

# **INFLUENCE OF FINANCIAL STATUS, OPENNESS TO CHANGE AND POSITIVE ATTITUDE TOWARDS LIFE ON EMOTIONAL WELLBEING AMONG RETIREEES**

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## **ABSTRACT**

This study investigates financial status, openness to change, and health perceptions as facilitators of emotional wellbeing after retirement. The questionnaire and data were collected from National Health and Aging Trends Study (NHATS), and the model was analyzed using multiple linear regression, exploratory factor analysis, and descriptive statistics. Health perception ( $\beta=0.27$ ,  $p=0.00$ ), openness to change ( $\beta=0.1$ ,  $p=0.00$ ), being debt-free ( $\beta=0.1$ ,  $p=0.00$ ) and being cheerful ( $\beta = 0.13$ ,  $p=0.00$ ) are very likely to influence the emotional well-being of a retired older adult. The results suggest that depression and anxiety are likely to be low in retirees who are open to change, have a financial goal towards retirement and maintain a cheerful lifestyle. Although emotional health is heavily dependent on the person's feelings, balancing handling money and being debt-free is essential for retirement.

## **INTRODUCTION**

Due to racial and socioeconomic disparities, the idea of being ready for retirement may bring a measure of unease for a significant portion of the population. Despite some progress in integration between races and in access to social and economic opportunities during the lifespan, inequity remains pervasive. Formal retirement takes place in the later stages of life, where new

opportunities to earn additional income, improve health, or establish a family network are fast diminishing. The reality of old age and associated health problems begins to set in. In some cases, the ability to make choices reverts to a spouse, child, relative, or person with legal power of attorney. While for some, the absence of material and social belonging factors may signal anxiety in retirement, for others, there is a positive outlook on life, regardless of their circumstances. This paper explores the factors that may influence a positive attitude towards change at retirement and the impact of health and financial security on an older person's mental wellbeing.

### **HISTORY OF RETIREMENT IN THE UNITED STATES**

Over many years, the origins of the statutes within Medicare, Medicaid, and Social Security legislation used actuarial calculations based on average lifespans evident in those years. As a result, the age of 65 became synonymous with “retirement” and a complete halting of all work (Medina et al., 2020). People participated in more physical, back-breaking work during the industrialization era. This manual work took a heavy toll on the human body, and retirement at age 65 was a welcome period of complete physical rest as life expectancies were around 70 to 75 years (Medina et al., 2020). More recently, the Americans with Disabilities Act or the Older Americans Act offered some job market protections for older adults who would like to continue working, even when faced with reduced levels of health and mobility. Such concessions have allowed older adults modern-day opportunities to continue to work and earn an income, well into their eighties and, in some instances, irrespective of their gender (Dal Borgo, 2019).

### **GENDER**

Following the later stages of America’s development and stabilization after the World Wars, mechanization allowed most people to work jobs that did not require the same level of manual work required of their forebears. Over the years, the US Census Department (2019) has mapped this dramatic shift in life expectancy across many demographics, racial and ethnic groups. Current projections are that the average woman will continue to outlive their spouse or partner (Medina et al., 2020). This phenomenon has been studied in detail (Cheng and Chan, 2006; Medina et al., 2020), with many explanations proffered. These include the historical role of women as homebuilders and caregivers who stayed home to raise the family. At the same time, the husband went to work hard in dusty coal mines, then later in manufacturing jobs. For many years, women did not have the right to work, let alone have an education (Medina et al., 2020). In current times, women now have more opportunities than ever to work and earn a living, even though their longevity exceeds that of men. According to Cheng and Chan (2006), one reason for this consistent difference is the childbearing role, where frequent health monitoring occurs before and after a baby’s birth. Due to lack of exposure to toxic fumes, harsh chemicals, and repetitive manual work in the working world, women outlived men then and continue to do so today. Another reason is that women are more open to seeking pre-emptive healthcare (Cheng & Chan, 2006).

### **HEALTH STATUS**

Studies have indicated that women have a greater awareness of their bodies and, subsequently, their overall health. When they feel ill, women will take active steps to seek medical attention compared to men (Medina et al., 2020). Many women typically undergo periodic checks for blood pressure and nutrient levels as they prepare for childbirth. Pap smears and mammograms become a biennial standard as part of scheduled preventative care wellness checks. Statistically, men are less likely to seek preventive health care checks as compared to women willingly. Medina

et al. (2020) stated that most men would not see a doctor until seriously ill. Studies show that prostate cancer, as an example, a highly treatable mutation, is diagnosed late, resulting in eventual premature death and a lower life expectancy (Medina et al., 2020). Early death robs individuals and families of the ability to improve financial outcomes through work opportunities, even in old age.

### **ADJUSTABILITY TO CHANGE**

Change is inevitable, and retirement signals the end of one life stage and the beginning of another. The actual transition process may take years in planning or be precipitated by events outside one's control. Calvo et al. (2009) and Chen and Scott (2006) indicated that some adults might prefer a phased approach to retirement rather than sudden or forced job loss (David et al., 2007) or changes due to ill health for example. The authors further asserted that the phased change process creates a happier older adult and may ease the feelings of apprehension (Calvo et al., 2009; Chen & Scott, 2006; David et al., 2007). In this context, we posit that happiness can be perceived as a state of mind and conscious choice that is up to each person.

### **WORK BEYOND RETIREMENT AGE**

The impact of extended working lives has created the opportunity for extended financial windfalls for some. Unfortunately, this has also compromised the ability of older persons to take a step back, rest, and age in a more sedentary lifestyle. Work is documented as a significant stress factor leading to hypertension and heart disease (Bailey et al., 2021). Seniors are just as susceptible as young adults to increased anxiety levels in the workplace. Whereas age 65 denotes a new status in terms of Medicaid, Medicare, and Social Security benefits, more and more seniors defer their government retirement benefit, sometimes for five more years, to obtain a higher return and coverage (Calvo et al., 2009; Palmore et al., 1984).

Americans actively engaged in skilled work have the additional benefits of longer-term financial assets such as IRA accounts, pension schemes, 401k's, Long-term care insurance, or other private and state retirement schemes (Moore et al., 2020). These investments require many years of active and, in most instances, continued participation in the skilled job market. By default, such professional and gainfully employed adults are more likely to earn money that qualifies them to borrow money to acquire a property (Bailey et al., 2021). On average, mortgages are vested for 30 years. Most Americans who typically qualify for one have a repayment period ending around ages 50 and over. A fully paid-up house for an aging adult can make a marked difference in aging in place and overall retirement readiness with a significant asset. However, property ownership remains elusive for a substantial percentage of the US adult population (Bailey et al., 2021). The authors asserted that such disproportional access to housing financing causes generational inequity.

### **SOCIAL AND DEMOGRAPHIC INEQUITY**

Inequity plagues many aspects of a young, underserved person's life. Such disparities remain a significant intervening factor in analyzing adverse health and sociodemographic effects in later life (Bailey et al., 2021; Quadagno, 2018). Referring to the cohort effect mentioned by Quadagno (2018), people who are born around the same time can statistically end up with markedly different life outcomes in old age due to varying rates of access to opportunities early in the lifespan. In terms of health, psychological and economic wellbeing, the lack of education, skilled work opportunities, or even reduced access to loans for property causes significant and cumulative disadvantages to subsets of the population (Bailey et al., 2021; Mpofu, 2015; Quadagno, 2018). Conversely, those born into unprecedented and sustained lack of opportunity incrementally expand their cumulative

advantage over their age peers. Sustained and systemic differences for people of color, women, specific ethnicities, or some categories of immigrants result in low access to essential services and economic opportunities. Generally, these underserved communities fail to attain reasonable lifetime earnings that enable a comfortable retirement (Dal Borgo, 2019).

### **INCOME AND DEBT**

While on the surface, we may conclude that more money assures happiness in retirement, a Harvard study of 4000 millionaires found quite the opposite effect (Donnelly & Norton, 2017). Up to around \$75,000, most people are well above the US annual median earnings (US Census, 2019). The Harvard research suggested that millionaires who inherited wealth and did not earn money experienced diminishing happiness levels (Donnelly & Norton, 2017). For those of lower socioeconomic status, earning a median income may not adequately solve their financial liabilities. On average, most low-income Americans are always just two paychecks away from financial distress where there is a sudden interruption of income (Lujan, 2021). This fact was evident during the COVID-19 pandemic lockdowns and subsequent government bailouts. Therefore, the ability to pay down debt is a factor to consider when building up resources for retirement.

### **RETIREMENT ASSUMPTIONS**

Retirement has evolved from being a defined stage in an older person's chronological age to more of a state of mind. Some Americans make a conscious choice to work hard and acquire enough resources to enable early retirement (Chen & Scott, 2006; Dal Borgo, 2019). On the other hand, older adults may be forced into retirement due to a mandatory age (Chen & Scott, 2006; Dal Borgo, 2019) or through the progression of ongoing ill health. This research explores the readiness of older adults to the changes expected in retirement.

## **METHODOLOGY**

### **Research Design**

We used multiple linear regression, exploratory factor analysis and descriptive statistics to test the conceptual model.

### **Research Question and Hypotheses**

**Research question:** How does a retiree perceive life after retirement, and what factors influence their emotional wellbeing?

**Hypothesis:** Adjustable to change, an equitable interest in life, and good financial statuses are characteristics that are likely to increase the emotional wellbeing of retired older adults.

### **Data Collection**

The data used in this study was taken from the National Health and Aging Trends Study (NHATS), and it is publicly available. The participants were medical beneficiaries over the age of 65 (N=2463). NHATS has been studying the aging population in the US since 2011. We chose the year 2019 and selected participants who answered questions about their health perception, income, debt repayment, willingness to change, and wellbeing.

We started by looking at the survey instrument to understand the relationship between emotional wellbeing and income, which led us to questions about depression, adaptability to change, debt management, and self-reported health status.

Since the survey instrument was already published for public use, we used exploratory factor analysis to combine the values of questions on depression into one variable and called it 'Depression.' Similarly, we combined the responses to the questions on wellbeing.

### **Theoretical Model and Instruments**

The **emotional health** of the participants is measured using PHQ-2 (Kroenke et al., 2003) and GAD-2 (Kroenke et al., 2007). It is a combination of questions that measure anxiety and depression. The following are the questions:

"Over the last month, how often have you:

- a. had little interest or pleasure in doing things?
- b. felt down, depressed, or hopeless?
- c. felt nervous, anxious, or on edge?
- d. been unable to stop or control worrying?"

The responses were collected on a 4-point Likert scale: "not all days, several days, more than half the days, nearly every day"

**Health perception** is a general health status before the participants were visited by a doctor if they had any chronic conditions. The following question was answered by the participants on a 5-point Likert scale: "would you say that in general your health is excellent, very good, good, fair, or poor?"

**Happiness measure** gathers responses about the participant's emotions and feelings. The following three questions were used to assess the frequency of their emotions:

"During the last month, how often did you feel cheerful? During the last month, how often did you feel bored?"

During the last month, how often did you feel full of life?"

The responses were coded on a 5-point Likert scale: "every day, most days, some days, rarely and never."

**Adjustability** gathers responses about the participant's openness to change. The following question was answered using a 3-point Likert scale:

"For these last few statements, please tell me if you agree a lot, a little, or not at all. I have an easy time adjusting to change."

The measure **Work** is taken from the list of labor force questions in the data set. The following question measures the participant's work status and only if the work involved a pay, not volunteering.

"Did you do any work for pay in the last week? By the last week, I mean the week beginning on Sunday and ending on Saturday?"

The possible responses for the question were: yes, no and retired/don't work anymore.

**Debt payment** measures if the participant had paid off balance on credit cards. The following question was answered using the choices: pay off balance, pay minimum, pay more than minimum, but not entire balance and don't have any credit cards.

"Do you usually pay off all credit card balances every month or only the minimum amount due?"

**Income** was self-reported and the possible values were the range: \$0 - \$9999999.

“Now I want to ask about your total income for last year, that is, for the calendar year ending in December 2018 before any federal or state taxes were taken out.”

### Data Analysis

The participants chose a response from a set of choices for each question in the survey. The items were coded and labeled by NHATS. We renamed only the variables we combined using exploratory factor analysis. We used SPSS Statistics 27, a statistical tool of IBM, Inc., to run exploratory factor analysis, multiple linear regression and descriptive statistics.

## RESULTS

The data belonged to the year 2019 and the sample size after removing the incomplete responses was 2463. The participants were majority white and with gender classifications male (47%) and female (53%). They were fairly educated; had at least a high school degree. Retirement income of the sample ranged from \$0 to \$1,000,000 with an average income of \$60,547. Majority of the retirees were married (47%) but we also observed that 32% of them were widowed and 13% divorced.

From the exploratory factor analysis, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy for the measure emotional health was 0.75 and for happiness measure was 0.65. The ideal value of KMO is great than 0.5 (Bartholomew, Knotts & Moustaki, 2011) hence both the components were significant. Multiple linear regression model (see table 2) showed 18.2% of variance in emotional health can be understood by health status, happiness measure, their gender, adjustability to change, debt payment, retirement and their current income. Self-reported health which is the health perception, happiness measure, adjustability and debt payment were observed to have the most significance in the model ( $p < 0.05$ ).

**Table 2.**

Independent Variable (N = 2463)	$\beta$	$t$	$p$
Income	-0.041	-2.037	0.04
Work	0.040	2.132	0.03
Debt Payment	0.095	4.873	0.00
Adjustability	0.098	5.341	0.00
Gender	0.104	5.588	0.00
Happiness Measure	0.133	7.102	0.00
Health perception	0.273	13.816	0.00

Dependent = Emotional Health, Coefficients, t scores and p value

## DISCUSSION

The study looked at the relationship among emotional health post-retirement, financial status, health, and well-being. The sample population over 65 years of age reflects that the participants are already retired or preparing for retirement. As the literature supported, women most often live longer than men. If women did not work, did not plan for retirement, and mostly relied on their spouse for their needs, they are more likely to be anxious. We observed from our experiment that men are most likely to be less anxious and depressed than women, but this can

be attributed to the fact that 47% of the population is married; hence we can conclude that there is a healthy dependency.

An individual can perceive to be healthy despite any chronic conditions. It ties closely with the inner being and their personality. Happiness is different for everyone and not always the effect of material possessions. However, keeping the cheer depends on the individual's living environment and health conditions. Hence the openness to change plays a part in contributing to this behavior. Retirement can bring many changes at a time when an individual is not ready for it. It could be going from a busy schedule to not having enough activities to keep them busy for some people. It could be a social exclusion where they do not find people to socialize and participate in activities. Overcoming isolation challenges can play a significant role in reducing anxiety and depression. Income after retirement heavily depends on the financial decisions taken before retirement.

Receiving social security or contributing towards an IRA account or even investments contribute towards retirement income. The need to work is not always tied to earning income but an avenue to socialize, especially in the older community.

Repaying credit card debt can have a major impact on a retiree's perspective on life. Debt can cause anxiety and worry in most individuals; hence making the right decisions to remain debt-free towards retirement shows the balance between emotions and money management.

## CONCLUSION

In a constantly changing world and humans are forced into quickly adapting to change, retirement can be difficult for some individuals. Nevertheless, it is not entirely complicated if they can manage their finances and set goals for their lifestyle; they are less susceptible to anxiety and depression. The impact of leading a healthy life and being debt-free can heavily influence an individual's retirement.

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### Appendix: Survey Instrument Codes and Labels

Variable Code	Renamed	Question	Response Code
ia9totinc	Income	Now I want to ask about {your/SP's} total income for last year, that is, for the calendar year ending in December {CURRENT YEAR - 1} before any federal or state taxes were taken out.	Response is a numerical value between \$0 and \$99,999,999
lf9workfpy	Work	Did {you/SP} do any work for pay in the last week? By the last week, I mean the week beginning on Sunday and ending {today/on Saturday}?	1= Yes 2 =No 3= Retired/Don't work anymore



ew9pycredbal	Debt Payment	{Do you/Does SP} usually pay off all credit card balances every month or only the minimum amount due?	1 = Pay off balance 2 = Pay minimum 3 = Pay more than minimum, but not entire balance 4 = Don't have any credit cards
wb9agrwstmt3	Adjustability	For these last few statements, please tell me if you agree a lot, a little, or not at all. I have an easy time adjusting to change.	1 = Agree a lot 2 = Agree a little 3 = Agree not at all
wb9offelche1 wb9offelche2 wb9offelche3	Happiness Measure	During the last month, how often did you feel cheerful?  During the last month, how often did you feel bored?  During the last month, how often did you feel full of life?	1 = Every day (7 days a week) 2 = Most days (5-6 days a week) 3 = Some days (2-4 days a week) 4 = Rarely (Once a week or less) 5 = Never
hc9health	Health Perception	Would you say that in general {your/SP's} health is excellent, very good, good, fair, or poor?	1 = Excellent 2 = Very Good 3 = Good 4 = Fair 5 = Poor
hc9depresan1 hc9depresan2 hc9depresan3 hc9depresan4	Emotional Health	Over the last month, how often {have you/has SP} [1] a. had little interest or pleasure in doing things? [2] b. felt down, depressed, or hopeless? [3] c. felt nervous, anxious, or on edge? [4] d. been unable to stop or control worrying?	1= Not at all 2 = Several Days 3 = More than half the days 4 = Nearly Every day

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