Book review

Forecasting retirement needs and retirement wealth

Edited by Olivia S. Mitchell, P. Brett Hammond and Anna M. Rappaport

(Pension Research Council Publications, University of Pennsylvania Press, 2000; ISBN 0 8122 3529 0; 408 pp; hardback; US\$49.95)

This book, published by the University of Pennsylvania Press, is an academic collection of essays relating to retirement issues, all of which have used as a research base the 'Health and Retirement Study' (HRS). The methodology behind the evaluation of retirement wealth and income in respect of pension benefits, and the linkage to the database of the Social Security Administration for the individuals who formed part of the HRS research is described in the two essays in Part 3 of the book.

The writing style and ease of reading varies greatly between the contributing authors, as does their use of charts and tables. I found the easiest read to be the Essay on Early Retirement Windows contained in Part 2, written by Charles Brown, but that might reflect my own interest in his subject. The essay that appeared to make the best use of charts and tables to illustrate their thesis was, for me, Prospects for Widow Poverty by David R. Weir and Robert J. Willis, also to be found in Part 2.

Part 1, Looking Ahead to Retirement, has five essays. New Paths to Retirement considers employment trends and activities among the older workforce in the USA where the trend towards earlier retirement seen in the 50s, 60s and 70s now appears to have been reversed. How Prepared are Americans for

Retirement? attempts to use a financial modeller to assess how prepared people are for their retirement. An interesting point emerges that people will increasingly want to use financial modellers to assess their future retirement prospects where they are saving for their retirement through defined contribution plans. The conclusion that not enough Americans will have set aside adequate resources for their retirement will not just be an American problem.

Projected Retirement Wealth and Saving Adequacy highlights the changes to the US social security system which will put more emphasis on individuals taking responsibility for their own retirement protection. This could be equally transposed to the European scene and draws some interesting conclusions about the effect of delaying retirement.

Making the Most of 401K Plans — definitely the most readable essay from this Part of the book — looks at age, sex, ethnicity and the wealth of those who pay into 401k plans, comparing their investment preferences and risk aversion.

Explaining Retirement Saving Shortfalls provides a detailed analysis of why there are shortfalls, but comes to no useful conclusion; not an easy read and somewhat light in content compared to the other essays in this section.

Part 2, Facing the Challenges of Retirement, has six essays, which are arranged in a logical pattern to build from one essay to another.

Women on the Verge of Retirement, Predictors of Retiree Wellbeing provides a detailed analysis of the factors which affect the wellbeing of women in retirement. The detailed tables and charts sometimes make this hard to read, but the concentration required is worth it in the end.

Prospects for Widow Poverty has already been mentioned for its good use of charts and statistics. This essay considers the challenges facing the USA in the poverty rate of older women who live alone, particularly for widows. Some of the assumptions eg, that asset worth would be inherited 100 per cent by the widow could be regarded as flawed and the conclusions are rather loose which spoils an otherwise interesting paper.

Minorities facing Retirement: Worklife Disparities Repeated? looks at the reasons why ethnic minority groups may be more vulnerable to poverty in old age.

Early Retirement Window was for me the best of the essays. This considers what drives employers to offer special early retirement windows and who is

likely to take up the offer made.

Retirement Expectations and Realisations: The Role of Health Shocks and Economic Factor considers the impact of health problems on retirement planning. The not unexpected conclusion is that unexpected worsening of health has the most effect on individuals changing their retirement plans; well written and easy to follow, even if it is not rocket science.

Planning For Health Care Needs in Retirement looks at the problems faced in the USA by the rising cost of health care and the withdrawal of employer protection for the retired. The obvious conclusion that individuals will have to save more to protect their ability to provide health care in their old age was disappointing, as no attempt was made to consider any radical alternatives.

This volume is a useful reference point, not designed to be read in one go, and I think that it would most usefully be used when statistical evidence was required to support a particular theory or trend in a management strategy report; one for the consultants and academics, perhaps.

Finney Swift
Co-operative Wholesale Society, UK