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# Living Below the Line: Economic Insecurity and Older Americans, Age Disparities in Insecurity, 2016

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# Living Below the Line: Economic Insecurity and Older Americans

## Age 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 the oldest seniors. 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 indicate that among older adults living alone, 46% of those age 65 to 74 have annual incomes below the Elder Index. The risk of economic insecurity rises to 57% among adults age 75 to 84, and reaches 59% among those who are aged 85 or older. Risk of economic insecurity is considerably lower among older adults living in couple households, but disparities by age are evident among couples as well.*[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 |

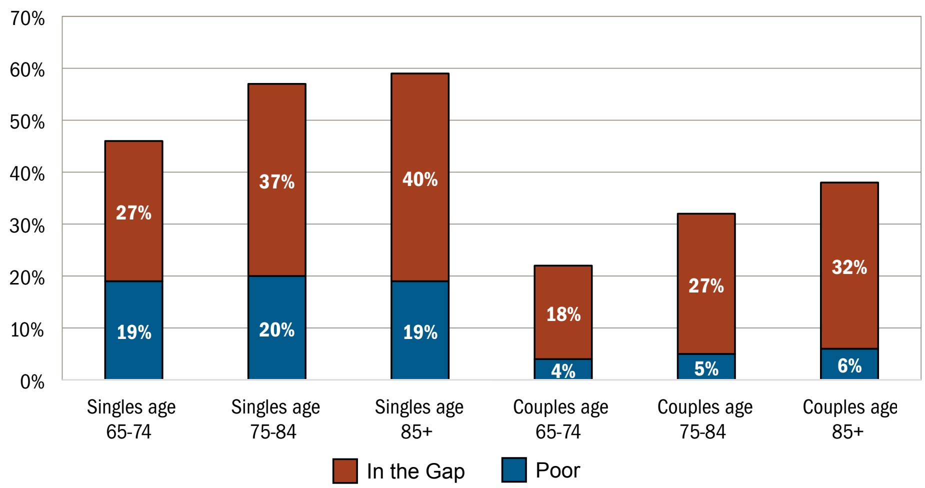
## Evaluating economic insecurity by age group

**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, adults age 65 and over have poverty rates of approximately 19% with little difference across age groups.

[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.

Also 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 singles age 65-74, 27% live in the gap which, when added to the 19% who are poor, results in a total of 46% being economically insecure. In comparison, 37% of singles age 75-84 have incomes in the gap; combining these with the share who are poor suggests that 57% of singles age 75-84 are economically insecure. The highest rates of economic insecurity are estimated for adults age 85+ living alone, with 19% being poor and another 40% living in the gap for a total of six out of ten singles age 85 or older not having 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 older couples than for their younger 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 the oldest adults at higher risk of economic insecurity?

Economic insecurity is a particular threat for the oldest adults. The oldest adults are more likely to live alone: 45% of adults age 85 and older live alone, compared to just 22% of those age 65-74. The loss of a spouse or partner may reduce household income without substantially reducing household expenses, resulting in a higher risk of economic insecurity among those living alone. As well, compared to their younger counterparts, adults age 85 and older are more likely to be women: 65% of adults age 85 and older are women, compared to 53% of those age 65-74. 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.

Age disparities in economic insecurity are also accounted for by differences in sources of income and in amounts obtained by source. **Figures 2a and 2b** summarize the age disparities in sources of income,

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

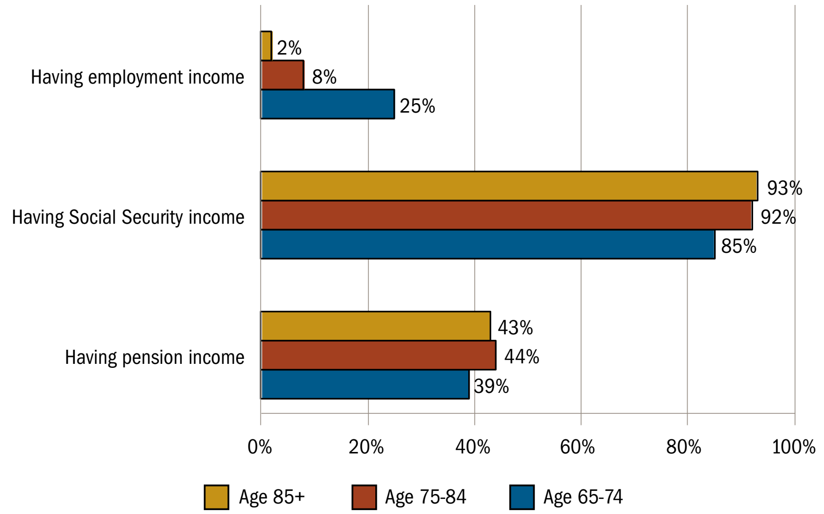
for older adults living alone (Figure 2a) and in couple households (Figure 2b). These comparisons reveal age differences in access to source of income. To summarize,

- Younger singles are considerably more likely to have **income from employment**. One-quarter of singles age 65-74 report employment income, compared to just 2% of those age 85 or older. Couples are more likely than singles to report employment income, but the oldest couples also are less likely to have income from employment—36% of couples age 65-74 have employment income, compared to just 8% of those age 85+.

- Age groups differ in the share reporting **Social Security income**, especially among singles. Ninety-three percent of adults age 85+ and living alone receive Social Security, but only 85% of singles age 65-74 receive Social Security income. Some of the singles in the 65-74 age range may not yet have begun taking Social Security benefits, accounting for this difference. Among couples, the share reporting Social Security income is more similar across age groups, ranging from 95% among couples age 65-74 to 97% among couples age 85+.

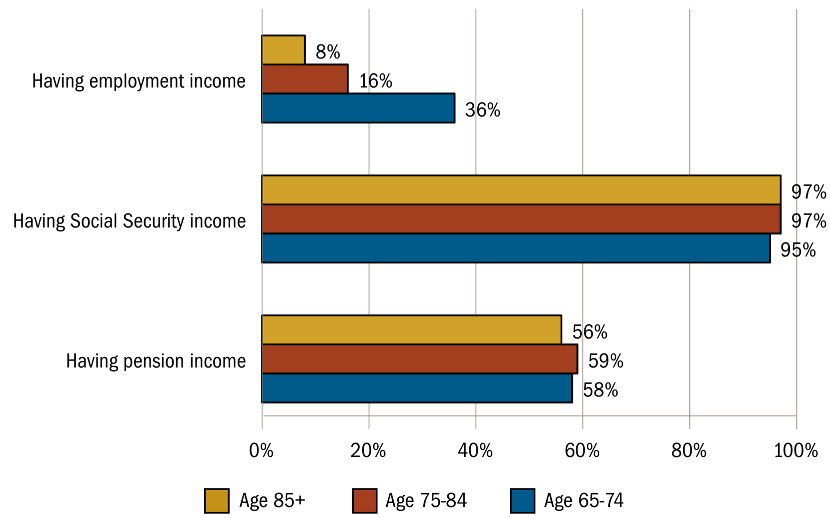
- Similarly, the youngest seniors are less likely to report receiving

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




**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 age group**



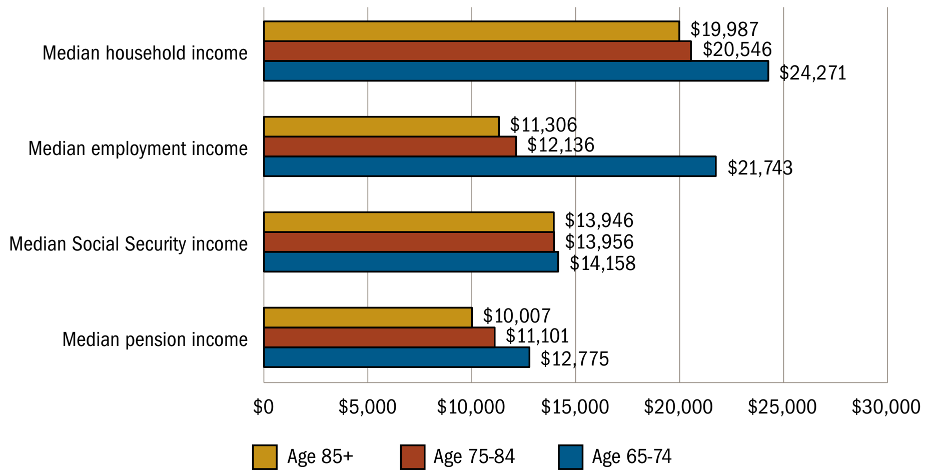

**Source:** Calculated by the authors based on the Elder Index and IPUMS (Ruggles et al., 2015).

pension income. Among singles, 39% of those age 65-74 report pension income, with 44% of those age 75-84 and 43% of those age 85+ having income from a pension. Among couples, the shares receiving pension income range from 56% among couples age 85+ to 59% among couples age 75-84.

**Figures 3a and 3b** show that the median **amounts** of income by source vary considerably across age groups. These figures show that older seniors typically receive less income from the sources to which they do have access. To summarize,

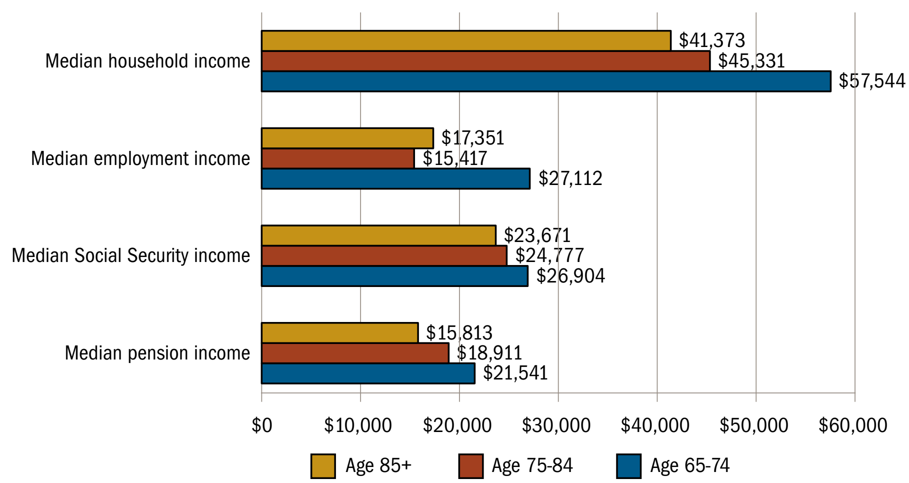
- Among both singles and couples with **employment income**, amounts received are considerably lower across the oldest seniors. As a result, the youngest seniors are not only more likely to have employment income (see Figures 2a and 2b), but they also earn more when they have it, compared to older earners. This may reflect more part-time or part-year employment among those age 75 and older, compared to workers age 65-74.
- For those with **Social Security income**, the median Social Security benefit is fairly similar across age groups for singles, but among couples Social Security income is higher

**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 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).

for younger recipients compared to their older counterparts. This may be a reflection of higher earnings during the prime working years resulting in a larger average Social Security benefit for younger couples.

- Among those with pensions, the median **pension income** is highest among the youngest seniors. For example, the median pension income for a single recipient age 65-74 is $12,775, compared to $10,007 for a single age 85+. These differences may 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, the oldest adults have lower household incomes on average. Among older adults who live alone, median income from all sources combined is highest among those age 65-74, at just over $24,000 annually, and lowest among those age 85+, at just under $20,000. Disparities in household income are also evident among older couples. Adults age 65-74 and living in a couple household have median income from all sources of over $57,000 annually, compared to just over $41,000 among couples age 85+. As a result of these differences, the oldest adults are at higher risk of being economically insecure than their younger 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 the oldest seniors. 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 ethnic group 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

## References:

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# About the Authors

This report was prepared by the Center for Social and Demographic Research on Aging, in consultation with colleagues at the National Council on Aging. Individuals responsible for the report include Jan 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 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.

### 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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