

Economics

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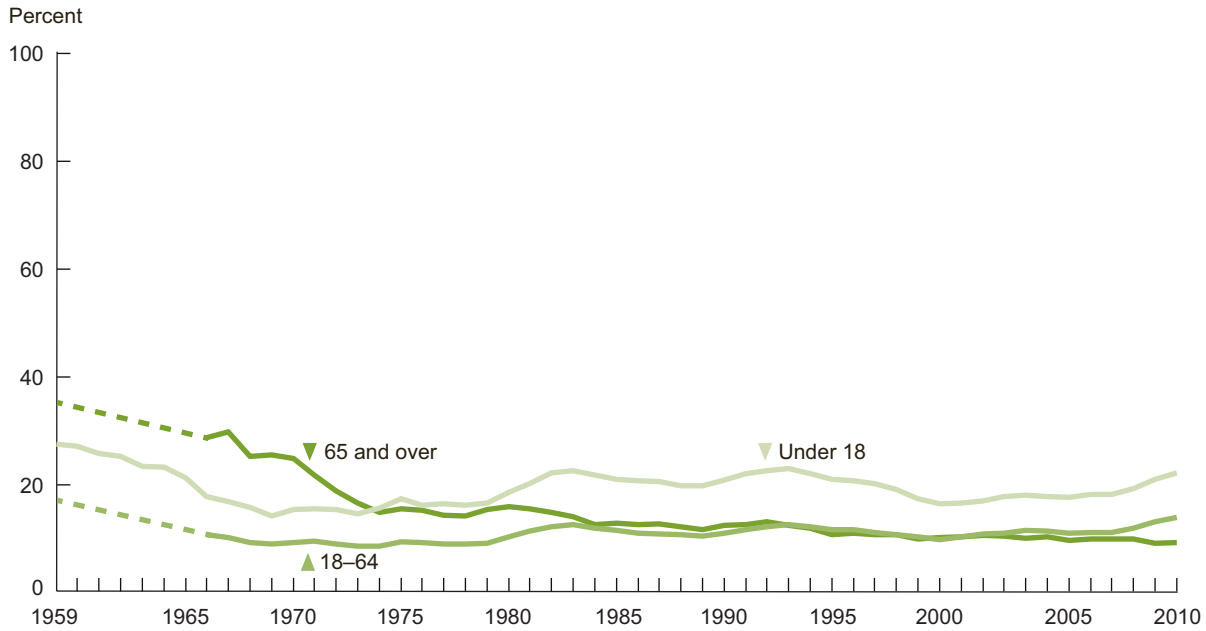
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INDICATOR 7 Poverty

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 living in poverty, by age group, 1959–2010



--- 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. 239. 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, 2011.

- In 1959, 35 percent of people age 65 and over lived below the poverty threshold. By 2010, the proportion of the older population living in poverty had decreased dramatically to 9 percent.
- Relative levels of poverty among the different age groups have changed over time. 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 2010, the proportions of the older population and those of working age living in poverty were about 9 percent and 14 percent, respectively, while 22 percent of children lived in poverty.
- Poverty rates differed by age and sex among the older population. Older women (11 percent) were more likely than older men (7 percent) to live in poverty in 2010. People age 65–74 had a poverty rate of 8 percent, compared with 10 percent of those age 75 and over.
- Race and ethnicity are related to poverty among older men. In 2010, older non-Hispanic White men were less likely than older Black men, older Hispanic men and older Asian men to live in poverty; 5 percent compared with 14 percent each for older Black men, older Hispanic men, and Asian men.
- Older non-Hispanic White women (8 percent) were less likely than older Black women (21 percent), older Hispanic women (21 percent) and older Asian women (15 percent) to live in poverty.

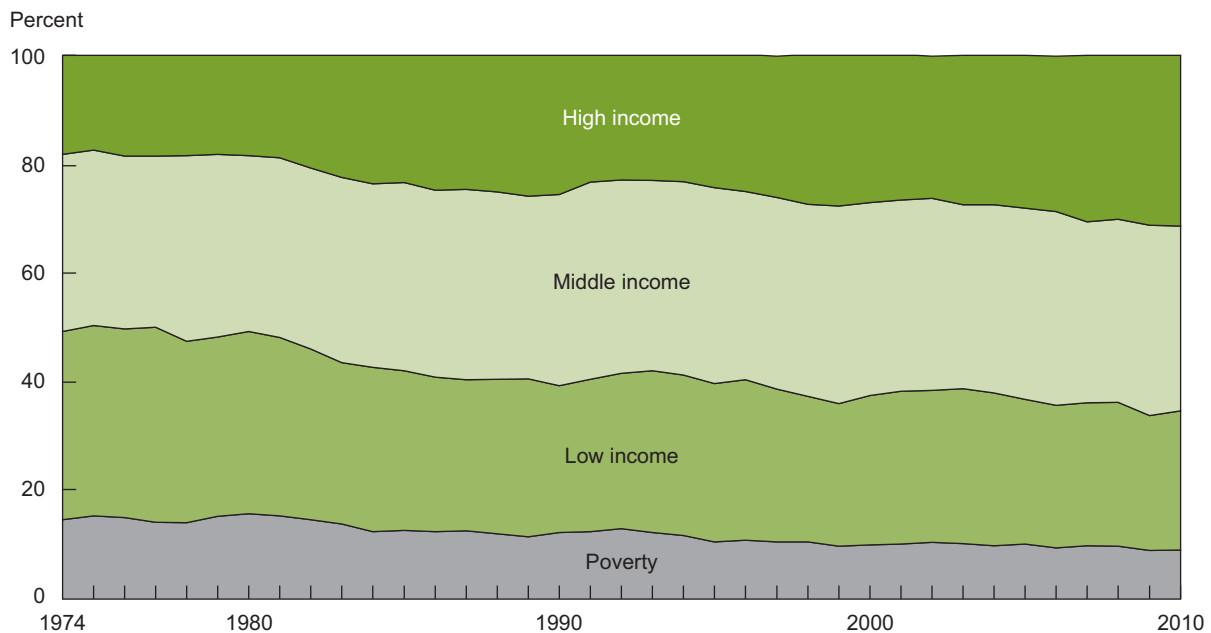
All comparisons presented for this indicator are significant at the 0.10 confidence level. Data for this indicator's charts and bullets can be found in Tables 7a and 7b on pages 91–92.

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, 1974–2010



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. Income distribution 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, 2011.

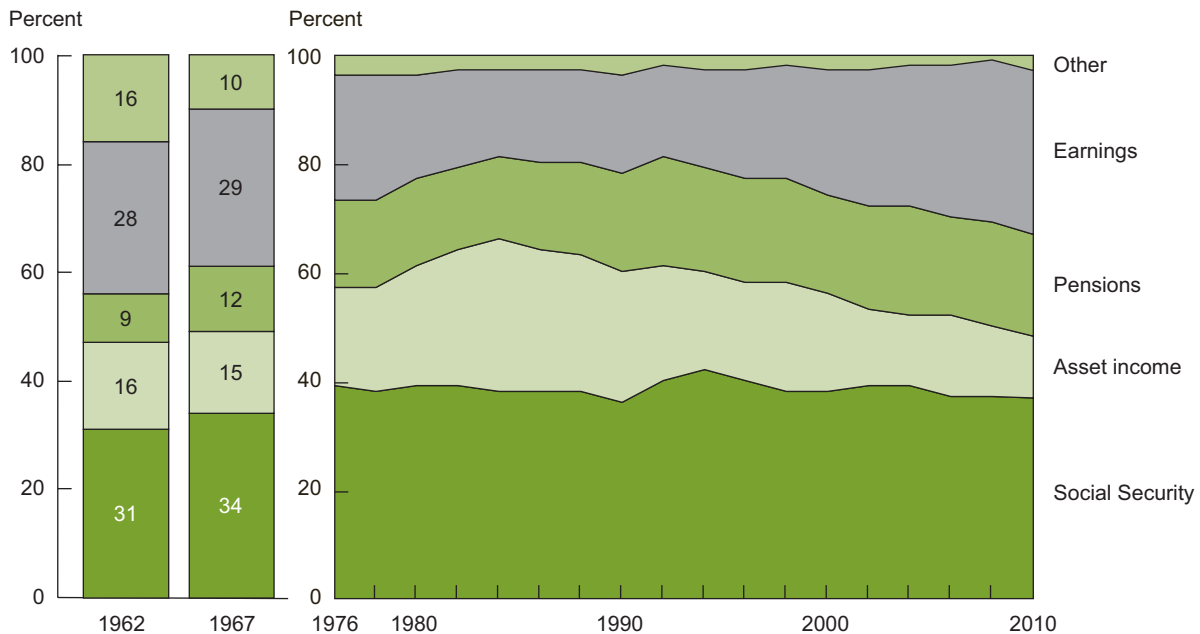
- Since 1974, the proportion of older people living in poverty and in the low income group has generally declined so that, by 2010, 9 percent of the older population lived in poverty and 26 percent of the older population was in the low income group.
- In 2010, people in the middle income group made up the largest share of older people by income category (34 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 2010.
- 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 \$21,100 when expressed in 2010 dollars. By 2010, the median household income had increased to \$31,410.

All comparisons presented for this indicator are significant at the 0.10 confidence level. Data for this indicator's charts and bullets can be found in Tables 8a and 8b on pages 93–94.

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 greater importance to many older Americans.

Percentage distribution of sources of income for married couples and nonmarried persons age 65 and over, 1962–2010



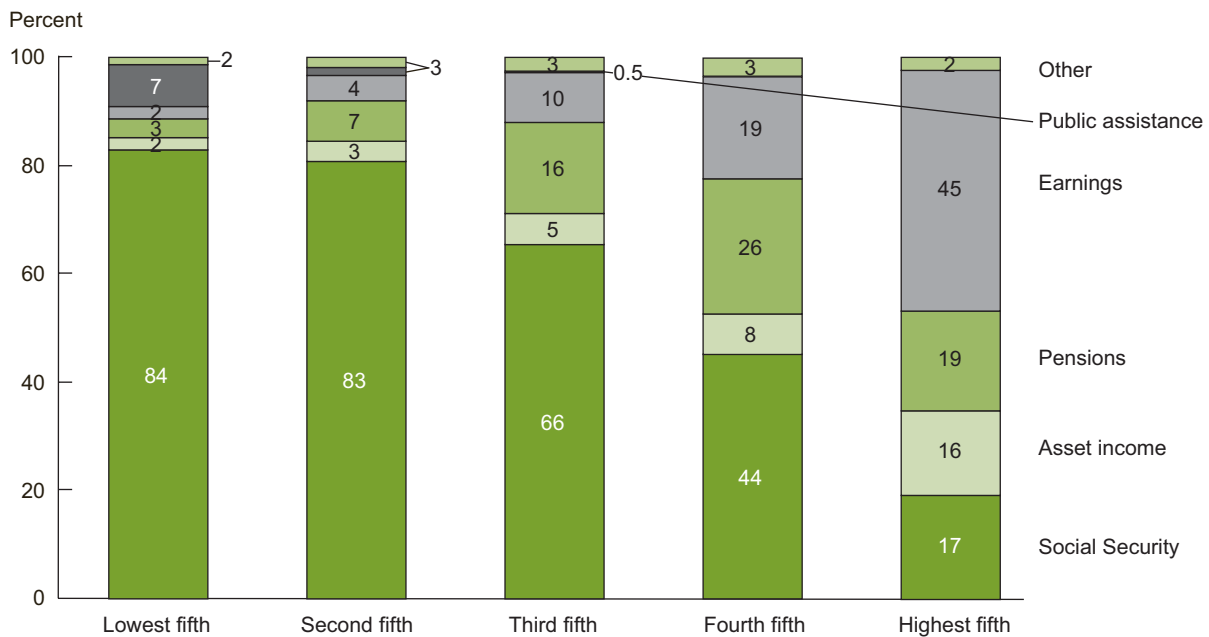
NOTE: A married couple is age 65 and over if the husband is age 65 and over or the husband is younger than age 55 and the wife is age 65 and over. The definition of "other" includes, but is not limited to, unemployment compensation, workers compensation, alimony, child support, and personal contributors.

Reference population: These data refer to the civilian noninstitutionalized population.

SOURCE: Current Population Survey, Annual Social and Economic Supplement, 1977–2011.

- 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 at about a fifth of aggregate income. 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 2010, aggregate income for the population age 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 11 percent.
- About 88 percent of people age 65 and over lived in families (including families of one) with income from Social Security. About three-fifths (57 percent) were in families with income from assets, and two-fifths (43 percent) were in families with income from pensions. About two-fifths (38 percent) were in families with earnings. About 1 in 20 (5 percent) were 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 accounted for 84 percent of aggregate income, and cash public assistance for another 7 percent. For those whose income was in the highest income category, Social Security, pensions, and asset income each accounted for almost a fifth of aggregate income, and earnings accounted for the remaining two-fifths.

Percentage distribution of sources of income for married couples and nonmarried persons age 65 and over, by income quintile, 2010



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, unemployment compensation, workers compensation, alimony, child support, and personal contributors. Quintile limits are \$12,600, \$20,683, \$32,880, and \$57,565 for all units; \$24,634, \$36,288, \$53,000, and \$86,310 for married couples; and \$10,145, \$14,966, \$21,157, and \$35,405 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, 2011.

- For the population age 80 and over, a larger percentage (92 percent) lived in families (including families of one) with Social Security income and a smaller percentage (21 percent) had earnings compared to the population age 65–69 (80 percent and 56 percent, respectively).
- Pension coverage expanded dramatically in the two decades after World War II, and private pensions accounted for an increasing proportion of income for older people during the 1960s and early 1970s. In the past decade, the retirement-plan participation rate has been stable at about 50 percent of all private workers on their jobs.⁶
- There has been a major shift in the type of pensions provided by employers, from defined-benefit plans (in which a specified amount is typically paid as a lifetime annuity) to defined-contribution plans such as 401(k) plans (in which the amount of the benefit varies depending on investment

returns). Employers increasingly offer defined-contribution plans to employees. The percentage of private workers who participated in defined-benefit plans decreased from 32 percent in 1992–93 to 21 percent in 2005.⁷ Over the same period, participation in defined-contribution plans increased from 35 percent to 42 percent. In 2010, employer plans offered only 20 percent of private workers a defined-benefit plan and 59 percent of workers a defined-contribution plan.⁸

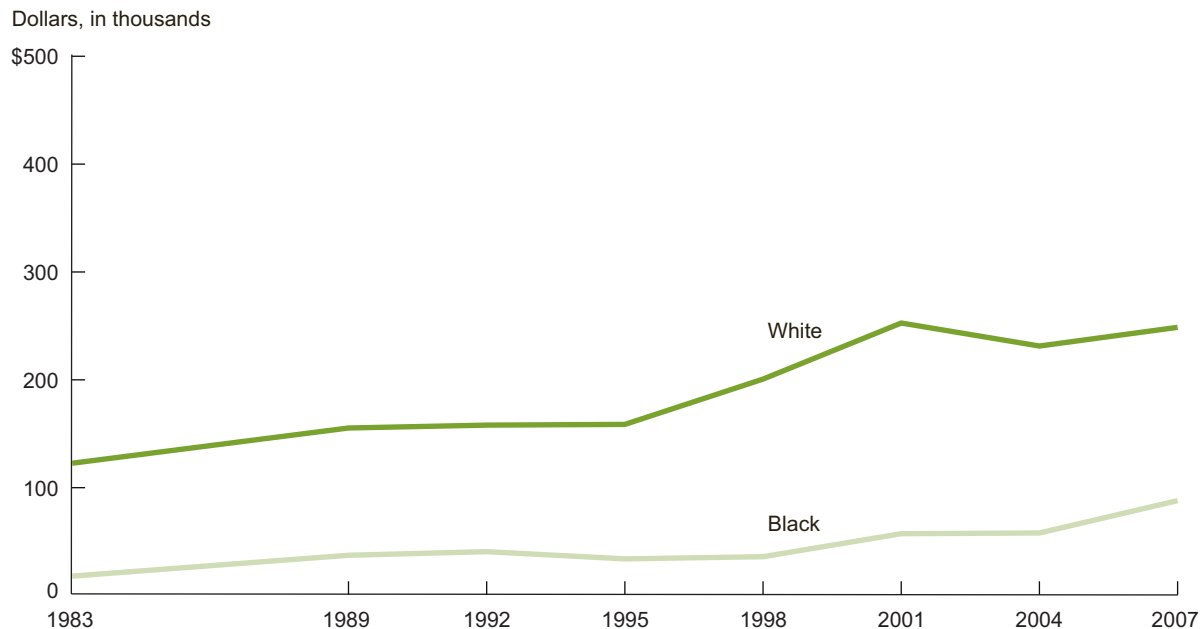
- The pension measure includes regular income from retirement plans. Money taken from investment retirement accounts (IRAs, 401(k)s, etc.) is largely not captured in the pension measure because it often is taken as an irregular distribution. *See Data Needs.* Table 10b measures the prevalence of these accounts for the aged.

Data for this indicator's charts and bullets can be found in Tables 9a through 9c on pages 95–96.

INDICATOR 10 Net Worth

Net worth (the value of real estate, stocks, bonds, retirement investment accounts and other assets minus 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.

Median household net worth in 2007 dollars, by race of head of household age 65 and over, selected years 1983–2007



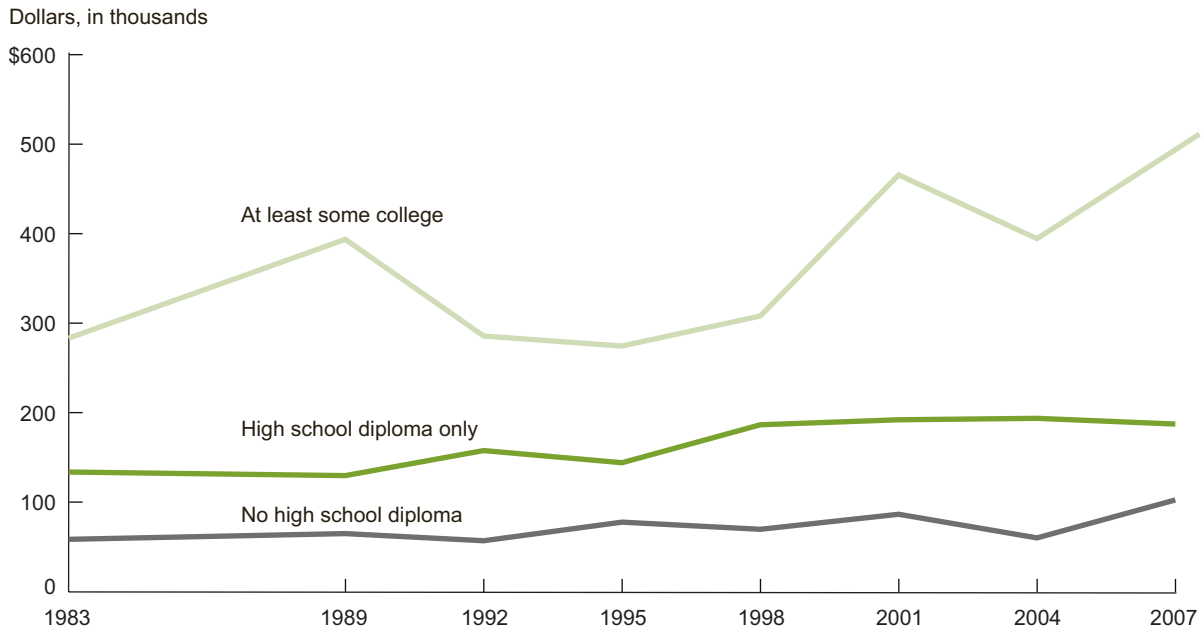
NOTE: The Survey of Consumer Finances has replaced the Panel Study of Income Dynamics as the data source for this indicator. Median net worth is measured in constant 2007 dollars. Net worth includes housing wealth, financial assets, and investment retirement accounts such as IRAs, Keoghs, and 401(k) type plans. Data are weighted. The term "household" here is similar to the Census Bureau's household definition. See Indicator 10 data source for more detail.

Reference population: These data refer to the civilian noninstitutionalized population.

SOURCE: Survey of Consumer Finances.

- Overall, between 1983 and 2007, the median net worth (including the value of retirement investment accounts) of households headed by people age 65 and over more than doubled (from about \$103,750 to \$220,800). The rate of change was quite variable over this time period. The largest increase was 28 percent, between 1995 and 1998. There was a slight decrease between 2001 and 2004.
- Between 1983 and 2007, the median net worth of households headed by White people age 65 and over doubled from about \$122,320 to \$248,300. The median net worth of households headed by Black people age 65 and over increased almost five-fold from about \$17,960 to \$87,800.
- In 1983, the median net worth of households headed by White people age 65 and over was almost seven times that of households headed by Black people age 65 and over. In 2007, the median net worth of older White households was almost three times that of older Black households.
- In 2007, the median net worth of households headed by married people age 65 and over (about \$300,500) was almost twice that of households headed by unmarried people in the same age group (about \$165,090).

Median household net worth in 2007 dollars, by educational attainment of head of household, age 65 and over, selected years 1983–2007



NOTE: The Survey of Consumer Finances has replaced the Panel Study of Income Dynamics as the data source for this indicator. Median net worth is measured in constant 2007 dollars. Net worth includes housing wealth, financial assets, and investment retirement accounts such as IRAs, Keoghs, and 401(k) type plans. Data are weighted. The term "household" here is similar to the Census Bureau's household definition. See Indicator 10 data source for more detail.

Reference population: These data refer to the civilian noninstitutionalized population.

SOURCE: Survey of Consumer Finances.

- In both 1983 and 2007, households headed by people age 65 and over with at least some college reported a median household net worth about five times that of households headed by older people without a high school diploma.
- Between 1983 and 2007, the median net worth of people age 65 and over without a high school diploma and with some college grew at about the same rate (75 percent to 80 percent).
- With the shift from traditional defined-benefit pension plans to investment retirement accounts such as 401(k) type Individual Retirement Accounts and Keogh Accounts, financial assets held in individual retirement accounts have become prevalent among older Americans. In 2007, about two-fifths of families with a family head age 65 and over

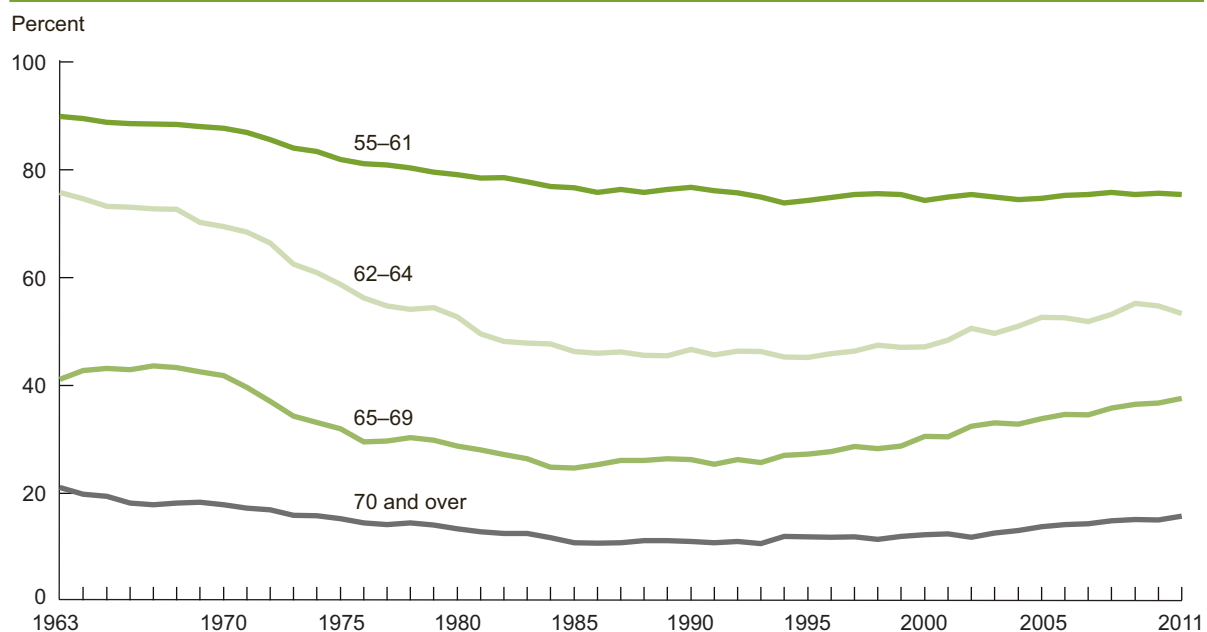
held such accounts with a median value of about \$61,000 (Table 10b). These accounts are more likely to be held by later birth cohorts with three-fifths of those age 55–64, half of those age 65–74, and three-tenths of those age 75 and over owning such accounts. This probably reflects the establishment of IRAs in the 1970s, 401(k) regulations in 1981, and Roth IRAs in the 1990s. Tax regulations require withdrawal of the money in these accounts at a rate based on life expectancy beginning in the year after 70 and a half years of age and ending at the year of expected death. People rarely withdraw this account money as annuity payments or regular payments; rather, most are taken as ad hoc distributions.

Data for this indicator's charts and bullets can be found in Tables 10a and 10b on page 97.

INDICATOR 11 Participation in Labor Force

The labor force participation rate is the percentage of a population 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, 1963–2011



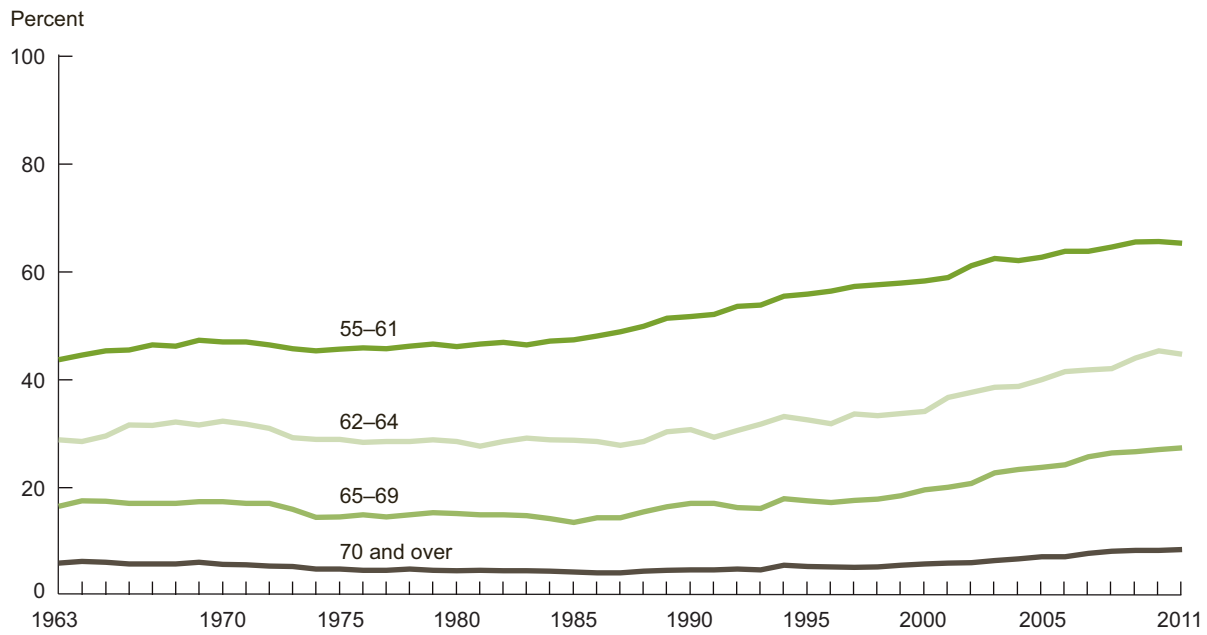
NOTE: Data for 1994 and later years are not strictly comparable with data for 1993 and earlier years due to a redesign of the survey and methodology of the Current Population Survey.

Reference population: These data refer to the civilian noninstitutionalized population.

SOURCE: Bureau of Labor Statistics, Current Population Survey.

- In 2011, the labor force participation rate for men age 55–61 was 75 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. In 2011, the participation rate for men age 62–64 was 53 percent.
- Men age 65–69 also 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 from the mid-1980s to the early 1990s remained in the range of 24 to 26 percent. Beginning in the mid-1990s, the labor force participation rate began to increase and reached 37 percent in 2011.
- The participation rate for men age 70 and over showed a somewhat similar pattern from 1963 to 2011. 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 the mid-1990s, the participation rate for men age 70 and over has trended higher and reached 15 percent in 2011.

Labor force participation rates of women age 55 and over, by age group, annual averages, 1963–2011



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.
 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 four decades. The increase has been largest among women age 55–61, rising from 44 percent in 1963 to 65 percent in 2011, with a majority of the increase occurring after 1985. For women age 62–64, 65–69, and 70 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, 65 percent of women age 55–61 were in the labor force in 2011, compared with 44 percent in 1963. Over the same period, the labor force participation rate for women age 62–64 increased from 29 to 45 percent, and the rate for women age 65–69 increased from 17 percent to 27 percent.

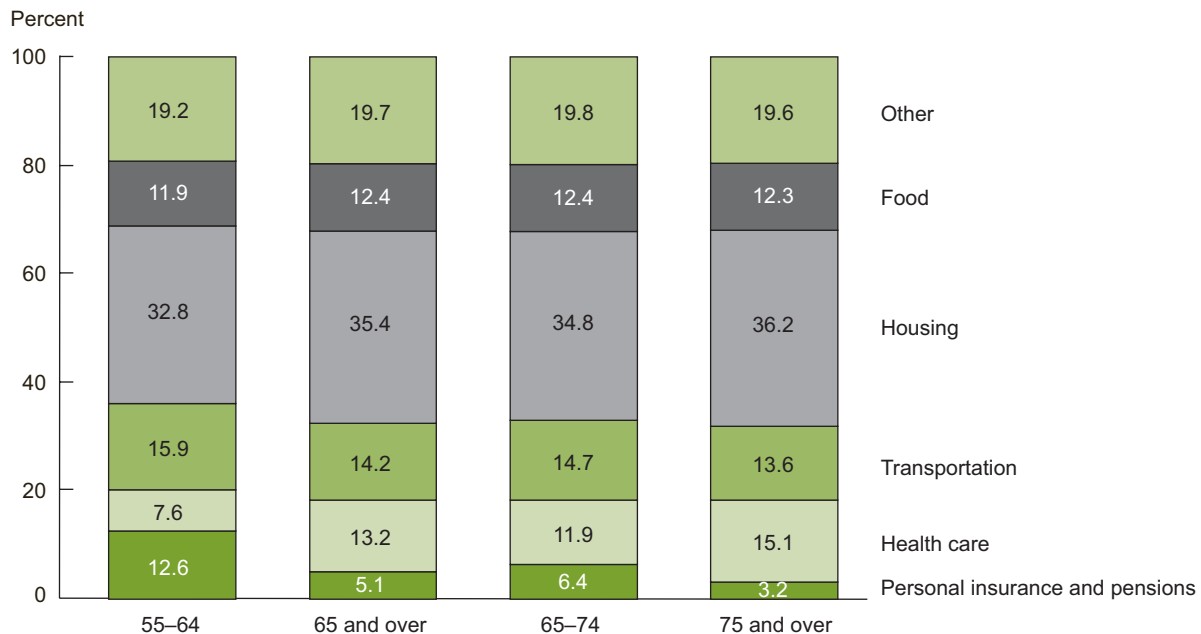
- The difference between labor force participation rates for men and women has narrowed over time. Among people age 55–61, for example, the gap between men’s and women’s rates in 2011 was 10 percentage points, compared with 46 percentage points in 1963.

Data for this indicator’s charts and bullets can be found in Table 11 on pages 98–99.

INDICATOR 12 Total Expenditures

Expenditures are another indicator of economic well-being and 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, 2010



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 over. 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 accounted for the largest share, one-third or more on average, of total expenditures for all groups of households with a reference person (i.e., a selected household owner or renter) age 55 or over. The share was largest (36 percent) for households with a reference person age 75 and over, even though this group was the most likely to own a home without a mortgage.
- As a share of total expenditures, health care expenditures increased dramatically with age. For the age 75 and over group, the share (15 percent) was nearly twice as high as it was for the age 55-64 group (8 percent), and was

slightly higher than the share the older group allocates to transportation (14 percent). For the age 75 and over group, vehicle insurance accounted for about one-fifth of transportation expenditures.

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

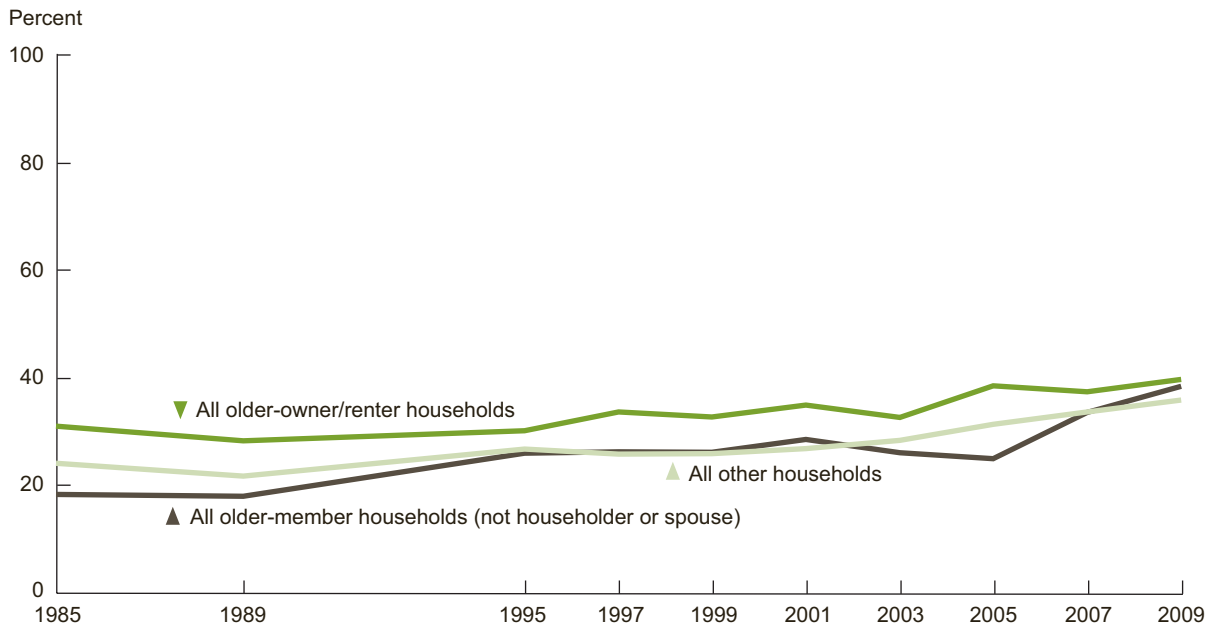
Data for this indicator's charts and bullets can be found in Table 12 on page 100.

INDICATOR 13 Housing Problems

Most older Americans live in adequate, affordable housing. Some, however, live in costly, physically inadequate, and crowded housing, which can pose serious problems for an older person's physical or psychological well-being. Housing cost burden is the most prevalent housing problem for all household types and has increased over the years.

The prevalence of housing problems is examined for two different groups of older American households and compared with all other U.S. households. The adequacy of housing for older American households with children in their home is also discussed.

Percentage of older American households and all other U.S. households that report housing cost burden, selected years 1985–2009



NOTE: Housing cost burden refers to expenditures on housing and utilities that exceed 30 percent of household income. All older-owner/renter households are households with a householder or spouse age 65 and over; all older-member households are households with an older member age 65 and over who is not the householder or spouse; and all other households are households without a person(s) age 65 and over.

Reference population: These data refer to the resident non-institutionalized population. People residing in non-institutional group homes are excluded.

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

- Approximately 40 percent of both older-owner/renter households (households with a householder or spouse age 65 and over) and older-member households (households with an older member age 65 and over who is not the householder or spouse) have housing problems. The most prevalent housing problem is cost burden (expenditures on housing and utilities that exceed 30 percent of household income) and it has been increasing over time. Between 1985 and 2009, the prevalence of cost burden increased from 31 to 40 percent for older-owner/renter households and from 18 to 39 percent among older-member households. In comparison, the prevalence of housing cost burden for all other U.S. households (households without a person(s) age 65 and over) increased from 24 to 36 percent over the same time period.
- While cost burden is the most prevalent housing problem, some households have other housing problems. They include physically inadequate housing, such as housing that lacks complete plumbing or has multiple and major upkeep problems, and crowded housing, which is housing that has more household members than the number of rooms in a unit. In 2009,

Indicator 13 continued on page 22.

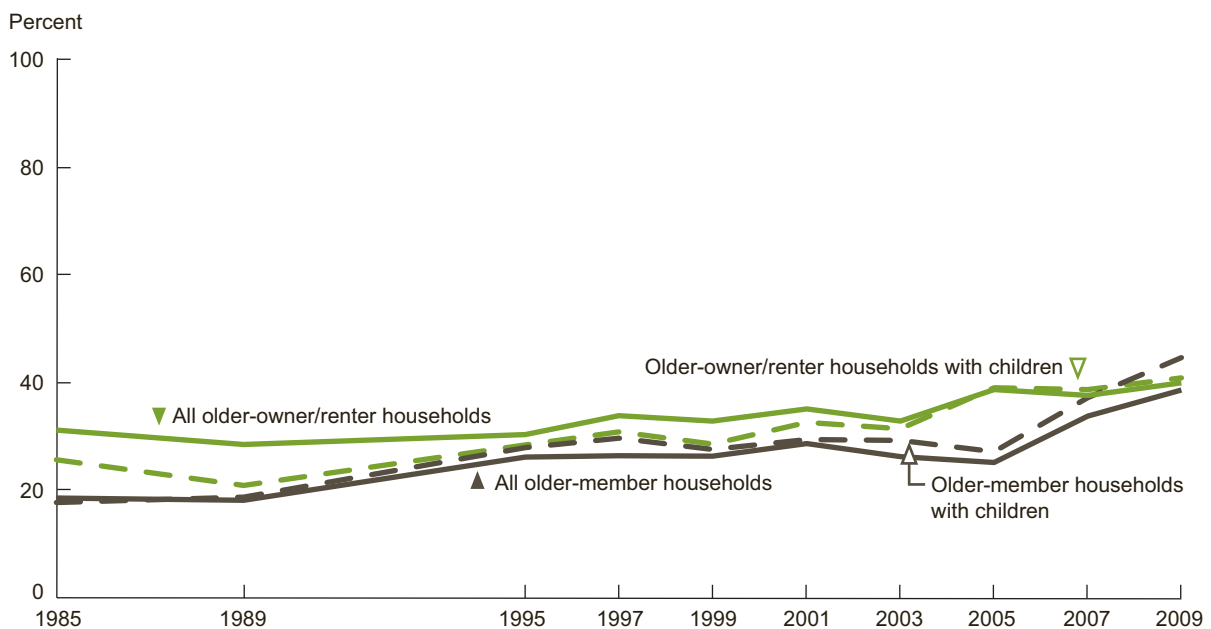
4 percent of older-owner/renter households had physically inadequate housing, while less than one percent had crowded housing. For older-member households, 5 percent had physically inadequate housing and 6 percent had crowded housing in 2009. The prevalence of these problems was fairly similar for all other U.S. households, 5 percent of whom had physically inadequate housing and 3 percent of whom reported crowded housing in 2009.

and over) and children (age 19 or younger) living in the household. Older-owner/renter and older-member intergenerational households are likely to represent households where grandparents are helping to raise their grandchildren or where three generations are living within the same household. From 1985 to 2009, housing cost burden increased from 26 to 41 percent for older-owner/renter intergenerational households and from 18 to 45 percent for older-member intergenerational households.

Intergenerational Households

- Similar to the households described above, cost burden is the most dominant housing problem for intergenerational households, or households with older people (age 65
- For some intergenerational households, crowded housing is fairly prevalent. In 2009, 14 percent of older-member intergenerational households reported overcrowding.

Percentage of older American households and intergenerational households that report housing cost burden, selected years 1985–2009



NOTE: Housing cost burden refers to expenditures on housing and utilities that exceed 30 percent of household income. All older-owner/renter households are households with a householder or spouse age 65 and over; all older-member households are households with an older member age 65 and over who is not the householder or spouse; older-owner/renter households with children are households with a householder or spouse age 65 and over and children (age 19 or younger); and older-member households with children are households with an older member age 65 and over and children (age 19 or younger).

Reference population: These data refer to the resident non-institutionalized population. People residing in non-institutional group homes are excluded.

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

Data for this indicator's charts and bullets can be found in Tables 13a through 13f on pages 101–112.