving into a newer, smaller home are considered.[2]

While this alternative may not be desirable for many, it does provide a method whereby some elderly may be able to realize the benefit of inflation through increased home equity rather than the disadvantages inflation often fosters on the elderly living on fixed incomes. While some mortgage companies participated in this reverse financial formula, another approach was for the elderly to sell their home to their children.

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[1] U.S., Senate, Turning Home Equity into Income for Older Homeowners, Special Committee on Aging (Washington, D.C.: Government Printing Office, 1982), p. 1.

[2] Ibid., pp. 1-2.

Retirement History Study

The largest and the oldest research on retirement is conducted by the Social Security Act and begun in 1940. The Retirement History Study, which is a recent research project, provides the most significant data available on the effects of retirement. Questions which this research addressed were: Why do individuals retire before the age of 65? How well does income in retirement replace earnings? What happens to the standard of living after retirement? How do social security and other laws (such as the law delaying compulsory retirement age) affect retirement patterns?[1]

The research undertaken was a ten-year study of a single sample of older workers. The design of the study is described in the following manner:

> The original sample of 12,549 persons was a multistage area probability sample selected from members of households in 19 retired rotation groups of the Current Population Survey (CPS sample design is detailed in U. S. Bureau of the Census, 1963). In spring of 1969, initial interviews were completed with 11,153 persons. Interviews were conducted biennially through 1979 (when sample members reached 68 through 73 years of age). When a sample member died, the surviving spouse—unless/until remarried—was interviewed using the same instrument as that administered to sample members. This procedure has enabled the development of a separate longitudinal analysis group of over 1,000 widows, for whom extensive prewidowhood data is available. It also has permitted extended analysis of the results (for their widows) of sample members' work and circumstances before death. For both sample members and their spouses, survey data have been supplemented by matching them with individual social security earnings records. These records yield information on the continuity of work history and indicate amounts of benefits to which workers will be entitled.[3]

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[1]Karen Schwab and Lola M. Irelan, "The Social Security Administration's Retirement History Study" in Aging and Retirement, Prospects, Planning, and Policy, ed. Neil G. McCluskey and Edgar F. Borgatta (Beverly Hills: Sage Publications, 1981), p. 16.

[2]Ibid., p. 25.

[3]Ibid., p. 16.

The initial findings of the study reveal that level of education, occupation, and race affected the health of workers resulting in earlier retirement decisions. Men who retired earlier generally had lower incomes. Women more frequently retired at an earlier age for health reasons. Most of them expected retirement income only from Social Security.

> The phenomenon of increasing rates of early retirement (before the age of 65) was an important reason for the undertaking of RHS. The percentage of beneficiaries receiving early reduced benefits from social security has grown since it became possible to receive benefits before age 65 (in 1956 for women; 1961 for men). In 1978, 70 percent of persons awarded retirement benefits received an early reduced benefit. The growth in the percentage of social security beneficiaries taking early retirement benefits has concerned many. Early benefits are actually reduced, up to a reduction of 20 percent for individuals retiring at age 62, the earliest age at which social security benefits can be received.[1]

From the longitudinal data from RHS, analyses of replacement rates could be made.

> ...By comparing the incomes individuals have after retiring, it focuses directly on the effect of retirement upon individual income. Most attempts to measure replacement rates have used aggregated data and theoretical extrapolations. Some of these have suggested that the typical retiree would have nearly as much income in retirement as he or she had while working. Using social security record data to estimate the three highest of the last ten years of earnings, and its information on social security benefits received by retirees, Fox (1979) constructed actual replacement rates for married couples. He found that in 1973-1974 social security benefits replaced a median of 45 percent of a couple's preretirement earnings; three percent of the couples had replacement of 80 percent or higher. Adding the private pension income reported by respondents in their interviews increased the median replacement rate to 55 percent. These replacement rates are lower than replacement rates found when aggregated data is use.[1]

While Social Security was not intended to be the single source of income during retirement by the policy makers who initiated the original

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[1] Ibid.

program, for many it continues to be the only source of income. To determine the number of retirees who have assets to supplement income, the Retirement History Study revealed the following data:

> Few retirees have assets that would noticeably supplement their lowered incomes. It had been expected, in some quarters that social security benefits would be only a part of Americans' retirement income, and that they would be supplemented by both private pensions and income from assets. Friedman and Sjogren's 1981 recent analysis of 1969-1975 RHS data makes it clear that private savings do not serve that purpose. They found that in 1969 the median value of assets held, including home equity, was $17,350 for married men, $6,000 for non-married men, $4,500 for non-married women. The frailty of such amounts as sources of potential income is self-evident. Friedman and Sjogren found no association between amount of assets held and tendency to retire.[1]

Researchers from this project suggest that further research be carried out with questions which are more narrowly focused. Also, the data collection could be accomplished retrospectively rather than longitudinally.

Joint Economic Committee Study

As personal savings are significant to the retirement decision and retirement income, the following study was prepared for the use of the Subcommittee on Monetary and Fiscal Policy of the Joint Economic Committee to determine the effects of marginal tax rates on savings. The report concluded:

> The statistically significant inverse relationship between changes in social security wealth and personal saving suggests that wealth effects (at least as they relate to personal saving) are asymmetric. On the one hand, changes in non-social security wealth imply changes in personal saving of like sign. On the other hand, changes in social security wealth induce changes in personal saving in the opposite direction.
>
> Given that there is a shortfall of saving and, pari passu, of investment, public policy initiatives should be directed toward

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[1] Ibid., pp. 25-26

increasing saving. The evidence suggests that cuts in marginal tax rates would increase saving, as would policies that encourage the accumulation of non-social security wealth.[1]

Graduate Research Studies

In 1974, Donald W. Swoboda analyzed data collected for a study on selected aspects of retirement from the perceptions of preretired older workers in business. The population was chosen as the most recent inventory of manufacturing firms in Nebraska which were employing 200 or more employees. Further, delimitation was made to the Omaha-Lincoln area whereby a 15 percent proportionately stratified random sample was selected. Data collected for the study were obtained by a survey from 372 respondents.

Findings from this study indicate that more than half of present workers perceive their retirement finances will be inadequate. They further indicate they would need 60 percent of their present income for an adequate retirement income. From this research, workers felt that retirement planning was not adequate and that planning should begin at least ten or more years prior to retirement. The major recommendation from this study suggest that positive action be taken to develop preretirement programs in Nebraska to meet the needs of today's workers facing retirement.[2]

In another study conducted by Vincent F. Orza, Jr. in 1976 to investigate and analyze the retirement system at Oklahoma Institutions of

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[1]U.S. Congress, Subcommittee on Monetary and Fiscal Policy of the Joint Economic Committee, A Study of Marginal Tax Rates, Social Security Wealth, and Personal Savings: Some Time Series Evidence, 97th Cong., 2nd sess., 1982, pp. 14-15.

[2]Donald W. Swoboda, "A Survey of the Perceptions of Pre-retired Older Workers in Selected Businesses toward Various Aspects of Retirement with Implications for Pre-retirement Education." (Unpublished Ph.D. dissertation, University of Nebraska, 1974), pp. 123-124.

Higher Education, research included the Oklahom Teacher Retirement System. His findings indicate:[1]

1. Depending on the age of retirement, an individual participating in the Teachers' Retirement System of Oklahoma and social security, could retire at or near his preretirement standard of living. However, as a result of the permissive withdrawals allowed by Teachers' Retirement System of Oklahoma, an individual could provide himself or herself with a higher current standard of living, but this would only serve as a temporary increase, as a result of poor or insufficient post-retirement financial planning.

2. Orza recommended that faculty begin to take a stronger role in retirement planning.

Further research on retirement was completed by David Martin Smallwood on "An Economic Analysis of Retirement Decisions by the Self-Employed" in 1982. The summary of his study reveals:[2]

> The simulation analysis supports the previous hypotheses of economists that relative market skills, lifetime earnings, intergenerational transfers, health, and social security are important determinants of life cycle labor supply and retirement.
>
> ...Health is found to be an important variable influencing early retirement. Approximately 84 percent of the sample of retired respondents report some form of work limiting health problems compared with 34 percent of the working respondents.[2]

To determine the savings patterns for retirement planning, Malcolm Harold Morrison completed a study in 1974 in which he investigated the problem of financial preparation for retirement by current workers in a large corporation. The research was conducted by the interview method with 66 persons selected from those approaching retirement. A questionnaire was administered in the spring of 1972 with the following results:

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[1]Vincent F. Orza, Jr., "An Investigation and Analysis of Retirement Systems at Oklahoma Institutions of Higher Education." (unpublished Ed.D dissertation, University of Oklahoma, 1976), p. 104.

[2]David Martin Smallwood, "An Economic Analysis of Retirement Decisions by the Self-Employed." (A Ph.D. dissertation, North Carolina State University at Raleigh, 1982), pp. 157-158.

1. The respondents anticipated financial problems and insufficiency of income and savings at retirement, and expected to use accrued savings and earnings from employment during retirement;

2. The respondent estimates of income needed and expected at retirement were lower than current income but represented expectations for replacement of more than half of current income;

3. There was no relationship between reported current income and estimated needed and expected retirement income.

4. Respondents were saving regularly and although many had increased savings by small amounts, savings rates were a small percentage of total income.

5. Respondents cited the high cost of living as the major constraint on saving, and expressed uncertainty about the general economic situation, their health, and the high cost of living;

6. Respondents had a willingness and ability to save more, were dissatisfied with current saving performance, but were unable to accumulate substantial amounts of savings;

7. Respondents were thinking about the problem of financial adequacy in retirement but had not calculated their retirement financial needs and were unable to utilize estimates of expected retirement benefits to perform financial planning;

8. There was no relationship demonstrated between expectations for income adequacy/inadequacy and current saving behavior.[1]

Morrison projects from his study that preretirement planning begin at age forty-five and that programs be established to provide essential information for retirement financial adequacy or inadequacy. He concluded that workers did not have accurate information regarding realistic retirement goals. He further concluded that there were no obvious reasons why workers could not increase savings other than the choice to consume rather than save. While

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[1] Malcolm H. Morrison, "A Study of the Savings Decisions of Current Workers and Their Perceptions of Planning for Income Adequacy in Retirement," (Ph.D dissertation, Brandeis University, The Florence Heller Graduate School for Advanced Studies in Social Welfare, 1972), pp. 184-198.

workers selected for research received relatively high incomes, they clearly chose to allocate most resources to present consumption.

A majority of the completed studies on retirement indicate a need for preretirement counseling. In an indepth study of the Ohio retired teachers in 1972, Robert Leroy Pommerenke concluded that Ohio institutions are not fulfilling an important responsibility during the teacher's withdrawal stages of employment by providing retirement counseling for them. The recommendations for retirement counseling from Pommerenke's study were:[1]

1. Because the retired couple's budget established by the U.S. Department of Labor requires the largest outlay of funds for household costs (34 percent), a study to determine the extent of Ohio's retired teachers' expenditures for household expenses would be helpful in counseling future retirees about allocation of resources for retirement living.

2. An investigation should be conducted to learn why more personnel departments or administrators responsible for personnel do not provide preretirement counseling for Ohio's teachers.

3. The retirement system personnel should give increased counsel to school administrators about the retirement system and retirement in general. Ideally, these conferences would result in administrators giving more enlightened, informative counseling to all future retirees.

4. Each Ohio school system should designate at least one individual to begin counseling all teachers employed by the district at least one year before they retire.

5. An investigation into the spending patterns of Ohio's retired teachers is needed to ascertain their sophistication in financial management.

6. An in-depth study should be conducted to ascertain why retired teachers select various types of investments.

7. Since a large percentage of retired teachers in the study reported earnings from asset holdings, an investigation should be

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[1]Robert L. Pommerenke, "An Heuristic Investigation of the Economic Status of Ohio's Retired Teachers" (Ph.D dissertation, Ohio University, 1972), pp. 384-385.

conducted to determine the stability of these assets and the extent retired techers draw upon them to supplement retirement benefits in meeting current living expenses.

Summary

The review of literature presented critical issues affecting retirement income today including a concise assessment of Social Security and the effect of recent legislation upon the system. A review of Oklahoma Teachers Retirement System with recent legislation and its impact upon members was also included. In addition, the review presented findings of the White House Conference on Aging, the Retirement History Study conducted by the Social Security Administration, a Joint Economics Committee study for Congress, and numerous unpublished Ph.D. studies.

CHAPTER III

DESIGN OF THE STUDY

According to James Gollin in The Star Spangled Retirement Dream,

> As important as are the big retirement systems to which most of us belong, they by themselves can never solve our personal financial needs at retirement. At best, they are a base on which to build. To secure a comfortable retirement, each of us must also put into play some rather old-fashioned virtues: initiative, perseverance, thrift, self-denial. These are old-fashioned virtues. But their names ring sweetly to the ear.[1]

Because retirement planning is basically an individual endeavor, this study was undertaken to determine the extent of preretirement planning among Oklahoma educators employed in the public schools from kindergarten through grade 12 of age 45 and older.

Research Design and Procedures

The research method used in this study was the selection of a population of the total number of teachers and administrators 45 years and older employed in the Oklahoma Public School System during the fall term, 1983.

A random sample from this population was obtained by utilization of the computer in the Oklahoma Teachers Retirement System. Three hundred names were randomly selected from the approximately 10,000 personnel in the proper age category.

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[1] James Gollin, The Star Spangled Retirement Dream (New York: Charles Scribner's Sons, 1978), pp. 178-179.

Fox defined random selection as follows:

> A random-selection procedure is one in which every element in the population has an equal chance to be selected for the sample, and therefore every possible sample of a certain size is equally probable. Because this is so, this is a selection process which is bias-free. There is no way in which any factor or tendency can affect who is chosen, for random procedures leave this to chance alone.[1]

A survey instrument was designed to elicit information concerning the main parts of the study. These parts include:

1. Personal data on respondents
2. Perceptions of retirement income
3. Preretirement and retirement education
4. Preretirement planning

Studies which used instruments to gain similar information were read and studied. Organizations and governmental agencies seeking data such as the Social Security Administration studies and surveys conducted by the Survey Research Center at the University of Michigan and the Bureau of Labor Statistics were utilized in reviewing question design. Many of the questions came from an unpublished doctor's dissertation by Donald W. Swoboda, "A Survey of the Perceptions of Preretired Older Workers in Selected Businesses toward Various Aspects of Retirement with Implications for Preretirement Education."[2]

Collection of Data

Surveys were mailed to 300 public school teachers and administrators in Oklahoma on November 16, 1983. These 300 recipients of the questionnaire

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[1]Richard J. Fox, The Research Design in Education (New York: Holt, Rinehart, and Winston, Inc., 1969), p. 332.

[2]Swoboda, "Perceptions on Retirement."

were chosen by random sample with the assistance of the Oklahoma Teachers Retirement System. The schools in which the employees taught were used as the mailing addresses. An accompanying letter of explanation and stamped self-addressed envelope was mailed along with the questionnaire. The letter is shown in Appendix B and the questionaire is shown in Appendix A. A followup card was mailed two weeks later on November 30 to all 300 recipients as no identification of responses was possible.

A summary of the research was promised to any of the respondents requesting this information. Because of the confidentiality of information, it was necessary for the recipient to mail a summary request separately as names and addresses were not included or identifiable on the replies.

Fox writes that if data are to be collected from a captive group of students, the investigator would almost be certain of achieving a high rate of returns. However, if the investigator uses a mailed questionnaire sent to a large population, the attrition rate is often 30 percent or lower.[1]

Because attrition is a problem, Fox wrote that the researcher should:

> ...select a sufficiently large and diverse sample so that even if serious attrition occurs, he still has a sufficiently large data producing sample to have the basis for a reasonable study. In practice this means that we do not select a sample of the size we would like to conclude with, but select a sample one or more times larger.[2]

From the mailing of 300 questionnaires sent to randomly selected personnel over the State of Oklahoma, a total of 168 replies were received by January 12, 1984. This response represents a 56 percent return rate. As the

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[1]Fox, The Research Design in Education, p. 348.

[2]John W. Best, Research in Education, 4th Edition (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1981), p. 287.

surveys were received by the researcher, the forms were numbered and coded for input into the computer.

Method of Statistical Analysis

A preretirement planning score was determined for each respondent answering "yes" to question 13 which asks, "Have you begun plans for retirement income?" This score was determined from the results of questions 14, 15, 40, 41, and 42. Choices for each question were weighted and a total score obtained from the respondent's replies.

Question 14 states, "What will be the sources which will make up your retirement income?" with nine possible alternatives to be selected and ranked. One point was assigned to each response in this question, which assumes any income source is as effective as another. The emphasis is then placed upon the total number of income sources for retirement. This method of scoring was based on the assumption that diversification of income sources is superior planning. Nine points is the maximum score possible for this question.

a	=1 point	Social Security
b	=1 point	Teacher Retirement
c	=1 point	Private Retirement
d	=1 point	Interest from Savings
e	=1 point	Regular Withdrawals from Savings
f	=1 point	Part-time Employment
g	=1 point	Returns from Investments
h	=1 point	Some type of expected inheritance
i	=1 point	Other

Question 15 asks respondent to determine the percent of retirement income needed compared to present income. Responses to this question are scored in the following manner:

a	= 0 points	at least 20%
b	= 0 points	21 - 40%
c	= 1 points	41 - 60%
d	= 2 points	61 - 80%
e	= 3 points	81 - 100%

More points are scored for higher percentages of income needed to replace present income. Three is the maximum score for this question. This determination rests upon the anticipation of inflation for the future, which requires higher replacement rates. Home ownership would require a lower replacement rate.

Question 40 asks respondents to indicate the percent of income saved, including insurance, investments, annuities, and teachers' retirement. The following points are assigned to each of these responses.

a.	Greater than 30%	= 5 points
b.	21 to 30%	= 4 points
c.	22 to 20%	= 3 points
d.	5 to 10%	= 2 points
e.	Less than 5%	= 1 point
f.	None	= 0 points
g.	Spend more than earn	= -1 point

Although public school teachers and administrators pay five percent to Teachers' Retirement, a family's income could consist of a combined income whereby one or more family members would not be a public school employee. In this case, the combined saving rate could be lower than five percent.

A basic assumption of preretirement planning is a consistent saving pattern, which allows families to choose saving versus present consumption. Higher saving rates are the means of acquiring alternative income sources. On this question, the respondents were asked to circle only one answer; therefore, the highest points possible are 5.

Respondents to question 41 are scored on the basis of alternative investment choices. This question was weighted in the following manner:

a.	Savings Account	= 3 points
b.	Savings Bonds	= 3 points
c.	Money Market Accounts	= 4 points
d.	Mutual Funds	= 5 points
e.	Annuities	= 5 points

f.	Real Estate	= 6 points
g.	Other	= 2 points

The assumptions for scoring of this question was based on current returns to these selections and divided by 2. For example, saving accounts and bonds yield between 5.25 to 6 percent. This figure was rounded, then divided by two, to provide a more equitable weight given to other questions.

Question 42 provides the respondent with choices for tax-exempt investments and was scored by this method:

a.	Individual Retirement Accounts	= 6 points
b.	Keogh Accounts for self-employed	= 6 points
c.	Tax-exempt bonds	= 6 points
d.	Tax-deferred annuities	= 6 points
e.	Utilities with tax-exempt reinvestment	= 6 points
f.	Other	= 4 points

The points allocated to these responses were determined by dividing the return rate by two. The assumption was made that the "other" response would most frequently be tax-sheltered partnerships, which have higher risk levels. Missing values are scored as zero responses in this question. The maximum possible points for this question are six as only one selection is scored.

The total score possible for preretirement planning is:

Question	14	= 9
	15	= 3
	40	= 5
	41	= 6
	42	= 6
TOTAL		29

After the preretirement score was aggregated, the mean score and standard deviation was computed.

A one-way analysis of variance was carried out for the effect of the preretirement score by each of the following variables in turn: marital, sex, race, living quarters, education, income, and bequest. This analysis was used to

determine if there were any significant differences of mean preretirement scores between the groups. The analysis of variance allows one to consider data from several samples at the same time to determine whether there is a systematic difference between the means of the sample groups. Analysis of variance requires the computation of an F ratio, which is shown in the following formula:[1]

$$F = \frac{\text{between groups variance}}{\text{within groups variance}}$$

and the hypothesis of equal population means is rejected if F is too big. The significance level chosen was .05 to indicate a significant difference.

Analysis of variance requires the assumption that the variances in the several populations (e.g. in the different levels of marital status) are equal. Then the within groups estimate of this variance is compared to the between groups estimate of the variance. If the populations have different means, then the latter estimate will tend to be larger than the former.

A perception score was derived from questions 12, 19, 25, 26, 38, and 39. The questions in this section asked for the respondent's feelings or perceptions about income adequacy for retirement. From an analysis of these questions, respondents were grouped into a positive, negative, or neutral group, which reflects the respective group's attitude. The following questions are weighted by this method:

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[1]Minium, Statistical Reasoning in Pyschology and Education, pp. 394-396.

Question 12 asks the respondent how adequate do you feel your family's retirement income will be.

a,b	Positive	3
c	Neutral	2
d,e	Negative	1

Question 19 seeks to determine how the respondent feels about the present income of retired people.

a,b	Positive	3
c	Neutral	2
d,e	Negative	1

Question 25 asks the respondent to describe the average person's preparation for retirement.

a	Positive	3
b	Neutral	2
c	Negative	1

Question 26 asks if the recipient feels that most people need to plan for their retirement.

a	Positive	3
c	Negative	1

Question 38 asks for a perception of your retirement.

a	Positive	3
b	Neutral	2
c	Negative	1

Question 39 asked if you were permitted early retirement with full benefits, would you elect to retire early? The responses were provided the following points:

a	Positive	3
b	Negative	1

The maximum obtainable points for the perception score were 18. A perception score was determined for each respondent for whom all the variables

were available by summing the points assigned. A mean score was determined and a standard deviation computed.

A correlation was computed between the preretirement scores and the perception scores to determine if there was a significant linear relationship between these measurements. The correlation coefficient is computed by the following formula:

$$r = \frac{\Sigma xy}{\sqrt{\Sigma x^2 \Sigma y^2}}$$

$$\Sigma xy = \Sigma (x - \bar{x})(y - \bar{y})$$

$$\Sigma x^2 = \Sigma (x - \bar{x})^2$$

$$\Sigma y^2 = \Sigma (y - \bar{y})^2$$

where:

n = sample size

x = preretirement score

y = perception score

The Pearson Product Moment correlation is stronger the nearer it reaches plus or minus one, which represents a perfect linear correlation between two variables. But should always be interpreted in conjunction with a scatterplot, to determine whether the relationship does indeed appear to be linear (as opposed to curvilinear).

The following chapter provides results of the data as analyzed by the description and method outlined in this chapter.

CHAPTER IV

PRESENTATION AND ANALYSIS OF THE DATA

The purpose of Chapter IV is to present the findings of the data collected from questionnaires sent to Oklahoma Public School administrators and teachers age 45 and older. From 300 surveys mailed to randomly selected personnel, 168 responded. This data was studied to determine the extent of preretirement planning among these respondents.

To provide a more concise representation, the chapter will be divided into the following sections:

Characteristics of the Sample

Analysis of Preretirement Score

Analysis of Perception Score

Analysis of Guide Questions

The first part will consider general information data describing the sample studied. The second and third part of the chapter is an analysis of the preretirement score and perception score with relevant findings. The last section is the analysis of the guide questions and the pertinent findings for each section. The presentations will be made in tables with accompanying discussion.

The guide questions considered are:

1. Are there significant differences in mean preretirement scores for people in the different income levels?
2. Are there significant differences in mean preretirement scores for people at different educational levels?

3. Are there significant differences in mean preretirement scores for people of different racial origin?

4. Are there significant differences in mean preretirement scores for people with different gender?

5. Are there significant differences between mean preretirement scores for singles versus married respondents?

6. Are there significant differences in mean preretirement scores for people with different housing choices?

7. Are there significant differences in mean preretirement scores for people who have received a bequest and those who have not?

Characteristics of the Sample

From the 300 surveys mailed to randomly selected personnel in the Oklahoma Public Schools, 168 surveys were returned for data analysis. This return represents a 56 percent rate of response, which is excellent by research experience. Fox indicated a response greater than 30 percent was unusual.[1] Therefore, the questionnaire and study must have been of interest to the recipients for them to participate.

This section of the presentation of data will contain a series of tables and discussion based on the demographic data in the questionnaire. The first eleven questions and the responses provide some identification of the population sampled.

Table 9 indicates that the majority of respondents in this sample were married rather than single, 132 were married and the remaining 36 were considered as singles for this category. This indicates a ratio of 3.5 to 1.

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[1]Fox, The Research Design in Education, p. 348.

TABLE 9

MARITAL STATUS

Response	Frequency	Percent
Single	10	6.0
Married	132	78.6
Widowed	9	5.3
Divorced	15	8.9
Separated	2	1.2
TOTAL	168	100.0

Table 10 represents a highly skewed distribution based on the characteristic of sex (male/female). The distribution included 56 males and 112 females or a 2:1 ratio of females to males. As illustrated in Table 10 males represented 32.1 percent and females 67.7.

TABLE 10

SEX

Response	Frequency	Percent
Male	56	33.3
Female	112	66.7
TOTAL	168	100.0

Caucasians represented 91 percent of those responding to the questionnaire. Out of the 168 respondents, 152 were Caucasian, 8 were black, and 5 American Indian. The percentage of blacks was 4.8 and American Indians was 3.0 as shown in Table 11.

TABLE 11

RACE

Response	Frequency	Percent
American Indian	5	3.0
Black	8	4.8
Spanish American	0	0
Caucasian	152	90.5
Other	2	1.2
No response	1	.5
TOTAL	168	100.0

Of the 168 respondents to the survey, one did not answer question four, type of living quarters, leaving 167 total responses. Only nine replied that they lived in a rented home or apartment for a 5.4 percentage. Sixty-six indicated they were living in a mortgage-free home, which represents 39.5 percent. Eighty nine were living in a mortgaged home and three were living in a home owned by someone else in the family. Table 12 shows that the overwhelming percentage were living in homes either paid for or being purchased through a mortgage.

Since the questionnaires were sent to a highly select group of well-educated personnel, it is not surprising that the educational level is skewed. Only six of the 168 respondents did not receive a college degree while only one had completed training in a technical school. Four indicated the completion of a doctorate, which represents 2.4 percent. Forty-nine had completed college while 109 had achieved a Master's Degree. The figures are shown in Table 13.

TABLE 12

LIVING QUARTERS

Response	Frequency	Adjusted Percent
Rented home or apartment	9	5.4
Mortgage-free home	66	39.5
Mortgaged home	89	53.3
Home owned by someone else in family	3	1.8
No response	1	
TOTAL	168	100.0

TABLE 13

EDUCATION

Response	Frequency	Percent
9 - 12 years	6	3.6
College	49	29.2
Technical School	1	.6
Master's Degree	108	64.2
Doctorate	4	2.4
TOTAL	168	100.0

Each recipient's age was categorized into levels as illustrated in Table 14. Out of the 168 respondents age 45 and older, three did not respond to this question leaving 165 who specified actual age. The oldest respondent was 69. The mean age for this group was 52.7 and the median age 52.

TABLE 14

AGE

Response	Frequency	Adjusted Percent
45 - 49	60	36.4
50 - 54	45	27.3
55 - 59	38	23.0
60 - 64	17	10.3
65 years and older	5	3.0
No response	3	
TOTAL	168	100.0

The average number of years until retirement was 8.9 years. Two responses were rejected as unreasonable expectations and not considered in the sample evaluation. One response was 65 which possibly was an error while the other response was 31 and the respondent's age 69. Since these two replies did not fall into the categories chosen for Table 15, they will be indicated as no response. These two responses were included in the six additional no response replies, which totals eight. The median years until retirement is eight.

TABLE 15

YEARS UNTIL RETIRMENT

Response	Frequency	Adjusted Percent
0 - 5	56	35.0
6 - 10	49	30.6
11 - 15	37	23.1
16 - 20	15	9.4
21 - 25	3	1.9
No response	8	
Total	168	100.0

Questions six and seven on the survey asked for present age and number of years until expected retirement. By utilizing these two questions, the anticipated age for retirement is determined. A crosstab was developed on this data to determine present age compared to retirement age. A major purpose for this analysis is to assess the pattern for early retirement among this group.

Table 16 reveals that 30 percent of the respondents will retire before age 60 and 60.6 percent will retire by age 62 or earlier. As the figures show, 48 plan to retire by 60, which reflects the thirty year retirement policy of Oklahoma Teachers' Retirement. Thirty-eight planned to retire at 62, which reflects the early retirement feature of Social Security. A Pearson Product Moment Correlation was computed for age to retirement age resulting in a correlation coefficient of .42 and a P=.000 which is significant.

TABLE 16

COMPARISON OF PRESENT AGE AND ANTICIPATED RETIREMENT AGE

	Anticipated Retirement Age							
Present Age Group	Less than 60	60	61	62	63	64	65	66 and over
45 - 49	23	1	2	10	2	3	11	4
50 - 54	17	2	1	11	3	1	8	1
55 - 59	8	3	2	11	1	1	10	2
60 and over	0	0	0	6	3	3	3	7
TOTAL	48	6	5	38	9	8	32	14
Percent of Total	30.0	3.8	3.1	23.7	5.6	5.0	20.0	8.8
Accumulative Percent	30.0	33.8	36.9	60.6	66.2	71.2	91.2	100.0

N = 160 NR = 8

Question 8 was asked to determine the number of teachers compared to the number of administrators responding to the survey. Of the 168 persons surveyed, 125 were teachers or a percentage of 74.4. Forty-three persons were administrators, or 25.6 percent.

Question 9 was included to determine the permanency of employees in the field of education. Table 17 indicates that the sample surveyed indicate highly stable employment characteristics. Of the total respondents, only 5.4 percent have been in their present occupation less than five years, while 54.1 percent have been employed in this field for 20 years or over.

TABLE 17

YEARS WORKED IN PRESENT TYPE OF WORK

Response	Frequency	Percent
Less than 5 years	9	5.4
Five but less than 10	18	10.7
Ten but less than 15	26	15.5
Fifteen but less than 20	24	14.3
Twenty or more	91	54.1
TOTAL	168	100.0

The only income figures sought were those of the gross earnings provided by the family. As Table 18 shows the most frequent monthly income was $3,500 or more monthly. These particular income categories were chosen because they are used by the Bureau of Census in reporting income statistics. As Table 18 indicates the data is skewed to a higher income level. This result is anticipated due to studies which show a positive correlation between education

and income. The median monthly family income level is between $3,000 and $3,499 gross earnings or an annual income between $36,000 and $41,988.

TABLE 18

FAMILY'S AVERAGE GROSS MONTHLY INCOME

Response	Frequency	Adjusted Percent
Less than $500	0	0.0
$500 - $999	1	.6
$1,000 - $1,499	9	5.4
$1,500 - $1,999	19	11.4
$2,000 - $2,499	25	15.0
$2,500 - $2,999	21	12.6
$3,000 - $3,499	24	14.4
$3,500 or more	68	40.6
No Response	1	
TOTAL	168	100.0

Because the results on the income levels were skewed toward the upper limits, the survey instrument would have been more effective if the options had included higher income categories to separate those who had income above $42,000 annually.

The average number living in the family unit was 2.52 with a standard deviation of 1.68. Family size ranged from one to six.

Question 42 asked those surveyed to indicate a yes or no response to the question, "Does your family tithe to a church or religious organization?" There were only six no responses to this question, while 103 persons or 61.3 percent indicated they did tithe and 59 or 35.1 percent did not.

Analysis of Preretirement Score

Question 13 was designed to divide recipients into two groups, those who were planning for retirement and those who were not planning. From the 168 respondents, 141 or 83.9 percent indicated they were making retirement plans, while 27 or 16.1 percent were not.

As described in Chapter III a preretirement score was determined for each respondent using responses to Questions 14, 15, 40, 41, and 42. The mean of the preretirement score was 17.93 with a standard deviation of 4.27. The following discussion provides an analysis of responses to these questions, relating to the preretirement score.

Question 14 asks respondents to select and rank the sources which will provide retirement income. As many of those in the study selected income sources but did not rank their importance, the following table provides the frequencies of responses to income selection. As the table illustrates, the most frequently chosen income source was teachers' retirement, while second most important choice was Social Security. It is obvious from these results that the majority of participants in this study will depend upon Oklahoma Teachers' Retirement and Social Security as their major souces of retirement income. None of the other income sources received responses greater than fifty percent. Of the remaining choices selected, private retirement benefits was selected by 49.4 percent with this category being the one most frequently chosen after teachers' retirement and Social Security.

TABLE 19

SOURCES OF RETIREMENT INCOME

Question 14

Response	Frequency	Adjusted Percent
Social Security Benefits	161	95.83
Teacher Retirement Benefits	166	98.80
Private Retirement Benefits	83	49.4
Interest from Savings Accounts and Bonds	68	40.47
Regular Withdrawal from Savings	18	10.71
Part-time Employment	48	28.57
Returns from Investments	49	29.16
Some type of Expected Inheritance	22	13.09
Other	17	10.11

number of respondents - N = 167
number of nonrespondents - NR = 1

Question 15 asked those surveyed to determine the percent of their present income needed to maintain adequate monthly retirement income. The responses indicated that most felt they would need at least 61 - 80 percent with the next highest category being that of 81 to 100 percent as shown in Table 20.

TABLE 20

PROPORTION OF MONTHLY INCOME NEEDED FOR RETIREMENT INCOME

Question 15

Response	Frequency	Adjusted Percent
At least 20%	15	9.5
21 - 40%	21	13.3
41 - 60%	18	11.4
61 - 80%	60	38.0
81 - 100%	44	27.8

N = 158 NR = 10

To determine the extent of preretirement planning, question 40 asked what percent of the family's income was saved including all life insurance, investments, annuities, teachers' retirement, etc. The category most frequently chosen was the 11 to 20 percent range, with the second most popular category being the five to ten percent range as shown in Table 20. These selected savings rates represent a higher level of saving than the national average as discussed in Chapter II. Two factors, which contribute significantly to higher savings rates among this group, are: (1) forced participation in Oklahoma Teachers Retirement System at five percent of income, (2) higher income levels, and (3) middle age group, which typically reflects a time for higher earning capabilities.

TABLE 21

PERCENT OF FAMILY'S INCOME SAVED

Question 40

Response	Frequency	Adjusted Percent
Greater than 30%	13	7.9
21 to 30%	37	22.4
11 to 20%	47	28.5
5 to 10%	42	25.5
Less than 5%	19	11.5
None	5	3.0
Spend more than earned	2	1.2

N = 165 NR = 3

Question 41 asked, "How do you invest your savings?" The replies to this question indicated the most frequent method of investing savings was in annuities. The second most frequent selection was in money market accounts. Table 22 indicates the popularity also of savings accounts. Although instructions on this question directed a single response, a better design would have been to choose and rank investments according to the largest amounts invested.

TABLE 22

HOW DO YOU INVEST YOUR SAVINGS?

Question 41

Response	Frequency	Adjusted Percent
Savings Account	28	17.3
Savings Bonds	6	3.7
Money Market Accounts	31	19.1
Mutual Funds	7	4.3
Annuities	58	35.8
Real Estate	23	14.2
Other	9	5.6

N = 162 NR = 6

Question 42 requested identification of various tax-exempt or tax-deferred plans being used. On this question the most frequently selected response was "tax-deferred annuities." Teachers as government employees have access to a special tax provision allowing them the privilege of choosing this option and deferring taxes to retirement. This category represented 55.6 percent, while 28 percent had chosen an IRA investment. These percentages are adjusted to the number of cases responding. When missing cases are removed, the percentages rise considerably as there are 44 who did not choose a tax-advantage investment. The design of this question would be improved by asking for multiple responses and ranking responses according to larger

investments. For example: If saver invests largest amounts in annuities, a ranking of one should be selected.

TABLE 23

INVESTMENT IN TAX-EXEMPT OR TAX-DEFERRED PLANS

Question 42

Response	Frequency	Percent	Adjusted Percent *
Individual Retirement Accounts	47	28.0	37.9
Keogh Accounts for Self-Employed	3	1.8	2.4
Tax-Exempt Bonds	1	.6	.8
Tax-Deferred Annuities	69	41.1	55.6
Utilities with Tax-Exempt Reinvestment	4	2.4	3.3
Non-Response	44	26.1	*

N = 124 NR = 44

* non-responses removed

Analysis of Perception Score

The second score obtained for each respondent was a perception score. This score was provided by questions 12, 19, 25, 26, 38, and 39. The perception score provided a measure of the attitude toward retirement; whether it was a positive, neutral or negative viewpoint. The questions chosen to obtain this score are illustrated by the following breakdown.

Question 12 asked those surveyed to select how adequate they felt their family's retirement income would be. The responses indicated that 36.0 percent thought their retirement income would provide "just enough." This is described in Chapter III as being a neutral position - neither positive or negative. The following table illustrated the breakdown of responses.

TABLE 24

ADEQUACY OF RETIREMENT INCOME

Question 12

	Frequency	Adjusted Percent	Scale
Much more than Adequate	11	6.7	Positive
Slightly more than Adequate	39	23.7	Positive
Just Enough	59	36.0	Neutral
Not Quite Enough	39	23.8	Negative
Not at all Adequate	16	9.8	Negative

N = 164 NR = 4

Question 19, also included in the perception score, was designed to gain information about the feeling concerning the income adequacy of people already retired. The data received determines that 33.7 percent felt that income of persons already retired was "not quite enough," while the second largest category chosen was "just enough" or 31.3 percent of those responding, which is illustrated in Table 25.

TABLE 25

INCOME ADEQUACY OF PRESENT RETIRED PERSONS

Question 19

	Frequency	Adjusted Percent	Scale
Much more than Adequate	2	1.2	Positive
Slightly more than Adequate	35	21.2	Positive
Just Enough	52	31.3	Neutral
Not Quite Enough	56	33.7	Negative
Not at all Adequate	21	12.6	Negative

N = 166 NR = 2

The information sought in question 25 was a description of the average person's retirement preparation. The data results indicated that 83.8 percent of the respondents thought retirement preparations for the elderly were "probably not adequate." Those choosing the category "adequate" represented 15.6 percent and only .6 percent thought preparation was more than adequate.

Question 26 asks if you feel most people need to plan for the day they will retire. All 168 participants said "yes" to this question representing a 100 percent response.

Question 38 asks, "How do you feel about your retirement at present?" The category most often selected was "look forward to retirement" with 65.4 percent response. Those selecting "haven't thought about it" represent 19.2 percent and "dislike the idea of retirement" received 15.4 percent response.

Question 39 asks if you were permitted early retirement with full benefits would you elect to retire early. There were 124 or 76.1 percent who indicated a "yes" response while 39 or 23.9 percent preferred a "no" response.

The mean of the perception score was 43.02 with a standard deviation of 2.52.

The following table illustrates the range and frequencies of the perception scores.

TABLE 26

ANALYSIS OF PERCEPTION SCORES

Scores		Frequencies	Category Totals	Adjusted Frequencies
38		2	Total Negative	1.6
39	Negative	3	14	2.3
40		9		7.0
41		12	Total Neutral	9.4
42	Neutral	25	61	19.5
43		24		18.8
44		24	Total Positive	18.8
45	Positive	14	53	10.9
46		11		8.6
47		4		3.1

N = 128

Missing cases were 11 or 7.9 percent. Those with a negative perception score comprise 10.94 percent, while those with a neutral score represent 47.66 percent. Those with a positive score represent 41.41 percent.

A Pearson Correlation was computed to examine the significant difference between the preretirement score and the perception score, which provided a significant relationship between these two scores with an r = .30 and a P = .001.

Analysis of Guide Questions

The first guide question asked in the research was, Are there significant differences between the mean preretirement score and people with different income levels? As preretirement planning is analyzed through the preretirement score, a breakdown was computed for the average family monthly income and the preretirement score.

The within group means and standard deviations are shown below:

TABLE 27

ANALYSIS OF MONTHLY AVERAGE INCOME AND PRERETIREMENT SCORE

Income Levels	N	Mean	Standard Deviation
Less than $500	0		
$500 - $999	0		
$1,000 - $1,499	5	14.6	4.34
$1,500 - $1,999	13	15.09	4.83
$2,000 - $2,499	19	16.47	4.68
$2,500 - $2,999	19	19.16	3.00
$3,000 - $3,499	19	16.95	4.59
$3,500 or greater	59	19.24	3.67
	134		

A one-way analysis of variance was computed on the results from this question, providing an F ratio of 4.32 with a significant level of .0012. The degrees of freedom were five and the mean square was 69.88. The analysis of this data may be suspect due to the grouping of data around the upper income limit. However, it is of interest to note that the mean scores increase from the lower income levels to higher income levels as shown in Table 27. There is fairly strong evidence to indicate persons receiving higher incomes do receive higher scores on the preretirement score and therefore do plan better for income adequacy during retirement years; however, variances are also changing at different income levels, which could account for the differences.

The second guide question was, Are there significant differences between mean preretirement scores between people at different educational levels? The mean scores and standard deviations of variance are shown in the following chart to describe the results of educational levels compared to the preretirement score.

TABLE 28

ANALYSIS OF EDUCATION LEVEL AND PRERETIREMENT SCORE

Education Completed	Mean	Standard Deviation	N
9 - 12 years	11	5.65	4
College	17.03	5.02	37
Master's Degree	18.47	3.56	89
Doctorate	21.25	1.71	4
Overall	17.93	4.27	134

Although statistical analysis cannot provide a definitive answer, the comparisons of means suggest that educational levels do impact the preretirement score, as the mean increases with increasing educational accomplishment.

The third guide question seeks to know if there are significant differences in mean preretirement scores for people of different racial origin. Although the question was asked separating the various races, the data was coded to reflect two groups—white and non-white. An analysis of variance indicated an F ratio of 7.55 with a significance level of .007. At both the .05 and the .01 level of significance this was a significant difference between whites and non-white on the preretirement score. The mean score for the group entitled whites was 19.63 with a standard deviation of 2.46 while the group non-white had a mean score of 17.4 and a standard deviation of 2.22.

The mean scores, standard deviations, and sample sizes are shown below:

TABLE 29

ANALYSIS OF EDUCATION LEVEL AND PRERETIREMENT SCORE

	Mean	Standard Deviation	N
White	18.23	4.1	120
Non-White	14.93	4.58	14
TOTAL	18.28	4.26	134

The mean scores for whites was significantly higher than that for non-whites, suggesting that non-whites do not score as high on the preretirement score. However, the variability encountered in the standard deviation is high, suggesting need for further study.

The fourth guide question asked in the research, Are there significant differences between mean preretirement scores and people of different sex (male versus female)? The mean scores indicate there is no significant difference between the groups suggesting that sex does not necessarily affect the preretirement score. The results are shown in Table 30.

TABLE 30

THE ANALYSIS OF SEX AND PRERETIREMENT SCORE

	Mean	Standard Deviation	N
Male	17	5.13	47
Female	18.43	3.66	87
TOTAL	17.93	4.22	134

The fifth guide question determines, "Are there significant differences in mean preretirement scores for singles versus married respondents?" For this purpose the marital question was divided into two categories, one representing those presently married and one for those who were not presently married. This moved the singles, widows, and divorced persons into one category, which is illustrated in Table 31.

TABLE 31

ANALYSIS OF MARITAL STATUS AND PRERETIREMENT SCORE

	Mean	Standard Deviation	N
Married	18.30	4.05	107
Unmarried	16.48	4.85	27
TOTAL	17.93	4.22	134

Although the mean scores differ, the standard deviation representing variability is high. Therefore, an assumption should not be made that marital status affected the preretirement score.

In the sixth question the research asked, "Are there significant differences between mean preretirement scores for people with different housing choices?" Again, there was not a significant difference in the preretirement score by respondent's housing choice.

TABLE 32

ANALYSIS OF HOUSING CHOICE AND PRERETIREMENT SCORE

	Mean	Standard Deviation	N
Rent	17.0	4.24	4
Mortgage Free Home	17.87	3.94	56
Mortgage Home	18.04	4.5	71
Home Owned by Others	14.0	2.8	2

The last question to be analyzed in the research was: "Is there a consistent relationship between preretirement planning and bequest received?"

Out of the 168 surveyed, 44 or 26.19 percent had received some type of inheritance. There was not a significant difference between mean preretirement scores of those persons receiving a bequest and the preretirement score of others who did not receive some type of inheritance.

TABLE 33

ANALYSIS OF BEQUEST AND PRERETIREMENT SCORE

	Mean	Standard Deviation	N
Received Bequest	19.55	3.85	38
Did Not Receive Bequest	17.24	4.32	91

The following Chapter summarizes major findings and conclusions. From these results, further recommendations are made for research and implementation of educational programs to assist in preretirement planning and preparation.

CHAPTER V

SUMMARY

Although this research led to the corroboration of findings from other studies and did not significantly differ from previous findings, the study was valuable for the implications the results provide to educators in the State of Oklahoma. As Davitz stated from his book, Evaluating Research Proposals in the Behavorial Sciences: A Guide: "Every well-designed and well-executed research leads to meaningful results."[1]

> A special problem for some researchers is finding null results, no consistent differences, and no statistically significant correlations, F ratios, or t values. Perhaps this is because success in research has come to be identified with statistical significance. At any rate, regardless of the basis for this prejudice, the scientific quality of a research does not necessarily depend on whether statistically significant differences are found.[2]

The study was designed to determine the extent of preretirement planning among teachers and administrators in the Oklahoma Public Schools. The sample was defined as 168 useful questionnaires from a population of approximately 10,000 public school employees age 45 years and older during the fall semester, 1983.

This group representing higher educational levels, higher income levels, and an older age group most frequently saved between 11 and 20 percent

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[1] Joel Robert Davitz and Lois Leiderman Davitz, Evaluating Research Proposals in the Behavioral Sciences: A Guide, Second Edition (New York: Columbia University, Teachers College Press, 1977) p. 31.

[2] Ibid.

of income. Although this represents a higher savings rate than the national average, it is not inconsistent with previous findings on studies of higher income groups, higher educational levels, and middle age groups.

The tax-advantage plans such as IRA's, Keogh accounts, tax-exempt bonds, and utilities with tax-exempt reinvestments representing the broad range of tax-advantage investments were chosen by 73.8 percent of the participants.

In determining the proportion of present income needed for retirement, only 26.19 percent felt the need for 81 to 100 percent of their present income during retirement years. Although many economists estimate the need for a 70 percent replacement rate, inflation at higher rates may compound the levels where living standards would fall due to price increases. For this reason, many participants did not allow for the possibilities of inflation.

The most popular method of investing savings was in annuities, which provides a future income stream. For this reason, it is an appropriate choice for providing retirement income. Although annuities are an appropriate vehicle, government employees have special tax advantages through tax-deferred annuities and provide advantages which ordinary annuities do not offer.

Seven research questions were formulated to determine the effect of seven variables on preretirement planning. These variables were: income, sex, race, living quarters, education, marital status, and bequest.

A One-way analysis of variance was used to test the effect of income on preretirement planning. Frequency tables were used to describe the effect of the other variables on preretirement planning. Pearson Product Moment Correlation was used to test the relationship between age and years to retirement; also, the Pearson Correlation was used to test the relationship

between the preretirement planning score and a perception score. These scores are both described in the following paragraph.

Only 41.07 percent were investing in the tax-deferred annuities. This is an especially low rate when one considers the value of using tax-free income until retirement. The use of money that would ordinarily be paid in taxes can be beneficial by the simple compounding of interest.

From the data obtained, a preretirement planning score was carried out to represent the amount of actual planning for each family. The preretirement score was an aggregation of five factors chosen to represent actual planning. These factors were: (1) the income sources chosen for replacement income during retirement; (2) the percent of present monthly income compared to monthly retirement income; (3) the percent of present income saved, which includes all life insurance, investments, annuities, teachers' retirement, etc.; (4) the selection of investment choices for savings; and, (5) the selection of tax-exempt or tax-deferred investments available to public school employees.

Also a perception score was obtained for each participant with the following factors added together. These factors were: the view of the adequacy of the family's retirement income; the view of income adequacy for those retired persons you know; a description of the average person's preparation for retirement; the feeling about planning for retirement; feelings about your retirement at present; and, if you were permitted early retirement with full benefits, would you retire early. The perception score provided a view of respondent's outlook to retirement.

These conclusions are reported in the following section.

Conclusions

1. There was a significant difference in preretirement planning among those who had higher incomes.

2. There was a significant correlation between age and retirement age.

3. There was a significant correlation between preretirement scores and perception scores, indicating that better planning leads to a more positive view toward retirement.

4. Eighty-seven percent of participants had not had any preretirement education.

5. Among the topics selected for preretirement education in order of importance were choosing financial investments, family budget management, choosing hobbies and recreational activities, and estate planning.

6. The majority of respondents preferred adult education classes held in local school buildings during early evening hours.

7. The majority preferred to attend sessions with their spouses.

8. The majority of participants were buying homes or had already acquired a mortgage-free home.

9. The two most frequent sources of retirement income would be: (1) Teachers Retirement and (2) Social Security.

10. The most frequently selected income category was the $3,500 or more family average gross monthly income, which represents an annual income of $42,000 or higher.

11. A multiple regression analysis was computed but data did not provide a line of best fit.

12. Sixty-one percent of respondents indicated they did tithe to a church or religious organization.

Recommendations

1. Further studies should be undertaken to determine the type and extent of preretirement education needed in the state of Oklahoma.

2. A further study should be undertaken to determine the effect of Individual Retirement Accounts upon saving patterns.

3. Future studies should utilize the interview method in obtaining data, as it would possibly yield more precise data.

Implications

1. The State Department of Education should be leaders in providing Oklahomans the opportunities for preretirement education.

2. Skills and knowledge needed for preretirement planning needs to be incorporated into general economic education in the public schools. Preretirement planning, which is an extension of economic education, utilizes many skills needed for adequate family management. The need for such skills is evidenced by the many families yearly who cannot maintain adequate family support during emergencies. Therefore, my recommendation is for improved economic education at all levels of the educational spectrum.

3. A multiple non-traditional approach needs to be taken in providing preretirement education to adults, such as televised programs, adult education classes, seminars in local schools and dissemination of self-teaching materials.

4. The Teachers Retirement System should take greater leadership in assisting and educating teachers to the many options available for better retirement planning. A newsletter with preretirement information could be prepared and mailed to all members.

5. Educational materials for preretirement planning need to be developed, which are clear, illustrative, and up-to-date.

6. Since preretirement planning is more effective if begun at an early age, it is best incorporated into a life-cycle approach.

7. Public policies need to be developed to encourage family saving through tax reduction on interest income, or increase amounts eligible for IRA deductions.

8. Public policies are essential to the control of inflation; therefore, a clearer understanding of the causes of inflation are necessary to citizens who must vote and choose various alternatives.

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Appendix A

Survey Instrument

Survey of Pre-retirement Planning

1. MARITAL STATUS
(Circle one)
a. single
b. married
c. widowed
d. divorced
e. separated

2. SEX
(Circle one)
a. male
b. female

3. RACE
(Circle one)
a. American Indian
b. Black
c. Spanish American
d. Caucasian
e. Other _____
(please list)

4. LIVING QUARTERS
(Circle one)
a. rented home or apartment
b. mortgage-free home
c. mortgaged home
d. home owned by someone else in family

5. EDUCATION COMPLETED
(Circle the one which includes the highest number of years completed)
a. 9 - 12 years
b. College
c. Technical school
d. Master's Degree
e. Doctorate

6. YOUR PRESENT AGE
(Answer here) _____

7. NUMBER OF YEARS UNTIL EXPECTED RETIREMENT
(Answer here) _____

8. TYPE OF WORK PRESENTLY ENGAGED IN IS THAT OF:
(Circle one)
a. teacher
b. administrator

9. NUMBER OF YEARS WORKED IN PRESENT TYPE OF WORK REGARDLESS OF THE NUMBER OF INSTITUTIONS WORKED FOR
(Circle one)
a. less than 5 years
b. 5 but less than 10
c. 10 but less than 15
d. 15 but less than 20
e. 20 or more years

10. YOUR FAMILY'S AVERAGE GROSS MONTHLY INCOME AT PRESENT (family may be one person (Yourself) or yourself and others living together and sharing an income)
(Circle the one closest to the actual amount)
a. less than $500
b. $500 - $999
c. $1000 - $1499
d. $1500 - $1999
e. $2000 - $2499
f. $2500 - $2999
g. $3000 - $3499
h. $3500 or more

11. TOTAL NUMBER IN FAMILY THAT LIVE ON THIS INCOME (include self)
(Answer here) _____

12. HOW ADEQUATE DO YOU FEEL YOUR FAMILY'S RETIREMENT INCOME WILL BE?
(Circle one)
a. much more than adequate
b. slightly more than adequate
c. just enough
d. not quite enough
e. not at all adequate

13. HAVE YOU BEGUN PLANS FOR RETIREMENT INCOME?
YES _____ NO _____

Next, we would like to find out how you feel about your family's future retirement finances and some other issues regarding retirement living. Please be frank. Circle only the one item you feel best answers the questions, except where indicated otherwise.

"This survey is being conducted under guidelines established by the University of Oklahoma. By cooperating, you will help the survey administrators find answers to important questions; however, your participation is strictly voluntary. You should omit any questions which you feel unduly invades your privacy or which are otherwise offensive to you. Confidentiality is guaranteed; your name will not be associated with your answers in any public or private report of the results."

IF SO,

14. WHAT WILL BE THE SOURCES WHICH WILL MAKE UP YOUR RETIREMENT INCOME? (Circle all items that apply) Now rank the items you have circled by putting a 1 in the blank next to the item you feel most important, a 2 by the next most important, a 3 by the next most important, and so on for each item circled.

a._____social security benefits
b._____teacher retirement benefits
c._____private retirement benefits (including insurance plans)
d._____interest from savings accounts and savings bonds
e._____regular withdrawals from savings
f._____part-time employment
g._____returns from investments (other than government bonds)
h._____some type of expected inheritance
i._____other

15. WHAT PROPORTION OF YOUR MONTHLY INCOME BEFORE RETIREMENT DO YOU THINK YOU WILL NEED TO MAINTAIN ADEQUATE MONTHLY RETIREMENT INCOME?
(Circle one)

a. at least 20%
b. 21 - 40%
c. 41 - 60%
d. 60 - 80%
e. 81 - 100%

16. WHICH OF THESE DO YOU THINK SHOULD BE THE MAJOR SOURCE OF INCOME FOR MOST RETIRED FAMILIES?
(Circle one)

a. employment after retirement
b. their children
c. interest from savings and investments
d. guaranteed income from government
e. pensions and/or teacher retirement plan
f. Old Age Assistance (Welfare)
g. Social Security
h. government grants to older people

17. IF A RETIREE JUST DOESN'T HAVE ENOUGH INCOME, WHO IS MOST RESPONSIBLE FOR PROVIDING FOR HER/HIM?
(Circle one)

a. children
b. other relatives
c. the government
d. the business, industry, or organization he/she worked for
e. the labor union he/she belonged to

18. TO WHAT EXTENT SHOULD CHILDREN PARTICIPATE IN THE FINANCIAL SUPPORT OF RETIRED FAMILY MEMBERS?
(Circle one)

a. not at all
b. help out only in special emergencies
c. provide some regular financial help
d. provide all financial help required above retirement benefits
e. other _____

(If you have circled "e" what do you mean?)

19. IN YOUR OPINION, WHAT DO YOU FEEL BEST DESCRIBES THE PRESENT INCOME OF THE RETIRED PEOPLE YOU KNOW?
(Circle one)

a. much more than adequate to meet their needs
b. slightly more than adequate to meet their needs
c. just enough
d. not quite enough
e. not at all adequate

20. WOULD YOU BE WILLING TO PAY INCREASED SOCIAL SECURITY PAYMENTS IN ORDER TO INCREASE THE INCOME OF PRESENT RETIRED PERSONS?
(Circle one)

a. yes
b. no

21. WOULD YOU BE WILLING TO PAY INCREASED SOCIAL SECURITY PAYMENTS IN ORDER TO BE ASSURED OF A HIGHER RETIREMENT INCOME FOR YOURSELF?
(Circle one)
a. yes
b. no

22. SOME RETIREES DON'T HAVE ADEQUATE INCOME OR SAVINGS. WHAT DO YOU THINK THE MOST PROBABLE CAUSE?
(Circle one)
a. they didn't work or save enough during the earlier years
b. inflation destroyed their savings
c. they didn't use their money wisely
d. their income was too small to allow them to save enough during earlier years

23. HERE ARE FOUR OTHER ANSWERS. WHICH ONE OF THESE DO YOU THINK PROBABLY CAUSES SOME RETIREES TO HAVE INADEQUATE INCOME OR SAVINGS?
(Circle one)
a. they didn't plan well for retirement
b. older people can't get jobs
c. they believed others would look out for them
d. medical bills used up their savings

24. IN YOUR OPINION, WHICH GROUP SHOULD BE WORKING THE MOST TO IMPROVE THE FINANCIAL CONDITIONS OF RETIREES?
(Circle one)
a. Congress and Federal Government Agencies
b. voluntary organizations (churches, service organizations, etc.)
c. organizations of senior citizens
d. labor unions
e. business and industry

25. HOW WOULD YOU DESCRIBE THE AVERAGE PERSON'S PREPARATION FOR RETIREMENT?
(Circle one)
a. more than adequate
b. adequate
c. probably not adequate

26. DO YOU FEEL THAT MOST PEOPLE NEED TO PLAN FOR THE DAY THEY WILL RETIRE?
(Circle one)
a. yes
b. no

27. WHAT DO YOU FEEL BEST DESCRIBES THE STANDARD OF LIVING OF RETIRED FAMILIES AS COMPARED TO THAT OF FAMILIES BEFORE RETIREMENT?
(Circle one)
a. large increase after retirement
b. slight increase after retirement
c. no change
d. slight decrease after retirement
e. large decrease after retirement

28. WHICH OF THE FOLLOWING TOPICS WOULD YOU BE INTERESTED IN KNOWING MORE ABOUT IF THEY WERE PRESENTED AT A CONVENIENT TIME AND LOCATION FOR YOU TO PARTICIPATE?
(Circle any that apply)
a. family budget management
b. choosing hobbies and recreational activities
c. information on choosing financial investments
d. buying and selling real estate
e. personal and family health
f. economical food buying and preparation
g. gardening, lawn and yard maintenance
h. estate planning
i. insurance
j. (others - please list)_____

_____

29. WHO DO YOU FEEL SHOULD BE MOST RESPONSIBLE FOR PROVIDING THESE TYPES OF INFORMATION SESSIONS?
(Circle one)
a. community service groups
b. University of Oklahoma or Oklahoma State University
c. community technical colleges
d. government agencies
e. business and industry
f. labor unions
g. religious organizations
h. local public shcools
i. other

30. WHERE WOULD YOU LIKE TO SEE SUCH SESSIONS HELD?
(Circle one)
a. local school building
b. community building
c. church
d. other educational facilities
e. at the firm where I work
f. at home - using television
g. other _____

31. WHAT TIME OF THE DAY WOULD BE MOST CONVENIENT FOR YOU?
(Circle one)
a. morning
b. afternoon
c. early evening
d. late evening

32. WOULD YOU PREFER THESE SESSIONS TO BE HELD IMMEDIATELY AFTER WORK?
(Circle one)
a. yes
b. no

33. WOULD YOU PREFER TO ATTEND SUCH GROUP ACTIVITIES ALONE OR WITH YOUR SPOUSE?
(Circle one)
a. alone
b. with spouse

34. DO YOU FEEL YOUR INSTITUTION SHOULD BE EXPECTED TO GIVE YOU TIME OFF?
(Circle one)
a. yes
b. no

35. HAVE YOU EVER HAD ANY PRE-RETIREMENT INFORMATION CLASSES?
(Circle one)
a. yes
b. no

36. IF YOU ANSWERED QUESTION 35 YES, PLEASE TELL US BRIEFLY WHAT THEY WERE ABOUT AND GIVE YOUR GENERAL REACTION TO THEM. _____
_____
_____
_____
_____
_____

37. AT WHAT POINT IN A PERSON'S LIFE DO YOU FEEL ONE SHOULD BEGIN PLANNING FOR RETIREMENT?
(Circle one)
a. 20 or more years before retirement
b. 15 or more years before retirement
c. 10 or more years before retirement
d. 5 or more years before retirement
e. no more than a year before retirement
f. adequate planning can be done after one's retirement
g. other _____

38. HOW DO YOU FEEL ABOUT YOUR RETIREMENT AT PRESENT?
(Circle one)
a. look forward to retirement
b. haven't thought about it
c. dislike the idea of retirement

39. IF YOU WERE PERMITTED EARLY RETIREMENT WITH FULL BENEFITS WOULD YOU ELECT TO RETIRE EARLY?
(Circle one)
a. yes
b. no

40. WHAT PERCENT OF YOUR FAMILY'S INCOME DO YOU SAVE? INCLUDE AS SAVINGS ALL LIFE INSURANCE, INVESTMENTS, ANNUITIES, TEACHERS' RETIREMENT, ETC.
(Circle one) or give annual amount of savings
a. Greater than 30%
b. 21 to 30%
c. 11 to 20%
d. 5 to 10%
e. Less than 5%
f. None
g. Spend more than I earn
h. _____

41. HOW DO YOU INVEST YOUR SAVINGS?
(Circle one)
a. Savings Account
b. Savings Bonds
c. Money Market Accounts
d. Mutual funds
e. Annuities
f. Real Estate
g. Other

42. ARE YOU INVESTING IN ANY OF THE FOLLOWING TAX-EXEMPT OR TAX-DEFERRED PLANS?
(Circle one)
a. Individual Retirement Accounts
b. Keogh Accounts for self-employed
c. Tax-exempt bonds
d. Tax-deferred annuities
e. Utilities with tax-exempt reinvestment
f. Other _____

43. DOES YOUR FAMILY TITHE TO A CHURCH OR RELIGIOUS ORGANIZATION?
(Circle one)
a. yes
b. no

44. HAVE YOU OR YOUR FAMILY RECEIVED BEQUESTS OR GIFTS FROM EARLIER GENERATIONS?
(Circle one)
a. yes
b. no
If yes, please explain _____
_____
_____

Appendix B

Letter to Participants

The University of Oklahoma

COLLEGE OF EDUCATION
820 Van Vleet Oval
Norman, Oklahoma 73019

November 15, 1983

Dear Educator:

The following research is being conducted to determine the extent of pre-retirement planning for income adequacy during retirement years. This survey is limited to Oklahoma Public School teachers and administrators age 45 and older. Would you help with this research by filling out the enclosed questionnaire.

To assure you of your privacy rights, do not place your name on the form.

As many educators are concerned about retirement income, this study will provide valuable information for development of preretirement education. Results of the study will also be presented to Oklahoma Teachers' Retirement System, the University of Oklahoma Economic Management Research Center, and the news media. If you desire a summary of the findings of this study, please write to Mrs. Carolyn Marshall, 2212 Rosewood, Edmond, OK 73034.

Your cooperation is gratefully appreciated. The survey should take only a few minutes of your time!

Sincerely,

Carolyn Marshall

Carolyn Marshall

Enclosure

Appendix C

Letter from Teacher Retirement

STATE OF OKLAHOMA
TEACHERS' RETIREMENT SYSTEM
State Capitol Post Office Box 53524
Oklahoma City, Oklahoma 73152

October 11, 1983

Carolyn Martin Marshall
2212 Rosewood
Edmond, Oklahoma 73034

Dear Ms. Marshall:

We are in receipt of your letter requesting assistance in obtaining a sample of active teachers in Oklahoma schools. The Retirement System will be happy of assist you in anyway possible within our capabilities.

As I believe you are already aware the System cannot provide home addresses for our active membership. This data is not recorded in our computer files and the addresses as shown on each members' enrollment form are not current. The System can identify active (currently employed) members age 45 or older, however, we cannot separate classroom teachers from administrative staff.

We will be able to supply the sample within a few days of receiving from you the number of individual names you will require.

We can supply this information only with the understanding that the list of names will be kept confidential and will be used only for the stated purpose of your study.

Sincerely,

Tommy C. Beavers
Secretary-Treasurer