

A Look at Retirement Readiness: 2013

Survey of Income and Program Participation

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Issued January 2022

WP-105 SIPP

INTRODUCTION¹

Changing demographics within the United States indicate the American population, as a whole, is aging. In fact, it is estimated that by 2030, 1 in every 5 residents will be of retirement age.² This forecast emphasizes the need to continuously examine the retirement readiness of our already aging population.

In 2013, Baby Boomers were either retirement age or nearing it. By 2030, all Baby Boomers will be age 65 and over.

The oldest people in Generation X will reach retirement age in 2030. The youngest generation in the workforce in 2013 was Millennials. There is less agreement about the birth year of the oldest Millennials than there is on the birth year of the oldest members of Generation X.³ For the purpose of this paper, the oldest Millennials are considered to reach age 65 in 2047.

¹ The U.S. Census Bureau reviewed this data product for unauthorized disclosure of confidential information and approved the disclosure avoidance practices applied to this release. CBDRB-FY21-POP001-0153.

² More information can be found from the press release, U.S. Census Bureau, "Older People Projected to Outnumber Children for First Time in U.S. History," March 13, 2018, <www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>.

³ The Census Bureau provides guidance on birth years only for the Baby-Boom generation. The defining characteristic of the Baby-Boom generation was the increased fertility rate observed during these years. No similar demographic trend clearly demarcates Generation X and the Millennial generation. Rather, these generations are often defined on the basis of shared experiences.

Key Concepts and Definitions

IRA/Keogh accounts—An individual retirement account (IRA) is a type of retirement plan that provides particular tax benefits for retirement savings. Individual and annual contribution limits apply with the tax advantages. A Keogh account is a similar type of retirement account that applies only to certain self-employed individuals. These retirement accounts are considered defined-contribution plans.

401(k)/Thrift savings accounts—A 401(k) is an employer-sponsored defined-contribution retirement plan that is tax-qualified. Tax-qualified retirement plans meet the Employee Retirement Income Security Act (ERISA) guidelines and qualify for tax benefits beyond those of an IRA. Employers deduct an employee's contribution from wages for investment in the qualified plan. Employees choose how much to contribute, subject to annual contribution limits that apply with the tax advantages. The employer can match the contributions up to 100 percent. A thrift savings plan is a defined-contribution plan for those in the U.S. civil service, retirees, or members of the military.

Pension accounts—A pension is a retirement plan funded by the employer during the period of the employee's service. Once retired, the employee receives standard payments to support retirement. These payments often depend upon an employee's earnings and length of service. In this report, pension plans are defined as defined-benefit plans. In the 2014 SIPP Panel Wave 1, defined-benefit plans include pension plans as well as cash-balance plans. In the 2014 Social Security Administration Supplement, defined-benefit plans included only pension plans.

Generational age groups or birth cohorts—For 2013, the birth cohorts used in this paper have been defined as follows:

Millennials: 15–31 years old (born between 1982–1998),
Generation X: 32–48 years old (born between 1965–1981), and Baby Boomers: 49–64 years old (born between 1949–1964).

This paper focuses on the working-age population (15–64 years old) who owned retirement accounts in 2013.⁴

This report uses data from the 2014 Wave 1 Survey of Income and Program Participation (SIPP) (refer to the “What is SIPP?” text box) and the 2014 Social Security Administration (SSA) Supplement (refer to the “What Is the 2014 SSA Supplement?” text box).⁵ This paper looks at the ownership and contribution rates of retirement accounts, their median values, and some basic demographic characteristics of account owners such as generational age group, gender, race, and Hispanic origin.

While the SIPP collects general information on the ownership of different retirement accounts and their amounts, the SSA Supplement collects information on the contributions made by the account owners. By combining the SSA Supplement with the SIPP information, we can provide a better representation of the retirement preparedness for the working-age population (15–64 years old) in 2013.

Types of Retirement Accounts

The SIPP and the SSA Supplement collect information on three different types of retirement accounts: IRA and Keogh accounts, 401(k) and thrift savings accounts, and pension plans (refer to the “Key Concepts and Definitions” text box). These types of retirement accounts differ in terms of plan sponsorship, annual contribution limits, and tax incentives.

In 2013, 401(k) and thrift savings plans proved to be the most common types of retirement accounts. Thirty percent of workers owned 401(k) and thrift savings plans. On the other hand, pensions proved to be the least frequently held of the retirement accounts. Only 6.9 percent of the working-age population owned a pension. The median values of

About the Data

What Is SIPP? The Survey of Income and Program Participation (SIPP) is a nationally representative longitudinal survey administered by the U.S. Census Bureau that provides comprehensive information on the dynamics of income, employment, household composition, and government program participation. SIPP is also a leading source of data on economic well-being, family dynamics, education, wealth, health insurance, child care, and food security. SIPP interviews individuals for several years and provides monthly data about changes in household and family composition and economic circumstances over time. For more information, please visit the SIPP website at <www.census.gov/sipp>.

What Is the 2014 SSA Supplement? The Social Security Administration (SSA) Supplement was administered to respondents from Wave 1 of the 2014 SIPP Panel. It contains questions on marital history, personal retirement accounts, pension plans, and a detailed section on adult, child, and work disability. For more information on the SSA Supplement, please visit <www.census.gov/programs-surveys/sipp/about/SSA-Supplement.html>.

401(k)/thrift savings plans and IRA/Keogh accounts were \$29,980 and \$24,850, respectively (Table 1).

Within the working-age population, owners of 401(k) and thrift savings accounts and owners of pension plans were more likely to make contributions to their plans in 2013 than were owners of IRA and Keogh accounts.

Table 2 shows that there was no statistical difference in the percentage of 401(k) and thrift savings plan owners (73.8 percent) and pension plan owners (73.6 percent) who contributed to their accounts. The median values of IRA/Keogh and 401(k)/thrift savings retirement account owners’ contributions were not statistically different at \$2,732 and \$2,904, respectively.

The median value of pension owners’ contributions was slightly lower at \$2,463.

Who Owned Retirement Accounts?

It is clear that a sizeable portion of the U.S. population owned and actively contributed to their retirement accounts in 2013. This section of the report examines basic demographic characteristics of the account owners. Figure 1 depicts retirement account

⁴ Since the sample was selected based on age only, it may include some retirees and exclude some workers. Individuals born between 1946 and 1948 are excluded from the analysis because they were 65 or over in 2013. The Census Bureau defines the Baby-Boom generation as including individuals born between 1946 and 1964. Thus, this report analyzes only part of the Baby-Boom generation to focus on readiness for retirement.

⁵ 2014 SIPP Wave 2 data was also used to derive retirement plan contribution amounts for some individuals. In the SSA Supplement, some individuals reported their contributions to retirement accounts sponsored by their main employer as a percentage of their total earnings. However, the supplement did not include information on how much individuals earned. When available, information about earnings on the individual’s main job was pulled from the 2014 SIPP Wave 1. When the individual’s main job during the SSA Supplement was not ongoing during Wave 1, information on that job was pulled from the 2014 SIPP Wave 2.

Table 1.

Ownership Rates of Retirement Accounts and Their Median Values by Type of Retirement Account: 2013

Type of retirement account	Ownership rates		Median values	
	Estimate (percent)	Standard error (percent)	Estimate (dollar)	Standard error (dollar)
IRA/Keogh	17.1	0.2	24,850	576
401(k)/Thrift Savings	30.0	0.2	29,980	897
Pension	6.9	0.1	X	X

X Not applicable. The SIPP 2014 Wave 1 did not collect data on pension value.

Note: The sample for this paper is working-age individuals born between 1949 and 1998.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1.

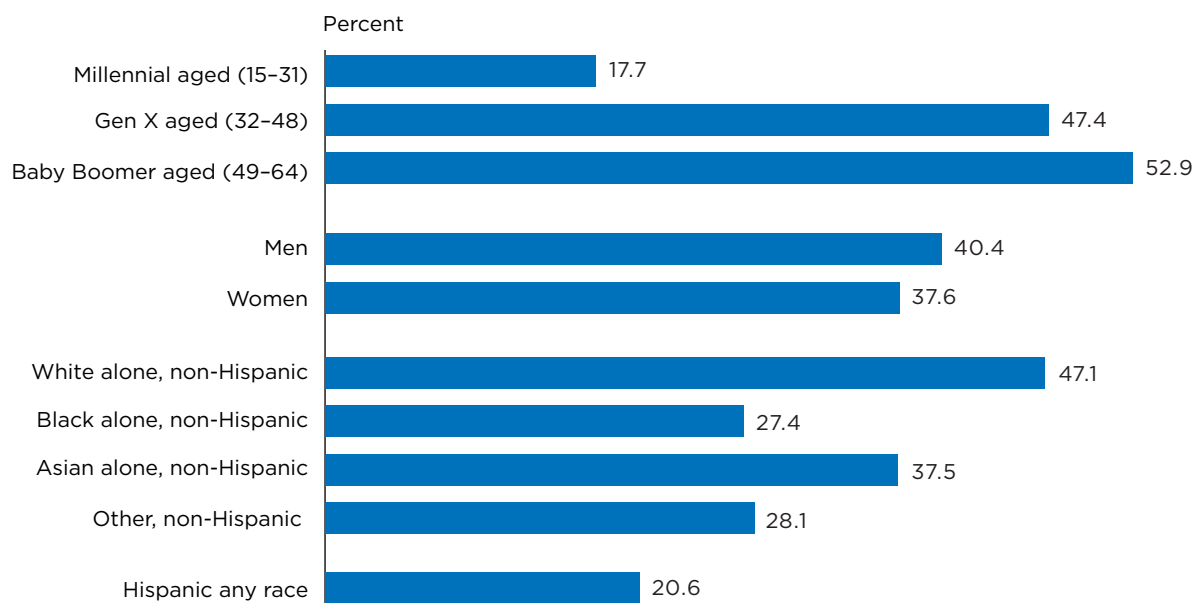
Table 2.

Policyholders Who Contributed to Retirement Accounts and Their Median Values by Type of Retirement Account: 2013

Type of retirement account	Contribution rates		Median values	
	Estimate (percent)	Standard error (percent)	Estimate (dollar)	Standard error (dollar)
IRA/Keogh	44.8	2.8	2,732	106
401(k)/Thrift Savings	73.8	1.3	2,904	115
Pension	73.6	1.9	2,463	96

Source: U.S. Census Bureau, 2014 Social Security Administration (SSA) Supplement.

Figure 1.

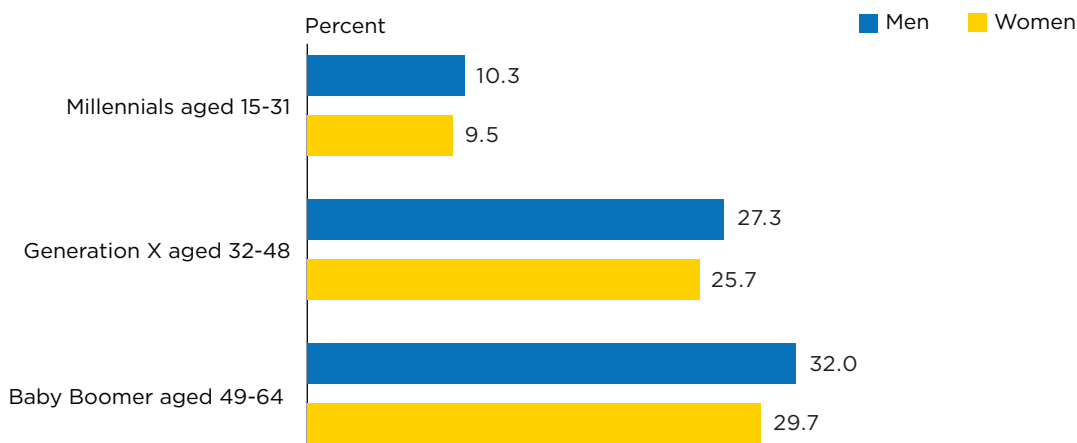
Ownership Rates of Retirement Accounts by Demographic Characteristic: 2013

Note: Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining race groups. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This figure shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. People of Hispanic origin may be of any race.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1.

Figure 2.

Ownership Rates of Retirement Accounts for People of Hispanic Origin by Generation and Gender: 2013



Note: Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This figure shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. People of Hispanic origin may be of any race. Among Hispanics, the ownership rates between Generation X men and Baby Boomer women were not statistically significant.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1.

ownership rates by generational age group, gender, race, and Hispanic origin.

In 2013, the share of retirement account owners was largest among Baby Boomers (49–64 years old) at 52.9 percent; Millennials (15–31 years old) were the least likely to own a retirement account, at only 17.7 percent.

Among working-age men (15–64 years old), 40.4 percent owned retirement accounts in 2013. This was 2.8 percentage points higher than the retirement account ownership rate among working-age women in 2013.

In 2013, 47.1 percent of White alone, non-Hispanic working-age individuals owned retirement accounts, which was the largest share of any race group (Figure 1). Asian alone, non-Hispanic working-age adults had the next highest ownership rate at 37.5 percent. The Other, non-Hispanic and Black alone, non-Hispanic working-age populations had retirement account ownership rates of 28.1 and 27.4 percent, respectively, which were not statistically different from each other. About 20 percent of working-age Hispanics owned a retirement account in 2013.

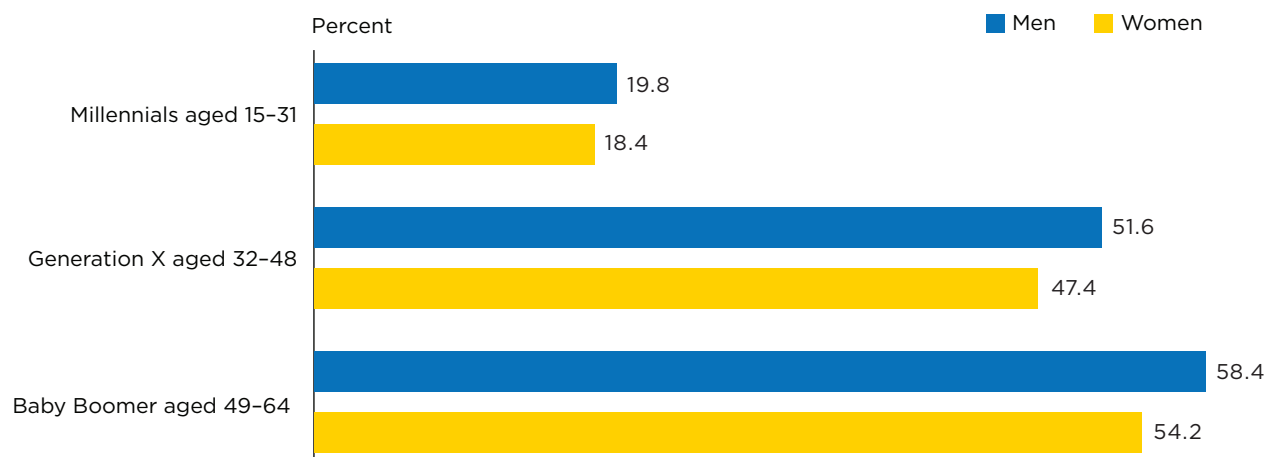
Figures 2 and 3 give a more in-depth view of retirement account ownership by racial and ethnic group, birth cohort, and gender in 2013. Figure 2 focuses on retirement account ownership for Hispanics, since this racial and ethnic group was the least likely to own retirement accounts in 2013. Figure 3 focuses on retirement account ownership for White alone, non-Hispanics, since this racial and ethnic group was the most likely to own retirement accounts in 2013. Taken together, Figures 2 and 3 depict the wide range of retirement account ownership by race and ethnicity, birth cohort, and gender.

In 2013, within the Hispanic male working-age population, the share of retirement account ownership was largest among Baby Boomer men at 32.0 percent, followed by Generation X men with 27.3 percent, and lastly by Millennial men with 10.3 percent (Figure 2).

Hispanic women displayed a similar trend as Hispanic men. The share of retirement account ownership was largest among Baby Boomer working-age women at 29.7 percent, followed by Generation X women with 25.7 percent, and finally by the Millennial women with 9.5 percent.

Figure 3.

Ownership Rates of Retirement Accounts for People Who Were White Alone, Non-Hispanic by Generation and Gender: 2013



Note: Federal surveys give respondents the option of reporting more than one race. There are two basic ways of defining race groups. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This figure shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Data on race and Hispanic origin are collected separately. People of Hispanic origin may be of any race.
Source: U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 1.

Comparisons between Hispanic men and women within generations were not statistically significant.

In 2013, among the White alone, non-Hispanic working-age population, Baby Boomer men were most likely to own retirement accounts (58.4 percent), as illustrated in Figure 3.

White alone, non-Hispanic (hereafter White) Generation X working-age men were less likely to own retirement accounts (51.6 percent) in 2013 than White Baby Boomer men.

White Generation X men were 4.2 percentage points more likely to own retirement accounts than women of the same race and age group. The retirement account ownership rate gap between men and women was also 4.2 percentage points among White Baby Boomers.

Only 19.8 percent of White Millennial working-age men owned retirement accounts in 2013. This share was 1.4 percentage points higher than that of retirement accounts owned by working-age women of the same birth years and race.

Millennials also displayed the narrowest gap in retirement account ownership rates within birth cohort between White working-age men and women during 2013.

When comparing Figures 2 and 3, we observed some similarities between Hispanic and White working-age populations. In both groups, Baby Boomers had the largest retirement account ownership rate in 2013. Millennials were least likely to own retirement accounts in 2013.

Figures 2 and 3 also show the differences between Hispanic and White working-age populations. Within each gender and birth cohort, Hispanic individuals were less likely to own retirement accounts than Whites. Also, women were less likely to own retirement accounts than men of the same birth cohort among the White working-age population, while there were no statistically significant differences by gender within birth cohort for the Hispanic working-age group.

Conclusion

In 2013, the working-age population (15–64 years old) was most likely to own 401(k) and thrift savings plans, followed by IRA and Keogh accounts.

This group was least likely to own pension plans. Policyholders of retirement accounts were most likely to contribute to pensions and 401(k) and thrift savings plans. Contribution rates among these accounts were not significantly different. Among policyholders who contributed to retirement accounts, amounts contributed were largest for 401(k) and thrift savings plans as well as IRA and Keogh accounts. These amounts were not statistically different.

In 2013, we also observed the working-age Baby-Boom generation was the best prepared generation for retirement based on their ownership rates of retirement accounts, followed by Generation X. However, Millennials seemed to be the least prepared of the generations, as they had the lowest ownership rates of retirement accounts compared to the other two generations.

While Millennials were the least prepared for retirement as of 2013, they also had the most time to accumulate additional retirement savings. Moreover, the data in this paper provide no information about Baby Boomers' retirement accounts when they were as old as Millennials were in 2013. Thus, Millennials' retirement account holdings might eventually equal or surpass the retirement account holdings of Baby Boomers in 2013. Future SIPP data will offer insight into Millennials' retirement account holdings as they age.

Source and Accuracy

Statistics from surveys are subject to sampling and nonsampling error. All comparisons presented in this report have taken sampling error into account and are significant at the 90 percent confidence level unless otherwise noted. This means the 90 percent confidence interval for the difference between the estimates being compared does not include zero.

Nonsampling errors in surveys may be attributed to a variety of sources, such as how the survey was designed, how respondents interpret questions, how able and willing respondents are to provide correct answers, and how accurately the answers are coded and classified. To minimize these errors, the Census Bureau employs quality control procedures throughout the production process, including the overall design of surveys, wording of questions, review of the work of interviewers and coders, and the statistical review of reports.

For technical documentation and more information about SIPP data quality, please visit the SIPP Technical Documentation page at <www.census.gov/programs-surveys/sipp/tech-documentation.html>. For information about the 2014 SIPP Users' Guide and the 2014 SSA Supplement Users' Guide, please visit <www.census.gov/programs-surveys/sipp/guidance/users-guide.html>.

Contacts

Additional information on the SIPP or its contents is available by contacting the SIPP Coordination and Outreach Staff at <census.sipp@census.gov> or (888) 245-3076. For further information on the content of this report, contact Maria G. Hoffman of the Census Bureau's Social, Economic, and Housing Statistics Division at <maria.g.hoffman@census.gov> or (301) 763-5261.

Suggested Citation

Lugovskyy, Josephine, and Maria G. Hoffman, *A Look at Retirement Readiness: 2013*, Survey of Income and Program Participation Working Paper Number 299 and SEHSD Working Paper Number 2021-13, U.S. Census Bureau, Washington, DC, 2022.

Acknowledgments

This report benefitted from the advice and assistance of Jonathan Eggleston, Rebecca Heller, and Kelly Wilkin.