

Savers with and without a Pension

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ABSTRACT

This document studies the savings and investments of households without pensions based on data from the 2013 Survey of Consumer Finances. The analysis broadly characterizes such households in terms of financial resources and life cycle stage. It documents specific asset holdings, the sources upon which households rely when making saving or investment decisions, risk aversion, planning horizons, and reasons for saving. Throughout, households without a pension are compared to those with a pension. We find that households without a pension generally are younger, have lower incomes, and less wealth. They are also less likely to own an Individual Retirement Account (IRA), but that appears to be driven by their leaner financial resources. Holding income and net worth constant, the data support the hypothesis that households without a pension compensate for lack of pension coverage through savings in an IRA.

While their average financial asset holdings are lower than the holdings of households with a pension, households without a pension hold sizable shares of their financial assets in stocks, mutual funds, savings and money market accounts, and trusts. Households without a pension are less likely to state retirement as a reason for saving, less likely to take financial risks when investing, and less likely to plan for the long term than those with a pension. While other explanations are possible, these patterns suggest that individuals who want to save for retirement and have a long-term planning horizon self-select into jobs that offer pension benefits.

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1. INTRODUCTION

Much of saving for retirement in the United States occurs through pensions. Assets of defined benefit (DB) plans are managed by or on behalf of the plan sponsor, and investment options for defined contribution (DC) plan assets are generally vetted by plan sponsors. Individuals who are subject to a fiduciary duty are thus involved in both types of pension plans, offering some degree of protection against poor investment decisions. Also, pension plans offer relatively convenient ways to save for retirement. In contrast, Americans without pension plans may be at greater risk of under saving for retirement or of poor investment decisions.

This document uses data from the 2013 Survey of Consumer Finances (SCF) and studies the savings and investments of households without pensions. The analysis broadly characterizes such households in terms of financial resources and life cycle stage. It documents specific asset holdings, the sources upon which households rely when making saving or investment decisions, risk aversion, planning horizons, and reasons for saving. Throughout, we compare households without pensions to those with pensions, and we restrict the analysis to households headed by an individual under age 65. The analysis is agnostic about the direction of causality and is not intended to imply that access to a pension causes changes in these other behaviors.

The remainder of this document is organized as follows. Section 2 describes the data on which this study is based. Section 3 discusses the results of our analysis, and Section 4 concludes.

2. DATA

The SCF is conducted generally every three years, most recently in 2013. It gathers information on financial and demographic characteristics of families in the United States. The study is sponsored by the Federal Reserve Board (FRB) in cooperation with the Department of the Treasury, and data are collected by the National Organization for Research at the University of Chicago (NORC).

SCF data are intended to represent the “primary economic unit” (PEU). The PEU is defined as a single individual or couple (married or living as partners) and all individuals who are financially dependent on that individual or couple. In most instances, the PEU and the household are identical. For convenience, we use the term “household” throughout this document to denote the PEU.

The analysis is restricted to households headed by an individual under age 65.¹ The SCF interviewed 4,672 such households. The data permit extrapolating analysis

¹ The 2013 SCF Codebook defines the term “head” as follows. “The use of this term is euphemistic and merely reflects the systematic way in which the data set has been organized. The head is taken to be the single core individual in a PEU without a core couple; in a PEU with a central couple, the head is taken to be either the male in a mixed-sex couple or the older individual in the case of a same-sex couple. No

results to the U.S. population through the use of sampling weights. All tabulations in this document are weighted by sampling weight.

Table 1 provides background on the sample delineation between households with and without a pension. Among households with a head under age 65, 45 percent were covered by a DB or DC pension on the current job. This coverage could be on the basis of any household member's current job. Separately, 18% had accumulated pension rights on a prior job of any household member.² This includes households whose pension rights are vested or who are already receiving pension benefits. In all, 54% of households had pensions and 46% did not.

Table 1. Pension Plan Coverage on the Current Job, a Prior Job, or Any Job

Pension coverage	Current job	Prior job	Any job
No	55.2%	82.5%	45.5%
Yes	44.8%	17.5%	54.5%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

The focus of our analysis is on the 46% of households without a pension. However, to place the results into perspective, we present tabulations for both groups throughout this document.

3. ANALYSIS

Demographics and Financial Resources

We begin the analysis with a broad characterization of the demographics and financial resources of households without pensions. Table 2 shows that households without pensions tended to be younger than those with pensions: 35% were headed by an individual under age 35, compared with 20% of households with a pension. In contrast, 19% of households without a pension were headed by someone aged 55-64, compared with 29% of households with a pension.

Throughout this document, tables show distributions of a variable of interest (e.g., age category) separately for households with and for households without a pension. Additionally, the Appendix contains tables displaying the distribution of pension coverage by category of the variable of interest. For example, Table 2 shows that 35% of households without a pension were headed by someone younger than 35 years, whereas Appendix Table A-2 shows that 59% of households headed by someone younger than 35 years did not have pension coverage. Put differently, the text focuses on column percentages, while row percentages are available in the Appendix.

judgment about the internal organization of the households is implied by this organization of the data."

² This does not include households with a rollover IRA since at the time of the survey they no longer enjoyed the assistance of a plan sponsor subject to fiduciary duty.

Table 2. Age Distributions of Households with and without Pensions

Age of head	Without pension	With pension	Total
<35	35.2%	20.5%	27.2%
35-44	22.2%	22.9%	22.6%
45-54	23.5%	27.6%	25.7%
55-64	19.1%	29.0%	24.5%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table 3 indicates that the age differences go hand in hand with life cycle stages. Households without a pension were more likely unmarried (and not living with a partner) and without children, whereas households with a pension were more likely married (or otherwise living with a partner) and with children.

Table 3. Life Cycle Stage of Households with and without Pensions

Life Cycle	Without pension	With pension	Total
Age<55, no partner, no children	23.9%	14.0%	18.5%
Age<55, partnered, no children	11.1%	12.8%	12.0%
Age<55, partnered, children	28.1%	37.7%	33.3%
Age<55, no partner, children	17.8%	6.5%	11.7%
Age 55+, working	11.3%	22.0%	17.1%
Age 55+, not working	7.8%	7.1%	7.4%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Pension coverage is positively correlated with income and net worth. Table 4 documents that households without a pension were far more likely to have incomes in the bottom quartile of the distribution (47%) than households with a pension (10%). Only 26% of households without a pension had incomes above the national median, compared with 68% of households with a pension. Similarly, households without a pension were far more likely to be in the bottom net worth quartile (41%) than households with a pension (12%).³

³ Income quantiles are based on "normal income," i.e., income adjusted for unusual fluctuations. Net worth quantiles are based on net worth including DC plan balances and Individual Retirement Account (IRA) balances, but excluding the present value of benefits from DB plans and Social Security.

Table 4. Income and Net Worth Distributions of Households with and without Pensions

	Without pension	With pension	Total
Income category			
Bottom 25%	47.0%	9.7%	26.7%
25% - < 50%	26.7%	22.5%	24.4%
50% - < 75%	15.5%	31.3%	24.1%
75% - < 90%	6.5%	21.8%	14.9%
Top 10%	4.3%	14.6%	9.9%
Total	100.0%	100.0%	100.0%
Net worth category			
Bottom 25%	40.7%	11.9%	25.0%
25% - < 50%	29.7%	21.0%	25.0%
50% - < 75%	17.0%	31.7%	25.0%
75% - < 90%	7.0%	21.6%	15.0%
Top 10%	5.6%	13.7%	10.0%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Asset Holdings

One way in which households without a pension can save for retirement is through an IRA. This section will take a first look at the hypothesis that households without a pension compensate for lack of pension coverage with IRA savings.

Table 5 summarizes mean and median IRA balances. Mean and median IRA balances tended to be lower for households without a pension than for those with a pension. The overall average IRA balance was about \$112,000 for households without a pension and \$140,000 for those with a pension; the median balances were about \$25,000 and \$39,000, respectively.

Table 5. Mean and Median IRA Balances among IRA-Holding Households with and without Pensions (\$)

IRA Type	Mean IRA Balance			Median IRA Balance		
	Without pension	With pension	Total	Without pension	With pension	Total
Roth IRA	50,916	53,933	53,210	13,000	17,000	16,000
Rollover IRA	141,466	151,142	149,219	40,000	50,000	50,000
Other IRA	97,625	120,390	113,646	39,000	40,000	40,000
Any IRA	111,993	139,601	132,332	25,000	38,600	35,000

Source: 2013 SCF.

Households with head under age 65.

The SCF distinguishes among Roth, Rollover, or Other IRAs. The type is coded based on the question: "Is this account a Roth IRA, an account [you] rolled over from a pension into an IRA, some other type of IRA, or a Keogh?" Table 5 suggests that Rollover IRAs tend to be somewhat larger than Other IRAs. However, external

evidence indicates that the differences are in fact much larger. The Investment Company Institute reported that during 2010 \$288.4 billion was rolled over into IRAs while regular contributions amounted to \$12.8 billion, i.e., 96% of inflows originated from rollovers.⁴ Further, rollovers made up 94%-96% of inflows between 1999 and 2010. It thus appears that IRA classifications in the SCF may not always be accurate. A potential explanation is that households whose IRA started with a rollover subsequently made a regular contribution and labeled their IRA as "Other."

The top panel of Table 6 shows that ownership of IRAs is roughly twice as common among households with pensions as among households without a pension (35% compared with 15%). Conditional on ownership, the type distributions (Roth, Rollover, Other) are roughly similar across the two groups. About 3% of households without a pension owned a rollover IRA, indicating that they participated in a pension plan on a prior job, but at the time of the survey no longer enjoyed the assistance of a plan sponsor subject to fiduciary duty.

The bottom panel of Table 6 provides more detail about ownership of IRAs by household pension coverage. Households without a pension are further disaggregated into those with and without a rollover IRA, and households with a pension are further disaggregated into those with and without pension coverage on their current job. Roth IRAs are more common than Other IRAs among households without pension coverage and without a rollover IRA.

Table 6. IRA Ownership among Households with and without Pensions

IRA Ownership	Without pension	With pension	Total		
Does not have IRA	85.0%	64.8%	74.0%		
Has IRA	15.0%	35.2%	26.0%		
— Roth	3.8%	8.9%	6.6%		
— Rollover	2.8%	7.5%	5.4%		
— Other	5.4%	9.3%	7.5%		
— Multiple	3.0%	9.5%	6.5%		
Total	100.0%	100.0%	100.0%		

IRA Ownership	Without pension or rollover IRA	Without pension, with rollover	With current pension	With only previous pension	Total
Does not have IRA	88.6%	0.0%	64.6%	65.8%	74.0%
Has IRA	11.4%	100.0%	35.4%	34.2%	26.0%
— Roth	4.0%	0.0%	9.5%	6.5%	6.6%
— Rollover	0.0%	68.4%	7.2%	8.8%	5.4%
— Other	5.6%	0.0%	8.9%	11.0%	7.5%
— Multiple	1.7%	31.6%	9.8%	7.9%	6.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

⁴ Investment Company Institute. March 2014. "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2012." Accessed at http://www.ici.org/pdf/rpt_14_ira_traditional.pdf.

Table 5 and Table 6 showed that households without a pension are less likely to own an IRA, and that the average balance for those who do own an IRA is lower than that of households with a pension. At first blush, the data thus offer no evidence for the hypothesis that households without a pension compensate for lack of pension coverage through IRA savings. However, both pension coverage and IRA ownership are associated with higher income and net worth, so the hypothesis may still hold when controlling for income and net worth. We return to this issue later in this document.

To the extent household members are self-employed or own a small business, they may have access to a Keogh plan. However, Keogh plans are not common; only 0.2% of households without a pension and 0.5% of those with a pension owned a Keogh plan (Table 7).

Table 7. Keogh Plan Ownership among Households with and without Pensions

Keogh plan ownership	Without pension	With pension	Total
Does not have Keogh plan	99.8%	99.5%	99.6%
Has Keogh plan	0.2%	0.5%	0.4%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table 8 documents aggregate financial asset holdings by households with or without pensions in the United States. Households without a pension held a total of \$3.4 trillion in 2013, of which 21% in IRAs, 23% in stocks, 29% in mutual funds, 9% in savings or money market accounts, and 6% in trusts. The most commonly owned financial assets were savings or money market accounts (40%), followed by IRAs (15%), cashable life insurance policies (9%), stocks (6%), savings bonds (6%), and mutual funds (4%). Just over one-half (52%) of households without a pension owned one or more financial assets, i.e., 48% did not own any. This compares with 18% among households with a pension. Total assets among households with a pension were \$9.0 trillion, plus \$4.5 trillion in DC plan balances (not shown in Table 8).

Table 8. Non-Pension Asset Holdings among Households with and without Pensions

	Without pension			With pension			Total		
	Assets (\$bn)	Assets (%)	Percent of HHS	Assets (\$bn)	Assets (%)	Percent of HHS	Assets (\$bn)	Assets (%)	Percent of HHS
IRA balances	718	21.2%	15.0%	2,505	27.7%	35.2%	3,224	26.0%	26.0%
Stocks	784	23.2%	6.0%	1,855	20.5%	18.4%	2,639	21.3%	12.8%
Mutual funds	974	28.8%	3.6%	1,855	20.5%	10.3%	2,829	22.8%	7.3%
Savings/money mkt accts	296	8.8%	39.5%	1,038	11.5%	66.4%	1,334	10.7%	54.1%
Bonds	105	3.1%	0.6%	242	2.7%	1.0%	347	2.8%	0.8%
Certificates of Deposit	74	2.2%	3.0%	203	2.2%	7.6%	277	2.2%	5.5%
Trusts	209	6.2%	0.6%	648	7.2%	1.7%	858	6.9%	1.2%
Cashable life insurance	123	3.6%	9.1%	342	3.8%	21.6%	465	3.7%	15.9%
Cashable annuities	67	2.0%	1.0%	177	2.0%	3.6%	244	2.0%	2.4%
Brokerage call accounts	21	0.6%	0.5%	141	1.6%	2.2%	162	1.3%	1.4%
Savings bonds	12	0.3%	5.7%	30	0.3%	14.7%	42	0.3%	10.6%
Total	3,383	100.0%	52.2%	9,037	100.0%	82.4%	12,421	100.0%	68.6%

Source: 2013 SCF.

Households with head under age 65.

Saving Practices and Preferences

This section highlights some of the practices and preferences related to saving behavior. Table 9 summarizes respondents' self-reports on whether they saved or dissaved in the year before the survey, ignoring any purchases of a home or automobile and ignoring any investment spending. Of households without a pension, 42% stated that they had spent less than their income, compared with 64% of households with a pension.⁵

Table 9. Spending and Income Last Year (excluding home or car purchases and investment spending)

	Without pension	With pension	Total
Spending more than income	19.8%	11.8%	15.5%
Spending about equal to income	38.3%	24.4%	30.7%
Spending less than income	41.9%	63.8%	53.8%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table 10 shows the types of institutions at which households held their IRAs. Households without or with pensions chose institution types in approximately the

⁵ The survey questions generally asked "Over the past year, would you say that your (family's) spending exceeded your (family's) income, that it was about the same as your income, or that you spent less than your income?" It adjusted for home or automobile purchases and investment spending, but did not attempt to precisely define income or spending. For example, capital gains and any portion of mortgage payments that reduced the loan's principal may or may not have been included in income and spending, respectively.

same proportions: 47%-49% chose a bank, 40%-43% a brokerage, and 17%-19% another type of institution. The percentages do not sum to 100% because some households have multiple IRAs at multiple types of institutions.

Table 10. Types of Institutions at Which IRAs Are Held

	Without pension	With pension	Total
Bank	47.4%	49.2%	48.7%
Brokerage	39.9%	42.8%	42.0%
Other	19.4%	17.2%	17.8%

Source: 2013 SCF.

Households with an IRA and with head under age 65.

Respondents were asked for their main reasons for saving, even if they were currently unable to set aside money. More than one reason could be given. The most commonly stated reasons were retirement and unspecified "rainy day" circumstances. Notably, respondents without a pension were markedly less likely to mention retirement (29%) than those with a pension (53%). In part, this may be because households without a pension tended to be younger and thus farther from retirement (Table 2), but it can also suggest self-selection of people with a retirement saving motive into jobs that offer pension benefits. Yet another explanation is that households without a pension, who tend to have lower incomes, may see less need for retirement savings because they expect Social Security to be sufficient. Conversely, households without a pension more often mentioned saving for family or to buy a home or vehicle, which is again consistent with that group's younger age composition.

Table 11. Stated Reasons for Saving

	Without pension	With pension	Total
Children's education	15.4%	15.8%	15.6%
Own education	4.3%	5.1%	4.7%
For family	11.4%	7.5%	9.3%
Ceremonies (e.g., weddings)	0.9%	0.6%	0.7%
To have children/family	1.4%	0.9%	1.1%
To move	1.6%	0.5%	1.0%
Buy own house	9.8%	5.9%	7.7%
Buy second home	0.2%	0.5%	0.4%
Buy vehicle	5.3%	3.4%	4.3%
Home improvements	1.5%	2.8%	2.2%
Vacation	7.9%	10.5%	9.3%
Buy durable goods	2.8%	2.5%	2.6%
Funeral expenses	1.3%	0.4%	0.8%
Charitable contributions	0.2%	0.3%	0.2%
Enjoy life	1.0%	0.9%	0.9%
Invest in business	0.7%	0.4%	0.6%
Retirement	29.2%	53.2%	42.3%
In case of unemployment	4.0%	3.3%	3.6%
In case of illness	6.2%	4.7%	5.3%
Other "rainy day" funds	33.3%	35.7%	34.6%
Investment reasons	1.7%	1.2%	1.4%
Contractual commitments	2.2%	1.0%	1.6%
Advance living standard	1.6%	0.7%	1.1%
Bills	6.5%	3.2%	4.7%
Taxes	0.3%	0.3%	0.3%
No particular reason	0.2%	0.1%	0.2%
For the future	7.9%	7.4%	7.7%

Source: 2013 SCF.

Households with head under age 65.

Table 12 summarizes a survey question that relates to risk aversion. Respondents were asked about the amount of financial risk that they were willing to take when saving or making investments. Households without a pension tended to be more risk-averse than those with a pension: 54% stated that they were not willing to take any financial risks, compared with 32% among households with a pension.

Table 12. Amount of Acceptable Financial Risk When Saving or Making Investments

	Without pension	With pension	Total
No financial risks	53.8%	32.3%	42.1%
Average financial risks	30.3%	44.1%	37.8%
Above average financial risks	11.8%	20.3%	16.4%
Substantial financial risks	4.1%	3.3%	3.6%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table 13 cross-tabulates reasons for saving with the same measure of risk aversion. The rank-order importance of reasons for saving is similar for the four risk aversion categories, but some differences surface. In particular, households with average or above-average acceptance of investment risks tended to cite retirement as a reason for saving more often than households at the low or high ends of risk aversion.

Table 13. Stated Reasons for Saving, by Risk Aversion

	Acceptance of investment risks				Total
	None	Average	Above-average	Substantial	
Children's education	16.8%	14.6%	12.7%	12.4%	15.4%
Own education	3.2%	5.5%	4.7%	7.9%	4.3%
For family	11.3%	11.0%	14.1%	7.9%	11.4%
Ceremonies (e.g., weddings)	0.5%	1.4%	1.6%	0.0%	0.9%
To have children/family	1.0%	1.3%	3.8%	0.0%	1.4%
To move	1.4%	0.7%	4.8%	1.2%	1.6%
Buy own house	8.3%	11.5%	13.3%	6.2%	9.8%
Buy extra home	0.1%	0.2%	0.6%	0.0%	0.2%
Buy vehicle	5.0%	5.8%	6.6%	3.1%	5.3%
Home improvements	1.7%	1.2%	1.5%	1.5%	1.5%
Vacation	7.2%	8.3%	9.1%	9.2%	7.9%
Buy durable goods	2.6%	3.3%	2.0%	2.8%	2.8%
Funeral expenses	1.3%	1.6%	0.8%	0.0%	1.3%
Charitable contributions	0.2%	0.3%	0.0%	0.0%	0.2%
Enjoy life	1.1%	1.0%	0.3%	1.4%	1.0%
Invest in business	0.4%	0.8%	0.9%	3.8%	0.7%
Retirement	25.7%	35.5%	30.6%	26.0%	29.2%
In case of unemployment	4.4%	4.0%	3.0%	2.5%	4.0%
In case of illness	6.7%	6.0%	5.1%	3.3%	6.2%
Other "rainy day" funds	29.9%	38.5%	36.2%	32.3%	33.3%
Investment reasons	0.9%	1.8%	2.5%	8.6%	1.7%
Contractual commitments	1.9%	2.8%	2.5%	0.0%	2.2%
Advance living standard	1.4%	1.9%	2.0%	1.9%	1.6%
Bills	6.6%	6.6%	4.3%	10.5%	6.5%
Taxes	0.4%	0.2%	0.0%	1.1%	0.3%
No particular reason	0.4%	0.0%	0.4%	0.0%	0.2%
For the future	7.4%	8.9%	9.0%	4.8%	7.9%

Source: 2013 SCF.

Households without a pension and with head under age 65.

More generally, people with the lowest or highest risk aversion tended to cite fewer reasons for saving (1.5 on average) than those with average or above-average acceptance of risk (1.7 on average; based on column totals in Table 13).

When households make investment decisions, they rely mostly on friends or relatives and on information on the Internet (Table 14). Households without a pension were less likely to utilize online sources (34%) than those with a pension (46%). They were also less likely to get information from a financial planner (17%) or a broker (6%) than households with a pension (33% and 10%, respectively). Instead, households without a pension were somewhat more likely to consult materials in the mail, television or radio sources, and advertisements.

Table 14. Sources of Information about Investing among Households with and without Pensions

Information Source	Without pension	With pension	Total
Call around	13.5%	14.0%	13.7%
Magazines/Newspapers/Books	9.7%	10.5%	10.2%
Material in the mail	7.0%	5.9%	6.4%
Television/Radio	8.5%	7.4%	7.9%
Internet/Online services	33.6%	45.7%	40.2%
Advertisements	7.1%	6.3%	6.6%
Friends/Relatives	41.5%	44.7%	43.3%
Lawyers	4.6%	3.3%	3.9%
Accountants	9.4%	10.9%	10.2%
Bankers	32.6%	34.2%	33.5%
Brokers	6.2%	9.6%	8.1%
Financial planner	16.9%	32.6%	25.5%
Self	5.6%	7.3%	6.5%

Source: 2013 SCF.

Households with head under age 65.

Table 15 summarizes respondents' stated time horizon when planning or budgeting their family's saving and spending, by age of the household head. Households without a pension tended to plan for shorter time horizons than those with a pension. For example, among relatively young households (under age 35), only 7% of those without a pension planned for 10 years or longer, compared with 16% of households with a pension. Similar differences existed in the 35-44 and 45-54 age groups. Conversely, 52% of young households without a pension planned for a few months or at most one year, compared with 43% of those with a pension, and such differences were even more pronounced among 35-44 year-olds (54% versus 35%), 45-54 year-olds (49% versus 32%), and 55-64 year-olds (47% versus 34%). This pattern suggests that people with a long-term planning horizon are more likely to seek out jobs with pension coverage.

Table 15. Horizon for Planning of Saving and Spending, by Age of Head

	Without pension	With pension	Total
Age <35			
Next few months	31.6%	26.5%	29.5%
Next year	20.3%	16.3%	18.7%
Next few years	23.9%	27.9%	25.6%
Next 5-10 years	17.2%	13.3%	15.6%
Longer than 10 years	6.9%	15.9%	10.6%
Total	100.0%	100.0%	100.0%
Age 35-44			
Next few months	36.8%	20.7%	27.9%
Next year	17.1%	14.7%	15.8%
Next few years	26.7%	25.1%	25.8%
Next 5-10 years	13.4%	22.8%	18.6%
Longer than 10 years	6.0%	16.7%	11.9%
Total	100.0%	100.0%	100.0%
Age 45-54			
Next few months	34.2%	20.6%	26.3%
Next year	15.0%	11.2%	12.8%
Next few years	24.7%	26.7%	25.9%
Next 5-10 years	16.4%	23.8%	20.7%
Longer than 10 years	9.7%	17.6%	14.3%
Total	100.0%	100.0%	100.0%
Age 55-64			
Next few months	33.3%	22.8%	26.5%
Next year	13.7%	10.9%	11.9%
Next few years	24.5%	24.0%	24.2%
Next 5-10 years	19.1%	31.9%	27.4%
Longer than 10 years	9.4%	10.4%	10.0%
Total	100.0%	100.0%	100.0%

Source: 2013 SCF.

Households with head under age 65.

IRA Ownership by Multiple Factors Simultaneously

As noted earlier in Table 5 and Table 6, households without a pension are less likely to own an IRA and the average balance for those who own an IRA is lower than that of households with a pension. However, both pension coverage and IRA ownership are associated with higher income and net worth. In an effort to test the hypothesis that households without a pension compensate through IRA savings, we estimated probit models of IRA ownership that simultaneously control for pension coverage, income, net worth, and other potential determinants of IRA ownership. Separate models were estimated for the ownership of a Roth IRA, a Rollover IRA, an "Other" IRA, and an IRA of any type (i.e., Roth, Rollover, or Other). See Table 16; the parameter estimates are probit coefficients, the numbers in parentheses represent standard errors, and the asterisks flag parameters' statistical significance away from zero (***=1%, **=5%, *=10%).

Table 16. Probit Models of IRA Ownership

	Roth IRA	Rollover IRA	Other IRA	Any IRA
Covered by pension	0.088 (0.074)	0.182 ** (0.077)	-0.238 *** (0.074)	-0.047 (0.063)
Save for retirement	0.121 * (0.066)	0.059 (0.067)	0.236 *** (0.064)	0.239 *** (0.056)
Saving horizon 10+ years	0.184 ** (0.080)	-0.031 (0.084)	0.237 *** (0.082)	0.085 (0.077)
Not willing to take investment risks	-0.555 *** (0.084)	-0.355 *** (0.087)	-0.249 *** (0.081)	-0.448 *** (0.067)
Willing to take above-average risk	0.174 ** (0.073)	0.200 ** (0.078)	0.037 (0.077)	0.218 *** (0.071)
Willing to take substantial risk	-0.008 (0.147)	-0.041 (0.164)	-0.213 (0.153)	-0.042 (0.134)
Married	-0.036 (0.092)	0.043 (0.102)	-0.072 (0.093)	-0.100 (0.079)
Female "head" of household	0.083 (0.109)	0.095 (0.117)	0.007 (0.111)	0.072 (0.090)
Income in p25-p50	0.543 *** (0.140)	0.343 ** (0.148)	0.521 *** (0.143)	0.604 *** (0.105)
Income in p50-p75	0.642 *** (0.145)	0.512 *** (0.148)	0.720 *** (0.147)	0.796 *** (0.111)
Income in p75-p90	0.733 *** (0.155)	0.558 *** (0.165)	0.755 *** (0.161)	0.939 *** (0.124)
Income in top decile	0.798 *** (0.174)	0.610 *** (0.176)	0.937 *** (0.181)	1.117 *** (0.143)
Net worth in p25-p50	0.253 ** (0.123)	0.206 (0.150)	0.333 ** (0.163)	0.313 *** (0.102)
Net worth in p50-p75	0.416 *** (0.123)	0.600 *** (0.140)	0.615 *** (0.147)	0.645 *** (0.099)
Net worth in p75-p90	0.861 *** (0.134)	0.810 *** (0.152)	0.970 *** (0.161)	1.058 *** (0.114)
Net worth in top decile	0.934 *** (0.152)	1.046 *** (0.163)	1.440 *** (0.172)	1.503 *** (0.132)
Age spline, slope up to age 45	-0.010 * (0.006)	0.006 (0.007)	0.011 * (0.007)	0.000 (0.005)
Age spline, slope above age 45	-0.001 (0.006)	0.013 ** (0.006)	0.024 *** (0.006)	0.017 *** (0.005)
Constant	-1.895 *** (0.228)	-2.754 *** (0.289)	-2.949 *** (0.284)	-2.028 *** (0.201)
Number of observations	4,599	4,604	4,609	4,582

Note: Standard errors in parentheses. Significance: ***=1%, **=5%, *=10%.

Number of observations exclude replicates from multiple imputations.

As expected, IRA ownership is strongly and positively related to income and net worth. The bottom quartiles of the income and net worth distributions are omitted from the specification, and all parameters estimates increase monotonically with

income and net worth.⁶ Also, IRA ownership generally increases with age, at least after age 45.⁷

Holding constant income and net worth, households with a pension are more likely to hold Rollover IRAs, which may be a lagged consequence of differential pension coverage on prior jobs. Also, households with a pension are less likely to hold Other IRAs than households without a pension, which is consistent with the hypothesis that households without a pension compensate through IRA savings. Ownership of Other IRAs is particularly elevated among households without a pension that cited retirement as a reason for saving or stated that their planning horizon for saving and spending is longer than 10 years. In contrast, a lack of willingness to accept investment risks—which is especially prevalent among households without a pension (Table 12)—is associated with lower IRA ownership. We explored interactions between pension coverage on the one hand and citing retirement as a reason for saving, a long planning horizon, and risk aversion on the other hand; the conclusions were robust to such alternative model specifications. Similarly, we restricted the regressions to households headed by an individual aged 45-64 and found the same qualitative results.

4. CONCLUSION

In this document we made use of data from the SCF to compare the demographic and financial characteristics of households without a pension to those with a pension. We find that households without a pension generally are younger, have lower incomes, and less wealth. In addition, we find that these households were less focused on saving and other long-term planning. While these results may suggest a self-selection of households into pensions, it is also possible that access to a pension fosters these other behaviors. Untangling the causality of this relationship is left for future research. It is also possible that jobs with pensions are not available for certain individuals—a topic also left for future research.

An important question is whether households without a pension compensate by saving through an IRA. The raw numbers indicate both lower IRA ownership and lower average IRA balances among households without a pension than among those with a pension, but this appears to be driven by the fact that both pension coverage and IRA ownership are positively related to financial resources. Holding income and net worth constant, we do find support for the hypothesis that households without a pension compensate for lack of a pension through savings in an IRA. Access to investment advice or financial literacy programs more generally may be beneficial to households without a pension and help compensate for the lack of the financial security associated with a pension.

⁶ Net worth may be endogenous to IRA ownership. For example, someone may cash out a DC plan upon job separation or roll over the balance into a Rollover IRA. Because of income taxes, the cashed-out amount would be smaller than the rolled-over amount, and thus affect net worth. However, cash-outs occur predominantly with smaller DC balances, so that the difference tends to be small.

⁷ The age coefficients represent slopes on age. They are piecewise-linear splines, constructed such that the effect of age is modeled as continuous and linear in age up to 45 years and also linear in age (but with a different slope) after 45 years.

APPENDIX. DISTRIBUTIONS OF PENSION COVERAGE

As explained above, text tables generally show column percentages to demonstrate how the distribution of variables of interest differs between households with and households without pension coverage. This Appendix presents row percentages of the same data, thereby showing the fraction of households with a certain characteristic that are or are not covered by a pension.

Appendix Tables are numbered analogous to text tables. For example, the counterpart of Table 5 is Appendix Table A-5.

Table A-2. Pension Coverage by Age

Age of head	Without pension	With pension	Total
<35	59.0%	41.0%	100.0%
35-44	44.8%	55.2%	100.0%
45-54	41.6%	58.4%	100.0%
55-64	35.5%	64.5%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-3. Pension Coverage by Life Cycle Stage

Life Cycle	Without	With	Total
Age<55, no partner, no children	58.8%	41.2%	100.0%
Age<55, partnered, no children	42.1%	57.9%	100.0%
Age<55, partnered, children	38.4%	61.6%	100.0%
Age<55, no partner, children	69.5%	30.5%	100.0%
Age 55+, working	30.1%	69.9%	100.0%
Age 55+, not working	48.1%	51.9%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-4. Pension Coverage by Income and Net Worth

	Without pension	With pension	Total
Income category			
Bottom 25%	80.2%	19.8%	100.0%
25% - < 50%	49.7%	50.3%	100.0%
50% - < 75%	29.2%	70.8%	100.0%
75% - < 90%	20.1%	79.9%	100.0%
Top 10%	19.9%	80.1%	100.0%
Total	45.5%	54.5%	100.0%
Net worth category			
Bottom 25%	74.0%	26.0%	100.0%
25% - < 50%	54.2%	45.8%	100.0%
50% - < 75%	31.0%	69.0%	100.0%
75% - < 90%	21.4%	78.6%	100.0%
Top 10%	25.3%	74.7%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-6. Pension Coverage by IRA Ownership

IRA Ownership	Without pension	With pension	Total
Does not have IRA	52.3%	47.7%	100.0%
Has IRA	26.3%	73.7%	100.0%
— Roth	26.4%	73.6%	100.0%
— Rollover	24.0%	76.0%	100.0%
— Other	32.8%	67.2%	100.0%
— Multiple	20.8%	79.2%	100.0%
Total	45.5%	54.5%	100.0%

IRA Ownership	Without pension or rollover IRA	Without pension, with rollover	With current pension	With only previous pension	Total
Does not have IRA	52.3%	0.0%	39.1%	8.6%	100.0%
Has IRA	19.1%	7.2%	60.9%	12.7%	100.0%
— NoIRA	26.4%	0.0%	64.1%	9.5%	100.0%
— Roth	0.0%	24.0%	60.2%	15.8%	100.0%
— Rollover	32.8%	0.0%	53.0%	14.2%	100.0%
— Other	11.6%	9.1%	67.5%	11.7%	100.0%
Multiple	43.7%	1.9%	44.8%	9.7%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-7. Pension Coverage by Keogh Plan Ownership

Keogh plan ownership	Without pension	With pension	Total
Does not have Keogh plan	45.6%	54.4%	100.0%
Has Keogh plan	29.9%	70.1%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-9. Pension Coverage by Spending and Income Last Year (excluding home or car purchases and investment spending)

	Without pension	With pension	Total
Spending more than income	58.4%	41.6%	100.0%
Spending about equal to income	56.8%	43.2%	100.0%
Spending less than income	35.4%	64.6%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-10. Pension Coverage by Types of Institutions at Which IRAs Are Held

	Without pension	With pension	Total
Bank	25.6%	74.4%	100.0%
Brokerage	25.0%	75.0%	100.0%
Other	28.7%	71.3%	100.0%

Source: 2013 SCF.

Households with an IRA and with head under age 65.

Table A-11. Pension Coverage by Stated Reasons for Saving

	Without pension	With pension	Total
Children's education	45.0%	55.0%	100.0%
Own education	40.9%	59.1%	100.0%
For family	55.8%	44.2%	100.0%
Ceremonies (e.g., weddings)	55.8%	44.2%	100.0%
To have children/family	55.3%	44.7%	100.0%
To move	72.5%	27.5%	100.0%
Buy own house	58.0%	42.0%	100.0%
Buy second home	25.9%	74.1%	100.0%
Buy vehicle	56.7%	43.3%	100.0%
Home improvements	31.5%	68.5%	100.0%
Vacation	38.5%	61.5%	100.0%
Buy durable goods	47.9%	52.1%	100.0%
Funeral expenses	74.1%	25.9%	100.0%
Charitable contributions	34.9%	65.1%	100.0%
Enjoy life	48.5%	51.5%	100.0%
Invest in business	57.4%	42.6%	100.0%
Retirement	31.5%	68.5%	100.0%
In case of unemployment	50.0%	50.0%	100.0%
In case of illness	52.4%	47.6%	100.0%
Other "rainy day" funds	43.9%	56.1%	100.0%
Investment reasons	54.0%	46.0%	100.0%
Contractual commitments	63.5%	36.5%	100.0%
Advance living standard	67.2%	32.8%	100.0%
Bills	63.2%	36.8%	100.0%
Taxes	52.0%	48.0%	100.0%
No particular reason	65.1%	34.9%	100.0%
For the future	47.2%	52.8%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-12. Pension Coverage by Amount of Acceptable Financial Risk When Saving or Making Investments

	Without pension	With pension	Total
No financial risks	58.3%	41.7%	100.0%
Average financial risks	36.5%	63.5%	100.0%
Above average financial risks	32.6%	67.4%	100.0%
Substantial financial risks	51.2%	48.8%	100.0%
Total	45.5%	54.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-13. Risk Aversion by Stated Reasons for Saving

	Acceptance of investment risks				Total
	None	Average	Above- average	Substantial	
Children's education	58.5%	28.6%	9.7%	3.3%	100.0%
Own education	40.2%	39.2%	13.0%	7.6%	100.0%
For family	53.3%	29.3%	14.5%	2.8%	100.0%
Ceremonies (e.g., weddings)	30.0%	48.6%	21.4%	0.0%	100.0%
To have children/family	39.6%	27.8%	32.6%	0.0%	100.0%
To move	48.3%	13.2%	35.4%	3.1%	100.0%
Buy own house	45.7%	35.7%	16.0%	2.6%	100.0%
Buy extra home	30.9%	35.5%	33.6%	0.0%	100.0%
Buy vehicle	50.3%	32.7%	14.5%	2.4%	100.0%
Home improvements	60.7%	23.7%	11.8%	3.9%	100.0%
Vacation	49.6%	32.0%	13.6%	4.8%	100.0%
Buy durable goods	50.8%	36.5%	8.5%	4.2%	100.0%
Funeral expenses	56.0%	36.7%	7.2%	0.0%	100.0%
Charitable contributions	55.3%	44.7%	0.0%	0.0%	100.0%
Enjoy life	60.7%	30.1%	3.4%	5.7%	100.0%
Invest in business	30.5%	32.6%	15.0%	21.9%	100.0%
Retirement	47.3%	36.8%	12.3%	3.6%	100.0%
In case of unemployment	58.7%	29.8%	8.9%	2.6%	100.0%
In case of illness	58.5%	29.6%	9.7%	2.2%	100.0%
Other "rainy day" funds	48.3%	34.9%	12.8%	4.0%	100.0%
Investment reasons	28.5%	32.4%	17.9%	21.2%	100.0%
Contractual commitments	46.6%	39.5%	13.8%	0.0%	100.0%
Advance living standard	44.8%	35.8%	14.7%	4.7%	100.0%
Bills	54.5%	30.9%	7.9%	6.6%	100.0%
Taxes	67.1%	19.7%	0.0%	13.2%	100.0%
No particular reason	82.1%	0.0%	17.9%	0.0%	100.0%
For the future	50.2%	34.0%	13.3%	2.5%	100.0%

Source: 2013 SCF.

Households without a pension and with head under age 65.

Table A-14. Pension Coverage by Sources of Information about Investing

Information Source	Without pension	With pension	Total
Call around	44.7%	55.3%	100.0%
Magazines/Newspapers/Books	43.6%	56.4%	100.0%
Material in the mail	49.9%	50.1%	100.0%
Television/Radio	49.0%	51.0%	100.0%
Internet/Online services	38.1%	61.9%	100.0%
Advertisements	48.4%	51.6%	100.0%
Friends/Relatives	43.7%	56.3%	100.0%
Lawyers	53.7%	46.3%	100.0%
Accountants	41.8%	58.2%	100.0%
Bankers	44.3%	55.7%	100.0%
Brokers	35.2%	64.8%	100.0%
Financial planner	30.2%	69.8%	100.0%
Self	39.1%	60.9%	100.0%

Source: 2013 SCF.

Households with head under age 65.

Table A-15. Pension Coverage by Age of Head and by Horizon for Planning of Saving and Spending

	Without pension	With pension	Total
Age <35			
Next few months	63.1%	36.9%	100.0%
Next year	64.2%	35.8%	100.0%
Next few years	55.2%	44.8%	100.0%
Next 5-10 years	65.0%	35.0%	100.0%
Longer than 10 years	38.5%	61.5%	100.0%
Total	59.0%	41.0%	100.0%
Age 35-44			
Next few months	59.0%	41.0%	100.0%
Next year	48.6%	51.4%	100.0%
Next few years	46.3%	53.7%	100.0%
Next 5-10 years	32.2%	67.8%	100.0%
Longer than 10 years	22.4%	77.6%	100.0%
Total	44.8%	55.2%	100.0%
Age 45-54			
Next few months	54.1%	45.9%	100.0%
Next year	48.7%	51.3%	100.0%
Next few years	39.6%	60.4%	100.0%
Next 5-10 years	32.8%	67.2%	100.0%
Longer than 10 years	28.2%	71.8%	100.0%
Total	41.6%	58.4%	100.0%
Age 55-64			
Next few months	44.6%	55.4%	100.0%
Next year	40.9%	59.1%	100.0%
Next few years	36.0%	64.0%	100.0%
Next 5-10 years	24.8%	75.2%	100.0%
Longer than 10 years	33.3%	66.7%	100.0%
Total	35.5%	64.5%	100.0%

Source: 2013 SCF.

Households with head under age 65.

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