



Financial worry among older people: Who worries and why?



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ABSTRACT

This study sought to clarify what drives economic worries among older people. Based upon the data from a national sample of adults aged 65 and older in Israel ($N=550$), we examined associations between financial worry and economic status, lifestyle, social network, concerns about functional health, long term care needs and cognition, and population group. The main financial worry was that pension funds will not suffice for one's entire life. Multivariate analysis revealed that financial worry was negatively related to perceived income adequacy and age, and positively related to concerns about care and to apprehensions regarding one's ability to make decisions. Immigrants from the former Soviet Union were found to worry less. Understanding the different sources of financial worries among older people is essential insofar as older people are increasingly expected to take personal responsibility for their financial futures. Dealing with negative outcomes that stem from financial worries are important programming and policy goals in an era of population aging.

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Introduction

Aging comes today with a double-edged financial sword in many Western countries. On the one hand, individuals are expected to take greater responsibility than ever before for the acquisition and the maintenance of retirement resources (Ekerdt, 2004), to make intricate decisions about managing their money and to preserve a tenuous balance between assets and expenditures in a time of increasing longevity (Smith & Ekerdt, 2011). On the other hand, the growing demand for personal fiscal liability is occurring at a time of great economic complexity (Banks, 2010) and in a period that is characterized by an increasingly risky and globalized marketplace (Lusardi & Mitchell, 2011). Taking personal responsibility for the administration of one's old age finances is further complicated by the fact that people often lack the financial literacy needed to negotiate the vicissitudes of

unpredictable financial markets (Almenberg & Save-Soderbergh, 2011; Ekerdt & Hackney, 2002). This current contradiction – a demand for greater individual fiscal responsibility alongside increasing challenges to such responsibility – makes the financing of a good old age a difficult task for many older adults.

Given this contemporary dilemma, we sought to clarify the extent to which older people in one particular country are concerned about their financial futures and to identify what it is that most drives their fiscal worries? Toward this end, we queried a nationally representative sample of adults aged 65 and older in the State of Israel ($N=550$). Changes in pension fund administration in that country since 2005, and particularly its move toward more personal freedom in the management of pension funds, makes it an appropriate arena in which to address this topic. Other countries are undergoing similar changes in the administration and the financing of their pension systems, as recommended by the World Bank, for example, Australia (Gerrans, Clark-Murphy, & Speelman, 2010), the United Kingdom (Department of Work & Pensions, 2012), Poland (Zijlstra et al., 2010), Russia (Williamson, Howling, & Maroto, 2006) and Latin America (Calvo &

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Williamson, 2008). Therefore, our findings here may well be relevant and instructive to people in other countries.

The nature of worrying

Worry has been defined as a set of uncontrollable negative thoughts or images (Borkovec, Robinson, Pruzinsky, & Depree, 1983). The process of worrying may potentially elicit useful problem solving thinking and behavior on the part of some individuals, but it is also associated with a variety of negative outcomes (Brosschot, Gerin, & Thayer, 2006; Tallis, Davey, & Capuzzo, 1994). Worrying may also be a symptom of Generalized Anxiety Disorder, a psychopathological condition (Meyer, Miller, Metzger, & Borkovec, 1990; Ruscio, Borkovec, & Ruscio, 2001). However, worrying occurs frequently among persons who are not otherwise emotionally troubled (Tallis et al., 1994). Interestingly, older people have been found to worry less than younger persons despite the many challenges that can arise in late life (Basevitz, Pushkar, Chaikelson, Conway, & Dalton, 2008).

Financial concerns constitute one of the several domains of worrying. For example, a British study cited the financial/housing domain as a major theme, alongside worries in the realms of relationships/family, work, health and miscellaneous (Lindesay et al., 2006). The Worries Domains Questionnaire also cites financial worries among its five content areas: relationships, lack of confidence, aimless future, work, and financial issues (Tallis, Eysenck, & Mathews, 1992). Nevertheless, we should point out that financial concerns are not necessarily the most pressing of worries (Doucet, Ladouceur, Freeston, & Dugas, 1998).

Financial worries and their correlates

An attempt to uncover the correlates of financial worry in late life has revealed that there is only a limited literature addressing this topic. Nevertheless, a key sphere of life that has understandably been shown to be related is economic status. For example, a study using data from the American Health and Retirement Study and the Survey of Consumer Finances demonstrated that households of older persons who experienced adverse financial events worried more about the adequacy of their financial resources in retirement (Owen & Wu, 2007). But, part of the increased worry about retirement in that group was due to general pessimism rather than to the result of the financial setback.

The literature also reveals that financial worries in late life may be related to the other spheres of life as well. These include mainly the realms of lifestyle and social network, and concerns in such other spheres as functional health, long term care needs and cognition. We review in the following paragraphs selected sources that report upon these associations, starting with the domain of lifestyle.

Contemporary Western society views the maintenance of an active lifestyle after retirement as a key to aging successfully (Rowe & Kahn, 1997). Moreover, studies indeed document that continued social engagement among older people tends to have a positive association with well-being (Hoglund, Sadovsky, & Classie, 2009; Park, 2009; Schwingel, Niti, Tang, & Ng, 2009). However, the maintenance of an active post-retirement lifestyle can also

entail considerable cost in a market economy setting. The need to finance an active old age might thus increase financial concerns in late life (Hostetler, 2011).

In comparison, certain aspects of the realm of social network might serve to lessen financial worry among older people. The construct of social network refers to the interpersonal relationships and supports that people variously maintain throughout the life course (Litwin, 2009). Members of one's social network can buffer stress in times of crisis and/or obviate the need for support through the direct provision of assistance (Litwin, 2004). We extend this conceptual model to the worry domain and hypothesize that network support can minimize the degree of financial worry.

Financial worries might also be related to issues in the domain of health, particularly functional health. There is literature suggesting that financial worries make various aspects of poor health status worse (Krause, Newsom, & Rook, 2008; Rios & Zautra, 2011). However, the association might work in the opposite direction as well. That is, having poor functional health might serve to increase financial worries. This is because certain health problems may raise concerns about one's ability to fulfill tasks of daily living (Brock et al., 2011) and may, thus, increase worry about the associated costs of such disability.

Formal help can be applied to overcome some of the functional limitations that may appear among older people, but such services also entail additional expense. Hence, a need for formal help may engender additional financial worry (Blomgren, Martikainen, Martelin, & Koskinen, 2008; D'Souza, James, Szafara, & Fries, 2009). On the other hand, worry about the costs and consequences of functional disability might be offset by the availability of technical auxiliary support devices that can lessen formal care costs (Agree & Freedman, 2000; Allen, Foster, & Berg, 2001).

An extension of the realm of health and disability involves concerns about long term care (Knickman & Snell, 2002). The domain of long term care includes community based services, such as day care for disabled adults, home delivered personal care and facility based residential care. The provision of long term care for oneself or one's partner frequently entails great expense over an extended period. The lack of insurance coverage or insufficient personal savings to cover future long term care costs can heighten present financial worries (Keefe & Fancey, 1997).

We should note, in this regard, that severely disabled older adults in Israel – the setting for the study presented in this article – are eligible for publicly-funded long term care insurance. This insurance provides a basic degree of home delivered personal care and/or other related services (Ajzenstadt & Rosenhek, 2000). However, coverage is currently limited in scope. Facility-based residential care is publicly subsidized in only certain cases. Thus, long term care needs in Israel require personal funding and may well constitute a source of financial worry.

The literature also suggests that financial concerns may be related to cognition, and particularly to cognitive decline among older people (Weierich et al., 2011; Widera, Steenpass, Marson, & Sudore, 2011). Financial planning and the management of retirement resources are complex tasks for all. For older individuals with cognitive decline, whether in computational capacity or other relevant aspects of executive function,

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