



# **Baby Boomers Envision Retirement II - Key Findings**

Survey of Baby Boomers' Expectations  
for Retirement

Prepared for AARP by RoperASW

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## I. Background and Objectives of the Research

This report presents the results of a major research initiative commissioned by AARP and conducted by RoperASW aimed at better understanding the Baby Boom generation as it moves into its retirement years. The findings reported here build upon an earlier benchmark study from 1998, *Baby Boomers Envision Their Retirement*, also a collaboration between AARP and Roper.

The Baby Boom generation, now 77.5 million people strong, represents the largest single sustained growth of the population in the history of the United States. The cohort of Boomers—Americans born between 1946 and 1964—has long commanded the attention of demographers, politicians, marketers, and social scientists. As the oldest of the Baby Boomers approached later adulthood, in 1998 AARP sought to investigate how Boomers might interpret and redefine retirement.

One of the major findings in the 1998 study concerned the purported cohesiveness of this cohort. The survey confirmed that the oft-held view of the Boomers as a monolith was ill-conceived. Rather than a homogeneous group, the 1998 study illustrated that one of the key characteristics of the Baby Boom cohort is its diversity. It elucidated this diversity as it relates to Boomers' hopes, dreams, and expectations for retirement.

Five years later, AARP embarked on updating the study to uncover how this massive generation, and the various segments within, has progressed in their planning and preparedness for retirement. Now several steps closer to retirement, the Baby Boom generation is today between 38 and 57 years old. Yet, beyond aging five years, other major factors have potentially impacted the Boomers' vision of retirement.

Notably, the past five years have seen:

- Economic fortunes of the United States worsen considerably. Shrinking or stagnant 401(k)s have taken their toll on retirement expectations for many. Thus, planning for retirement may be taking a backseat to simply planning for tomorrow.

- Overwhelming federal deficits incurred during the current Administration. These threaten to affect the stability of the Social Security and Medicare systems just as the bulk of the Boomers turn to them for support.
- Varied effects of the events of September 11. Undoubtedly this has influenced some of Baby Boomers' retirement priorities and overall values, perhaps by contributing to perceptions of reduced physical, economic and national security.
- A series of corporate scandals, including the collapse of the Enron Corporation. These scandals may have eroded confidence among better-off Baby Boomers in the stewardship of their investments and pensions. The most recent mutual fund scandals at firms such as Janus and Bank One have also heightened this concern.

Against this backdrop and in light of the original findings, an update of the benchmark 1998 study provides AARP with the opportunity to gauge how the Boomers' retirement values and priorities have changed over the last five years. Moreover, it includes a re-examination of the five key attitudinal and behavioral subgroups of Boomers that emerged from the original segmentation analysis. The survey also included an oversample of Hispanic Boomers. Results from this analysis will be presented in a subsequent report.

The following report provides keys to better understanding and communicating with the complex and intriguing next generation of American retirees.

## II. Overview of the Research Design

The design of this project included:

- A large-scale quantitative survey, conducted by telephone in 30-minute interviews among a nationally representative sample of 1,200 adult Americans age 38-57;
- An oversample survey was conducted among African American and Hispanic Boomers to yield a total, when combined with those from the general sample, of 309 African American Boomer and 301 Hispanic Boomer interviews. Results from this data, which allow for subgroup analysis by race and ethnicity, will be presented in a subsequent report.
- A segmentation analysis of the survey data, designed to better understand the Baby Boom population by grouping individuals according to their attitudes, beliefs and behaviors regarding retirement, and tested against the segmentation analysis developed in 1998.

The sampling error for the general Baby Boomer sample (n=1,200) is plus or minus three percentage points at the 95 percent confidence level.

This report describes in detail the results of the full survey among Boomers and the segmentation analysis.

A full description of the methodology employed appears at the back of the report (see Appendix A).

### III. Key Findings

#### ***Dramatic positive shift in Boomers' attitudes toward and confidence in Social Security***

Marking one of the most dramatic shifts in Boomers' vision for retirement since 1998, Baby Boomers are far more likely now compared to five years ago to describe themselves as knowledgeable about and favorably predisposed toward Social Security. Moreover, Social Security now ranks among the top three income sources that Boomers feel they can count on in retirement.

- 71% of Boomers say they have at least a somewhat favorable view of Social Security, up 15 points since 1998
- 67% consider themselves at least somewhat knowledgeable about the system, up 13 points
- 54% are very or somewhat confident that Social Security will be available when they retire, up 19 points
- 63% feel they can count on Social Security as a source of income in retirement, up 15 points

Favorable views and levels of confidence in Social Security are fairly consistent by race and ethnicity. Hispanics, however, are less likely than others to consider themselves knowledgeable about the system.

African American and Hispanic Boomers are more inclined than white Boomers to expect to rely on Social Security for income during retirement.

#### ***Boomers are more confident now than five years ago that Medicare will be available when they reach age 65***

As with Social Security, more Boomers now compared to five years ago are familiarizing themselves with Medicare and are confident that the system will be available when they reach age 65.

- 54% of Boomers say they are at least somewhat knowledgeable about Medicare, up nine points since 1998
- 47% are at least somewhat confident that Medicare will be available when they reach age 65, up eight points since 1998

Boomers' opinions of and confidence in Medicare do not vary markedly by race. However, as with Social Security, Hispanic Boomers are less likely than others to consider themselves knowledgeable about Medicare. Both African Americans and Hispanics are more likely than whites to expect Medicare to cover most of their health care needs in retirement.

As age increases, so does confidence in Medicare and Social Security.

### ***Boomers remain optimistic about retirement...***

The recent economic downturn, mutual fund scandals, and jobless recovery appear to have had little impact on Baby Boomers' retirement outlook.

- 69% of Baby Boomers are very or fairly optimistic about their retirement years, on par with the 70% reported in 1998
- 46% say their retirement outlook has changed for the better in the past five years. Those with an improved outlook are most likely to attribute it to efforts to save more for retirement and improvements in their financial situation that result from lifestyle changes such as paying off a mortgage or having their last child move out of the house

African Americans have a much improved and markedly more positive retirement outlook compared to other groups, despite a disproportionately high incidence of recent job losses among this subgroup.

### ***... But their expectations, particularly those related to finance, have become much more conservative***

Although Baby Boomers remain optimistic about their retirement prospects, indications are that recent economic conditions and investment scandals have tempered Boomers' financial expectations for retirement.

- 48% of Boomers define retirement as a time to indulge themselves, down seven points since 1998<sup>1</sup>

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<sup>1</sup> Data are based on a closed-ended question, Q4.

- 31% of Boomers equate retirement with having enough money and financial security, down 10 points since 1998<sup>2</sup>

African American and Hispanic Boomers are particularly likely to have developed more conservative and less self-indulgent expectations for their retirement. In addition, minorities are increasingly more likely than whites to associate retirement with negative conditions such as economic hardship, increased dependence on others for personal care, and increased isolation from society.

***Boomers' primary definitions of retirement, however, are largely unchanged since 1998***

Most in this generation continue to view retirement principally as an opportunity to spend more time with family, as a time to pursue hobbies and interests, and as a time of leisure.

***Most Boomers expect to work in retirement— fewer for fun***

As in 1998, most Boomers expect to work in retirement. However, the gap between those who plan to work for enjoyment's sake and those who plan to work for needed income is shrinking, with fewer planning to work for fun.

- 79% of Boomers plan to work in some capacity during their retirement years, which is consistent with the 80% reported in 1998
- However, the 12-percentage point gap, that existed in 1998, between those who plan to work part-time for enjoyment's sake and those who plan to work part-time for the needed income, has dwindled to five percentage points (30% vs. 25%, respectively). The closing of the gap primarily results from a decline in the proportion who plan to work for enjoyment

Down notably since 1998 are the proportions of African Americans who plan to work for enjoyment during retirement.

African American and Hispanic Boomers remain more inclined than whites to plan to explore entrepreneurial endeavors during retirement.

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<sup>2</sup> Data are based on an open-ended question, Q1a.



### ***Recreation and service continue to factor into Boomers' expectations for retirement***

Inching closer to retirement age has not changed Boomers' expectations for their recreational time and service activities in retirement.

- 70% of Boomers have a hobby or special interest that they will dedicate a lot more time to when they retire, on par with the 72% reported in 1998
- 68% agree that they will have plenty of time for recreation in retirement, which is similar to the 72% reported in 1998
- 51% (on par with the 49% reported in 1998) expect to devote more time to community service and volunteering in retirement. This is similar to the proportion of Boomers currently involved in volunteering
- Indeed, a majority of Boomers who currently volunteer (62%) expect to devote more time to community service and volunteering once they retire

### ***Family should provide for emotional, not financial, support during retirement***

Reflecting a genuinely American spirit of self-reliance, Baby Boomers would prefer not to rely on family for financial support during retirement. However, as in 1998, most Boomers consider familial relationships and the emotional support that these relationships provide key elements of their retirement vision.

- 70% of Boomers believe that family should provide emotional support to people during retirement
- 76% of all Boomers, 90% of those who are married, expect to spend most of their retirement years living with a partner
- 70% are looking forward to becoming grandparents
- 57% expect to live near at least one of their children during retirement
- 10% think people ought to be able to depend on their family financially during retirement

Although Boomers strongly reject the idea of relying on others for financial support during retirement, more Boomers have assumed care-

giving responsibilities for their aging parents, and considerable proportions expect to provide financially for their parents and children during retirement.

- 35% of Boomers have been or are responsible for the care of their elderly parents, up nine points since 1998
- 19% expect to have an aging parent or in-law living with them during retirement, consistent with 1998 findings
- 18%, up slightly since 1998 (three points), expect to provide financially for an aging parent or in-law during their retirement
- 17% expect to provide financially for their children during their retirement, unchanged since 1998 despite considerable increases in the proportions of Boomers who have experienced having their last child move out of the home

Hispanic Boomers are particularly likely to *anticipate* having to provide for both their elderly parents and children during retirement.

### ***Boomers increasingly acknowledge health issues***

Most Boomers say they are not afraid of aging, and many believe that people in their generation will be healthier and will live longer than the prior generation of retirees. Nonetheless, few Boomers deny the toll that getting older is taking on their bodies.

- 58% of Boomers consider themselves to be in very good or excellent health, down six points since 1998
- 27% say they have survived a major illness, up five points since 1998
- 11% have survived a major illness in just the past year

Health planning is likely to play an increasingly important role in shaping Boomers' vision for retirement, yet many Boomers acknowledge that they are not taking adequate steps to maintain their health. Indeed, Boomers are almost evenly divided between those who are planning for and anticipate having a healthy and active retirement and those who do not.

- 54% of Boomers expect to exercise regularly in retirement
- 51% expect to be healthier than most people their age in retirement

- 54% associate retirement with increased concern and attention to health
- 48% agree that they should give more thought to how they will keep active during retirement

Although Boomers' perceptions of their health do not vary widely by race or ethnicity, African American and Hispanic Boomers are more likely than are white Boomers to feel that they are *not* doing enough now to maintain their health.

### ***Many anticipate inadequate health coverage***

About half of Boomers (56%, similar to the proportion reported in 1998) expect to have health insurance that will meet their needs in retirement. However, many believe their health coverage in retirement will be lacking.

- 58% of Boomers do *not* expect their current employer to cover their health insurance needs, which is consistent with findings reported in 1998
- 43% do *not* expect Medicare to cover most of their health care needs in retirement, on par with 1998 findings (41%)
- 19% do *not* expect to have health insurance coverage that will meet their needs, up four points since 1998

### ***But growing minorities think they will have health care on their own terms***

Despite the considerable proportions of Boomers who expect health coverage shortfalls during retirement, more now compared to five years ago are very confident that they will receive the type of health care that they want and need in retirement.

- 30% of Boomers are *very* confident that they will be able to see a specialist when they feel they need to in retirement, up nine points since 1998
- 28% are *very* confident that they will be able to visit doctors of their choosing, up four points

African Americans tend to be more confident than others that they will have the type of health care they need and want in retirement, even though a sizable plurality of this group (41%) expect to rely on Medicare for most of their health care needs in retirement.

### ***Boomers Are Not Stuck at Thirty-Something, But They Continue to Feel Younger Than They Really Are***

Boomers are getting older and facing more health concerns, but most in this generation continue to feel several years younger than their actual age. Indeed, as in 1998, there is a seven-year gap between Boomers' biological age and the age they feel.

- The mean age among Baby Boomers is 47, but the mean age that this generation feels is 40
- 63% of Boomers feel younger than their actual age, up from 47% in 1998
- Those who feel younger than their actual age are most likely to attribute the difference to a general attitude of feeling young (41%), good health (26%), and staying in good shape and exercising (19%)

These findings are highly consistent by race and ethnicity.

### ***Confidence in ability to prepare for retirement unchanged***

Even though Boomers are moving closer to retirement age, they are no more likely to feel prepared financially for this phase of their lives now than five years ago. Moreover, expectations for greater financial needs in retirement, compared to their parents' generation, still have not translated into more aggressive efforts to prepare financially for retirement.

- 61% of Boomers are confident in their ability to prepare adequately for the future, unchanged since 1998
- 83% of Boomers agree that people in their generation will need more money than people in their parents' generation to live comfortably during retirement, but only 39% agree that Boomers are saving more for retirement than the previous generation

Boomers' assessments of their financial preparedness for retirement have remained largely unchanged across age subgroups.

### ***Fewer believe personal investments will provide sufficient income during retirement***

- 59% of Boomers expect to depend heavily on their current personal investments in retirement, down five points since 1998

- 32% expect to depend heavily on their 401(k), down six points

### ***Boomers slowly augmenting retirement savings portfolios***

Perhaps because they are inching closer to their retirement years, more Boomers today compared to five year ago are setting aside money in various savings and investment accounts. Conservative investments such as regular and long-term savings accounts have experienced the most significant gains since 1998.

- 70% of Boomers are currently putting money in IRA, 401(k) and other retirement savings accounts, up slightly (three points) since 1998
- 50% are currently setting aside money for retirement in regular savings accounts, up eight points
- 38% are putting money aside in long-term savings accounts, also up eight points since 1998
- 69% of Boomers are at least somewhat satisfied with the amount of money that they are setting aside for retirement; 19% are completely satisfied

White Boomers have experienced the largest and most widespread increases in retirement investment activity over the past five years. As in 1998, investments among African American and Hispanic Boomers lag behind those of whites.

### ***Polarization of the retirement expectations of Haves and Have-nots continues***

As noted in the 1998 study, the trend of polarization—a widening gap between the rich and poor—has been observed in other Roper surveys and is evident among the Baby Boomer generation. Differences among the “Haves” and the “Have-nots” in terms of income, optimism about retirement, and preparedness all continue to be evident in the study this year.

### ***1998 Boomer segmentation still holds true today, as does the view that a “one-size-fits-all” retirement solution is unworkable for Boomers***

The identical segmentation analysis from the 1998 study was applied to the data from this year’s study, and the results are intriguing. The main characteristics and size of the segment groups has changed very little, suggesting that the five well-defined groups of Baby Boomers—the

Strugglers, the Anxious, the Self-Reliant, the Enthusiasts, and the Traditionalists—identified in 1998 remain today.

There are, however, a few key changes worth taking note of.

***Many of those who were merely Anxious before are now Strugglers in today's weak economy***

- In exactly parallel numbers, the number of Baby Boomers who fall into the Anxious group has decreased by six points, while the number who are now Strugglers, the most challenged group financially, has now increased by six points

***The outlook of Traditionalists' has dimmed***

Another group greatly affected by the downturn in the economy is the Today's Traditionalists. The gap between their median household income and that of the average Boomer has now widened to \$14,000 below average. Moreover, many more now feel that they will need to work during retirement for the income it provides.

- One-fourth now feel that they will have to struggle to make ends meet during retirement, up seven points
- As a group they show the biggest drop (10 points) in the expectation that they will depend heavily on their 401(k) in retirement (27%)
- More than one-fourth (up nine points) expect to rely on Social Security for all or most of their retirement income, and an equal number (up seven points) expect to rely on the Social Security benefits of a spouse
- Almost one-fourth expect to have health problems (up 10 points)

***Many Boomers are entering a period of significant life changes that will shape their retirement outlook***

Up significantly since 1998 are the proportions of Baby Boomers who have experienced having their last child move out of the house (up 13 points), having a parent die (up 12 points), becoming responsible for the care of a parent (up nine points), and surviving a health crisis (up five points).