Achieving a Financially Secure Retirement:

A Retirement Community Case Study

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Abstract

In the wake of recent events, especially the Great Recession of 2007-2009, affecting the economy, resulting in job losses, personal financial distress, and gloomy perceptions of their future well-being, many Americans are concerned about their financial quality of life in retirement. The media is replete with a plethora of advertisements for retirement planning and financial products for an aging population. By 2030, nearly 20 percent of the population of the United States will be 65 or older. This case study was an examination of a group of retirees who are financially secure enough to reside in retirement communities that require prequalification of assets. The study will serve to inform people on the path to retirement of what those who have been successful actually did so that those in the pipeline may take into consideration their actions and avoid acts of commission or omission that might impede or destroy their chances of reaching a financially secure retirement.

The study results showed that not only were the participants financially literate, they were planners. It also became apparent that financial literacy was acquired over time and that becoming financially literate and planning for retirement were dynamic processes that were not discrete. Another finding was that although financial literacy may have a positive impact on success in achieving a financially secure retirement, other factors such as world events, self-control, and luck could affect the realization of a retirement that is financially secure. The first-hand qualitative information gathered in the course of this study will enrich comprehension of the scope of the issues of financial literacy and retirement in America and perhaps form the basis of additional academic research. Finally, the conclusions of this study are significant not only for individual prospective retirees, but also for educators, financial industry professionals, and policy-makers as they craft educational programs, construct financial portfolios, and formulate legislation to help ensure the financial security of an ever-growing population of elders.

Dedication

To my wife, Ratana, and my daughter, Frances.

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CHAPTER I
INTRODUCTION

This case study was an examination of a group of retirees who are financially secure in their retirement. Also reviewed were what the study retirees described as specific actions, if any, they took to realize the goal of having their "golden years" financially worry-free (e.g., by budgeting, saving, borrowing - such as for a mortgage, thereby conserving available funds to apply elsewhere, or investing). At issue here is an ever growing, aging American population that must either care for itself or be cared for by society and government after retirement from the workforce. The macroeconomic, societal, and personal implications are important because the retiree population is growing while the number of working persons who contribute to Social Security and associated programs is declining. This affects the ability of government to provide for the aged as well as the ability of society to care for retirees on a private, familial level. The upshot of this situation is that retirees must rely on their personal resources to supplement or replace government and private assistance in maintaining a financially secure retirement.

Therefore, understanding how the secure financial situation of some of America's retirees was achieved and the lessons learned from their experience and actions might help those who will be retiring in the future. This is of value not only to individuals, but also to those who provide advice and education to adults on the topic of preparing financially for retirement. The myriad modern media resources available today allows such critical education to be disseminated to all levels of society as individual responsibility for personal financial security in retirement continues to increase. More importantly, however, is the need to determine whether or not such education is efficacious and how it might be improved from an educator's perspective. This study was meant to help fulfill that need. The conclusions of this study are significant not only for individual prospective retirees, but also for educators, financial industry professionals, and policy-makers as they craft educational programs, construct financial portfolios, and formulate legislation to help ensure the financial security of an ever-growing population of elders.

Burgeoning Retiree Population

The Retirement Industry Trust Association (RITA) (2013) published the following information on the American population:

> The U.S. Census Bureau reports that there are 37.3 million people 65 and older in the United States as of 2006. This represents 12 percent of the total population. A Baby Boomer (born between 1946 and 1964) turns 60 every 8 seconds. Between 2005 and 2006, this age group increased by 473,000 people. The U.S. population age 65 and over is expected to double in size within the next 25 years. By 2030, almost 1-out-of-5 Americans – some 72 million people – will be 65 years or older. By the year 2050, there will be 86.7 million people age 65 and older comprising 21 percent of the total population. (Retirement Industry Trust Association, 2013, Fraud Statistics section, para. 2)

Given that by 2030 almost 20 percent of the American population is estimated to be at the traditional retirement age of 65 or older (Retirement Industry Trust Association, 2013, Fraud Statistics section, para. 2), it appears that those en route to being in that population segment might do well to prepare to retire from their employment and consider their post employment future. In so doing, people in this category are wise to look forward to what may be a new retirement reality that may not be as secure as it was for earlier generations, based on the current state of the national economy and, perhaps, their own personal finances. Prospective retirees might learn some basics of retirement planning from neutral sources before conferring with any of a plethora of commercial entities in the financial services industry whose provision of financial education programs is often keyed to sales. Non-commercial sources of education regarding financial preparation for retirement include schools, universities, and government agencies. Among available public resources, for example, is the Social Security Administration's retirement planner which also references other retirement planning websites (Social Security Administration, 2014a, Retirement Planner: Other Retirement Planning Websites section).

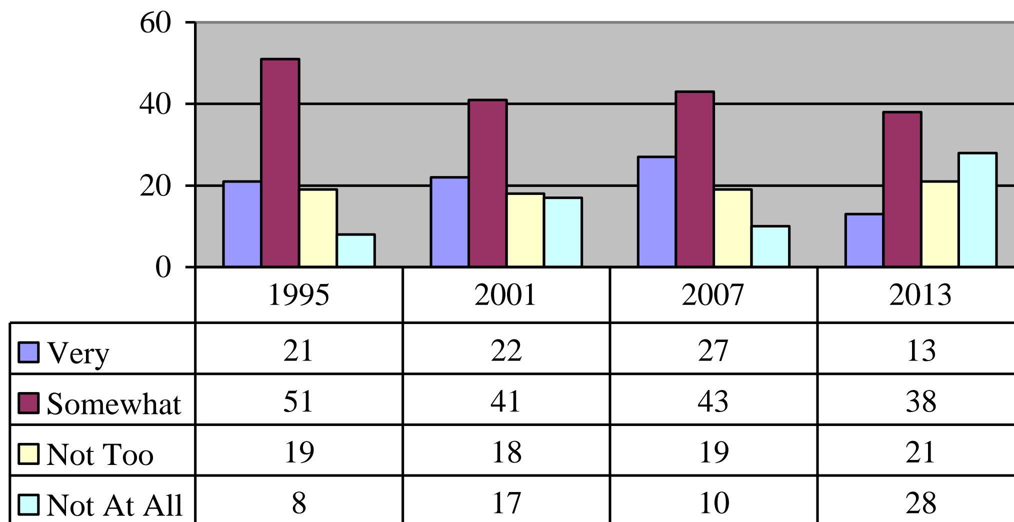
Concern for a Financially Secure Retirement

According to Bloom (2011), "The number one concern of people approaching retirement is running out of money" (p. 82). Therefore, as the retirement population of the United States grows, the need for that population to provide or be provided financial security in retirement becomes more important, both from a public policy as well as a personal perspective. The

financial services industry as represented by the Money Management Institute (2011) reported that the future of Social Security and "making your assets last through retirement" are two major worries of pre-retirees and retirees who "are concerned that they will exhaust their savings in retirement, forcing them to either live in poverty or become a burden to their children" (p. 7). The Employee Benefit Research Institute (EBRI) (2013a) conducted research on a national level, the results of which bear this out.

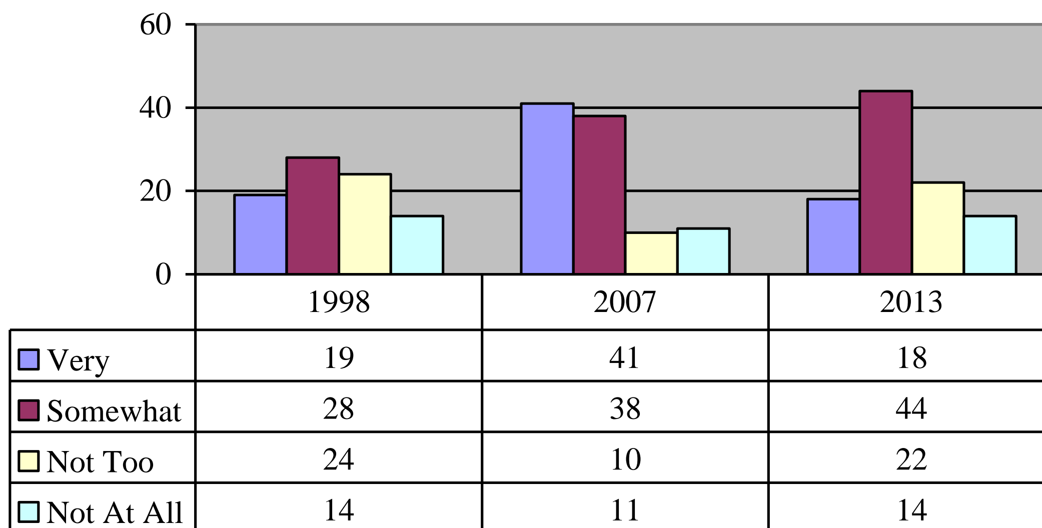
EBRI (2013a) found in its annual Retirement Confidence Survey that there was a sharp decline in the confidence of Americans that they would be able to secure a financially comfortable retirement as illustrated in Figure 1.1. The EBRI survey (2013b, p. 1) asked current workers, "Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?" The percentage of respondents confident in having enough money to live comfortably in retirement has continued on a downward trend since 2007, with 28% reporting that they are not at all confident of being able to do so. Another 21% are not too confident, thereby revealing that 49%, almost half, of all current workers feel that they are on shaky ground. In 2007, the percentages were 10% and 19%, respectively. An alarming additional 20% of people in the workforce, therefore, have become less confident in being able to attain and maintain a financially comfortable retirement. Although "comfortable" is a relative and not an absolute term, the survey responses were based on the self-perceptions and personal confidence assessments of those surveyed.

Contrary to the perceptions of the currently employed as illustrated in Figure 1.1, people now in the ranks of the retired are much more confident in being able to sustain a financially comfortable retirement (EBRI, 2013b). In 2013 the confidence of current retirees in having enough funds for a comfortable retirement moved more toward the middle ground with 44% reporting that they are somewhat confident compared to 38% in 2007. However, only 18% said they were very confident, a downward trend from previous years as illustrated in Figure 1.2.



	1995	2001	2007	2013
Very	21	22	27	13
Somewhat	51	41	43	38
Not Too	19	18	19	21
Not At All	8	17	10	28

Figure 1.1. Worker confidence in having sufficient funds to live comfortably through retirement. This figure illustrates the increasing percentage of current workers who either are not too or not at all confident of having enough money to last through retirement, totaling 49% in 2013.
Note: Based on information included in *2013 Retirement Confidence Survey (RCS) Fact Sheet #1*. Washington, DC: Employee Benefit Research Institute.



	1998	2007	2013
Very	19	41	18
Somewhat	28	38	44
Not Too	24	10	22
Not At All	14	11	14

Figure 1.2. Retiree confidence in having sufficient funds to live comfortably through retirement. This figure illustrates the decreasing percentage of current retirees who are very confident of having enough money to last through retirement, totaling 18% in 2013, down 23% from 2007.
Note: Based on information included in *2013 Retirement Confidence Survey (RCS) Fact Sheet #1*. Washington, DC: Employee Benefit Research Institute.

Figure 1.2 shows that before the recession of 2007-2009 some 41% felt very confident about being able to sustain a financially comfortable retirement (EBRI, 2013b). In addition, in 2013, the percentage of retirees saying that they are very confident of being able to maintain a comfortable retirement declined to 18%, whereas only 13% (down from 27% before the recession) of current workers felt the same way about their prospects of living comfortably, from a financial standpoint, throughout their retirement years. These results and trends, however, should not be surprising because the economic disaster known as the recession of 2007-2009 wreaked havoc on the financial status of many, both in terms of job loss and declines in retirement savings for some. According to Labonte, "It was the longest and deepest recession of the post-World War II era" (2010, p. 1).

The United States Bureau of Labor Statistics (2012) reported that the recession began in December 2007 and ended in June 2009 and that:

> In December 2007, the national unemployment rate was 5.0 percent, and it had been at or below that rate for the previous 30 months. At the end of the recession, in June 2009, it was 9.5 percent. In the months after the recession, the unemployment rate peaked at 10.0 percent (in October 2009). (pp. 2-3)

From a financial perspective, many a retirement savings nest egg was badly buffeted by the recession. VanDerhei from the Employee Benefit Research Institute (2009) provided a glimpse of just how hard retirement accounts were hit in the following report on 401(k) defined contribution plans:

> 401(k) losses from the economic crisis: During 2008, major U.S. equity indexes were sharply negative, with the S&P 500 Index losing 37.0 percent for the year, which translated into corresponding losses in 401(k) retirement plan assets. (p. 1)

Couple the lack and loss of employment with the losses suffered by retirement accounts such as the 401(k), and the decline in confidence illustrated in Figures 1.1 and 1.2 among current workers and retirees is understandable. However, the business cycle has its ups and downs. The American economy has improved somewhat since the official end of the recession in June of 2009 and the unemployment rate has dropped from its high of 10 percent in October of 2009 (United States Bureau of Labor Statistics, 2012). Should the national economic and employment situation continue to improve, there is the likelihood that the confidence of workers and retirees in achieving and maintaining a secure financial retirement may take a more optimistic tone.

Financial Literacy and Financial Planning

Financial gurus in the popular media and professionals from the financial services industry tout planning as a necessary part of achieving financial success and typically offer various schemes or retirement planning road maps (Slott, 2007) to reach financial security in retirement. Prior academic work has validated that advice to plan. Garman, Kim, Kratzer, Brunson, and Joo (1999) found that workers who enhanced their financial literacy through financial education workshops "took positive actions to improve their financial well being" and were "making good progress toward a financially secure retirement" (p. 87). Hershey and Mowen (2000) examined factors influencing the preparedness of individuals for retirement and found that financial knowledge was a significant predictor of pre-retirement planning. Joo and Grable (2005) found that people who had received workplace-provided financial education were more likely to have a retirement savings program.

Lusardi and Mitchell (2007a), in reporting the results of their analysis of the RAND American Life Panel (ALP) dataset, concluded that financial literacy proved to be "a key determinant of retirement planning" (p. 19). They went on to say that the results of their ALP analysis are consistent with those of their prior analysis of the 2004 *Health and Retirement Study* (HRS) in which they found financial knowledge and planning are clearly interrelated (Lusardi & Mitchell, 2006). Lusardi and Mitchell (2011b) went on to report that it has been "established that planning has important implications for wealth accumulation" (p. 30).

In order to plan effectively, however, it would be good to know what one is doing. Agarwal, Amromin, Ben-David, Chomsisengphet, and Evanoff (2011) stated, "Summarily, we found many consumers lack basic financial literacy and are ill prepared to meet their financial goals" (p. 198). Lusardi and Mitchell (2011b) linked financial literacy and planning and noted, "One reason people fail to plan for retirement or do so unsuccessfully, may be because they are financially illiterate" (p. 30). They and others (Crossan, 2011; van Rooij, Lusardi, & Alessie, 2012) have made it clear that financial planning informed by financial literacy "may affect the long term-ability to accumulate wealth" (Yoong, 2011, p. 93) and increases the likelihood of achieving a financially successful retirement.

The responsibility for planning for a financially sound retirement is squarely on the shoulders of the individual. Retirement planning within the context of financial literacy could be described as applying "a set of critical thinking skills to weigh and assess the pros and cons of a

particular decision relative to one's own needs, values, and goals" (Kozup & Hogarth, 2008, p. 131) in terms of having sufficient income and/or savings to sustain the individual's desired quality of life in retirement. Retirement planning is applicable to a whole host of factors affecting retirement, including what to invest in and when, investment vehicles, as well as the other operational elements of budgeting, saving, and borrowing.

Problem Statement

The number of retirees in the United States is growing and will continue to grow in the next 30 years. The Urban Institute reported that by 2040, the number of people age 65 and older will reach 80 million, more than double the number in 2000 and representing about one in five Americans (Urban Institute, 2013, The U.S. Population Is Aging section, paras. 1 & 2). All of these retirees must be looked after somehow in terms of being financially sustained throughout retirement.

According to Geewax (2012, p.1), "the long economic downturn that began in late 2007 came to be known at (sic) the Great Recession – the worst period since the Great Depression of the 1930s." In the wake of recent events, especially the "Great Recession" of 2007-2009, affecting the economy and resulting in job losses, personal financial distress, and gloomy perceptions of their future well-being, many Americans are concerned about their financial quality of life in retirement. The confluence of aging and not earning income through work can induce fear in those approaching retirement as well as those already retired. More than one-third of current retirees and almost one-half of working Americans are either not too confident or not confident at all of having enough money to live through their retirement years.

A number of studies such as those conducted by van Rooij et al. (2012) have shown a positive relationship between financial literacy and planning for retirement. While the link between financial literacy and financial planning has been established, prior studies contain an implicit assumption that financial planning for retirement leads to a financially successful retirement. Although this is a reasonable assumption, it has not been demonstrated. What we lack is explicit knowledge about the actual results of such planning or otherwise preparing for retirement. While the accumulation of retirement monies through employment and perhaps saving is desirable, it is something else to use or work with those funds so that they will provide for financially secure "golden years."

The assumed efficacy of financially literate inspired planning for a financially successful retirement could be verified by following people with different levels of financial literacy and different types of financial planning to determine the extent to which good financial planning did, in fact, lead to a successful financial retirement. Such a study might be desirable, but impractical and difficult to execute. But, it is possible to find a group of retirees who appear to have a very successful and comfortable retirement and inquire what planning for retirement they actually did and what actions they took to implement that planning.

Purpose and Research Question

If the implied end result of the relationship between financial literacy and planning for retirement is a financially secure retirement, then an overwhelming majority of any group of financially secure retirees should have actively planned for retirement. The purpose of this study was to investigate a group of financially secure retirees in order to gain greater clarity on how people achieve successful financial retirement by answering the main research question: "What did successfully retired people actually do to achieve a financially secure retirement?" Did they plan and act based on their financial literacy to achieve a successful financial retirement? To what degree did people who have achieved successful financial retirement follow this or other pathways such as relying on family members, investment professionals, or other third parties to manage their finances? Or did they inherit sufficient wealth to guarantee a secure financial retirement?

The primary research question **"What did successfully retired people actually do to achieve a financially secure retirement?**" was explored by analyzing the results of six focus groups of financially successful retirees sharing their experiences in preparing for retirement and answering questions such as:

- What actions did they take to prepare for a financially secure retirement?
- How did they acquire the financial knowledge they may have used to prepare for a financially secure retirement?
- What challenges did they face and how did they deal with them?
- What might they have done differently?

Significance of the Study

This study explored whether retirees who are financially secure in their retirements (as determined by their membership in a retirement community that requires set financial asset levels and monthly income) planned for their retirements and implemented their plan by budgeting, saving, borrowing, and/or investing to reach the goal of financially secure retirement. Answering the four components of the main research question might serve to help those seeking a financially secure retirement see how those who have achieved it did so and avoid repeating mistakes of commission or omission in being financially literate, planning, and acting on their plan. Paraphrasing the Spanish philosopher, George Santayana (1905), those who do not know the past are condemned to repeat it.

Of importance for individuals hoping for a financially secure retirement is the impact of economic downturns on their finances and means of generating income. Indeed, writing in the aftermath of the Great Recession, Rabinowitz (2011) noted the inequality of its effects:

> We see people holding signs on the street corners begging for money or work. These become the faces of the current economic crisis. The current global financial crisis has not affected all Americans equally. Though some may have suffered greatly in the past three years, others have not suffered quite as much. (Face to Face With an Economic Depression section, para. 3)

Although many survived the economic crisis and did not suffer "quite as much" financially, the uncertainty of continued or future employment for many currently in the workforce is of concern. They surely do not want to join the ranks of the unemployed, but the decision likely is not theirs to make.

Worstall (2012) said that the Great Recession and the Great Depression are very similar if not the same. The internet, globalization, and containerization in shipping are today's equivalent of the mechanization of agriculture and the electrification of manufacturing in the 1930s. The latter two forms of innovation reduced employment as modern forms of innovation are doing at present. The worrisome underlying fact for many of the currently employed is that in today's world, technology and innovation are responsible for reducing the labor force. University of Michigan economist Mark Perry noted that the United States economy's output was 2.2% more than before the recession, but with 3.84 million fewer workers. He further elaborated, "The Great Recession stimulated huge productivity and efficiency gains as companies shed marginal workers and learned how to do "more with less (fewer workers)." Technological advances may

have also contributed to the productivity gains" (2012, p. 1). The impact of all this is that fewer jobs mean fewer opportunities to fund retirements either individually or through employers.

The retiree population is joined daily by people who may or may not have retirement benefits from their employment. The experiences and challenges faced by this study's subjects and how they dealt with them from the days of the Great Depression to the present will help inform those who have weathered the Great Recession prepare for their own futures and instruct their offspring. The results of this study are significant, therefore, not only for individual prospective retirees, but also for educators, financial industry professionals, and policy-makers as they craft research projects and educational programs, construct financial portfolios, and formulate legislation to help ensure the financial security of an ever-growing population of elders.

Subsequent Chapters

The second chapter of this document is a literature review that further explains the concepts presented in this chapter. Specifically, it expands on the references in the first chapter as well as incorporates additional relevant material supporting financial literacy, financial planning, and suggested actions based on that planning to achieve a financially secure retirement. Materials offered by the financial services industry also are reviewed where appropriate.

The third chapter identifies the specifically targeted sample studied. The residents of two retirement communities participated in focus groups for this case study of retirees deemed to be financially secure by dint of their being able to afford an upscale retirement community. The design of the case study method used, procedures, and data analysis are discussed in this chapter.

The fourth chapter reports the research findings of the study based on the transcripts of the focus group discussions and the results of a questionnaire completed by the focus group participants at the end of each focus group session. The overall atmosphere of the focus groups and their demographic details are discussed along with summaries of the actions, knowledge, challenges, and retrospective views reported by the participants. The results of the questionnaire to determine the financial literacy of the participants and the budgeting, saving, borrowing, and investing actions they took are detailed as well. The chapter closes with a summation and commentary on the participants' views on the realities of life and the advice they would give to their offspring and future generations on achieving a financially secure retirement.

The fifth and final chapter summarizes the results of the study, presents conclusions, and relates how the study supports or challenges the literature on financial literacy. The implications of the study on society, the practice of imparting financial literacy through adult education, and on future research are also discussed. Finally, recommendations are made to address these areas.

CHAPTER II
LITERATURE REVIEW

In this chapter, I will lay out the background to this study on achieving a financially successful retirement by detailing the scope of the issue in terms of the growing population of retirees in the United States who must be able to fund a comfortable living throughout their retirement years. The next step is to review the basic financial source elements for retirement: Social Security, pensions, and savings. Next is to discuss the increasing responsibility of individuals to provide for their own personal financial security in retirement in the face of challenges they face not only to accumulate funds while working, but also to ensure that those funds are used in such a way as to last through retirement. This responsibility is met by being financially literate and applying that literacy to planning for a secure financial retirement. It is one thing to accumulate and marshal funds for retirement during a person's working life, but it is a completely different matter to ensure that those monies do what they are supposed to do, that is provide for a secure retirement.

An Aging World

The world is growing old. In 2000, for example, 16% of the population of the United Kingdom and 16.4% of the population of Germany was over age 65 (Wiener & Tilly, 2002). The Office for National Statistics (2012) reported that the United Kingdom's population that is 65 and older stayed steady at 16% in 2011 whereas the World Bank (2013) has since reported that the population 65 and over has risen to 20.59% in Germany as of 2011. According to Jacobsen, Kent, Lee, and Mather (2011, p. 2) writing for the Population Reference Bureau, Japan is the current world leader in terms of elders, with people age 65 and older, comprising almost a quarter of that country's population. Italy and Germany follow closely behind:

> By 1980, the proportion of the population ages 65 and older in the United Kingdom, France, Italy, and Germany had already exceeded the level in the United States today. Between 1980 and 2010, the proportion ages 65 and older in the United States only increased by 2 percentage points, compared with a 14 percentage-point increase in Japan and a 7 percentage-point rise in Italy. However, the pace of population aging is projected to accelerate in the United States, Russia, United Kingdom, France, Italy, and Germany in the next 30 years. (Jacobsen et al., 2011, p. 2)

Aging is of concern to many industrialized countries, large and small. Taiwan, for example is on the verge of becoming a very elderly nation. According to Hsueh and Wang (2013):

> Like most Western countries, population aging is under way in Taiwan primarily due to low fertility and a prolonged life span. The elderly had reached 7% of total population in 1993, and 10.2% at the end of 2007. The proportion of the elderly in Taiwan is not significant in contrast with the developed countries. However, its rate of increase is projected to be one of the fastest in the world. Near 40 percent of the population will be over age 65 in Taiwan in 2050. (p. 1)

An Aging America

Although not graying as rapidly as some other industrialized countries, the fact is that Americans are getting older in greater numbers. The oldest baby boomers, Americans born between 1946 and 1964, began turning 65 in 2011 when 40 million people in the United States were ages 65 and older (Jacobsen et al., 2011). Going beyond the Retirement Industry Trust Association's (RITA) expectation that approximately 72 million people will be age 65 or older by 2030 (RITA, 2013), the Urban Institute suggested that by 2040, that number will be 80 million or about one in five Americans up from about one in eight in 2000 (Urban Institute, 2013). The Population Reference Bureau projected the number to more than double 2011's 40 million and reach 89 million by 2050 (Jacobsen et al., 2011).

Perhaps more important from a public policy perspective, as it relates to support for the aged, is the longevity of elders. The longer individuals live, the more help they likely will need. For example, Agarwal, Driscoll, Gabaix, and Laibson (2009) found in their research on financial decisions that older adults tend to experience declines in cognitive function and about half of the population between ages 80 and 89 either has dementia or a diagnosis of "cognitive impairment without dementia" (p. 52). According to the Urban Institute, "The number of adults ages 85 and older, the group most often needing help with basic personal care, will nearly quadruple between 2000 and 2040" (Urban Institute, 2013, The U.S. Population Is Aging section, para. 1). The Population Reference Bureau, commenting on the aging United States population, noted:

> Although the "oldest old"—those ages 85 and older—represent only 15 percent of the population ages 65 and older today, their numbers are projected to rise rapidly over the next 40 years. By 2050, the oldest old will number 19 million, over one-fifth of the total population ages 65 and older. (Jacobsen et al., 2011, p. 2)

Shrinking Support for the Aged

Demographic shifts that increase the number of elders in the United States population will place greater strains on society and affect government programs such as Social Security as well as health services and other forms of government assistance. Thus, "Because younger people are much more likely than older people to work and pay taxes that finance Social Security, Medicare, and all other public-sector activities, population aging could strain government budgets" (Urban Institute, 2013, The U.S. Population Is Aging section, para. 2). According to the National Academy of Sciences (2012):

> The United States is in the midst of a major demographic shift. In the next four decades, people aged 65 and over will make up an increasingly large percentage of the population: The ratio of people aged 65+ to people aged 20-64 will rise by 80%. This shift is happening for two reasons: People are living longer, and many couples are choosing to have fewer children and to have those children somewhat later in life. The resulting demographic shift will present the nation with economic challenges, both to absorb the costs and to leverage the benefits of an aging population. (p. 1)

Authoring the Congressional Research Service's report to Congress, Shrestha (2006) projected a reverse in dependency ratios in 2013:

> If one considers the 130 year period from 1950-2080, the greatest demographic "burden" — when the number of dependents (children plus the elderly) most exceeds persons in the working-age population — is already in the past, having reached its height in 1965 when there were 94.7 dependents per 100 persons of working age. While the dependency ratio has generally been decreasing since that time, two trends are evident. First, the ratio of dependents to workers will again reverse course beginning around year 2013 with the retirement of a large number of baby boomers. Second, the composition of the dependency ratio is changing. The number of children per worker has been falling since 1965; most of the anticipated increase in the dependency ratio in the coming decades reflects a growing proportion of older persons (ages 65 and older). (p. 2)

Writing for the International Epidemiological Association, Wiener and Tilly (2002) explained that future strains on the United States derive not only from the growth of its elderly population or the over 85 population *per se*, but from the slow growth of the non-elderly population of working age. They reported that between 2000 and 2050, the projected growth of the age 16-64 population would be only 33%. They estimated that the upshot would be:

> The ratio of people ages 16-64 to those 65 and over (the aged dependency ratio) is projected to decline from 5.1 in 2000 to 2.9 in 2050, a 43% decline. The slow growth in the working age population will mean that there will be relatively fewer people to pay the taxes necessary to support public programmes for the older population and fewer people to provide the services older people need. (Wiener & Tilly, 2002, p. 776)

The increases in the number of American elderly in retirement and the decrease in the number of people in the workforce will have a marked impact on the age structure of the population of the United States. Jacobsen et al. (2011) put this in perspective:

> Back in 1970, children made up about one-third of the U.S. population, and only one-tenth were ages 65 and older. Today, the proportion who are children has dropped to about one-fourth, while the share who are elderly has risen to 13 percent. However, by 2050 fully one-fifth of the U.S. population will be ages 65 and older. Most of this increase will take place by 2030 as the last of the large baby-boom cohorts reaches age 65. (p. 2)

Future of Social Security

Reznik, Shoffner, and Weaver (2005/2006) noted that policy makers and the United States Social Security system would be facing financial challenges in the future because of the aforementioned demographic changes. They reported:

> Declining fertility rates and increasing life expectancies are causing the U.S. population to age. Today 12 percent of the total population is aged 65 or older, but by 2080, it will be 23 percent. At the same time, the working-age population is shrinking from 60 percent today to a projected 54 percent in 2080. Consequently, the Social Security system is experiencing a declining worker-to-beneficiary ratio, which will fall from 3.3 in 2005 to 2.1 in 2040 (the year in which the Social Security trust fund is projected to be exhausted). (Reznik, Shoffner, & Weaver, 2005/2006, p. 37)

Although the Social Security full-benefit retirement age traditionally had been 65, Congressional legislation in 1983 incrementally increased that age to 67 depending on the year in which a person was born (National Academy of Social Insurance, 2012, What is the Social Security Retirement Age? section, para. 1). The Social Security Administration, however, notes, “No matter what your full retirement age (also called "normal retirement age") is, you may start receiving benefits as early as age 62 or as late as age 70” (Social Security Administration, 2014b, Retirement Planner: Benefits by Year of Birth section, para. 2). Given that the National Academy of Sciences reported that “everyone who will reach age 65 by 2050 has already been born” (2012, p. 1), and that most people take Social Security early, before they are eligible for full benefits (72% in 2010) (National Academy of Social Insurance, 2012, What is the Social Security Retirement Age? section, para. 3), it becomes apparent that the negative impact of retirements on Social Security likely is both financially and temporally significant.

Sources of Retirement Income

Historically, a three-legged stool was used as a metaphor to convey the idea that all three: Social Security benefits, pensions, and savings were needed to provide stable income security in retirement (Social Security Administration, 2013b, p. 1). Each leg of the retirement stool was the responsibility of three different players including the government, the employer, and the individual. Over time, however, more and more of the burden of providing for retirement has shifted to the individual.

Social Security

The Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly known as Social Security, is the largest income-maintenance program in the United States (Social Security Administration, 2013a). The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (2006) agreeing that trends in fertility and longevity impact program funding reported: "Under current law the cost of Social Security will soon begin to increase faster than the program's income, because of the aging of the baby-boom generation, expected continuing low fertility, and increasing life expectancy" (p. 16). More alarmingly, in 2013 the trustees explained, "The projected combined OASI and DI Trust Fund asset reserves increase through 2020, begin to decline in 2021, and become depleted and unable to pay scheduled benefits in full on a timely basis in 2033" (2013, p. 4).

Importance of Social Security. According to the Urban Institute, "Social Security has kept millions of Americans out of poverty and remains the major source of income for most retirees" (Urban Institute, 2013, Overview of Issues section, para. 1). Each month, some 56 million receive Social Security benefits; someone in one out of four households or about one in six Americans is getting Social Security benefits, according to the National Academy of Social Insurance who further elaborated:

> In 2011, Social Security paid $725 billion in benefits to retired workers, disabled persons, and dependents of retired, disabled or deceased workers. Of the total benefit payments, 67 percent was paid to retirees and their families, 15 percent was paid to survivors of deceased workers, and 18 percent was paid to disabled workers and their families. (National Academy of Social Insurance, 2013, Who Gets Social Security? section, para. 3)

Moreover, the Urban Institute went on and clarified:

> In 2012, more than 56 million Americans receive $63 billion in Social Security benefits each month. Nearly three-quarters goes to retired workers and their dependents; the rest goes to disabled workers and their dependents and to survivors of deceased workers. (Urban Institute, 2013, Overview of Issues section, para. 1)

Reliance on Social Security. Although the number of Social Security beneficiaries and the billions that they receive appear impressive, the extent to which many retirees rely on Social Security to maintain themselves in retirement is cause for concern. The National Academy of Social Insurance reported, "In 2010, more than a quarter of retirees relied on Social Security for 90 percent or more of their income" (National Academy of Social Insurance, 2013, Who Gets Social Security? section, para. 3). The Population Reference Bureau reported that Social Security accounted for 82% of income for the poorest 40% of people 65 and older (Jacobsen et al., 2011, p. 2). Echoing the concerns of the Social Security trust funds board, the Urban Institute stated:

> But this popular program is running out of money. Social Security now faces an $8.6 trillion shortfall over the next 75 years, and the system will be further strained as more and more baby boomers retire. The trust fund reserves are estimated to run out before the end of 2033, leaving only enough to cover three-quarters of scheduled benefits. (Urban Institute, 2013, Overview of Issues section, para. 2)

Not everyone who retires is in the upper income strata. The possibility that Social Security will run out of money is expected to especially affect low and lower-middle income households that have Social Security as a central pillar of their retirement income: "To the extent that benefits paid by these government programs might be reduced in the future, the living standards of affected retiree households will fall" (National Academy of Sciences, 2012, p. 2).

Social Security benefits, however, are meant to be only one of the sources of retirement income and are described as the "foundation" (Social Security Administration, 2013b, p. 1) on which people can build additional retirement security through pensions and savings. Social Security which provides a steady level of income, therefore, must be supplemented by income from the other sources of retirement income: pensions and savings. The returns from those sources typically are not guaranteed and are largely variable and have become increasingly difficult to predict. This is especially true in the modern volatile marketplace with a plethora of investment vehicles.

Pensions

In the case of pensions, there are direct benefit plans and employer-sponsored direct contribution plans and investments (Okada, 2013). Direct or defined benefit plans are the old-style company or government pensions that pay a set amount on a periodic basis. The retiree knows how much the annuity payment will be and that it may increase over time if the payout includes a periodic cost of living adjustment (COLA) that might mitigate the effects of inflation; in short, the retirement income from this source is predictable just as Social Security payments are. Clark and d'Ambrosio (2002, p. 2) noted:

> In most defined benefit plans, full-time employees are automatically included in the plan after meeting minimum participation standards. Future retirement benefits for participants in defined-benefit plans typically depend on earnings histories and years of service. Thus, participants in defined-benefit plans are not required to make any participation, contribution, or investment decisions.

However, there has been a shift away from defined benefit plans. Clark and d'Ambrosio (2002) reported a substantial structural change in retirement plans over the last quarter century, an evolution of employer-provided pension plans that increased the role of workers in determining their retirement income. Although some type of pension plan covered some 50 percent of the labor force, defined benefit plans had dropped significantly whereas direct or defined contribution plans had grown rapidly. They reported:

> In 1979, the share of primary pension coverage attributed to defined-benefit plans was 83 percent. By 1998, primary coverage by defined-benefit plans as a percentage of all pension participants had fallen to less than 50 percent. Therefore, at the dawn of the 21st century, defined-contribution plans had become the dominant plan type for primary employer-provided pensions in the United States. (Clark & d'Ambrosio, 2002, p. 2)

Defined contribution plans, also known as qualified plans, are comprised of tax-advantaged savings and investment vehicles that have largely replaced the old defined benefit pension plans. Bloom (2011) explained: "A qualified plan is any arrangement in which the government provides a tax deduction for making an investment and allows the growth in the account to be tax deferred" (p. 21). What this means is that the worker, who by definition also is the prospective retiree, contributes personal monies into the defined contribution plan to fund retirement. Some employers may assist the worker's financial progress toward retirement by

matching a percentage of the worker's contribution, but they no longer take on the risk of fully funding employee retirement as was the case under the old defined benefit pension system.

Commenting on the workplace retirement system, Burtless (2009) stated that the percentage of private sector workers enrolled in defined benefit and defined contribution plans had been virtually reversed by 2005. Pension-covered workers enrolled only in a defined contribution plan had risen to 63% whereas those enrolled solely in a defined benefit plan had dropped to 10%. His conclusion, "The standard pension available to covered workers in the private sector is now a defined contribution pension rather than a defined benefit pension" (Burtless, 2009, pp. 44-45), updated and is in keeping with Clark and d'Ambrosio's (2002) views in this regard.

The assets of defined contribution plans are enormous. Choi, Laibson, Madrian, and Metrick (2002) noted:

> Over the last 20 years, defined-contribution pension plans have gradually replaced defined benefit pension plans as the primary privately sponsored vehicle to provide retirement income. At year-end 2000, employers sponsored over 325,000 401(k) plans with more than 42 million active participants and $1.8 trillion in assets. (p. 68)

The financial crisis of 2007-2009 caused a decline of almost $2 trillion in 401(k) plans and individual retirement account (IRA) balances from October 9, 2007, when the market was at its peak, to October 9, 2008 (Munnell, 2009, p. 10). Nonetheless, the Investment Company Institute (ICI) reported, "As of September 30, 2012, 401(k) plans held an estimated $3.5 trillion in assets and represented approximately 18 percent of the $19.4 trillion U.S. retirement market, which includes employer-sponsored retirement plans, individual retirement accounts (IRAs), and annuities" (ICI, 2013a, How Large Are 401(k)s? section, para. 1). The Institute went on to state that "401(k) assets have risen 63 percent from March 31, 2009 to September 30, 2012, due to market gains and new contributions" (ICI, 2013b, How Did 401(k) Participants React to the Market Volatility of 2008, and How Have 401(k)s Performed Since Then? section, para. 2).

Personal Savings

Personal savings constitute the third leg of the three-legged stool. The liquidity of savings accounts makes them attractive, but the paltry interest returns on deposited monies, currently less than one percent, suggest passbook savings accounts are not quite optimal. Certificates of deposit (CDs) typically offer better rates of return than savings accounts (Okada,

2013), but they often tie funds up for a set period in exchange for somewhat higher interest rates and charge early withdrawal penalties. Nonetheless, Americans have increased their savings in the recent past. Indeed, Barrington (2011) stated, "Over the past two years, personal savings rates in the U.S. have clawed their way back above 5 percent, after ranging between 1.4 percent and 4.1 percent over the previous ten years" (p. 1). Trading Economics (2013, United States Personal Saving Rate section) data, however, reveal a recent decline in the savings rate since 2011:

> Personal Savings in the United States increased to 3.20 percent in May of 2013 from 3 percent in April of 2013. Personal Savings in the United States is reported by the U.S. Bureau of Economic Analysis (BEA). The United States Personal Saving Rate averaged 6.86 Percent from 1959 until 2013, reaching an all time high of 14.60 Percent in May of 1975 and a record low of 0.80 Percent in April of 2005.

Barrington (2011, p. 1) suggested that Americans should strive for even higher savings rates because:

- **Retirement is approaching for many Americans.** The baby boom generation is getting older, but only the leading edge of it has reached retirement age. For much of this bulge in the population, then, these should be the peak saving years.

- **Savings account interest rates are down.** When returns on savings fall, the only remedy is to put more money aside. With interest rates on savings accounts down, bond yields low, and stocks coming off over a decade of sub-par returns, personal savings rates have to pick up the slack.

- **Lost ground must be made up.** Low savings rates would be acceptable if Americans were coming off an extended period of above-average saving. They are not, so now is the time to make up for years of over-spending.

Conceptual Framework

Harvard economist John Kenneth Galbraith (1984, p. 6) coined the term "conventional wisdom" and said that a clear view of the relation between events and the ideas that interpret them are a requirement for understanding economic and social life. We may turn to Adam Smith (1759) for the basic American idea that economic well-being is based on rational self-interest in a free market economy. Couple that with political sociologist Seymour Martin Lipset's (1996) assertion that the culture of the United States is one of exceptionalism grounded in the five

elements of the American Creed: liberty, egalitarianism, individualism, populism, and laissez-faire and a good composite picture of the underpinnings of the movement toward placing more of the burden on individuals to provide for their own financial security in retirement emerges. The shift from a defined benefit to a defined contribution retirement funding paradigm is a tale of "cultural receptivity" according to Zelinsky (2007). He went on to say, "Both the congressional creation of individual accounts and the promotional efforts of the financial services industry fell on particularly fertile soil since individual accounts comport well with American cultural norms about private ownership and control" (p. 94).

However, there is no guarantee of equality of outcomes for all retirees and that seems to track with the ideas of independence and self-reliance in the American psyche. Lipset (1979) noted that because equality and achievement have been linked throughout America's national development, equality as a concept has a different, special character. Essentially, it is an "every man for himself" sort of idea that is in line with Adam Smith's pursuit of self-interest in a free market. Lipset posited: "The focus on the ideology of equal opportunity for each individual has made Americans relatively insensitive to gross inequalities of income and wealth in their country" (p. 321). There has been a shift from a more paternalistic approach to retirement funding in the form of defined benefit plans to the more individualistic defined contribution approach to finance retirement, essentially, people have been given the opportunity to realize unequal financial returns in retirement and the population evidently accepts the associated risks of taking that opportunity.

Privatization of Risk

Slowly over the past few decades, there has been a paradigm shift from the defined benefit plan to the defined contribution plan as the principal framework for retirement savings. This has been accomplished through governmental tax and social policies and corporate decisions that cumulatively transformed retirement saving and planning to what it is today. Congress's adoption of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 401(k) of the Internal Revenue Code, enacted into law in 1978, inaugurated the new defined contribution paradigm (Zelinsky, 2007). Although ERISA does not require any employer to establish a pension plan, it does set minimum standards for pension plans in private industry and regulates their operation. The 401(k), "the most common type of defined

contribution plan" (Burtless, 2009, p. 43), permits tax-deferred contributions to a retirement plan. This allows participants to avoid paying taxes on a portion of their current income put into the plan, but funds are taxed at the individual's appropriate tax rate when withdrawn at age 59 and a half or older, in short, at or near retirement. For many, these provisions allow for lower taxes during a person's peak earning years and possibly lower taxes in retirement on the assumption that the person's income will be less in retirement than when employed in the workforce. Employers may contribute up to a certain percentage of an individual worker's personal contribution to the 401(k) and thereby increase the amount available to the worker at retirement.

In changing the paradigm, risk has been privatized. It may be wondered why people were willing to abandon the security of a defined benefit pension for defined contribution schemes that transferred risk to the individual rather than leaving the risk with the employer and planning to professional pension administrators. Echoing Lipset's (1996) thoughts on American exceptionalism and equality of opportunity, Zelinksy (2007) spoke of American "cultural receptivity" to this transfer saying that the Congressionally created individual accounts "resonate with some of the strongest-held values of American culture, namely, personal autonomy, private property, and self-support" (p. 97). Galbraith (1984) noted that the theory of consumer demand is based on two broad propositions: "the first is that the urgency of wants does not diminish appreciably as more of them are satisfied," and the second "is that wants originate in the personality of the consumer" (p. 119). Thus enters advertising, the tool and process by which consumer demand is generated and maintained. It is the engine of what Galbraith terms the dependence effect; consumer wants are created by the process by which they are satisfied. Initial Congressional steps toward privatizing retirement risk in the form of ERISA and the 401(k) "were aggressively exploited and reinforced by the promotional activities of the financial services industry" (Zelinsky, 2007, p. 94). Americans, therefore, were subjected to heavy advertising suggesting that they would have the opportunity to control their own financial destinies.

Macro Perspective

In order to put a review of the literature on the subject of a financially successful retirement in perspective, it is important to identify the players in the game and what their roles are vis-à-vis the individual retiree or prospective retiree. Economists examine and forecast

global and national trends and develop theories that could win them the Nobel Prize. Accountants are the "bean counters" or scorekeepers toting up debits and credits; they deal with reality as it is, not what it might have been or could be. Financial industry professionals (stockbrokers, financial advisors, and analysts) are the risk takers who make decisions sometimes, but not always, based on what the economists prognosticate and the accountants record and report. The latter also often are sources of financial education and counseling that contribute to the financial literacy of their clients.

Munnell (2009) stated, "At the same time the retirement system is contracting, longevity is steadily rising. People have to rely increasingly on their own efforts to accumulate retirement assets for a very long period of retirement" (p. 10). Individual workers, however, can do little to affect the macroeconomic status of society at large and can only look on as the accountant details the gains and losses posted by a business or portfolio. Individuals relying on their own efforts to prepare for retirement as Munnell suggested, will be taking risks, as detailed in subsequent paragraphs, to achieve a financially secure retirement by investing their savings and earnings.

Investing

What actually has happened over time is that Social Security, "the cornerstone of retirement income for most Americans" (Burtless, 2009, p. 40) essentially has become the only defined benefit plan for much of the population with pensions and savings now subject to the direction of the individual. The individual must decide where, when, and how to invest. Hopefully, the decisions made will result in good, profitable returns from the investments made.

Investing, therefore, has become a major action element for both pensions and personal savings. In the latter case, savings often are not placed in a passbook account that returns little, but rather are invested in other instruments promising higher yields. Indeed, if this is not done, inflation likely will erode the buying power of savings left in a static state of not working to produce income. Ultimately, the retiree or prospective retiree may be in a worse financial posture because savings will be depleted without being replaced by income from investments. Given this reality, people are basically forced to invest their savings, not just park them in low interest savings accounts or "sticking them under the mattress."

Participation in 401(k) and similar defined contribution plans is voluntarily, so the individual employee must decide the size of the annual contribution to be made if, in fact, any

contribution is to be made at all. More importantly, the employee must decide how to invest the annual contribution as well as how to manage all the assets in the account. Clark and d'Ambrosio (2002) concluded:

> The expanding use of employer-provided defined-contribution plans has placed increased responsibility on many individuals to set retirement goals and decide how to save sufficient funds to achieve these goals. Potential changes in the Social Security system may further increase the need for individuals to have a better understanding of financial markets and the retirement savings process. (p. 3)

Consequently, it has become apparent that individuals are personally responsible for their financial welfare and must take steps on their own to ensure their personal financial stability. Most employees of today must rely on themselves when it comes to having enough money for retirement and, indeed, may not be able to retire comfortably if their Social Security income is not sufficiently supplemented by their own savings both personal and in the form of defined contribution plans such as the 401(k) from their employment. In short, they must invest in anything from pork bellies to traditional stocks and bonds to accumulate wealth for retirement. Van Rooij et al. (2012) found a strong positive association between financial literacy and net worth and that financial literacy increases the likelihood of stock market investing thereby allowing individuals to benefit from gains resulting therefrom. The bottom line is that "if you don't pay, you don't play and if you don't play, you don't have the chance to win." Today's workers really have little choice but to invest their own money in the form of defined contributions to their employer-sponsored plans and personal savings to keep up with inflation at the very least, if not to build the requisite nest egg necessary for a financially secure retirement. However, as previously noted, such investing involves risk and suggests a need for knowledge and skill to reduce that risk so as to ensure a safe and financially secure retirement.

Financial Literacy and Planning for Retirement

Need for Financial Literacy

Retirement may emanate from a voluntary decision or it may be forced by circumstances beyond the control of the individual such as health issues or simply being chucked out of the workforce as happened to many during the recession of 2007-2009. No matter how retirement comes about, the major financial question is "Can you afford it?" This question is asked by the

financial services industry of folks who are thinking of retirement and the industry is replete with all sorts of advice and calculators. According to Daidone (2013, You Can Afford It section):

> Most banks and financial institutions provide retirement calculators to help put money issues in perspective. They take into consideration aspects such as your age (and at what age you'd like to retire), current savings and income (including expected rate of return for investments, pensions and Social Security benefits), current and anticipated expenses, and estimated inflation numbers.

Note that all three elements of the three-legged stool are cited. "Investments," for the reasons previously stated, actually encompass both savings and defined contribution pensions because individuals are virtually forced to invest their savings in order to beat inflation and investment is the operative element of defined contribution plans.

It appears logical if not crucial, therefore, that people should know something about finance so as to be able to make informed investment decisions. That knowledge may be called *financial literacy*. According to the National Academy of Sciences (2012), "The quality of people's financial decisions, and therefore their financial literacy, will play an increasingly important role in how well households fare in their retirement years" (p. 2).

A National Strategy for Financial Literacy

The government of the United States endorsed the need for financial literacy by passing national legislation addressing the matter. The Fair and Accurate Credit Transactions Act of 2003 established the Financial Literacy and Education Commission (FLEC) that is chaired by the Secretary of the Treasury with the Director of the Consumer Financial Protection Bureau (CFPB) as vice chair. The commission is well-represented across government agencies since it is made up of the heads of 19 additional agencies including the Federal Reserve, the Department of Education, the Social Security Administration, and the White House Domestic Policy Council. The commission's purpose is to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education" (Title V, sec. 513) (United States Department of the Treasury, 2013, Financial Literacy and Education Commission section, para. 1).

"The commission was tasked to develop a national financial education web site (MyMoney.gov) along with a hotline (1-888-My Money) and a national strategy on financial education" (United States Department of the Treasury, 2013, Financial Literacy and Education

Commission section, para. 1). In response to the commission's latter task to develop a national strategy on financial education to improve the financial literacy of the American population, a strategy "was created through a process that included conversations with private, public, and non-profit representatives from the field" (United States Department of the Treasury, 2013, Financial Literacy and Education Commission section, para. 12). The commission has since promulgated the strategy document entitled "Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011" that articulated "a vision of sustained financial well-being for individuals and families in our nation, this document sets strategic direction for policy, education, practice, research, and coordination in the financial literacy and education field" (United States Department of the Treasury, 2013, Financial Literacy and Education Commission section, para. 12).

Defining Financial Literacy

Investopedia (2013a, Definition of Financial Literacy section, para. 1) defines financial literacy as follows:

> The possession of knowledge and understanding of financial matters. Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc.

The Financial Literacy and Education Commission while emphasizing its growing importance in American life, defined financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being" and stated that it "is becoming more and more important as individuals and families become increasingly responsible for their own long-term financial well-being" (MyMoney.Gov, 2013, Federal Financial and Economic Literacy Education Programs, 2009 section, para. 2). The commission's definition is the same, verbatim, as that promulgated by the RAND Corporation as presented in its study on financial and economic literacy programs (Hung, Mihaly, & Yoong, 2010, p. 1). The Canadians (Task Force on Financial Literacy, 2010, p. 10) are somewhat more succinct and define financial literacy "as having the knowledge, skills and confidence to make responsible

financial decisions." Canada's financial literacy task force goes on to explain each of the elements of that definition:

- **Knowledge** refers to an understanding of personal and broader financial matters;
- **Skills** refer to the ability to apply that financial knowledge in everyday life;
- **Confidence** means having the self-assurance to make important decisions; and
- **Responsible financial decisions** refers to the ability of individuals to use the knowledge, skills and confidence they have gained to make choices appropriate to their own circumstances.

Financial literacy could be further described as encompassing an individual's understanding of financial concepts and their impact on the person's life based on publicly available information, education acquired by the individual, advice and counsel from financial professionals, and public policy as manifested in government regulations (Kozup & Hogarth, 2008). The National Academy of Sciences (2012) echoed Kozup and Hogarth as well as endorsed the need for improved public financial literacy:

> Households will need to decide how much more to save and how to structure their portfolios during their working years. They will need to decide when it is economically prudent to retire, taking into account personal, macroeconomic, and political uncertainties. When they do retire, they will need to decide whether to annuitize their accumulations, and if so, how much and with what annuity options. For many households whose wealth rests mainly in their home ownership, they will need to decide whether and how to use those assets to finance consumption in retirement. There is substantial value in boosting financial literacy to help people prepare for these financial decisions. (p. 2)

The term financial literacy as defined by the Financial Literacy and Education Commission mirrors most definitions that have been put forth and suggests that financial literacy is composed of two main components, knowledge and the ability to use that knowledge to improve one's financial standing. Based on a wide-ranging review of the literature concerning financial literacy, Remund (2010) synthesized the many views of financial literacy and distilled them into the conceptual definition of financial literacy used in this dissertation:

> Financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions. (Remund, 2010, p. 284).

Kozup and Hogarth (2008) also pointed to the need for individuals to act on their financial literacy. Having information is only part of the equation in terms of financial security, people need to know what information they need; be able to understand and process that information relative to their own financial situation, tastes, and preferences; and, in this case, be able use the output to make financial decisions in preparing for retirement. That means they must make use of their financial literacy:

> Based upon a review of research studies since 2000, the four most common operational definitions of financial literacy are budgeting, saving, borrowing and investing. That taxonomy fits within the expanded conceptual definition proposed and articulated in the earlier section of this study. (Remund, 2010, p. 290)

In order to budget, save, borrow, and invest, for a sound retirement in the financial sense, the consensus of academe and the financial services industry is that people must plan to reach the goal of a financially secure retirement. Van Rooij et al. (2012) found, "Financial literacy is positively related to retirement planning and the development of a savings plan has been shown to boost wealth" (p. 449). Hung et al. (2010, p. 1) noted, "Financial literacy has been shown to improve financial decision-making across many critical domains, including money management, credit, investment, and long-term planning."

Acquiring Financial Literacy

The Financial Literacy and Education Commission's work is targeted at a national audience and its objective tasks are to "develop a national strategy to promote basic financial literacy and education among all American consumers," "coordinate federal efforts," and "promote basic financial literacy and education" (United States Department of the Treasury, 2011, p. 3). However, despite government attempts to instill in or enhance the financial literacy of the populace, the reality is that financial literacy is acquired by individuals in many ways and forms ranging from formal programs in school or at work to informal life experiences. Programs provided by non-profit organizations or universities, bank programs for low and moderate income communities, company programs for employees, and volunteer programs such as Volunteer Income Tax Assistance (VITA) activities are all sources of financial literacy (United States Department of the Treasury, 2011). A person's financial literacy may also come from within the family as an individual matures, from professional sources such as financial advisors,

bankers, or similar sources from the commercial financial services industry, and perhaps from the popular media such as magazines, books, television, and the Internet.

Financial Planning

The definition of a *financial plan* according to Investopedia (2013b, Financial Plan section, para. 1) is: "A comprehensive evaluation of an investor's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans." What may be at the heart of retirement planning is the confidence people desire to have in being able to sustain themselves in retirement with the monetary means they have acquired through pensions and savings that will be supplemented by Social Security. In that regard, workers may seek to gain or improve their financial literacy by consulting professionals to inform their actions to realize a financially secure retirement. Those professionals may include accountants, stockbrokers, and financial advisors often licensed to sell products and services to the public.

> Most individuals work in conjunction with an investment or tax professional and use current net worth, tax liabilities, asset allocation, and future retirement and estate plans in developing the plan. These will be used along with estimates of asset growth to determine if a person's financial goals can be met in the future, or what steps need to be taken to ensure that they are. (Investopedia, 2013b, Financial Plan section, para. 2)

Many of the investment decisions that must be made are extraordinarily complex. Yet recent research shows that individuals often make them without what would appear to be essential financial knowledge for the contemplated investment. Lusardi (2000) argued that more research is needed to determine why households do not plan for retirement and whether the provision of information might impact decision-making that would ultimately affect financial security. Ameriks, Caplin, and Leahy (2003) noted that for years economists have been trying to understand the links between financial literacy, retirement planning, and wealth. Lusardi and Mitchell's (2007a) Rand American Life Panel (ALP) research, however, showed that financial literacy is a key determinant of retirement planning. That finding supports the same conclusion arrived in their earlier Health and Retirement Study (HRS) work (Lusardi & Mitchell, 2006, 2007b) as well as by Alessie, van Rooij, and Lusardi (2011) who found the relationship between financial literacy and retirement planning to be robust.

Indeed, two explanations have been put forth regarding why people fail to optimize their financial decision-making: financial illiteracy and desired immediate gratification at the cost of higher payoffs in the future (Hastings & Mitchell, 2011). People who score high in answering financial literacy questions are much more likely to plan for retirement, which likely will prepare them financially for retirement (Lusardi & Mitchell, 2011a). These studies reinforce an earlier study that causality goes from retirement planning to wealth as opposed to the other way around (Lusardi & Mitchell, 2007b). Van Rooij et al. (2012) offered retirement planning's effect on wealth accumulation is due to the effect of planning on self-control. They also provided evidence of a strong association between financial literacy and net worth and found that financial knowledge facilitated wealth accumulation by enhancing an individual's ability to benefit from investing in the stock market. Finally, they showed that retirement planning is positively related to financial literacy and that the development of a savings plan boosts wealth. Planning may help people who want to save, but lack the discipline to do so (Ameriks, Caplin, Leahy, & Tyler, 2007).

Predictions, Not Results

The prior studies, however, tend to be forward looking and predictive rather than determining whether financially literate planning actually contributed to successful retirement. Lusardi and Mitchell (2007b) analyzed two cohorts (ages 51-56) of the Health and Retirement Study in 1992 and 2004 and found that planners in both cohorts arrived close to retirement with higher wealth levels.

Devaney and Su (1997) focused on analyzing the factors that predicted the most important source of retirement income to workers. They found that the tendency was for older workers to rely on Social Security and pensions provided by employers for their retirement. Younger workers, however, were found to expect personal savings, investments, and their contributions at work to be the main funding sources for their retirement.

Clark and d'Ambrosio (2002) found that many employers recognizing the lack of financial knowledge among their workers provided explanations of company savings plans while others provided funds so that their employees could purchase a financial plan. They went on to say that some of these educational efforts were provided specifically to increase contribution and participation levels to help the companies comply with nondiscrimination standards and that few

studies attempted to determine the effectiveness of such programs in altering retirement goals or savings behavior.

The RAND American Life Panel (ALP) study was based on an Internet survey of younger respondents, age 18 and over. The dataset allowed the researchers to evaluate workers' financial knowledge during their prime earning years when they were making decisions such as buying a home or participating in their company pension plans. By asking about financial training that may have been acquired before respondents entered the labor market, the researchers were able to discern possible causal links between financial literacy and retirement planning (Lusardi & Mitchell, 2007a).

Clark and d'Ambrosio (2008), however, did report one case in which significant changes were made among those participating in financial education seminars conducted by the Teachers Insurance Annuity Association, College Retirement Equities Fund (TIAA-CREF). In that instance, more than a quarter of participants altered their retirement income goal. Clark, Morrill, and Allen (2011) reported that after retirement eligible workers from two large employers participated in a retirement planning seminar, 28 percent changed how they wanted their defined contribution assets distributed. However, no follow-up study was conducted to determine the effectiveness or outcomes of the altered retirement plans in either case.

CHAPTER III
METHOD

Although there have been many surveys and studies regarding financial literacy and retirement planning, none appear to have explained what financially secure retired people actually did to achieve that state. This study is meant to answer that question with a case study based on focus groups comprised of retired, financially secure persons. The details of the case study method and the conduct of the focus groups are explained in this chapter.

This study builds upon previous work and its results will contribute new knowledge, specifically, what actions people took that led to a financially secure retirement, if they planned, and how they obtained the knowledge that undergirded their actions. The emphasis here is on actual accomplishment versus suggestions and predictions of success as the result of planning and actions. The investigation is retrospective to determine the extent to which a group of retirees who are financially secure actually did prepare and plan for retirement, what approaches they used, and how they gained needed knowledge and skills. I used the case study method to address and answer the research question. Of the five traditions of qualitative inquiry and research design identified by Creswell (1998), case study is the most appropriate for this study given the topic and the population involved. Focus groups were used as the data gathering tool. Analysis proceeded from the information gleaned from the focus groups.

The Case Study Method

Johansson (2003) reported that logical positivism dominated the philosophy of science after World War II and that "the social sciences favoured positivism and quantitative methods. Surveys, statistical methods, opinion polls, experiments, and quasi-experiments were considered scientific, and qualitative case studies were criticised for being non-scientific" (p. 6). According to Zucker (2009), however, "The case study method can be a creative alternative to traditional approaches to description (quantitative descriptive and descriptive correlational descriptive designs) emphasizing the participant's perspective as central to the process" (p. 14). Gerring (2004) offered, "One of the primary virtues of the case study method is the *depth* of analysis that it offers" (p. 348). Baxter and Jack (2008) reinforced Gerring by saying that a case study is an excellent way to gain tremendous insight and further explained:

> Case study research is more than simply conducting research on a single individual or situation. This approach has the potential to deal with simple through complex situations. It enables the researcher to answer "how" and "why" type questions, while taking into consideration how a phenomenon is influenced by the context within which it is situated. (p. 556)

Bromley (1990) said a case study is a "systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest" (p. 302). Stake (1995) and Yin (2003) are key authors in the field of the case study method with both seeking "to ensure that the topic of interest is well explored, and that the essence of the phenomenon is revealed" (Baxter & Jack, 2008, p. 544). Fidel (1984) stated, "The case study method is a specific field research method. Field studies are investigations of phenomena as they occur without any significant intervention of the investigators (p. 274)." He went on to note:

> As a research method, case studies seem to be appropriate for investigating phenomena when (1) a large variety of factors and relationships are included, (2) no basic laws exist to determine which factors and relationships are important, and (3) when the factors and relationships can be directly observed" (p. 273).

According to Kohn (1997), researchers can use case studies for many purposes:

- to *explore* new areas and issues where little theory is available or measurement is unclear;
- to *describe* a process or the effects of an event or an intervention, especially when such events affect many different parties; and
- to *explain* a complex phenomenon.

She further stated: "Although typically associated with exploratory purposes, Yin suggests the methodology may actually be more powerful for explanatory purposes in its ability to answer questions of how and why" (p. 3). Indeed, Yin (2003) divided case studies into descriptive, exploratory, and explanatory categories that comport with the three variant approaches to the traditional case study approach presented by the Commonwealth Association for Public Administration and Management (CAPAM) (2010) that include:

- Illustrative Case Study: is a descriptive account of the main characteristics of a real world example to clarify an idea or reinforce an argument.
- Exploratory Case Study: Attempts to understand what happened within a case by looking beyond descriptive features and studying surround context.

- Explanatory Case Study: Attempts to explain why certain behaviors occurred by determining causes and effects. (p. 2)

Rationale for Using the Case Study Method

I elected to use the case study method for this study because it allows the researcher to tease out the how and why (Baxter & Jack, 2008) of what the financially secure retirees did to achieve that state from the participants' personal perspectives (Zucker, 2009). Gerring's (2004) identification of the depth of analysis case study suggests that the complexity of determining the how and why retirees became financially secure from the large variety of factors and relationships (Fidel, 1984) that may have influenced their success can be better achieved using this method. Furthermore, there do not exist basic laws to determine which factors and relationships are important (Fidel, 1984) in this regard. Baxter and Jack (2008) responded to "So when should you use a case study approach?" by referring to Yin (2003) who said:

> A case study design should be considered when: (a) the focus of the study is to answer "how" and "why" questions; (b) you cannot manipulate the behaviour of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context. (p. 545)

The study undertaken here meets all Yin's criteria and therefore is perfectly suited for the case study method that I have chosen to investigate and explain how and why financially secure retirees achieved that status.

Focus Groups as a Data Collection Tool

The founding fathers of the focus group method developed it in the course of conducting commercial and government research in the 1940s. Morgan (1997) described the origins of the focus group method:

> So, to begin at The Beginning, focus groups as a research method originated in the work of the Bureau of Applied Social Research at Columbia University in the 1940s. Under the leadership of Paul Lazarsfeld, the Columbia bureau was conducting commercial market research on audience responses to radio soap operas and the like. The arrival of Robert Merton at Columbia coincided with Lazarsfeld receiving a government contract (from the delightfully named Office of Facts and Figures) to assess audience responses to the government's own wartime radio propaganda programmes and Lazarsfeld invited Merton to work with him on the project. (pp. 1-2)

Morgan goes on to describe Merton's dissatisfaction with the procedure of having a group of some twelve people seated in a room listening to a program and pressing a red or green button every time they heard something they disliked or liked, respectively: "Dissatisfied with an approach which simply quantified positive and negative responses, Merton set about developing an *interviewing procedure* for the groups, which would help researchers to describe the subjective reactions of the group members to the programmes they heard" (Morgan, 1997, p. 2).

Nagle and Williams (2013) provided a comparison of focus groups, surveys, and individual interviews:

> **Focus groups** provide insights into how people think and provide a deeper understanding of the phenomena being studied. While a valuable research tool, **surveys** generally ask closed-ended questions that may limit the feedback that can be gained from a respondent. A method to gain more in-depth information to supplement surveys is **interviews**; conducting interviews, however, can be an expensive proposition that can exceed the available resources. Focus groups are group interviews that give the researcher the ability to capture deeper information more economically than individual interviews. (p. 2)

Morgan (1997) identified the uses of focus groups in social science research:

> First, they are used as a *self-contained* method in studies in which they serve as the principal source of data. Second, they are used as a *supplementary* source of data in studies that rely on some other primary method such as a survey. Third, they are used in *multimethod* studies that combine two or more means of gathering data in which no one primary method determines the use of the others (p. 2).

Rationale for Using Focus Groups

This study used focus groups to probe volunteer participants more deeply than might have been possible with a survey questionnaire. The purpose was to further inform and extend the study of achieving successful financial retirement with data and analysis to supplement research conducted previously by others that suggest financial literacy and planning are of value to retiring in a financially secure position. I decided to use focus groups as a self-contained, economical method of gathering data primarily to acquire a deeper understanding of what people did to achieve a financially secure retirement. Creswell (2008, p. 226) said, "Focus groups can be used to collect shared understanding from several individuals as well as to get views from specific people." Kitzinger (1995) noted, "The method is particularly useful for exploring people's knowledge and experiences and can be used to examine not only what people think but how they think and why they think that way" (p. 299). The results of this study are expected to

contribute to the literature in this field and enrich comprehension of how the financially secure retired followed the paths they did. The results of the focus groups conducted for this study, may challenge some of the assumptions made about the efficacy of financial literacy and planning that have been detailed in the literature review for this study. Ultimately, I envision the results of this study may encourage and supplement other research in the field now and in the future.

Determining the Number of Groups

Kitzinger (1995, p. 300) said, "Focus group studies can consist of anything between half a dozen to over fifty groups, depending on the aims of the project and the resources available." Morgan (1997) referred to a "rule of thumb" that projects should consist of three to five groups because it has been claimed that more groups seldom provide meaningful new insights. Morgan (1997) noted that seasoned qualitative researchers determine that they have reached saturation when additional data collection no longer generates new understanding. According to Krueger and Casey, 2009:

> Saturation is a term used to describe the point where you have heard the range of ideas and aren't getting new information. If after three or four groups you were still getting new information, you would conduct more groups. (p. 21)

Bloor, Frankland, Thomas, and Robson (2001), however, warned:

> The number of participants or number of focus groups and the value and significance of the findings of the groups cannot and should not be deduced by a statistical calculation as is necessary in more quantitative methods. Rather the number of focus groups will inevitably reflect the research plan including which sub-groups you might want to target, which groups (sic) views you might want to compare, the variability of responses, as well as the inevitable influences of time and money. In general the more segmented your groups are (for example by age, gender and sexuality) the more groups will be necessary (Morgan, 1995). Focus groups are labour intensive in recruitment, transcription and analysis, therefore, where possible, numbers should be kept down to the bare minimum. (p. 28)

Morgan (1997) said:

> Whether three to five groups will be adequate for saturation, however, is an issue that depends on many factors. Probably the most important determinant of the number of groups is the variability of the participants both within and across groups. Within groups, projects that bring together more heterogeneous participants will typically need more total groups because the diversity in the group often makes it more difficult to sort out coherent sets of opinions and experiences. Across groups, projects that compare several

> distinct population segments will typically require more total groups to achieve saturation within each segment. (pp. 43-44)

Kitzinger (1995, p. 300) noted, “Most researchers recommend aiming for homogeneity within each group in order to capitalise on people's shared experiences.”

Several authors (Kitzinger, 1995; Morgan, 1997; Barbour & Kitzinger, 1999; Bloor, Frankland, Thomas, & Robson, 2001; and Krueger & Casey, 2009) did note, however, that groups comprised of as few as three people are acceptable. Furthermore, in their guidelines for conducting focus groups, based partly on Morgan’s work, the Centers for Disease Control (CDC) (2013) noted:

> Ideally, you’ll be able to have focus groups until you reach a point of saturation. This means that you end up hearing roughly the same things from a new group that you’ve heard in other groups. This is how you know you’ve covered the topic as completely as possible (p. 1).

Based on the foregoing guidelines, I determined to include six focus groups in my study.

Determining the Number of Participants

According to Creswell (2008, p. 226): “A focus group interview is the process of collecting data through interviews with a group of people, typically four to six.” Bloor et al. (2001, p. 26) stated, “Focus group texts have typically advised groups consisting of between six and eight participants as the optimum size for focus group discussion.” Morgan (1997) referred to a “rule of thumb” that focus groups consist of six to ten participants per group whereas Kitzinger (1995, p. 301) noted, “The ideal group size is between four and eight people.” Bloor et al. (2001, p. 26) went on to say, “The optimum size of the group may reflect the characteristics of participants as well as the topic being discussed.” They also noted that groups of a small size are favored by some researchers and that such groups have been successfully used with older people. Bloor et al. (2001, p. 10) referred to work with older people in advancing this argument:

> Quine and Cameron (1995) in their research with disabled elderly people also advocate the use of small numbers for this group. They argue that sufficient space is needed to accommodate mobility aids and participants must be able to be seated close enough to each other to see and hear each other adequately. For these reasons, they argue numbers should be kept low, advising five to six participants as desirable with this group.

In accordance with the aforementioned guidance, I determined to include six to 10 participants in each group.

Focus Group Process and Procedures

The primary research question **"What did successfully retired people actually do to achieve a financially secure retirement?**" is answered by analyzing the results of six focus groups, five of which consist of at least six participants each, of financially successful retirees sharing their experiences in preparing for retirement, who answered the following questions:

- What actions did you take to prepare for a financially secure retirement?
- How did you acquire the financial knowledge you may have used to prepare for a financially secure retirement?
- What challenges did you face in preparing for a financially secure retirement and how did you deal with them?
- If you could go back, what would you have done differently?

I personally conducted the focus groups and audio-taped them as well as making moderator's notes and recording written impressions (Harrell & Bradley, 2009) of the proceedings. The focus group questions were open-ended and the responses were used to develop a richer understanding of the topic of how financially secure retirees became so.

My personal background and experience with focus groups "on both sides of the one-way mirror" were of value in the conduct of these groups. I have been involved in various focus groups not only as a participant answering questions and expressing opinions, but as a client observer of focus groups conducted for one of my former employers and a consumer of the reports produced from them. This involvement informed and enhanced my consumption and evaluation of the results of focus groups. Per Edmunds (1999, p. 94), I identified "comments that are frequently mentioned" in the focus groups and provided quotations to support my evaluations.

Population Engagement

Out of the 12 retirement communities contacted, one firmly declined, six did not respond to the request, and five indicated a willingness to participate in the research project. One of the five communities that were willing to participate subsequently declined after a change in management. Two other communities that were amenable to participating in the study were each unable to recruit a minimum of six people to form a focus group. Ultimately, focus groups were

conducted at the only two communities able to present groups of the desired size of six or more participants.

Relying on conversations with the managements of the two selected communities, the expectation was that many residents would respond to an invitation to participate in the project. Based on management's experience, it was anticipated that a percentage of the population would be intrigued and motivated enough to participate in focus groups to discuss achieving a financially secure retirement. It was originally expected that at least 30 would participate and that the groups would consist of up to 10 people each. The specified group size of up to 10 participants was in keeping with what Morgan (1997) referred to as the "rule of thumb" that specifies a focus group should be made up of 6 to 10 people.

Although, there was an attempt at having separate focus groups comprised of only men and only women as well as mixed gender groups, management suggested that single gender groups might not be possible because residents might feel more comfortable participating as couples. Furthermore, inclement weather forced rescheduling some groups and conflicting schedules and problems with the norovirus as well as reluctance on the part of residents to talk in front of other residents about financial matters (as reported by management) likely militated against participation by community residents. Ultimately, the low response rate rendered the idea of one-gender groups unworkable. Therefore, all groups were mixed gender.

The recruitment document (Appendix A), as appropriately modified for each community, was used in community publications and for word-of-mouth and in-person recruitment (e.g., through community governance bodies such as a village council). Recruitment was not by letter or e-mail. The recruitment document was purposely short and in keeping with the university's Institutional Review Board (IRB) guidelines for simplicity while conveying sufficient information to the audience. Eligible residents were asked to sign up by a certain date to participate in the focus groups. Those who signed up were reminded of the sessions before they took place. Once individuals confirmed interest in participation and presented themselves at the focus group location, in accordance with the focus group script (Appendix B), they were given the informed consent form (Appendix C), based on the Virginia Polytechnic Institute and State University IRB template (2013), for review and signature. A copy of the form was provided each signatory to personally retain before participating in the focus groups and answering the short survey.

Communities

The communities at which the focus groups were conducted are known as continuing care retirement communities (CCRCs). The AARP (2014, About Continuing Care Retirement Communities section, para. 2) defines them as:

> Part independent living, part assisted living and part skilled nursing home, CCRCs offer a tiered approach to the aging process, accommodating residents' changing needs. Upon entering, healthy adults can reside independently in single-family homes, apartments or condominiums. When assistance with everyday activities becomes necessary, they can move into assisted living or nursing care facilities. These communities give older adults the option to live in one location for the duration of their life, with much of their future care already figured out.

The non-profit resource, HELPGUIDE.org (2014, Independent Living for Seniors section, para. 10) elaborates:

> These facilities offer a spectrum of care from independent living to nursing home care in the same community. If residents begin to need help with activities of daily living, for example, they can transfer from independent living to an assisted living or skilled nursing facility on the same site. The main benefit of a CCRC is that you only need to relocate once to a new environment and can maintain your independence for as long as possible.

Participants

Participants were drawn from the residents of two CCRCs, one in south central Pennsylvania, close to the Civil War battlefield of Gettysburg, and the other in northern Virginia, near the nation's capital. There were approximately (due to additions and attrition) 580 out of 940 residents in the Pennsylvania community and 310 out of 425 in the Virginia community eligible to participate in the study. Eligible residents were defined for the purposes of this study as those who are in an "independent living" status, which means that they are able to live on their own in the retirement community without assistance. Those residents who are in assisted living, monitored care (e.g., for dementia or other illnesses), and hospice did not participate in this study.

The retirees who participated in this study are financially secure in their retirements as evinced by their membership in retirement communities that require set financial asset levels and monthly income. The AARP (2014) reports:

> The most expensive of all long-term-care options, CCRCs require a hefty entrance fee as well as monthly charges. Entrance fees can range from $100,000 to $1 million — an

> upfront sum to prepay for care as well as to provide the facility money to operate. Monthly charges can range from $3,000 to $5,000, but may increase as needs change.

The costs associated with membership in the communities accessed for this study bear this out. At one community, for example, there is a base entrance fee of $133,600 and minimum assets of $267,200 as well as a required monthly income of $2,058 for a single resident of a sample apartment. There are apartments that have lower financial criteria and there are other residences, such as country homes that have higher minimums. The most expensive country home requires a base entrance fee of $334,800, minimum assets of $554,500, and monthly income of $3,972 for a single resident (Cross Keys Village, 2013).

Number of Groups and Participants

Originally, I intended to conduct five focus groups of at least six participants each drawn from the retirement communities' independent living residents. I elected to conduct five groups not only because of time and money constraints, but also because the groups would be fairly homogeneous. The individuals participating in these groups were drawn from a defined age group living in communities with set standards for income and life styles. This homogeneity suggested the likelihood would be high that saturation would be reached early on thereby obviating the need for more than five groups.

Residents of the two communities were given a number of options regarding time and day and requested to sign up to participate at their convenience. Unfortunately, even though there was intense recruitment for this project, the response was rather poor. Only 27 people responded for three focus group sessions in the first community, but one person declined to proceed after reviewing the informed consent form (see Appendix C). Response in the second community was even less, with 12 people coming for two focus group sessions. An additional recruitment effort resulted in a third group of 6 in the second community.

In total, 44 residents participated in six focus groups. The groups in the first community consisted of 12, 7, and 7 participants and those in the second community of 4, 8, and 6 participants. Although this was one more group than planned, it met the planned goal of five groups with at least six participants. Of interest is the fact that the four-person group was most lively and informative and the participants' comments were in line with those of the other groups.

Conduct of the Focus Groups

The focus groups were held in well-appointed, comfortable conference rooms at both communities. I served as the researcher/moderator using the moderator's focus group script (Appendix B) to guide the conduct of the groups. After the room was prepared for the participants including the provision of pens, copies of the informed consent form (Appendix C), and focus group questions worksheet (Appendix D) adapted from Nagle and Williams (2013), the focus groups were conducted and audio-taped according to the following protocol adapted from Harrell and Bradley (2009, p. 120):

- Introduce the researcher/moderator and the subject of the focus group.
- Each participant asked to write down their thoughts on each question before it is discussed (this is done sequentially, not all 4 questions are to be answered at the beginning of the session).
- Individual participants introduce themselves (first names only) before responding to each question.
- Give each participant an opportunity to answer each question, speaking from their written notes, and then proceed to general discussion using probe questions as needed.
- Invite participants to offer any additional comments.
- Pass out and request the participants to complete a financial literacy and action questionnaire and answer demographic questions of gender, age, education, and work status.
- Thank the participants for their time and close the session.

Focus Group Questions

The four focus group questions posed in the worksheet (Appendix D) provided to the participants were aimed at delving more deeply into and enhancing understanding of how people became successfully retired from a financial standpoint. They allowed group participants to surface other relevant thoughts and concepts regarding achieving a financially secure retirement (e.g., someone might have reported that they did nothing and just "lucked into" a safe and happy retirement). As Palmquist (2013) suggested, content analysis of the focus group results can provide "valuable historical/cultural insights" and "insight into complex models of human

thought" (Advantages of Content Analysis section, para. 1). The focus group questions were crafted to be open-ended so as to allow for participants to freely answer the questions as they pleased. This is in keeping with Morgan's (1997, p. 62) admonition that the fundamental message in the interpretation of data "requires distinguishing between what participants find interesting and what they find important" and "that learning what the participants think is important should be built into the data collection itself – not left to the analyst's post hoc speculation."

Harrell and Bradley (2009) noted, "Probes can be used to keep the conversation moving on topic, take control away from a dominant person, or draw out some of the more quiet participants" (p. 89). The questions and probes, keyed to their four associated main questions, used in the focus groups for this study are shown in Table 3.1.

Table 3.1. Focus Group Questions and Probes

1.	**What actions did you take to prepare for a financially secure retirement?**
Probe 1.1	Tell me, did you budget or save?
Probe 1.2	How about investing, did you invest?
Probe 1.3	What prompted you to get started to prepare for retirement?
Probe 1.4	At what age did you start your financial planning for retirement?
2.	**How did you acquire the financial knowledge you may have used to prepare for a financially secure retirement?**
Probe 2.1	Did you learn from your parents, school, or your employer(s)?
Probe 2.2	Did you use financial professionals or learn from the school of "hard knocks"?
Probe 2.3	What do you wish you knew before retiring, that you know now?
3.	**What challenges did you face in preparing for a financially secure retirement and how did you deal with them?**
Probe 3.1	Raising a family; job changes or job loss?
Probe 3.2	Debt from borrowing (e.g., mortgages, car loans, tuition)?
Probe 3.3	Bad investments?
4.	**If you could go back, what would you have done differently?**
Probe 4.1	Are you satisfied with your retirement from a financial standpoint?
Probe 4.2	Are you happy with the pathway towards financial retirement that you took?
Probe 4.3	How would you advise your children and grandchildren on retiring financially?

Edmunds (1999) defined probing as the "process by which a moderator encourages focus group participants to elaborate on their responses" (p. 132). He also noted that "probing and clarification of participants' comments are easy to do in the focus group environment" (p. 7). Kruger and Casey (2009) distinguished between uncued and cued questions which are their terms for main and probing questions, respectively:

> The rule of thumb is to ask the uncued question first and then follow up with cues to prompt additional discussion. For example, a moderator could ask "What are the needs in this neighborhood?" as an uncued question. After people discuss this question, the moderator could list categories that help spur additional thoughts (like children, teenagers, young families, older families, elderly or safety, health, child care, jobs) and ask, "When you think of these categories, do any other needs come to mind?" (p. 58)

In the actual conduct of the focus groups, probing questions were used as needed.

Financial Literacy and Action Questionnaire/Demographic Information

I distributed a financial literacy and action questionnaire/demographic information form (Appendix E) to the participants to be completed as a written pen and paper exercise at the end of each focus group. The answers to the questionnaire were meant to help determine what the respondents know and did about financial matters and to document the groups' basic demographics. Participants were free to answer all, some, or none of the questions posed.

The form was divided into three parts. The first part was to assess the financial literacy of the focus group participants. I used the 13 questions from the RAND American Life Panel as reported by Lusardi and Mitchell (2009), who stated that the first five questions were to capture "people's capacity to handle basic financial literacy concepts including compound interest, inflation, and the time value of money" (p. 7). The second set of eight questions was intended to capture sophisticated financial literacy. Those eight questions were "to measure more advanced financial knowledge such as the risk/return difference between stocks and bonds, how the stock market and risk diversification work, and the relationship between bond prices and interest rates." (pp. 6-8). These questions have been used with minor variations in other studies in the United States and abroad (van Rooij et al., 2012, p. 452). The only change I made to the originals was to eliminate the "refuse to answer" option.

The second part of the form was comprised of eight questions I developed to determine the extent to which the participants may have acted upon their financial literacy and planning to achieving a financially secure retirement. The questions related to budgeting, saving, borrowing,

and investing. I formulated two questions on budgeting (1a and 1b), two on borrowing (3a and 3b), and one on establishing, maintaining, and investing in a private securities portfolio (4b). The remaining questions, two about saving (2a and 2b) and one on investing (4a) were adapted from questions in the National Financial Capability Study's 2009 National Survey Questionnaire (FINRA Investor Education Foundation, 2009) and which were used again in the 2012 National Financial Capability Study: State-by-State Survey Instrument (FINRA Investor Education Foundation, 2012).

The third part of the form had five questions. They were targeted at obtaining basic demographic information from the group participants. Specifically, participants were asked to identify their gender and provide their present age, the age at which they started planning for retirement, education level, and current work status.

Focus Group Analysis

Barbour and Kitzinger (1999, p. 6) noted that focus groups "can help tease out the reasons for surprising or anomalous findings." I used the more probing focus group method to enrich an understanding of how successful retirees became financially secure to the extent that they are able to live in relatively upscale retirement communities. The answers to the financial literacy and action questionnaire are used to provide a picture of the groups' level of knowledge and competence in dealing with financial matters that may have helped them achieve a financially secure retirement.

I used qualitative content analysis for data obtained from the focus groups to "determine the presence of certain words, concepts, themes, phrases" to "make inferences about the messages" emanating from the focus groups. To facilitate analysis of the results of the focus groups, I constructed a coding tree (Harrell & Bradley, 2009, pp. 103-108) for each group of participants that included attribute codes (gender, age, planning age, education, and work status – the demographics) to flesh out the composition of each group. Substantive codes (themes and thoughts emanating from the actual content of the focus groups) were detailed for the composite homogenous population that participated in the focus groups. A reason was: "Coding trees evolve during the project. When the coding tree is initially designed, the codes are often deductive – based on the questions asked and the expected themes" (Harrell & Bradley, p. 107).

In accomplishing the analysis of the focus groups, I transcribed the audiotaped sessions and documented the responses to the questionnaire. By reviewing the written transcripts as well as listening to the audiotapes themselves, I was able to accurately record not only what was said, but also capture the atmosphere and mood of the groups. Coupling those results with examining the data emanating from the responses to the written questionnaire, I was able to get an understanding of how the people in this study achieved their financially secure retirements.

Following the guidelines provided by Harrell and Bradley (2009) I report the qualitative findings from the focus groups by summarizing the patterns, themes, perspectives, and perceptions that came out during their conduct. In the process of so reporting, I provide rich descriptions and quotations to flesh out and support the findings. Focus group data often indicate the views of the entire group, but as expected, a realistic, if not surprising answer to the main research question of “What did a group of successfully retired people actually do to achieve a financially secure retirement?” emerged from the analysis.

CHAPTER IV
RESEARCH FINDINGS

The outcomes of the research conducted for this study are based on an analysis of the transcripts of the focus groups and on the results of the follow-on questionnaire. In this chapter reporting the results of the research, the atmospherics, demographics, homogeneity of the groups and the responses to the research questions are discussed. Those basics are followed up with a summary of the actions, knowledge, challenges, and retrospection reported and exhibited during the focus group discussions. The answers to the questionnaire used to determine the actual level of the participants' financial literacy and what actions they took to achieve their state of financially secure retirement are examined in detail. All the foregoing informs the summation of the participants' perspectives on life's realities and the advice they would impart to future generations regarding achieving a financially secure retirement.

Atmospherics

The six focus groups were conducted in comfortable surroundings and characterized by marked camaraderie and jovial conviviality among the participants. Overall, there was a positive, supportive attitude toward the research and a willingness to participate in the groups. Although respectful of each other throughout the sessions, participants spoke their minds freely and without hesitation. There were no signs of societal or positional deference to others that engendered amelioration of thought, alteration of opinions, or timidity of expression. Although there were occasional moments of sadness when the passing of a spouse or missing a deceased spouse was recounted, there was an overall air of happiness throughout the sessions.

Demographics

Of the 45 individuals who volunteered to participate in the six focus groups, one declined to proceed after reading the informed consent form. From among the 44 people who actually participated in the groups, 40 completed the financial literacy and action questionnaire and provided demographic information. Not all questions were answered and not all information requested was provided. For example, only 30 participants reported their ages and when they started planning for retirement.

There were 28 men and 16 women who participated in the focus groups. The average age of all respondents was 81.63 with the oldest reporting being age 95 and the youngest at 68. There were two respondents in their sixties, five in their seventies, 22 in their eighties, and the one at 95. As for the remaining demographic attributes reported, in terms of education level, 12 had high school diplomas, 11 had college degrees, 13 held master's degrees, and three had doctorates. Most respondents, 32, reported being fully retired whereas four said they were working part-time for pay and three were volunteering. The gender and age attributes of the focus groups are detailed in Table 4.1.

Table 4.1. Focus group composition by gender and average age

Focus Group	Male	Female	N	Average Age
1	8	4	12	77.2
2	3	4	7	77.8
3	5	2	7	83.8
4	2	2	4	83.0
5	6	2	8	86.8
6	4	2	6	82.8
Total	28	16	44	81.6

Homogeneity

The composition of the focus groups was homogeneous in that all participants were in the same age group and of Caucasian extraction. No ethnic or racial minorities were represented. There was such a commonality of opinion and perspectives across all six focus groups that, although hailing from two different CCRCs, the focus groups' responses and attitudes were similar, if not identical, to the extent that the six essentially constituted one group for all intents and purposes. Consequently, the analysis of the groups is in keeping with that reality.

Summary of Actions, Knowledge, Challenges, and Retrospection

Four questions were used to elicit responses from the focus groups to help answer the primary research question: "What did successfully retired people actually do to achieve a financially secure retirement?" They focused on actions, knowledge, challenges, and

retrospection. Responses to the last, regarding possibly having done something differently, required a degree of speculation that was not necessary for answering the first three questions that relate to the more experiential and historical elements in a person's financial life. (In keeping with the pledge of anonymity to the participants, only the focus group number, a first initial, and the gender of the respondent are used to identify their comments in this report.)

Actions Taken to Prepare for a Financially Secure Retirement

When asked at what age they started planning for retirement, only one person claimed to not have planned at all and nine did not answer. It might be assumed that at least some of those nine also had not done any formal planning. The remaining 30 participants, of the 40 who responded to the survey questionnaire, indicated a wide range of ages when they started such planning, from as early as 21 up to 71 years of age as detailed in Table 4.2.

Table 4.2. Planning age by gender and average age

Age Range	Male	Female	N	Average Age
20-29	7	1	8	22.6
30-39	3	3	6	30.3
40-49	3	6	9	42.6
50-59	3	1	4	50.0
60-69	1	0	1	65.0
70-79	1	1	2	70.5
Total	18	12	30	32.0

It should be noted that some who answered gave an age range such as 22-25 or an approximation such as 50+. In those few cases, an approximation or the recorded base age was selected (e.g., 50 for 50+). The average age at which the respondents began to plan for retirement, therefore, was 31.5 for men, 32.9 for women, and 32 for the entire group. However, when both the septuagenarian outliers for men and women and the sextuagenarian male are set aside, the picture is arguably more realistic. Then the average age at which the remainder started planning for retirement is 26.9 for the 16 men and 29.5 for the 11 women with 28 for the group as a whole.

On closer examination of the results, nearly 39% of the men started planning in their twenties whereas little more than 8% of the women did so. The women appear to have started later, with 25% in their thirties and 50% in their forties. These percentages may reflect the social and employment realities of the times in which they came of age. All of the respondents came from a society in which the men were seen as the breadwinners and the women as homemakers, albeit some might have had administrative or secretarial jobs to supplement the family's income. This cultural outlook wherein the man was seen as the family's provider may explain the high percentage of men planning early and of women planning later. Nonetheless, it is clear that this group of 30 engaged in planning at some point, usually earlier rather than later, in their lives.

The information on the age at which the respondents started to plan for retirement helps illuminate the answers to the question: "What actions did you take to prepare for a financially secure retirement?" The participant responses revolved around the substantive codes that surfaced during the focus groups for this analysis that include the Depression, planning, frugal, and means. Those codes dovetail nicely with the four topics addressed in the financial action section of the financial literacy and action questionnaire given at the end of each focus group. The four topics of budgeting, saving, borrowing, and investing became substantive codes for the analysis of this question's answers as well as for all the answers to the other questions asked of the focus groups in this study.

Overall, participants in all the groups were frugal and lived within or below their means. In part, this adherence to fiscal prudence was engendered by having grown up during the Depression of 1929 and its aftermath. Sample responses to the first question:

- From Group 1 (K-male): ". . . based on the fact that lived through the Depression, almost as soon as (wife) and I got married, we started planning on retirement figuring that it was never, never too early to do that."
- From Group 2 (E-female): ". . . well I have always lived below my means and I started to save . . ."
- From Group 2 (B-male): "We led a pretty frugal life. From the time we were married, we tried to save money, get our house paid for quickly."
- From Group 2 (D-female): "We also lived below our means."

- From Group 4 (A-female): "I think our background would be that my children would characterize us as 'tight.' Because we were children of the Depression and we had both come from homes that did not splurge and live beyond our means."
- From Group 5 (B-male): "And basically, from the very beginning, living within the means; not spending beyond what I had. And I think this is partially because, I think we all grew up from the Depression time and that sort of carried over that, that feeling."
- From Group 5 (W-male): "Well, all I wrote down was I grew up in a Depression environment where one didn't spend money unless necessary and you spent your time working rather than leisure and playing. And I really didn't give any thought to financial knowledge. It was just a matter of not spending and saving and investing."

The respondents indicated that they coupled their financially cautious living with planning, budgeting, saving, and investing. They borrowed sparingly and only when necessary as became apparent in their response to the third question regarding the challenges they faced in preparing for a financially secure retirement.

- From Group 1 (P-male): "I always made it a point to participate in my employer's savings plan whether it was stock purchase, savings through the credit union, the 401(k), or a Roth IRA. And only one time did I have to draw money out of any of those accounts and that was to, for our son's college tuition for one year. And the other thing I never did is I never carried credit card debt over from month to month."
- From Group 3 (I-male): "Well, I learned a lesson. Grew up during the Depression. My father was a school teacher, he never got paid much, but he always had a steady income. And I remember the WPA and CCC and those things. But one thing I learned from my father was two parts to it: if you don't have the money, you don't buy it. And secondly, even if it's worth it and you have the money, you don't buy it. I mean if it's not of value to you."
- From Group 3 (J-male): "I didn't really do a formal budgeting process, but I watched spending very carefully. And, of course you always have to balance your spending with your saving. And I never was very successful at establishing a percentage of my salary to be saved. But, the company forced me to do so through our predecessor to

the 401(k) plan. So that was great deal of assistance both in my budgeting and in my investing."

- From Group 5 (W-male): "Well I never really thought about a retirement plan, that was way too far in the future for me. I think my financial success or security was just based on the fact that I didn't buy what was not necessary and I saved and invested from a very early age on."
- From Group 6 (R-male): "I was a self-employed person and had the fortune, as all of us did, that a law was passed in the 70s permitting such people to put aside, it's a complicated formula, about 15% of their income on a tax deductible basis. It would've been foolish not to take advantage of that. But, since the 70s, I retired only a few months ago, that grew into a substantial sum allowing us to come here."

How Financial Knowledge was Acquired

The substantive codes found in the answers to the question "How did you acquire the financial knowledge you may have used to prepare for a financially secure retirement?" encompassed many facets of life. Parents, spouses, education, financial professionals, publications, experience, and osmosis were the best generic terms to capture the essence of the sources respondents used to acquire knowledge. Representative commentaries from the focus groups support this observation.

There clearly was no one source of knowledge, rather it was a combination of sources and the interaction of elements that imparted knowledge. For example, experience led to education, publications and financial professionals:

- From Group 1 (P-male): "And the first time I invested in the stock market, I lost $600. In about a course of a year, that was everything I had invested so I decided I better learn something about investing in stocks so I took some college courses and ultimately became licensed in PA and New York to be a broker/insurance salesman. And I continue to this day to read financial literature and keep up with investing ideas and things like that."
- From Group 2 (D-female): ". . . I just worried to death that it was not a very good, a good investment. But I, then I realized that I needed to know, you know, learn a little bit more about what I was doing or trying to do. So I read all about tax, rather no-

load mutual funds, and I become a big fan of Vanguard and I would write for information and read magazines, and my neighbor was a very astute investor and we had lots of conversations about stocks and bonds and . . . Just, I took an investment class, but, and just keeping up with the current financial situations, I would say."

- Group 5 (B-male): "The only formal thing I had was a college course in economics which I don't think I ever got anything out of. But other than that it's life experiences. Having grown up after the stock market crashed and all, I avoided the stock market for a long time. Went into safe deposits such . . . certificates of deposit, bank statements, and things like that."

The influence of parents was often cited as being pivotal not only in response to this question, but to all the questions put to the focus groups throughout the sessions.

- From Group 3 (J-male): "My dad had a banker in my hometown of Foster, Nebraska and he was great at counseling my dad and me as I grew older in financial things. I attended college mostly on the GI Bill and let's see, I worked for a company that had a 401k plan and a stock purchase plan. The company was always promoting saving and investing. And they organized seminars, hired consultants to come in and provide seminars for us. I subscribed to financial publications such as Wall Street Journal, Forbes, and others. And I belonged, I belong to the AAII, the American Association of Individual Investors. Matter of fact, I was one of their charter members back in about 1990. And I've learned a great deal from them about savings and investing."
- Group 5 (B-female): "From the time we first married, my dad sent me the Wall Street Journal. When we first married. He had been interested in the market and he taught me to be. I've taken various courses through life. Recently I turned over the account to a broker to manage. But because of my interest in the subject, I still follow the stocks and I take Barron's. I have taken Barron's for years."
- Group 6 (H-male): "I guess first I listened to my father. When I had money when I got out of the service, I asked him for advice and he had just invested in a mutual fund and I bought some shares of that. They've accumulated. Then I, I guess I took a master's degree in economics, that helped me in considering investments."

- Group 6 (F-male): "I would say that my parents were very influential in the value of living within your own means."

Others credited their spouses, some of whom were professionally engaged in financial and economic work, with enhancing their financial knowledge.

- Group 1/3 (J-female): "I was busy with home and family and he was doing the finances and the working and, and so I really don't understand a lot about stocks and things. I know that we are doing well with it, and I'm happy for it, and his advice to me before he died was don't kill the golden goose. So, alright, I won't change anything."
- Group 3/1 (M-female): "My name is . . ., and I really gained most of my information from marrying the husband I did. He was the vice president for finance for a small college."
- Group 4/1 (A-female): "Well, my husband is an economist."
- Group 6/2 (R-female): "Well, first of all we got, each of us got a first-class education and knowledge of things including the stock market. My husband had an IQ out the . . . up to the sky. And he got a very, very much involved in all sorts of things. He was an attorney and knew how to do things in terms of investments."

However, it was made clear that the acquisition of knowledge was not instantaneous as illustrated by the foregoing comments that suggested a lifelong process of learning. It often was the result of osmosis over time as possibly best summarized by the following responses:

- Group 3/1 (I-male): "And I think I recall somehow or other from him by osmosis, there are only a few things that you should ever borrow for, one is an education, one is a car if you need transportation, and I guess the other would be a home, but my father didn't even own a home until, and rented, until I was in college and I never owned a home. I always rented or I had two careers where housing was provided. So I always, always spent less than I got."
- Group 4 (T-male): "My answer is that this knowledge was acquired slowly, a step at a time, in particularly in the development of real estate and real estate projects . . ."
- Group 6/2 (R-female): "We invested in the stock market . . . regularly. I don't know how, osmosis, I guess is how we got information about the stock market."

Challenges Faced in Preparing for Retirement

The myriad challenges faced by the respondents, although significant and heartbreaking in many respects, were best characterized by the term “commonplace.” None of the responses to the question: “What challenges did you face in preparing for a financially secure retirement and how did you deal with them?” were surprising or unique. The substantive code words associated with the responses to this question include family, children, health issues, job change, job loss, and market fluctuations. Representative focus group comments on the topics of family and children include:

- Group 1 (J-female): “Our challenge was having a large family. We had 9 children. So, of course we were on a budget. And I did a lot of sewing, and you know, making clothes for children and myself. My husband worked long hours; he was self-employed so of course, everything, he had to run a business so that’s how we handled the preparing. We just were frugal.”
- Group 3 (N-male): “And I think the only challenge I had . . . fortunately, my wife was a teacher for 30 years so that helped us save quite a bit. But the only challenge I had was to have spaced my 3 children rather close together. And all 3 were in college at one time.”
- Group 5 (D-male): “But I didn’t have any ways of saving at that time or doing anything because I had a succession of setbacks with financial affairs of people in the family that I had to help.”
- Group 6 (R-male): “I guess our chief financial challenges came with having to, wanting to educate 4 children. And we borrowed money to accomplish that. And had the good fortune of a brother who could extend me some loans. Used home equity loans to do it. But altogether with the proposition that this 15% saving toward retirement was not to be touched. And, and we managed to do that.”
- Group 6 (J-female): “I would say the only impediment, not . . . we weren’t saving specifically for retirement, but savings, and that’s the way it worked out for retirement. That was interrupted and, or challenged because both sets of parents were older and over the period of time both sets of parents became financially dependent due to illness. And that diverted any savings that we were able to make during that

period of time. And the same thing happened, we didn't go into debt ever, but the same thing happened when the children went to college. We used the money that we would have been saving to send them to college.

As can be discerned from the previous comment, challenges were not singular in nature, they often came in multiples among which health issues were very important:

- Group 2 (V-female): "Well my husband developed brain cancer of the brain stem the same month I received my master's. So I was left alone to make all my financial decisions which I had no one to lean on except the Lord. But I turned everything over to the Lord and prayed about each decision I had to make beforehand and he answered me in a way that guided me . . ."
- Group 3 (I-male): "My wife had to take care of her mother who had Alzheimer's for the last 10 years of her mother's life. And she had to deal with her health, and in fact, we moved back to this area where they're from to take care of her until she came into the home here and was in the home 10 years."
- Group 6 (R-female): "I don't think I had many challenges financially. The other challenges were personal which involved finances. My husband after a heart transplant died after they thought he was going to have . . ."

Job changes, job losses, and the vagaries of the market often compounded the challenges faced by the respondents:

- Group 1 (S-female): "There was a period of time when we decided to go into full-time child care service. It lasted but a short time, but we both gave up jobs in order to do that and so getting reestablished again in that regard. And I wrote the normal challenges as young, a young couple with children, the house and car expenses and things that you had to deal with. And with the income you had to try to stay within. The income you had. And one other challenge was an accident that my husband had that he was off work for probably 4 or 5 months."
- Group 1 (K-male): "Well, one of my challenges when I wanted to retire. And I was always told to diversify. So I hired a company to manage my portfolio at a certain percentage. Naturally, it was 2001. The stock market went down and I lost 40% of

my money and that was a challenge. So I went, asked my boss if I could come back to work. So I went back to work, part-time. The result, that was my biggest challenge."

- Group 4 (T-male): "Prior to the start of construction along came a huge hurricane and lowered the beach by about 6 feet and thus wiping away any thought of doing our real estate project."
- Group 5 (B-male): "The challenge I see is . . . first 20 years having to rent. Could not buy a house because moving all the time."

Despite the many challenges that the respondents reported facing, many seemed to have taken them in stride and did not emphasize them as being catastrophic. All appear to have taken the view that the challenges were part of life in the vein of "life gets in the way" and simply moved on. Indeed, several respondents did not feel that they faced any challenges at all.

- Group 5 (F-male): "I can't really see any, any big challenges per se."
- Group 6 (F-male): "I don't know that I had any really great challenges about that. I mean it was applying, I think if there was a challenge it was living within an income that was not all that great and including some saving, savings program as a legitimate expense within a very limited income. That was difficult, but it was a principle that was never questioned so it really wasn't a challenge, you just did it. So I can't think of any challenges other than that."

Retrospection on Planning for Retirement

The responses to the question "If you could go back, what would you have done differently?" were quite telling of the apparent satisfaction with which the respondents viewed their financial lives. Substantive codes for the responses to this question include satisfaction, regret, mistakes and taking financial actions earlier. Across all groups, there was a general air of contentment with what life had dealt them. Therefore, many responded with relatively curt and sober directness:

- Group 3 (J-male): ". . . there isn't much that I would do differently."
- Group 4 (S-female): "Well, if I could go back, what would I have done differently? Nothing."

- Group 4 (A-female): "I can't think of anything."
- Group 6 (R-male): "It sounds awfully self-satisfied, but my answer I think is 'probably nothing.'"
- Group 6 (R-female): "I don't think there's anything that I would have done differently, certainly not in finances or retirement."

Many valued the companionship and input of their spouses in contributing to their financially happy lives, with the widowed expressing regrets over the loss of their mates:

- Group 1 (P-male): "But everything we did in our lives just seemed to be, seem to work out correctly. So I don't think we would have done much differently."
- Group 1 (K-male): "I'm pretty happy with my past. Results are fairly decent. Had a good marriage, some sixty some years. And, what can I add to that?"
- Group 5 (B-female): "I don't know that I would have done anything differently. We had a very happy life. I will say my husband had a heart attack at 39. And so that really waked me up, to tell you the truth. And he died, he did live another 20 years. But for 20 years he was a patient and that did wake me up."
- Group 5 (K-male): "I have no second thoughts. Everything turned out OK as far as what we did and what could've done. The only thing that I would wish for that had happened was that my wife had not died in 2009. But that's nothing that we have any control over. Any proactive thing that we should have done, I have no idea of anything that we should have done differently. I'm very happy the way things have turned out."
- Group 6 (H-male): "I don't think of anything I would've done differently. I married a woman who had a good bit of savvy about financial things and we together were able to establish a retirement fund."

Others, noting professional satisfaction or simply accepting the flow of life, would not do anything differently:

- Group 2 (G-male): ". . . I don't think I would consider doing anything differently, I enjoyed what I did, I enjoyed working with farmers, it was a good life they were good

hard working people, and I retired from federal employment then I worked about 18 years in real estate after I retired from federal, and I enjoyed that very much . . ."

- Group 5 (F-male): **"**I consider myself very lucky to still be here. To be alive, so I could never go back and say I'd do something differently because you'll never get the same opportunities or situation to fall into place again. You only get one shot at it, and I can't imagine what I would do differently."
- Group 6 (J-male): **"**I . . . since I wasn't following any particular plan, I can't really say that there was anything I would've done differently. There are a lot of things I would've done differently in my life, but none of them involved money."

Although there seemed to be universal agreement that everyone was content with their lives and many said they would not have done anything differently, there were regrets expressed. They related to making some mistakes as well as opining that they should have started on the road to financial security earlier. Sometimes, second-guessing was evident in the responses. In the area of mistakes, the following comments are illustrative:

- Group 1 (K-male): "I think I retired a little bit too early. I was 57 when I retired, I should have waited 3 years, at least. Because I retired in 2001 when the stock market went down. So."
- Group 3 (M-male): "I should not have collected the money I had invested with my state employer because I lost all of my employer's share in the plan. I thought I could do better investing than my employer so . . ."
- Group 3 (I-male): "At first I wrote nothing, and then I upon reflection I said maybe I should have diversified more. I was fortunate everything worked out well, but I should have been more diversified."
- Group 4 (T-male): **"**I wouldn't do much very differently. I would, a couple of mistakes along the way that I would have liked to correct."
- Group 6 (J-female): ". . . without a doubt what I would have done the first year it came out was to get a Roth IRA. I am so sorry I didn't do that because by the time I tried to convert, I couldn't. And I think that's solid gold for young people if they would just do a Roth."

- Group 6 (R-male): "There's always a question that you might forego some expenditures, purchase a less expensive car than the one you did. We might have done more for the education of our children."

Along with regrets about making mistakes, there were some second thoughts about being aggressive enough to being a saver or investor earlier:

- Group 1 (R-male): "I would, if I had to do over again, save more early in my life and not waited until later in my life, closer to retirement age. Also I would not have invested in my company stock."
- Group 1 (B-male): "Probably would have invested earlier in the stock market than I did."
- Group 3 (M-female): "I think the only change we probably should have made was to be a little more aggressive. We were very conservative in the stock market. . . . when you're younger is the time to take risks."
- Group 5 (B-male): "I think if it had been available, I would have gone into deferred compensation program earlier. I went in as early as I could, but if there had been something before that, I would have used it. And also I probably would've, should've entered into the stock and bond market earlier than I did."

Interestingly, another version of regret that was expressed fell into the category of wistful thinking. Some felt that perhaps they had missed out on some of the pleasures of life that could have been enjoyed earlier, but for their conservative financial attitudes.

- Group 5 (W-male): "I would think for year 5 to 20 of our marriage, if I had to do over again, I probably would've not tried to save so much and I would've been more willing to have some so-called luxuries enter into our life."
- Group 5 (D-male): "I had always been geared to one thing and that is making, somehow or other having enough to live off of. So I left school and went back to work thinking my family needed me. Sometimes I think maybe they didn't, they could've gotten by anyway. Anyway, that was the one time that I think that I messed up pretty well."

Responses to Financial Literacy and Action Questionnaire

Given the ages, education levels, and life experiences of the focus group participants, it might rightly be expected that they would possess some degree of financial literacy. The financial literacy section of the questionnaire administered to the focus group participants was targeted at revealing the actual financial literacy level of the respondents. The financial literacy questions were divided into two groups. The first group consisted of five questions that measured basic financial literacy: numeracy, compound interest, inflation, time value of money, and money illusion. The second group was made up of eight questions that sought to uncover the respondents' understanding of more sophisticated elements of financial knowledge including the function of the stock market, mutual fund investments, the relationship between bonds and interest rates, risk and return, asset value fluctuation, and diversification (Lusardi & Mitchell, 2007a). The results of the questionnaire in terms of the number and percentage of respondents who correctly answered each question and the total number of correct responses submitted by them are detailed in Tables 4.3 and 4.4.

On the 40 questionnaires returned, the percentage of people correctly answering individual basic financial literacy questions ranged between 65% and 87.5%. The lowest in the range, 65%, correctly responded to the query about the money illusion effect of increased income in a world of increased prices. The highest percentages, 87.5% and 85%, respectively, reflected the number who understood the effect inflation would have on a savings account and those who were able to determine how much a savings account would grow in five years at a given rate of interest. However, the percentage of people who were able to determine how much they would have in an account as the result of compound interest over time without withdrawals of principal or interest came in at 80% whereas only 72.5% understood the related concept of the time value of money.

Table 4.3. Responses to Financial Literacy Items

Five Basic Financial Literacy Items Representing:	Correct Response N	%
• Inflation	35	87.5
• Numeracy	34	85.0
• Compound interest	32	80.0
• Time value of money	29	72.5
• Money illusion	26	65.0
Eight Sophisticated Financial Literacy Items Representing:		
• Highest fluctuations	37	92.5
• Function of the stock market	36	90.0
• Risk diversification	35	87.5
• Risk: stock versus bond	34	85.0
• Long period returns	34	85.0
• Safety: stock versus mutual fund	31	77.5
• Knowledge of mutual funds	30	75.0
• Relation between interest rates and bond prices	23	57.5

The results of the sophisticated financial literacy battery of questions, however, were more telling and most enlightening. Seven of the eight questions had 75% or more correct responses with 92.5% of the respondents who knew which asset exhibits the highest fluctuations over time and 90% aware of the function of the stock market. As far as return on investment was concerned, 85% understood which asset would normally provide the highest return over time. In the case of risk, 85% correctly identified which asset was riskier between stocks and bonds and 87.5% understood the value of diversification. Based on that high 87.5 percentage, however, it was surprising to find that only 77.5% were able to identify which was safer between a stock and a mutual fund and only 75% understood mutual funds. The percentage of people correctly answering the question concerning the relationship between interest rates and bond prices came in at 57.5%, the lowest for this question group. From my years of experience teaching finance, I

have observed that many misunderstand the concept tested by that question because the correct answer is counter-intuitive, so the low number of correct answers to that question was not surprising.

By their own testimony throughout the focus groups, it is clear that the financial knowledge the respondents gained came from many sources and at different times throughout their lives. The levels of basic and sophisticated financial literacy revealed by the results of the questionnaire, however, suggest that the respondents succeeded in acquiring financial knowledge to varying degrees. The extent of the financial literacy of the focus group participants is illustrated in Table 4.4, which shows the percentage of people who correctly answered all or fewer questions correctly.

Table 4.4. Financial Literacy Items Answered Correctly

Basic Financial Literacy Items	**N**	**%**
• All 5 answered correctly	18	45.0
• 4 answered correctly	11	27.5
• 3 answered correctly	3	7.5
• 2 answered correctly	6	15.0
• 1 answered correctly	2	5.0
• none answered correctly	0	0
Sophisticated Financial Literacy Items		
• All 8 answered correctly	11	27.5
• 7 answered correctly	12	30.0
• 6 answered correctly	9	22.5
• 5 answered correctly	3	7.5
• 4 answered correctly	4	10.0
• 3 answered correctly	0	0
• 2 answered correctly	1	2.5
• 1 answered correctly	0	0
• none answered correctly	0	0

An impressive 45% of respondents correctly answered all the basic financial literacy questions followed by 27.5% who had four out of the five questions correct. Based on these results, it is fair to say that almost three-quarters or 72.5% are reasonably literate at the basic level. In the case of the more advanced set of questions, the results are heavily distributed across the top three categories with 27.5% answering all eight questions correctly followed by 30% scoring seven and 22.5% posting six correct answers. Based on these results, it appears that 80% of the respondents have a reasonable degree of sophisticated financial literacy.

Table 4.5. Responses to Financial Action Items

Questions	Responses	N	%
Budgeting			
• Did you ever set up a budget for your daily life?	Yes	26	65.0
• Did you adhere to your budget?	Always	6	15.0
	Mostly	19	47.5
	Rarely	3	7.5
	Never	2	5.0
Saving			
• Did you ever set aside a rainy day fund?	Yes	29	72.5
• Did you set up and contribute to a retirement account such as an IRA, Keogh, SEP or bank deposit account not provided by an employer?	Yes	31	77.5
Borrowing			
• When you borrowed for a car, home, or other purpose, did you shop around for the best interest rates?	Always	19	47.5
	Mostly	7	17.5
	Rarely	5	12.5
	Never	4	10.0
• Do you pay your bills (e.g., credit cards) on or ahead of time to avoid finance charges?	Always	34	85.0
	Mostly	3	7.5
	Rarely	1	2.5
	Never	0	0
Investing			
• Did you regularly contribute to an employer provided retirement program such as a 401(k)?	Yes	25	62.5
• Did you establish, maintain, and invest in a private securities portfolio of your own?	Yes	30	75.0

The responses to the financial action section of the questionnaire, detailed in Table 4.5, reinforced the focus group responses and manifested the prudent approach that these successfully retired people took to be financially secure in their retirements. Of the 40 respondents who answered the questionnaire, 65% had set up budgets and more than 60% either always (15%) or mostly (47.5%) adhered to them. It may be a reflection of their averred frugality and memories of the Great Depression that 72.5% had set aside a rainy day fund and 77.5% had set up and funded non-employer provided retirement accounts. As for owing money, 47% always and 17.5% mostly looked for the best interest rates when borrowing; one respondent claimed to pay cash and, therefore, did not bother shopping for interest rates. The respondents' aversion to carrying debt is highlighted by the fact that 85% of them always paid their bills before finance charges accrued. In the investment category, 62.5% contributed to an employer provided retirement program; however, this percentage should be viewed with some caution because it was evident during the focus groups that some had been self-employed while others were retirees who did not have to pay into an employer sponsored retirement system. Military retirees from this age group, for example, are defined benefit pension beneficiaries whose retirement was completely funded by the government. Perhaps even more demonstrative of the respondents' dedication and action to achieving and maintaining a financially advantageous position in retirement is the fact that 77.5% had set up and funded a retirement account not provided by an employer and 75% had invested in a private securities portfolio of their own.

Perspectives on Reality

Lives Lived

It is valuable at this point to identify and describe the generations from which the respondents came. As evident from the age of the focus group participants, all were born and grew up during periods that suffered through cataclysmic world events including the Great Depression and two world wars. The cultural environment and financial milieu in which they came of age clearly affected their thinking, perspectives, and actions relating to financial matters as manifested by their responses. Carlson (2009, p. 3), writing for the Population Reference Bureau, described the generations represented by the respondents in this study:

> The Good Warriors (born from 1909 through 1928, median member born in 1918) were called the Greatest Generation by Tom Brokaw in 1998. They fought in World War II

> and led all other generations in blue-collar jobs and union membership. They and the Lucky Few were the most native-born generations in U.S. history.
>
> The Lucky Few (born from 1929 through 1945, median member born in 1937) had the smallest share of immigrants of any generation in the century, and were the first generation in U.S. history with fewer people than the preceding generation. Many educated Lucky Few men skipped blue-collar jobs for white-collar careers. Their military service came mostly during peacetime rather than wartime. Lucky Few women married earlier than any other generation in U.S. history.

The generation that is currently retiring or approaching retirement is described by Carlson (2009, p. 3) as well:

> The Baby Boomers (born from 1946 through 1964, median member born in 1955) nearly doubled the number of people in the Lucky Few to become the largest generation of the century. While baby-boomer men had problems finding jobs, women in this generation nearly matched men in education and made great strides in the career world.

Tapestry of Life

Throughout the focus groups, subjects and comments were intertwined to the extent that a rich tapestry of thought was produced. Each thread ran into another and, although individually distinguishable, often was not separable from others. In short, each of the focus groups engaged in general discussions that touched on multiple topics in the course of addressing and answering individual questions. What ultimately emerged from the many responses and general discussion conversations was a picture of how the group members saw and see the cultural and social aspects of the world, their generation, follow-on generations, and achieving financial security in an ever-changing global society. The substantive codes here are criticism, differences, advantages, benefit erosion, and the part luck plays in life. Here is how one participant set the stage:

- Group 5 (M-male): “You know, it strikes me what you are probably hearing from us or maybe you’re not is somehow the need to instill in people as they are beginning their lives to look toward the distant future, not just the end of the month.”

Criticism. Perhaps criticism of children and grandchildren by their elders is a timeless fact of life and to be expected. It was no different in the focus groups involved in this study. Most of the comments revolved around the participants’ perception that the follow-on

generations are afflicted by a modern desire for immediate gratification and the lack of appreciation for the value of saving and living within one's means. The following three comments are illustrative and encapsulate the critical sentiments expressed by the groups:

- Group 1 (R-male): "There is no question that in today's world there are a difference in what people consider necessary. And I think that if there was a way to let people know that what they feel is necessary may not be."
- Group 2 (V-female): "I think the difference between this generation and our generation, we crawled before we walked, they get up wanting to run right away, they aren't used to living the way we did, start out living in an attic room for an apartment, and had it very, very rough but they want a nice home to start with, they want everything today and they are not used to working for what they wanted."
- Group 6 (H-male): "It has been said, our generation grew up during the Depression. I think that made a substantial difference to our children's growing up. I think all of us became very conscious of the need for reducing expenditures and saving. And there isn't that importance to our kids."

Differences. However, while railing against the younger generations' lack of sobriety in conducting their financial affairs, the respondents were not unaware of how life has changed. Rabinowitz (2011) succinctly encapsulated the concept advanced by the focus group respondents who were quite realistic in acknowledging that the world has moved on and that the lives of their descendants are quite different:

> As tempting as it may be to draw parallels between the Great Depression and the Crash of 2008, we have to remember that the world of today is radically different than the world of the 1930s. In comparing the US economy of the 1930s to today, there are substantial differences in everything -- from what people wear, to what people eat, to how people get to work. (para 3)

Therefore, the respondents sometimes tempered their criticism and advice with a nod toward the fact that the world is a different place from the one in which they grew up:

- Group 2 (G-male): "And we need to realize that you know, even though we think differently about the generation we're observing now, the situations are different and they have a lot of technology at their disposal . . ."

- Group 4 (A-female): "They live in a different world than we lived in."

Advantages. The sobriquets "the good warriors" and the "lucky few" reported by Carlson (2009, p. 3) for the generations in this study may not be too far off the mark in terms of accurately describing them. Throughout the conduct of the focus groups, it was clear that the respondents forged ahead and overcame the challenges they faced. However, by their own admission, they had the advantage of financial safety nets such as defined benefit pensions that are rapidly disappearing from the financial landscape in America.

- Group 1 (K-male): "I was lucky to be employed by one of the world's largest oil companies. I had a secure job, but . . . I would've never hired that company that to manage my money when I retired. And I wouldn't have diversified if I knew better. If I did not diversify, I would have twice as much money now, as I would've, as I do now."
- Group 3 (L-male): "I don't really think that at this point that I would've done anything differently, I was fortunate to work for companies who had pension plans and obviously wise investment did enter into the picture."
- Group 6 (F-male): "I was fortunate to be in a good pension plan and fortunate to make a lot of money on a house."
- Group 6/1 (J-male): "I would say my case was a matter of good luck. Like others here, I was born at the right time. Came onto the job market as the American economy was taking off. Left it before the pensions were dismantled. Worked for a company that had profit sharing plan that was very helpful. And all of those things came together very nicely."

Benefit Erosion. Cognizant of the advantages from which they benefited, the focus group respondents worried about the disappearance of some of them for the upcoming generations.

- Group 3 (I-male): "People are either losing the value of their retirement benefit or they're losing it entirely. And even public (garbled) employees, some of the cities . . . some of the public employees are losing their retirement. Some of these places,

Detroit, etc. are going bankrupt. So we're fortunate that so far they've kept the promises of our retirements, right?"

- Group 3 (L-male): ". . . the greatest challenge to our young people today was not necessarily the challenge, financial challenge that we faced in our time of employment because we did have some stabilized employment, some stabilized retirement programs, some stabilized company contributions to savings, things like that. These factors are not present anymore to our younger employees. And so they're encouraging personal savings, encouraging personal retirement programs of any sort as a necessity."
- Group 5 (W-male): "Well, I think we have to realize that for the people who are 60 and 65 now who have worked in industry, some of their retirement plans are no longer in existence."
- Group 6 (J-male): ". . . a point that's undoubtedly occurred to you and that is that many of the benefits this generation has had will not be available to the next one. I depended mainly on luck and I don't think that would be a wise choice for anyone coming along now. This generation, the generation of our grandchildren is going to do, I have no idea."

Luck. The concept of luck and the part it played in the respondents' lives loomed large throughout the focus group discussions.

- Group 3 (N-male): "I don't think I would do anything differently. I feel as though we all were, were lucky during our lifetimes."
- Group 4/3 (A-female): "Some of it is being in the right place at the right time."
- Group 5/2 (F-male): "So I played the market and I had some losses, of course, but I was also lucky in things that I didn't have losses on. But I learned from my losses and I've just been lucky. You know, everyone talks a good game, but there's a lot of luck involved."

Advice for Future Generations

Face Life

By the end of each focus group, it seemed apparent that the participants felt they had achieved a financially secure retirement and were satisfied with the pathways they took to do so. All of the responses and the general discussions eventually flowed into responding to the query of how this group of retirees would advise future generations on replicating their success. In short, they would be answering the probing question: "How would you advise your children and grandchildren on retiring financially?" posed at the end of the focus group script. The advice that the focus group participants would impart to successor generations is multifaceted and complicated. The substantive code words associated with the general discussion segment, as well as the rest of the focus groups' responses include trajectory of life, apprehension, action as exemplar advice, tried and true, and uncertainty despite having knowledge in the face of luck.

Trajectory of Life. First, they realized that some younger people may not have retirement in mind and acknowledged the trajectory of life that included work and family that all generations have faced:

- Group 4 (T-male): "I don't think that younger people really start to think about retirement until they're perhaps in their late 40s. Worrying about retirement and having it as a direction, a comfortable retirement, when I was younger in my 20s say or 30s, I wasn't too concerned about that. At that point I would live forever."
- Group 6/3 (R-male): "Busy in the mid-years, kids, college and all that. But I understood that you mustn't over spend . . . And it ended up together with the fact that we were all lucky enough that the value of our houses kept appreciating, we really had nothing to do with that. But putting it all together it ended up that we could afford to have a secure retirement."

Apprehension. Writing for Forbes, Worstall (2012, p. 1) said, "The parallels between the Great Recession we're suffering through now and the Great Depression pre WWII are rather closer than many seem to think." It may have been memories of those post Great Depression days, often mentioned throughout the focus groups, that contributed to the concerned thinking

exhibited by the respondents. Coupled with an understanding of life's realities was a mixture of apprehension, even fear, of what the future might bring that undergirded their advice:

- Group 3 (I-male): "We are a fortunate generation, I think, for when we grew up. My advice to the next generation don't, don't be in this . . . the generation they're in. I don't know what they're gonna do."
- Group 3 (N-male): "But, I feel sorry for my children and young people today because I don't think they're going to have it nearly as well off as we had it. I think it is a scarier time in international diplomacy. And I think we are in for a lot of trouble in the future."
- Group 1 (K-male): "So, you're talking about survival and planning for retirement in a very different kind of world. And that's, I'm not prepared to look forward to say what the world will be like 10 years from now or 20 years from now. All I know is that if you are going to plan for retirement, start early and save early and I think that is a truism that will hold true no matter what."

Active Advice. While many respondents performed what they saw as their parental duty to raise and educate their children, some took actions to reinforce their beliefs in how to achieve financial security based on their own experiences. Rather than merely advising or instructing their children and grandchildren, they acted in ways that provided examples of what to do or, indeed, to teach them about finance in very real and direct ways such as acting as a bank for their descendants and charging them interest for monies loaned.

- Group 5/General (F-male): "Well, I don't have to advise them. Already, since we moved in here, our 3 children think we're brilliant. And it has taken so much off their shoulders to begin with and they have peace of mind now. They, they both knew that my wife's parents and my parents needed help down at the end of the . . . you know, they became ill and it's a big drain on the family not financially so much as it is just emotionally and ruining your whole way of life so that you can take care of them in some way. And so our children are thrilled with the fact that we're here because it has taken, as I say they have peace of mind."
- Group 2/4 (V-female): ". . . I finally cut all the grandchildren off. Wouldn't loan them any money except through their fathers, or you know through their, my children.

If they needed it bad enough, for their parents to borrow it from me to loan 'em and be responsible, OK, but I would not loan any of 'em because you're enabling 'em. Another thing I did with all of my children . . . and my, I stopped loaning to the grandchildren, all my children, I loaned them money with interest, so that it would teach them a lesson."

Tried and True. Echoing the ideas promulgated throughout the sessions, the groups were advising those following to adhere to the tried and true methods of wealth accumulation for a financially secure retirement by living below one's means, planning early, and saving early. They also noted that while being knowledgeable is good, luck has much to do with ultimately being successful.

- Group 2 (E-female): "Unless one is particularly well-versed in making money on the stock market, the average person, surely only does make money over the long haul by living below one's means, I mean is there any other way to do it?"
- Group 1/3 (K-male): **"**So I don't know how much, how valid some of things we're saying will be for future generations except for one thing . . . that planning for retirement early is critical and reviewing your plans on a regular basis, I think, is also critical. I know that the best advice that we had which was you know, if you don't have it up front to spend, you get used to living without it and it works very nicely for you, is true."

Knowledge and Luck Are No Guarantees. Despite the advice offered by the respondents, they noted that life is full of uncertainty and that just being knowledgeable is not enough because nobody has total control of anything and luck plays an important part in everything.

- Group 2 (E-female): "I mean that's rather horrible to say that but I do think, having knowledge, just knowing stuff, isn't gonna help you prepare financially to retire."
- Group 5/3 (F-male): "I mean I was lucky. Again luck comes into so much of all this, I don't care how you look at anything. And I don't think any of us have that control that we try to think we do. I was just lucky."

Earn, Risk, and Beware

The upshot of the advice that the respondents were dispensing perhaps may best be characterized by three concepts: earn your money, risk it wisely, and beware of luck. The first was embodied in the 1980s commercials for the Wall Street firm of Smith Barney in which British actor John Houseman, obviously representative of the generations participating in this study, intoned the tagline: "They make money the old-fashioned way. They earn it." (De La Merced, 2012; Osterland, 2012) The follow-on generations should "earn" their money not only by working for it, but also by living below their means and saving it.

The second revolves around being aware of life's risks. The attitude toward the risks of investing can be best described by the reaction, arguably of all investors, to the disclaimer that accompanies securities offerings. Emiko Jaffe's (2010) blog comment is illustrative of the reaction:

> When I initially read the prospectus for my mutual fund, it reported historically high rates of return. I was a touch disappointed when I encountered the disclaimer *past performance does not guarantee future results*. I like guarantees. I want all of the benefits and none of the risk.

CNNMoney (2014, Disclaimer section, para. 3) highlights the part risk plays for all investments in their advice to the investing public: "All investors are advised to conduct their own independent research into individual stocks before making a purchase decision. In addition, investors are advised that past stock performance is no guarantee of future price appreciation."

Audaces fortuna iuvat (Fortune favors the bold) is the third concept, albeit in the context of saving and investing. Although John Houseman was a credible surrogate for the generations participating in this study by representing their belief in hard work, research, and acquisition of knowledge pursuant to investing, he did not mention the role of luck (Houseman, 1979). If indeed *Fortuna*, the Roman goddess of luck, does favor the bold, she can just as quickly abandon them.

In short, no matter how knowledgeable one is and how much planning one does, the focus group respondents say, luck or fortune always plays a part in shaping the final result of one's financial well-being. Luck or good fortune were mentioned often as having a significant impact on the lives, both financial and otherwise, of the focus group participants. They clearly respected luck's influence on their lives and did not discount its importance. Ultimately, their

advice is that you should plan early and be bold in your saving and in your investing, but be aware of the vicissitudes of luck, fortune, and chance.

CHAPTER V
SUMMARY, CONCLUSIONS, ANALOGY, IMPLICATIONS, AND RECOMMENDATIONS

Summary

This study was an examination of how retirees in two continuing care retirement communities successfully achieved financially secure retirements to the extent that they could live in those upscale communities. The questions that drove the study dealt with the actions they took to prepare for retirement, how they acquired the knowledge they used in so preparing, the challenges they faced and how they dealt with them, and what they might have done differently if they had the chance to go back and relive the past. In the course of answering those four questions, the advice they would give to follow-on generations about achieving a similar state of financial security also emerged from the focus groups.

Throughout the conduct of the study, it became clear that the focus group respondents came from two generational cohorts, the “Good Warriors” and the “Lucky Few,” who were born and came of age during very trying periods of American, indeed, world history. Those generations lived in times that featured significant events such as the Great Depression and its aftermath that colored their thinking and actions. The concepts of frugality, doing without, saving, and delayed gratification were inculcated in them from an early age either directly by their parents or simply by observation of how their parents and others conducted their affairs. These ideas loomed large in their collective psyche and shaped their living habits and attitudes toward money.

The actions they took were in keeping with their conservative outlook on money. The results of the financial literacy and action questionnaire revealed that the study participants were planners with more than 55% of the men and 33% of the women having started planning for their retirement by their thirties. Impressive percentages of the focus group respondents budgeted (65%), saved (77.5% contributed to retirement accounts not provided by an employer), invested in their own private securities portfolios (75%), and were wary of borrowing (85% paid their bills on or ahead of time to sidestep finance charges).

They reported acquiring their literacy in financial matters through many different sources in addition to their parents and spouses. Some credited their financial education to “osmosis,”

and many others to a combination of various sources including experience, education, consultation with financial professionals, and learning from reading financially oriented publications. No one source was singled out as the most significant source, but time appeared to be a factor in the gaining of financial literacy. They became financially literate over time.

The respondents weathered all the normal challenges of life including raising a family, dealing with health issues, undergoing job changes, suffering job losses, and enduring market fluctuations as they progressed toward their successful retirement. Counterbalancing the challenges, education and real estate often surfaced in the course of the focus groups as positive factors. The veterans typically credited the GI Bill for enabling them to advance their educations. Many of the participants, both veterans and those who had not served in the military, expressed gratitude for their educations which helped inform their financial acumen. Real estate value appreciation was cited by several respondents as having helped them realize their ability to live in comfortable retirement. Overall, the participants felt very lucky not only to be residing in their current retirement communities, but also in terms of how life worked out for them. Other than for some minor regrets for opportunities lost and some mistakes made, many declared that they would not have done anything differently if given the chance to relive their lives.

The study participants were critical of the follow-on generations and decried their penchant for immediate gratification and lack of appreciation of the value of saving and living within one's means. Nonetheless, they were aware that the world in which their descendants are living is different from the one in which they grew up. Although they often emphasized growing up in hard times, they also realized that they enjoyed advantages such as stable employment and defined benefit pensions that apparently are no longer considered standard. The advice that these financially secure retirees offered to younger generations is that they should embrace and practice the tried and true methods of wealth accumulation by living below one's means, planning early, and saving early. They also noted that while being knowledgeable is desirable, luck has much to do with ultimately being successful in the quest for a financially secure retirement.

Conclusions

The primary research question **"What did successfully retired people actually do to achieve a financially secure retirement?"** was answered by analyzing the results of six focus

groups of financially successful retirees who completed a financial literacy and action questionnaire and shared their experiences in preparing for retirement by answering four questions posed in the focus groups:

- What actions did they take to prepare for a financially secure retirement?
- How did they acquire the financial knowledge they may have used to prepare for a financially secure retirement?
- What challenges did they face and how did they deal with them?
- What might they have done differently?

The study’s results indicated that participants:

- Planned, budgeted, saved, invested, and were careful about borrowing.
- Acquired financial knowledge from many sources over time.
- Faced and weathered the normal challenges of life.
- Would not have done very much differently, if they had to live their lives over again.

Furthermore, the study addressed whether the end result of the relationship between financial literacy and planning for retirement is a financially secure retirement. If so, then an overwhelming majority of any group of financially secure retirees should have actively planned for retirement. In order to determine if that was the case, focus groups comprised of retirees who appeared to have a very successful and financially comfortable retirement were constituted for the study. The participants were tested to determine their level of financial literacy and asked if they had planned for retirement and what actions they took to implement that planning.

A number of studies including those conducted by van Rooij et al. (2012) had shown a positive relationship between financial literacy and planning for retirement. In terms of financial literacy, out of 40 respondents to the financial literacy section of this study’s questionnaire, 45% answered all the basic questions correctly and 27.5% got all the advanced questions right. The remaining respondents were spread across a spectrum of financial literacy, albeit more heavily clustered toward the literate.

Of the 30 participants who responded directly to the planning age question in the financial literacy and action questionnaire, all had planned for retirement at some point in their lives. More importantly, 39% of the men and 8% of the women had started planning for

retirement in their twenties with an additional 16% of the males and 25% of the females planning in their thirties. They planned early enough in their working lives so that quite a financial difference could be realized by the time they retired if their planned actions were successful. Not only were the participants financially literate, they were planners.

However, while this study showed that the planners were financially literate, it does not necessarily support the idea that financial literacy preceded financial planning. Based on the testimony of the focus group participants, becoming financially literate and planning for retirement were dynamic processes that were not discrete with financial literacy leading to retirement planning. Indeed, it appears that the acquisition of financial literacy was an ongoing process throughout their lives and probably occurred in tandem with their planning.

Although the results of this study suggest that financial literacy and planning may have a positive impact on achieving a financially secure retirement, they do not necessarily prove that financial literacy leads to retirement planning that culminates in a financially secure retirement. It is clear from the focus groups that many benefitted from living in an era when steady employment ending with the proverbial "gold watch and a pension" at retirement was the norm. In that world, the employer took responsibility for managing investments to produce an annuity for retired employees. Therefore, employee financial literacy might be viewed as optional if not extraneous in those circumstances because workers were not included in the planning or investing process to produce pension income. The respondents acknowledged that the safety net of defined benefit plans is becoming extinct as Sammer (2012, p. 31), writing for the Society for Human Resource Management (SHRM), said, "The story of traditional defined benefit pension plans is one of slow but steady decline." Including pensioners enjoying the fruits of financial planning and actions over which they had no control, focus group participants also noted other factors such as world events, self-control, and luck that influenced the realization of retirements that are financially secure.

Ultimately, the advice that the respondents offered to succeeding generations can be distilled into three components: first, make your money the old-fashioned way - by earning it; second, plan, save and invest; and third, be aware of the part luck plays in life. The participants lived their lives in accordance with those precepts and succeeded despite numerous hardships and challenges growing up, working, and raising their own families. In fact, many did not think about retirement until later in life, but the milieu in which they matured instilled them with the

mentality represented by the first two components with the third, luck, capriciously entering their lives of its own accord. The lessons that can be drawn from this study are that people should adopt a life style that is in keeping with their income, become financially literate so as to plan, save, and invest wisely, and be prepared for the unannounced arrival of fortune and its opposite number, misfortune, as they progress towards a financially secure retirement.

Prior studies contained an implicit assumption that financial planning for retirement leads to a financially successful retirement. Although this is arguably a reasonable assumption, it has not been clearly demonstrated by this study. Still lacking is explicit knowledge about the actual results of such planning for retirement. Despite the fact that this study's participants were planners with large percentages acting in financially beneficial ways, it cannot be said that their financial literacy and planning were the sole or even the primary causes of their financially secure retirements.

Analogy

"May you live in interesting times" is supposedly an ancient Chinese proverb that is considered a curse. The opposite idea is that it would be a blessing for people to live in times that are not "interesting," that is to say when there are no problems or conflicts with which to contend. Although that story may be apocryphal, the reality is that everyone lives in a world that is routinely beset by issues and crises of varying origins that affect their financial security. Periods of prosperity often are followed by times that are sometimes quite parlous if not truly dire. In the case of this study's generations, they were affected by the results of the Great Depression. That economic disaster followed on the heels of the "roaring twenties," a time of prosperity and good times after World War I. So too, in the present day, the Great Recession came after the prosperous nineties and the end of the Cold War. Berliner (2012, p. 1) reported that "the economic expansion of the 1990s was the longest in recorded American history."

"*Laissez les bons temps rouler*," might well have been the motto of people enjoying the prosperity and, indeed, the frivolity of the twenties and the nineties. Folks who grew up during those prosperous times "let the good times roll" without perhaps expecting them to end. The veterans of the Great Depression as represented by this study's focus group participants, however, likely knew better and offered their advice to follow-on generations while looking through the lens of experience that has witnessed both good and bad financial times.

Perhaps the strategies and actions surrounding the game of roulette are analogous to the counsel the focus group participants are imparting to future generations. Roulette is a game of chance that is seductively elegant in its complex simplicity. The game is simple in that after every spin of the wheel there are winners and losers. The complexity of the game is found in the many strategies that can be employed to enhance the player's chances of winning. There are numerous number combinations on which a player may wager that will yield a win if just one of the numbers comes up. If numbers were replaced with saving and investment opportunities such as certificates of deposit and different stocks, bonds, commodities, or real estate, then one can discern the similarity between roulette and financial activities. Which strategy a player chooses to employ in roulette is the equivalent of financial planning. The difference between roulette and preparing for financial retirement is time; in the case of the former, there is near instant gratification or disappointment, but for the latter, a win or a loss may not be realized until much later in life. In both cases, however, *Fortuna* has a part to play in determining the final outcome.

Implications

The pathways that the focus group respondents took to their current state of secure financial retirement suggest that future generations can achieve the same safe and satisfactory retirements that these representatives of the "Good Warriors" and "Lucky Few" generations enjoy. Despite living in "interesting times" that included the Great Depression, wars, and other forms of social upheaval, they continued on with their lives while holding fast to the culturally ingrained lessons of hard work and thrift in which they believed. For many of these financially secure retirees, they may have witnessed their last spin of the roulette wheel and are heeding the croupier's announcement "*rien ne va plus*." Indeed, "no more bets" makes sense for them for they have already won their financially secure retirement.

Yet the game goes on for those who aspire to reach that happy state, but the financial landscape has changed for the retiring "Baby Boomers" and those to follow. The uncertainty of Social Security's financial sustainability, the rapid disappearance of defined benefit pensions, and the low American savings rate are all cause for concern and suggest that those who wish to achieve a financially secure retirement should start planning immediately. That planning must, perforce, accept the privatization of risk as individuals are now more and more responsible for their own financial security. Given that, it appears that wise, prospective retirees would acquire

as much financial literacy as quickly and as early as possible to inform their saving and investing for retirement.

Such action, however, is predicated on the assumption that those close to retirement as well as those who are just starting out on their careers are willing to accept the cultural implications of proactively engaging in retirement preparation. Specifically, that means embracing the tried and true methods of living below one's means, planning early, and saving early. Whether the Great Recession of 2007-2009 and its aftermath, including devaluation of real estate, have had the same sobering effect on the "Baby Boomers" and their descendants as the Great Depression had on their forbears remains to be seen.

Nonetheless, despite the Great Recession with its attendant private wealth and job losses, it still is possible for the "Baby Boomer" generation and following generations to eventually retire in a financially secure state. The implications of this study affect society from personal, educational, and public policy perspectives. Based on those implications, recommendations for practice and further research to illuminate the path to a financially secure retirement are offered.

Recommendations for Practice

Personal

The personal implications of this study are manifest especially in view of job losses and constrained corporate employment opportunities coupled with the ongoing disappearance of defined benefit plans. This combination of circumstances suggests that many erstwhile corporate employees will be on their own, possibly making a living as sole proprietors of small enterprises operating within a cottage industry environment *sans* the protective corporate umbrella of yesteryear. In the past, many enjoyed numerous benefits that were of significant monetary value such as subsidized health care, life insurance, and the like under the aegis of a large employer. Now, some individuals may find themselves not only without such assistance, but totally responsible for their own retirements. As for those lucky enough to be employed by corporate entities with benefits, they are faced with decisions as to where they should invest their funds in defined contribution plans. No longer does the employer exercise paternalistic sway over what investments are made for employee retirement or take responsibility for the results of employee-selected investments. This gives rise to the notion that becoming financially literate is all the more important now than ever before and is in keeping with Clark and d'Ambrosio's (2002)

conclusion that defined contribution plans have "placed increased responsibility on many individuals to set retirement goals and decide how to save sufficient funds to achieve these goals" (p. 3).

As Lusardi and Mitchell (2011b) noted, "One reason people fail to plan for retirement or do so unsuccessfully, may be because they are financially illiterate" (p. 30). Understanding concepts such as the time value of money and the effects of compound interest on funds saved and invested would be helpful to people projecting possible future retirement income. Clearly, the logical recommendation for individuals is to become financially literate so that they can plan properly for a secure retirement. This can be accomplished as demonstrated by the participants in this study through education, consultations with financial professionals, staying abreast of financial matters through publications, and learning through personal experience and that of others such as friends and relatives. In short, the recommendation here is for everyone to actively learn as well as soak in via osmosis, if necessary, everything possible relative to achieving a secure financial retirement. As was the case for this study's participants, it is a lifelong learning process.

Education

Hershey and Mowen (2000) found financial knowledge is a significant predictor of pre-retirement planning. While it is easy to suggest and urge that individuals become financially literate so that they can better plan for retirement, as the results of this study imply, it is something else altogether to make a financially literate populace a reality. Education is the obvious way to enable such a result. Education in this context encompasses programs that should be offered not only by academic institutions, but also by employers and government.

Questioning the provision of education or literacy of any sort often is viewed as tantamount to attacking "Mom and apple pie." However, the sheer volume of material and the complexity of what needs to be learned to guide one's financial plans and actions can be overwhelming for the average person. Perhaps more frightening for an individual is the prospect of having to make one's own investment decisions and being obliged to live with the results. Thus, although self-education to achieve financial literacy is highly recommended, it probably is not enough. Indeed, another recommendation coming out of this study's implications is that it is important for society's institutions to help in dispensing financial instruction to enhance financial

literacy. Bloch (2011, Getting Through section, para. 3) sums up the recommendation very nicely.

> For some, reading or getting informed on their own is a problem of time and effort, but the material could be included in classes at school, university and various forms of continuing education. Similarly, banks and brokers can be encouraged or even compelled to provide some form of educational function to their clients. In principle, there could be check lists of basic issues on which clients must be duly informed, before they invest.

That Joo and Grable (2005) found that people who had received workplace-provided financial education were more likely to have a retirement savings program is testament to the effectiveness of education. Such education provided to working adults might be rendered more effective and relevant if basic financial literacy was part of higher education curricula much as English and mathematics are required general education courses leading to a college degree. Providing the basics of finance at this level presumably would allow greater appreciation and understanding of financial education acquired via adult learning later in life through academic programs, employer-provided instruction, and lifelong self-study. From an adult education perspective, this study's results do not so much flow into a recommendation for how financial education programs should be crafted or delivered, but that basic financial education must be provided to all adults. One societal responsibility not only of adult education practitioners, but of all educators, therefore, is to ensure that the nation's population is financially literate. The recommendation emanating from this study, therefore, is that educators must examine ways of incorporating financial literacy into any curricula and programs that they administer and deliver.

Public Policy

It is in the best interest of society to have a population of self-sufficient retirees rather than one that is dependent on the non-retired elements of society for support in their old age. The Retirement Industry Trust Association's (2013) prediction that almost 20% of Americans will be 65 or older by 2030 should be sufficient incentive to consider effective ways to educate future retirees on how to plan and act financially in order to retire comfortably. However, the amount and depth of knowledge needed to manage finances through life culminating in a financially secure retirement is daunting.

The pervasive need for financial literacy on a national scale cannot be adequately addressed by academic institutions, employers, and individuals alone. Government needs to help

educate the citizenry. Government assistance comes in two forms, programs and legislation. In terms of programs, Social Security is an obvious example that not only provides actual monetary assistance, but financial education as well. Another is the Financial Literacy and Education Commission (FLEC) and its programs. Both, of course, were established through legislation passed to address perceived national needs. The recommendation to further legislate in favor of inculcating financial literacy in the population is inspired by this study's results featuring secure financial retirements vis-à-vis the prospect of numerous indigent seniors reliant on a society that is itself aging to the point where the ability to support them may be problematic. In this regard, the idea of starting financial literacy education earlier than adulthood is most appealing and recommended. Bloch (2011, Getting Through section, para. 2) provides an excellent summation of the recommendation.

> The answer surely lies in extending the educational processes to which "almost all" are subject to the main financial issues. The broad masses need to take "Investment 101", truly understand it, and apply it consistently to their own money. This could be done simply and painlessly at high school.

Making financial literacy a national high school graduation requirement requires legislation. This recommendation suggests that all educators advocate for such legislation.

Recommendations for Research

While it was a pleasure to conduct this study, it does have its limitations. All focus group participants were Caucasian, living in two continuing care retirement communities that were affiliated with Christian churches. The absence of racial and ethnic minorities was due to the fact that approximately a dozen non-Caucasians in total were resident in the communities and not all of those were eligible or volunteered to participate in the study. However, residency at the two communities did not require being a member of either church and was therefore, non-denominational. Future research might be conducted with racial and ethnic minorities to further enrich understanding of financial literacy and actions leading to a financially secure retirement.

The study participants came from all walks of life, therefore, the focus groups were not made up of affinity groups such as all military or all physician retirees. The group participants had achieved varying levels of education as well, from holding a high school diploma to others having earned a doctorate. There were a number of military retirees with pensions from the

armed services and others with defined benefit pensions from the government and the private sector. There also were those who retired from self-employment and others benefitting from the pensions of their deceased spouses. Additional research might be conducted to examine how affinity groups, such as retired members of the legal profession or those who hold a baccalaureate degree in history, achieved a successful, secure financial retirement.

This study focused on the successfully retired who were financially secure. It would be of value to study a group who are not successfully retired and who are financially insecure in their retirements. The results of such a study, asking the same questions and using the same instruments as used in this study, could help clarify the effects of financial literacy, planning, actions, and luck on successful, financially secure retirement.

As reported in this study, there has been much research on financial literacy affecting planning and actions, but whether the effects of literacy, planning, and actions result in success has yet to be established. Perhaps further research might be formulated to determine whether those who took a mandated financial literacy course in high school and those who did not both achieve financially secure retirements after planning and acting in accordance with what they learned. This, of course, would be a long term research project that would be complicated and costly to conduct and involve numerous variables that would have to be taken into consideration when the results are analyzed. However, this is the type of research that government can underwrite while mobilizing the education community's expertise to inform public policy on the efficacy of financially literate planning and actions in achieving secure financial retirements.

It is hoped that financial literacy will help everyone avoid becoming what Robert Burns (1785) immortalized as a "*Wee, sleekit, cow'rin, tim'rous beastie*" in the face of planning and acting to achieve a financially secure retirement. However, from the focus group results, it appears that in life there is only one guarantee and that is the only certainty is uncertainty. Perhaps most useful, therefore, would be additional research on whether financial literacy acquired early and applied to retirement planning is efficacious in achieving a financially secure retirement despite the negative effects of bad luck. Admittedly, such a study would be difficult to complete and perhaps the recommended long-term research involving cohorts starting with and without a high school mandated financial literacy program is the closest that researchers will be able to get for as Burns (1785) said: "*The best laid schemes o' mice an' men Gang aft a-gley.*"

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Appendix A

RECRUITMENT DOCUMENT

Virginia Tech Retirement Research Project

(Achieving a Financially Secure Retirement: A Retirement Community Case Study)

You are cordially invited to participate in a focus group and answer a short survey concerning achieving a financially secure retirement. The purpose of this academic research project is to gather information from retired people to help follow-on generations understand what they should know and what steps they might take to achieve a financially worry-free retirement. By participating in this project, you may get personal satisfaction from sharing your knowledge and society at large may benefit from your wisdom, experience, and lessons learned. For more information, please contact Francis H. Dong from Virginia Tech (the Virginia Polytechnic Institute and State University) by leaving your name and contact information for him at the (community) office, e-mailing fdong@vt.edu, or calling (703) 803-6779.

The focus groups will last approximately one-and-a-half hours. The dates for the focus groups will be:

Date:

Time:

Location:

Please feel free to encourage your friends and neighbors to participate. There will be no commercial solicitations or attempts to sell products of any sort to you. Thank you for your enthusiastic interest and anticipated cooperation.

Appendix B

FOCUS GROUP SCRIPT

Focus Group Script
Virginia Tech Retirement Research Project

(Achieving a Financially Secure Retirement: A Retirement Community Case Study)

Preparation

The room will be prepared with the following items at each of 10 places:
- A pen
- 2 copies of the consent form (one to be retained by the participant)
- A focus group questions worksheet
- 2 blank sheets of paper

Introduction

Good (morning, afternoon, evening) ladies and gentlemen. My name is Francis Dong and I am here to conduct some focus groups to answer the primary research question: "What did successfully retired people actually do to achieve a financially secure retirement?" Before we begin, however, we must adhere to university and government guidelines and have your voluntary permission to participate in this research. Therefore, please read the consent form in front of you and, if you choose to participate, sign and return one to me and keep the other for yourself.

[*Collect consent forms and ensure they are signed before proceeding.*]

Focus Group Procedure

Right, now let us get started. Please take a look at the first question on your focus group worksheet and jot down a few quick thoughts or an answer to it. This is just for yourself and will not be collected. I will then ask each of you in turn to give us your answer to the question. When everyone has had a chance to speak, we will have a general discussion. Please keep in mind that there are no right or wrong answers. We are just looking for your actual experience. Also, please be respectful of each other's opinions.

Good, the first question is: **What actions did you take to prepare for a financially secure retirement?**

[*Wait until all are finished before proceeding to ask each person in a counter-clockwise sequence to offer their thoughts on the question*]

So, starting on my right, would you please give us your first name and let us know what you did? [*Give each participant an opportunity to speak from their written notes and then proceed to general discussion using probe questions*]

Thank you for sharing your personal thoughts on this question, now let us open it up for general discussion.

[*Proceed with the discussion and guide it as necessary with the probe questions:*

- *Tell me, did you budget or save?*
- *How about investing, did you invest?*
- *What prompted you to get started to prepare for retirement?*
- *At what age did you start your financial planning for retirement?*]

That was very interesting, now let us address the second question: **How did you acquire the financial knowledge you may have used to prepare for a financially secure retirement?** Again, just as we did with the first question, please jot down a few quick thoughts or an answer to it on your worksheet.

[*Wait until all are finished before proceeding to ask each person, this time in a clockwise sequence to offer their thoughts on the question*]

Now, starting on my left, would you please give us your first name again and let us know how you answered?

[*Give each participant an opportunity to speak from their written notes and then proceed to general discussion using probe questions*]

Very much appreciate your sharing thoughts on this question, now let us open it up for general discussion.

[*Proceed with the discussion and guide it as necessary with the probe questions:*

- *Did you learn from your parents, school, or your employer(s)?*
- *Did you use financial professionals or learn from the school of "hard knocks"?*
- *What do you wish you knew before retiring, that you know now?*]

Thank you for the stimulating conversation, now let us address the third question: **What challenges did you face in preparing for a financially secure retirement and how did you deal with them?** As you did before, please write down your answer to this question on your worksheet.

[*Wait until all are finished before proceeding to ask each person, proceeding in a counter-clockwise sequence, to offer their thoughts on the question*]

Now, starting on my right, please state your first name again and let us know how you answered. [*Give each participant an opportunity to speak from their written notes and then proceed to general discussion using probe questions*]

Thank you; now let us open it up for general discussion.

[*Proceed with the discussion and guide it as necessary with the probe questions:*

- *Raising a family; job changes or job loss?*
- *Debt from borrowing (e.g., mortgages, car loans, tuition)?*
- *Bad investments?*]

That was very enlightening, now how about the final question: **If you could go back, what would you have done differently?** Please write your notes or answer on your worksheet.

[*Wait until all are finished before proceeding to ask each person, going clockwise, to offer their thoughts on the question*]

Now, starting on my left, please give us your first name again and tell us how you answered.

[*Give each participant an opportunity to speak from their written notes and then proceed to general discussion using probe questions*]

Thank you; now let us open it up for general discussion.

[*Proceed with the discussion and guide it as necessary with the probe questions:*

- *Are you satisfied with your retirement from a financial standpoint?*
- *Are you happy with the pathway towards financial retirement that you took?*
- *How would you advise your children and grandchildren on retiring financially?*]

This has been a very informative session. Before we pass out the questionnaire, does anyone have any additional comments or thoughts that they would like to share?

[*Give participants a chance to speak before proceeding to pass out the questionnaire*]

Thank you for those thoughts and comments. Now here is the short questionnaire we would like you to complete. Once you are done and have handed it in, you are free to leave. Again, thank you very much for participating in this research.

[*Collect the completed questionnaires from the participants and thank them individually as they leave*]

Appendix C

INFORMED CONSENT FORM

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
Informed Consent for Participants
in Research Projects Involving Human Subjects

Title of Project: Achieving a Financially Secure Retirement: A Retirement Community Case Study

Investigator(s):

Francis H. Dong (Doctoral Researcher) — fdong@vt.edu, (703) 803-6779

Linda E. Morris (Faculty Member) — lmorris@vt.edu, linda_morris11495@yahoo.com, (703) 244-4197 – Cellular, (757) 665-5101

I. Purpose of this Research Project

The purpose of this study is to help follow-on generations, including those nearing retirement as well as those who are just embarking on their careers, understand what they should know and what steps they might take to achieve a financially worry-free retirement. This is an academic research project aimed at gathering information from retired persons on what they did to achieve a financially secure retirement. It is expected that no more than 80 healthy members of this retirement community will be involved in focus groups and answer a short survey concerning achieving a financially secure retirement. The results of this study will be used for completion of a dissertation as well as possible publication in the future.

II. Procedures

Should you agree to participate, you will be asked to fulfill the following requirements of the study:

- Sign this consent form.
- Participate in a 90-minute audio-recorded focus group.
- Complete a 26-item Financial Literacy and Action Questionnaire/Demographic Information Form.

Your total time commitment will be no more than 2 hours. All activities will be held in a meeting room on the premises of this community; you will not be expected to do anything else after this session.

III. Risks

Your participation in this study is not expected to involve any risk to you. There will be no commercial solicitations or attempts to sell products of any sort to you. Participation in this project is entirely voluntary and you may decline to continue to participate at any time and leave the study.

IV. Benefits

No promise or guarantee of benefits has been made to encourage you to participate. However, you may get personal satisfaction from sharing your knowledge with follow-on generations. Society at large is expected to benefit from your wisdom, experience, and lessons learned on how to achieve a financially secure retirement from your participation and contributions to this study.

V. Extent of Anonymity and Confidentiality

A focus group number will be assigned to each focus group's audio-recording, Financial Literacy and Action Questionnaire/Demographic Information forms, and consent forms.

Audio recording is necessary to capture thoughts and opinions expressed in the focus groups regarding how to achieve a financially successful and secure retirement. The research team will listen to the audio- recordings and transcribe the data via computer to produce paper documents reflecting the information compiled. The research team will have access to the audio-recordings which will be destroyed no earlier than 3 years after completion of the doctoral dissertation (anticipated date of completion is June 30, 2014).

The focus groups recordings and other study materials will be maintained by the research team in a secure location accessible only to the research team for analysis; the focus group number list will be stored separately from the completed data documents. Neither the audio recordings nor the completed Financial Literacy and Action Questionnaire/Demographic Information forms will request or contain individual identifying information with the exception that focus group participants will have identified themselves - **by first name only** - in the course of the focus groups.

The Virginia Tech (VT) Institutional Review Board (IRB) may view the study’s data for auditing purposes. The IRB is responsible for the oversight of the protection of human subjects involved in research.

VI. Compensation

There is no compensation for your participation in this study.

VII. Subject's Consent

I voluntarily agree to participate in this study. I have the following responsibilities:

- Participate in a 90-minute audio-recorded focus group.
- Complete a 26-item Financial Literacy and Action Questionnaire/Demographic Information Form.

I have read the Consent Form and conditions of this project. I have had all my questions answered. I hereby acknowledge the above and give my voluntary consent:

____ Date__________

Subject signature

____

Subject printed name

VIII. Freedom to Withdraw

It is important for you to know that you are free to withdraw from this study at any time without penalty. You are free not to answer any questions that you choose or respond to what is being asked of you without penalty.

Please note that there may be circumstances under which the investigator may determine that a subject should not continue as a subject.

IX. Questions or Concerns

Should you have any questions about this study, you may contact one of the research investigators whose contact information is included at the beginning of this document.

Should you have any questions or concerns about the study’s conduct or your rights as a research subject, or need to report a research-related injury or event, you may contact the VT IRB Chair, Dr. David M. Moore at moored@vt.edu or (540) 231-4991.

Appendix D

FOCUS GROUP QUESTIONS - WORKSHEET

Focus Group Questions - Worksheet

Virginia Tech Retirement Research Project

(Achieving a Financially Secure Retirement: A Retirement Community Case Study)

The focus groups are being conducted to answer the primary research question: "What did successfully retired people actually do to achieve a financially secure retirement?" The following four questions will be posed to focus group participants for discussion:

1. What actions did you take to prepare for a financially secure retirement?
2. How did you acquire the financial knowledge you may have used to prepare for a financially secure retirement?
3. What challenges did you face in preparing for a financially secure retirement and how did you deal with them?
4. If you could go back, what would you have done differently?

You are asked to write down your thoughts on each question before the group discusses it. Everyone will have the opportunity to speak and offer their responses to each question before the floor is open for general discussion.

Appendix E

FINANCIAL LITERACY AND ACTION QUESTIONNAIRE/DEMOGRAPHIC INFORMATION

Financial Literacy and Action Questionnaire/Demographic Information
Virginia Tech Retirement Research Project
(Achieving a Financially Secure Retirement: A Retirement Community Case Study)

Directions: The following 13 questions represent various financial issues. Your answers, together with those from others in the focus groups, will provide a profile of overall financial literacy of the group. No individual answers will be reported, only group summaries. Please do not be concerned if you are not sure of the answer, but simply circle the answer that best represents your thinking.

Financial Literacy		
1	Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?	a. More than $102 b. Exactly $102 c. Less than $102 d. Don't Know
2	Suppose you had $100 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?	a. More than $200 b. Exactly $200 c. Less than $200 d. Don't Know
3	Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?	a. More than today b. Exactly the same c. Less than today d. Don't Know
4	Assume a friend inherits $10,000 today and his sibling inherits $10,000 3 years from now. Who is richer because of the inheritance?	a. My friend b. His sibling c. They are equally rich d. Don't Know
5	Suppose that in the year 2010, your income has doubled and prices of all goods have doubled too. In 2010, how much will you be able to buy with your income?	a. More than today b. The same c. Less than today d. Don't know
6	Which of the following statements describes the main function of the stock market?	a. The stock market helps to predict stock earnings b. The stock market results in an increase in the price of stocks c. The stock market brings people who want to buy stocks together with those who want to sell stocks d. None of the above e. Don't know

7	Which of the following statements is correct?	a. Once one invests in a mutual fund, one cannot withdraw the money in the first year b. Mutual funds can invest in several assets, for example invest in both stocks and bonds c. Mutual funds pay a guaranteed rate of return which depends on their past performance d. None of the above e. Don't know
8	If the interest rate falls, what should happen to bond prices?	a. Rise b. Fall c. Stay the same d. None of the above e. Don't Know
9	True or false? Buying a company stock usually provides a safer return than a stock mutual fund.	a. True b. False c. Don't Know
10	True or false? Stocks are normally riskier than bonds.	a. True b. False c. Don't Know
11	Considering a long time period (for example 10 or 20 years), which asset normally gives the highest return?	a. Savings accounts b. Bonds or c. Stocks d. Don't Know
12	Normally, which asset displays the highest fluctuations over time?	a. Savings accounts b. Bonds c. Stocks d. Don't Know
13	When an investor spreads his money among different assets, does the risk of losing money:	a. Increase b. Decrease c. Stay the same d. Don't know

Directions: The following questions refer to actions you may or may not have taken before you retired. There are no right or wrong answers. Please circle the response that best fits what you did. As before, only group responses will be reported and no individual answers will be shown.

Financial Action		
1	**Budgeting**	
1a	Did you ever set up a budget for your daily life?	a. Yes b. No
1b	Did you adhere to your budget?	a. Always b. Mostly c. Rarely d. Never
2	**Saving**	
2a	Did you ever set aside a rainy day fund?	a. Yes b. No c. Don't Know
2b	Did you set up and contribute to a retirement account such as an IRA, Keogh, SEP or bank deposit account not provided by an employer?	a. Yes b. No
3	**Borrowing**	
3a	When you borrowed for a car, home, or other purpose, did you shop around for the best interest rates?	a. Always b. Mostly c. Rarely d. Never
3b	Do you pay your bills (e.g., credit cards) on or ahead of time to avoid finance charges?	a. Always b. Mostly c. Rarely d. Never
4	**Investing**	
4a	Did you regularly contribute to an employer provided retirement program such as a 401(k)?	a. Yes b. No
4b	Did you establish, maintain, and invest in a private securities portfolio of your own?	a. Yes b. No

Directions: Almost done. Answers to the following few questions are needed to provide an overall profile of the participants in the focus groups. Again, only summary percentages in each category will be reported.

Demographic Information	
What is your gender?	_____ Male ______ Female
How old are you?	
At what age did you start planning for your retirement?	
What is your level of education?	_____ High school diploma _____ College degree _____ Master's degree _____ Doctorate _____ Other: _______________________
What is your current work status?	_____ Fully retired _____ Working part-time for pay _____ Working full-time for pay _____ Volunteering _____ Other: ________________________

Thank you very much for your assistance with this research project.