



Promoting research on retirement and Social Security policy

Research Brief 388 | OCTOBER 2018

Addition to the RAND HRS Longitudinal Files: IRA Withdrawals in the HRS, 2000 to 2014

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Financial preparation for retirement has increasingly involved saving in tax-advantaged retirement accounts. Individuals who accumulate defined contribution pension balances are encouraged to roll these over to an IRA upon separation from their employer. Others may have been eligible to contribute to an IRA at various times in their lives. As a result households hold substantial financial resources in IRA accounts. Fifty-four percent of married persons and 32 percent of single persons reported owning such accounts, according to HRS 2014 data. The average balances amount to \$150,000 for married persons and \$43,000 for single persons. As is the case with other wealth components, the distribution of balances is skewed. The 90th percentile value among married persons is \$442,000; among single persons the 90th percentile value is \$123,000.

Funds held in IRAs are available, and meant to finance spending at older ages and, as such, to augment retirement incomes. However, common definitions of income do not include such withdrawals. Some have argued that this is likely to lead to misleading conclusions in assessments of the older population's financial situation, especially in studies that focus exclusively on income, without taking into account household asset information. The same arguments apply to withdrawals from other pension accounts held in forms other than IRAs. Nonetheless, IRA balances are important resources: Independently of whether the withdrawals should be called income, their use to finance consumption in retirement should be taken into account when assessing economic preparation for retirement. However, withdrawals have not been widely analyzed because data on them are not available in the RAND HRS, which is an easy-to-use longitudinal data file on the Health and Retirement Study used by most researchers.

The HRS is the primary data set to study the financial position of older U.S. households. It collects rich data on assets and income, including information on pensions, IRAs, and Keogh accounts. We processed the HRS variables related to IRA withdrawals for waves 2000 to 2016. Where necessary, imputations for missing values

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were performed using methods fully consistent with those employed in the RAND HRS,¹ and the resulting variables will be included in the next version of the RAND HRS Longitudinal File and the companion RAND HRS Detailed Imputations File. Specifically, we:

- Extracted and assembled required raw variables for waves 2000 to 2016 (nine waves);
- Conducted consistency checks in questionnaires and in data;
- Derived longitudinally consistent variables and assigned variable names and informative special missing values, following RAND HRS conventions;
- Performed imputations for missing values for all nine waves;
- Produced detailed documentation of variable construction, cross-wave differences, and imputation methods;
- Added to the RAND HRS Longitudinal File summary measures of total household IRA withdrawals and last calendar year withdrawal amounts for the respondent and spouse, including documentation;
- Added to the RAND HRS Detailed Imputations File, the components of all IRA withdrawals, including documentation.

Making data on IRA withdrawals accessible to the entire research community is an important step toward facilitating more comprehensive assessments of the financial position of older households based on HRS data.

First results based on the newly developed IRA withdrawal variables indicate that about 15 percent of HRS households withdrew money from their IRA accounts since the last interview. Among those who made withdrawals, the average amount is about \$23,000 in the later waves. Withdrawal amounts among 72 to 77 year olds amount to 4.5 percent of total income for single and 6.6 percent for married households.

¹ *The HRS 2016 raw data were released in July 2018. Imputations of the IRA withdrawal variables for this latest available HRS wave are still in process, along with all other HRS 2016 data processing for the RAND HRS Longitudinal File.*

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Sponsor information: The research reported herein was performed pursuant to grant RRC08098401-10 from the U.S. Social Security Administration (SSA) through the Michigan Retirement Research Center (MRRRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRRRC.

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