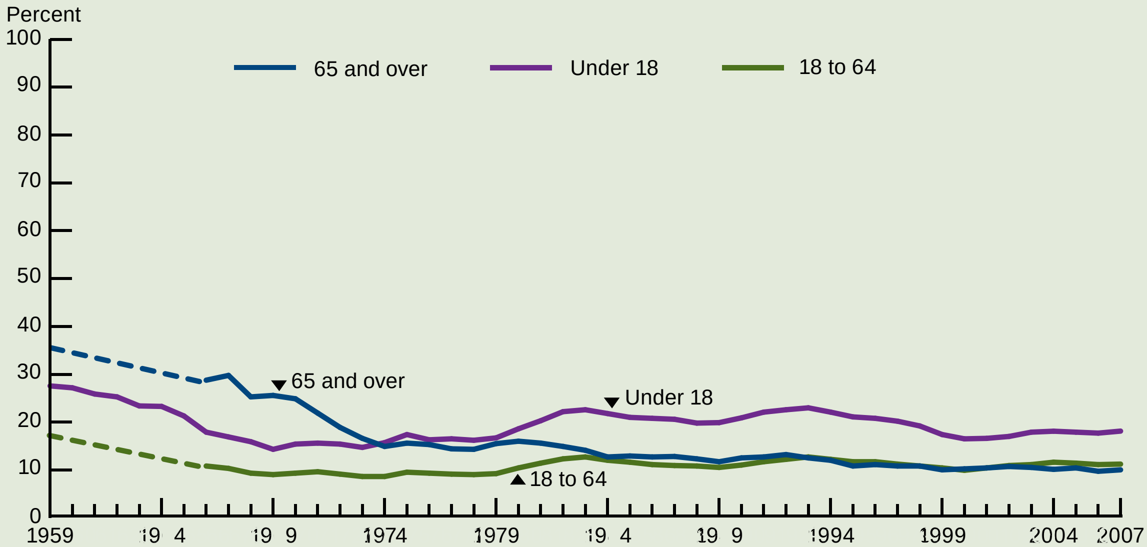
Economics

INDICATOR 7

Poverty

Poverty rates are one way to evaluate economic well-being. The official poverty definition is based on annual money income before taxes and does not include capital gains, earned income tax credits, or noncash benefits. To determine who is poor, the U.S. Census Bureau compares family income (or an unrelated individual's income) with a set of poverty thresholds that vary by family size and composition and are updated annually for inflation. People identified as living in poverty are at risk of having inadequate resources for food, housing, health care, and other needs.

Poverty rate of the population, by age group, 1959–2007



Data not available.

NOTE: The poverty level is based on money income and does not include noncash benefits such as food stamps. Poverty thresholds reflect family size and composition and are adjusted each year using the annual average Consumer Price Index. For more detail, see U.S. Census Bureau, Series P-60, No.222. Poverty status in the Current Population Survey is based on prior year income.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1960–2008.

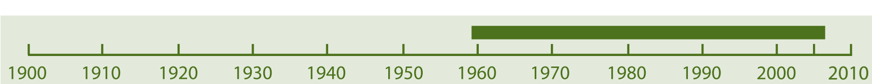
- In 1959, older people had the highest poverty rate (35 percent), followed by children (27 percent) and those in the working ages (17 percent). By 2007, the proportions of the older population and those of working age living in poverty were about 10 percent and 11 percent, respectively, while 18 percent of children lived in poverty.

- Older women (12 percent) were more likely than older men (7 percent) to live in poverty in 2007. People age 65–74 had a poverty rate of 9 percent, compared with 11 percent of those age 75 and over.

- Race and ethnicity are related to poverty among older men. In 2007, older non-Hispanic white men were less likely than older black men, older Hispanic men, and older Asian men to live in poverty—about 5 percent compared with 17 percent of older black men, 13 percent of older Hispanic men, and 10 percent of older, Asian men. However, the percentage of older Hispanic men is not significantly different than older black men or older Asian men.

- Older non-Hispanic white women (9 percent) and older Asian women (12 percent) were less likely than older black women (27 percent) and older Hispanic women (20 percent) to live in poverty. However, older non-Hispanic white women in poverty were not statistically different from Asian women in poverty.

All comparisons presented for this indicator are significant at 0.10 confidence level. Data for this indicator's charts and bullets can be found in Tables 7a and 7b on pages 81–82.

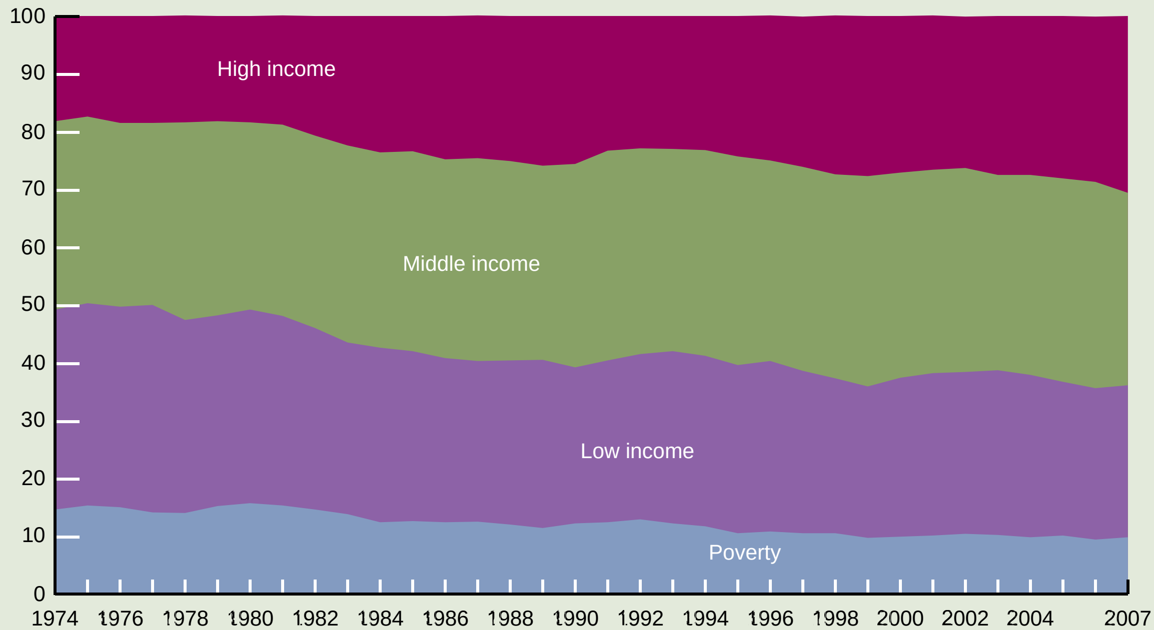


INDICATOR 8

Income

The percentage of people living below the poverty line does not give a complete picture of the economic situation of older Americans. Examining the income distribution of the population age 65 and over and their median income provides additional insights into their economic well-being.

Income distribution of the population age 65 and over, 1974–2007



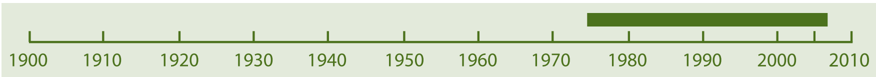
NOTE: The income categories are derived from the ratio of the family's income (or an unrelated individual's income) to the corresponding poverty threshold. Being in poverty is measured as income less than 100 percent of the poverty threshold. Low income is between 100 percent and 199 percent of the poverty threshold. Middle income is between 200 percent and 399 percent of the poverty threshold. High income is 400 percent or more of the poverty threshold.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1975–2008.

- Since 1974, the proportion of older people living in poverty and in the low income group has generally declined so that, by 2007, 10 percent of the older population lived in poverty and 26 percent of the older population were in the low income group.

- In 2007, people in the middle income group made up the largest share of older people by income category (33 percent). The proportion with a high income has increased over time. The proportion of the older population having a high income rose from 18 percent in 1974 to 31 percent in 2007.

- The trend in median household income of the older population also has been positive. In 1974, the median household income for householders age 65 and over was $20,838 when expressed in 2007 dollars. By 2007, the median household income had increased to $29,393.

All comparisons presented for this indicator are significant at 0.10 confidence level. Data for this indicator's charts and bullets can be found in Tables 8a and 8b on pages 83–84.

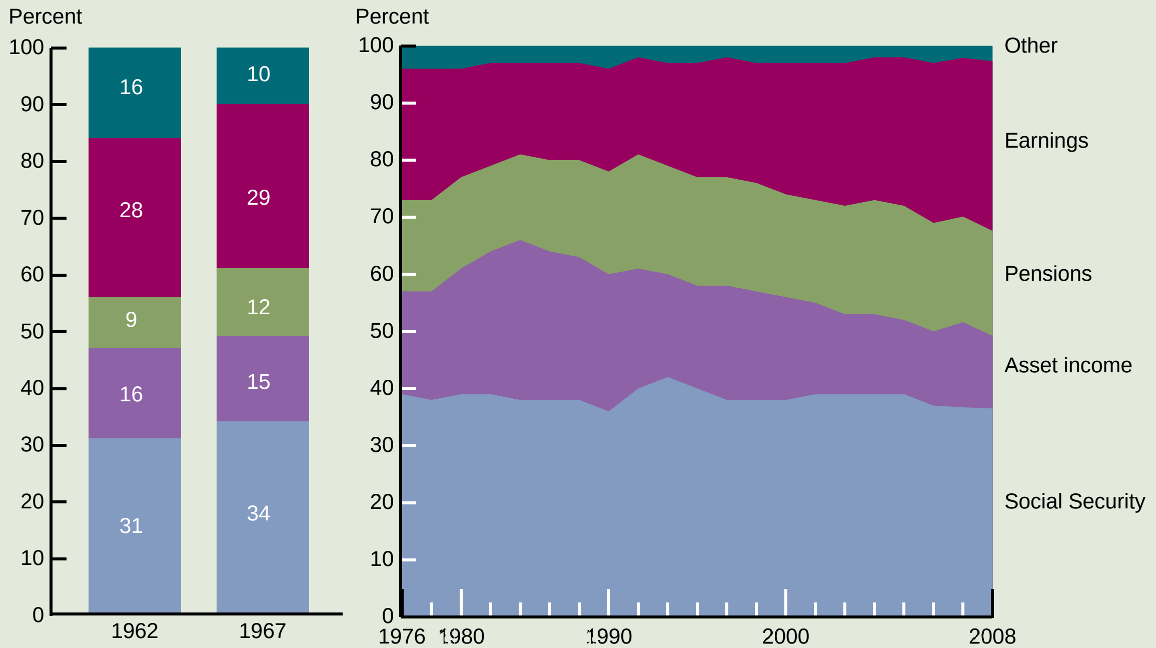


INDICATOR 9

Sources of Income

Most older Americans are retired from full-time work. Social Security was developed as a floor of protection for their incomes, to be supplemented by other pension income, income from assets, and to some extent, continued earnings. Over time, Social Security has taken on a greater importance to many older Americans.

Sources of income for married couples and nonmarried people who are age 65 and over, percent distribution, selected years 1962–2008

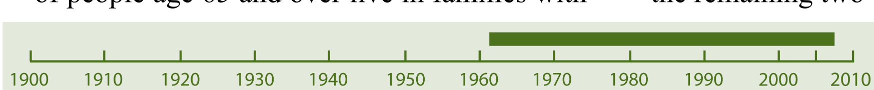


NOTE: A married couple is age 65 and over if the husband is age 65 and over or the husband is younger than age 55 and the wife is age 65 and over. The definition of "other" includes, but is not limited to, public assistance, unemployment compensation, workers compensation, alimony, child support, and personal contributions.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: Social Security Administration, 1963 Survey of the Aged, and 1968 Survey of Demographic and Economic Characteristics of the Aged; U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1977–2009.

- Since the early 1960s, Social Security has provided the largest share of aggregate income for older Americans. The share of income from pensions increased rapidly in the 1960s and 1970s to a peak in 1992 and has fluctuated since then. The share of income from assets peaked in the mid-1980s and has generally declined since then. The share from earnings has had the opposite pattern—declining until the mid-1980s and generally increasing since then.

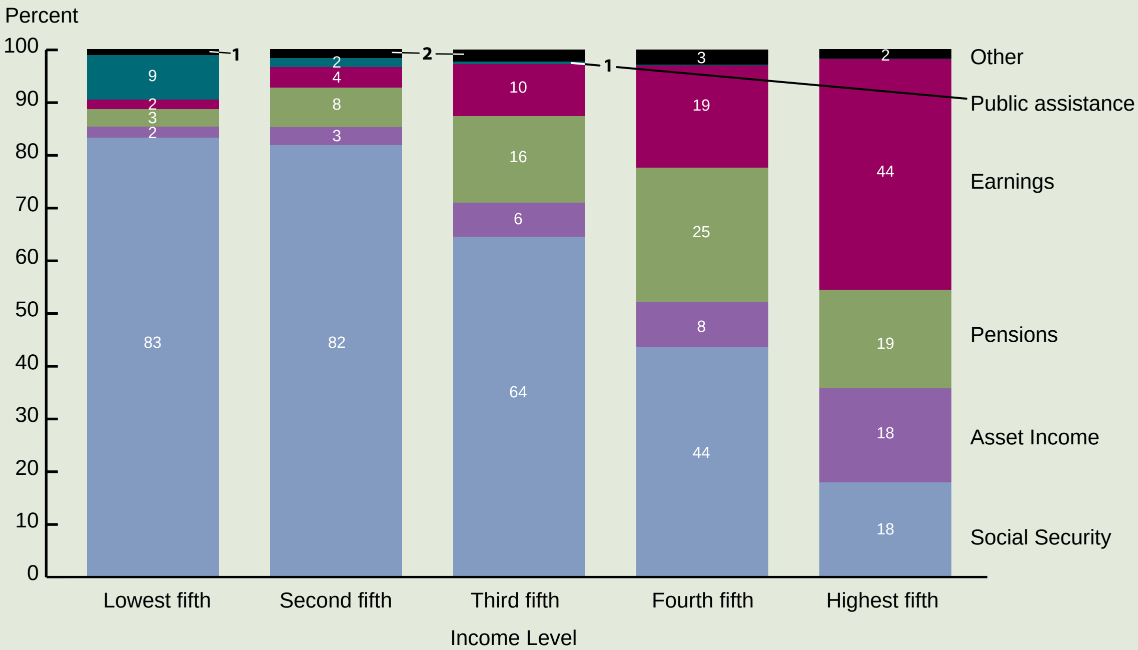
- In 2008, aggregate income for the population aged 65 and over came largely from four sources. Social Security provided 37 percent, earnings provided 30 percent, pensions provided 19 percent, and asset income accounted for 13 percent. About 89 percent of people age 65 and over live in families with income from Social Security. About three-fifths (59 percent) are in families with income from assets, and two-fifths (44 percent) with income from pensions. About two-fifths (38 percent) are in families with earnings. About 1 in 20 (5 percent) are in families receiving cash public assistance.

- Among married couples and nonmarried people age 65 and over in the lowest fifth of the income distribution, Social Security accounts for 83 percent of aggregate income, and cash public assistance for another 8 percent. For those whose income is in the highest income category, Social Security, pensions, and asset income each account for almost a fifth of aggregate income, and earnings accounts for the remaining two-fifths.



Sources of Income continued

Sources of income for married couples and nonmarried people who are age 65 and over, by income quintile, percent distribution, 2008



NOTE: A married couple is age 65 and over if the husband is age 65 and over or the husband is younger than age 55 and the wife is age 65 and over. The definition of "other" includes, but is not limited to, public assistance, unemployment compensation, worker's compensation, alimony, child support, and personal contributions. Quintile limits are $12,082, $19,877, $31,303, and $55,889 for all units; $23,637, $35,794, $53,180, and $86,988 for married couples; and $9,929, $14,265, $20,187, and $32,937 for nonmarried persons.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2009.

- For the population age 80 and over, a larger percentage lived in families with Social Security income (92 percent) and a smaller percentage had earnings (22 percent) compared to the population age 65–69 (83 percent and 55 percent, respectively).

- The financial situation of 2008 was the worst economic downturn since the Great Depression of the 1930s. This downturn could affect income received in 2008 by the population age 55 and over. People aged 50–64 may have been most affected by the downturn and people age 65 and over may have been least affected by the downturn.[6] Between the peak of October 9, 2007, and through January 2009, the Wilshire 5000 index of broad stock holdings decreased by 47 percent.[7] Retirement accounts of those 50 and over lost 18 percent of their value over the 12 months[8] and by May 2009, retirement accounts lost $2.7 trillion or 31 percent since September 2007.[9] The economic downturn also resulted in rising unemployment, decreasing spending, and falling housing prices with threats of foreclosure.[10] There is likely to be a negative impact on the economic well-being of current and future retirees although it is unclear the extent of the negative impact.[7]

Data for this indicator's charts and bullets can be found in Tables 9a, 9b, and 9c on pages 85–86.

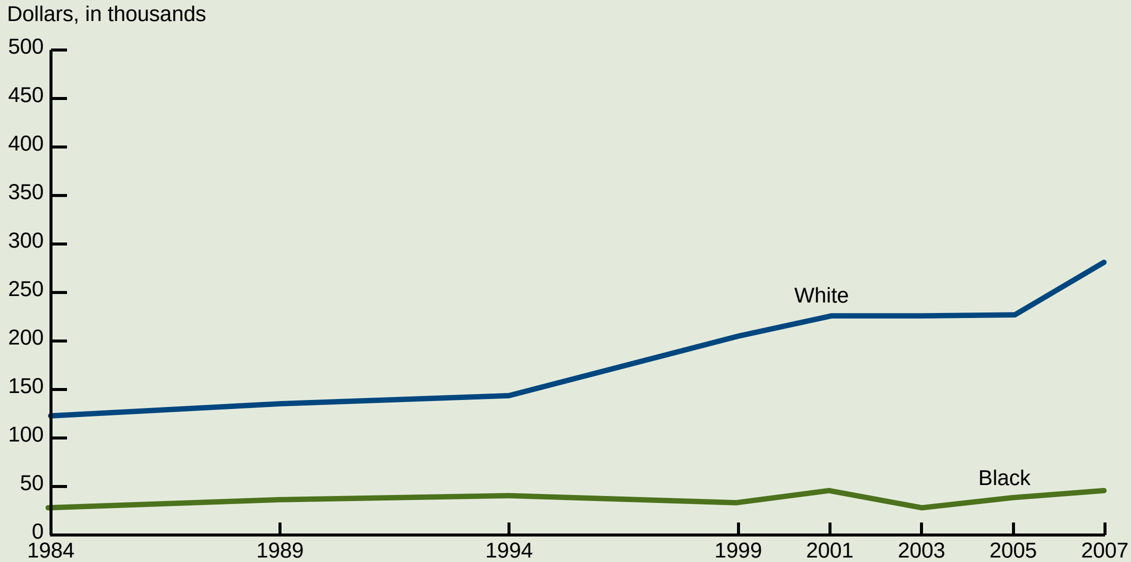
Economics

INDICATOR 10

Net Worth

Net worth (the value of real estate, stocks, bonds, and other assets minus outstanding debts) is an important indicator of economic security and well-being. Greater net worth allows a family to maintain its standard of living when income falls because of job loss, health problems, or family changes such as divorce or widowhood.

Median household net worth in 2005 dollars, by race of head of household age 65 and over, selected years 1984–2007

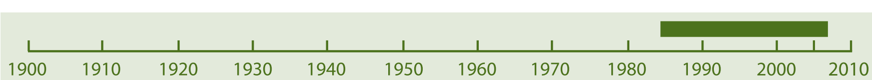


NOTE: Net worth data do not include pension wealth. This excludes private defined-contribution and defined-benefit plans as well as rights to Social Security wealth. Data for 1984–2003 have been inflation adjusted to 2007 dollars. See Appendix B for the definition of race and Hispanic origin in the Panel Study of Income Dynamics.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: Panel Study of Income Dynamics.

- Between 1984 and 2007, the median net worth of households headed by white people aged 65 and over increased by 125 percent, from $125,000 to $280,000. The median net worth of households headed by black people age 65 and over increased 63 percent from $28,200 to $46,000.

- In 1984, the median net worth of households headed by white people age 65 and over was 4 times that of households headed by black people over 65. In 2007, the median net worth of older white households was 6 times that of older black households. This difference is less than it was in 2003, when the median net worth of white older households was 8 times higher than older black households.

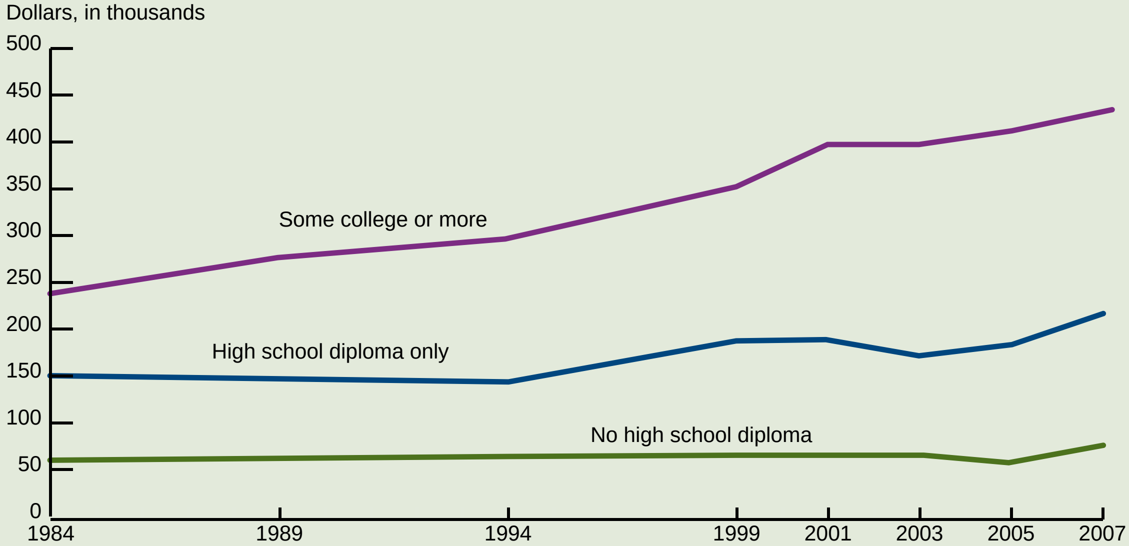
- In 2007, the median net worth of households headed by married people age 65 and older ($385,000) was more than 2.5 times that of households headed by unmarried people in the same age group ($152,000).



INDICATOR 10

Net Worth continued

Median household net worth in 2005 dollars, by educational attainment of head of household, age 65 and over, selected years 1984–2007



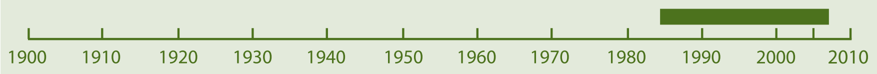
NOTE: Net worth data do not include pension wealth. This excludes private defined-contribution and defined-benefit plans as well as rights to Social Security wealth. Data for 1984–2003 have been inflation adjusted to 2007 dollars.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: Panel Study of Income Dynamics.

- Overall, between 1984 and 2007, the median net worth of households headed by people age 65 and older increased by 117 percent (from $109,000 to $237,000). The increase over the last two years, from 2005, was 20 percent (from $196,000 to $237,000).

- In 2007, households headed by people age 65 and over with at least some college reported a median household net worth ($434,400) more than five times that of households headed by older people without a high school diploma ($78,000).

- Between 1984 and 2007, the median net worth of households headed by people aged 65 and over without a high school diploma increased by 28 percent. Almost all of this increase occurred between 2005 and 2007; between 1984 and 2005, the median net worth in these households remained approximately the same. By contrast, between 1984 and 2007, the median net worth of older households headed by those with some college or more increased by 82 percent.

Data for this indicator's charts and bullets can be found in Table 10 on page 87.

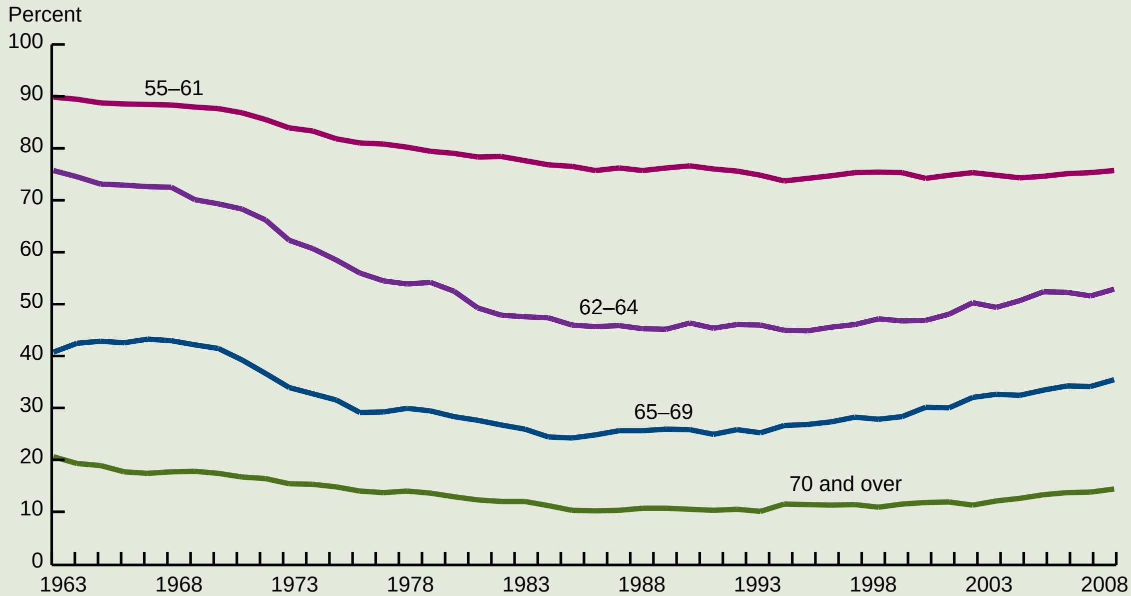


INDICATOR 11

Participation in the Labor Force

The labor force participation rate is the percentage of a group that is in the labor force—that is, either working (employed) or actively looking for work (unemployed). Some older Americans work out of economic necessity. Others may be attracted by the social contact, intellectual challenges, or sense of value that work often provides.

Labor force participation rates of men age 55 and over, by age group, annual averages, 1963–2008

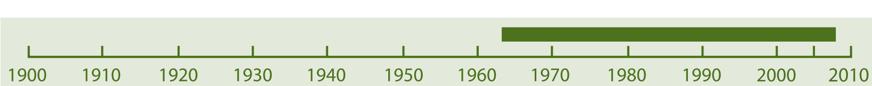


NOTE: Data for 1994 and later years are not strictly comparable with data for 1993 and earlier years due to a redesign of the survey and methodology of the Current Population Survey. Beginning in 2000, data incorporate population controls from Census 2000.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: Bureau of Labor Statistics, Current Population Survey.

- In 2008, the labor force participation rate for men age 55–61 was 76 percent, far below the rate in 1963 (90 percent). The participation rate for men age 62–64 declined from 76 percent in 1963 to a low of 45 percent in 1995, and has gradually increased since then. In 2008, the participation rate for men age 62–64 was 53 percent.

- Men age 65–69 also have experienced a gradual rise in labor force participation following a period of decline in the late 1960s and 1970s. The labor force participation rate for men age 65–69 declined from a high of 43 percent in 1967 to 24 percent in 1985. Their participation rate leveled off from the mid-1980s to the early 1990s and remained in the 24 to 26 percent range. Beginning in the mid-1990s, the labor force participation rate began to increase and reached 36 percent in 2008.

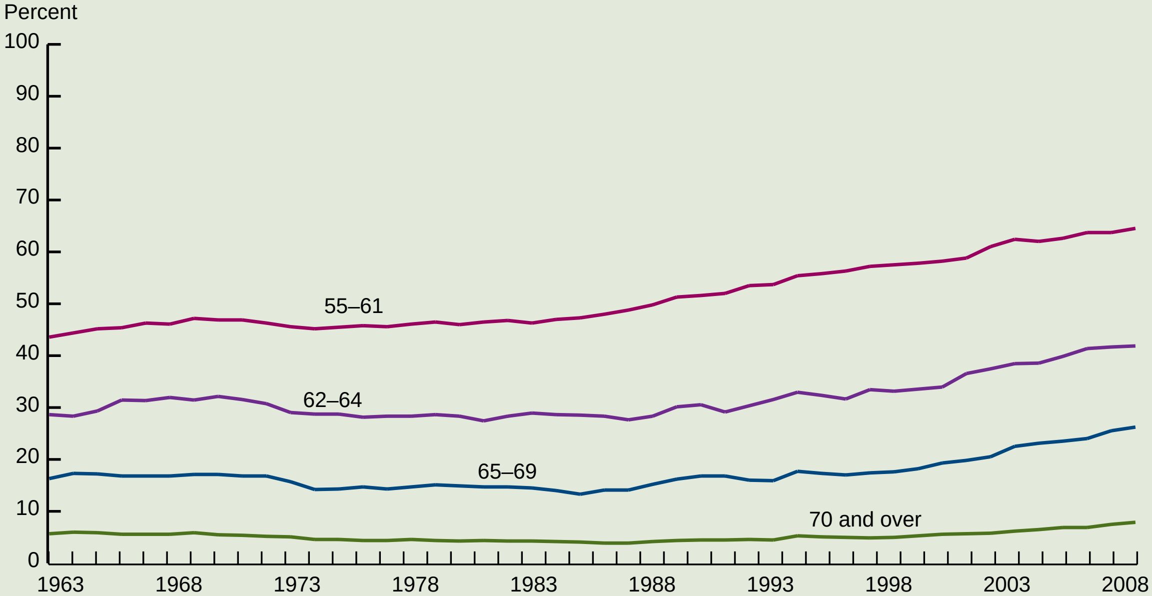
- The participation rate for men age 70 and over showed a similar pattern from 1963 to 2008. In 1993, the labor force participation rate for men age 70 and over reached a low of 10 percent after declining from 21 percent in 1963. Since reaching the lows of the mid-1990s, the participation rate for men age 70 and over has trended higher and reached 15 percent in 2008.



INDICATOR 11

Participation in the Labor Force continued

Labor force participation rates of women age 55 and over, by age group, annual averages, 1963–2008



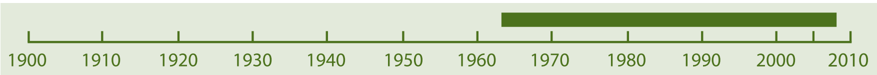
NOTE: Data for 1994 and later years are not strictly comparable with data for 1993 and earlier years due to a redesign of the survey and methodology of the Current Population Survey. Beginning in 2000, data incorporate population controls from Census 2000.
Reference population: These data refer to the civilian noninstitutionalized population.
SOURCE: Bureau of Labor Statistics, Current Population Survey.

- Among women age 55 and over, the labor force participation rate rose over the past 4 decades. The increase has been largest among women age 55–61, rising from 44 percent in 1963 to 65 percent in 2008, with a majority of the increase occurring after 1985. For women age 62–64, 65–69, and 70 years and over, most of the increase in labor force participation began in the mid-1990s.

- The labor force participation rate for older women reflects changes in the work experience of successive generations of women. Many women now in their 60s and 70s did not work outside the home when they were younger, or they moved in and out of the labor force. As new cohorts of baby boom women approach older ages, they are participating in the labor force at higher rates than previous generations. As a result, in 2008, 65 percent of women age 55–61 were in the labor force, compared with 44 percent of women age 55–61 in 1963. Over the same period, the labor force participation rate for women age 62–64 increased from 29 to 42 percent, while the rate for women age 65–69 increased from 17 percent to 26 percent.

- The difference between labor force participation rates for men and women has narrowed over time. Among people age 55–61, for example, the gap between men's and women's rates in 2008 was 11 percentage points, compared with 46 percentage points in 1963.

Data for this indicator's charts and bullets can be found in Table 11 on page 88.

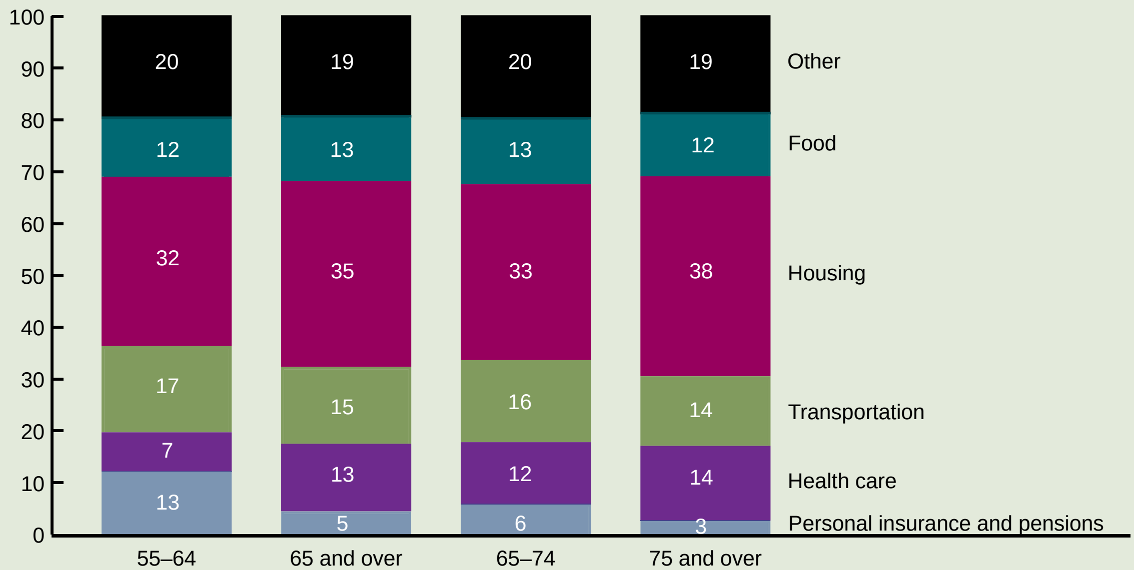


INDICATOR 12

Total Expenditures

Expenditures are another indicator of economic well-being that show how the older population allocates resources to food, housing, health care, and other needs. Expenditures may change with changes in work status, health status, or income.

Household annual expenditures by expenditure category, by age of reference person, percent distribution, 2008



NOTE: Other expenditures include apparel, personal care, entertainment, reading, education, alcohol, tobacco, cash contributions, and miscellaneous expenditures. Data from the Consumer Expenditure Survey by age group represent average annual expenditures for consumer units by the age of reference person, who is the person listed as the owner or renter of the home. For example, the data on people age 65 and over reflect consumer units with a reference person age 65 or older. The Consumer Expenditure Survey collects and publishes information from consumer units, which are generally defined as a person or group of people who live in the same household and are related by blood, marriage, or other legal arrangement (i.e., a family), or people who live in the same household but who are unrelated and financially independent from one another (e.g., roommates sharing an apartment). A household usually refers to a physical dwelling, and may contain more than one consumer unit. However, for convenience the term "household" is substituted for "consumer unit" in this text.
Reference population: These data refer to the resident noninstitutionalized population.
SOURCE: Bureau of Labor Statistics, Consumer Expenditure Survey.

- Housing accounts for the largest share of total expenditures—one-third or more on average for all groups of households with reference person (i.e., a selected household owner or renter) age 55 or older. The share is largest (38 percent) for households with reference person age 75 and older, even though this group is the most likely to own without a mortgage.

- As a share of total expenditures, health care expenditures increase dramatically with age. For the 75 and older group, the share (14 percent) is twice as high as it is for the 55–64 year old group (7 percent), and is equal to the share the older group allocates to transportation (14 percent). For the 75 and older group, vehicle insurance accounts for nearly one-fourth of transportation expenditures, and for a larger share of total expenditures (3.3 percent) than drugs (2.4 percent) and medical supplies (0.5 percent) combined.

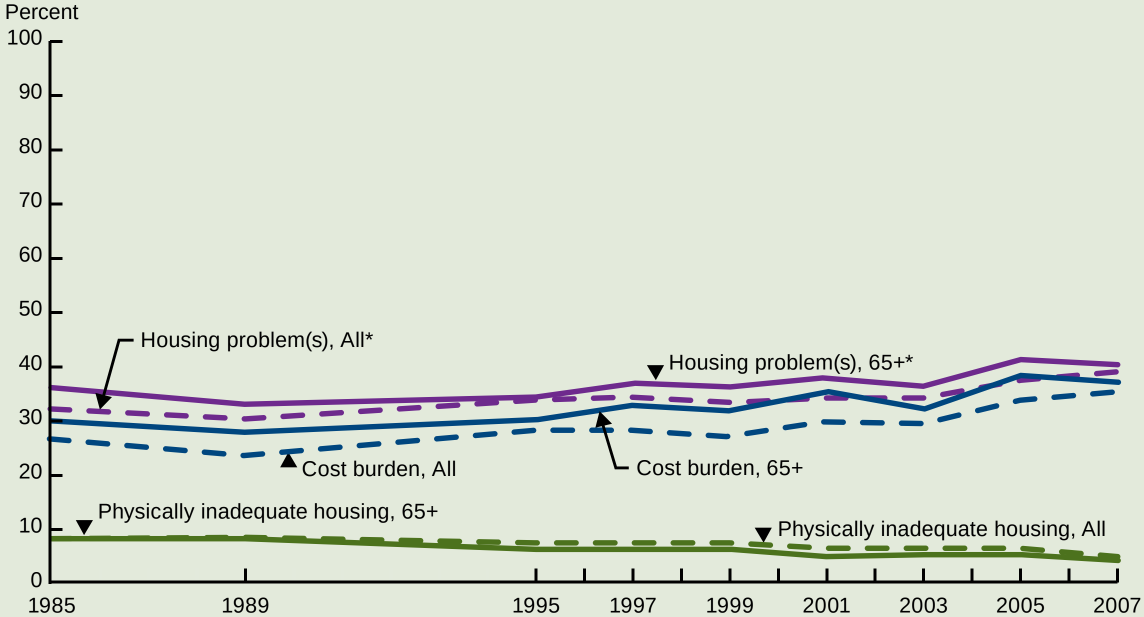
- Regardless of age group studied, the share of total expenditures allocated to food is about 12 to 13 percent. Food at home accounts for 7 to 8 percent of total expenditures, and food away from home accounts for 4 to 5 percent of expenditures.

Data for this indicator's chart and bullets can be found in Table 12 on page 89.

Housing Problems

Most older people live in adequate, affordable housing. For some, however, costly or physically inadequate housing can pose serious problems to an older person's physical or psychological well-being.

Percentage of all U.S. households and of households with any resident age 65 and over that report housing problems, by type of problem, selected years 1985–2007



(All) All U.S. households; (65+) U.S. households with one or more residents age 65 and over.

*Although crowded housing is not a common problem for older people (less than 1 percent), it is included as one of three possible housing problems under "housing problem(s)." See Tables 13a and 13b in Appendix A for more information.

Reference population: These data refer to the resident noninstitutionalized population. People residing in noninstitutional group homes are excluded.

SOURCE: Department of Housing and Urban Development, American Housing Survey.

- In 2007, 40 percent of households with people age 65 and over had one or more of the following types of housing problems: housing cost burden, physically inadequate housing, and/or crowded housing. This is slightly higher than the occurrence of such problems among all U.S. households which was 39 percent in 2007.

- The prevalence of housing cost burden, or expenditures on housing and utilities that exceeds 30 percent of household income, has increased for all U.S. households but is slightly more prevalent among households with people age 65 and over in 2007. Between 1985 and 2007, housing cost burden for households with older people increased from 30 percent to 37 percent. By comparison, the prevalence of housing cost burden among all U.S. households increased from 26 percent in 1985 to 35 percent in 2007.

- Physically inadequate housing, or housing with severe or moderate physical problems such as lacking complete plumbing or having multiple upkeep problems, has become less common. In 2007, 4 percent of households with people age 65 and over had inadequate housing, compared with 8 percent in 1985. In contrast, 5 percent of U.S. households overall reported living in physically inadequate housing during 2007 compared with 8 percent in 1985.

Data for this indicator's charts and bullets can be found in Tables 13a and 13b on pages 89–92.