

HRS Health and Retirement Study

Fall 1999 Newsletter

STUDY NEWS

The 21st Century is Just Around the Corner!

It is hard to believe that so much time has passed since we last spoke to you. Perhaps that is because we've been busy interviewing thousands of you every other year. We're sure that you've been busy too. The next time we talk to you will be in the year 2000. We're looking forward to speaking with you.

What's in a Name?

Since the HRS began in 1992, we have been through a lot of changes. As the study has changed, so has its name. You may know the study by any one of the names listed here:

HRA:
Health, Retirement and Aging

HRS:
Health and Retirement Study

AHEAD:
Aging and Health in America

Our New Look

We are excited to be sending you our first issue of the *HRS Newsletter*. Over the years, we have sent you updates on our research - we usually called these respondent reports. We think you will find that the *HRS Newsletter* is a bit different from the reports we have sent you in the past; it includes some new features that we hope you'll enjoy.

Every year our interviewers report that study members have asked questions about how the study works. *Behind the Scenes* will give you some answers to the most commonly asked questions.

Many of you also ask for the "results" of the study each year. The aim of the study is to maintain a database of economic and health information about a nationally representative group of mature Americans. Researchers can then use the information to study a wide range of topics (such as, decisions to

retire and the consequences of retirement on health and well being). So the "results" of the study are actually all those bits of information that we process and prepare for researchers around the world to analyze. In *HRS by the Numbers*, we'll tell you some interesting facts we have learned about you as a group. In *Research Corner*, we will tell you about some of the conclusions that researchers have made based on the HRS data.

What's Inside?

Study News	1
Behind the Scenes	4
HRS by the Numbers	6
What Affects Our Decisions to Retire?	7
HRS in the News	7
Health Insurance and Retirement	8
Research in Progress	10
HRS in the World	10

In *Research in Progress*, we will give you preliminary findings based on data that researchers are working with as you read.

We want all our study members to feel proud of their contribution to such a highly regarded and widely used research project. In *HRS in the News*, we'll list some of the magazine and newspaper articles that have mentioned research that uses the study's data. In *HRS in the World*, we'll give you a picture of just how widely the HRS has been used.

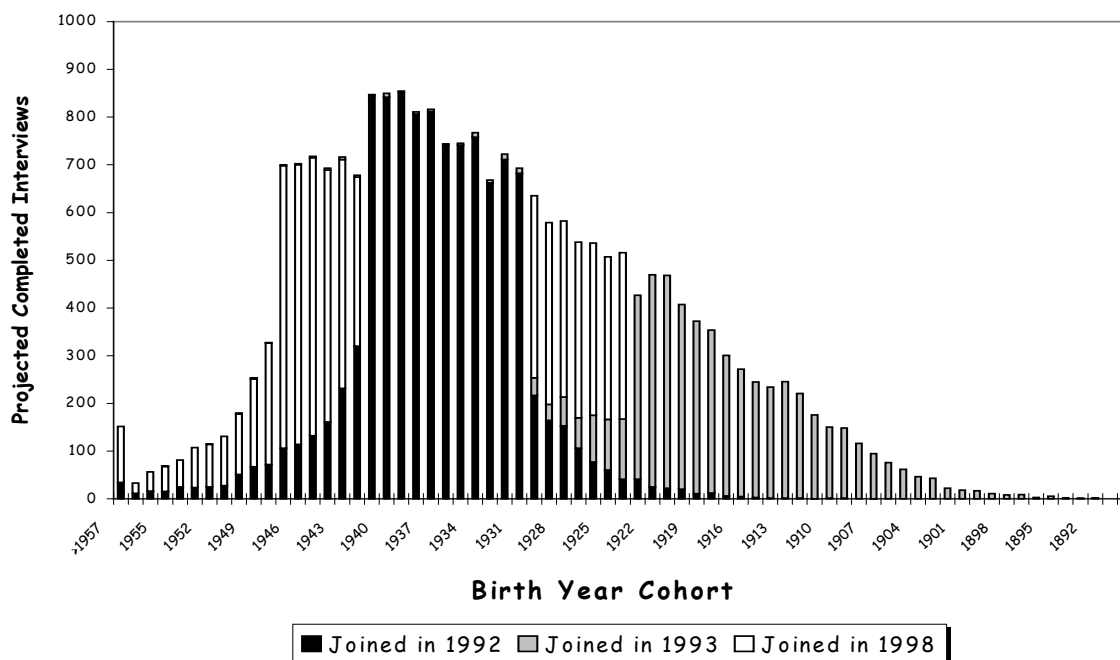
Welcome to New Study Members!

Before we begin our new features, we would like to welcome new study members.

The HRS did not start out as a study of all older Americans. When we began the study in 1992, we invited only 51 to 61 year olds (and their spouses) to participate. The information this group gave us is extremely valuable and is already being used to influence policy. However, the situation that the original HRS study members faced

was not really the same as the situation faced by Americans in their 60s, 70s and beyond. The world is changing so quickly and your lives, health, and economic well-being are changing too. For example, many of you in your 60s, 70s, and 80s have traditional pensions, which pay based on a formula. But, for people who are in their 50s and 60s today, this is less often the case. People in this age group are more likely to have an IRA or Keogh or some other tax deferred savings plan than in the past.

Who is in the HRS?
Age Distribution, by When Sample Members Joined the Study



Welcome to all of you new study members who joined us for the first time in 1998. Thanks again to those of you who participated in 1998 and before that!

Medical advances are taking place as well and this will affect many of your lives for years to come. Because of this, we invited new sample members of different ages to join the study in 1993 and again in 1998.

Today, the HRS is a survey of Americans who are over 50 years old and their spouses. In 1998, we talked to those of you in your 50s and 60s in order to find out what you are doing to get ready for retirement. We also spoke with those of you who were in your late 60s, 70s, 80s and older; many of you have already retired.

We are taking a good look at how you are doing economically and how your health is. As you know from the questions we ask you during the interviews, we are also learning many other things about you and your lifestyles. By participating in the study, you have helped to make it possible for study members to represent all age groups over 50.

The different groups of people who we interview for the HRS are all important to creating the best policies. Take a look to the right to see which group you belong to.

Are You an Original HRS Member?

- You were born between 1931 and 1941
- You joined the study in 1992
- There are about 8,400 of you

Are You a Member of the Aging in America Sample?

- You were born before 1923
- Most of you joined the study in 1993
- Some of you joined the study in 1992 because you were married to an original HRS member
- There are about 6,300 of you in the HRS

Are You a War Baby?

- You were born between 1942 and 1947
- Most of you joined the study in 1998
- Some of you joined the study in 1992 or 1993 because you were married to an original HRS or Aging in America sample member
- There are about 3,100 of you in the HRS

Are You a Child of the Depression?

- You were born between 1924 and 1930
- Most of you joined the study in 1998
- Some of you joined the study in 1992 or 1993 because you were married to an original HRS or Aging in America sample member
- There are about 3,800 of you in the HRS

Were You Born after 1947?

If you were born after 1947, you are a study member because you are married to someone older than you are. We made a special point of inviting you, the spouses, to join our survey because we found that you can't really understand the situation of one partner in a marriage without knowing the situation of both partners.

Thanks to all of you for making this study possible!

BEHIND THE SCENES

What Does the HRS Tell Us?

The HRS provides us with a very complete picture of how mature Americans are faring as they head into retirement and as they enjoy their retirement years. We thought you might like to see some of the questions that can be explored using your information:

- How do people decide when to retire, whether to work part-time at older ages, how much to save for retirement, what health and long-term care services to use, where to live, and what insurance to purchase?
- How are people's retirement decisions affected by their wishes to help their children, parents, or other family members?
- How are people affected by some of the things that can happen to them as they age, such as retirement, declining health, and widowhood?
- What are the circumstances surrounding those in poverty, or those with health problems?
- As the population ages, will families be prepared for the economic and health care needs of later life?
- How will potential reforms to Social Security and Medicare affect the situation of mature Americans?
- What are the major trends in health and economic circumstances among mature Americans?

These are only a few of the many, many questions that the HRS data will help us to answer. Researchers and policymakers in the U.S. and around the world are excited about the HRS data.

How Did it All Begin?

In the late 1980s and early 1990s, many researchers were becoming concerned that we did not have enough information about how older Americans were doing. They could see that the needs of older Americans were changing rapidly and that we would need more information to effectively address these needs. Policymakers and researchers were also worried about the large increase in the number of older Americans and the problems we were facing in the Social Security system that helps to take care of retired Americans.

Who Sponsors the HRS?

Because of the wide range of important issues covered by the HRS, the HRS is supported by a number of federal agencies, including:

- National Institute on Aging
- Social Security Administration
- Pension and Welfare Benefits Administration of the Department of Labor
- Office of the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services

The HRS was started in 1992 with the support of Federal government agencies. The main support for the HRS comes from the National Institute on Aging, which is part of the National Institutes of Health.

The HRS is conducted by the University of Michigan's Survey Research Center, one of the largest and most respected academic survey centers in the world.

Since it began, the HRS has become the nation's leading source of information on the health and economic circumstances of Americans as they age. The project has involved survey interviews of over 25,000 older Americans. These survey participants have been reinterviewed every two years. This means that researchers can follow the changing situations of Americans as they age, and the implications of major events that take place in later life. These data are also helping policy-makers respond to the needs of today's older Americans and prepare for the retirement years of all Americans in the decades ahead.

Why You?

All of this valuable data is collected from you, our study members.

Each and every one of you was picked for the study using a special sampling method called random selection. The method lets us pick a small sample of people who are a lot like the nation's entire elderly population. Each of you represents about 3,000 people like yourself.

Your participation has been critical to the success of this research and continues to be so. Your willingness to answer questions about your life will enable us to form a better picture of the day-to-day lives of mature Americans. It will help us understand what really goes on with people as they get older. Your information can be used to develop sound policies as we enter the 21st century.

Why Are We Doing it Again in the Year 2000?

We will be inviting all of you to join us again in the year 2000. You gave us a lot of great information in 1998. Researchers have already started to use this information to answer many important questions.

Some of you have asked why it is that we want to talk to you again in the year 2000. The reason is that this time of your life is very much a time of change. For example, your economic situation may change as you retire and begin to spend your savings and draw on Social Security. As you change, so does the world around you, sometimes in ways that can greatly affect your situation. As you enjoy your retirement, the changes will continue.

The most important and special part of the HRS is that we see how you do over time, that is, how changes affect each of you.

How Do We Keep Your Data Confidential?

We keep all information you give us confidential to the full extent allowed by the law. In fact, we have obtained a special certificate from the National Institutes of Health to help protect your data. The certificate is called a Certificate of Confidentiality and it is issued by the federal government -- it protects us from being forced to provide information even in the event of a legal proceeding where the data is subpoenaed.

HRS BY THE NUMBERS

The Basics

These are some basic facts about those of you who we spoke with in 1998 that we think you might find interesting:

21,351 of you answered our questions in 1998!

How many of you...	
are women?	58%
never married?	3%
are married?	65%
are separated?	2%
are divorced?	9%
are widowed?	20%

We thought you might be interested to know that when we talked to you in 1998, 26 of our study members were born before 1900! That means they were 97 or older! Most of the sample members who had passed their 97th birthday were women, but 5 were men.

How Healthy Are You

In 1998, we also asked each of you how healthy you felt you were. The chart below tells you how many of you said you were in very good or excellent health. As you might expect, more of the 51-59 year olds who we talked to said they were in very good or excellent health (50%) than those of

Percentage that said you were in very good or excellent health

51 to 59 years old	50%
60 to 69 years old	42%
70 to 79 years old	33%
80 to 89 years old	25%
90 years old and older	26%

Who is Retired

We thought you might like to know how many people in your age group are fully retired.

Percent Fully Retired

51 to 59 years old	20%
60 to 69 years old	57%
70 to 79 years old	83%
80 to 89 years old	93%
90 years old or older	99%

In 1998, the oldest person in the sample who was still working was 95 years old!

Who Has How Much

In 1998, we asked each of you about your household wealth. We then put together this information to see what your average net worth is and how it is different for different age groups. (Net worth includes many assets, for example, IRAs, stock holdings, business assets, and home equity. Social Security and pensions from employers are not included.)

As you can see from the chart below, average net worth is highest for sample members in their 60s, right when many are retiring. Then, it begins to go down, decreasing for sample members in their 70s, 80s, and 90s.

Average (median) Net Worth

51 to 59 years old	\$149,000
60 to 69 years old	\$184,000
70 to 79 years old	\$171,000
80 to 89 years old	\$140,000
90 years old and older	\$109,050

RESEARCH CORNER

What Affects Our Decisions To Retire?

Americans are living longer than ever and we are healthier than ever. In light of this, people might have expected to work longer and retire later. But just the opposite has happened. The number of American workers choosing early retirement keeps going up. In the 1950s, only about 20 percent of 65-year-old men were not working. Today, many Americans start retiring around their 55th birthday. About two-thirds of Americans who are still working at age 55 will have retired by the time they are 65 years old.

Researchers looked at individuals in the 1992 HRS who turned 62 in 1993 or 1994. Many of these people were on the brink of retirement when they answered the 1992 interview questions. The researchers were interested in finding out what the main reasons are for early retirement.

- **Pensions** Those of you who have pension plans provided by your employers are more likely to retire early. This is because many pension plans have

an "early retirement age" when workers can begin to collect their pension (often when they turn about 55 years old).

Another type of early retirement opportunity happens when a company offers temporary pension supplements to workers - often because of downsizing. According to researchers, about 9 percent of workers in the HRS between ages 51 and 63 have been offered one or more early retirement opportunities, and about half of these workers have accepted an offer. The more generous the offer, the more likely that workers are to accept.

- **Health Limitations**

While the typical person does not retire due to health limitations, a number of early retirees say that health problems were important in their decisions not to work.

Using data about what occurred between the 1992 and 1994 HRS surveys, one researcher explored the relationship between health limitations and

HRS in The News

How does it feel to be both famous and unknown at the same time? The data you provide when our interviewers talk to you are kept completely separate from your name or any other information that could link you with the data. But, when we combine the information from you and everyone else in the study, it is a valuable resource that is widely used to research important issues. Over 400 articles referencing HRS data have been published in newspapers all across the country! Here's a partial list of news articles that have mentioned the study since it began:

"The Many Shades of Gray," *Pittsburgh Post-Gazette*, 12/13/98

"Boomers May Go Bust," *American Demographics*, 8/98

"Boomers to Reinvent Retirement," *AARP Bulletin*, 6/98

"The Future of Retirement: It's not what you think," *Fortune Magazine*, 8/19/96

"In study, 3 of 4 prefer to work part time rather than retire," *The Boston Globe*, 6/18/93

"Longer Life Means Expanding Families," *USA Today*, 6/19/93

"Big Health Gap Tied to Income, Is Found in U.S.," *The New York Times*, 7/8/93

retirement, focusing on the start of an adverse health event. He found that this can really affect retirement decisions. For example, employed men who experience a major health event (such as a heart attack or a stroke) are about 25 percentage points more likely to stop working than employed men without a health event. If the health event is accompanied by a major decline in their ability to function, then they are about 75 percentage points more likely to stop working.

There are many reasons for early retirement. For some, eligibility for employer-provided pension benefits is the key factor. For some, eligibility for Social Security or Medicare is most important. For some, a decline in health is the critical factor. And for others, the key factor may be accumulated savings, inheritance, the need to provide care to a family member, undesirable job circumstances, or any number of other reasons. A key theme of the research is that retirement decisions are affected by both individual circumstances, such as health, and by the policy

environment in which retirement decisions are made.

Health Insurance and Retirement

In the last couple of years, a number of proposals have been put forward to change Medicare and other health programs for older Americans. One plan would make it possible for younger mature Americans (individuals between ages 62 and 64, and some between ages 55 and 61) to buy the Medicare insurance benefits that are already provided to those aged 65 and older. Other proposals call for moving back the age of eligibility for Medicare to age 67.

By changing the availability of health insurance for older persons, those proposals could have important effects on the retirement decisions of American workers. Researchers use your data to investigate how much you care about health insurance when you make retirement decisions. They also want to know how proposed changes might affect you and all older Americans.

To better understand how important health insurance is to you, researchers looked at:

- ***Health Insurance Plans Provided by Employers After Retirement*** It turns out that workers who are eligible for post-retirement health care benefits through their employers are more likely to retire early.

Researchers have found that after age 56, men with employer-provided retiree health insurance are much more likely to retire. At age 61, for example, 17 percent of men with retiree health benefits leave the labor force, compared with only 9 percent of men without such benefits.

Men between ages 51 and 61 who are eligible for post-retirement benefits are 62% more likely to retire than men who have health insurance while working, but would lose their insurance if they retired.

Again using HRS data on people's future expectations, researchers found that about half of all full-time workers aged 55 to 59 plan to have stopped working full-time by age 63. But, those workers

who are eligible for fully-paid retiree health benefits are, on average, about 11 percentage points more likely to stop full-time work than those without such benefits.

- ***COBRA Type Laws***

Researchers also looked at government imposed "continuation of coverage" laws (such as COBRA¹). These are laws that enable workers to continue to buy health insurance for a specific number of months after leaving the job. Retirement rates have increased as a result of this type of law.

On average, one year of continuation coverage is estimated to increase the probability of retirement by 32 percent.

- ***Medicare Eligibility***

Finally, researchers looked at the effects of Medicare eligibility on your decisions to retire. Medicare is available to all Americans when they turn 65. Researchers find that retirement rates

increase when either a worker or their spouse becomes eligible for Medicare.

Researchers compared the effect of Medicare eligibility at age 65 on individuals with different health care insurance arrangements. They find that individuals who would lose their employer-provided health insurance by retiring often wait to retire until they become eligible for Medicare. The results also suggest that people in this pre-Medicare age group place a very high value on health insurance - higher than what it costs (on average) to provide the insurance. Thus the potential loss of employment-based health insurance has a major impact on retirement decisions.

The consistent conclusion of this research is that health insurance availability increases retirement rates.

Whether through one's eligibility for employer-provided health insurance in retirement, or through government

imposed continuation of coverage mandates, or through Medicare eligibility at age 65, those who have a health insurance option in retirement are more likely to retire than those without one. Thus policy reforms that either increase or decrease the availability of health insurance for retirees will also change the number of older workers who choose to retire each year.



¹ COBRA is the Consolidated Omnibus Budget Reconciliation Act of 1985. This legislation required 18 months of continuation coverage nationwide.

RESEARCH IN PROGRESS

We have been looking over some new data from the 1998 survey and comparing it to the information many of you provided in 1992 and 1993. HRS researchers are really excited about these data because they let us compare 51 - 56 year olds in 1998 (War Babies) to people who were 51 - 56 years old in 1992 (original HRS sample members). We can also compare 70 - 74 year olds in 1998

What is Net Worth?

Net Worth is a way of measuring how wealthy people are. It is a combination of three different types of wealth:

IRA and Stock Assets: Money sample members have in IRAs and stocks

Home Equity: The market value of sample members' homes (minus any money they still owe)

Other Assets: Bonds, bank accounts, business assets, etc.

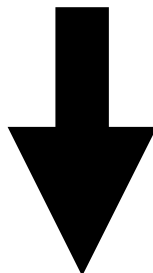
Net Worth Does Not Include:

- Pensions
- Social Security

(Children of the Depression) to 70 - 74 year olds in 1993 (Aging in America sample).

This means we can see how being a certain age is different in one time period than another. This is one of the most powerful features of the HRS data set.

For example, over the past few years, the stock market has been growing at a tremendous pace. Researchers have been working with your data to get an idea of how the growth in the stock market is affecting you. One of the most striking things that we have found is that the net worth of each age group in 1998 is much higher than the net worth of those of you who were the same age in 1992 (even when we took inflation into account).



HRS in The World

The HRS is increasingly recognized as a leading national resource for studying the health and economic resources of older Americans.

Several countries were so impressed with the HRS survey that they are planning similar surveys of their own:

- **Japan**
- **Australia**
- **England**
- **Sweden**
- **Mexico**

Findings from the HRS have appeared in:

- **Reports by the Congressional Budget Office**
- **Reports by the President's Council of Economic Advisors**

The HRS boasts:

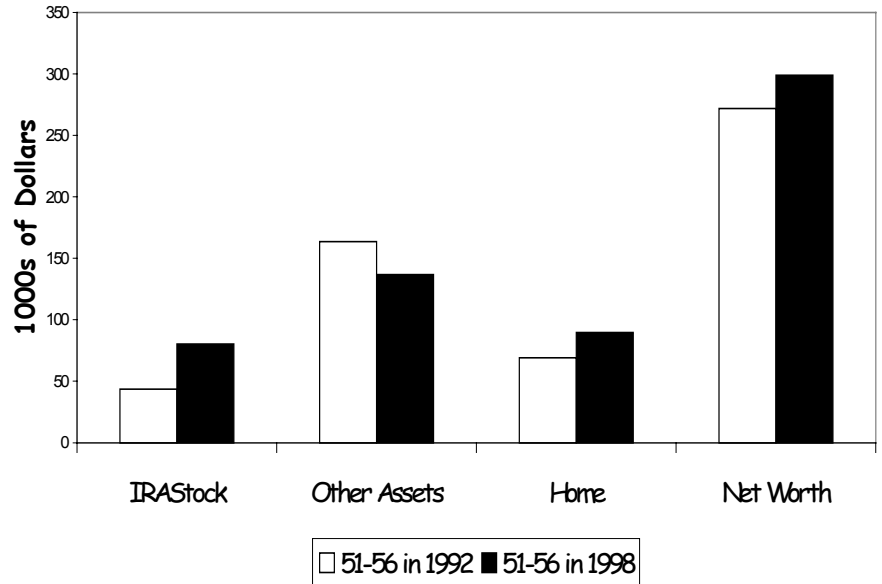
- **3763 requests for access to the HRS data**
- **at least 300 studies (based on HRS data)**

The use of the HRS and the importance of your contribution continue to grow.

Are Things Changing for 51-56 Year Olds?

First, we looked at 51-56 year olds. The average net worth of those of you who were 51-56 years old in 1992 was about \$272,000 (in 1998 dollars). For those of you turning 51-56 in 1998, your average net worth was about \$299,000 - an increase of about \$27,000. Those sample members who were 51-56 in 1998 had about \$37,000 more in 1998 in IRAs and stocks than sample members who were 51-56 in 1992 had at that age. They also had more home equity (about \$21,000). However, holdings in other assets were actually lower (by about \$27,000) for sample members who were 51-56 years old in 1998.

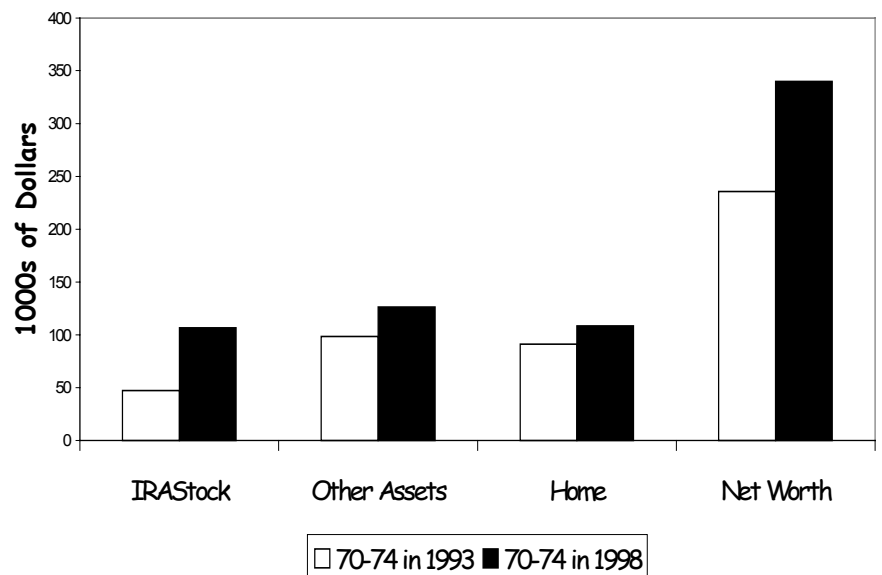
Assets of 51-56 Year Olds in 1992 and 1998



Are Things Changing for 70-74 Year Olds?

When we looked at 70-74 year olds, the change in net worth is even more striking. The study members who were 70-74 in 1993 had an average net worth of about \$236,000 (in 1998 dollars). The study members, who turned 70-74 in 1998, had an average net worth of \$340,000 - an increase of \$104,000! Over half of this change was due to increased holdings in IRAs and stocks; study members who turned 70-74 in 1998 had an average of about \$59,000 more in IRA and stock holdings than study members who turned 70-74 in 1992. They also had more money in home equity (about \$17,000 more) and other assets (about \$28,000 more).

Assets of 70-74 Year Olds in 1993 and 1998



Whose Net Worth is Increasing?

Recently, the media has talked a lot about the rich getting richer and the poor getting poorer. Researchers wanted to see if this was true for the HRS sample members. We found that net worth is increasing for all income groups. This increase may be evening out the distribution of wealth. Between 1993 and 1998, the wealth of the poorest (the 20% of sample members with the least net worth) increased dramatically (from owing about \$4,000 to having an average of about \$10,000 in assets). The wealthiest 51-56 year

olds in 1998 had only very slightly more wealth than 51-56 year olds who were in the wealthiest group in 1992.

We will need to look at pensions and other kinds of wealth (that are not included in net worth) before we can be certain why these changes are happening. It is possible that 51-56 year olds in 1998 have higher net worth because they are making up for not getting traditional pensions by saving money in other ways. Researchers will continue to work with these data and we expect many more interesting findings.

For more information, feel free to:

- **Visit the HRS website at:**
[HTTP://WWW.UMICH.EDU/~HRSWWW](http://www.umich.edu/~hrswww)
- **Call the toll free HRS telephone number:**
 1-800-759-7947
 1-800-272-2815
- **Write us at:**
 University of Michigan
 Survey Research Center
 Health and Retirement Study
 P.O. Box 1248
 Ann, Arbor, MI 48106-1248

Special thanks to Richard Woodbury, from the National Bureau of Economic Research (NBER), who shared with us his hard work compiling much of the research and wording used in this newsletter.

Interested in reading more? Here are some references:

The National Institute on Aging, "Early Retirement in the United States," *Research Highlights in the Demography and Economics of Aging*, January, 1998.

The National Institute on Aging, "Health Insurance and Retirement," *Research Highlights in the Demography and Economics of Aging*, May, 1998.

David Blau and Donna Gilleskie, "Retiree Health Insurance and the Labor Force Behavior of Older Men in the 1990s," NBER Working Paper No. 5948, 1997.

Richard Burkhauser, Kenneth Couch, and John Phillips, "Who Takes Early Social Security Benefits: The Economic and Health Characteristics of Early Beneficiaries," *The Gerontologist*, 1996.

Bridgette Madrian and Nancy Beaulieu, "Does Medicare Eligibility Affect Retirement," in D. Wise (ed.), *Inquiries in the Economics of Aging*, University of Chicago Press, 1998.

If you would like us to send you a copy of any of the above articles, please write us.

For a full list of articles based on HRS data, visit our website.