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Retirement Plans and Perceptions Among Rural Nebraskans

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Nebraska Rural Poll Research Brief

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Retirement Plans and Perceptions Among Rural Nebraskans

Key Findings

- Most rural Nebraskans indicate an ideal retirement age of between 55-64 years (about 55%), or an ideal age of between 65-70 years (under 30%).
- However, only one-third of those ideally retiring between ages 55-64 think they will have sufficient income to do so, while nearly one-half of those ideally retiring between ages 65-70 think they will have enough retirement income.
- Over 40 percent of rural Nebraskans say they plan to work during retirement. People in their 40s and 50s are more likely to plan on working than those in their 20s and 30s.
- A majority of rural Nebraskans plan to spend more time with their spouse and friends (generally over 70%), to travel or participate in recreational activities (about 70%), and spend more time with children and grandchildren (about 60%).
- However, few plan to volunteer for community services or to pursue educational goals.
- Younger rural Nebraskans are more optimistic that their quality of life in retirement will improve (30% to 50%). By contrast, older people are more likely to say life will remain about the same (60% to 70%).
- Across all ages, less than 20 percent expect life to worsen in retirement. People with lower incomes are more likely to think life in retirement will be worse.

Introduction

Nebraska's aging rural population presents several obstacles and opportunities that will need to be addressed in the coming decades. Some obstacles include shortages in the workforce and increased demand for health care and social services. However, some opportunities include the incomes of retirees who support local retail businesses and the health care sector; and the skills of retirees who can address certain skill shortages in the labor force. In order to plan for this demographic shift, it is important to know when rural Nebraskans intend to retire and whether they will have sufficient income to do so. It is also equally important to know what rural Nebraskans plan to do when they retire, especially in terms of work and recreational preferences. The 2007 Nebraska Rural Poll asked thirteen questions related to retirement issues. This research brief will attempt to answer three main questions: At what age do rural Nebraskans intend to retire, and will they have sufficient income to do so? What activities do rural Nebraskans expect to be involved in during retirement? Do rural Nebraskans think their quality of life will change for the better or worse in retirement?

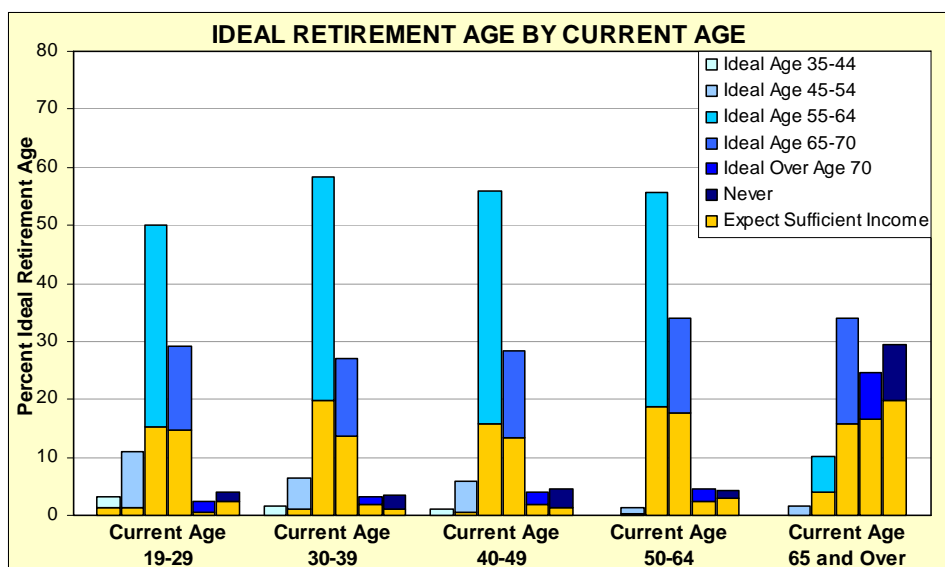
The Nebraska Rural Poll

The Nebraska Rural Poll is an annual survey of rural Nebraskans that was started in 1996 to give local and state leaders a better understanding of the issues, challenges and concerns of Nebraska's rural citizens. The Rural Poll focuses on such issues as community, government policy, well-being and work. Core questions are included every year; over time these core questions will provide insight about trends and changes occurring in rural Nebraska. In addition, each year rural citizens and government officials form an advisory committee that identifies key issues or topics to include in the survey.

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Retirement Age

In this year's poll in 2007, nearly 23 percent of rural Nebraskans say they are already retired, with the average and median retirement age being 63 years. Those rural Nebraskans who have not retired were asked at what age they would ideally like to retire, and at what age they would be able to retire with sufficient income for their needs. Most rural Nebraskans indicate an ideal retirement age of between 55-64 years (about 55%), or an ideal age of between 65-70 years (under 30%). However, only one-third of those ideally retiring between ages 55-64 think they will have sufficient income to do so, while nearly one-half of those ideally retiring between ages 65-70 think they will have enough retirement income. Farmers and ranchers are more likely to say their ideal retirement age is past 70 compared to other occupations. Those with higher incomes are more likely to have sufficient finances to retire at their ideal retirement age compared to those with lower incomes. Farmers and ranchers and those in professional and technical occupations are more likely to have enough income to retire at their ideal age compared to other occupations.



For those currently in their 20s, most (50%) say their ideal retirement age is 55-64, yet less than one-third (15%) think they will have sufficient income to retire at that age. In addition, 29 percent said their ideal age was between 65-70, with one-half (15%) thinking they would have enough income to do so. A small number (11%) said their ideal age was 45-54, yet only a very small one-tenth (1%) of respondents expect enough income to retire at this early age.

For those currently in their 30s through early 60s, most (around 55% to 58%) indicate a desire to retire between ages 55-64. However, across all of these age groups only one-third believe they have sufficient income to retire at this age. Only a modest number (around 27% to 30%) indicate a desire to retire between ages 65-70, even though a little over one-half expect enough income to retire at this age.

For those who have reached the traditional retirement age of 65 years and older, most plan to retire at a much older age or not at all. About 35 percent wish to retire between the ages of 65-70, but just under one-half (16%) think they can financially retire at this age. About one-third (29%) indicate that ideally they would never retire. About one-quarter (25%) wish to retire at some age past 70, even though the vast majority (17%) expects enough income to do so. Interesting, 10 percent said they would have ideally liked to retire between ages 55-64, yet only a modest two-fifths (4%) thought they had sufficient income to do so at the time.

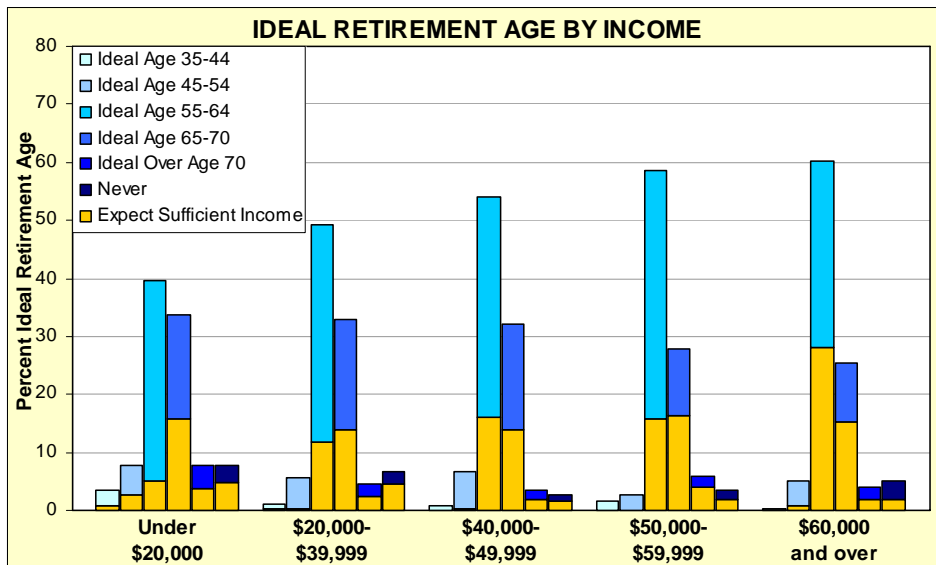
Next looking at ideal retirement age by household income levels, we find that rural Nebraskans earning under \$20,000 express a wide range of retirement preferences. About 40 percent said their ideal retirement age is 55-64, yet worryingly only one-tenth (13%) expect sufficient income to retire at this age, a very small proportion. Additionally, 34 percent said their ideal age is between 65-70, and just under one-half (16%) think they will have enough income to do so. A small number (8%) said their ideal is some age over 70, with nearly one-half (4%) having the necessary resources to retire at this age. An equally small number (8%) said ideally they would never retire.

For those with incomes between \$20,000 and \$39,999, most (49%) indicate a desire to retire between ages 55-64, even though only one-quarter (12%) think they will have the income to do so at that age. A smaller number (33%) indicate a desire to retire between ages 65-70, but they are more financially prepared with a modest two-fifths (14%) expecting enough income to retire.

Those earning incomes in the \$40,000s most wish (54%) to retire between ages 55-64, yet only one-third (16%) anticipate enough income to retire on at this age. Another sizable group (32%) wish to retire later between the ages 65-70, and are more financially prepared with a little over two-fifths (14%) thinking they have enough income to retire on.

Those with incomes in the \$50,000s overwhelming (59%) prefer to retire in the 55-64 age range, yet surprisingly less than one-third (16%) have the financial resources to do so. A smaller number (28%) prefer an ideal retirement age between 65-70, and a rather large three-fifths (17%) expect to have the financial resources to do so at this age.

Rural Nebraskans with high incomes of \$60,000 or more are better positioned to finance their retirement goals. The majority (60%) state that their ideal retirement age is 55-64, with nearly one-half (28%) having the necessary income to retire at this age. A smaller number (25%) state that they want to retire between ages 65-70, and a sizable two-fifths (15%) have the income to do so.



In terms of occupation, we find that rural Nebraskans employed as laborers are less likely to be financially prepared for retirement. Most laborers (53%) state their ideal retirement age is 55-64, yet only one-third (15%) expects sufficient income to retire at this age. In addition, 29 percent state that retiring between ages 65-70 would be ideal, and less than one-half think they have enough income to do so. A small number (9%) state that their ideal age to retire is between 45-54, and only a very small proportion

(2%) think they have the financial resources to retire at this younger age.

Farmers and ranchers are more likely to retire later and are better prepared financially to do so. About 40 percent indicate an ideal retirement age between 65-70, and a very large three-fifths (23%) expect enough income to retire on. About 30% indicate a desire to retire slightly earlier between the ages of 55-64, but only one-third are financially prepared to do so at this age. Additionally, 12 percent indicate they would like to retire at some age past 70, and nearly one-half think they will have enough income to accomplish this goal. About 15 percent of farmers and ranchers indicate that would never like to retire.

Those employed in service occupations are less likely to be financially prepared for retirement. Most (51%) wish to retire between ages 55-64, yet only a small one-fifth of respondents (10%) believe they will have sufficient income to achieve this goal. A smaller number (28%) wish to retire between ages 65-70 and are better prepared financially, with a modest two-fifths (12%) expecting enough retirement income.

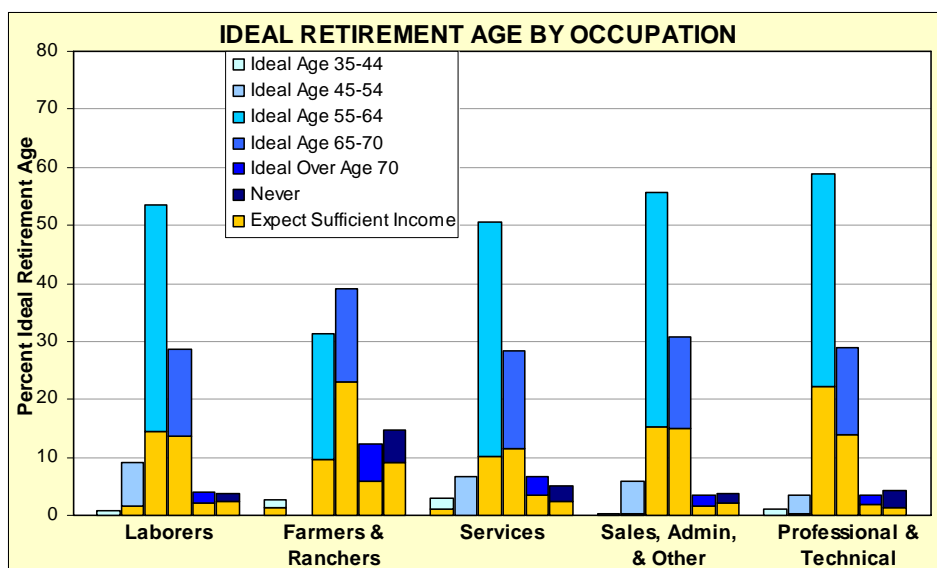
Most (56%) employed in sales, administrative support, and other occupations say their ideal

Methodology

A self-administered questionnaire was mailed in February and March to approximately 6,400 randomly selected households. Responses were received from 2,680 Nebraskans living in the 84 non-metropolitan counties in the state - a response rate of 40 percent. Metropolitan counties not included in the sample were Cass, Dakota, Dixon, Douglas, Lancaster, Sarpy, Saunders, Seward and Washington. The margin of sampling error for this study is plus or minus two percent based on the total sample at the 95% confidence level. The margin of sampling error is higher for results based on subgroups of respondents. The 14-page questionnaire included questions pertaining to well-being, community, retirement issues, work, and immigration. For more detailed information about the survey methodology and the respondent

retirement age is 55-64, yet only one-third (15%) anticipate sufficient income to be able to retire at this age. However, about one-half (15%) of those wanting to retire between age 65-70 have enough income to do so, but this only accounts for 31 percent of people in this occupational group.

Rural Nebraskans employed in professional and technical occupations are more likely to be financially prepared for retirement. A majority (59%) say their ideal retirement age is between 55-64, and nearly two-fifths (22%) think they will have sufficient financial resources to retire at this age. About 30 percent say their ideal age is between 65-70, and one-half (14%) expect enough income to retire on.



Retirement Activities

Rural Nebraskans were asked about the types of activities they most look forward to doing during their retirement, and whether they plan to work past the traditional retirement age. In terms of work plans, most rural Nebraskans (over 40%) say they plan to work during retirement. People in their 40s and 50s are more likely to plan on working than those in their 20s and 30s. Farmers and ranchers are much more likely to continue working than all other occupations. Surprisingly, there are very little differences in work plans across incomes.

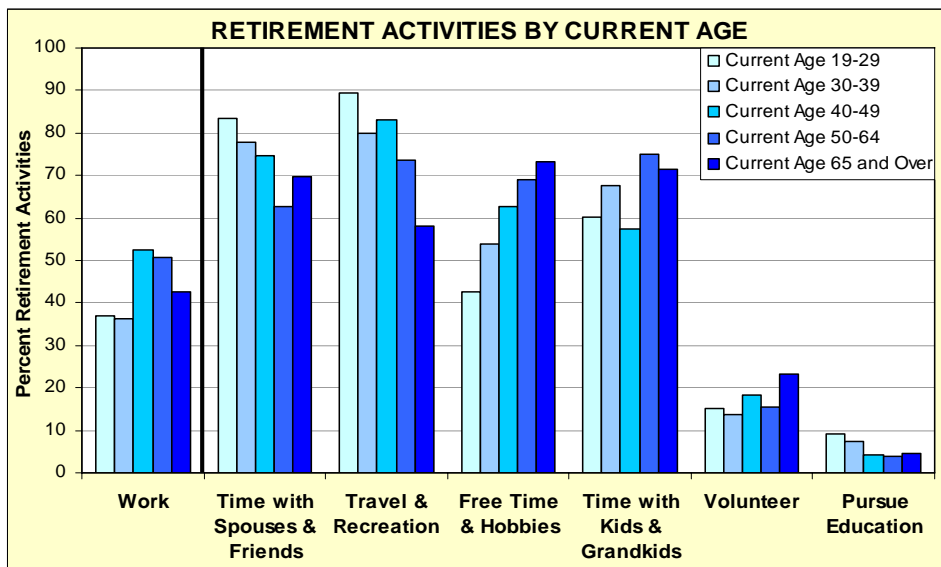
In terms of retirement activities, a majority plan to spend more time with spouses and friends (generally over 70%), to travel or participate in recreational activities (about 70%), and spend more time with children and grandchildren (about 60%). However,

few plan to volunteer for community services or to pursue educational goals. Younger people look forward to spending more time with spouses/friends or on travel/recreation than older people. By contrast, older people plan to spend more time on themselves, hobbies, children and grandchildren, and volunteering than younger people. There are few differences in retirement activities across incomes or occupations. However, higher income people plan on traveling and recreation more than lower income people, while those with lower incomes plan on spending more time with children and grandchildren.

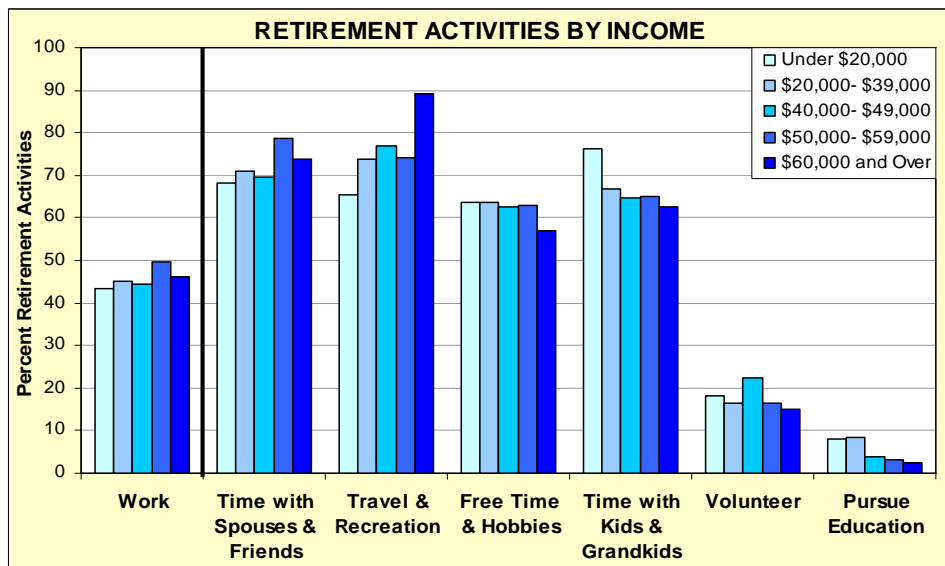
Looking at retirement activities by age, over 50 percent of people in their 40s through early 60s plan to work during retirement, compared to only around 35 percent for those in their 20s and 30s. A majority of rural Nebraskans look forward to spending more time with spouses and friends, or on traveling and recreation. However, people under 50 are much more likely (about 80%) to prefer these activities than those in their 50s and 60s (about 60%). Over 70 percent of those age 50 or more plan to spend more time on themselves, on hobbies, or with children and grandchildren. By contrast, fewer than 50 percent of those younger than 40 years of age plan to do the same. Across all ages less than 20 percent plan on

volunteering, and less than 10 percent plan on pursuing further education. However, those ages 65 and older are slightly more likely to volunteer than younger people.

For the most part, there are few differences in retirement activities across income groups. Around 45 percent of people across all incomes plan on working past the traditional retirement age. Surprisingly, those with higher incomes are slightly more likely to work than those with lower incomes. Over 70 percent of rural Nebraskans plan to spend more time with spouses and friends. Similarly, over 70 percent also plan to travel or spend more time on recreational activities, with those earning \$60,000 or more favoring this much more (89%) than those with incomes under \$20,000 (65%). Across all income groups, around 60 percent plan to spend more time on themselves, hobbies, or with children and grandchildren – although those earning under



\$20,000 are more likely (77%) to spend time with children and grandchildren. Around 20 percent plan to volunteer. Less than 10 percent look forward to pursuing educational goals, but lower income people are twice as likely to favor this as higher income people.



In terms of occupation, we find the vast majority (71%) of farmers and ranchers plan to work past the traditional retirement age. For all other occupations, fewer than 50 percent plan to work during retirement. Spending more time with spouses and friends is favored by over 70 percent of rural Nebraskans across all occupations. Around 80 percent plan to travel or participate in recreational activities, although farmers and ranchers are less likely to do so (only 70%). Having more free time is important to around 60 percent of people, being more favored by laborers (68%) but less favored by those in service

occupations (51%). Over 60 percent also wish to spend more time with children and grandchildren, with farmers and ranchers favoring this more (near 80%).

Retirement Quality of Life

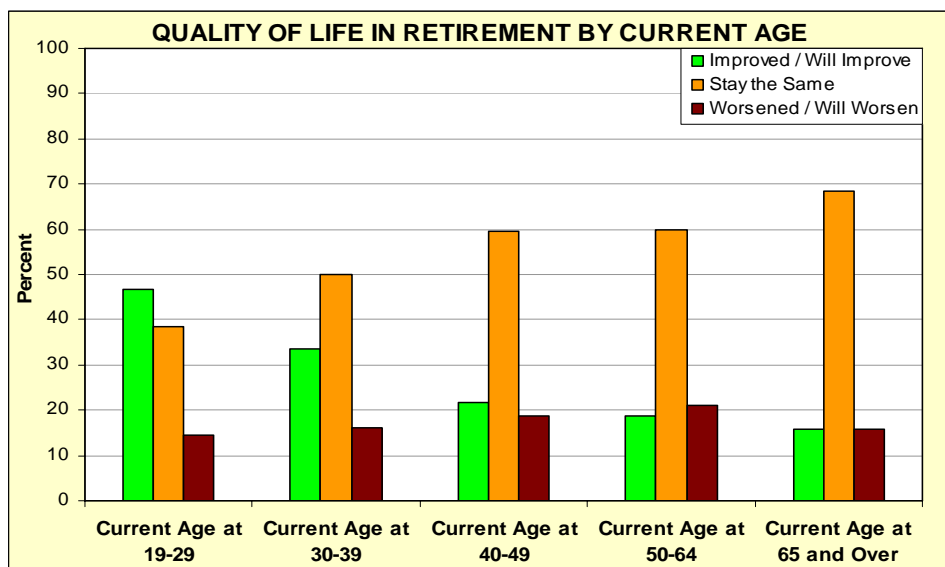
Rural Nebraskans were asked how their quality of life has changed or will change in retirement. Younger people are more optimistic that their lives in retirement will improve (30% to 50%). By contrast, older rural Nebraskans are more likely to say life will remain about the same (60% to 70%). Across all ages,

less than 20 percent expect their quality of life to worsen in retirement. People with higher incomes are more likely to think life will remain unchanged in retirement (60%) compared to those with lower incomes (50%). Further, rural Nebraskans with lower incomes are more apt to believe life in retirement will be worse (20%) compared to those with higher incomes (10%). Farmers and ranchers overwhelmingly say their quality of life will remain the same during retirement compared to those employed in other occupations.

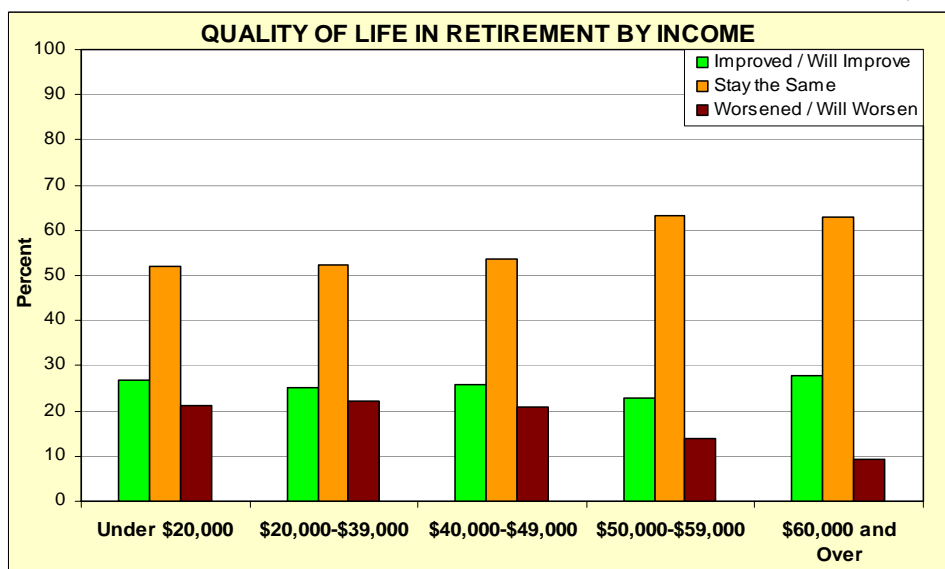
In terms of age, younger rural Nebraskans are more likely to think their quality of life will improve in retirement compared to older people, who think it will remain the same. Nearly one-half of those in their 20s and over one-third of those in their 30s say life will be better in retirement, which is significantly higher compared to those in their 40s and 50s (20%) and those 65 and older

(15%). The majority (68%) of those 65 and older think their quality of life has remained the same in retirement, and over one-half of those in their 30s through early 60s also believe their quality of life will remain the same. However, only 40 percent of those their 20s agree with this statement. Surprisingly, less than 20 percent of rural Nebraskans say their quality of life will worsen in retirement, regardless of age.

Next looking at retirement quality of life perceptions by income, we find very little differences except in the higher income range. For those with incomes



under \$50,000, around 25 percent say their quality of life will improve in retirement, over one-half say it will remain the same, and 20 percent say it will worsen in retirement. Those earning incomes in the \$50,000 range are slightly more likely to say life will remain the same, and slightly less likely to say life will get worse. By contrast, nearly one-third of those earning \$60,000 or more expect their quality of life will improve in retirement, while less than 10 percent think it will become worse.



There are also some differences in quality of life perceptions across occupations. Rural Nebraskans employed as laborers or in service occupations are more likely to believe their quality of life will be much better or much worse in retirement, compared to other occupations. For laborers and service occupations, one-third believe their quality of life will improve in retirement, one-half believe it will

remain unchanged, and about one-quarter believe it will worsen. By comparison, those employed in sales, administrative support, or professional and technical occupations are more likely to believe life will remain the same (almost 60%). Rural Nebraskans in these occupations are also less likely to think life will be much better (25%) or much worse (20%) in retirement. Lastly, farmers and ranchers overwhelmingly say (near 70%) their quality of life will remain about the same in retirement, with 20 percent thinking it will be better and only 10 percent thinking it will be

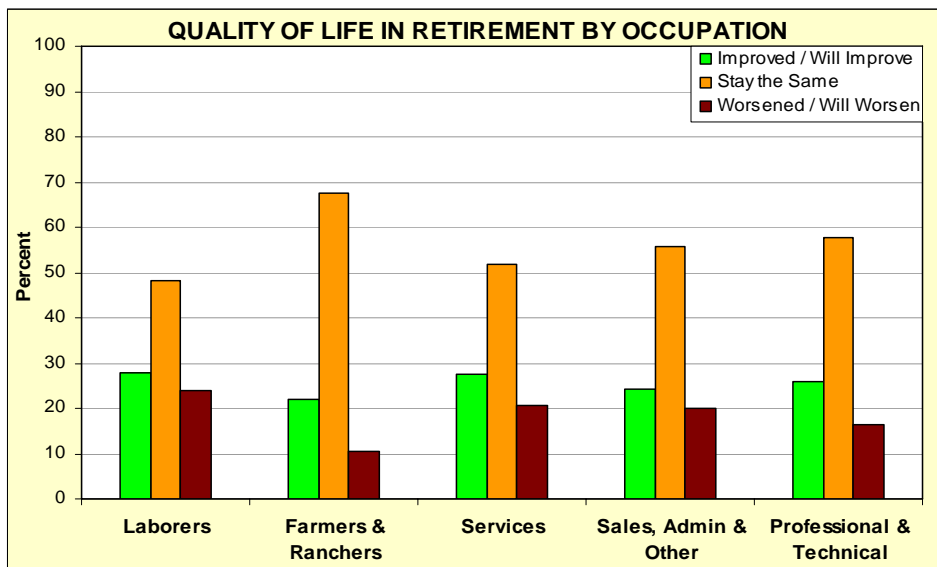
worse in retirement.

Summary

In summary, this research brief has provided some insight into three key retirement questions asked in Nebraska. First, at what age do rural Nebraskans intend to retire, and will they have sufficient income to do so? Most rural Nebraskans indicate an ideal retirement age of between 55-64 years (about 55%), or an ideal age of between 65-70 years (under 30%). However, only one-third of those ideally retiring

between ages 55-64 think they will have sufficient income to do so, while nearly one-half of those ideally retiring between ages 65-70 think they will have enough retirement income. Thus, a sizable majority rural Nebraskans are financially unprepared for retirement. This means that future retirees may have to live on much less income, which may hurt local business and health care providers. This also means that Nebraska may experience an upswing in poverty rates for those over 65, which may place a strain on social services.

Second, what activities do rural Nebraskans expect to be involved in during retirement? In terms of work plans, most rural Nebraskans (over 40%) say they plan to work during retirement. People in their 40s and 50s are more likely to plan on working than those in their 20s and 30s. Farmers and ranchers are much more likely to continue working than all other occupations. Surprisingly, there are very little



differences in work plans across incomes. This indicates that although an aging rural population will cause a labor force shortage in many areas, some of this shortfall can be address by employing retirees who are eager to work – at least in the near term. Further, labor shortages in the production agriculture sector may also be lessened as many producers plan to work past 65 years of age.

In terms of retirement activities, a majority plan to spend more time with their spouse and friends (generally over 70%), to travel or participate in recreational activities (about 70%), and spend more time with children and grandchildren (about 60%).

However, few plan to volunteer for community services or to pursue educational goals. This indicates that there may be business opportunities in providing travel and recreation services to retirees, as many plan to pursue this activity. However, this also indicates that many retirees do not plan to volunteer their time, which may impact non-profit organizations that rely heavily on volunteer time.

Third, do rural Nebraskans think their quality of life will change for the better or worse in retirement? Younger people are more optimistic that their quality of life in retirement will improve (30% to 50%). By contrast, older rural Nebraskans are more likely to say life will remain about the same (60% to 70%). Across all ages, less than 20 percent expect life to worsen in retirement. People with higher incomes are more likely to think life will remain unchanged in retirement, while those with lower incomes are more apt to believe life in retirement will be worse. This indicates most rural Nebraskans do not expect their quality of life to change much in retirement. For those that do express an opinion, most think their lives are apt to improve rather than worsen in retirement.

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