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Living Below the Line: Economic Insecurity and Older Americans, Racial and Ethnic Disparities in Insecurity, 2016

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Center for Social and Demographic Research on Aging

Gerontology Institute

McCormack Graduate School of Policy and Global Studies

University of Massachusetts Boston

March 2017

Living Below the Line: Economic Insecurity and Older Americans

Racial and Ethnic Disparities in Insecurity, 2016

New estimates from the 2016 Elder Economic Security Standard™ Index highlight the high risk of economic insecurity experienced by older adults, a risk that is especially high for racial and ethnic minorities. The Gerontology Institute compares the 2016 household incomes for adults age 65 and above living in one- and two-person households to the 2016 Elder Economic Security Standard™ Index for each state and Washington, DC to calculate Elder Economic Insecurity Rates (EEIRs), the percentage of independent older adults age 65 or older living in households with annual incomes that do not support economic security. The EEIRs allow state and local governments to better understand and benchmark how many and which groups of older adults are at risk of financial instability. *National averages suggest that among older adults living alone, half of non-Hispanic Whites, along with 61% of Asians, two-thirds of African Americans, and nearly three-quarters of Hispanics have annual incomes below the Elder Index. The risk of economic insecurity is lower among couples than among singles, but is still substantially higher for racial and ethnic minorities than for non-Hispanic Whites.*[1] Together, these estimates suggest that nationally, a minimum of 10 million adults age 65 or older struggle to make ends meet, facing financial challenges in their efforts to age in place and in community.

[1] In this document, we use the term "older couple" to refer to households that include just two people, both of whom are age 65 or older. A large majority of these households are married couples. The remaining households include unmarried partners and older adults living with another older adult (such as siblings, an older adult with a parent, or other relationship).

Defining Economic Security for Older Americans: The Elder Economic Security Standard™ Index

The Elder Economic Security Standard™ Index (Elder Index) measures the costs faced by households that include one or two older adults age 65 or older living independently. Developed by the Gerontology Institute at the University of Massachusetts Boston and Wider Opportunities for Women, and maintained through a partnership with the National Council on Aging (NCOA), the Elder Index defines economic security as the income level at which older adults are able to cover basic and necessary living expenses and age in their homes, without relying on benefit programs, loans or gifts.

The Elder Index is calculated for every county in the United States; statewide and national averages are also generated. Elder Index expenses include housing, food, transportation, health care, and basic household items including clothing, a telephone, hygiene and cleaning supplies. The Elder Index is a basic budget, allowing no vacations, restaurant meals, savings, large purchases, gifts or entertainment of any kind. **Table 1** presents the 2016 Elder Index for the United States. For older adults living in their own homes without a mortgage, the Elder Index is $20,064 annually for an older adult living alone, and $30,576 for an older couple living together. Estimated costs are higher for renters ($23,364 for singles and $33,876 for couples) and for those who are paying off a mortgage ($30,972 for singles and $41,484 for couples).

Table 1: The Elder Economic Security Standard™ Index for the United States, 2016

	Elder Person			Elder Couple		
Expense	**Owner w/o Mortgage**	**Renter**	**Owner w/ Mortgage**	**Owner w/o Mortgage**	**Renter**	**Owner w/ Mortgage**
Housing	$516	$791	$1,425	$516	$791	$1,425
Food	$256	$256	$256	$470	$470	$470
Transportation	$231	$231	$231	$357	$357	$357
Health Care	$390	$390	$390	$780	$780	$780
Miscellaneous	$279	$279	$279	$425	$425	$425
Elder Index Per Month	$1,672	$1,947	$2,581	$2,548	$2,823	$3,457
Elder Index Per Year	$20,064	$23,364	$30,972	$30,576	$33,876	$41,484

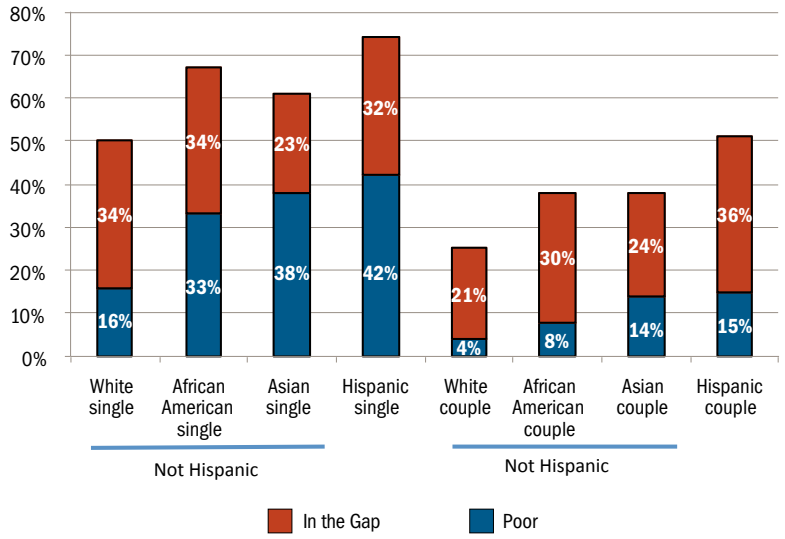
Evaluating economic insecurity by race and ethnicity

Figure 1 compares the incomes of older adults living alone or in a couple household to the Federal Poverty Guidelines, commonly referred to as the federal poverty level (FPL), which are used to establish eligibility for many state and federal assistance programs.[2] On average throughout the United States, non-Hispanic Whites living alone have poverty rates of 16%, compared to poverty rates of 33% for African American singles, 38% for Asian singles, and 42% for Hispanic singles living alone. Also

[2] This analysis compares older adults' incomes to the HHS Poverty Guidelines, which are used in determining most public assistance income eligibility, and not to the US Census Bureau's federal poverty thresholds, which are used to calculate official poverty rates. The Guidelines are derived from the thresholds, and the values are quite similar. The Guidelines were used here in order to facilitate observations about public assistance program eligibility.

displayed are the percentages of older adults who live "in the gap," with incomes falling between the FPL and the Elder Index.[3] These individuals have incomes too high to qualify for many means-tested public benefits programs, yet too low to achieve intermediate- or long-term economic stability. Among non-Hispanic White singles, one-third live in the gap which, when added to the 16% who are poor, results in a total of 50% being economically insecure. In comparison, 34% of African American singles have incomes in the gap; combining these with the share who are poor suggests that two-thirds of African American singles are economically insecure. Economic insecurity rates among Asian older adults who live alone are also higher than among non-Hispanic Whites, with 38% of Asian singles being poor and another 23% living in the gap. The highest rates of economic insecurity are estimated for Hispanics living alone. With 42% of Hispanic singles being poor and another 32% living in the gap, a total of nearly three out of four Hispanics living alone do not have incomes sufficient to cover necessary living expenses. As further illustrated in **Figure 1**, the rates of economic insecurity are considerably lower among older couples than among singles. However, as is the case among older adults who live alone, rates of economic insecurity are higher among racial and ethnic minority couples than for their non-Hispanic White counterparts.

Figure 1:
Economic insecurity rates among older adults, 2016



Source: Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

Why are racial and ethnic minority older adults at higher risk of economic insecurity?

Economic insecurity is a particular threat for older adults who are members of racial and ethnic minority groups, especially those who live alone. One factor shaping this risk is gender. Compared to non-Hispanic Whites, older minorities are more likely to be women: 61% of African American older adults and 57% of Asians and Hispanics are women, compared to 55% of non-Hispanic Whites.

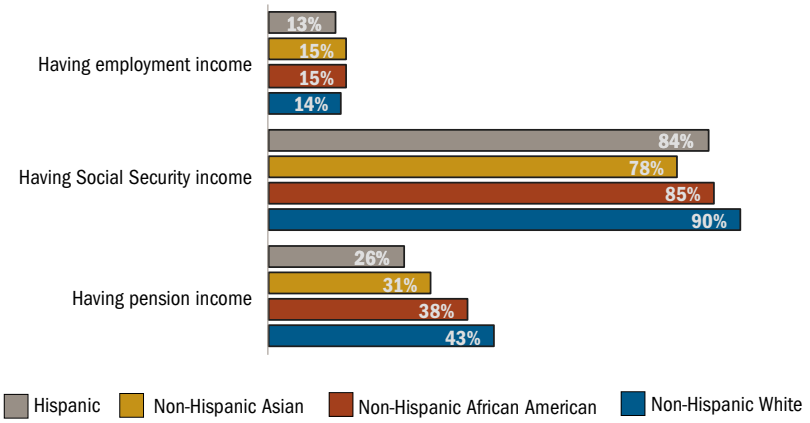
[3] In this report the renter values of the Elder Index are chosen to evaluate economic insecurity.

Women are more likely than men to be economically insecure even during their working years, and these experiences result in a lower accumulation of independent assets, including pension resources. However, the most important explanations for racial and ethnic economic disparities in later life relate to patterns of disadvantage in earlier life, resulting in a lower accumulation of resources and assets throughout the life course. A lifetime of work in lower-wage or unstable jobs and jobs with fewer benefits, including pensions, can result in lower levels of economic security in later life. To the extent that members of racial and ethnic minority groups have disproportionately experienced these circumstances, their late-life economic security is impacted.

Figures 2a and 2b summarize racial and ethnic disparities by sources of income, for older adults living alone (Figure 2a) and in couple households (Figure 2b). These comparisons show that racial and ethnic minorities have fewer sources of income on average. To summarize,

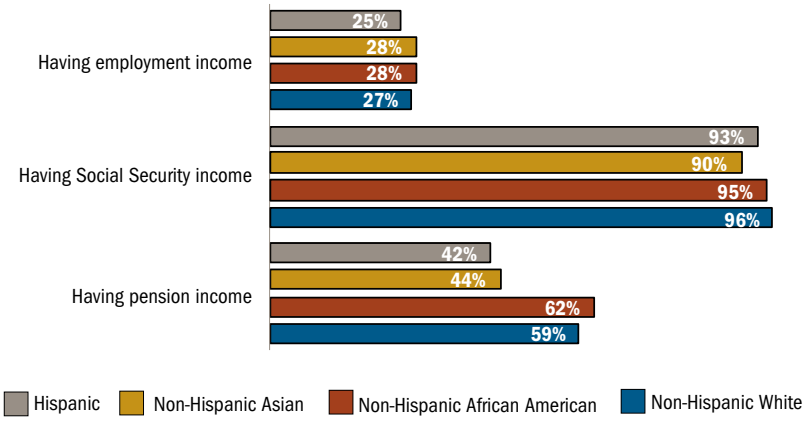
- Racial and ethnic groups are similar in terms of the share reporting **employment income**. The share of singles living alone reporting employment income ranges from 13% among Hispanics to 15% among Asians. Among couples, the share reporting employment income ranges from 25% among Hispanics to 28% among Asians and African Americans.

Figure 2a:
Percentage of *singles* having income, by income source and ethnicity



Source: Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

Figure 2b:
Percentage of *couples* having income, by income source and ethnicity

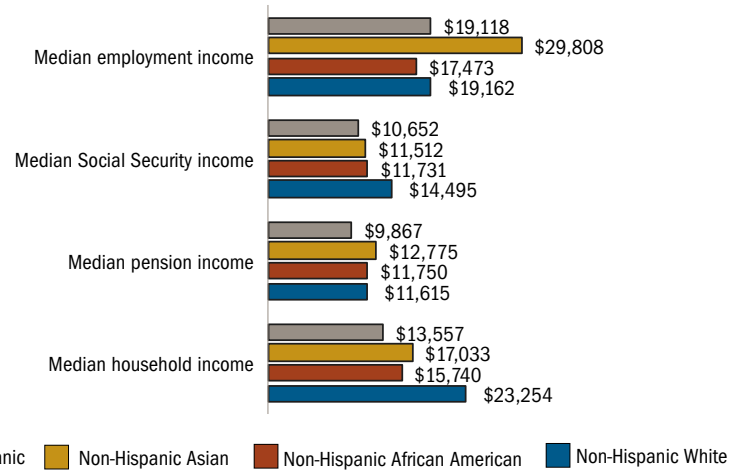


Source: Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

- Racial and ethnic groups differ in the share reporting **Social Security income**, especially among singles. Nine out of ten older non-Hispanic Whites living alone receive Social Security, but only 78% of single Asians, 84% of single Hispanics, and 85% of single African Americans receive Social Security income. Among couples, the share reporting Social Security income is more similar across ethnic groups, ranging from 90% among Asians to 96% among non-Hispanic Whites.

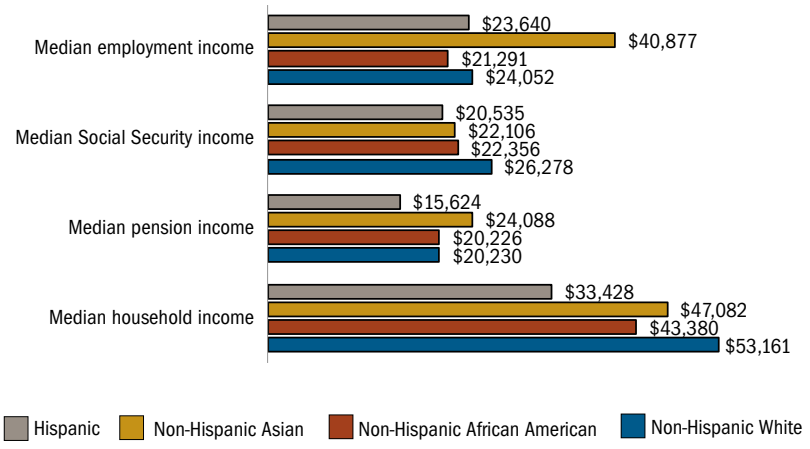
- More substantial ethnic disparities are evident in the extent to which older adults receive income from a **pension**. Among singles, non-Hispanic Whites are most likely to report pension income (43%) followed by African Americans (38%). Only 31% of Asian singles receive pension income, as do just 26% of Hispanic singles. Among couples, African American and White households are about equally likely to have pension income (62% and 59%, respectively, report pension income) but only 44% of Asian couples and 42% of Hispanic couples have pension income.

Figure 3a: Median income amounts among *singles* (for those with these income sources)



Source: Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

Figure 3b: Median household income amounts among *couples* (for those with these income sources)



Source: Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

Figures 3a and 3b show that the median **amounts** of income from different sources also vary across race and ethnic groups. These figures show that in many cases, racial and ethnic minorities receive less income from the sources to which they have access. To summarize,

- Among both singles and couples with **employment income**, amounts received are similar across groups, with the exception of older Asians. Although percentages having any employment income are similar across groups (see Figures 2a and 2b), older Asians who do have employment income earn considerably more than working older adults in the other ethnic groups. This is

consistent with findings showing higher earnings among middle-aged Asians, reported elsewhere (Social Security Administration, 2010).

- In contrast, for those with **Social Security income**, the median Social Security benefit is greater for non-Hispanic Whites compared to the other groups. This may be a reflection of longer average coverage periods among non-Hispanic Whites, or higher earnings during the prime working years resulting in a larger average Social Security benefit for Whites. This disparity is especially significant because, as shown in Figures 2a and 2b, a large majority of singles and couples across all the groups considered report having Social Security income.
- Among those with pensions, the median **pension income** is similar for Whites and African Americans, higher among Asians, but substantially lower among Hispanics. These differences likely reflect duration of employment in jobs providing a pension, wage rate in the jobs from which pensions are received, and other factors shaping the size of pension available.

Taking all of these factors into account, racial and ethnic minority older adults have lower household incomes on average. Among older adults who live alone, median income from all sources combined is highest among non-Hispanic Whites, at just over $23,000 annually, and lowest among Hispanics, at roughly $13,500. Disparities in household income are also evident among older couples. Non-Hispanic Whites living in a couple household have median income from all sources of just over $53,000 annually, compared to roughly $33,500 among Hispanic couples. As a result of these differences, older adults who are members of racial and ethnic minority groups are at higher risk of being economically insecure than their majority counterparts.

When resources fall short of what is needed to cover necessary expenses, older adults have to make difficult choices—between refilling a prescription and paying a utility bill, for example; or between paying the rent and purchasing sufficient food to get through the month. The disparities in rates of economic insecurity estimated in this report suggest that although many older adults struggle to make ends meet, the struggle is greater on average for members of racial and ethnic minority groups. Policies meant to protect the key income sources upon which older adults rely—such as Social Security—and those meant to preserve the subsidies that help lower-income older adults stay in their homes—including fuel assistance, housing subsidies, and help with medical expenses—take on special significance for those at the highest risk of being economically insecure.

A previous report in this series, *Insecurity in the States 2016*, illustrates that the cost of living independently varies substantially across states. Additional reports describe the risk of elder economic security as it is shaped by age and gender. For more details about the 2016 Elder Economic Security Standard™ Index, see the National Elder Economic Security Standard™ Index Methodology Overview and other reports available at https://www.umb.edu/demographyofaging/elder_economic_security

County-level Elder Index values are available at www.basiceconomicsecurity.org

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About the Center for Social and Demographic Research on Aging

The Center for Social and Demographic Research on Aging conducts demographic and applied research within UMass Boston's Gerontology Institute. The Center aims to serve the research and evaluation needs of municipalities, states, and organizations that serve older adults in the community. Areas of special interest include economic security in later life; well-being and quality of life; community supports for older adults; evaluating programs designed for older adults; and demography and diversity of the aging population.

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Created by the Massachusetts Legislature in 1984, the Gerontology Institute conducts research and policy analysis in the field of aging, and offers lifelong learning and pension protection services to older adults. The Institute has four priority areas—(1) productive aging; (2) economic security; (3) social and demographic research on aging; and (4) long-term services and supports—with special emphasis on low-income and minority elders.

Located within the McCormack Graduate School of Policy and Global Studies at UMass Boston, the Institute furthers the university's educational programs in Gerontology, including a Ph.D. program in Gerontology, a Master's program in the Management of Aging Services, and undergraduate programs in gerontology.

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