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Living Below the Line: Economic Insecurity and Older Americans Insecurity in Massachusetts 2016

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A photograph of two elderly people walking away from the camera on a paved path. They are silhouetted against a bright sun that creates a strong lens flare. The path is flanked by grass and trees, and the overall scene is bathed in the warm, golden light of late afternoon or early morning.

LIVING BELOW THE LINE

*Economic Insecurity and Older Americans
Insecurity in Massachusetts 2016*

Jan E. Mutchler, Yang Li, and Ping Xu

SEPTEMBER 2016

**CENTER FOR SOCIAL AND DEMOGRAPHIC RESEARCH ON AGING
GERONTOLOGY INSTITUTE**

MCCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES

ABOUT THE AUTHORS

This report was prepared by the Center for Social and Demographic Research on Aging, within the Gerontology Institute at the University of Massachusetts Boston. Individuals responsible for the report include Jan E. Mutchler, Yang Li, and Ping Xu.

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ABOUT THE CENTER FOR SOCIAL AND DEMOGRAPHIC RESEARCH ON AGING

The Center for Social and Demographic Research on Aging promotes the demographic and applied research capacity 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, as well as provide interdepartmental support for UMass Boston faculty and staff with shared interests. The Center also provides training for students in the Gerontology PhD Program at UMass Boston. 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. For more information, please visit **www.umb.edu/demographyofaging**.

LIVING BELOW THE LINE:

Economic Insecurity and Older Americans

Insecurity in Massachusetts 2016

New estimates from the 2016 Elder Economic Security Standard Index™ reveal that **in Massachusetts, six out of ten older adults living alone, and three out of ten living in two-person households, cannot afford the basic necessities of life such as food, housing in a safe community and health care.** The Gerontology Institute compares 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 Massachusetts to calculate Elder Economic Insecurity Rates (EEIRs), the percentage of independent adults age 65 or older living in households with annual incomes that make them economically insecure. The EEIRs allow state and local governments to better understand and benchmark how many and which older adults are at risk of financial instability. *With an EEIR of 61%, Massachusetts ranks near the top among the states in percentage of singles with incomes below the statewide Elder Index value, second only to Mississippi.* In every state, more than four out of ten older singles are at risk of being unable to afford basic needs and age in their own homes.

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 adults age 65 or older living independently. Developed by the Gerontology Institute at the University of Massachusetts Boston, and maintained in 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 Massachusetts. For older adults living in their own homes without a mortgage,

the Elder Index is \$24,120 annually for an older adult living alone, and \$35,472 for an older couple living together. Estimated costs are higher for renters (\$27,624 for singles and \$38,976 for couples) and for those who are paying off a mortgage (\$36,756 for singles and \$48,108 for couples)¹.

Table 1: The Elder Economic Security Standard Index™ for Massachusetts, 2016

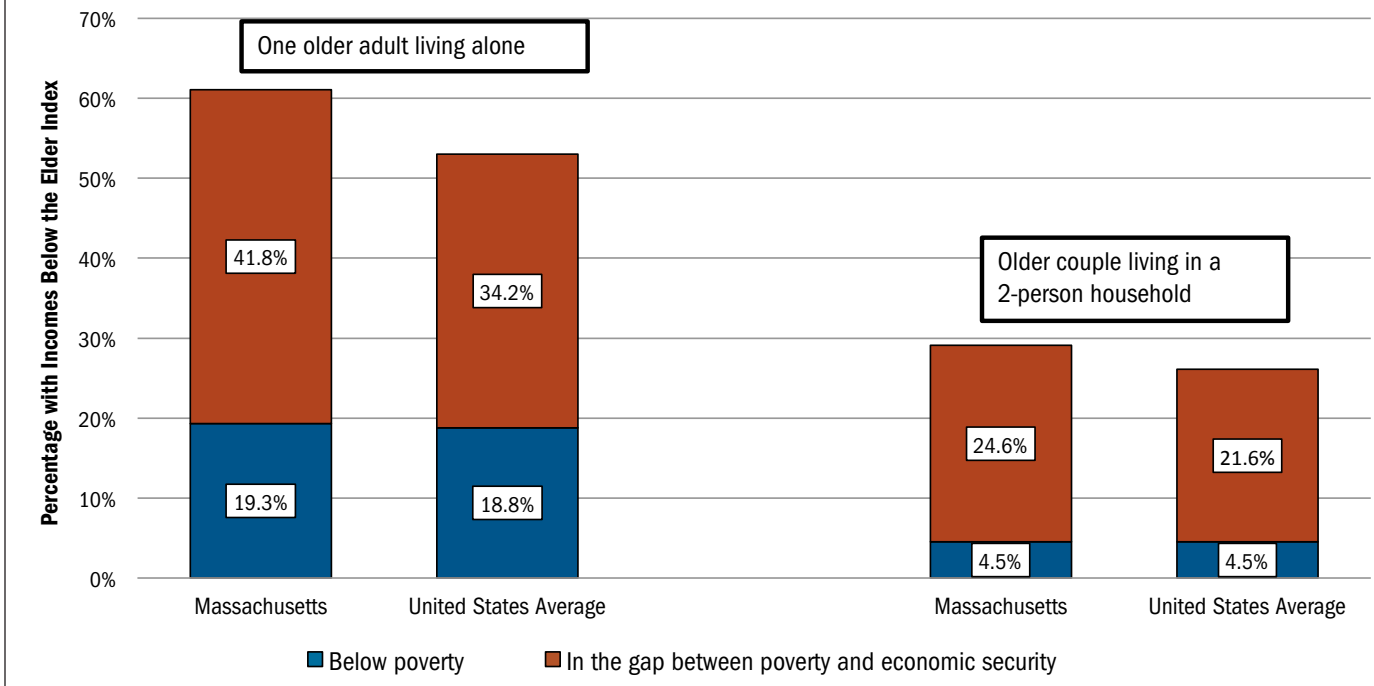
Expense	Elder Person			Elder Couple		
	Owner w/o Mortgage	Renter	Owner w/ Mortgage	Owner w/o Mortgage	Renter	Owner w/ Mortgage
Housing	\$736	\$1,028	\$1,789	\$736	\$1,028	\$1,789
Food	\$256	\$256	\$256	\$470	\$470	\$470
Transportation	\$241	\$241	\$241	\$373	\$373	\$373
Health Care	\$442	\$442	\$442	\$884	\$884	\$884
Miscellaneous	\$335	\$335	\$335	\$493	\$493	\$493
Elder Index Per Month	\$2,010	\$2,302	\$3,036	\$2,956	\$3,248	\$4,009
Elder Index Per Year	\$24,120	\$27,624	\$36,756	\$35,472	\$38,976	\$48,108

Large Proportions of Massachusetts Older Households Fall Short of Economic Security

Figure 1 illustrates the Elder Economic Insecurity Rates (EEIRs) for singles and for couples—the percentage of older adults who live with incomes below Massachusetts’ Elder Index. US average figures are included for comparison. Among Massachusetts singles living alone, 61% have incomes falling below the Elder Index for single renters. While 19.3% have incomes placing them below the poverty guideline, 41.8% have incomes in the “gap” between the poverty line and the Elder Index. The EEIR for Massachusetts singles ranks 2nd highest in the nation, just three percentage points lower than Mississippi and eight percentage points higher than the national average. Although the poverty rate for Massachusetts older adults living alone is only slightly higher than the US average, the share living in the gap is substantially higher.

¹Elder Index values presented in this report assume that an older adult is in good health. Values assuming alternative levels of health (poor; excellent) are also calculated as part of the Elder Economic Security Standard Index™ program. For details, contact Jan.Mutchler@umb.edu

Figure 1: Elder Economic Insecurity Rates for Massachusetts and U.S. Average



Elder Economic Insecurity Rates for couples are considerably lower than for singles, but Massachusetts ranks higher than the US average for couples as well. Among Massachusetts older adults living with another older person in a two-person household, nearly 30%

have incomes falling below the Elder Index for couple renters. While 4.5% have incomes placing them below the poverty guidelines, 24.6% have incomes in the gap between the poverty line and the Elder Index. The EEIR for Massachusetts couples ranks 9th highest in the nation and

Figure 2: Elder Index for singles – renters, 2016

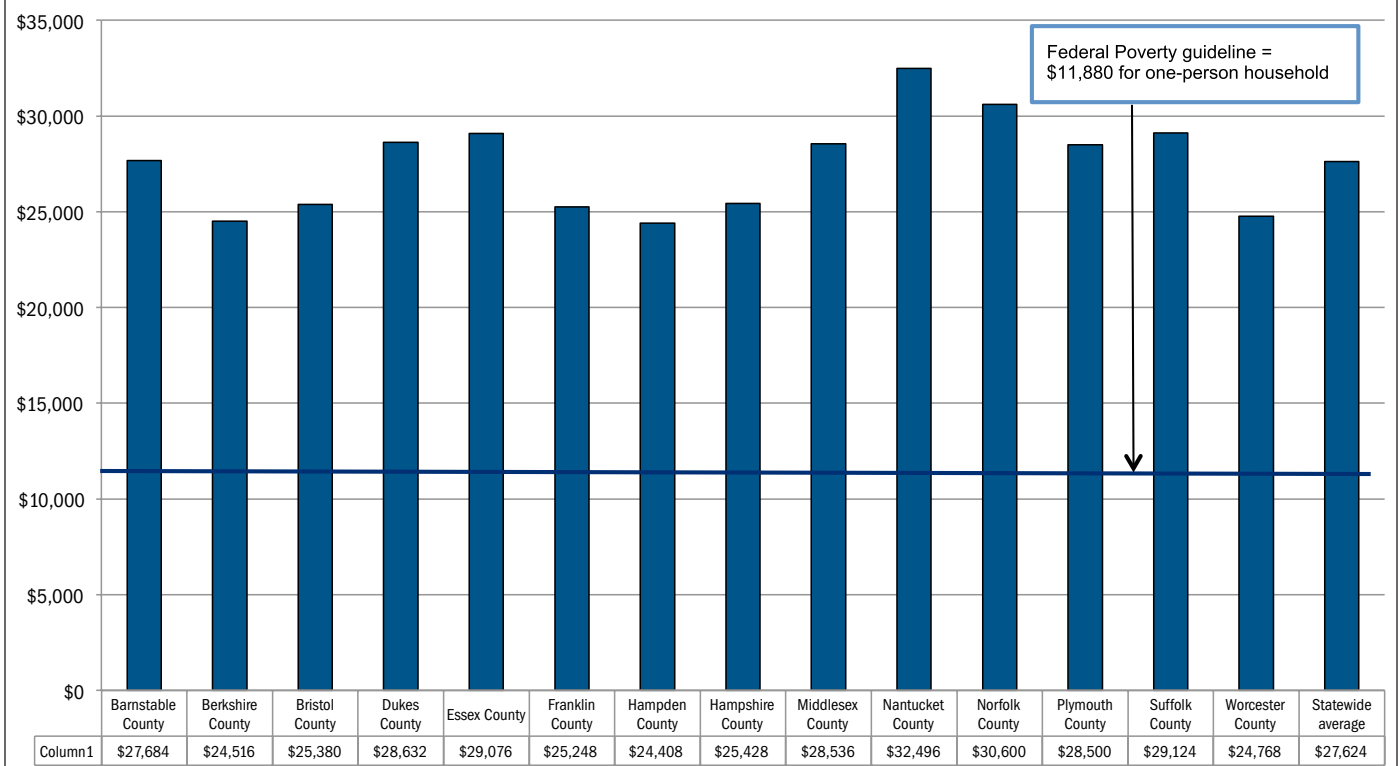
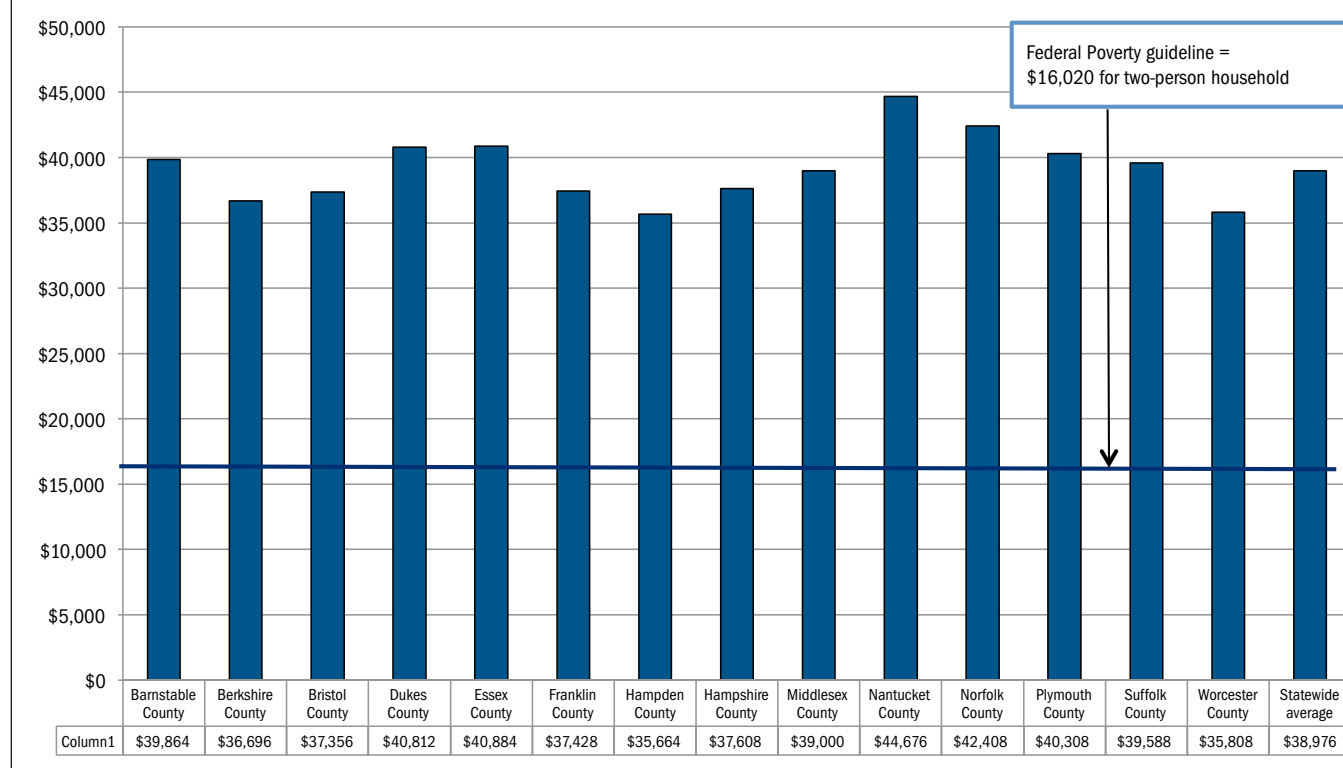


Figure 3: Elder Index for couples – renters, 2016



is three percentage points higher than the national average. For both singles and couples, the high cost of living in Massachusetts largely accounts for the ranking.

Geographic Comparisons within Massachusetts

The 2016 Elder Index illustrates that the cost of living independently varies substantially across localities. Figure 2 depicts Elder Index values for Massachusetts renters by county, and shows that for singles living alone, the cost of living independently ranges from a low of \$24,408 in Hampden County to a high of \$32,496 on Nantucket. In every county in Massachusetts, Elder Index values are substantially higher than common income benchmarks including the Federal Poverty Guidelines (\$11,880 for a one-person household in 2016).

The cost of living for couples—two older adults living together in a two-person household—is also highest on Nantucket (\$44,676) and lowest in Hampden County (\$35,664). Once again, Elder Index values are higher than the Federal Poverty Guidelines (\$16,020) for a two-person household (see Figure 3).

In every county in Massachusetts, the cost of living exceeds the resources available through Social Security alone. The average Social Security benefit covers less than two-thirds of estimated expenses for single renters age 65+ in every county in Massachusetts (see Figure 4). In the relatively lower-cost counties (Berkshire, Franklin,

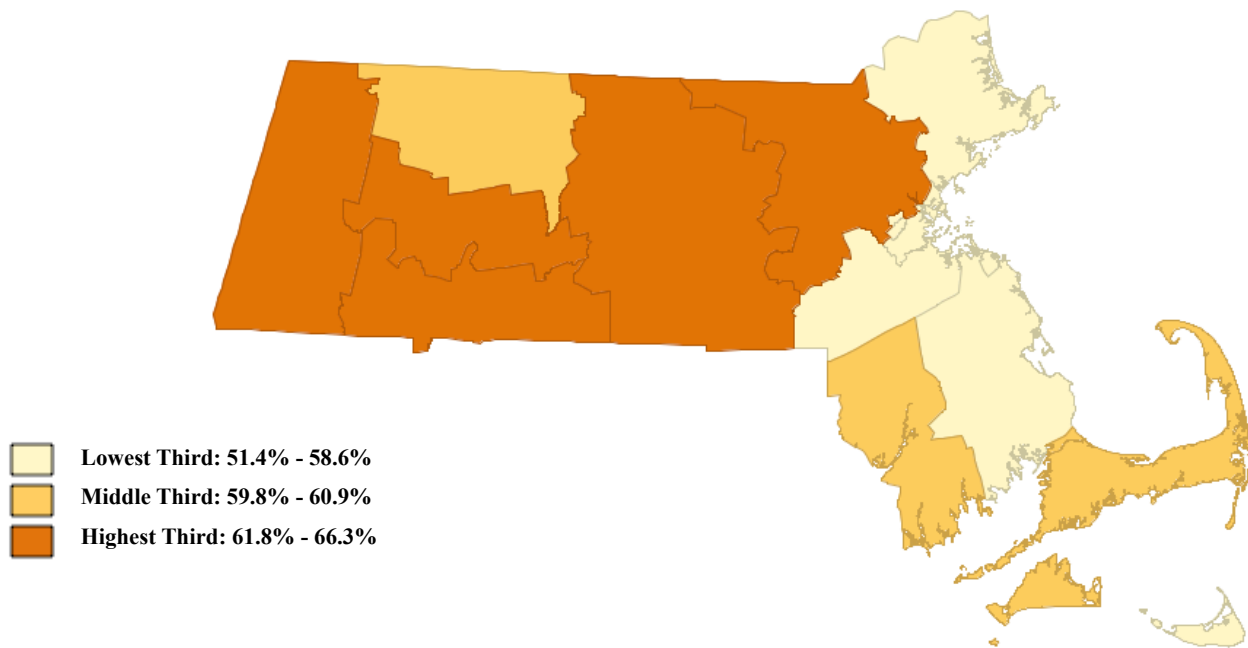
Hampden, Hampshire, and Worcester), the average Social Security benefit covers up to 66% of estimated expenses. In comparison, the average Social Security benefit covers less than 59% of estimated rental expenses in the high-cost areas of Essex, Nantucket, Norfolk, Plymouth, and Suffolk counties. In general, average Social Security benefits cover a higher portion of estimated expenses for older adults living in the western part of Massachusetts than for their eastern counterparts.

Most older adults rely on Social Security benefits as a key component of their incomes. The Social Security Administration estimates that Social Security benefits provide one-third of all income received by older adults, and that those with lower income are especially reliant on Social Security.² In Massachusetts, 47% of older singles who live below the Elder Index rely on Social Security for at least 90% of their incomes.³

² Income of the Aged Chartbook, 2014. Retrieved online: https://www.ssa.gov/policy/docs/chartbooks/income_aged/2014/index.html

³ Older adults with incomes above the Elder Index typically have multiple sources of income and are less dependent on Social Security as a primary income source.

Figure 4: Massachusetts: Percent of Elder Index for Single Renters in Good Health Covered by Average Social Security Benefit in 2016 by County



Source: Center for Social and Demographic Research on Aging. (2016). Living below the line: Economic insecurity and older Americans: Insecurity in the States 2016. Gerontology Institute, University of Massachusetts Boston. https://www.umb.edu/demographyofaging/elder_economic_security

Conclusion

Many older adults who live independently are economically insecure. Policies and programs that help older adults age in place and meet their daily needs—including congregate and home-delivered meals, transportation supports, falls prevention, employment and training—should be of special concern to federal, state and local governments.

While decreasing poverty is a critical policy goal, the “circle of concern” cannot be limited to impoverished older adults. Elder Economic Insecurity Rates demonstrate that a large proportion of Massachusetts’ independent older adults lack incomes that allow them to escape the threat of poverty, to remain independent, and to age in their own homes.

As the older adult population grows, policy experts and government officials must learn to recognize the economic security gap and those who fall into it. They must also consider whether or not policies contribute to the economic security of older adults living above the poverty line, as they require services and supports beyond emergency aid that contribute to intermediate- and long-term stability goals. Helping all older adults reach economic security is the goal to which older adults and those who represent and serve them should aspire. Protecting Social Security benefits is essential for older adults, including not only those who are poor but also for those “in the gap,” more

than half of whom rely on those benefits for a large majority of their incomes.

Methodology

Data refer to households composed of adults age 65 and older who live alone (older singles) and older adults who live with one additional person who is also age 65 or older (older couples). Older adults who live in group quarters, including institutional settings, those who reside in households including three or more people, and those living with anyone under the age of 65 are not included in this analysis. This analysis calculates Elder Economic Security Rates by comparing household incomes to annualized incomes required for basic economic security, as defined by the statewide Elder Economic Security Standard Index. Household income is based on 2010-2014 5-year American Community Survey PUMS data, with income values converted to 2016 dollars using the June 2016 Consumer Price Index.

Learn more

- See [basiceconomicsecurity](#) for county-level and statewide average Elder Index values and values for homeowners.
- Read the national report, [Insecurity in the States 2016](#).

ABOUT THE GERONTOLOGY INSTITUTE AT UNIVERSITY OF MASSACHUSETTS BOSTON

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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