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The National Elder Economic Security Standard™ Index



GERONTOLOGY INSTITUTE

**JOHN W. McCORMACK GRADUATE SCHOOL
OF POLICY AND GLOBAL STUDIES**

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The Gerontology Institute, John W. McCormack Graduate School of Policy and Global Studies, University of Massachusetts Boston, addresses social and economic issues associated with population aging. The Institute conducts research, analyzes policy issues, and engages in public education. It also encourages the participation of older people in aging services and policy development. In its work with local, state, national, and international organizations, the Institute has five priorities:

- 1) Productive aging, that is, opportunities for older people to play useful social roles
- 2) Health care for the elderly
- 3) Long-term care for the elderly
- 4) Economic security for older adults
- 5) Social and demographic research on aging.

The Institute pays particular attention to the special needs of low-income and minority elderly. For more information about the Gerontology Institute, please visit www.geront.umb.edu or send an email to gerontology@umb.edu.



**economic
security**

The National Elder Economic Security Standard™ Index

PREFACE

The Elder Economic Security Standard Index (Elder Index) is a new tool for use by policy makers, older adults, family caregivers, service providers, aging advocates, and the public at large. Developed by the Gerontology Institute at the University of Massachusetts Boston and Wider Opportunities for Women (WOW), the Elder Index is a measure of income that older adults require to maintain their independence in the community and meet their daily costs of living, including affordable and appropriate housing and health care. The development and use of the Elder Index promotes a measure of income that respects the autonomy goals of older adults, rather than a measure of what we all struggle to avoid—poverty.

Members of the Gerontology Institute primarily responsible for this report are Jan E. Mutchler, Alison Gottlieb, and Ellen A. Bruce. Jiyoung Lyu, Lauren Martin, Ngai Kwan, Yao-Chi Shih, Michele Tolson, and Henry Montas provided valued assistance. We acknowledge the contributions of Laura Russell in the early stages of development of the Elder Index. The authors, of course, are responsible for the contents of this report and accept responsibility for any errors or omissions.

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EXECUTIVE SUMMARY

Many elders age 65 and over have difficulty paying their expenses. Living costs are high, especially for housing and health care. Retirees receive cost-of-living adjustments in their Social Security benefit most years, but the benefit has not kept pace with rising costs for many necessities, especially for health care. Thus, in the face of rising expenses, elders' options are to spend down retirement savings, cut expenses, and/or incur debt. At the same time, older people may face a decrease in their economic security if their life circumstances change due to illness, loss of a spouse or partner, and/or the onset of disability requiring help with daily tasks.

The Elder Economic Security Standard Index (Elder Index) is a new measure of income adequacy which, in contrast to the federal poverty level, measures the amount of income needed for older adults to live modestly in the community. The 2011 National Elder Index helps us answer key questions:

- What is an adequate income for older adults to “age in place”?
- How do financial needs vary according to the life circumstances of elders—whether they are living alone or with a spouse or partner, rent or own their home, or are in excellent or poor health?
- How do living expenses for elders vary geographically?

A Framework for Measuring Economic Security for Elders

The Elder Economic Security Standard Index (Elder Index) was developed as a measure of the cost of basic expenses of elder households (those with household heads who are age 65 or older) in the community. The Elder Index defines economic security as the financial status where elders have sufficient income (from Social Security, pensions, retirement savings, and other sources) to cover basic and necessary living expenses. The Elder Index is calculated with the assumption that an elder is not receiving public support or subsidies, such as food assistance, energy assistance, subsidized housing, or property tax help, although it is assumed that the elder is receiving Medicare.

This report presents the 2011 National Elder Index. It illustrates how expenses vary both by specific geographic areas and by the circumstances of elder households, including household size, homeowner or renter status, and health status. The expenses are based on market costs.

Key Findings

- 1. Throughout the United States, neither income at the federal poverty level nor the average Social Security benefit provides enough income to cover basic living expenses.**
 - The HHS Poverty Guidelines for 2011 were \$10,890 for a single person living alone, and \$14,710 for a couple.¹
 - The average Social Security benefit for a retired worker was \$14,105 in 2011. The estimated average benefit for a couple was \$22,895.
 - The Elder Index suggests that basic living expenses are considerably higher than the poverty guideline or the average Social Security benefit. The national Elder Index shows that single individuals need \$19,104 to \$28,860 annually, depending on whether they live in an owned, rented, or mortgaged home. Couples need between \$29,448 and \$39,204 to meet expenses.
- 2. Housing costs (mortgage or rent, taxes, utilities, and insurance) are the greatest expense for most elder households, representing as much as half of their total expenses.**
 - The Elder Index reflects wide variation in housing costs, depending on whether older adults own or rent, and by where they live. Older owners without a mortgage typically have the lowest housing costs, while owners still paying a mortgage typically have the highest housing costs.
 - Statewide monthly housing costs for elder homeowners without a mortgage range from a low of \$260 per month in West Virginia to a high of \$871 per month in New Jersey.
 - Statewide monthly housing costs for older adults paying fair-market rent for a one-bedroom apartment range from a low of \$475 per month in North Dakota to a high of \$1,329 per month in Hawaii.
 - Statewide monthly housing costs for elder homeowners with a mortgage range from a low of \$745 per month in West Virginia to a high of \$1,871 per month in New Jersey.

- 3. The Elder Index shows the significance of health care costs for elders who purchase supplemental health and prescription drug coverage through Medicare.**

- Based on nationwide averages, older adults in good health face combined health care costs (insurance premiums plus co-pays, deductibles, fees, and other out-of-pocket expenses) of \$381 per month to have protection against high medical and prescription drug costs.
 - Retired couples are unable to purchase supplemental health insurance through a “family plan”; rather, they must each buy coverage as an individual. Thus, combined health care costs are doubled for elder couples, totaling \$762 per month.
 - Statewide average health care costs vary depending on where people live. Health care costs for an elder in good health range from a low of \$324 per month in Florida to a high of \$455 per month in Vermont.
 - In 23 states, health care expenses exceed housing expenses for single elders who own a home without a mortgage. In all states, health care expenses exceed housing costs for elder couples who own a home without a mortgage.
- 4. Elders' changing circumstances may create a situation where the elder was once meeting their expenses but can no longer do so. This may be caused by either the loss of income (e.g., death of a spouse) or an increase in expenses (e.g., decline in health).**
- An elder paying market-rate rent has expenses reduced, on average, by 31% when a spouse dies.
 - Older adults often face a rise in health care expenses when their health declines. While adding supplemental health and prescription drug coverage to Medicare provides protection against unanticipated health care expenses, average out-of-pocket expenses are \$1,560 a year more for an individual in fair to poor health than for an individual in good health.

I. INTRODUCTION

Determining Economic Security for Elders in the United States

This report measures the cost of living for older adults using the National Elder Economic Security Standard Index (Elder Index) methodology developed by the University of Massachusetts Boston Gerontology Institute in collaboration with Wider Opportunities for Women. The Elder Index benchmarks basic costs of living for elder households and illustrates how costs of living vary geographically and are based on the characteristics of elder households, including household size, homeownership or renter status, and health status. The costs are based on market costs for basic needs of elder households and do not assume any public supports beyond Medicare.

According to the U.S. Census Bureau's population estimates for 2011, 13.3% of United States residents were 65 years or older, and 12.2% were between the ages of 55 and 64, poised to dramatically increase elders' numbers as the Baby Boomers age (U.S. Census Bureau 2011a). The individual circumstances of elders in the United States vary from the most fortunate, who are healthy and economically secure, to the least fortunate, who are poor, ill, and/or living with disability. Elders also differ according to their living situation, homeownership, and health status. Many of these characteristics change over an elder's life span. The Elder Index, with its respective scenarios for seniors living in different circumstances and in different geographic locations, provides a benchmark from which an elder or elderly couple's economic well-being may be measured and compared. The National Elder Index provides a picture of large variations across the country. Individuals, policy makers, and service providers can use this measure to evaluate the need for personal savings and governmental supports.

The Elder Index methodology is based on the characteristics and spending patterns of elder households. The Elder Index reflects a realistic measure of income adequacy as opposed to the original intent of the federal poverty measure, which was to illustrate income *inadequacy* (Citro and Michael, 1995). Economic security requires that elders have sufficient income (from Social Security, pensions, retirement savings, and other income) to cover living expenses. Using the Elder Index, we can illustrate the basic costs that elders face and the interplay between living expenses and elders' income adequacy.

¹These are the values for the 48 contiguous states and the District of Columbia. For Alaska and Hawaii, values are \$13,600 and \$12,540, respectively, for singles, and \$18,380 and \$16,930 for couples (see <http://aspe.hhs.gov/poverty/11poverty.shtml>).

Monthly Expenses	Single Elder			Elder Couple		
	Owner w/o Mortgage	Renter	Owner w/ Mortgage	Owner w/o Mortgage	Renter	Owner w/ Mortgage
Housing	\$457	\$769	\$1,270	\$457	\$769	\$1,270
Food	\$243	\$243	\$243	\$446	\$446	\$446
Transportation	\$246	\$246	\$246	\$380	\$380	\$380
Health Care (Good Health)	\$381	\$381	\$381	\$762	\$762	\$762
Miscellaneous	\$265	\$265	\$265	\$409	\$409	\$409
Total Monthly (Index) Expenses	\$1,592	\$1,904	\$2,405	\$2,454	\$2,766	\$3,267
Total Annual (Index) Expenses	\$19,104	\$22,848	\$28,860	\$29,448	\$33,192	\$39,204

Introduction to the National Elder Index

The Elder Index calculations are based on costs for housing, health care, food, transportation, and miscellaneous expenses. The Elder Index is calculated for single elders and elder couples. It is also calculated for three housing situations: owning a home with no mortgage, renting a one-bedroom apartment, and owning a home with a mortgage. The Elder Index is calculated for each county to reflect geographic differences in living costs. The National Elder Index is based on the county-level elder indices. **Table 1** provides living expenses for single elders and elder couples by housing situation and assumes that elders are in good health.

The lowest cost reflected in the National Elder Index is for single homeowners without a mortgage at \$19,104/year. The Index is higher for single renters at \$22,848 and is highest for homeowners with a mortgage at \$28,860.

For elder couples in good health, the National Elder Index reflects the same pattern; the lowest cost is for homeowners without a mortgage (\$29,448/year), then renters at \$33,192, and the highest cost is \$39,204 for homeowners with a mortgage. The Elder Index for couples is also much higher than other commonly used income benchmarks.

Income of Older Adults

Household income levels vary by age and life circumstance. Typically, median income levels rise with age until mid-life and then decline with advancing age, as indicated in **Figure 1**. In the United States, median household income for householders 65 to 74 years,² at \$41,500 in 2010, was just over two-thirds the median household income of householders in their "peak earning" years of 45-64, at \$60,000. Median household income for householders 75 and older, at \$27,500, was two-thirds of the incomes among householders age 65 to 74 and less than half

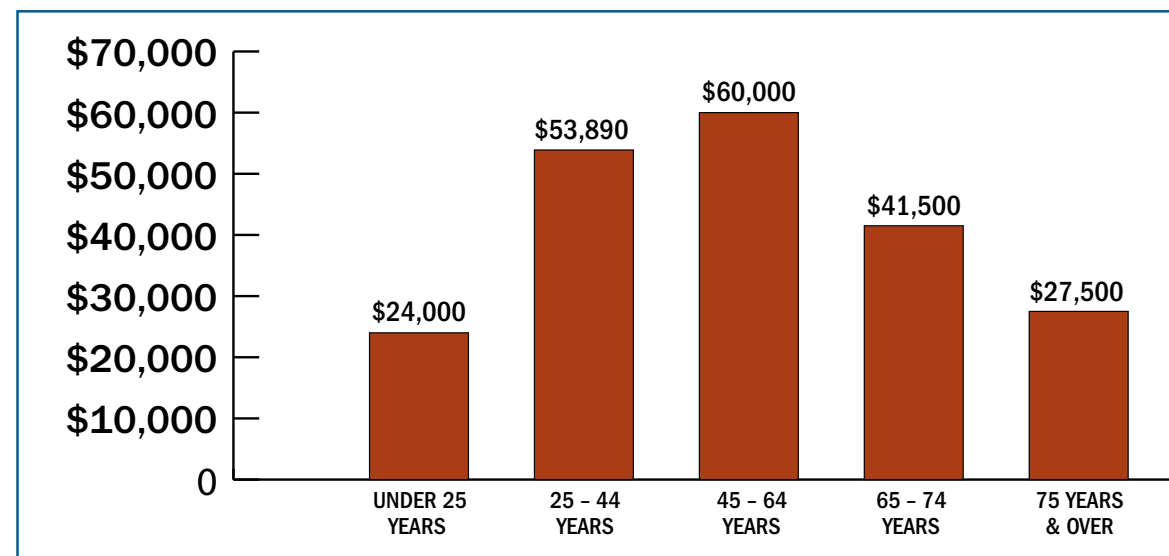


Figure 1 - Median Household Income in the United States by Age, 2010

Source: Microdata from the 2010 American Community Survey, Census Bureau.

² A "householder" is the person in whose name the home is owned or rented. Household income includes the income of the householder plus all other individuals living in the same home.

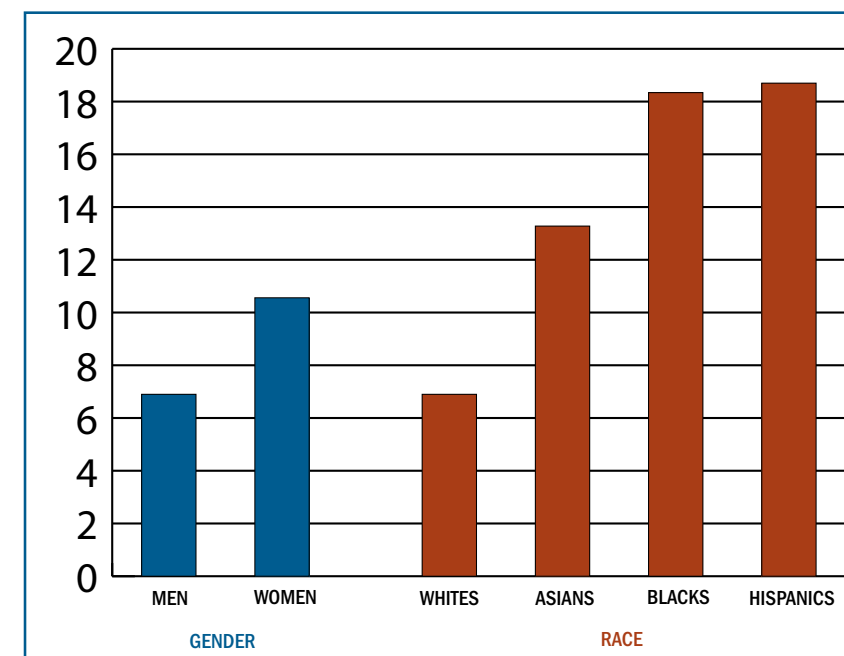


Figure 2 - Elder Poverty by Gender and Race, 2010

that of householders in their peak earning years. Median household income of householders age 75 and older was not much more than median income of householders under age 25.

According to the federal poverty threshold and 2010 American Community Survey data, an estimated 9% of elders in the United States were considered "poor" in 2010, and even more seniors were just above the poverty threshold. A full 20% were estimated to have incomes at or below 150% of the poverty threshold.

Figure 2 shows how poverty rates for elders differ by gender and race. Poverty rates for older women are considerably higher than those for older men, 11% (women) versus 7% (men). Moreover, women disproportionately head poor older households. In 2010, an older widowed or non-married woman headed 65% of older households with incomes below the poverty level.³

Poverty rates are also considerably higher for older Blacks (18%), Hispanics (19%), and Asians (13%) than they are for older non-Hispanic whites (7%). Poverty rates for older women of all racial groups are higher than those for older men. This is particularly notable among Black and Hispanics.⁴

While the poverty rate provides a picture of the economic disparity by race and gender, the Elder Index provides a tool by which we can more realistically measure actual economic hardship and how it affects different groups.

³ These calculations are based on Tables B17001, B17017, B17024, and C17024 of the 2010 American Community Survey. In 2010, the poverty threshold for an older individual living alone was \$10,458 and \$13,194 for an older couple. Older individuals living alone were below 150% of the threshold if they had incomes of less than \$15,687 annually; couples were below 150% of the threshold if they had incomes of less than \$19,791 annually.

⁴ These calculations are based on Tables B17001B, B17001D, D17001H, and B17001I of the 2010 American Community Survey.

⁵ An individual is eligible for Medicare if he or she (or his/her spouse) worked for at least 10 years in Medicare-covered employment, is 65 years or older, and is a citizen or permanent resident of the United States (U.S. Department of Health and Human Services, 2008). Some individuals, such as recent immigrants, may not qualify for Social Security or Medicare.

II. COST COMPONENTS OF THE ELDER ECONOMIC SECURITY STANDARD INDEX

The Elder Index uses cost data from public federal sources that are comparable, geographically specific, easily accessible, and widely accepted.

The following represent some of the assumptions built into the Elder Index's methodology. The Elder Index:

- measures basic living expenses for seniors living in the community (i.e., not in nursing homes or assisted-living facilities)
- measures costs for elder households to live independently (vs. living in intergenerational households)

- measures living expenses for elders age 65 and over to reflect the age at which Medicare begins

- includes Medicare because elders qualify for and receive it based on age without regard to income and assets, making Medicare nearly a universal program⁵

- assumes elders are retired and no longer have work-related expenses such as payroll taxes and commuting to work

- assumes elders are not receiving any means-based governmental assistance, such as housing subsidies, food stamps, or Medicaid

Elders' Spending Compared to All Households

Elder households have spending patterns different from households headed by adults under the age of 65. **Figure 3** compares elder households' spending to all households, based on data from the Consumer Expenditure Survey. For the United States as a whole, elder households spend about the same percentage of their budgets on housing, food, and transportation as all other households, but twice the percentage on health care. All other expenditures account for 25% of household spending by the average older household, somewhat less than the percentage for all households (30%). Similar spending patterns for older households are reported in the Health and Retirement Survey (Butrica, Goldwyn, & Johnson, 2005).

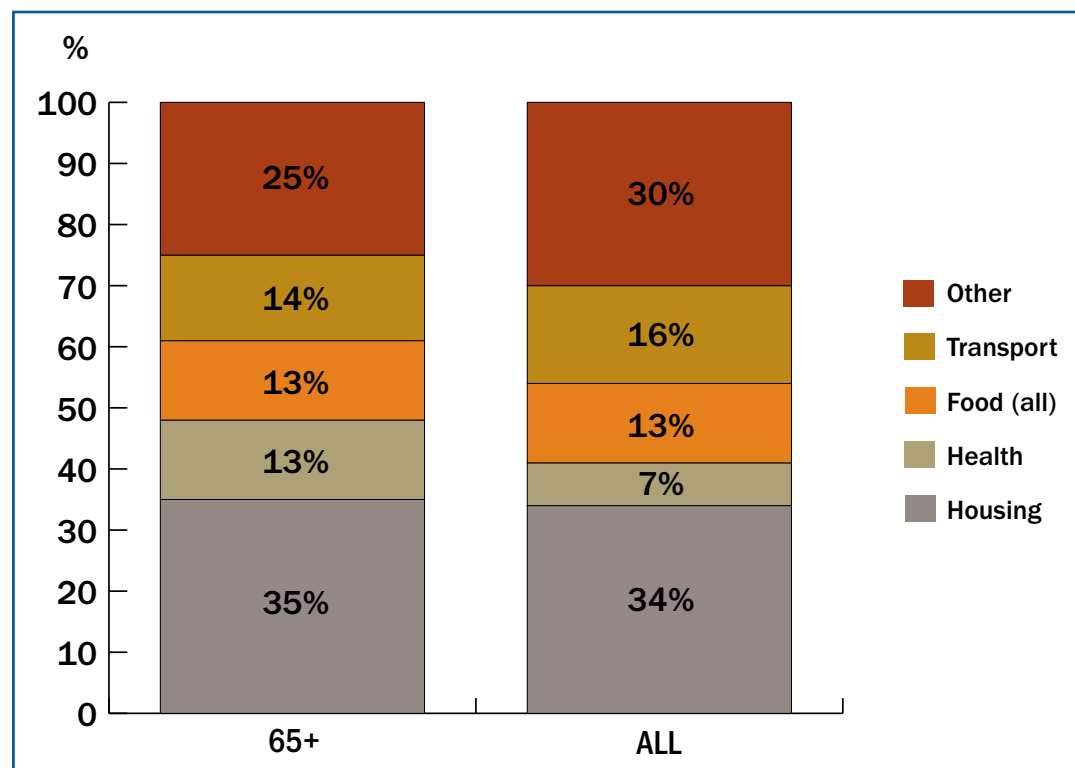


Figure 3 – Household Spending as a Percentage of Total Budget: Elder vs. All Households, 2009–2010

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2009–2010

Introduction to Cost Components of the Elder Index

Components of the Elder Index include housing, food, transportation, medical care, and miscellaneous other expenses. Information on data sources and notes regarding the methodology are in **Appendix A** (see also Russell et al., 2006).

Housing – includes housing (rent or mortgage payment, if any) and related costs (heat, utilities, insurance, and property taxes) for elder renters and elder homeowners, based on latest available U.S. Census elder owner housing costs and U.S. Department of Housing and Urban Development (HUD) Fair Market Rents. As illustrated in **Figure 4**, 52% of seniors own their homes without a mortgage, 22% are renters, and 26% are homeowners with a mortgage. Among single elders, 49% own their homes without a mortgage, 34% rent, and only 17% are homeowners with a mortgage. Among elder couples, 59% own a home without a mortgage, only 9% rent, and 32% are homeowners with a mortgage. For both elder couples and single elders, the most common housing situation is to own a house without a mortgage.

Food – represents costs of food prepared at home, based on USDA Low-Cost Food Plan for older adults, using the average of June 2011 low-cost food plan budgets for women and men.⁶

Health Care – includes 2011 premium costs for full supplemental coverage to Medicare. Premium costs include Medicare Part B and either Medicare Advantage with prescription drug

coverage or Medicare Supplemental Insurance (Medigap) plus Medicare Part D for prescription drug coverage. Calculations also include out-of-pocket costs, including co-pays, deductibles, and fees for uncovered expenses. Calculations are based on data from the Medicare Options Compare website.

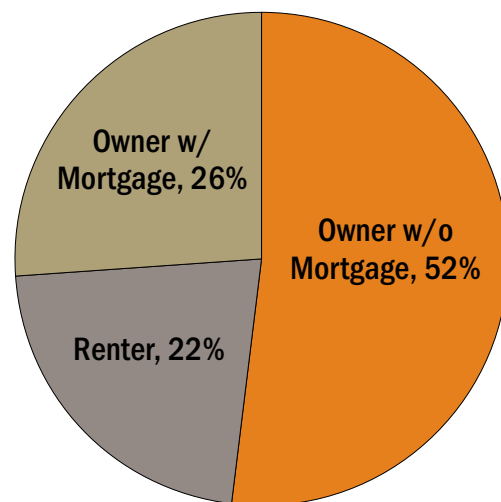


Figure 4 – Owner and Renter Status of Householders Age 65+, 2010

Source: Calculated by the Gerontology Institute using microdata from the 2010 American Community Survey, downloaded from the U.S. Census Bureau website. Note: Renter includes a small number of householders who pay no-cash rent.

⁶ Although food expenses likely vary somewhat across geographic localities, data to adequately reflect this variability are not available.

Health care costs are calculated at the county level. In calculating health care costs, we assume coverage through Medicare Advantage plans for counties with Medicare Advantage enrollment rates of 20% or more. We assume coverage through a Medicare supplemental plan (Medigap) for counties with less than 20% Medicare Advantage enrollment. National health care costs are calculated by averaging county costs, weighted for elder population figures. Costs are calculated for people in good, poor, and excellent health. To simplify presentation, the Elder Index is presented for elders in good health, which is the most common health status as self-reported by elders.

Typically, health care costs based on Medicare Advantage are lower than costs based on Medicare Supplemental insurance for people in excellent or good health. Thus, counties with high usage of Medicare Advantage insurance plans usually have lower overall health care costs.

Transportation – uses automobile owner and operating costs from Internal Revenue Service (IRS) mileage reimbursement rates and elder auto-usage patterns estimated from the most recent National Household Travel Survey.

Miscellaneous – represents all other goods, such as clothing, personal and household needs, and any other expenses not captured elsewhere. Based on an analysis of the detailed elder spending patterns from consumer spending data, the Elder Index estimates miscellaneous expenses at 20% of all other costs in each county for owners without a mortgage (Social Security Administration, 2007). This amount is calculated separately for older individuals and older couples and applied to each of the three housing scenarios.⁷

Home- and community-based long-term-care expenses are not included in the calculations. These expenses can be very high, tripling a senior’s living costs. Since many seniors have no long-term-care expenses and others have very high expenses, the basic Index does not include long-term-care expenses.

Elders’ living expenses in each of the above components are summed to determine household budgets for each of the respective scenarios for elder households. The Elder Index depicts the after-tax income required to cover elders’ living expenses based on where elders live and the characteristics of their households. The National Elder Index averages county Elder Index expenses, weighted for county elder population size.

⁷ Note that 20% of all other costs equal 16.67% of total expenses. Miscellaneous expenses include all expenditures other than those specified elsewhere in the Elder Index. Within household type (singles, couples), miscellaneous expenses are estimated based on the value of all other expenses for homeowners without a mortgage (the largest single segment of the older householder population). This strategy is used because miscellaneous expenses are not likely to vary dramatically across housing types.

⁸ The poverty guidelines are a second version of the federal poverty measure. Issued each year in the Federal Register by the Department of Health and Human Services, they are a simplification of the poverty thresholds for administrative uses, such as determining eligibility for certain federal programs. The federal poverty guidelines for 2011 are \$10,890 for one-person households and \$14,710 for two-person households, and do not differ by age of householder. They are the same in 48 states and adjusted for living costs only in Alaska and Hawaii.

⁹ For an analysis of problems with the federal poverty measures and information on a proposed alternative measure, see Citro and Michael (1995). The Census Bureau has developed a supplemental poverty measure (SPM) that measures poverty in a different way, but will not substitute for official poverty measures currently in place. One of the innovations incorporated in the SPM is an adjustment for differences in prices across geographic areas.

III. COMPARISON OF THE ELDER INDEX TO OTHER INCOME BENCHMARKS

The Federal Poverty Threshold

The poverty thresholds were first calculated in the 1960s by taking the cost of food needed to meet the minimum nutritional needs of adults of different ages and multiplying this amount by three. This figure was then used as the reference point for the amount of income needed to live at a basic level. This calculation was based on consumption surveys conducted in the late 1950s showing that U.S. families spent about one-third of their incomes on food. Since that time, the thresholds are updated each year by the change in the consumer price index (CPI). Today, food expenses account for only 13% of an average family’s budget, rendering the underlying assumption in the poverty threshold calculation inaccurate.

Moreover, the poverty thresholds assume that living costs for elders are lower than those for younger people. The poverty level for elders living alone in 2011 is \$914 per year less than the level for younger adults, and the poverty level for elder couples is \$1,467 less than the level for younger couples.

Calculated by the U.S. Census Bureau, the poverty threshold is used to measure the number of people in poverty. The U.S. Department of Health and Human Services uses a similar measure called the poverty guideline, which is used to determine eligibility for means-based governmental programs.⁸ Neither of the poverty benchmarks allows for different rates of inflation for different living expenses; for example, health care and housing costs have risen much more than food costs. Further, these measures do not reflect regional variations in living costs.⁹

Comparing the National Elder Index to Other Income Benchmarks

The following charts compare the Elder Index to other measures of income adequacy. **Figure 5** compares the Elder Index (for one-person elder households) with the federal poverty guideline and average Social Security benefits for single elders in the United States. **Figure 6** presents comparisons for elder couple households.

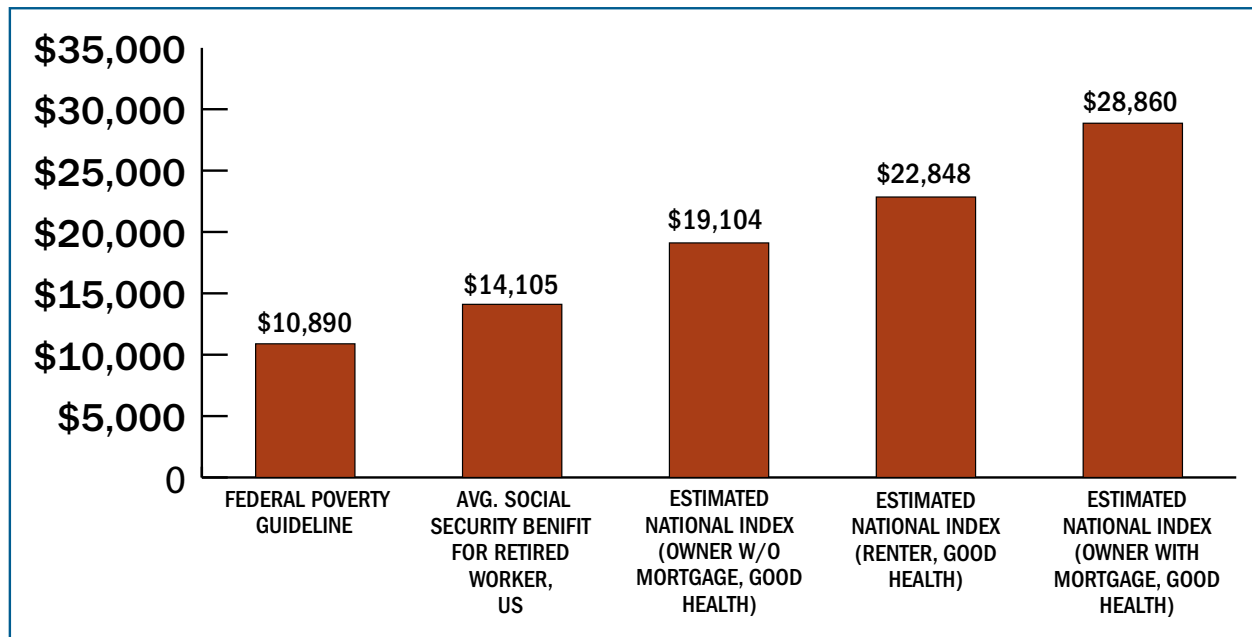


Figure 5 - The National Elder Index Compared to Other Benchmarks—2011 One-Person Elder Households

One-Person Household

The Elder Index finds elders need much more income to meet their expenses than other commonly used income benchmarks suggest. In 2011, under the federal poverty guidelines a single adult householder is considered to be “poor” if he or she has a monthly income of \$908 (\$10,890 per year) or less. Elder Index calculations, however, show that the average after-tax income required by an elder living alone is considerably higher than the official poverty guideline (see **Figure 4**). The federal poverty guideline represents 57% of the National Elder Index

for homeowners with no mortgage, 48% of the National Elder Index for renters, or 38% of the National Elder Index for homeowners with a mortgage.

The average Social Security benefit for single elders in 2011 is \$1,175 per month (\$14,105 per year). This represents 74% of the National Elder Index for homeowners with no mortgage, 62% of the National Elder Index for renters, or 49% of the National Elder Index for homeowners with a mortgage.

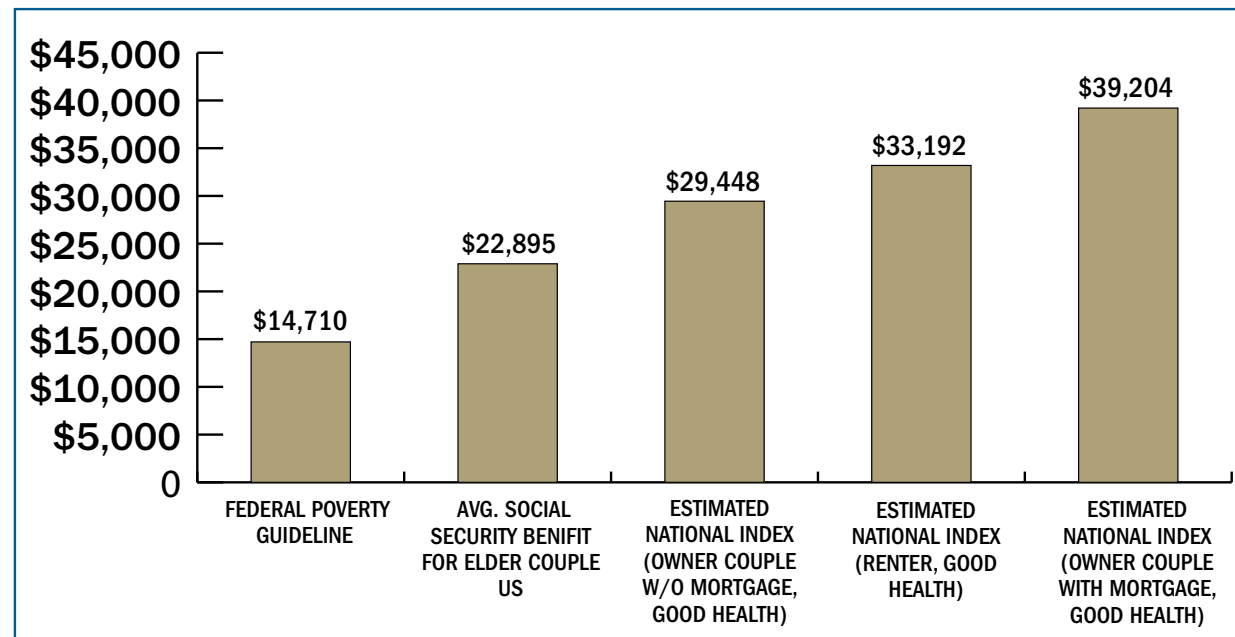


Figure 6 - The National Elder Index Compared to Other Benchmarks—2011 Two-Person Elder Households

Two-Person Household

In 2011, under the federal poverty guidelines, a two-adult household is considered to be “poor” if it has a monthly income of \$1,226 (\$14,710 per year). Yet Elder Index calculations show that the average after-tax income required by an elder couple is at least twice as much as the official poverty guideline (see **Figure 5**). The federal poverty guideline represents 50% of the National Elder Index for homeowners with no mortgage, 44% of the National Elder Index for renters, or 38% of the National Elder Index for homeowners with a mortgage.

The average Social Security benefit for an elder couple in 2011 is estimated to be \$1,908 per month (\$22,895 per year). This represents 78% of costs represented by the National Elder Index for homeowners with no mortgage, 69% of the National Elder Index for renters, or 58% of the National Elder Index for homeowners who have a mortgage.

IV. THE NATIONAL ELDER ECONOMIC SECURITY STANDARD INDEX

The National Elder Index averages Elder Index expenses for the nation as a whole.¹⁰ **Table 2** shows the National Elder Index and the percentage of the Index covered by the federal poverty guideline and the percentage covered by the average Social Security benefit.

Table 2 uses the calculation of an individual or couple in “Good Health.” To calculate the Elder Index for an individual in poor health, the health care costs would increase; to calculate the Elder Index for an individual in excellent health, the health care costs would decrease, as shown in **Table 3**.

As health declines, expenses increase for individuals over 65. The table shows the cost increase associated with declines from good to poor health. Since the Elder Index assumes the individual or couple is completely insured with Medicare Parts A and B, Medicare supplemental insurance, and prescription drug coverage, the increase in health expenses is less than would be seen between people of different health status who are only on Medicare.

TABLE 2

The Elder Index for the United States, 2011
Expenses for Selected Household Types

Expenses	Elder Person (age 65+)			Elder Couple (both age 65+)		
	Owner w/o Mortgage	Renter, one bedroom	Owner w/Mortgage	Owner w/o Mortgage	Renter, one bedroom	Owner w/Mortgage
Housing (inc. utilities, taxes & insurance)	\$457	\$769	\$1,270	\$457	\$769	\$1,270
Food	\$243	\$243	\$243	\$446	\$446	\$446
Transportation	\$246	\$246	\$246	\$380	\$380	\$380
Health Care (“Good Health”)	\$381	\$381	\$381	\$762	\$762	\$762
Miscellaneous	\$265	\$265	\$265	\$409	\$409	\$409
Index - Total Expenses Per Month	\$1,592	\$1,904	\$2,405	\$2,454	\$2,766	\$3,267
Index - Total Expenses Per Year	\$19,104	\$22,848	\$28,860	\$29,448	\$33,192	\$39,204

Comparative Income Benchmarks	Elder Person (age 65+)			Elder Couple (both age 65+)		
	\$	\$	\$	\$	\$	\$
Federal Poverty Guideline 2011 (DHHS)	10,890	10,890	10,890	14,710	14,710	14,710
Average Social Security Benefit for US, 2011	14,105	14,105	14,105	22,895	22,895	22,895
Federal Poverty Guidelines as a Percent of Index	57%	48%	38%	50%	44%	38%
Average Social Security Benefit as a Percent of Index	74%	62%	49%	78%	69%	58%

TABLE 3

Impact of Change in Health Status on Estimated Health Care Expenses (change from estimated expenses for Good Health)

Per Person:	Poor Health Increase of:	Excellent Health Decrease of:
Change in Cost Per Month	\$130	\$69
Change in Cost Per Year	\$1,569	\$828

Source: Calculated by the Gerontology Institute based on data from the Medicare Options Compare website (U.S. Department of Health and Human Services, 2010b)

Annual Index for Elders in Poor Health in the U.S., 2011

	Owner w/o Mortgage	Renter/ One Bedroom	Owner w/Mortgage
Mortgage			
Elder Person	\$20,976	\$24,720	\$30,732
Elder Couple	\$31,320	\$35,064	\$41,076

Note: For couples, it is assumed that only one of the members is in fair or poor health. The annual Elder Index value includes the increasing cost of health care expenses as well as a proportional increment to miscellaneous expenses.

¹⁰The Elder Index is calculated at the county level to reflect geographic differences in cost of living. The national Elder Index values are calculated by weighting the county values by their respective senior populations.

Summary of Findings Based on National Elder Index

Elders with incomes at the federal poverty level, or even if living on the average Social Security benefit in 2011, cannot afford living expenses without public or private supports for housing and health care. Social Security was never intended to be the sole source of income for elders. However, for over one-quarter (27%) of elders in beneficiary families, it provides more than 90% of their income, and for 15% of elders in beneficiary families, Social Security is the sole source of retirement income (Social Security Administration, 2012).

1. Elders at the poverty level or with the average Social Security benefit cannot pay for basic expenses.

- The average Social Security benefit provides an elder living alone between 49 and 74% of the amount needed to cover basic expenses.
 - Elders living alone on an income equivalent to the federal poverty guideline can cover between 38 and 57% of their basic living expenses.
 - The average Social Security benefit provides an elder couple 58–78% of the amount needed to cover basic expenses.
 - Elder couples living on an income equivalent to the federal poverty guideline can cover 38–50% of their basic living expenses.
- #### 2. Elders living alone need \$19,104–\$28,860 to cover their basic annual living costs.
- Elders living alone who own their home without a mortgage need \$19,104 a year to cover their basic living expenses.
 - If elders rent an apartment, their basic living expenses increase to \$22,848.
 - Single elders still paying a mortgage face housing costs nearly triple those for homeowners without a mortgage, increasing annual living expenses to \$28,860.
 - Single elders with lower incomes need rent subsidies and/or elder affordable housing units, as well as assistance to cover supplemental health plan costs.
- #### 3. Elder couples need \$29,448–\$39,204 to cover their basic annual living costs.
- Elder couples who own their home without a mortgage need \$29,448 a year to cover their basic living expenses.
 - If elder couples rent an apartment, their basic living expenses increase to \$33,192.
 - Elder couples still paying a mortgage face housing costs nearly triple those for homeowners without a mortgage, increasing annual living expenses to \$39,204.

- Elder couples with lower incomes need rent subsidies and/or affordable housing units, as well as assistance to cover supplemental health plan costs.

4. Elders whose income currently is covering expenses may face economic hardship if their life circumstances change, such as losing income after the death of a spouse or experiencing increase in expenses due to a decline in health status.

- A member of an elder couple paying market rate rent has expenses reduced by only 31% when a spouse dies, \$22,848 from \$33,192, yet his or her income may decrease substantially based on the mix of Social Security and/or pension income.
- Elders in good health face health care costs of \$381 per month—more than they spend on food. Declines in health status result in a \$130 monthly increase in health care expenses, which total \$511 per month for a single elder in poor health. Annual living expenses increase from \$22,848 to \$24,720 for single elder renters whose health declines.

V. GEOGRAPHIC VARIATIONS IN THE ELDER INDEX

Table 4 presents Elder Index living costs for the 50 states plus the District of Columbia for single elders who own their home without a mortgage and single elder renters. It also presents the rank order of state Elder Indices, with 1 representing the state with highest average living costs and 51 the state with lowest average living costs.

TABLE 4
The Elder Index for 50 States and District of Columbia
Rank-ordered for Selected Single Households

State	Abr.	Index single owner no mortgage	Single owner ranked	Index single renter	Single renter ranked
Alabama	AL	\$17,988	34	\$20,880	34
Alaska	AK	\$20,448	10	\$24,168	12
Arizona	AZ	\$16,968	48	\$21,540	24
Arkansas	AR	\$17,508	45	\$20,028	46
California	CA	\$17,760	40	\$25,884	8
Colorado	CO	\$18,120	32	\$22,164	20
Connecticut	CT	\$24,660	2	\$27,600	4
Delaware	DE	\$18,240	29	\$23,268	14
District of Columbia	DC	\$19,776	13	\$29,088	2
Florida	FL	\$18,408	26	\$23,016	17
Georgia	GA	\$17,700	41	\$21,336	26
Hawaii	HI	\$18,840	23	\$29,604	1

State	Abr.	Index single owner no mortgage	Single owner ranked	Index single renter	Single renter ranked
Idaho	ID	\$17,304	47	\$20,256	43
Illinois	IL	\$20,448	11	\$23,232	15
Indiana	IN	\$18,204	30	\$20,748	36
Iowa	IA	\$19,140	20	\$20,532	40
Kansas	KS	\$19,164	19	\$20,820	35
Kentucky	KY	\$17,640	43	\$20,136	44
Louisiana	LA	\$16,968	49	\$20,988	31
Maine	ME	\$20,496	9	\$23,016	18
Maryland	MD	\$20,724	8	\$27,192	5
Massachusetts	MA	\$23,052	4	\$27,048	6
Michigan	MI	\$19,368	18	\$21,360	25
Minnesota	MN	\$19,452	16	\$21,864	22
Mississippi	MS	\$17,940	35	\$21,216	27
Missouri	MO	\$18,168	31	\$20,604	39
Montana	MT	\$18,384	27	\$20,364	42
Nebraska	NE	\$19,536	15	\$20,724	37
Nevada	NV	\$17,892	38	\$22,836	19
New Hampshire	NH	\$23,292	3	\$25,176	9
New Jersey	NJ	\$25,320	1	\$27,960	3
New Mexico	NM	\$16,824	50	\$20,052	45
New York	NY	\$22,080	6	\$26,244	7
North Carolina	NC	\$17,916	36	\$20,964	32
North Dakota	ND	\$18,804	24	\$20,004	48
Ohio	OH	\$18,312	28	\$19,968	49
Oklahoma	OK	\$17,688	42	\$20,016	47
Oregon	OR	\$19,044	21	\$21,972	21
Pennsylvania	PA	\$19,392	17	\$21,792	23
Rhode Island	RI	\$21,528	7	\$24,408	11
South Carolina	SC	\$17,496	46	\$20,892	33
South Dakota	SD	\$18,720	25	\$19,956	50
Tennessee	TN	\$17,832	39	\$20,676	38
Texas	TX	\$18,096	33	\$21,000	30
Utah	UT	\$17,568	44	\$21,024	29
Vermont	VT	\$22,596	5	\$25,080	10
Virginia	VA	\$18,924	22	\$23,532	13
Washington	WA	\$19,656	14	\$23,184	16
West Virginia	WV	\$16,716	51	\$19,416	51
Wisconsin	WI	\$19,860	12	\$21,192	28
Wyoming	WY	\$17,904	37	\$20,400	41

The Elder Index Varies Widely Nationwide, both among and within States

For single elders who own a home with no mortgage, living costs are highest in New Jersey at \$25,320, followed by Connecticut, New Hampshire, Massachusetts, and Vermont. For single elders who own a home with no mortgage, living costs are lowest in West Virginia at \$16,716, followed by New Mexico, Louisiana, Arizona, and Idaho. In 30 states, the average cost of living for single homeowners with no mortgage is below the National Elder Index of \$19,104, while in 21 states (including the District of Columbia), the average cost of living is higher.

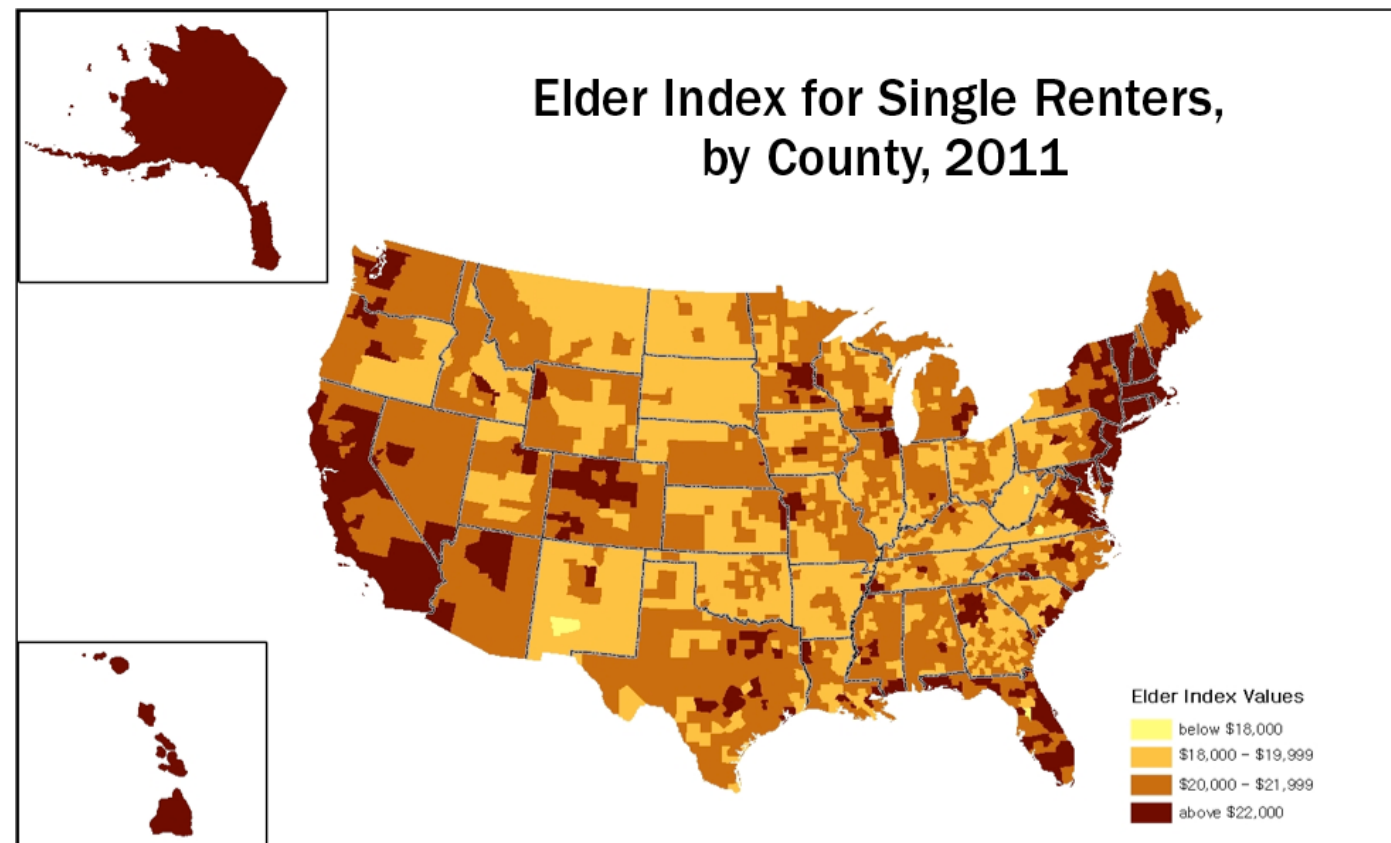
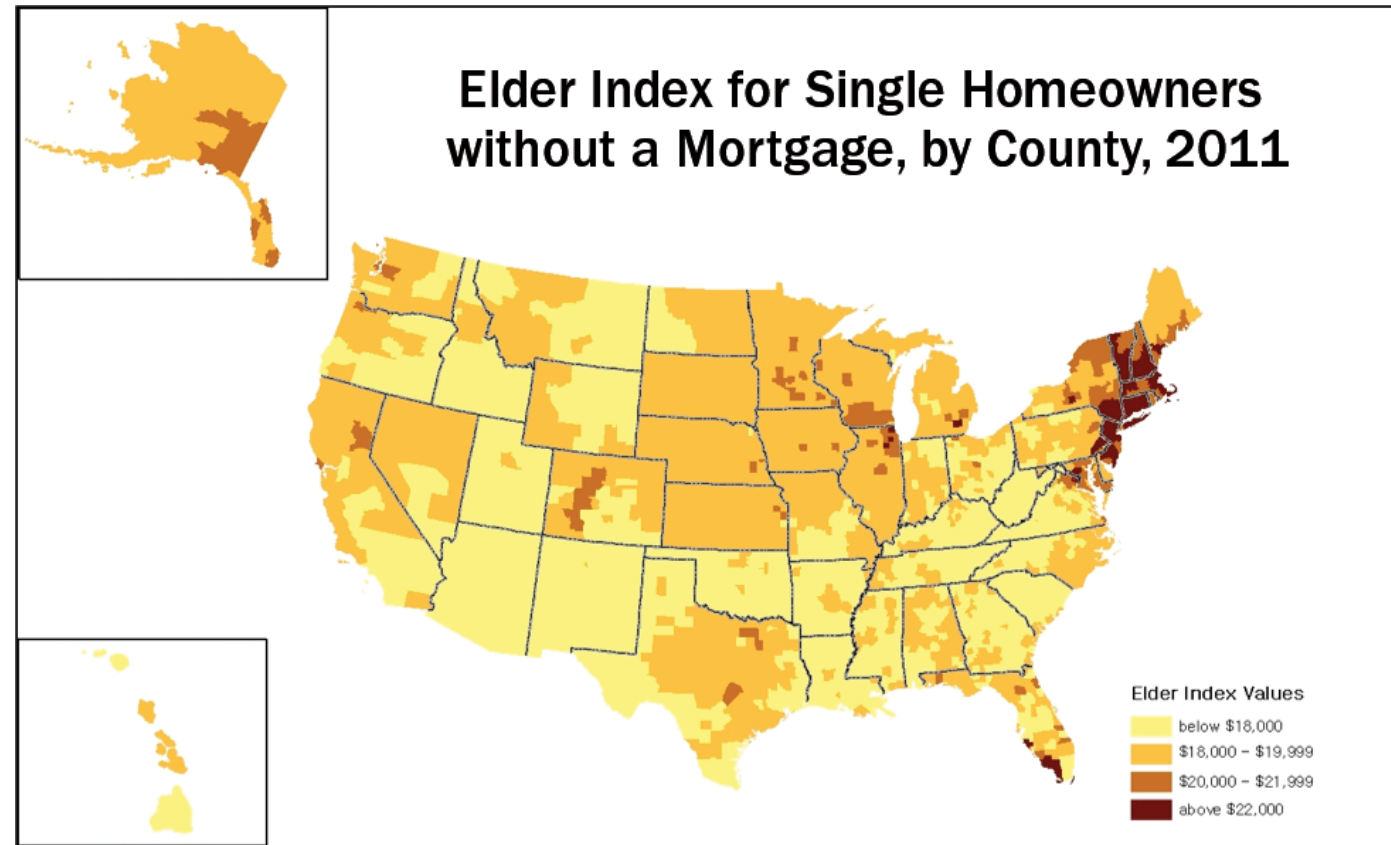
For single elder renters, living costs are highest in Hawaii at \$29,604, followed by the District of Columbia, New Jersey, Connecticut, and Maryland. For single elder renters, living costs are lowest in West Virginia at \$19,416, followed by South Dakota, Ohio, North Dakota, and Oklahoma. In 33 states, the average cost of living for single renters is below the National Elder Index of \$22,848, while in 18 states (including the District of Columbia), the average cost of living is higher.

The Elder Index for specific geographic locations and specific living situations is available online at the following website: <http://www.wowonline.org/ourprograms/eesi/>.

The national maps (**Figure 7**) on the next page show Elder Index living costs by county nationwide in four categories, with the darker the color, the higher the cost.⁴⁴ These maps depict living costs for single elders who (1) own their home free of a mortgage and (2) rent a one-bedroom apartment. For single elder homeowners without a mortgage, annual living costs for most counties are under \$20,000. The highest cost counties are primarily in the Northeast. The map for single elder renters clearly depicts higher living costs for renters compared with homeowners without a mortgage in most areas. Moreover, in some areas of the country, the gap between living costs for renters and for homeowners without a mortgage is especially sizable. For example, some counties in Hawaii, Southern California, Arizona, and Alabama shift from the lowest to the highest cost category.

⁴⁴These maps depict Elder Index costs for counties based on annual living costs: the lowest (yellow), under \$18,000; the next \$18,000–\$22,000; then \$20,000.01–\$22,000; and the highest category, over \$22,000.

Figure 7 a&b – Elder Index for Single Elders (Various Housing Situations), by County, 2011



Florida is an example of a state with considerable within-state variation. Overall, Florida ranks 26th, in the middle of all states, in terms of living costs for elders who own their homes without a mortgage and 22nd for elder renters. However, for both types of housing, living costs vary widely across the state from the lowest to highest categories.

To a large extent, living costs for elder couples follow the geographic patterns for single elders; thus these maps are not displayed in this report. Elder Index maps for elder homeowners with a mortgage show variation similar to elder renters.

Geographic Variation in the Association between Elder Index Living Costs and Social Security Benefits

While cost of living varies by both geographic location and housing tenure, economic security is also affected by elders' incomes. Most elders receive Social Security benefits, and for one out of four elders at least 90% of their income comes from Social Security. As with the Elder Index, there is considerable geographic variation in average Social Security benefits, as **Table 5** shows. For example, while the average annual Social Security benefit for a retired worker is \$14,105 nationwide, county-level average benefits range from a low of \$7,496 in Starr County, Texas, to a high of \$16,882 in Hunterdon County, New Jersey.

The percentage of Elder Index living costs covered by Social Security benefits is one indicator of economic security that takes into consideration local costs of living and local average Social Security benefits. A lower percentage indicates a greater discrepancy between living costs and Social Security benefits.

For single elder renters, the average national Elder Index is \$22,848, and average Social Security benefit is \$14,105. Thus, the average Social Security benefit covers 62% of living costs for single elder renters based on the National Elder Index.

TABLE 5
Single Elder Renters:
Social Security as a Percentage of Elder Index,
50 States and the District of Columbia — Rank-Ordered

States	Abr.	Index single renter	SS benefit single	% costs covered by SS	Single renter ratio rank
Alabama	AL	\$20,880	\$13,731	66%	28
Alaska	AK	\$24,168	\$13,442	56%	6
Arizona	AZ	\$21,540	\$14,403	67%	36
Arkansas	AR	\$20,028	\$13,313	66%	32
California	CA	\$25,884	\$13,990	54%	5
Colorado	CO	\$22,164	\$13,932	63%	20
Connecticut	CT	\$27,600	\$15,449	56%	8
Delaware	DE	\$23,268	\$15,009	65%	23

States	Abr.	Index single renter	SS benefit single	% costs covered by SS	Single renter ratio rank
District of Columbia	DC	\$29,088	\$12,667	44%	1
Florida	FL	\$23,016	\$14,022	61%	15
Georgia	GA	\$21,336	\$13,885	65%	24
Hawaii	HI	\$29,604	\$13,971	47%	2
Idaho	ID	\$20,256	\$13,750	68%	42
Illinois	IL	\$23,232	\$14,537	63%	18
Indiana	IN	\$20,748	\$14,821	71%	50
Iowa	IA	\$20,532	\$14,065	69%	45
Kansas	KS	\$20,820	\$14,444	69%	47
Kentucky	KY	\$20,136	\$13,438	67%	33
Louisiana	LA	\$20,988	\$13,188	63%	19
Maine	ME	\$23,016	\$13,072	57%	11
Maryland	MD	\$27,192	\$14,491	53%	4
Massachusetts	MA	\$27,048	\$14,257	53%	3
Michigan	MI	\$21,360	\$15,218	71%	49
Minnesota	MN	\$21,864	\$14,364	66%	26
Mississippi	MS	\$21,216	\$13,196	62%	17
Missouri	MO	\$20,604	\$13,919	68%	40
Montana	MT	\$20,364	\$13,388	66%	27
Nebraska	NE	\$20,724	\$13,912	67%	37
Nevada	NV	\$22,836	\$14,105	62%	16
New Hampshire	NH	\$25,176	\$14,657	58%	13
New Jersey	NJ	\$27,960	\$15,596	56%	7
New Mexico	NM	\$20,052	\$13,224	66%	31
New York	NY	\$26,244	\$14,817	56%	10
North Carolina	NC	\$20,964	\$14,015	67%	35
North Dakota	ND	\$20,004	\$13,159	66%	29
Ohio	OH	\$19,968	\$14,164	71%	48
Oklahoma	OK	\$20,016	\$13,622	68%	43
Oregon	OR	\$21,972	\$14,171	64%	22
Pennsylvania	PA	\$21,792	\$14,544	67%	34
Rhode Island	RI	\$24,408	\$14,190	58%	12
South Carolina	SC	\$20,892	\$14,047	67%	38
South Dakota	SD	\$19,956	\$13,141	66%	30
Tennessee	TN	\$20,676	\$13,910	67%	39
Texas	TX	\$21,000	\$13,755	66%	25
Utah	UT	\$21,024	\$14,246	68%	41
Vermont	VT	\$25,080	\$14,103	56%	9
Virginia	VA	\$23,532	\$14,164	60%	14
Washington	WA	\$23,184	\$14,674	63%	21
West Virginia	WV	\$19,416	\$13,910	72%	51
Wisconsin	WI	\$21,192	\$14,489	68%	44
Wyoming	WY	\$20,400	\$14,112	69%	46

There is considerable variation among states in the ability of elders who rely primarily on Social Security benefits to cover basic living costs (see **Table 5**). To a large extent, states with lower costs of living are more affordable for people relying on Social Security benefits. But lower living costs are not always associated with the lowest Social Security benefits and higher living costs are not always associated with the highest Social Security benefits. For example, the District of Columbia (DC) has the second-highest Elder Index for single elder renters but has the lowest average Social Security benefit nationwide. In DC, the average Social Security benefit covers only 44% of basic living costs for single renters; this is lower than for any state.

In contrast, West Virginia has the lowest living costs for single renters of all states, but the average Social Security benefit is only slightly below the national average. Thus, Social Security benefits cover 72% of living costs for single elder renters in West Virginia, the highest percentage of any state. Michigan ranks in the middle of states with respect to single renter living costs but has an average Social Security benefit among the highest in the nation. Thus, in Michigan, 71% of basic living costs are covered by the average Social Security benefit. Hawaii has the highest living costs for elder renters, but an average Social Security benefit just under the national average. Thus, in Hawaii, only 47% of living costs are covered by Social Security. Comparing Social Security benefits with the Elder Index shows the importance of viewing local living costs in light of local

income sources when considering the economic well-being of elders.

The following maps (**Figure 8**) show (1) the Elder Index for single elders who rent their home and (2) the percentage of Elder Index living costs covered by Social Security benefits for single renters. For the first map, counties with higher living costs are presented in darker colors. For the second map, counties where there is a larger gap between Social Security benefits and the Elder Index are presented in darker colors.

The first map shows in dark colors the areas of the country where the Elder Index is the highest and where one would expect the greatest economic hardship. However, the second map, which shows in dark colors the areas where the average Social Security covers the smallest percentage of the Index, shows a different pattern. Some areas such as the Northeast and California are dark in both maps, but other areas such as the Great Lakes area are light in the second map, indicating that although the living costs are higher than in other areas of the country, Social Security benefits are also higher. The second map, which combines the Elder Index with Social Security income, is an example of how the Elder Index can be used to identify areas where elders might be experiencing economic hardship.

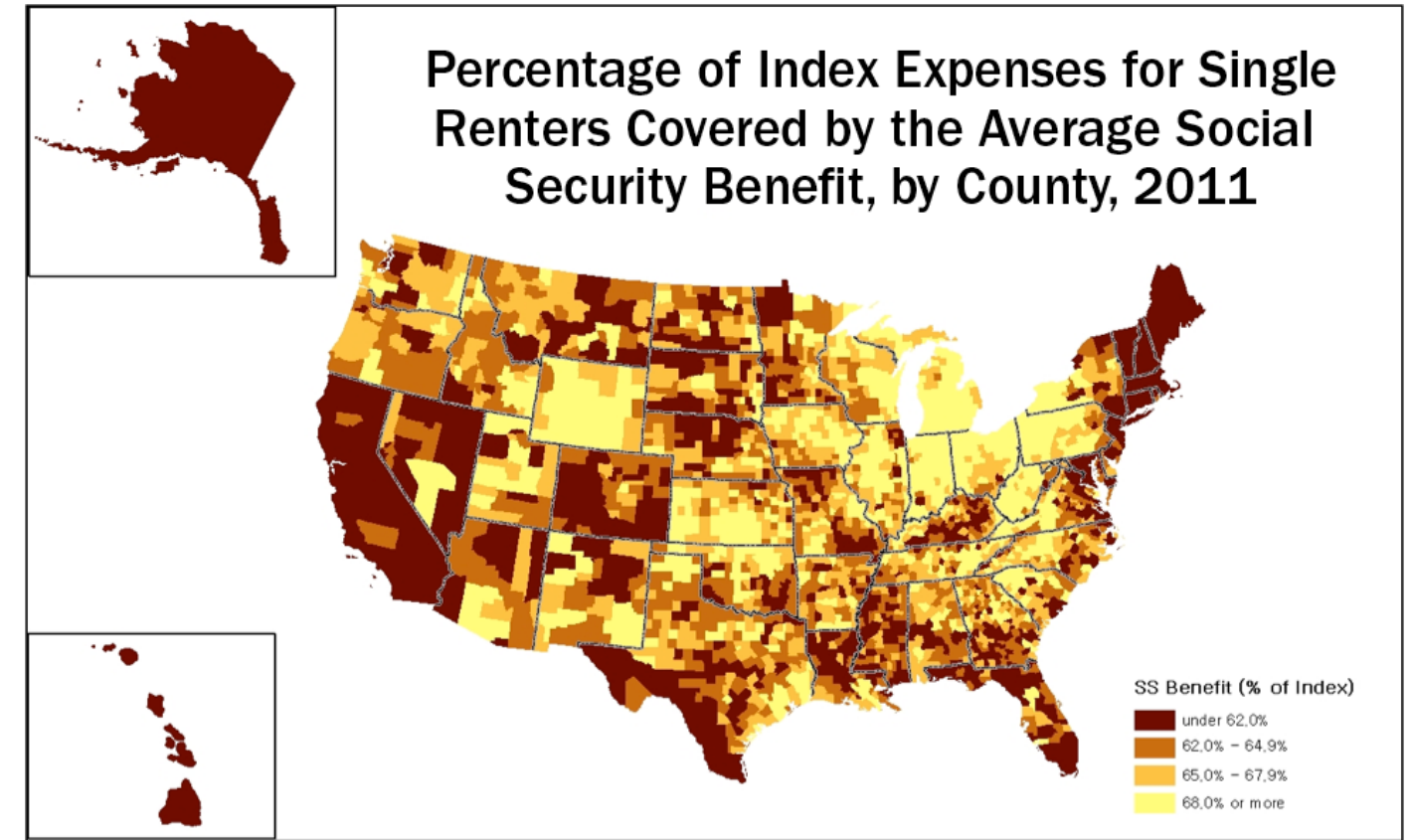
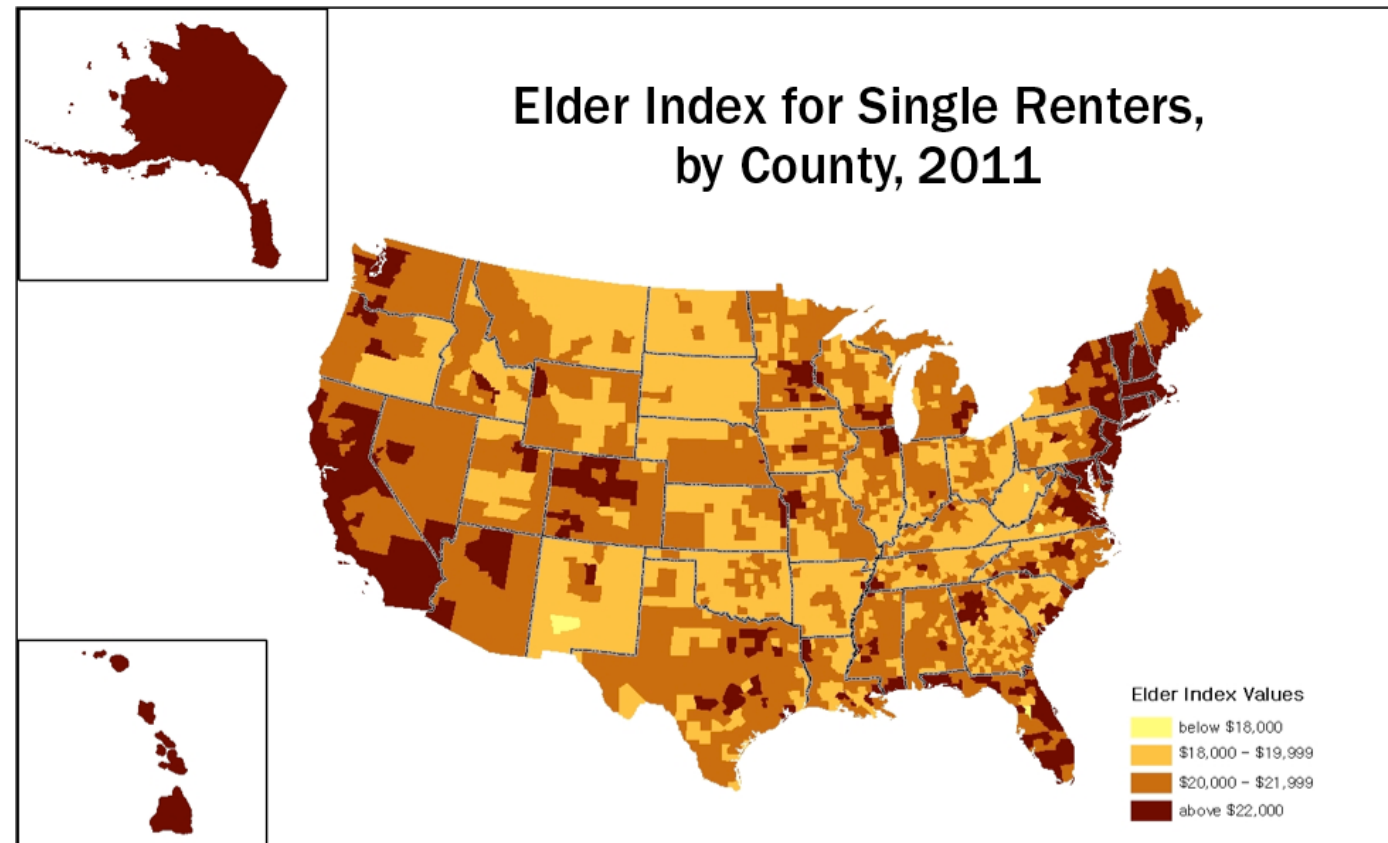


Figure 8 a&b – Single Elder Renters: Elder Index and Percentage of Social Security-covered Living Costs, by County, 2011



VI. SUMMARY

The Elder Index, with its modeled scenarios for older adults living in different circumstances, shows the difficulties low- and moderate-income elders confront in meeting their living expenses. In every state and every county, elders who live at the federal poverty level, or who are totally dependent on the average Social Security benefit in 2011, need housing and health care supports to cover their expenses.

The Elder Economic Security Initiative, through the use and development of the National WOW-GI Elder Economic Security Standard Index, provides a framework to help guide public, private, and personal decisions that can directly shape the well-being of today's and tomorrow's older adults. Additionally, it provides information for decisions that aging Baby Boomers will need to make for themselves and for the older family members for whom they often care.

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APPENDIX A: DATA SOURCES

Data Type	Source	Assumptions
Housing	Rent: U.S. Department of Housing and Urban Development (2011). Fair Market Rents - Fiscal Year 2011. Retrieved from: http://www.huduser.org	Fair Market Rents (FMRs) for 1-bedroom units by HUD statistical area (county or country group).
	Owner Costs: U.S. Census Bureau (2010): American Community Survey Public Use Microdata Sample (PUMS) 2007-2009 three-year file. Retrieved from http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml	Median selected monthly owner costs (SMOC) for owners 65+ with and without a mortgage.
	Owner costs adjusted to 2011 by CPI-U for housing. U.S. Department of Labor (2011). Retrieved from http://data.bls.gov/data	SMOC includes property taxes, insurance, heat & utilities, condo fees, & mortgage payment (if any).
Food	Low-Cost Food Plan: U.S. Department of Agriculture, Center for Nutrition Policy and Promotion (2011). Retrieved from: http://www.cnpp.usda.gov/USDAFoodPlansCostofFood.htm	Low Cost Food Plan costs for older men and women are averaged to determine food costs for elders. Per USDA, food costs for single adults are increased by 20% to reflect lesser economies of scale.
Total Health Care Costs (premiums and out-of-pocket cost)	U.S. Department of Health & Human Services. (2011). Medicare Options Compare Tool. Retrieved from: https://www.medicare.gov/find-a-plan/questions/home.aspx U.S. Department of Health & Human Services (2011). Medicare Advantage/Part D Contract and Enrollment Data. Retrieved from: http://www.cms.hhs.gov/MCRAdvPartDEnrolData/MASCPen/list.asp#TopOfPage	Average costs calculated by the Gerontology Institute assuming Medicare Advantage with Prescription coverage or Medigap Supplement and Medicare Part D coverage
Transportation	Private Automobile Cost: U.S. Department of Transportation (2010), National Household Travel Survey for 2009 (NHTS). Retrieved from: http://nhts.ornl.gov/ Per Mile Cost: Internal Revenue Service (2011). Retrieved from: http://www.irs.gov/newsroom/article/0,,id=232017,00.html	Estimated annual mileage driven by retired singles and couples by size of community and region x IRS standard mileage reimbursement rate for operating and owner costs for 2011.
Miscellaneous	Miscellaneous expenses are estimated at 20% of costs of other basic expenditure categories: housing, food, health care and transportation, which is equal to 16.67% of total expenses. Includes all other essentials: clothing, shoes, paper products, cleaning products, household items, personal hygiene items and telephone.	The Elder Index calculates miscellaneous expenses for owners without a mortgage and applies that amount to each of the housing types.

APPENDIX B: THE GERONTOLOGY INSTITUTE

The Gerontology Institute addresses social and economic issues associated with population aging. The Institute conducts research, analyzes policy issues, and engages in public education. It also encourages the participation of older people in aging services and policy development. In its work with local, state, national, and international organizations, the Institute has five priorities: 1) productive aging, that is, opportunities for older people to play useful social roles; 2) health care for the elderly; 3) long-term care for the elderly; 4) economic security for older adults; and 5) social and demographic research on aging. The Institute pays particular attention to the special needs of low-income and minority elderly.

The Gerontology Institute was created in 1984 by the Massachusetts Legislature. In 2003, the Gerontology Institute became a founding member of the John W. McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston. The school brings together two institutes and several policy-oriented graduate programs to advance their shared educational and public service missions.

Programs housed at the Gerontology Institute include the Pension Action Center, the Center for Social and Demographic

Research in Aging, and the Elder Economic Security Standard Project. The Institute furthers the university's educational programs in Gerontology. One of these is a multidisciplinary PhD program in gerontology. Through the Institute, doctoral students have the opportunity to gain experience in research and policy analysis. Another program is a Master of Science in Gerontology that focuses on management issues for working professionals looking to upgrade their skills or to advance in new directions within the field.

The Institute also supports undergraduate programs in gerontology. Foremost among these is the Frank J. Manning Certificate Program in gerontology, which prepares students for roles in aging services. In addition, the Institute sponsors the Osher Lifelong Learning Institute (OLLI), a non-credit educational program for adult learners ages 50+.

The Institute publishes the *Journal of Aging & Social Policy*, a scholarly, peer-reviewed quarterly journal with an international perspective. You can obtain information about recent Institute activities by visiting the Gerontology Institute's web pages: www.geront.umb.edu or email gerontology@umb.edu.



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