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Living Below the Line: Economic Insecurity and Older Americans, Insecurity in Massachusetts 2019

Jan Mutchler

University of Massachusetts Boston, jan.mutchler@umb.edu

Yang Li

University of Massachusetts Boston, yang.li002@umb.edu

Nidya Velasco Roldán

University of Massachusetts Boston, nidya.velascorold001@umb.edu

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LIVING BELOW THE LINE

*Economic Insecurity and Older Americans
Insecurity in Massachusetts 2019*

Jan E. Mutchler, Yang Li, and Nidya Velasco Roldán

NOVEMBER 2019

**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. Individuals responsible for the report include Jan E. Mutchler, Yang Li, and Nidya Velasco Roldán. Contact us at CSDRA@umb.edu.

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ABOUT THE ELDER INDEX

The Elder Index™ is a one-of-a-kind, county-by-county measure of the income needed by older adults to maintain independence and meet their daily living costs while staying in their own homes. Developed by the Gerontology Institute at the University of Massachusetts Boston in collaboration with Wider Opportunities for Women and a national Advisory Board, the Elder Index defines economic security as the income level at which older people are able to cover basic and necessary living expenses and age in their homes, without relying on means-tested income support programs, loans or gifts.

Elder Index and Elder Economic Security Standard Index are service marks of the University of Massachusetts.

For more information about the Elder Index, including county-level Elder Index values, values for homeowners, and values for older adults in poor or in excellent health, see ElderIndex.org and www.umb.edu/demographyofaging/elder_economic_security.

LIVING BELOW THE LINE:

Economic Insecurity and Older Americans

Insecurity in Massachusetts 2019

New estimates from the 2019 Elder Index™ reveal that in Massachusetts, more than 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, and health care. The Gerontology Institute compares household incomes for adults age 65 and above living in one- and two-person households to the 2019 Elder Index for Massachusetts 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 older adults are at risk of financial instability. 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. Massachusetts ranks worst in the nation with respect to the percentage of singles with incomes below the statewide Elder Index, with 62% of singles living alone being economically insecure.

Defining Economic Security for Older Americans: The Elder Index

The Elder Index measures the costs faced by households that include one or two older adults age 65 or older living independently. 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 means-tested income support 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 items and cleaning supplies. The Elder Index is a basic budget, allowing no vacations, restaurant meals, savings, large purchases, gifts or entertainment of any kind. The Congressional Budget Office cites the Elder Index as the most commonly used measure of retirement adequacy, noting that it is the only adequacy measure that is oriented specifically to older people and that takes into account the unique demands of housing and medical care on older budgets.¹

Table 1 presents the 2019 Elder Index for Massachusetts. For older adults living in their own homes without a mortgage, the Elder Index is \$26,220 annually for an older adult living

alone, and \$38,424 for an older couple living together. Estimated costs are higher for renters (\$33,048 for singles and \$45,252 for couples) and for those who are paying off a mortgage (\$39,408 for singles and \$51,612 for couples).²

Table 1: The Elder Index for Massachusetts, 2019						
Expense	Elder Person			Elder Couple		
	Owner without Mortgage	Renter	Owner with Mortgage	Owner without Mortgage	Renter	Owner with Mortgage
Housing	\$800	\$1,369	\$1,899	\$800	\$1,369	\$1,899
Food	\$257	\$257	\$257	\$471	\$471	\$471
Transportation	\$288	\$288	\$288	\$445	\$445	\$445
Health Care	\$476	\$476	\$476	\$952	\$952	\$952
Miscellaneous	\$364	\$364	\$364	\$534	\$534	\$534
Elder Index Per Month	\$2,185	\$2,754	\$3,284	\$3,202	\$3,771	\$4,301
Elder Index Per Year	\$26,220	\$33,048	\$39,408	\$38,424	\$45,252	\$51,612

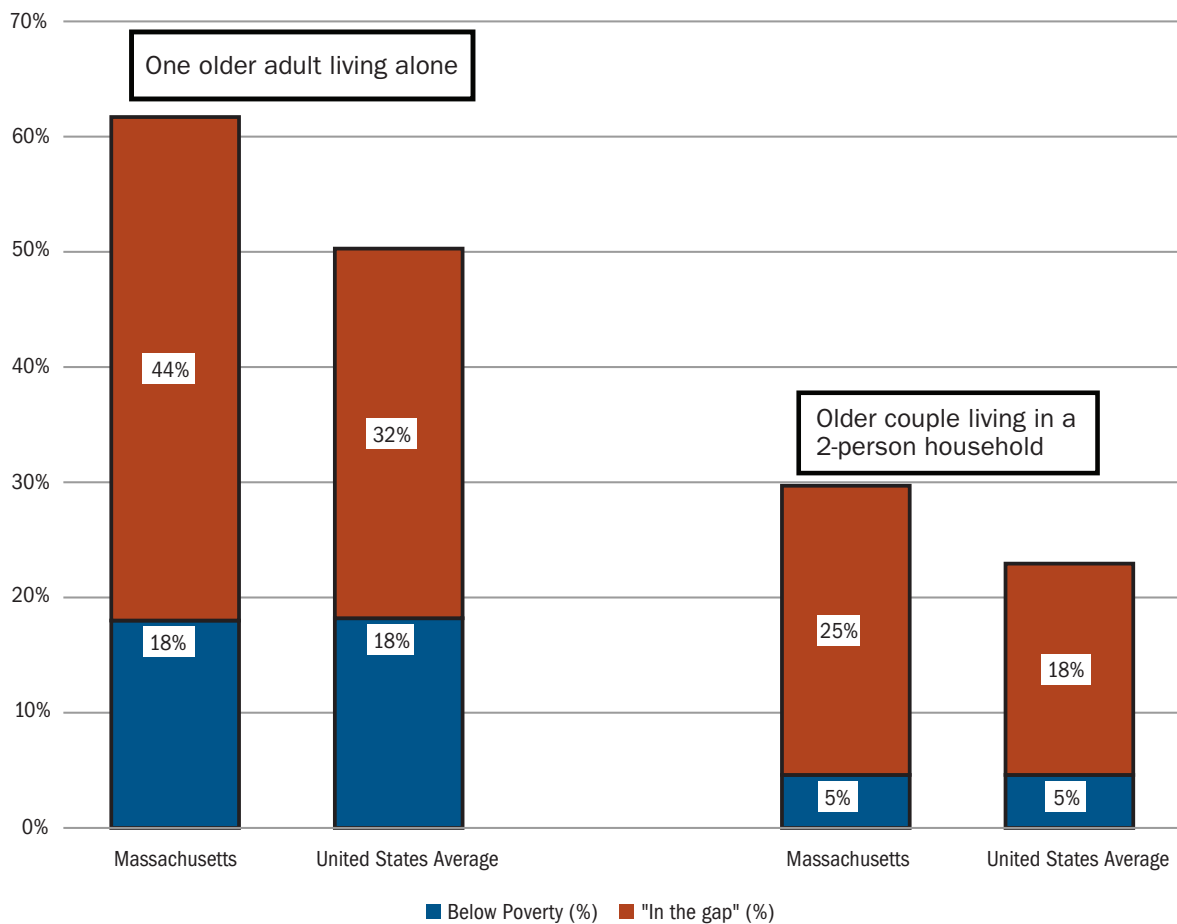
Large Proportions of Massachusetts Older Households Fall Short of Economic Security

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, 62% have incomes falling below the Elder Index for single renters. While 18% have incomes placing them below the poverty guideline, 44% have incomes in the “gap” between the poverty line and the Elder Index. The EEIR for Massachusetts singles ranks highest in the nation, twelve percentage points higher than the national average. Although the poverty rate for Massachusetts older adults living alone is about the same as the US average (18%), the share living in the gap is substantially higher, due in large part to the high cost of living in Massachusetts.

¹ Congressional Budget Office (2017). Measuring the adequacy of retirement income: A primer. Available online: <https://www.cbo.gov/publication/53191>

² Elder 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 Index program. For details, see <https://ElderIndex.org>

Figure 1: Elder Economic Insecurity Rates for Massachusetts and U.S. Average, 2019



EEIRs 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, 30% have incomes falling below the Elder Index for couple renters. While 5% have incomes placing them below the poverty guidelines, 25% have incomes in the gap between the poverty line and the Elder Index. The EEIR for Massachusetts couples ranks 3rd highest in the nation and seven percentage points higher than the national average.

For both singles and couples, the high cost of living in Massachusetts largely accounts for the ranking.

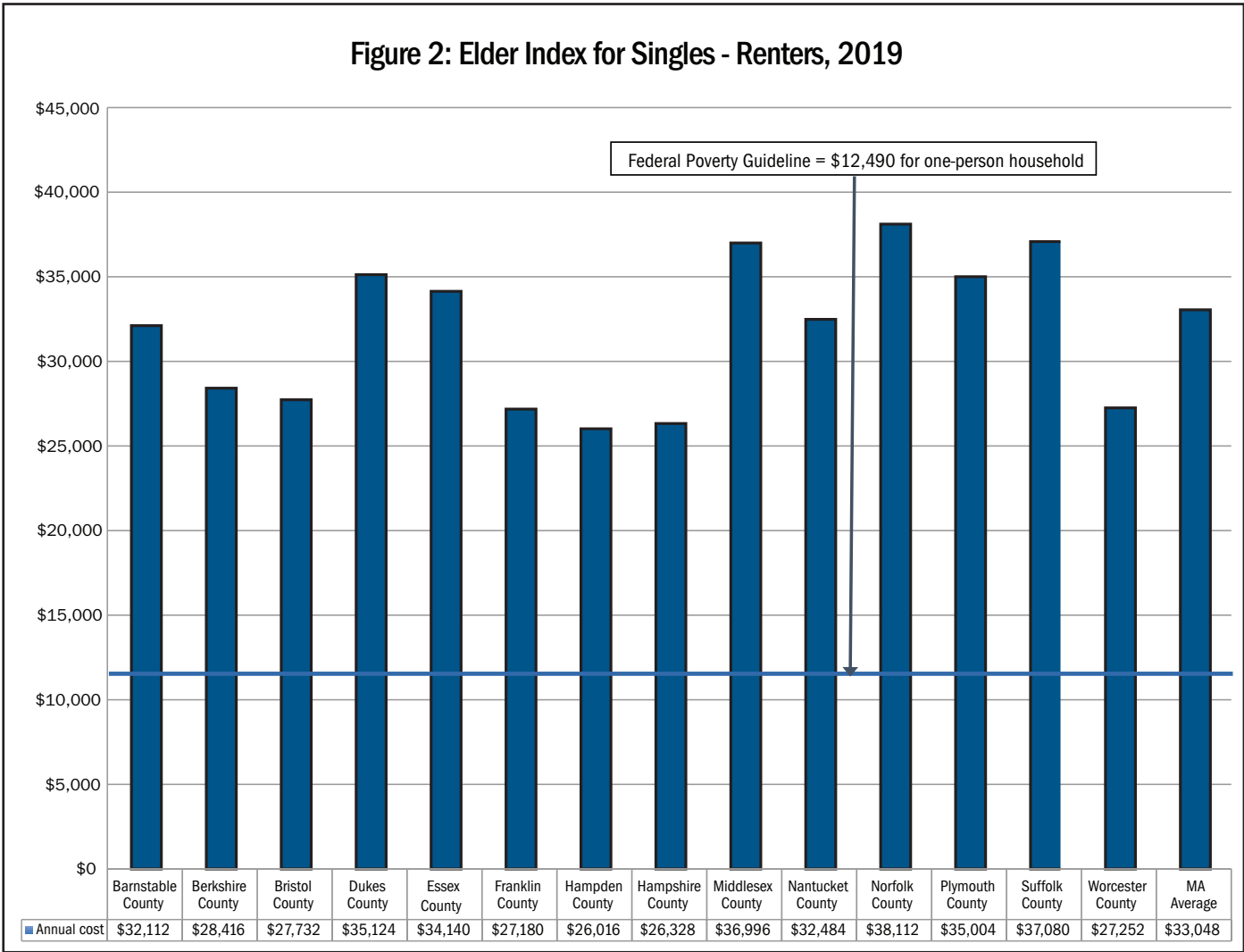
Geographic Comparisons within Massachusetts

The 2019 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 \$26,016 in Hampden County to \$38,112 in Norfolk County. In every county in Massachusetts, Elder Index values are substantially higher than common income benchmarks including the Federal Poverty Guidelines (\$12,490 for a one-person household in 2019).

The cost of living for couples—two older adults living together in a two-person household—is also highest in Norfolk County (\$49,968) and lowest in Hampden County (\$37,956). Once again, Elder Index values are higher than the Federal Poverty Guidelines (\$16,910) 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 and older in every county in Massachusetts (see Figure 4). In some relatively lower-cost counties (Berkshire, 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 54% of estimated rental expenses in the high-cost areas of Essex, Middlesex, 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. Yet most older adults rely on Social Security benefits as a key component of their incomes. The Social Security Administration estimates that Social Security benefits are the most common source of income among older adults, and those with lower incomes are especially reliant on Social Security³. In Massachusetts, *44% of older singles who live below the Elder Index rely on Social Security for at least 90% of their incomes.*⁴

³Income of the Aged Chartbook, 2014. Retrieved online: https://www.ssa.gov/policy/docs/chartbooks/income_aged/2014/index.html

⁴ Calculated by the authors. 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.

In every Massachusetts region, more than half of older adults living alone have incomes below the Elder Index. The share of older adults living alone with incomes below the Federal Poverty Line is highest in the Boston metro area (19%), where another 45% live “in the gap” with incomes above the poverty level but still less than what is required to live with economic security (Figure 5a). At the other end of the spectrum, 12% of singles live below the Federal Poverty Line in Barnstable County, and another 39% live in the gap. In every region, the share in the gap between the poverty line and the Elder Index is much larger than the share living in poverty; in some areas the proportion living in the gap is more than three times higher (e.g., Dukes and

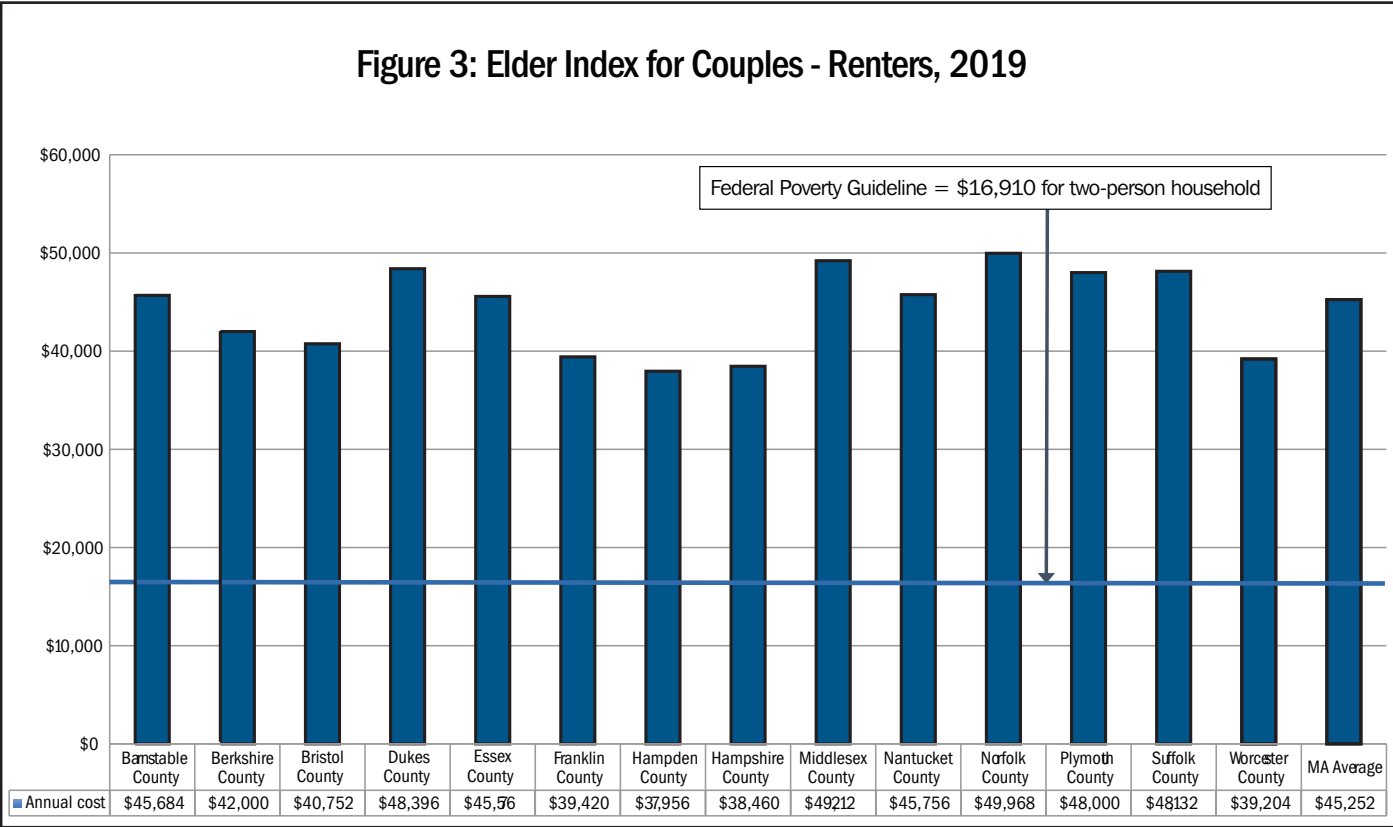
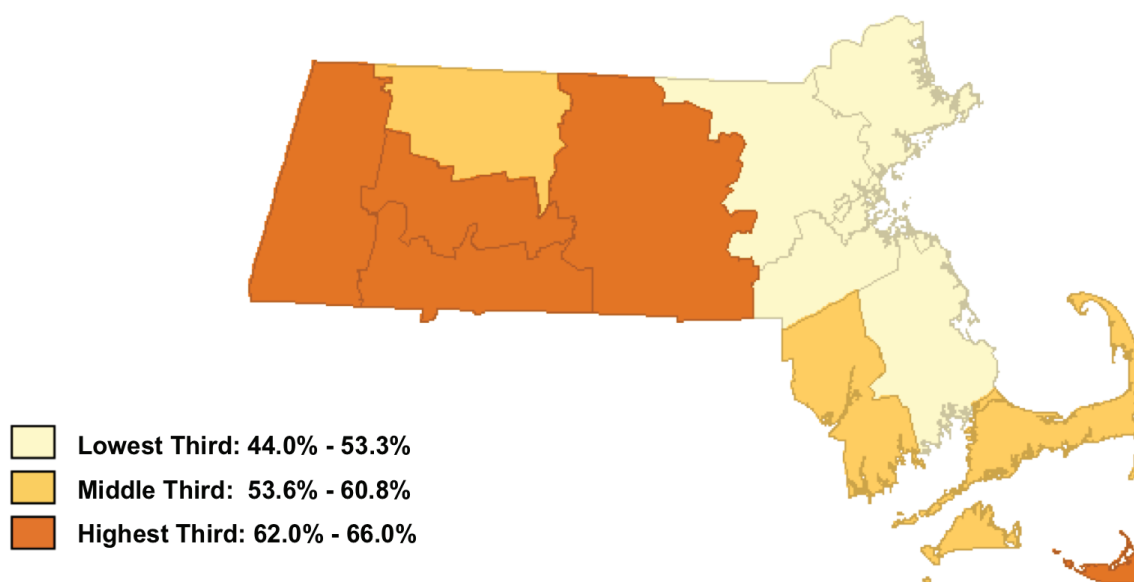


Figure 4: Massachusetts: Percent of Elder Index for Single Renters in Good Health Covered by Average Social Security Benefit in 2019 by County



Nantucket Counties, Barnstable County). Figure 5a illustrates the share of older singles falling short of economic security in all regions, illustrating the extent to which older adults with incomes in the gap adds to insecurity, above and beyond those living below the poverty line.

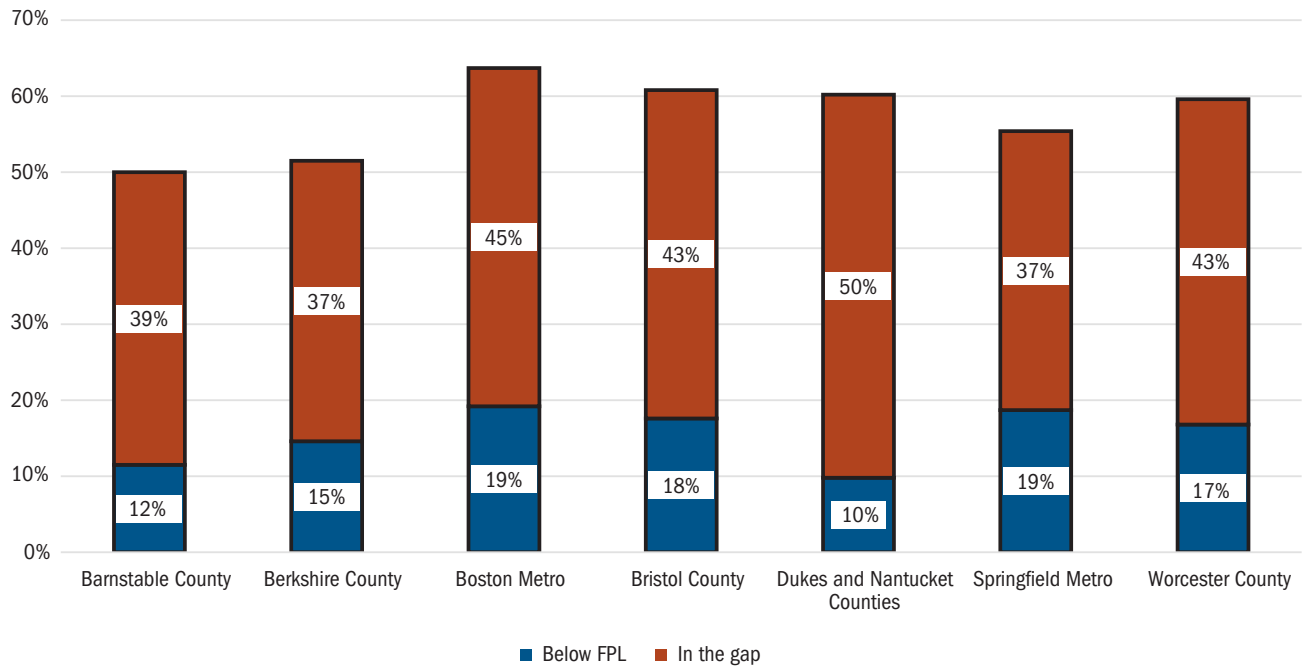
Figure 5b shows the proportion of older couples falling short of economic security in all regions. Both poverty rates and EEIR values are substantially lower for couples than for singles throughout Massachusetts, due to economies of scale in costs of living, but also because two-person households typically have higher levels and more sources of income. For example, in Dukes and Nantucket Counties, just 1% of older couples live below the poverty line, followed by Barnstable County (2%). Bristol County has the highest rate of elder couples in poverty, at 7%. The share of older couples with incomes “in the gap” is considerably higher than the share living in poverty; for example, although 5%

of older couples in the Boston metro area live below the poverty line, an additional 24% have incomes above the Federal Poverty Line but below what is required to live with economic security. These figures make clear that while a large majority of couples avoid poverty, many are unable to afford daily expenses of living as reflected by the Elder Index.

Conclusion

Many older Massachusetts residents are economically insecure. The Elder Economic Insecurity Rates presented in this report demonstrate that a large share of Massachusetts’ older adults have incomes above the Federal Poverty Line, yet fall short of what it requires to remain independent and age in their own homes. Thus while decreasing poverty is a critical policy goal, the “circle of concern” cannot be limited to impoverished older

Figure 5a: Elder Economic Insecurity Rates for Older Singles Living Alone



adults. Indeed, Massachusetts recognizes that the cost of living poses a significant challenge to livability among older residents. The Governor’s Council to Address Aging in Massachusetts identified improving economic security as a critical goal; as well, improving economic security among older residents is one of the six goals of the recently developed Age-Friendly Massachusetts action plan. Along with these promising commitments, the Commonwealth is taking steps to strengthen the supports available for older residents who are struggling financially. For example, the most recent state budget includes an expansion of eligibility for the Medicare Savings Program, lifting income eligibility to 165% of the FPL and doubling the asset limit. Other state initiatives, such as those focusing on expanding the availability of affordable housing and offering access to home care on a sliding fee scale, may have an impact on remediating the hardship posed by economic insecurity moving forward.

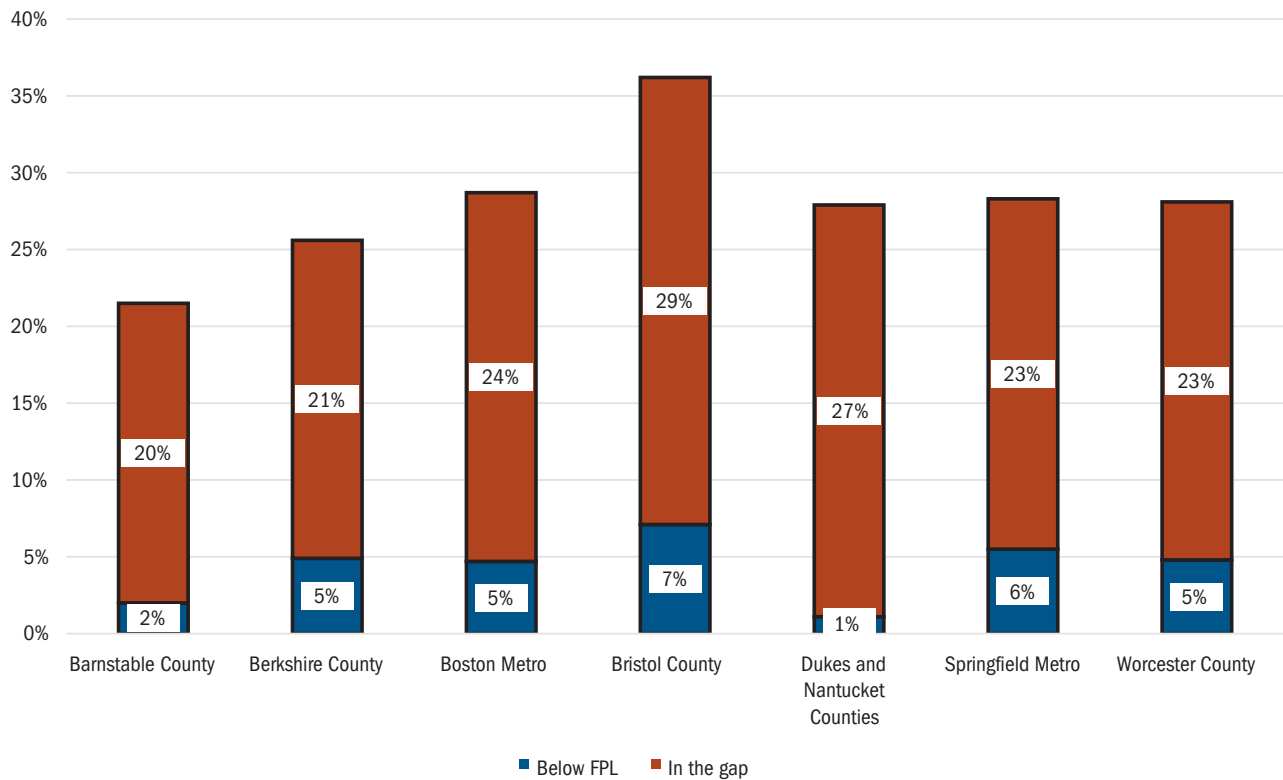
As the older adult population grows, policy experts and

government officials must learn to recognize the economic security gap and those who fall into it. They must also evaluate the extent to which policies contribute to the economic security of older adults, both those living below the poverty line and those living in the gap, as many of these individuals 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.

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

Figure 5b: Elder Economic Insecurity Rates for Older Couples



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. Household income is based on 2013-2017 5-year American Community Survey PUMS data, with income values converted to 2019 dollars using the June 2019 Consumer Price Index.

Learn more

- See www.ElderIndex.org for county-level and statewide average Elder Index values, values for homeowners, and values for older adults in poor or in excellent health.
- Read the national report *Insecurity in the States 2019* and other reports on our website www.umb.edu/demographyofaging.

ABOUT THE CENTER FOR SOCIAL AND DEMOGRAPHIC RESEARCH ON AGING

The Center for Social and Demographic Research on Aging (CSDRA) conducts research that informs communities and organizations as they plan for aging populations. Our mission is pursued in part by developing collaborations with community partners, advocacy groups, and aging services organizations. 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, visit www.umb.edu/demographyofaging.

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's priorities include income security, long-term services and supports, healthy aging, age-friendly communities and social and demographic research on aging.

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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Nationally recognized as a model for public service schools, the John W. McCormack Graduate School of Policy and Global Studies is committed to social justice and equity. The School offers an interdisciplinary education and conducts cutting edge research that seeks to understand and remedy some of the most important social, political, economic, and environmental issues of our time. Home to world-renowned institutes and entrepreneurial centers, McCormack scholars critically explore better policies and practices in fields of aging, climate change, democracy reconstruction, public management, social policy, and women's political advancement.

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UNIVERSITY OF MASSACHUSETTS BOSTON

100 Morrissey Boulevard
Boston, MA 02125-3393

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