

AN ABSTRACT OF THE THESIS OF

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Title: FINANCIAL MANAGEMENT PRACTICES OF A SELECTED
GROUP OF RETIRED COUPLES

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This study examined the financial management practices of a group of middle and upper class retired couples in a period of rising prices and relatively fixed incomes.

The objective of this study was to describe (1) financial planning of retired couples, (2) expenditures of these couples, (3) adjustments of their expenditures to income, (4) place of credit in their financial management, (5) financial management problems faced since retirement, and (6) feeling about their financial position.

The data were obtained from a sample of 50 couples who considered themselves retired. They lived in an adult community near Portland, Oregon, owned or were buying a single-family dwelling and were willing to cooperate in the study. The 50 couples were interviewed in their homes during the summer of 1971. The age of the husbands at retirement ranged from 52 to 79 with a mean age

of 64.8. The mean number of year retired was seven. Based on Hollingshead's Two-factor Index of Social Position, all the husbands were from the middle or upper social positions. In 1970, incomes of the couples ranged from \$2,000 to \$40,000 with a median of \$8,400. Their net worth ranged from \$23,000 to over \$200,000 with a median of \$80,000.

All couples reported enough income for current needs. Forty-eight couples indicated they had adequate provision for an extended illness and sufficient income to visit children and relatives as often as they wished. Forty-six couples lived close enough to their pre-retirement level of living to please them.

Thirty-nine of the couples used a financial plan, but only five couples had made written plans. Most couples based their financial plan on past experiences and adjusted their plan as needs changed. Those with a financial plan usually planned for a month or a longer period. All couples reported some degree of flexibility in their plans. Thirty-eight of the 45 couples who at some time had used a financial plan felt it had been an aid to a higher level-of-living than would have been possible without a plan.

The total expenditures of the 50 couples in 1970 ranged from \$2,695 to \$20,264 with a mean of \$8,287. By income level the mean total expenditures were: \$4,255 for the \$5,000 or less income group; \$7,973 for the \$5,001 to \$10,000 group; \$10,753 for the \$10,001 to

\$15,000 group; and \$13,570 for the group with income of \$15,001 or more. The expenditures represent dissavings in the two lower income groups in decreasing amounts as income increased. Savings in the two upper income groups increased in amounts as income increased. The mean 1970 expenditures for all couples were: food, \$1,450; housing, \$1,538; transportation, \$1,213; clothing and clothing care, \$327; medical, \$571; other family consumption, \$1,414; gifts and contributions, \$391; life insurance, \$224; and personal taxes, \$1,147.

When asked about adjustments of expenditures to income, 35 couples reported they had made adjustments to increasing costs in 1970. All couples used their time, energy or skills as substitutes for purchased services. The services performed and named in order of frequency of substitution were: laundering, cleaning, making minor household repairs and doing maintenance work. Ninety-eight percent of the couples found satisfaction in performing these services.

Forty-seven of the 50 couples used credit in 1970. Credit cards were used by 40 couples and monthly charge accounts by 24 couples. The items most frequently purchased on credit in 1970 were gas and oil followed by clothing and household items.

Only three couples reported financial management problems after retirement. The problems reported were: having children in school after retirement; selling home to buy in a more desirable

neighborhood; receiving reduced income from investments; and supporting an aged parent in a nursing home.

Financial Management Practices of a
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FINANCIAL MANAGEMENT PRACTICES OF A SELECTED GROUP OF RETIRED COUPLES

I. INTRODUCTION

Not only are there more aged persons in the United States today, but also the percentage of the population that is aged 65 and older has increased. In 1970, 9.9 percent of the population of the United States was age 65 and older (29:23). In 1950 only 8.1 percent of the population was age 65 and older (30:8). By 1960 the percentage had increased to 9.2 percent (29:23). The total number of persons age 65 and older increased from 12.3 million in 1950 (30:8) to 16.6 million in 1960 and to 20.05 million in 1970 (29:23).

The male participation rate in the labor force in the decade 1960 to 1970 decreased for persons age 55 and older. In 1960, 32.2 percent of the men 65 and older and 85.5 percent between 55 and 64 were in the labor force. By 1970 the percentage had decreased to 25.8 percent of the men 65 and older and 81.5 percent of the men 55 to 64. By 1985 this percentage is expected to further decrease to 21.1 percent of the men age 65 and older and 79.9 percent of the men 55 to 64 (29:211).

Since approximately three-fourths of the men age 65 and older are not in the labor force, they and their families must depend upon income from sources other than earnings. In 1967 the aged units in

the United States received 46 percent of their income from retirement benefits, 15 percent from assets, three percent from veterans benefits, four percent from public assistance, one percent from personal contributions and three percent from other sources. A significant part of their income, the remaining 29 percent, was from earnings (1). Therefore, much of the income of the aged population was derived from sources which provide fixed benefits.

Since the retired frequently have fixed income, they are seriously affected by inflationary price movements. An examination of the Consumer Price Index (CPI) showed it had continued to rise. In 1960 the CPI for all items was 88.7 and in 1970 it had risen to 116.3 (1967=100). Between 1967 and 1970 the cost of food increased 14.9 percent, housing 18.9 percent, and medical care 20.6 percent (29: 339).

Need for the Study

Retirement is a relatively new phenomenon in society. In retirement an individual leaves the labor force and no longer receives income from employment. During his working life he has had to accumulate assets to provide income or build up eligibility for retirement benefits that will come to him when he is not working.

Income is a basic determinant of retirement behavior. At present a sharp reduction in income is concurrent with retirement, and that drop carries many people

to the poverty level. Most retired persons are on fixed incomes. (33:21)

Income for the retired remains a problem. Williams, Chairman of the Senate Special Committee on Aging stated the following:

Our nation. . . has not yet resolved retirement income problems which severely damage the economic status, morale, and even the health of millions of Americans, including many well above the poverty line. . . the retirement income problem in the United States had become a retirement income crisis.

Not only were more Americans entering into retirement; they were spending more years as retirees because of a trend toward early retirement and because of sharp increases in the number of the "aged elderly," those past 70. Not only was today's crisis visibly worsening, there was reason to believe that--in terms of sheer numbers of people affected--it would most certainly become even more severe unless major policy changes were made. (32:1-2)

In our society, there is concern for what is happening to persons in this group. Carp stated that income is one of the "powerful conditioners of all aspects of the adjustment to retirement and the consequent life style." (33:7). Given the problem of relatively fixed income and rising prices, are retired people able to meet living expenses and maintain a satisfactory level-of-living?

Statement of the Problem

The purpose of this study was to identify and describe the financial management practices of a group of retired couples who have made adjustment to retirement and are able to live independently.

This research proposes to examine the following questions about a group of retired couples thought to have above average incomes: Did the couples have enough money for current needs? Did they have a satisfactory level-of-living? How did couples spend their money during 1970? How did the 1969 expenditures differ from the 1970 expenditures? What adjustments had to be made for changing income and expenditure needs? What financial planning did couples do? To what extent did they use credit? What financial management problems had they experienced after retirement?

The objectives of this study were to examine:

- 1) financial planning of retired couples,
- 2) money expenditures in 1970 and a comparison with money expenditures in 1969,
- 3) adjustment of expenditures to income made in an inflationary period,
- 4) use of credit by retired couples,
- 5) financial management problems faced since retirement, and
- 6) feeling about present financial position.

Assumptions

1. Those participating in the study will answer the questions fully and truthfully.
2. The interview schedule will be a suitable instrument for

obtaining information about the financial management practices of the couples.

3. The nonresponders will come from the same statistical population as those that did respond and therefore, they cause no significant bias in the sample's estimates.

Operational Definitions

In order to provide an understanding of the terms used in the research, the operational definitions are given for the following terms used in this study.

1. Expenditure was money disbursement for goods or services. These include: food at home, food consumed away from home, shelter, house furnishings, household operations, transportation, clothing and clothing care, Medicare costs, other medical costs, reading, vacation, recreation and hobbies, tobacco and alcohol, miscellaneous, gifts and contributions, life insurance, and personal taxes
 - a. Household operations included expenditures for telephone, electricity, heating fuel, water, gas, trash and garbage service, laundry and cleaning supplies, postage and stationery, and paper products used in the home
 - b. Housing expenditures included shelter, house furnishings, and household operation

- c. Medicare related expenditures included deductible and co-insurance costs, medical insurance premiums (Medicare premiums January-June 1970, \$4 per person; July-December 1970, \$5.30 per person. Generally Medicare paid 80 percent of reasonable charges for covered services after first \$50 in the calendar year)
 - d. Other family consumption included expenditures for reading, vacation, recreation and hobbies, tobacco and alcohol, and miscellaneous
 - e. Other medical included expenditures for all medical care not Medicare related
 - f. Shelter included expenditures for property tax, insurance premiums on the home, repairs and maintenance for the home, and mortgage or home loan interest
 - g. Transportation included expenditures for automobile and/or other vehicle operating expense, insurance, licensing, and taxi and transit fares
- 2. Financial plan was a mental or written allocation for specific expenditures during a time
 - 3. Income was all money received that was available for spending
 - 4. Net worth was the value in dollars of all assets owned less all money owed

5. Retired couple was defined as man and wife living together who call themselves retired and have no regular income producing job or position.

II. REVIEW OF LITERATURE AND RELATED RESEARCH

This chapter includes a review of literature and related research concerning the retirement decision, economic status, and financial management practices of the aged.

The Retirement Decision

What course an individual actually takes as he approaches the conventional age of retirement is not entirely a matter of personal choice. It is in part determined for him by societal demands for the kinds of services he can perform or by his continuing health and competence. Yet many individuals especially in early old age, have a good deal of freedom to decide whether and when to retire. (22:447)

The trend has been toward retirement at a younger age. In discussing flexible retirement, Saville stated the availability of income in retirement is a factor in the decision to retire. He further stated public and private pensions, union rules, personnel policies and individual status were increased incentives to leave the labor force (23:141-147).

Health, income and attitudes towards work and leisure are factors in the retirement decision. Health is a more critical factor in certain occupations than it is in others. Proportions of men age 65 and over considering themselves not well enough to work were comparatively low in the professional, managerial and sales occupations. Old people who retired tended to be less healthy than those

who continued to work. People choosing to retire were less likely to regard work as an important value in itself. The substantial minority indicated they stopped working because they preferred leisure. A primary deterrent to retirement was the expected reduction of income. However, the older person's earnings before retirement, though positively related to his attitude toward retirement, was negatively related to his disposition to retire. The higher his income, the less likely he was to retire (14:449-451).

A 1963 study showed that most men retired as a result of their own decision, not the decision of the employer. Among men 65 and older who had stopped working within the past five years, almost two-thirds of the wage and salary workers and all the self-employed said they had made the decision to retire. Of those who retired because of an employer's decision, 19 percent of the men had reached the compulsory retirement age. Six percent retired because of poor health, and eight percent of the men were either laid off or had their job discontinued. Fifty-three percent of the self-employed men reported they retired because of poor health, 29 percent preferred leisure, five percent because their business failed and 13 percent reported other reasons for retirement (22:448).

Variables were considered in attempting to identify causal factors of retirement. Mortality rates were differentiated by occupation. Education and retirement benefits were factors considered

in differential retirement rates for blue- and white-collar workers. White-collar workers who were economically disadvantaged in retirement compared with blue-collar workers who had supplemental union retirement benefits continued to work simply because they needed the money. The growth rate of the economy was another factor. The older man was more likely to be a marginal worker whose employment status was soonest threatened by a tight labor situation. Still other factors were the decline of old industries and the rise of new and the change in production procedure interacting with job immobility of the older worker. When the job situation required making a change, the older worker was more likely to retire (33:112-113).

Reno summarized the retirement patterns from a survey of new beneficiaries based on a sample of persons receiving initial Social Security benefits during the period July through December 1969. She found that declining health was the reason most frequently given by men for leaving their jobs and claiming Social Security benefits before age 65. Fifty-four percent of the men gave health reasons for claiming Social Security benefits before age 65. Twenty percent gave job related reasons and 17 percent said they retired because they wanted to retire. However, only 23 percent of those who retired at age 65 gave health related reasons, 44 percent job-related reasons and 16 percent said they retired because they wanted to retire. The presence of second pensions and the level of

retirement benefit income had an important influence on the men's willingness to accept or initiate early retirement. Willingness to retire early increased from 15 percent of those with less than \$1,000 in retirement benefits to 75 percent of those with benefits \$5,000 or more per year (21).

There was considerable variation in the compulsory retirement age in the public and private industry groups. In the public administration group, two-thirds of the workers covered by compulsory retirement policies did not face mandatory retirement until age 70 or older. However, 65 was by far the most common compulsory retirement age in the private sector. Many who retired before the mandatory age had health problems that limited their ability to work. Sixty-three percent said they wanted to retire. Workers compulsorily retired were usually free of work limiting health problems and 52 percent of them said they did not want to retire (20).

Milhøj in comparing work and retirement in Denmark, Britain and the United States found attitudes toward continuing work were influenced by institutional frames and economic and social structures. The reasons for retirement varied with the age at which men retired. The majority of men in all three countries who stopped work before age 65 gave a reason that implied bad health. The percentage retiring because of bad health lessened at the normal pension age. Bad health again became an important reason for those who retired at age 70 or

older. In all three countries compulsory retirement meant the most to those age 65 to 69. More people in the United States than the two other countries retired before age 65 because they had adequate resources for living. About 25 percent of the retirees in the United States, but only 14 percent in Denmark and 15 percent in Britain indicated they could afford to retire. Men who retired at age 65 and older and gave could afford to retire as the reason for retirement varied by occupation in the United States. About twice as many white-collar workers as blue-collar or agricultural workers and four times as many white-collar as service workers gave could afford to retire as a reason for retirement (14:311-317).

Economic Status of the Aged

The economic good fortune among the aged is very unequally distributed . . . a minority of the aged are economically comfortable . . . (18:6, 7)

Pechman stated that the aged in the United States on the average have much lower income but more assets than any other age group.

A principal reason for a decline in total income of older persons is, of course, retirement; but also the older a person is, the more likely it is that his social security and other pension benefits are based on employment at earnings below the current wage level and the more likely it is that he has reduced or exhausted his assets Since dissavings is considered normal after retirement, the economic status of the aged cannot be accurately gauged without taking assets into account. (18:14)

Murray, in studying the living arrangements of people 65 and older, found that living in a separate household seemed to be the preferred arrangement of this age group. In 1967, four-fifths of the married couples maintained households. More than three-fourths of the married couples age 65 and older owned their own homes. Interestingly, 83 percent were mortgage free and constituted one of the major assets of the older population (15).

The economic status of the future aged is primarily dependent on the dollar amount of retirement income and financial claims as determined by:

- (a) the earnings-consumption pattern during worklife and hence the extent to which private savings are accumulated for the non-working period;
- (b) the division of worker's pay packages between current wages and private pension claims;
- (c) the retirement age decision;
- (d) the extent to which the future society is willing to transfer income claims from workers to retirees via the tax-benefit mechanism. (4:15)

In addition to these variables the aged's economic situation are

colored by the forces which determine the purchasing power of their money income and the factors which change the aged's income status relative to that of the working population (inflation and economic growth) (4:16)

Spengler and Kreps saw the older person who derives his money income from fixed and non-equity incomes as peculiarly susceptible to inflationary price movements and most exposed to its depreciating

effect with only limited opportunity to guard against the results of inflation. Further, the prolongation of post-retirement life and the need to spend accumulated savings over a longer period accentuates the impact of inflation. The aged are particularly vulnerable should they need to purchase large amounts of labor oriented goods and services. The price of which is prone to rise in such an economy. Additional results of inflation upon the economic status of the aged are the erosion of the value of accumulated savings and reduced value of Social Security and other retirement benefits (26:209-211).

The 1970 median income for all families in the United States was \$9,867, while husband-wife white families age 55 to 64 had a median income of \$10,678 and age 65 and older, \$5,263 (30:322). Compared with the national median income, the 1970 per household median income in the Portland Standard Metropolitan Statistical Area (SMSA) was \$10,463 (27:125) and the per household estimated Effective Buying Income (EBI) in Washington County was \$11,538 (16:694) and the median per family income in Oregon was \$9,489 (27:149). Table II-1 presents the percentage of households in Washington County, Oregon and in the United States by income levels.

Table II-1. Percentages of households in Washington County, Oregon and the United States in 1970 by income levels

Income	Washington ¹ County	United States ²
	Percent	
\$0-4, 999	23. 0	19. 3
\$5, 000-9, 999	37. 6	31. 7
\$10, 000-14, 999	23. 5	26. 8
\$15, 000 and over	15. 9	22. 3

¹ Source for data: Effective buying income and cash income estimates, 1970. Sales Management, the Marketing Magazine, July 10, 1971 p. C-94

² Source for data: Statistical abstract of the United States: 1972, Table 529 p. 322.

In a 1968 survey of the aged, Bixby found the median income reported by couples was \$3,373 in 1967. Thirty-eight percent of the couples had incomes of \$4,000 or more which provided at least a moderate level of living as defined by the Bureau of Labor Statistics at that time. Twenty-two percent of the couples had incomes of \$5,000 to \$9,999; three percent, \$10,000 to \$14,999 and two percent, \$15,000 or more. According to the survey findings, Social Security benefits were paid to 86 percent of all aged units and provided 34 percent of the 1967 income of units 65 and older. Of the 2.3 million couples with neither member working in 1967, only 21 percent had \$4,000 or more income. The median income for couples not employed was \$2,621. For couples where husband or wife did some work, the median income was \$4,691 (1).

Shaffer studied income and expenditure patterns of 185 retired couples. She found only 31 percent of the couples reported disposable income of more than \$4,000 a year. Only 50 percent reported assets of \$10,000 or more (24:74, 188).

Recent studies of the retired made in Oregon have presented the current income and/or net worth of the samples. Hansen drew a sample of 102 retired couples with a mean age of 70.1 from the voter registration lists in Corvallis. He found the median income was \$5,200 for the 102 couples. Forty-eight couples had annual incomes under \$5,000; 38 couples, \$5,000 to \$9,999; 13, \$10,000 and over; three couples did not report their income. Twenty-three couples had net worth of less than \$20,000; 40 couples, \$20,000 to \$49,999; 36, \$50,000 and over; and three couples did not report their net worth. Eighty-seven percent of the sample lived in single-family dwellings. Sixty-six percent lived in homes completely paid for and 22 percent were buying their home (6:44, 47-50).

Crabtree studied current financial resources of 60 retired couples living in an adult community in Oregon and found the mean current income was \$5,738 and mean net worth, \$50,790. Sixteen couples had current income under \$4,000 a year; 24, \$4,000 to \$5,999; 12, \$6,000 to \$7,999; and eight, \$8,000 and over. Thirty couples had net worth under \$25,000; eight, \$25,000 to \$49,999; 11, \$50,000 to \$99,999; and 11, \$100,000 and over (3:42, 43, 75, 79).

Plonk studied 50 retired persons with a mean age of 74.1 who lived in a retirement home in the Willamette Valley. She found the median income was \$2,500 to \$2,999. Nineteen persons had income of \$2,000 or less; 17 had incomes between \$2,500 and \$4,999; five, \$5,000 and \$8,999; two, \$11,000 and over; and seven did not report their income (19:23).

Hendrickson studied income of a group of retired persons from Oregon State University. She found the mean yearly income of the group of 29 persons who answered a questionnaire was \$2,117. Seventy-two percent indicated their total retirement income was insufficient for necessary living expenses and 59 percent indicated their general living was poorer after retirement. Sixty-nine percent owned or were buying their own home (7:83, 86).

Financial Management Practices

Kreps stated the expense of rearing and educating children leaves probably no more than 15 years for accumulating savings. Thus the budgetary problem of the aged is a long range one. The task is "to apportion the earnings from the last 15 years or so of worklife, plus retirement pensions and income from any previously acquired assets, over the remaining life expectancy." (11:204). For many reasons the income requirements may vary during the last one-third of the life span. Expenses may be higher if travel and

recreation expenditures are made and if medical expenses are not covered by Medicare or other insurance. Kreps saw the high consumptive orientation of our society and the erosion of purchasing power through price inflation as barriers to saving for retirement (11:203-226).

Expenditures

The prices that must be paid for goods and services have shown an upward trend. The Bureau of Labor Statistics' Consumer Price Index for 1970, which reflects the buying patterns of both single and married urban wage earners and clerical workers in the United States, showed a 27.6 percentage point increase in the cost of commodities over the decade 1960 to 1970. The average increase of 6.5 percentage points from 1969 to 1970 included the following increases: food, 6.0 (at home, 5.5; away from home, 8.3); housing, 8.1 (homeowner shelter, 12.5; house furnishing, 3.3; fuel and utilities, 4.0); other household operation, 4.4; apparel and upkeep, 4.6; transportation, 5.5; medical care, 7.2; personal care, 3.9; reading and recreation, 4.7; and other goods and services, 6.9 (29:339). In Portland, Oregon as of April 30, 1970 the Consumer Price Index was 113.1 (1967=100) (12).

The Bureau of Labor Statistics (BLS) has published revised lower, intermediate and higher budgets for retired couples at three levels of living. These budgets were made for couples 65 and over

who were in reasonably good health, self-supporting, living independently, receiving hospital and medical care protection and occupying a mortgage free home. The Spring 1970 lower budget cost was \$3,109, the intermediate, \$4,489, and the cost of the higher budget was \$7,114. Budgets were also adjusted for size of community and regional differences. The 1970 higher level-of living budget for a retired couple living in a non-metropolitan west coast area was \$6,171, and \$5,807 in 1969. Table II-2 presents higher budgets for 1969 and 1970 for the non-metropolitan west coast area (31:12, 25).

Cooper and McGee compared the fiscal 1970 medical care outlays for young, intermediate and aged groups and found that more than one-fourth of the total \$58 billion personal health care expenditure was spent for the aged who represent about one-tenth of the population. The average medical bill (\$791) for an aged person was almost three times that for a person in the intermediate age and more than six times that for a youth. Although public funds accounted for more than two-thirds of the medical outlays for the aged and Medicare met 43 percent of the expenditure, the average aged person paid \$226 directly. After adjustments for population and price increases, personal health care expenditures for the aged from fiscal 1967 to fiscal 1970 showed an annual increase of 9.2 percent, eight times that for the intermediate age group and three times the yearly increase for the youth (2).

Table II-2. Bureau of Labor Statistics higher budgets for 1969 and 1970 for the non-metropolitan west coast area for retired couples (31:12, 25)

Expenditure	1969 Budget	1970 Budget
Food	\$1,337	\$1,426
At home	1,199	
Away from home	138	
Housing	1,774	1,898
Shelter	976	
House furnishings	296	
Household operation	442	
Transportation	660	669
Clothing and personal care	696	724
Clothing and clothing care	467	
Personal care	229	
Medical	346	365
Medicare related	211	
Other medical costs	135	
Other family consumption	359	367
Reading	94	
Recreation, vacation, hobbies	183	
Tobacco and alcohol	56	
Miscellaneous expense	26	
Gifts, contributions and life insurance	462	480
Gifts and contributions	391	
Life insurance	71	
Personal taxes	173	242
Total expenditures	\$5,807	\$6,171

The average aged person has more and costlier illnesses than the average younger person; he is twice as likely to suffer from one or more chronic conditions, is much more likely to be limited in activity, is admitted to hospitals much more frequently and stays longer, and uses physicians services to a greater extent. (2:3)

Shaffer in a study of income and expenditure patterns of retired couples found that housing costs were approximately 29 percent of disposable income. Seventy percent of the couples owned or were buying their own homes and 42 percent of the couples made some expenditure for additions and repairs. Twenty-four percent made some expenditure for life insurance. She found the most difficult financial problems were likely to be those related to adjustment of spending patterns to sharply reduced disposable income and planning for using savings to supplement current income without outliving available funds. A few families still had debt repayment in addition to meeting current needs out of reduced income (24:146, 147, 188).

In a study of financial management practices of 46 urban couples in Knoxville, Tennessee who were receiving Old Age Assistance, Golden found the average monthly income was \$102.09 and selected current monthly expenses were: food, \$38; rent, \$28; utilities, \$18; personal care, \$1; cleaning and laundry, \$6; reading and entertainment, \$1.58; and transportation, \$1.45. No couples reported entertainment away from home. Only one couple reported any expenditure for food away from home. Only 67 percent of the couples reported

expenditure for transportation. Three of the 46 couples made written plans for expenditures; however, 64 percent made grocery lists and nine percent drug store lists (5:26-33).

Donahue summarized views of older Michigan citizens about their economic problems in testimony to the U. S. Senate Special Committee on Aging by saying "their economic situation is the major problem of today's old people and it is worsening the longer they live." (32:32). The witnesses spoke of the constant erosion of their fixed-low-level incomes by rising costs. The inflationary pressures for the elderly homeowner are especially severe because of the direct relationship between high-cost local government services or expenses and the local property tax. Homeowners reported these problems with taxation: upward assessments; homestead tax exemptions disqualified; burdens of special assessments; and skyrocketing school taxes. Reported also was the eroding effect of state sales tax. Still another economic problem was extra health care needs not covered by Medicare and Medicaid (32:32-33).

Use of Credit

Slocum and Mathews studied the use of installment and convenience commercial bank credit cards according to income and social class as measured by Hollingshead's Two Factor Index of Social Position. "A Chi-square analysis of the data suggest that both

income and social class provide an equal understanding of consumer attitudes toward purchasing goods on credit." (25:71). Members of the upper social class exhibited similar attitudes regardless of their income level. In the middle social class however, the pattern of attitudes changed and income significantly affected attitudes. In all instances the upper income group attitudes were more favorable in the purchase of certain goods and services. The percentage of the upper class group who used installment credit was 55.3 percent and increased as the social class decreased to 82.2 percent of the lower middle class group. Convenience users showed an increase as income increased from 16.6 percent for the group with \$0 to \$6,999 income to 39.9 percent for the \$13,000 and over income group. However, installment users decreased as income increased from 83.4 percent for the \$0 to \$6,999 income group to 60.1 percent for the \$13,000 and over income group (25).

A survey of active and inactive holders of revolving and 30 day Interbank/Master Charge Cards was made in a New York City Bank. The sample of 1,545 credit card holders was composed of 50 percent active and 50 percent inactive card holders; 14 percent of the active and 45 percent of the inactive card holders were 55 and older. Median income for the sample was \$16,250. The percentage of active credit card holders who used a credit card to purchase goods or services and the categories of expenditures were: clothing, 82

percent; appliances and home furnishings, 40 percent; dining, 35 percent; travel, 27 percent; and other, 18 percent of the card holders (13:5-7, 19).

In a study of 46 couples receiving Old Age Assistance Golden found that only 24 percent of the couples used time merchandise credit. With this credit they had purchased major appliances. In answering a question if they would use credit, 30 percent of the couples reported they would use credit (5:39-41).

Summary

Today the aged comprise about one-tenth of the population of the United States. Although 65 is a conventional age to retire, many persons are choosing to leave the labor force earlier. The economic status of the retired is influenced by such factors as amounts and types of income and accumulated assets and the price and kinds of goods and services they must purchase.

III. METHODOLOGY

This study examined the financial management practices of retired couples. This chapter describes the selection of the sample, the development of the interview schedule, the collection of the data, and the analysis of the data.

The Selection of the Sample

Retired couples living in single-family, detached dwellings in an adult community were selected for the population because the author assumed they would be representative of financially independent retired couples. An adult community, while a relatively recent living style, is being chosen by increasing numbers of financially independent retirees (9:41-112).

The adult community used in this study is located in the Willamette Valley about 10 miles south of downtown Portland, Oregon on an interstate highway. It is one of two planned communities in the state consisting of single-family detached dwellings, apartments, and townhouses. Conceived in 1964, it is the result of private business enterprise and has no connection with any religious or special interest group. At the time of the study the value of the single-family houses ranged from approximately \$25,000 to \$45,000, depending on the design selected, the location of the lot, and the improvements

made by the residents. This planned community had about 1,650 persons living in individual houses, apartments, and townhouses in 1970 and was still growing. The community included a golf course, three swimming pools, and a townhall social center with meeting rooms and recreational facilities. Businesses included a branch bank and service station. A shopping center was under construction to contain a restaurant and shops selling food, clothing, drugs, and variety items. This planned community was an incorporated city with a mayor, city council, and an active civic association composed of all members of the community. To be accepted as a resident, at least one spouse must be 50 years of age and have no children under 18 living at home. There are no requirements as to income or work-retirement status.¹

To find out the general attitude about a study being made in the community, appointments were made in May 1971 with the president of the development company, the city mayor, and the president of the civic association. With their favorable responses and suggestions for carrying out the study, it was decided to use the community as the population. Permission to ask couples for an interview was granted and a news item about the study was published in the

¹ Information was obtained from Lloyd Carroll, Mayor and Walter Korlann, President of the King City Civic Association in interviews in their respective homes, May 1971.

June 1, 1971 edition of the local newsletter to publicize the research and ask for resident cooperation.

Information for this study was obtained from couples residing in the adult community who, at the time of the interview, lived in single-family, detached homes, called themselves retired during 1970, and were willing to cooperate in the study by granting an interview.

A directory of names and addresses of residents was provided for the author's use by the President of the Civic Association. Since there was no specification of retirement status, each of the 455 couples with an address on the streets designated for detached houses was given a number beginning with 001 through 455. Numbers were drawn from a table of random numbers and residents with corresponding numbers were sent letters describing the study in brief and asking for their participation (Appendix A). Through use of this method, all retired couples occupying houses in the community at the time the names were drawn were potentially included in this study.

Seventy letters were sent out the middle of June and succeeding letters were sent in small numbers to avoid over interviewing and to allow a shorter time between receipt of the letter and the followup call requesting an appointment for an interview to complete the schedule. Of the 168 letters sent, 36 couples were not eligible because they were not retired, one was recently widowed, one had

moved, seven could not be found at home, and 65 refused to participate. For the seven not at home, four return calls were made to try to locate them.

Of the 58 couples who expressed a willingness to participate, three interview schedules could not be completed, four were not used because of irregularities in interviewing, and one couple could not arrange a time to complete the schedule. The remaining 50 interviews were completed and used for this study.

Collection of the Data

The author had planned to send the letter explaining the study in brief, call in person to make an appointment for an interview, then return later to complete the interview schedule. However, in most instances when both spouses were at home at the time of the first call, the interview schedule was completed then. The interviewing of the 50 couples who participated in the study was completed between June 30 and September 5, 1971. A total of 19 days was spent in interviewing.

The community had a high participation in a variety of planned activities and in the use of the recreational facilities. Some residents were on vacation trips during the summer so some couples were not at home on the first call. A total of 251 calls was made to obtain the 50 interviews, 78 for the participants and 173 for the

non-participants. Copies of the schedule were given to the couples to refer to as the interviewer read the questions orally and recorded the responses. The length of the interviews varied from 40 minutes to two hours, but generally the schedule was completed in an hour. Some interviewees consulted records, others reported from memory, and still others estimated expenditures and income.

Development of the Interview Schedule

The interview schedule (Appendix B) was designed to examine the financial management practices of the cooperating couples. The schedule was developed during the winter and spring of 1971. During the development, the schedule was pretested with four retired persons to determine the clarity of the questions. Changes indicated by the first pretest were made and the interview schedule was pretested again with three retired Oregon State University staff members and their spouses. Since little difficulty was experienced with the second pretest, the interview schedule used with the 50 couples cooperating in the study resulted from minor changes in the wording after the second pretest.

Questions were grouped into general areas of subject content as follows: demographic information about the couples, planning for spending money, expenditures, use of credit, feelings about financial position, and financial management problems since

retirement. Because of the perceived sensitivity of some of the questions, all questions in one subject area were not grouped together but were placed to minimize reluctance of the couples to respond. Check list answers to questions were used wherever appropriate to facilitate couple responses and the author's tabulation and analysis.

The Analysis of the Data

Descriptive statistics will be used to analyze the data about expenditures, financial plans, use of credit, and characteristics of the sample. Descriptive statistics to be used will include means, medians, percentages, ranges, modes, and tables. Money expenditures and comparisons of 1970 with 1969 expenditures will be analyzed by income levels.

IV. DESCRIPTION OF THE SAMPLE

Descriptive characteristics of the 50 cooperating couples presented in this section include the following: age at time interviewed, age at retirement, years of retirement, reasons for retirement, occupations of husbands and employed wives before retirement, education of husbands and wives, social position, and income and net worth.

Present Ages of Husbands and Wives

The ages of the husbands included in the sample ranged from 63 to 86 with a mean age of 71.8 and a median age of 70. The ages of the wives ranged from 57 to 80 with a mean age of 67.8 and a median age of 67.5. No husbands were under 60 years of age but three of the wives were between the ages of 55-59. The same number of men and women reported their ages were between 70-74. Twice as many men as women reported ages over 75 (Table IV-1).

Table IV-1. Present ages of 50 husbands and wives

	Age groups					
	55-59	60-64	65-69	70-74	75-79	80 and over
Wives (n = 50)	3	12	15	13	6	1
Husbands (n = 50)		6	17	13	7	7

Ages of Employed Persons at Retirement

The age of the 50 husbands at retirement ranged from 52 to 79 with a mean age of 64.8 and a median age of 65. Twenty-one of the 50 wives had been employed and their ages at retirement ranged from 53 to 69 with a mean age of 61 and a median age of 62. Forty-two percent of the husbands retired between the ages of 65 and 69. None of the employed wives, but 16 percent of the husbands retired after they had reached the age of 70. Only ten percent of the husbands and one-third of the employed wives retired before they were 60 (Table IV-2). Six of the employed wives retired the same year as their husbands, seven retired one to four years before their husbands, and eight wives retired one to 13 years after their husbands retired.

Table IV-2. Ages of employed persons at retirement

	Age groups					
	50-54	55-59	60-64	65-69	70-74	75 and over
Wives (n = 21)	2	5	10	4		
Husbands (n = 50)	1	4	16	21	5	3

Years of Retirement

The number of years the 50 husbands in the sample had been retired ranged from 1 to 19 with a mean of seven and a median of

six years. The number of years the 21 employed wives had been retired ranged from less than one year to 16 years with a mean of 6.3 years, and a median of seven years. Ten percent of the wives and 20 percent of the husbands had been retired ten years or more (Table IV-3).

Table IV-3. Number of years employed persons retired

	Years			
	Less than 4	5-9	10-14	15-19
Wives (n = 21)	8	11	1	1
Husbands (n = 50)	15	25	6	4

Reasons for Retirement

The 50 husbands gave 69 responses to the question about reasons for retirement. The 21 wives who had been employed gave 28 responses to this question about retirement. Financial ability and desire to enjoy leisure was given by 50 percent of the husbands and 38 percent of the wives as reasons for retirement. It was the most frequently mentioned reason for retirement. Only five percent of the 21 wives who had been employed and 20 percent of the husbands reported reaching compulsory retirement age as a reason for retirement. Tired of working was reported by 26 percent of the husbands and 19 percent of the 21 wives who had been employed as a reason for retirement.

Other reasons given by men included: earned full retirement pension, ended governmental appointment, decided to retire at a specific age, wanted to return to Portland, wanted longer retirement portion of life, and retired to care for ill wife. Other reasons wives reported for retiring included: marriage, chance at a part-time job, worked enough years to qualify for a full pension, and desired to spend time with husband (Table IV-4).

Table IV-4. Reasons for retiring given by 50 husbands and 21 wives

Reasons	Husbands		Wives	
	Number	Percent	Number	Percent
	n = 50		n = 21	
Business merger or reorganization	3	6	2	10
Financial ability and desire for leisure	25	50	8	38
Health condition	9	18	2	10
Reached compulsory retirement age	10	20	1	5
Tired of working	13	26	4	19
Other	9	18	11	52

Reasons for Early Retirement

Twenty-one men who retired before age 65 gave 33 responses to the question about reasons for early retirement. Two-thirds of the husbands reported they retired early because of financial ability and

desire to enjoy leisure. Six husbands reported a health condition and five husbands mentioned they were tired of working as reasons for retiring before age 65. Other reasons given by men included: able to retire with full pension, desire for longer retirement, unhappy with work, and desire to return to Portland (Table IV-5).

Seventeen wives who retired before age 65 gave 23 responses to the question about reasons for retirement. Financial ability and desire to enjoy leisure was also the reason most frequently given by the wives. Other reasons given included: marriage, couple moved, part-time job availability, earned full retirement pension, and wanted to spend time with husband (Table IV-5).

Table IV-5. Reasons for retiring before age 65 given by 21 husbands and 17 wives

Reasons	Husbands		Wives	
	Number	Percent	Number	Percent
	n = 21		n = 17	
Business merger or reorganization	2	10	2	12
Financial ability and desire for leisure	14	67	7	41
Health condition	6	29	2	12
Tired of working	5	24	2	12
Other	6	29	10	59

Pre-retirement Occupations of Husbands and Employed Wives

Hollingshead's categories of occupations (10:3-8) were used to classify the pre-retirement occupations of the 50 husbands and 21 wives who had been employed in the sample. Thirty-nine of the husbands had been professionals, proprietors or medium sized farmers before retirement while only seven (or a third) of the wives had been thus employed. Of the 21 wives who had been employed, five had been proprietors with their husbands, two had been administrators, and 14 had been in clerical or sales work (Table IV-6).

Table IV-6. Pre-retirement occupations of 50 husbands and 21 employed wives

Occupations	Husbands		Wives	
	Number	Percent	Number	Percent
Higher executives, proprietors of large concerns, and major professionals	6	12		
Business managers, proprietors of medium sized business, and lesser professionals	23	46	5	24
Administrative personnel, small independent businesses, and minor professionals	10	20	2	9
Clerical and sales workers, technicians, and owners of little businesses	3	6	14	67
Skilled manual employees	7	14		
Machine operators and semi-skilled employees	1	2		
Unskilled employees				
Total	50	100	21	100

Education of Husbands and Wives

The number of years of education completed by the husbands ranged from 6 to 24 with a mean of 13.1 years, and by the wives, ranged from 6 to 21 with a mean of 13.5 years (Table IV-7). The median for both husbands and wives was 13.5 years. Compared to a median of 9.3 years of education for those persons age 55 and older in the United States, the educational level of these 50 couples in the study was higher than the educational level of the same group in the general population. The median years of education for those age 55 and older in the United States in 1970 were: less than 12 years, 64.2 percent; 12 years, 21 percent; 13 to 15 years, 7.3 percent; and 16 or more years, 7.5 percent (29:110).

Ninety-two percent of the wives compared with 76 percent of the husbands had completed high school or had more formal education. Ten of the wives and 13 of the husbands had completed college. Two husbands each had earned two doctoral degrees. Nine wives indicated training such as seminary, normal school, business college, or specific job training. Three times as many husbands as wives reported less than 12 years of schooling (Table 7).

Table IV-7. Number of years of education completed by 50 couples

Number of years of Education	Husbands		Wives	
	Number	Percent	Number	Percent
Less than 12	12	24	4	8
12	11	22	15	30
13-16	23	46	29	58
More than 16	4	8	2	4
	50	100	50	100

Social Position of Couples

Hollingshead's Two Factor Index of Social Position (10:3-10) was used to determine social position. The index is based on weighted values of the occupation and education. The weight for occupation was seven and for education, four. For this study, the husband's pre-retirement occupation and education were used as a basis for classification. One husband received the highest score possible, 11, and no husbands ranked in the lowest position (Table IV-8).

Table IV-8. Social position of 50 couples based on Hollingshead's Two Factor Index of Social Position

Social position	Groups				
	I (11-17)	II (18-27)	III (28-43)	IV (44-60)	V (61-77)
n = 50	4	17	15	14	

Income and Net Worth of Couples

The 1970 income for the 48 couples reporting their income ranged from \$2,000 to \$40,000 with a mean income of \$9,702 and a median of \$8,400. Over one-half of the couples, 28, reported an income between \$5,001 and \$10,000. Surprisingly, only seven couples reported incomes under \$5,000 (Table IV-9). The mean income for the couples with income of less than \$5,000 was \$3,767; for \$5,001 to \$10,000, \$7,711; for \$10,001 to \$15,000, \$13,770; and the couples with incomes of \$15,001 or more, \$21,184. The national average income for white couples 65 or older was \$5,263 in 1970 (30:326). Only one couple reported an income of more than \$20,000 in 1970. Profit-sharing and back commissions in addition to regular income accounted for the high figure.

Twenty-eight couples reported their income was about the same in 1970 as in 1969. Twenty-two couples reported changes in their incomes. Sixteen couples reported more and six couples reported less income in 1970 than in 1969 (Table IV-9).

Comments made by couples about their incomes included the following: had changed the composition of their assets to provide more income, had received less income from investments, had received an increase in social security benefits, received retirement income or pensions from several sources in addition to

investments, and found income had less buying power than when they planned for retirement.

Table IV-9. Income of 50 retired couples in 1970 and compared with 1969 income

Income	Compared with 1969			
	Number reporting			
	Total	more	less	same
\$5,000 or less	7	1	0	6
\$5,001 to \$10,000	28	8	3	17
\$10,001 to \$15,000	7	2	2	3
\$15,001 or more	6	4	0	2
Declined to answer	2	1	1	0
Total	50	16	6	28

The net worth of the 48 couples reporting their net worth ranged from \$23,000 to \$200,000 with a mean net worth of \$88,580 and a median of \$80,000. Twenty couples reported a net worth between \$50,001 and \$100,000. An equal number of couples reported net worths in the categories more than \$100,000 and less than \$50,000. Thirty-one couples reported no change in net worth in 1970. Of those couples reporting change in net worth in 1970 from 1969, 13 reported an increase and six reported a decrease (Table IV-10).

Comments made by couples in discussing the net worth figure or the change in net worth were: changed value of stocks and other

investments; increased use of investment principal; increased value of home offset the decreased value of other assets; wished had increased assets prior to retirement; and had not needed to acquire large net worth because had sufficient income from pensions and other retirement benefits. All couples had equity in their home and furnishings and at least one automobile. Other assets mentioned were paid up value of life insurance, investments, savings account, trust fund, and travel trailer.

Table IV-10. Net worth of 50 retired couples in 1970 and compared with 1969 net worth

Net Worth	Compared with 1969 Number reporting			
	Total	more	less	same
\$50,000 or less	14	4	1	9
\$50,001 to \$100,000	20	6	1	13
\$100,001 to \$150,000	9	1	1	7
\$150,001 to \$200,000	5	2	1	2
Declined to answer	2	0	2	0
Total	50	13	6	31

All of the couples with net worth of more than \$50,000 reported an income of more than \$5,000. One-half of the couples reporting a net worth of \$50,000 or less had income of \$5,000 or less; however, one-half of this group had incomes between \$5,000 and \$10,000 (Table IV-11). Two couples did not report income or net worth.

Table IV-11. Income of 50 retired couples by net worth

Net Worth	Total	Income			
		\$5000 or less	\$5, 001 to \$10, 000	\$10, 001 to \$15, 000	\$15, 001 and over
Number reporting					
\$50, 000 or less	14	7	7	0	0
\$50, 001 to \$100, 000	20	0	17	2	1
\$100, 001 to \$150, 000	9	0	2	5	2
\$150, 001 to \$200, 000	5	0	2	0	3
Total	48	7	28	7	6

V. FINDINGS

Introduction

The objective of this study was to look at the financial management practices of retired couples. In this chapter, the findings on their financial position, their financial planning, their expenditures in 1970, the adjustments they have made in expenditures, the place of credit in their financial management, and the financial management problems they have had since retirement are presented.

Feelings About Financial Position

The couples were asked four subjective questions to indicate personal feelings about their financial position. The questions concerned their feeling about the adequacy of: their provision for an extended illness, income to visit children and relatives as often as they liked, income to permit them to live near enough to their pre-retirement level of living to please them, and income for their current needs. Most of the couples felt they had adequate resources to meet these needs. Ninety-six percent of the couples felt their provision for an extended illness and income to visit children as often as they liked was adequate. Ninety-two percent felt their income permitted them to live close enough to their pre-retirement level

of living to satisfy them. All of the couples interviewed felt they had sufficient income for their current needs (Figure V-1).

Financial Plan

The 50 couples in the sample were asked if they had a financial plan. Those who responded affirmatively were asked if their plan was written or mental. Eleven couples reported they did not have a financial plan, but 39 couples stated they had such a plan. Five couples reported their financial plan was written, and 34 couples reported their plan was mental (Table V-1).

Couples reported they used past experience as a basis for plans. After retirement some couples reported they made a written plan to help them adjust to their retirement income. Other couples made a very general plan. If there were major changes in either income or expenditures, they worked out a more specific plan for the new situation.

Table V-1. Financial planning done by 50 retired couples

	Number	Percent
Have no plan	11	22
Have a written plan	5	10
Have a mental plan	34	68
Total	50	100

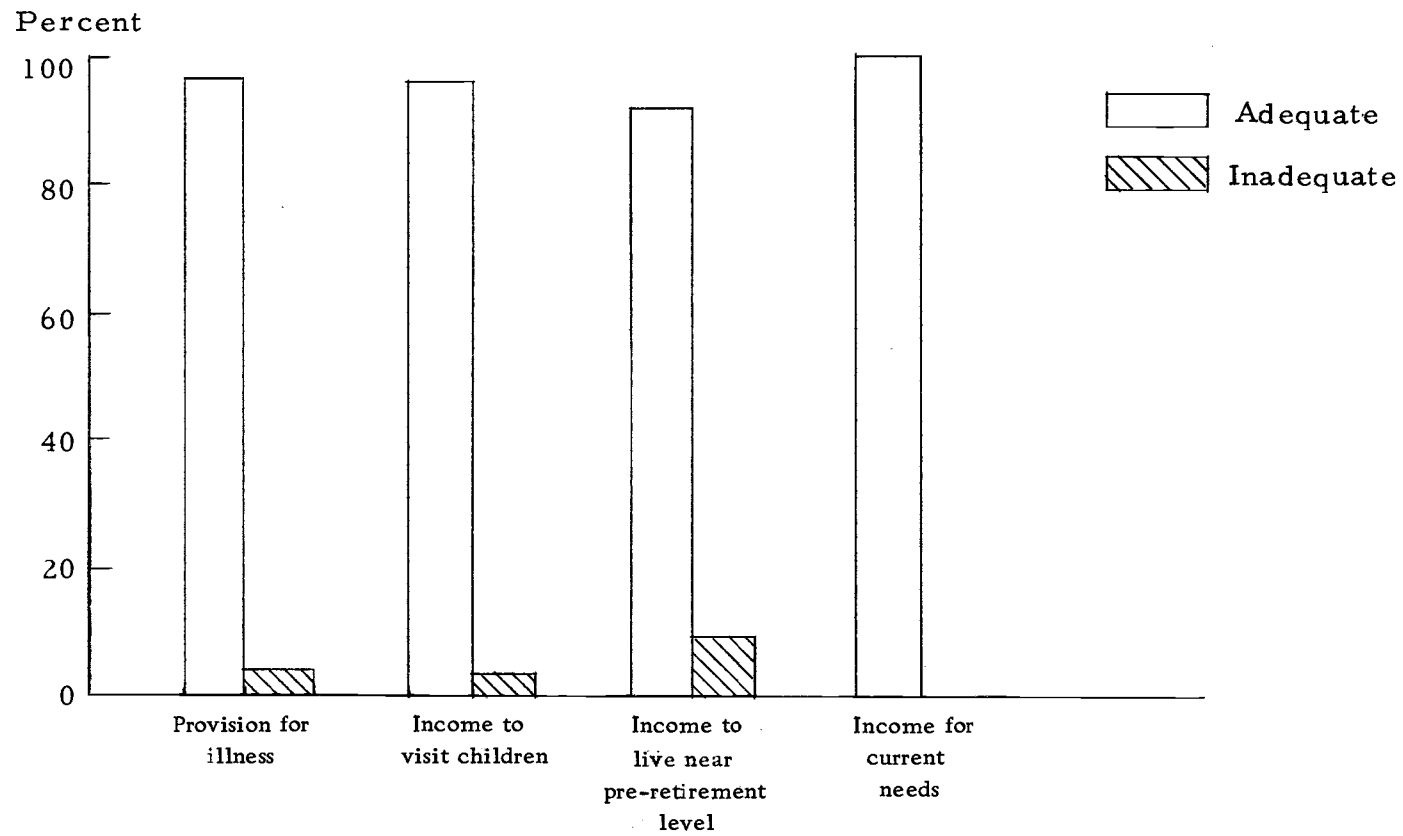


Figure V-1. Feelings reported about financial position of 50 retired couples

Development of a Financial Plan

The 39 couples who had a financial plan reported three methods used to determine the plan. All of these couples stated how they adjusted their expenditures to their income. One-third, 13, of the couples reported they used two methods and ten couples reported they used three methods to arrive at a financial plan. Adjusting expenses to income was the most frequently mentioned method used to arrive at a financial plan. And over one-half of the couples, 21, reported they used past experience in preparing a financial plan. Fourteen couples reported using past records in developing a financial plan. And one couple reported including adjusting income to expenditures in the preparation of the financial plan (Table V-2).

Table V-2. Methods used by 39 couples to arrive at a financial plan

Method	Number	Percent
	n=39	
Adjust expenses to income	36	93
Base on past experience and records	23	59
Adjust income to expenses	1	3

Period Covered by Financial Plan

The 39 couples who had a financial plan planned for a month or longer period. Slightly over one-third, 14, of the 39 couples used a yearly spending plan. Nine couples did long range planning. Four couples varied planning period for different expenditure categories.

For example, food budget was on monthly basis and automobile insurance on yearly basis.

Table V-3. Time period covered by financial plan of 39 couples

	Number	Percent
Week		
Month	14	36
Year	12	31
Combination	4	10
Other	9	23
Total	39	100

Flexibility of Financial Plan

Couples were asked to respond to a question concerning the flexibility of their financial plan. All 39 couples reported flexible plans. None classified their financial plans as rigid.

Adjustment of Financial Plan

Twenty-five couples reported they adjusted their financial plan when needs changed; however, eight adjusted their financial plan when their income changed. Three couples periodically reviewed their plans.

Table V-4. How 39 couples adjusted financial plan

Time adjusted	Number	Percent
Needs changed	25	64
Income changed	8	20
After periodic review	3	8
Other	2	5
No response	1	3
Total	39	100

Financial Plan as an Aid to a Higher Level-of-living

When asked if a financial plan had been a satisfactory aid to a higher level-of-living than would have been possible without one, five of the 50 couples reported they had never tried a financial plan. Thirty-eight of the 45 couples who had used a financial plan reported that it had been a satisfactory aid to a higher level-of-living. Surprisingly, seven couples had not found it a satisfactory aid to a higher level-of-living (Table V-5). Some couples reported they were able to live better after retiring.

Table V-5. Response of 50 couples concerning a financial plan as an aid to a higher level-of-living

Feeling of satisfaction	Number	Percent
Has been a satisfactory aid	38	76
Has not been a satisfactory aid	7	14
Have never tried a financial spending plan	5	10
Total	50	100

Expenditures

Methods of Adjusting Expenditures to Income

The 50 couples reported how they adjusted their expenditures to their incomes. Forty-eight couples reported they put income into a bank account and withdrew as needed. Thirteen couples reported their income and expenditures balancing. Couples used differing time periods, such as month, quarter, and year for adjusting their expenditures to their incomes (Table V-6).

Table V-6. Methods of allocating income to expenditures reported by 50 retired couples

Method allocating income	Number	Percent
Put income into an account and withdraw as needed	48	96
Balance income and expenditures at selected time period	13	26
Arrange major expenses when major part of income received	7	14
Arrange to receive major part of income when major expenses occur	3	6
Average yearly income, then spend a percentage each designated time period	2	4
Other	1	2

Expenditures in 1970

Table V-7 gives the mean money expenditures of the 50 couples by income level. The total expenditures for the 50 couples ranged

Table V-7. Mean 1970 money expenditures for 50 retired couples by income levels

Expenditure	Mean	Income levels				Decline to answer
		\$5,000 or less	\$5,001 to \$10,000	\$10,001 to \$15,000	\$15,001 or more	
	n = 50	n = 7	n = 28	n = 7	n = 6	n = 2
Food at home	\$1,117	\$834	\$1,016	\$1,317	\$1,560	\$1,230
Food away from home	333	118	356	320	458	432
Shelter	811	544	826	869	985	820
House furnishings	140	57	127	287	141	100
Household operation	587	481	550	634	859	480
Transportation	1,213	647	1,160	1,854	1,478	888
Clothing, clothing care	327	173	258	559	542	375
Medicare related	128	135	120	148	131	144
Other medical costs	443	314	505	333	277	914
Reading	84	69	75	103	133	63
Vacation, recreation, hobbies	971	373	872	1,124	2,123	450
Tobacco, alcohol	148	13	113	182	445	100
Miscellaneous expense	211	86	228	290	239	50
Gifts, contributions	391	380	344	625	360	488
Life insurance	225	49	307	202	133	33
Personal taxes	1,147	0	1,086	1,726	3,646	295
Total	\$8,276	\$4,273	\$7,943	\$10,573	\$13,510	\$6,862

from \$2,695 to \$20,264 with a mean of \$8,276. By income level the mean total expenditures were: \$4,255 for the group with income of \$5,000 or less; \$7,973 for the \$5,001 to \$10,000 group; \$10,753 for the \$10,001 to \$15,000 group; \$13,570 for the \$15,001 or more income group; and \$6,862 for the group that declined to report their income. The expenditures represent dissavings in the two lower income level groups in decreasing amounts as income increased. Savings in the two upper income level groups increased as income increased.

The expenditure for food in 1970 ranged from \$600 to \$2,660 with a mean of \$1,450. By income level the mean total expenditure for food was: \$5,000 or less, \$952; \$5,001 to \$10,000, \$1,372; \$10,001 to \$15,000, \$1,637; \$15,001 or more, \$2,018; and those who declined to report income, \$1,662.

The expenditure for housing in 1970 ranged from \$812 to \$2,908 with a mean of \$1,538. By income level the expenditure for housing was: \$5,000 or less, \$1,082; \$5,001 to \$10,000, \$1,503; \$10,001 to \$15,000, \$1,790; \$15,001 or more, \$1,985; and declined to report income, \$1,400.

Medical expenditures in 1970 ranged from \$177 to \$1,773 with a mean of \$571. By income level the mean expenditure for medical was: \$5,000 or less, \$449; \$5,001 to \$10,000, \$625; \$10,001 to \$15,000, \$481; \$15,001 or more, \$408; and declined to report income, \$1,058.

The expenditure for other family consumption ranged from \$100 to \$7,261 with a mean of \$1,414. The couple who spent \$7,261 took a special vacation in 1970. By income level the mean expenditure for other family consumption was: \$5,000 or less, \$541; \$5,001 to \$10,000, \$1,288; \$10,001 to \$15,000, \$1,699; \$15,001 or more, \$2,940; and declined to report income, \$663.

Figure V-2 presents a comparison of percentages of mean expenditures by income level, mean income and Bureau of Labor Statistics (BLS) suggested budget for a retired couple at a higher level of living in a non-metropolitan west coast area. The percentage of the couples expenditures for food, housing, clothing and clothing care and gifts and contributions was less than the Bureau of Labor Statistics budget percentages. The mean percentages for transportation and other family consumption expenditures were more than the BLS budget. Taxes, except for couples with income of \$5,000 or less were also more than the percentages suggested by the BLS budget.

Couples compared their 1970 with 1969 expenditures (Appendix C). They indicated which of the following was applicable: 1) more, if 1970 expenditures exceeded the 1969 expenditures, 2) less if 1969 expenditures exceeded the 1970 expenditures, and 3) the same if the expenditures were the same in 1970 as in 1969. Figure V-3 presents the percentages of more, less and same responses reported by couples when comparing 1970 with 1969 expenditures.

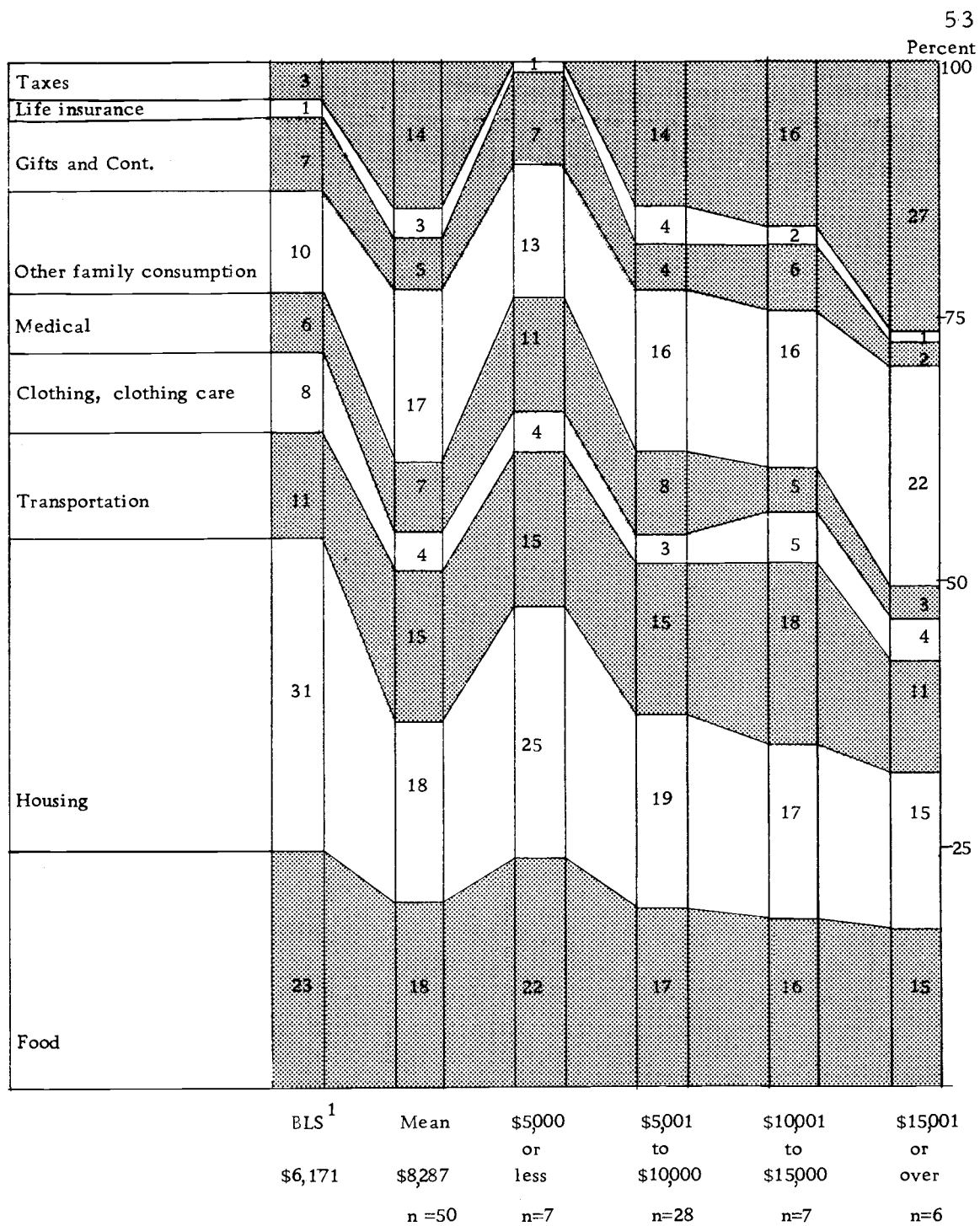


Figure V-2. Percentages of category expenditures by income levels, mean income, and Bureau of Labor Statistics suggested budget for retired couple at a higher level-of-living in a non-metropolitan west coast area

¹ Source for data: 1969-1970 Supplement to Bureau of Labor Statistics Bulletin no. 1570-6, p. 12.

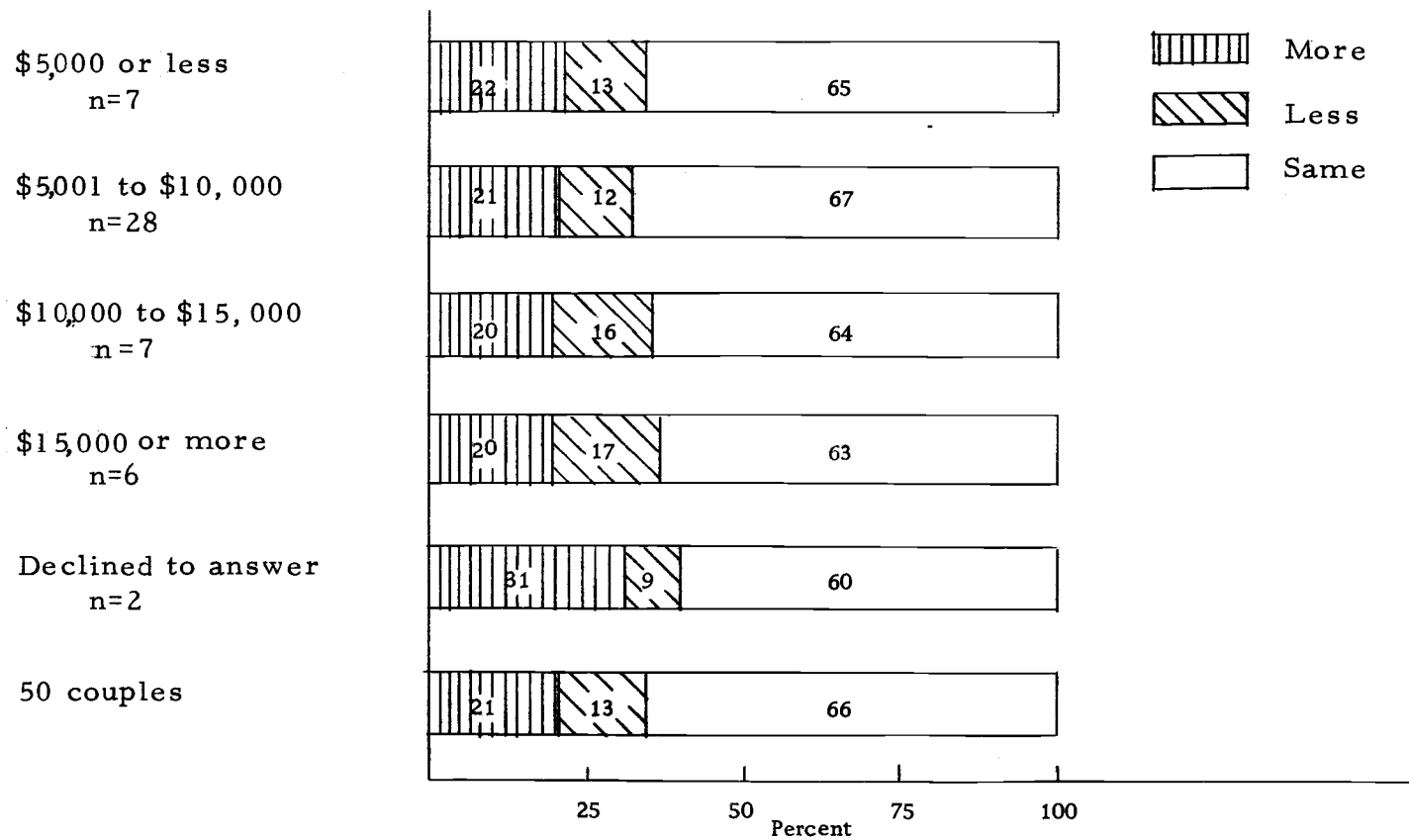


Figure V-3. Percentage of responses reported by 50 retired couples when comparing 1970 with 1969 expenditures by income levels

More couples reported increased expenditures for food at home and shelter than any other categories when 1970 expenditures were compared with 1969 expenditures. More couples reported decreased expenditures for vacation, recreation and hobbies and other medical costs when 1970 expenditures were compared with 1969 than any other categories. More couples reported tobacco and alcohol and miscellaneous expenses were the same in 1970 as in 1969 than any other categories.

Food consumed at home and away from home. Table V-8 gives the money expenditures for food consumption at home and away from home by income. All the couples with income of \$5000 or less reported spending less than \$1,200 for food at home and less than \$400 for food away from home. However all the couples with income of more than \$15,000 reported spending more than \$900 for food at home and more than \$200 for food away from home.

The range of expenditures for food consumed at home was \$400 to \$2000 with a mean expenditure of \$1,117 and a median expenditure of \$1,080. Nearly all of the couples interviewed estimated their expenditures for food consumed at home; however, two couples used records to arrive at the expenditure. The expenditures for food consumed away from home ranged from \$0 to \$2,700. Thirty-two couples spent between \$100 and \$400 for food consumed away from home in 1970. One of the couples, who was away from their retirement home for

for an extended period of time and ate most of their meals out, reported spending \$2,700. All others spent \$1,080 or less for food consumed away from home. The mean amount spent by all 50 couples was \$355, and the median, \$245. The 47 couples who made expenditures for food consumed away from home spent a mean amount of \$354 and a median of \$300.

Table V-9 presents a comparison of expenditures for food in 1970 with 1969 by income. More than half of the couples, 26, reported they spent more for food at home in 1970 than in 1969. Most of these couples explained the expenditure reflected the increased cost of food in the market rather than different eating habits. Less than half, 21, of the couples reported spending about the same for food consumed at home in 1970 as in 1969. Only three reported spending less in 1970 than in 1969. Twenty-six couples reported spending about the same in 1970 as in 1969 for food consumed away from home. Sixteen couples spent more and eight couples spent less for food consumed away from home in 1970 than in 1969.

Some couples had small vegetable gardens and fruit trees and froze or canned food. For some friends and relatives were generous with gifts of surplus fruits and vegetables. Others mentioned they ate very simply so did not spend very much for food at home. Some couples ate out regularly. Other couples stated they ate away from home occasionally or for special occasions.

Table V-8. 1970 money expenditures of 50 retired couples for food by income levels

Income	Total number	Dollars for food at home					Dollars for food eaten away from home				
		\$600 or less	\$601 to 900	\$901 to 1,200	\$1,201 to 1,500	\$1,501 or more	\$99 or less	\$100 to \$199	\$200 to \$399	\$400 to \$799	\$800 or more
						Number reporting					
\$5,000 or less	7	2	2	3	0	0	4	1	2	0	0
\$5,001 to \$10,000	28	5	6	11	4	2	3	12	7	3	3
\$10,001 to \$15,000	7	0	1	4	0	2	0	1	5	1	0
\$15,001 or more	6	0	0	1	1	4	0	0	3	2	1
Declined to answer	2	0	0	1	1	0	0	0	1	1	0
Total	50	7	9	20	6	8	7	14	18	7	4

Table V-9. Comparison of expenditures for food of 50 retired couples in 1970 with 1969 by income levels

Income	Total number	Food at home			Food away from home		
		Compared with 1969					
		more	less	same	more	less	same
Number reporting							
\$5, 000 or less	7	5	0	2	2	0	5
\$5, 001 to \$10, 000	28	14	2	12	10	5	13
\$10, 001 to \$15, 000	7	2	1	4	1	3	3
\$15, 001 or more	6	3	0	3	1	0	5
Declined to answer	2	2	0	0	2	0	0
Total	50	26	3	21	16	8	26

Shelter. The mean expenditure for shelter reported by the 50 couples was \$811, and the median was \$700. The expenditure for shelter ranged from \$305 to \$2,128 with 38 couples reporting they spent between \$500 and \$1,250 for shelter. Seven couples spent less than \$500 and five couples spent more than \$1,250 for shelter in 1970 (Table V-10). Most of the couples reported actual expenditures computed from records.

Twenty-three couples reported spending more for shelter, but 22 reported spending about the same amount in 1970 as in 1969. Only five of the couples reported spending less for shelter in 1970 than in 1969 (Table V-10). Some couples who spent more for shelter in 1970 explained that they had painted their home or had done more maintenance work in 1970. Other couples mentioned that their property

taxes had risen. Some couples explained expenditures were lower because of property tax exemptions. For some, interest on home loans were less in 1970 than in 1969. All couples owned or were buying their homes.

Table V-10. 1970 Money expenditures of 50 retired couples for shelter by income levels and compared with 1969 expenditures

Income	Total number	Dollars for shelter					Compared with 1969		
		\$499 or less	\$500 to \$749	\$750 to \$999	\$1000 to \$1,249	\$1250 or more	more	less	same
Number reporting									
\$5000 or less	7	4	2	0	1	0	5	0	2
\$5001 to \$10,000	28	3	15	4	3	3	10	3	15
\$10,001 to \$15,000	7	0	3	2	1	1	4	1	2
\$15,001 or more	6	0	1	2	2	1	3	1	2
Declined to answer	2	0	0	2	0	0	1	0	1
Total	50	7	21	10	7	5	23	5	22

House furnishings. Thirty-five couples reported they spent less than \$200 for house furnishings in 1970. Of these couples, 22 made no expenditure at all for house furnishings. The range of expenditure for furnishings by all 50 couples was \$0 to \$1,175 with a mean of \$140. For the 28 couples who made expenditures for house furnishings in 1970, the mean amount spent was \$250 and the median spent was \$200 (Table V-11). Nearly all couples estimated their expenditures for house furnishings.

A majority of the couples, 35, reported their expenditure for house furnishings in 1970 was about the same as in 1969. Six couples reported spending more while nine couples reported spending less for house furnishings in 1970 than in 1969 (Table V-11).

Many of the couples mentioned they had purchased any needed pieces of furniture when they moved into their present home and their supply of linens and other items was large enough that they did not need to make replacements. Others have hobbies and skills that reduced the expenditure for house furnishings. One gentleman liked to work with woods and had made most of the furniture in their home.

Table V-11. 1970 Money expenditures of 50 retired couples for home furnishings by income levels and compared with 1969 expenditures

Income	Total number	Dollars for house furnishings					Compared with 1969	
		\$0	\$199 or less	\$200 to \$399	\$400 or more	more	less	same
		Number reporting						
\$5,000 or less	7	4	2	1	0	0	1	6
\$5,001 to \$10,000	28	14	7	6	1	4	4	20
\$10,001 to \$15,000	7	1	2	2	2	1	2	4
\$15,001 or more	6	2	2	1	1	1	1	4
Declined to answer	2	1	0	1	0	0	1	1
Total	50	22	13	11	4	6	9	35

Household operations. The expenditures for household operations as reported by the 50 couples ranged from \$300 to \$1,300 with

a mean of \$587 and a median of \$573. Seventy percent of the couples, 35, reported spending between \$400 and \$700 for household operations in 1970. More couples reported actual expenditures than estimated them. Thirty-three couples reported they spent about the same amount for household operations in 1970 as in 1969. Fifteen couples reported they spent more and only two couples reported they spent less for household operations in 1970 than in 1969 (Table V-12).

Table V-12. 1970 money expenditures of 50 retired couples for household operations by income levels and compared with 1969 expenditures

Income	Total number	Dollars for household operations							
		\$399 or less	\$400 to \$499	\$500 to \$599	\$600 to \$699	\$700 or more	Compared with 1969		
							more	less	same
Number reporting									
\$5, 000 or less	7	1	3	2	1	0	3	0	4
\$5, 001 to \$10, 000	28	4	8	7	5	4	8	2	18
\$10, 001 to \$15, 000	7	0	0	2	3	2	1	0	6
\$15, 001 or more	6	0	0	0	3	3	1	0	5
Declined to answer	2	1	0	0	1	0	2	0	0
Total	50	6	11	11	13	9	15	2	33

All couples paid the same amount for garbage and sewage services. Each individual dwelling had an automatically controlled light at the street which was connected to the dwelling power source and the expense of the light was paid by the owner. There was a minimum service charge for water with an additional charge for water used in

excess of the minimum. Variations in household operation expenditures resulted from different types of heating, size of house, and outdoor areas. Most individual outdoor areas were small. A large common ground with recreational facilities was available to all residents and the care was included in association fees.

Transportation. All couples owned at least one automobile and reported some expenditure for transportation. Some also owned either another automobile or other vehicle. About equal numbers of the couples estimated and computed their expenditure for transportation. Table V-13 gives the money expenditures for transportation by income. Expenditures for transportation in 1970 ranged from \$224 to \$6500, with a mean amount of \$1,213 and a median amount of \$800 spent for transportation in 1970. The most frequent amount couples spent for transportation was in the \$500 to \$999 category. Eighteen couples were in this group. Fourteen couples spent over \$1,500 for transportation. Nine couples each reported spending less than \$500 and between \$1,000 and \$1,499 in 1970. Thirty of the couples reported they spent about the same for transportation in 1970 as in 1969. About one-fourth of the couples, 12, reported they spent more for transportation in 1970 than in 1969. This reflected the increased recreation and travel use of automobiles and trailers as well as new automobiles purchased. Eight couples reported spending less for transportation in 1970 than in 1969.

Table V-13. 1970 Money expenditures of 50 retired couples for transportation by income levels and compared with 1969 expenditures

Income	Dollars for transportation							
	Total number	\$499 or less	\$500 to \$999	\$1,000 to \$1,499	\$1,500 or more	Compared with 1969		
						more	less	same
Number reporting								
\$5,000 or less	7	3	2	2	0	3	2	2
\$5,001 to \$10,000	28	5	10	5	8	5	5	18
\$10,001 to \$15,000	7	0	3	1	3	2	1	4
\$15,001 or more	6	1	2	0	3	2	0	4
Declined to answer	2	0	1	1	0	0	0	2
Total	50	9	18	9	14	12	8	30

Some couples explained their transportation expenditures. One couple said their expenditure for transportation was low because they did little driving because they had poor eyesight. Others mentioned they used their auto only for local errands and appointments. Three couples purchased new automobiles in 1970. One couple stated they had sold one of their automobiles in 1970. Other couples owned or purchased travel trailers in 1970 and used these for recreation and vacations.

Clothing and clothing care. Forty-nine of the couples interviewed reported some expenditure for clothing and clothing care in 1970. Nearly all couples estimated their expenditure. The range of expenditures for clothing and clothing care in 1970 was \$0 to \$1,200

with a mean amount of \$327 and a median of \$277. Twenty-one couples reported spending between \$200 and \$399 for clothing and clothing care in 1970. Fourteen couples spent less than \$200 and 15 couples spent \$400 or more for clothing and clothing care in 1970 (Table V-14).

Table V-14. 1970 Money expenditures of 50 retired couples for clothing and clothing care by income levels and compared with 1969 expenditures

Income	Total number	Dollars for clothing care						
		\$199 or less	\$200 to \$399	\$400 to \$599	\$600 or more	Compared with 1969		
						more	less	same
		Number reporting						
\$5,000 or less	7	3	3	1	0	1	2	4
\$5,001 to \$10,000	28	10	13	4	1	7	2	19
\$10,001 to \$15,000	7	1	2	1	3	0	0	7
\$15,001 or more	6	0	2	2	2	1	2	3
Declined to answer	2	0	0	1	0	0	1	1
Total	50	14	21	9	6	9	7	34

Life in this adult community is very casual for the most part. Most of the couples remarked they spent very little for clothing and clothing care. They had an adequate wardrobe at retirement and had needed to replace only such minor items as socks and stockings, shoes, and an occasional outer garment. Some couples did not follow fashions as closely when retired as when they worked, used coin operated cleaning facilities instead of regular cleaner service, and had very little expenditure for clothing care because they wore predominately wash and wear or permanent press garments. Other

couples reported they maintained the same standards of dress as they did before retirement.

Medicare related. Forty-two couples reported they made some Medicare related expenditure in 1970. Included in this category of expenditure are Medicare and Medicaid premiums and the portion of Medicare and Medicaid covered medical care not paid by Medicare or Medicaid. Eight couples spent less than \$100, indicating only one person was covered by Medicare or both were covered for part of the year and had little or no Medicare related expenditure. Eighteen couples spent between \$100 and \$149 and 16 couples spent \$150 or more for Medicare related medical care in 1970. The amount reported spent for Medicare related expenditures in 1970 ranged from \$0 to \$428. The mean for all 50 couples was \$128 and the median, \$127. Considering only the 42 couples who reported Medicare related expenditures in 1970, the mean was \$153 and the median, \$134 (Table V-15).

Table V-15. 1970 Money for Medicare related expenditures of 50 retired couples by income levels and compared with 1969 expenditures

Income	Total number	Dollars for Medicare related medical					Compared with 1969		
		\$0	\$99	\$100	\$150	\$200			
		or less	to \$149	to \$199	or more	more	less	same	
Number reporting									
\$5,000 or less	7	1	2	2	1	1	1	2	4
\$5,001 to \$10,000	28	5	5	12	3	3	10	1	17
\$10,001 to \$15,000	7	0	1	2	3	1	3	0	4
\$15,001 or more	6	2	0	1	0	3	0	1	5
Declined to answer	2	0	0	1	1	0	1	0	1
Total	50	8	8	18	8	8	15	4	31

Other medical costs. All couples reported some medical expenditures other than Medicare related in 1970. Twenty-two couples reported spending between \$200 and \$399 for other medical costs in 1970. The amount reported spent for other medical costs ranged from \$44 to \$1,605 in 1970 with a mean of \$443 and a median of \$332. Nearly all couples reported actual expenditures. The figure frequently was taken from income tax records or returns. Twenty-seven of the couples reported the amount spent for other medical expenses was about the same in 1970 as in 1969. Twenty-three couples reported some change with 13 couples reported spending more and ten reported spending less in 1970 than in 1969 for other medical expenses (Table V-16).

Some couples reported extraordinary medical expenses in 1970. Several mentioned surgery, one couple reported three operations. Three couples reported purchasing hearing aids. Also mentioned were dental work and illnesses. Other couples mentioned enjoying good health and spending little for medical costs other than Medicare.

Table V-16. 1970 Money expenditures of 50 retired couples for other medical costs by income levels and compared with 1969 expenditures

Income	Total number	Dollars for other medical costs					Compared with 1969		
		\$199 or less	\$200 to \$399	\$400 to \$599	\$600 to \$799	\$800 or more			
		more	less	same					
Number reporting									
\$5,000 or less	7	1	5	1	0	0	2	1	4
\$5,001 to \$10,000	28	2	11	4	6	5	7	8	13
\$10,001 to \$15,000	7	3	1	2	1	0	2	1	4
\$15,001 or more	6	1	4	1	0	0	1	0	5
Declined to answer	2	0	1	0	0	1	1	0	1
Total	50	7	22	8	7	6	13	10	27

Reading. Reading material was not a large expenditure item. All couples reported making some expenditures for reading material in 1970. The amount spent for reading material in 1970 ranged from

\$18 to \$200 with a mean of \$84, and a median of \$77. Nearly all couples tried to give an actual figure but a few estimated their expenditure for reading. Ninety percent of the couples reported no change in the amount spent for reading material when 1970 was compared with 1969 (Table V-17).

Table V-17. 1970 Money expenditures of 50 retired couples for reading by income levels and compared with 1969 expenditures

Income	Total number	Dollars for reading						
		\$50	\$51	\$76	\$101	Compared with 1969		
		or less	to \$75	to \$100	or more	more	less	same
Number reporting								
\$5, 000 or less	7	2	2	3	0	1	0	6
\$5, 001 to \$10, 000	28	8	6	10	4	1	2	25
\$10, 001 to \$15, 000	7	0	2	1	4	0	1	6
\$15, 001 or more	6	0	0	3	3	0	0	6
Declined to answer	2	1	1	0	0	0	0	2
Total	50	11	11	17	11	2	3	45

Tobacco and alcohol. Seventeen couples reported making no expenditure for tobacco or alcohol in 1970. Sixteen couples reported spending less than \$99 for tobacco and alcohol. The expenditure for tobacco and alcohol ranged from \$0 to \$1200 with a mean expenditure of \$148 and a median of \$30 for all 50 couples in 1970. The mean

expenditure was \$225 and the median, \$100 for the 33 couples who reported expenditures. Only four couples reported any change in the expenditure. One couple reported spending more and three reported spending less for tobacco and alcohol in 1970 than in 1969. Forty-six couples reported their expenditure was about the same in 1970 as in 1969 (Table V-18).

Some couples who made expenditures for tobacco and alcohol mentioned they only used either tobacco or alcohol but not both. Some husbands drank heavily and their wives felt they spent too much for alcohol. Others purchased alcohol for guests only.

Table V-18. 1970 Money expenditures of 50 retired couples for alcohol and tobacco by income levels and compared with 1969 expenditures

Income	Total number	Dollars for alcohol and tobacco					Compared with 1969		
		\$0	\$99 or less	\$100 to \$399	\$400 to \$699	\$700 or more	more	less	same
Number reporting									
\$5,000 or less	7	5	2	0	0	0	0	0	7
\$5,001 to \$10,000	28	10	11	5	1	1	0	1	27
\$10,001 to \$15,000	7	1	3	1	2	0	0	0	7
\$15,001 or more	6	0	0	4	1	1	1	2	3
Declined to answer	2	1	0	1	0	0	0	0	2
Total	50	17	16	11	4	2	1	3	46

Vacation, recreation, and hobbies. The expenditure for vacation, recreation and hobbies in 1970 ranged from \$0 to \$7,500 with a mean of \$971 and a median of \$503 for all 50 couples in 1970.

Three couples reported making no expenditures for vacation, recreation or hobbies in 1970. For the 47 couples reporting expenditures for vacation, recreation and hobbies, the mean was \$1,033 and the median was \$540. Twenty-seven couples reported some change in their expenditure for vacation, recreation and hobbies. Eleven reported spending less and eight reported spending more in 1970 than in 1969 (Table V-19). Eight couples reported actual expenditures, 42 couples estimated expenditures for vacation, recreation and hobbies in 1970.

The most commonly mentioned expenditures were for golf and travel. There is a nine hole golf course in the community and residents may pay green fees either on a yearly basis or as the course is used. Some couples reported trips around the world, to Europe, to San Juan, to Hawaii, to Alaska by boat, to the South Pacific, and to Canada. Still others reported using travel trailers with no specific destination. The following hobbies were reported: fishing, gardening, woodworking, music, painting and crafts.

Table V-19. 1970 Money expenditures of 50 retired couples for vacation, recreation and hobbies by income levels and compared with 1969 expenditures

Income	Total number	Dollars for vacation, recreation, and hobbies				Compared with 1969		
		Less than \$199	\$200 to \$699	\$700 to \$1199	\$1200 or more	more	less	same
				Number reporting				
\$5,000 or less	7	3	2	2	0	0	3	4
\$5,001 to \$10,000	28	8	12	2	6	5	5	18
\$10,001 to \$15,000	7	0	3	2	2	1	2	4
\$15,001 or more	6	0	2	1	3	2	1	3
Declined to answer	2	1	0	1	0	0	0	2
Total	50	12	19	8	11	8	11	31

Miscellaneous. Twenty-one couples reported they spent less than \$99 for miscellaneous expenses in 1970. Sixteen couples reported spending between \$100 and \$200 for miscellaneous expenses. The expenditures for miscellaneous expenses ranged from \$45 to \$1,113 with a mean of \$211 and a median of \$140 in 1970. Forty-one couples reported their expenditures were about the same for miscellaneous expenses in 1970 as in 1969 (Table V-20). More couples computed than estimated their miscellaneous expenses in 1970.

Some couples explained their expenditures. Some comments were: had unusual legal fees, paid membership dues in several organizations, purchased a headstone, and paid school tuition for grandchildren. Several couples mentioned they banked where they could avoid service charge on a checking account.

Table V-20. 1970 Money expenditures of 50 retired couples for miscellaneous by income levels and compared with 1969 expenditures

Income	Total number	Dollars for miscellaneous						
		\$99	\$100	\$200	\$400	Compared with 1969		
		or less	to \$199	to \$399	or more	more	less	same
<hr/>								
		Number reporting						
\$5,000 or less	7	4	3	0	0	1	0	6
\$5,001 to \$10,000	28	14	5	6	3	4	1	23
\$10,001 to \$15,000	7	1	4	1	1	1	1	5
\$15,001 or more	6	0	4	1	1	0	1	5
Declined to answer	2	2	0	0	0	0	0	2
<hr/>								
Total	50	21	16	8	5	6	3	41

Gifts and contributions. All couples made some expenditure for gifts and contributions in 1970. The expenditures ranged from \$50 to \$1,240 with a mean of \$391 and a median of \$350 (Table V-21). Those couples who filed an income tax return in 1970 reported the expenditure listed on the tax return. Most other couples estimated their expenditure for gifts and contributions.

In addition to their usual contributions, couples made memorial contributions to church and various funds such as united, heart, and cancer. In addition to monetary contributions, one gave his time and used his abilities in organizing and carrying out a building program for a church, and others helped with church camps or participated in volunteer community service.

Table V-21. 1970 Money expenditures of 50 retired couples for gifts and contributions by income levels compared with 1969 expenditures

Income	Total number	Dollars for gifts and contributions						
		\$199	\$200	\$400	\$600	Compared with 1969		
		or less	to \$399	to \$599	or more	more	less	same
<hr/>								
		Number reporting						
Less than \$5000	7	2	3	1	1	1	1	5
\$5001 to \$10, 000	28	10	8	6	4	1	4	23
\$10, 001 to \$15, 000	7	0	1	2	4	2	1	4
\$15, 001 or more	6	1	3	1	1	0	3	3
Declined to answer	2	1	0	0	1	1	0	1
<hr/>								
Total	50	14	15	10	11	5	9	36

Life insurance. Thirteen couples reported they made no expenditure for life insurance during 1970. Of the 37 couples who reported making some expenditure for life insurance, 16 spent \$100 or less, 12 between \$101 and \$200, and nine spent more than \$200 for life insurance premiums in 1970. For those couples who paid premiums, the range was \$3 to \$3,553, with only one couple paying over \$908. The mean for the 37 couples paying premiums was \$303 and the median was \$120. The mean amount spent for life insurance premiums for all couples interviewed was \$225 and the median, \$78 in 1970. Forty-two couples reported their life insurance payments were about the same in 1970 as in 1969, six reported they paid less, and one reported paying more for life insurance in 1970 than in 1969 (Table V-22).

Some of the comments made regarding life insurance were: had converted to paid-up insurance to eliminate further payments but still retain some protection; and all or most of their insurance was paid up. One couple with a high insurance expenditure explained the policy was to cover death duties and inheritance taxes on their estate.

Insurance expenditures other than for life insurance were included under other headings: car under transportation; health, accident, and hospitalization under other medical costs; fire, theft, and public liability under shelter.

Table V-22. 1970 Money expenditures of 50 retired couples for life insurance by income levels and compared with 1969 expenditures

Income	Total number	Dollars for life insurance				Compared with 1969		
		\$0	\$100	\$101	\$201			
		or less	to \$200	or more	more	less	same	
Number reporting								
Less than \$5,000	7	3	3	1	0	0	0	7
\$5,000 to \$10,000	28	7	8	6	7	1	2	25
\$10,001 to \$15,000	7	2	2	1	2	0	1	6
\$15,001 or more	6	0	2	4	0	0	3	3
Declined to answer	2	1	1	0	0	0	0	2
Total	50	13	16	12	9	1	6	42

Personal taxes. Fifteen couples reported they paid no federal or state income taxes in 1970. The expenditure for the 35 couples who reported paying income taxes in 1970 ranged from \$12 to \$13,305. However, only two couples paid \$8,000 or more income tax; one paid

\$8,000 and one couple paid \$13,305. These two couples explained their unusually high tax expenditure. One couple had paid taxes on back commissions and profit-sharing; the other couple had made a profit on the necessary sale of property they had planned to make their permanent home before five years of ownership. The mean tax paid for all 50 couples was \$1,147 and the median, \$475. The mean for the 35 couples reporting they paid taxes in 1970 was \$1,638 and the median was \$817.

None of the couples who had incomes of \$5,000 or less reported paying any income taxes. Eight of the couples with incomes between \$5,001 and \$10,000 reported paying no taxes. Of those who reported paying income taxes, ten couples reported paying \$500 or less and ten couples over \$500 in income taxes. All 13 couples with incomes of \$10,001 or more stated they paid more than \$100 income tax, and those with incomes more than \$15,001 paid \$1,000 or more in income tax. Twenty-six couples reported their taxes were about the same in 1970 as in 1969 and 24 reported some change. For 11 couples the tax expenditure increased, but for 13 couples the tax expenditure decreased (Table V-23). Twenty-eight couples reported their income was about the same in 1970 as in 1969, 16 reported it was more and six less than in 1969 (Table V-9).

Table V-23. 1970 Money expenditures of 50 retired couples for personal taxes by income levels and compared with 1969 expenditures

Income	Total number	Dollars for personal taxes						Compared with 1969		
		\$0	\$100 or less	\$101 to \$500	\$501 to \$1,000	\$1,001 to \$2,000	\$2,001 or more	more	less	same
Less than \$5,000	7	7	0	0	0	0	0	0	2	5
\$5,001 to \$10,000	28	8	6	4	8	1	1	6	6	16
\$10,001 to \$15,000	7	0	0	1	0	4	2	2	3	2
\$15,001 and more	6	0	0	0	0	1	5	3	1	2
Declined answer	2	0	0	0	1	0	1	0	1	1
Total	50	15	6	5	9	6	9	11	13	26

Unusual expenditures. Twenty-six couples had no expenditures in 1970 which they considered to be unusual. The other 24 couples reported making a total of 32 expenditures which they considered unusual. Eleven couples reported expenditures pertaining to health. Nine couples mentioned expenditures relating to travel and transportation such as a special trip, new automobile or travel trailer, and major automobile repairs. Items placed in the category Other were: insurance premium, new furniture, headstone for a parent's grave, car repair, and school tuition for grandchildren (Table V-24).

Table V-24. Unusual expenditures made in 1970 by 50 retired couples

Expenditure	Number	Percent
Automobile, travel trailer	3	6
Hearing aid, dental work	6	12
Home maintenance and improvement	4	8
Illness, surgery	5	10
Legal fees	2	4
Taxes	2	4
Travel	5	10
Other	5	10

Types of Records of Expenditures

Forty-nine couples reported keeping some type of record of expenditures. The number of types of records of expenditures kept by individual couples ranged from none to four. Forty-eight couples kept from one to three types of records. Only one couple reported they did not keep any type of record of expenditures but they had until 1970. The type of record most frequently reported kept by the couples was cancelled checks, and 41 couples reported keeping this type of record. Twenty-six couples each reported keeping receipts and a record of items for income tax (Table V-25).

Table V-25. Types of records of expenditures kept by 50 retired couples

Record	Number	Percent
Cancelled checks	41	82
Detailed budget	12	24
Income tax items	26	52
Receipts	26	52
Statements	5	10
None	1	2

Adjustments Made to Increased Expenditures

Fifteen couples reported they made no adjustments to meet increasing expenditures. The remaining 35 couples reported 62 actions of adjustment to increasing expenditures. Forty-five adjustments were made to increase income and 18 adjustments were made to decrease expenditures (Table V-26). One couple, both the husband and wife, took part-time employment. Ten of the 11 couples who reported changing the composition of their assets exchanged stocks, bonds or savings for like assets with higher interest or dividend. The other couple who reported changing the composition of assets reported selling income property on contract to obtain a higher return. Three of the seven couples reporting a substitution of time and/or skills for money expenditures mentioned the substitution.

Two couples gave of time and skills in specialized service to a church. One couple exchanged a painting in oil for professional services. Six couples who curtailed specific expenses did one of the following: disposed of one of their automobiles, paid in person instead of mailing checks, reduced expenditures for entertainment, clothing, food and/or travel and did more for themselves.

Table V-26. Adjustments made by 50 retired couples to meet increasing expenditures

Adjustment	Number	Percent
Increased use of savings principal	17	34
Changed composition of assets	11	22
Part-time employment by husband	7	14
Substituted time or skills for money income or expenditure	7	14
Curtailed specific expenditures	6	12
Borrowed money	4	8
Curtailed all expenditures	4	8
Part-time employment by wife	3	6
Sold an item	3	6

Substitution of Time, Energy or Skills for Purchased Service

The 50 couples made 291 actions of substitutions of their own time, energy or skills for purchased service. The number of services performed by couples for themselves ranged from three to nine with an average of six. As income increased the number of services couples performed for themselves decreased. The seven couples

in the lowest income group performed five to eight services for themselves with an average of seven services while the six couples in the highest income group performed three to six services for themselves with an average of four services. The most frequent substitutions of time, energy, or skills for purchased service made by the 50 couples were: laundering, 47 couples; gardening and cleaning, each 46 couples; and minor household repairs and maintenance, 41 couples. One-half of the couples reported sewing for self, home, or others and 24 couples reported caring for their own beauty needs. (Table V-27).

Table V-27. Substitutions of time, energy or skills for purchased service made by 50 retired couples

Substitution	Number	Percent
Laundering	47	94
Gardening	46	92
Household cleaning	46	92
Minor household repairs, maintenance	41	82
Sewing for self, home, gifts	25	50
Minor automobile repairs, maintenance	24	48
Own beauty care	24	48
Craft for home, gifts	17	34
Canning, freezing, baking	10	20
Art for home, gifts	6	12
Carpentry for home, others	5	10

Only one couple reported they did not find the substitution satisfying while 49 of the couples felt the substitution of their own time, energy, or skills for purchased services was satisfying.

Comments couples made about doing the service were: they like to work with hands, welcomed household maintenance work and did household maintenance and repairs for couples who were unable to do them.

Use of Credit

Forty-seven of the 50 couples used credit in 1970. Twenty couples used only one type of credit while 27 couples used more than one type. A credit card was used by 40 couples and monthly charge account, the next most frequently used kind of credit, was used by 24 couples (Table V-28). The credit card alone was the most frequently reported use of credit in 1970.

Table V-28. Types of credit used by 50 retired couples

Type of credit	Number	Percent
Credit card	40	80
Monthly charge account	24	48
Mortgage	11	22
Loan	5	10
Installment	2	4
None	3	6

Couples indicated they enjoyed the convenience and service of a monthly charge account and used the monthly statement as a record of expenditures. They liked to use credit cards while traveling to eliminate the need to carry large sums of cash or traveler checks. Some used loan and mortgage credit because the interest cost was tax deductible and was also less than the return on money invested in other ways.

The most frequent credit card purchase in 1970 was gas and oil reported by 38 of the 40 couples using credit cards. The most frequent monthly charge account purchases were clothing and household items (Table V-29).

Table V-29. Items purchased with credit by 50 retired couples

Item	Number	Percent
Credit card		
Clothing	16	32
Gas and oil	38	76
Gifts	6	12
Household items	17	34
Personal items, toiletries	5	10
Servicing, repair, tires for automobile	11	22
Telephone	3	6
Travel expense	15	30
Monthly charge account		
Clothing	22	44
Gifts	12	24
Household items	20	40
Personal items, toiletries	11	22
Installment		
Lawnmower	1	2
Travel trailer	1	2
Mortgage		
Home	11	22
Loan		
Home	4	8
Travel trailer	2	4

Management Problems Since Retirement

Forty-seven couples reported no financial management problems since retirement. One couple reported reduced income from investments brought about by the business recession and the depressed stock market had created a financial management problem. Another couple found the responsibility for a parent's care in a nursing home created a financial management problem. Still another couple had multiple financial management problems as a result of a child in college for several years after retirement, responsibility for an aged parent, and a deteriorating neighborhood made it desirable to sell their home at a reduced price in order to purchase a home in a more suitable area.

VI. SUMMARY AND CONCLUSIONS

This chapter includes the summary, conclusions, limitations of study and suggestions for further research.

Summary

This study described the financial management practices of 50 retired couples living in an adult community located in the Willamette Valley about ten miles south of Portland, Oregon. To determine financial management practices, couples were asked about their financial plan, expenditures in 1970, adjustments of expenditures to income, place of credit in their financial management, feelings about financial position, and financial management problems encountered since retirement.

A random sample of 50 couples was drawn from the 455 couples living in single dwellings. An interview schedule was used to collect data for the study in the summer of 1971.

The mean age of the husbands was 71.8 and of the wives, 67.8. The husbands had been retired a mean of seven years and the 21 wives who had been employed, 6.3 years. The mean age at retirement was 64.8 for the husbands and 61 for the wives who had been employed. Financial ability and desire to enjoy leisure was given by 25 husbands and eight of the 21 employed wives as the most frequently reported reason for retirement. This was also the most

frequently reported reason given by the husbands and wives who had been employed for retiring before age 65. The mean years of education of the husbands was 13.1 and the wives, 13.5. Based on Hollingshead's Two Factor Index of Social Position, all of the husbands were from the middle and upper social positions and 78 percent had occupied professional, managerial, or administrative positions or owned their own business before retirement. The 48 couples who reported income and net worth had a mean income of \$9,702, and a mean net worth of \$88,580. Sixteen couples reported their income was more, four less, and 28 about the same in 1970 as in 1969. Thirteen couples reported their net worth was more, four less, and 31 about the same in 1970 as in 1969.

Eleven couples reported they had no financial plan. However, of the 39 couples who reported using a financial plan, five couples reported written plans and 34 mental plans. The two most frequent methods used to arrive at a financial plan were adjusting expenses to income and using past experience. All the couples reported flexible plans. Twenty-five couples reported they adjusted their plan as their needs changed and eight as income changed. Five couples had never used such a plan but 38 of the 45 who had used a plan reported it had been an aid to a higher level of living.

Methods used by couples to increase their income included: changing the composition of assets to provide more income,

increasing the use of savings, and working part-time.

All 50 couples substituted their time, energy or skills for purchased service. As income increased the number of services couples performed for themselves decreased. The most frequently reported services the couples performed for themselves were: laundering, 47 couples; gardening and cleaning, each 46 couples; and making minor household repairs and maintenance, 41 couples.

The total expenditures reported by the 50 couples ranged from \$2,695 to \$20,264 with a mean of \$8,287. By income level the mean total expenditures were: \$4,255 for the \$5,000 or less group, \$7,973 for the \$5,001 to \$10,000 group, \$10,753 for the \$10,001 to \$15,000 group and \$13,570 for the over \$15,000 group. The mean incomes for the groups were \$3,767 for the lowest income group, \$7,711 for the second group, \$13,770 for the third group, and \$21,184 for the highest group. The expenditures represent dissavings in the two lower income levels in decreasing amounts as the income increased and savings in the two upper income levels in increasing amounts as income increased.

The mean expenditures for the 50 couples were: food, \$1,450; housing, \$1,538; transportation, \$1,213; clothing and clothing care, \$327; medical, \$571; other family consumption, \$1,414; gifts and contributions, \$391; life insurance, \$224; and personal taxes \$1,147. The mean percentages spent for the expenditures were: food, 17.6

percent; housing, 18.6 percent; transportation, 14.6 percent; clothing and clothing care, 3.9 percent; medical, 6.9 percent; other family consumption, 17 percent; gifts and contributions, 4.7 percent; life insurance, 2.7 percent; and personal taxes 13.8 percent.

In 1970 the Consumer Price Index showed an increase of 6.5 percentage points for all items over 1969. The 50 cooperating couples compared their 1970 with 1969 expenditures. Generally the couples spent more for food and shelter, less for vacation, recreation and hobbies and other medical costs, and about the same for tobacco and alcohol and miscellaneous expenses.

Twenty-four couples reported a total of 32 expenditures which they considered unusual. Eleven of the expenditures pertained to health, and nine to travel and transportation.

All couples except one reported they kept some type of financial records. Forty-one couples kept cancelled checks and 26 kept receipts.

Forty-seven of the 50 couples used credit in 1970. Credit cards were used by 40 couples and monthly charge accounts by 24 couples. Twenty couples used only one type of credit, 21 couples, two types, and six couples used three or more types of credit. The items most frequently purchased on credit in 1970 were: gas and oil by 38 couples, clothing by 36 couples, and household items by 35 couples.

Couples answered four questions about their feelings about their financial position. Forty-eight couples reported they had adequate provision for an extended illness and adequate income to visit children and relatives as often as they wished. Forty-six couples felt their income permitted them to live near enough to their pre-retirement level of living. All of the couples felt they had sufficient income for their current needs.

Only three of the 50 couples reported financial management problems since retirement. These included reduced income from investments, responsibility for a parent's care in a nursing home, college education for a child after retirement, and sale of home in an undesirable location.

Conclusions

The 50 couples in the study were above average in education, social position, income and net worth when they were compared to the aged population in the United States. Although 29 percent had reached compulsory retirement age, the decision to retire was usually the man's own choice. The income level was high enough for most couples to allow some discretion in financial management.

When a financial plan was made, a flexible mental plan was preferred. Couples adjusted their plan when needs changed.

Expenditures in 1970 tended to be about the same as the

previous year for all categories except food at home. This expenditure increased. Dissavings in an inverse ratio to income was the tendency for couples with income under \$10,000. Couples with income above \$10,000 generally tended to spend less than their income.

The number of services performed by the couples for themselves was inversely related to their income level. However, couples from all income levels tended to find satisfaction in the performance of the services for themselves.

Credit was usually used as a matter of convenience and had a place in the financial management of all couples. Credit cards and monthly charge accounts were the preferred types of credit. Gas, oil, clothing, and household items tended to be the items purchased with credit.

Few couples had financial management problems after retirement. There was a very positive feeling about their financial position in retirement. Financial management practices had made their present level of living possible.

Limitations of Study

Responses to the interview questions were as accurate as couples were able to give. Records were used when they were available. Taxes reported were always based on records.

Although it was thought before the data were collected that the sample would be homogeneous, a wide variation in the sample was found. The sample was confined to couples who called themselves retired, lived in a specific adult community, and were willing to participate in the study.

Suggestions for Further Research

To assist persons who are working with couples planning for retirement or in helping couples who have already retired, more information is needed about the financial management practices of retired couples. Expenditure studies presenting the actual expenditures of retired couples by income level would be particularly useful in financial planning for retirement.

Persons in income categories under \$10,000 in this study reported dissavings when expenditures were compared with income. This study could be replicated with different groups in other states and regions to test the validity of the findings for other parts of the United States. In addition, this study could be replicated with retired couples living in other adult communities and with the general retired population. Further, studies could be made of couples who may report dissavings in the income levels less than \$3,000, \$3,001 to \$5,000, \$5,001 to \$7,500, and \$7,500 to \$10,000 to discover similarities and differences in their financial management practices.

As couples age, needs may differ for services and family consumption. The expenditures for retired couples under age 65, between 65 and 75, and over age 75 could be studied to provide information to assist couples in planning for the needs of these years of retirement and to see how needs change as couples grow older.

Though not researched in this study, a frequent comment was made by couples about the difference in their expenditures before and after retirement. When job-related expenditures were eliminated after retirement, they indicated they were able to live at about their pre-retirement level-of-living on reduced income. A study of pre- and post-retirement groups could be made to see if couples maintained their pre-retirement level-of-living after retirement when job related expenditures were eliminated and income had decreased.

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APPENDICES

APPENDIX A

Letter

Dear Mr. and Mrs.

I am a graduate student at Oregon State University working towards a master's degree in family economics. One of the requirements is to complete a thesis involving research. My research project has to do with the financial management practices of retired couples who have provided for their financial independence.

By chance, you were selected as one of the 50 couples at King City who will be asked to participate in this study if you are willing to do so. Within the next few weeks, I will stop by your home and if you are interested in participating, we can set a time for completing the questionnaire. It can be completed in less than an hour.

The questions concern such things as your plans for spending, your actual expenditures, adjustments when there is need for change, total net worth and income, and your use of credit. All information received in this interview will be kept confidential and will be analyzed collectively, not individually.

Your cooperation will be greatly appreciated by me and my thesis advisor. I look forward to meeting you.

Yours sincerely,

Mrs. Ann Pulley
Graduate Student

Martha A. Plonk
Associate Professor and Thesis Advisor

APPENDIX B
Interview Schedule

Interview Schedule

These first questions relate to your general background.

1. What year did you retire? Husband _____ Wife, if employed _____
2. What was your age at retirement? Husband _____ Wife _____
3. What is your present age? Husband _____ Wife _____
4. What was your occupation before retirement? Husband _____
Wife _____
5. What is the highest year of school you have completed? Husband _____
Wife _____
6. Which of the following were your reasons for retirement?

Husband _____	Wife _____	Reached compulsory job retirement age for the company or organization for which you worked
_____	_____	Poor health
_____	_____	Tired of working
_____	_____	Financial ability and desire to enjoy leisure
_____	_____	Business mergers or reorganizations
_____	_____	Other _____
_____	_____	_____
7. If you retired before 65, what were your reasons for retiring early?

These questions relate to your financial security.

Key: (1) definite yes, (2) yes, (3) no, (4) definite no

8. (1) (2) (3) (4) Do you have adequate provision made for an extended illness?
9. (1) (2) (3) (4) Do you have enough income to visit children and relatives as often
as you like?
10. (1) (2) (3) (4) Does your income permit you to live near enough to your preretirement
level of living to please you?
11. (1) (2) (3) (4) Do you have enough income for your current needs?

These questions relate to how you plan for spending your money

12. Do you have a financial plan for spending your money? Yes _____ No _____
13. If yes, is it written? Yes _____ No _____
14. (1) (2) (3) (4) What time period does the spending plan cover? 1) week, 2) month, 3) year, 4) other _____
15. (1) (2) (3) (4) When do you make adjustments in the spending plan? 1) periodic review, 2) as needs change, 3) as income changes, 4) other _____
16. (1) (2) (3) (4) How flexible is your spending plan? 1) rigid, 2) slightly flexible, 3) flexible, 4) very flexible
17. What kinds of records do you keep of expenditures?
18. Which of the following do you do to arrive at a spending plan?
 - _____ Adjust your expenses to the amount of your income
 - _____ Adjust your income to the amount of your expenses
 - _____ Base it on past experience
 - _____ Base it on past records
 - _____ Other _____
19. (1) (2) (3) (4) (5) Do you feel a financial spending plan has been a satisfactory aid to a higher level of living than would have been possible without one?
 - 1) have never tried one, 2) definite no, 3) no, 4) yes, 5) definite yes
20. Income and expenditures for many of us are not divided into equal monthly amounts. How do you adjust the time your income is received to the time it is spent?
 - _____ Income and expenditures balance during a time period
 - _____ Arrange for major expenses to come at the time a major part of income is received
 - _____ Arrange for income to be received at a time when major expenditures occur
 - _____ Average yearly income and spend a percentage each time period
 - _____ Put income into an account and withdraw as needed
 - _____ Other _____

23. (1) (2) (3) (4) On the whole, do you find the substitutions satisfying? 1) definite no, 2) no, 3) yes, 4) definite yes

This question relates to your net worth, made up of the value of what you own less what you owe. Was the amount 1) more than the year before, 2) less than the year before, 3) about the same as the year before?

25. What is the best approximate value of your net worth as of December 31, 1970?

\$_____. (1) (2) (3)

This question relates to your income. Was the amount 1) more than the year before, 2) less than the year before, 3) about the same as the year before?

26. What was your income in 1970? \$_____. (1) (2) (3)

27. What is the best approximation of how much you spent for the following items in 1970? Was the amount 1) more than the year before, 2) less than the year before, 3) about the same as the year before.

Food--At home	\$_____	(1) (2) (3)
Away from home	_____	(1) (2) (3)
Housing--Shelter	_____	(1) (2) (3)
House furnishings	_____	(1) (2) (3)
Household operations	_____	(1) (2) (3)
Transportation	_____	(1) (2) (3)
Clothing and clothing care	_____	(1) (2) (3)
Medical care--Out-of-pocket Medicare	_____	(1) (2) (3)
All other medical costs	_____	(1) (2) (3)
Other family consumption--Reading	_____	(1) (2) (3)
Vacation, recreation, hobbies	_____	(1) (2) (3)
Tobacco and alcoholic beverages	_____	(1) (2) (3)
Miscellaneous expense	_____	(1) (2) (3)
Gifts and contributions	_____	(1) (2) (3)
Life Insurance	_____	(1) (2) (3)
Personal Taxes	_____	(1) (2) (3)
Total expenditures	\$_____	

28. If you had any unusual expenditures this last year, what were they and what were the causes?

29. Have you had any financial management problems since retirement? Yes_____No_____
If yes, what kinds have you had?

APPENDIX C

Table

Appendix C. Comparison of 1970 with 1969 expenditures of 50 retired couples by income level

Expenditure category	Income level														
	\$5000 or less n = 7			\$5,001 to \$10,000 n = 28			\$10,001 to \$15,000 n = 7			\$15,001 or more n = 6			Decline to answer n = 2		
	more	less	same	more	less	same	more	less	same	more	less	same	more	less	same
	Number reporting														
Food--at home	5	0	2	14	2	12	2	1	4	3	0	3	2	0	0
away from home	2	0	5	10	5	13	1	3	3	1	0	5	2	0	0
Housing--shelter	5	0	2	10	3	15	4	1	2	3	1	2	1	0	1
house furnishings	0	1	6	4	4	20	1	2	4	1	1	4	0	1	1
household operation	3	0	4	8	2	18	1	0	6	1	0	5	2	0	0
Transportation	3	2	2	5	5	18	2	1	4	2	0	4	0	0	2
Clothing and clothing care	1	2	4	7	2	19	0	0	7	1	2	3	0	1	1
Medicare related	1	2	4	10	1	17	3	0	4	0	1	5	1	0	1
Other medical costs	2	1	4	7	8	13	2	1	4	1	0	5	1	0	1
Reading	1	0	6	1	2	25	0	1	6	0	0	6	0	0	2
Vacation, recreation & hobbies	0	3	4	5	5	18	1	2	4	2	1	3	0	0	2
Tobacco, alcohol	0	0	7	0	1	27	0	0	7	1	2	3	0	0	2
Miscellaneous	1	0	6	4	1	23	1	1	5	0	1	5	0	0	2
Gifts, contributions	1	1	5	1	4	23	2	1	4	0	3	3	1	0	1
Life insurance	0	0	7	1	2	25	0	1	6	0	3	3	0	0	2
Personal taxes	0	2	5	6	6	16	2	3	2	3	1	2	0	1	1