

# **BABY BOOMERS AND RETIREMENT ADVICE: WHAT ARE THE CHARACTERISTICS OF THOSE THAT ARE SEEKING ADVICE?**

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## **Abstract**

The economic downturn and policy changes are leading many Australian baby boomers to reassess their financial security and needs in retirement. Good information is crucial in making sound decisions and minimising risk in the midst of continuing debates and uncertainties about complex and volatile superannuation and taxation arrangements. This preliminary study aims to identify which baby boomers are seeking financial advice prior to retirement. It analyses data on people who were aged 45 to 62 years in 2007 (n=2731) from Wave 7 of the national Household Income and Labour Dynamics in Australia (HILDA)<sup>1</sup> survey. The survey was conducted just after the 2006 'New Super' policy changes and before the Global Financial Crisis of late 2008. Only 41 percent of boomers were found to have sought advice for retirement planning. Logistic regression showed that the chances of seeking retirement advice were greater among those who had completed a bachelor/diploma degree or higher, those who were employed in a clerical or sales position, those who had thought about their expected retirement income, and those who were relatively older. Gender was not significant nor was income (except those on the highest incomes were less likely to have sought advice). The low and variable use of retirement advice requires further examination. Whether or not boomers access financial advice is important in understanding their capacities to achieve positive leisure, family and work outcomes in retirement.

## **Research Question**

Retirement incomes and strategies for Australian baby boomers has become a topical area, as highlighted in the Federal Budget in 2009. A number of studies over the past five years have shown that there is a distinct need for improved retirement advice and planning in Australia (Joo & Grable, 2001; Knox, 2003; Orel, Ford, & Brock, 2004; Quine, Bernard, & Kendig, 2006; Warren, 2006; Warren & Ogozuoglu, 2007). As the baby boomer cohort (born between 1946 and 1965) approaches retirement, there is a need to evaluate the use of retirement advice. The link between seeking advice for retirement planning and a more satisfied retirement transition are evident both in the Australian context as well as internationally (Onyx & Baker, 2006; Rosenkoetter, Garris, & Engdahl, 2001).

As shown in the work by Joo and Grable (2001) in the United States (US), important characteristics include a range of socio-economic indicators including age, gender, marital status, education, occupation and income. In the Australian context, socioeconomic status is an important factor, as highlighted by the superannuation co-contribution policy by the Australian Government for low income earners.

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<sup>1</sup> This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (MIAESR). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the MIAESR.

This preliminary study draws on the retirement module data in HILDA Wave 7 (2007), which was conducted just after the 2006 ‘New Super’ policy changes and before the Global Financial Crisis of late 2008. The significant changes that were occurring at the time of this survey, combined with the limited investigation within the literature, have led to our posing two research questions:

1. Are baby boomers seeking advice to help them plan for their retirement?
2. What are the characteristics of those who are seeking advice and those who are not yet seeking advice?

## **Methods**

Data in the latest release (Wave 7, 2007) of the HILDA survey were used. HILDA is a comprehensive and nationally representative panel dataset that surveys both individuals and households. The population for this paper was defined as baby boomers aged 43 to 62 years in 2007 that are not yet retired. Our age range was restricted to those aged 45 to 62 years in 2007 and the analysis was based on the 2731 who responded to the question “Have you sought any advice and information to help plan for your retirement.” Univariate analysis was undertaken to test whether there was an association between the indicator variables and seeking retirement advice to determine suitable inclusion within the model at  $\alpha=0.2$  level of significance<sup>2</sup>. Binary logistic regression was used with a 5% level of significance.

As a result of gender being related to income, an interaction term was included within the model to capture these effects. In addition to this, income, occupation and education were recoded for ease of analysis, and following the method used by Joo and Grable (2001). Analyses were then undertaken using SPSS 16.0. A binary logistic regression was used to examine the relationship between seeking retirement advice and predicted significant factors.

## **Results**

Overall only 41 percent (n=1122) of individuals had sought retirement advice. A large majority (78 percent) were either married or living with someone in a relationship, and over half had an education at certificate level or higher. As shown in Table 1, 40 percent of the sample was employed in the professional or managerial occupations, showing a bias towards higher status occupations.

### Logistic Regression

This exploratory study used a forward stepwise procedure to find the most parsimonious model, with only seven of the eight variables being significant (Table 1). With a pseudo  $R^2$  between 0.232 (Cox and Snell) and 0.300 (Nagelkerke), this model may be considered adequately specified<sup>3</sup>. Based upon these figures, the model may be considered as a good fit for predicting the factors influencing baby boomers seeking retirement advice.

### Income

Only the highest level of income was found to be a significant (p-value = 0.033) factor in predicting the likelihood of seeking retirement advice compared to the lowest income level. Individuals with incomes over \$100,000 are 1.675 times more likely to seek retirement advice than those earning under \$15,000.

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<sup>2</sup> We chose 0.2 as the threshold based on a conservative estimate documented elsewhere – please see (Hosmer & Lemeshow, 1989) for further information.

<sup>3</sup> Future analysis may include different model specifications.

**Table 1***Descriptives and Odds Ratios for Baby Boomers that Sought Retirement Advice*

<b>Variable</b>	<b>Percentage and number of total population % (N)</b>	<b>Odds ratio (95% CI)</b>
<b>Sought retirement advice</b>		
Yes	41.1% (1122)	
No	58.9% (1609)	
<b>Age group</b>		
45-49	32.9% (340)	1 **
50-54	39.6% (329)	1.264 (1.012 – 1.580)**
55-59	52.1% (301)	2.022 (1.579 – 2.590)**
60-62	54.7% (133)	2.115 (1.500 – 2.983)**
<b>Gender</b>		
Male	42.6% (596)	
Female	39.5% (526)	
<b>Education</b>		
HSC or equivalent	32.7% (320)	1
Certificate	36.4% (260)	1.548 (1.121 – 2.139)
Bachelor or Diploma	49.5% (330)	1.321 (1.017 – 1.715)*
Postgraduate degree or graduate diploma	57.3% (212)	1.287 (1.000 – 1.657)*
<b>Occupation</b>		
Machinery workers and Labourers	23.8% (90)	1**
Clerical and Sales Staff	38.7% (221)	2.404 (1.723 – 3.355)**
Techs, Trades/Community and personal services	34.9% (190)	1.569 (1.121 – 2.195)*
Professionals and Managers	54.9% (550)	1.869 (1.333 – 2.620)**
<b>Marital Status</b>		
Divorced/Separated/or never had a partner	32.8% (239)	1
Married/living together	44.1% (883)	1.363 (1.091 – 1.704)*
<b>Income</b>		
<\$15,000	27.4% (82)	1
\$15,000 to \$24,999	33.9% (85)	1.163 (0.718 – 1.886)
\$25,000 to \$34,999	34.0% (111)	1.252 (0.798 – 1.965)
\$35,000 to \$49,999	34.3% (192)	1.061 (0.703 – 1.601)
\$50,000 to \$74,999	44.4% (305)	1.155 (0.772 – 1.728)
\$75,000 to \$99,999	52.4% (173)	1.365 (0.875 – 2.219)
\$100,000 and over	62.6% (174)	1.675 (1.043 – 2.690)*
<b>Gender*Income</b>		1.076 (0.876 – 1.323)
<b>Current Financial Satisfaction</b>		1.149 (1.093 – 1.208)**
<b>Thought about Expected Retirement Income</b>		0.174 (0.140 – 0.216)**

\*p &lt; 0.05. \*\* p &lt; 0.001

Age Group

The median age was 51 years, with most (38.5 percent) individuals in the 45 to 49 year age range. The sample was heavily skewed toward the younger age group of 45 to 49 years.

Despite a disproportionate weighting to the youngest age category<sup>4</sup>, older baby boomers are more likely to seek retirement advice, especially the 60 plus age group (OR 2.115 95%CI 1.500-2.983)

### Gender and Marital Status

Surprisingly, gender was not found to be a significant factor in seeking retirement advice. As income and gender are related ( $\chi^2= 226.29$ , p-value < 0.001) an interaction term was entered with these two variables. The inclusion of this interaction term was not significant. The odds of having sought advice were higher if the individual was married or living with their partner (OR 1.36, 95%CI 1.0-1.70). This indicates that single men and women who are approaching retirement may not be seeking advice as often as their married counterparts.

### Current Financial Satisfaction and Expected Retirement Income

Current financial satisfaction was found to be a significant predictor of seeking advice (p-value <0.001). Individuals who were satisfied with their current financial situation were more likely to seek retirement advice (OR 1.149, 95%CI 1.093–1.208). For those dissatisfied with their current situation, they may be more concerned with improving their income now, rather than planning for retirement. Respondents who had thought about their expected retirement income were much more likely to have sought retirement advice compared to those who had not thought about it (OR 0.174, 95%CI 0.140–0.216). This variable predicts a large component of seeking retirement advice and accounts for 0.22 of the R<sup>2</sup> value.

### **Implications for Policy and Practice**

From a policy standpoint, there is a need for further implementation of educational resources to direct baby boomers towards advice services. Such services are partially available through various government departments, but the scope should be expanded to focus upon factors other than government transfer payments. With only 41 percent of individuals seeking retirement advice, there is a need to investigate the channels through which this information is sought. In the period post the Global Financial Crisis, there is an opportunity for the Australian Government to review the organisations that are eligible to give retirement advice. There is the potential to target individuals who are likely to be relying upon the age pension in retirement, and to make advice more readily available before retirement. This will help those approaching retirement to be better prepared and to access advice that they require in a timely manner.

### **Summary**

To allow for adequate planning for all factors related to retirement, not just financial, the source of information is an important factor in deciding whether or not to seek advice. As shown in the results, there is an increasing need for further analysis of the sources that individuals seek retirement advice from, as these sources will determine the actions that individuals will take. These actions may have implications for the individual's entire retirement period, including leisure, familial and employment prospects both now and in retirement. For those that have sought retirement advice, the sources of advice may provide further explanation for the puzzles encountered in these preliminary results.

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<sup>4</sup> This is due to oversampling in HILDA for this age group as compared to the Australian Estimated Resident Population proportions for a similar group. For further information, please see (ABS, 2008)

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