THE STATE OF 50+ AMERICA

2004

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Contents

Acknowledgements

This report was prepared by staff of the AARP Policy and Strategy Group (John Rother, Director). They acknowledge the assistance of the staff of Creative Services for the production of the report, and of staff of the Knowledge Management Group for their support in the development and oversight of the national survey that formed the basis for several indicators and for the topical issue section of the report. Any questions about this report should be addressed via email to either John Turner, Senior Policy Advisor, or John Gist, Associate Director, AARP Public Policy Institute, at ppi.aarp.org

Executive Summary

It's no secret that America is aging, but how well are we aging? Many changes are taking place within the fifty and older population, some relatively unnoticed because they are occurring so gradually.

This "state of 50+" report card tries to answer the question of how we are doing over the past 10 years, and over the past year. Are we making progress toward greater economic and healthcare security? Is the boomer generation on track to be better prepared for retirement than a decade ago? Is the level of civic participation rising or falling as we enter the 21st century?

This report card measures change over the past 10 years, and also year-to-year changes in 20 key measures of well-being. The measures cover economic and health status; consumption and lifestyles; long-term care and independent living; as well as attitudes about the future.

Looking back 10 years, the picture is mostly one of real progress. To be sure, this rising tide has not lifted all boats, but the average indices show substantial improvement.

Median family incomes have grown about 10% over the past decade, and median assets have grown by more than 50%. The distribution of income and assets has grown more disparate, so the gains have not been uniformly enjoyed. The proportion achieving a minimally adequate standard of living has improved by only four percentage points in this period.

While the proportion of workers covered by a pension plan has increased 10%, that rate still falls short of covering a majority of working Americans. More 50+ Americans are working today than 10 years ago; fewer are unemployed.

The healthcare measures are mixed. Self-reported health status has improved. While the proportion with health insurance coverage remained stable, so has the percent unable to afford needed medical care. The percent who engage in physical activity has slightly increased, but is still only one in four Americans 50 and older. Functional limitations affect fewer older Americans today, but nearly half are providing care, and one in 10 face substantial caregiving burdens.

Not surprisingly, 50+ Americans are increasingly online, as nearly half now have access to the internet at home.

The year to year changes reported this year are more negative, reflecting the economic downturn that has hurt employment, the value of equities, and the level of interest rates simultaneously. The 65+ population have much lower incomes to begin with, compared to the under 65 group, yet experienced greater declines in income according to the most recent measures. Despite these losses, 65+ Americans report higher retirement confidence levels than do their younger neighbors. These data are the subject of commentary by four experts invited to offer their personal perspectives at the end of this report.

Future report cards will also track ongoing trends in key attitudes, as well as key indicators of "successful aging" such as family and community involvement.

This report card does not attempt to capture some of the other important trends affecting Americans fifty and older—the distributional trends and developments affecting the more vulnerable parts of this population. For more in-depth review of such data, we refer the reader to the annual AARP "Beyond Fifty" series of in-depth reports on selected topics.

Despite the long-term good news documented in this report, the state of the 50+ population can best be described today as vulnerable. Half the population 62 and older depends on Social Security for at least half their income, a figure that has not changed over the decade. Health costs are continuing to soar, imposing ever greater burdens on family budgets. The cost of long-term care grows more unaffordable for most every year, and family caregivers must make huge sacrifices to provide needed care.

The progress over the last decade speaks well for the programs and policies that help build and provide economic and health security for all Americans as they age. It also says a lot about people taking responsibility for themselves and their families. Now the challenge for society grows much larger, as the boomers near traditional retirement age, and as greater risk and responsibility is shifted to individuals to plan and provide for their own retirement futures.

Overview of 20 Indicators

Two clear patterns emerge from the selected indicators. First, the condition of the total population aged 50+ improved, in some cases substantially, over the past decade on virtually every one of our indicators. Second, the past year saw deterioration in all but two important economic and health indicators among the total 50+ population. In most cases, however, the changes were slight.

Ten-year change. Over a 10-year period,[2] median income, median financial assets, percent above twice the poverty line, pension coverage, employment rate, and labor force participation all increased. Those with excellent or very good self-reported health status increased, as did Medicare beneficiaries with drug coverage and health insurance coverage for those aged 50 to 64,[3] but the percent able to afford needed medical care did not. Spending on "non-necessities," Internet access, regular physical activity, and the proportion with no functional limitations all increased.

The younger group improved on every measure over the decade, although some changes, such as health insurance coverage, ability to afford needed health care, and spending on "non-necessities" increased only slightly.

The older group did not do quite so well, actually seeing its share of income from sources other than Social Security decline. In addition, its employment rate and self-reported health status declined, while its ability to afford needed health care and its spending on "non-necessities" barely improved.

Both age groups saw very large increases in Internet access, reflecting the increasing familiarity and comfort of older groups with computers. They saw only small increases in regular physical activity.

One-year change. Over the most recent year, however, the picture is not quite so favorable compared to the longer trends. The total 50+ population declined on 10 indicators overall (most notably on financial assets and pension coverage) and improved on only five, mostly in the consumer and independent living/long-term care area, especially Internet access and regular physical activity.

By our indicators, the older group did better over the past year than the younger.[4] The 50 to 64 age group improved on just five of the 13 measures that pertained to them,[5] but only two of them changed by more than one percentage point (Internet access at home (+9.7) and being physically active (+1.7)). The largest declines were in financial assets (-8.1%), pension coverage (-1.3 percentage points), and percent reporting excellent or very good health (-1.0 percentage point).

The older group improved on eight of 14 measures pertaining to them.[6] However, the change in either direction was often very small. The largest declines were in median income (-2%), financial assets (-8.1%), and employment rate (-1.3 percentage points), and the largest percentage point increases occurred in pension coverage (+1.9), labor force participation (+1.0), and access to the Internet at home (+1.3).

In the remainder of the first part of the report, we discuss each of the indicators in more detail.

Table 1

Changes in Key Indicators of Well-Being of Population 50+

	Indicator
1	Median Family Income
2	Median Financial Assets
3	Percent above 200% of Poverty
4	Percent of the Population 62 and Older Who Receive More than 50% of Income from Sources Other than Social Security (2002)*
5	Pension Coverage Rate
6	Employment Rate
7	Labor Force Participation Rate
8	Percent Who Say They Are Better Off Economically than Last Year
9	Percent Confident in Their Retirement Future
10	Percent Reporting Health as "Excellent" or "Very Good"
11	Percent of Medicare Beneficiaries with Prescription Drug Coverage throughout the Year**
12	Percent of Population 50 to 64 with Health Insurance from Any Source during the Year***
13	Percent Able to Afford Medical Care When Needed during the Past 12 Months
14	Percent of Expenditures for "Non-necessities"
15	Percent Who Have Internet Access at Home
16	Percent Who Are Physically Active
17	Percent Very Satisfied with Amount of Family Contact
18	Percent Very Satisfied with the Amount of Contact with Friends or Neighbors
19	Percent with No Functional Limitations
20	Percent with Substantial Caregiving Burdens

* Age 62 and older only
** Age 65+ plus disabled
*** Age 50–64 only

Indicator Year	10 Years Ago†	Previous Year	Most Recent Year	1-Yr Direction of Change ↑↑ = larger change
2002	$32,000 (2002 dollars)	$36,092 (2002 dollars)	$35,800	↓
2001	$25,117 (2001 dollars)	$42,000 (2001 dollars)	$38,598 (est.2001 dollars)	↓↓
2002	67.5%	71.8%	71.7%	↓
2002	50.8%	50.1%	49.9%	↓
2002	45.5%	50.2%	49.2%	↓↓
2003	95.0%	96.0%	95.6%	↓
2003	39.4%	45.1%	46.3%	↑↑
2003	NA	NA	19.0%	NA
2003	NA	NA	67.0%	NA
2001	45.4%	47.6%	47.3%	↓
2000	51.1%	56.6%	56.7%	↑
2002	86.7%††	87.1%	86.9%	↓
2001	95.9%	96.0%	95.9%	↓
2001	45.9%	46.8%	46.3%	↓
2002	14.5%	43.0%	47.1%	↑↑
2001	23.6%	24.7%	25.4%	↑
2003	NA	NA	69.0%	NA
2003	NA	NA	60.0%	NA
2001	91.5%	92.2%	92.3%	↑
2003	NA	NA	10.0%	NA

One-year summary 5 ↑ 10 ↓ 10-year summary 13 ↑ 1 ↓ 1 →

† In some cases, comparable data were not available 10 years ago

†† Not directly comparable to most recent year because of differing methods.

Shaded items denote increases in most recent year.

NA=not available

Table 2

Changes in Key Indicators of Well-Being of Two Subgroups of Population Aged 50+

	Indicator	Indicator Year
1	Median Family Income	2002
2	Median Financial Assets	2002 (est.)
3	Percent above 200% of Poverty	2002
4	Percent of the Population 62 and Older Who Receive More than 50% of Income from Sources Other than Social Security	2002
5	Pension Coverage Rate	2002
6	Employment Rate	2003
7	Labor Force Participation Rate	2003
8	Percent Who Say They are Better Off Economically than Last Year	2003
9	Percent Confident in Their Retirement Future	2003
10	Percent Reporting Health as "Excellent" or "Very Good"	2001
11	Percent of Medicare Beneficiaries with Prescription Drug Coverage throughout the Year	2000
12	Percent of Population 50 to 64 with Health Insurance from Any Source during the Year	2002
13	Percent Able to Obtain Medical Care When Needed during the Past 12 Months	2001
14	Percent of Expenditures for "Non-necessities"	2001
15	Percent Who Have Internet Access at Home	2002
16	Percent Who Are Physically Active	2001
17	Percent Very Satisfied with Amount of Family Contact	2003
18	Percent Very Satisfied with the Amount of Contact with Friends or Neighbors	2003
19	Percent with No Functional Limitations	2001
20	Percent with Substantial Caregiving Burdens	2003

Ages 50 to 64

10 Years Ago†	Previous Year	Most Recent Year	1-Yr Direction
$44,781 (2002 dollars)	$49,542 (2002 dollars)	$49,361 (2002 dollars)	↓
$27,991 (2001 dollars)	$47,380 (2001 dollars)	$43,542 (2001 dollars)	↓↓
75.7%	79.4%	79.6%	↑
NA	NA	NA	NA
50.0%	54.5%	53.2%	↓↓
94.7%	95.9%	95.6%	↓
65.2%	69.4%	70.1%	↑
NA	NA	23%	NA
NA	NA	63%	NA
51.7%	55.5%	54.5%	↓↓
NA	NA	NA	NA
86.7%*	87.1%	86.9%	↓
94.3%	94.6%	94.4%	↓
50.2%	50.1%	50.4%	↑
21.7%	50.5%	60.2%	↑↑
26.9%	27.2%	28.9%	↑↑
NA	NA	63%	NA
NA	NA	56%	NA
96.1%	96.7%	96.3%	↓
NA	NA	13%	NA

One-year summary 5 ↑ 8 ↓ 10-year summary 13 ↑

† In some cases, comparable data were not available 10 years ago.
* Not directly comparable to most recent year because of differing methods.
NA = not applicable or not available

Ages 65+

10 Years Ago†	Previous Year	Most Recent Year	1-Yr Direction
$21,694 (2002 dollars)	$23,292 (2002 dollars)	$22,812 (2002 dollars)	↓↓
$18,913 (2001 dollars)	$35,650 (2001 dollars)	$32,762 (2001 dollars)	↓↓
58.4%	61.3%	61.7%	↑
50.8%	50.1%	49.9%	↓
21.8%	23.6%	25.5%	↑↑
96.4%	96.9%	95.6%	↓↓
11.0%	13.2%	14.2%	↑↑
NA	NA	14%	NA
NA	NA	73%	NA
38.5%	37.6%	38.1%	↑
51.1%	56.6%	56.7%	↑
NA	NA	NA	NA
97.7%	97.6%	97.8%	↑
39.8%	41.0%	40.1%	↓
4.7%	27.9%	29.2%	↑↑
19.7%	21.5%	21.0%	↓
NA	NA	75%	NA
NA	NA	64%	NA
86.2%	86.7%	87.1%	↑
NA	NA	7%	NA

One-year summary 8 ↑ 6 ↓ 10-year summary 11 ↑ 3 ↓

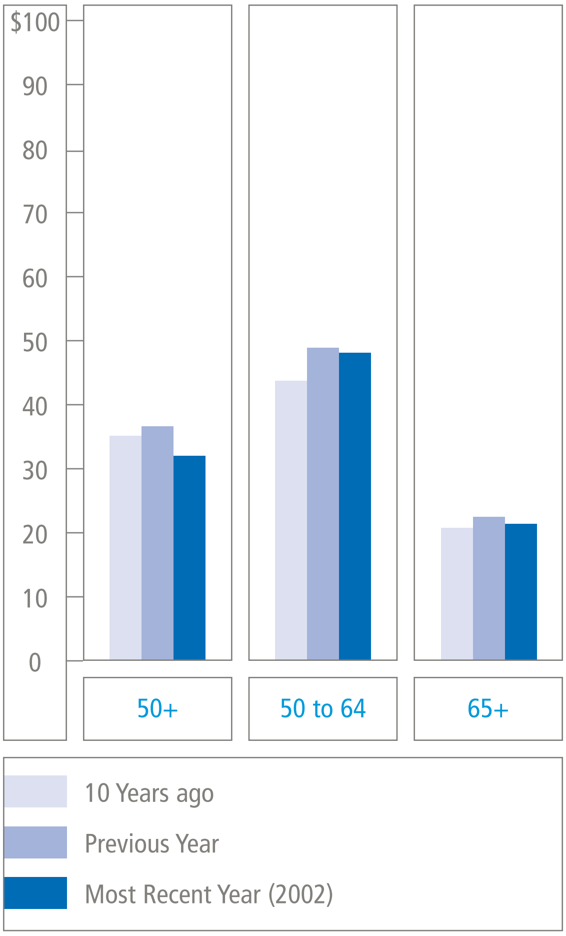
The median income of the 50 to 64 age group, most of whom are working, is more than twice that of the 65+ age group, reflecting the loss of wage income after retirement.

Economic Indicators

Economic indicators

1 Median family[7] income is perhaps the most basic measure of economic well-being. Family income for the 50+ population (and both age subgroups) increased by nearly 12 percent (after inflation) over the past decade. However, the 2001 recession's impact is still visible in that family income for the population aged 50+, adjusted for inflation, declined by 0.8 percent between 2001 and 2002. Income declined in the past year for both age subgroups as well, but by a higher percentage (-2.1 percent) for the older group than the younger one (-0.4 percent). These declines in income were consistent with those that occurred among groups under age 50 during the same period. The median family income of the 50 to 64 age group, most of whom are working, is more than twice that of the 65+ age group, reflecting the loss of wage income after retirement. Partially offsetting this income differential is the smaller household size of age 65+ families, which are less likely to have dependent children at home.

Median Family Income (in thousands of 2002 dollars)



2

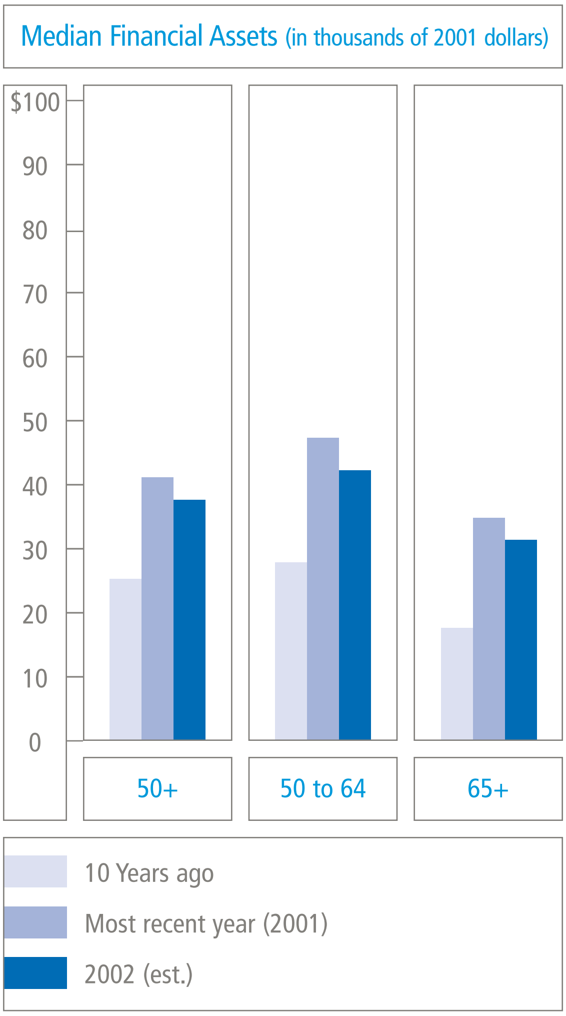
Median financial assets[8]

(the financial wealth of the family in the exact middle of the wealth distribution) increased by more than 50 percent in the past decade for the overall 50+ population, in inflation-adjusted dollars, as well as for both younger and older subgroups. We estimate that median financial assets declined between 2001 (the most recent year of data) and 2002, given the 8.1 percent decline in aggregate financial assets in the economy at large during that time.

The population aged 50+ held $29.1 trillion, or 69 percent, of all $42.2 trillion in net worth in the U.S. in 2001, up from 56 percent in 1983, and they held about 73 percent of all financial assets.[9]

Since aggregate household financial assets declined by 8.1 percent in inflation-adjusted dollars (from $32.5 trillion to $30.3 trillion) between 2001 and 2002,[10] a crude estimate of the aggregate financial losses experienced by those 50+ during that period would be about $1.6 trillion, from $23.7 trillion to $22.1 trillion.

Median estimates are far more problematic because they may be less affected by the overall trend in equities, since the median household holds a smaller percentage in equities than the average for all households. If the aggregate 8.1 percent reduction were applied to the median, financial assets for all people 50+ would have declined between 2001 and 2002 from $42,000 to $38,598 (in 2001 dollars), with comparable declines for both subgroups.

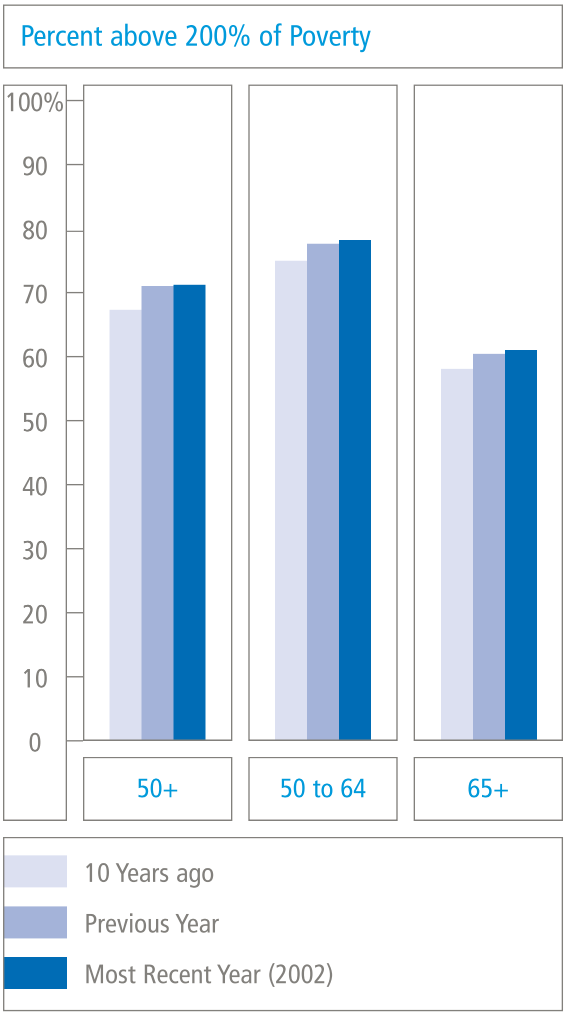


3 The percent of the population above 200 percent of poverty

is a measure of the percentage of people with income sufficient to attain an adequate standard of living. Twice the poverty line better reflects a minimum standard of adequacy than the current poverty threshold because the poverty threshold is indexed to prices, which tend to rise more slowly than wages, and therefore the poverty threshold does not keep pace with increases in the standard of living of the working population.

This indicator increased by just over four percentage points in the past decade for the 50+ population, a favorable trend. The increase in the past decade was somewhat larger for the younger age group than it was for the older group. Very slight changes occurred within the past year.

Low income is a greater problem for the 65+ age group, with nearly four in 10 below the 200 percent of poverty threshold, compared with just two in 10 for the 50 to 64 age group. The poverty threshold is also lower for people aged 65+ than it is for the rest of the population, for historical reasons that no longer obtain.[11] The older age group therefore must be poorer still to be considered poor for statistical purposes.



4 The percent of the population aged 62 and older who receive more than half of their income from sources other than Social Security[12]

indicates the degree of dependence on Social Security as an income source. Access to diverse sources of income for this age group generally means more income and less dependence on any one source, including Social Security.

Half (49.9 percent) of the population aged 62 and older received more than half its income from sources other than Social Security in 2002. This measure declined by nearly one percentage point over the previous decade, and declined slightly from the previous year as well, indicating an unfavorable trend toward greater reliance on Social Security today than in 1992.

Social Security was not intended to be the sole source of retirement income for most retirees. The higher this measure, other things being equal, the better off are people in this age group. One flaw in this measure is that reductions in Social Security benefits could also reduce the reliance on Social Security, which would not represent an improvement in well-being. Thus the importance of the caveat, "other things equal." Reductions in Social Security benefits would not leave other things equal.

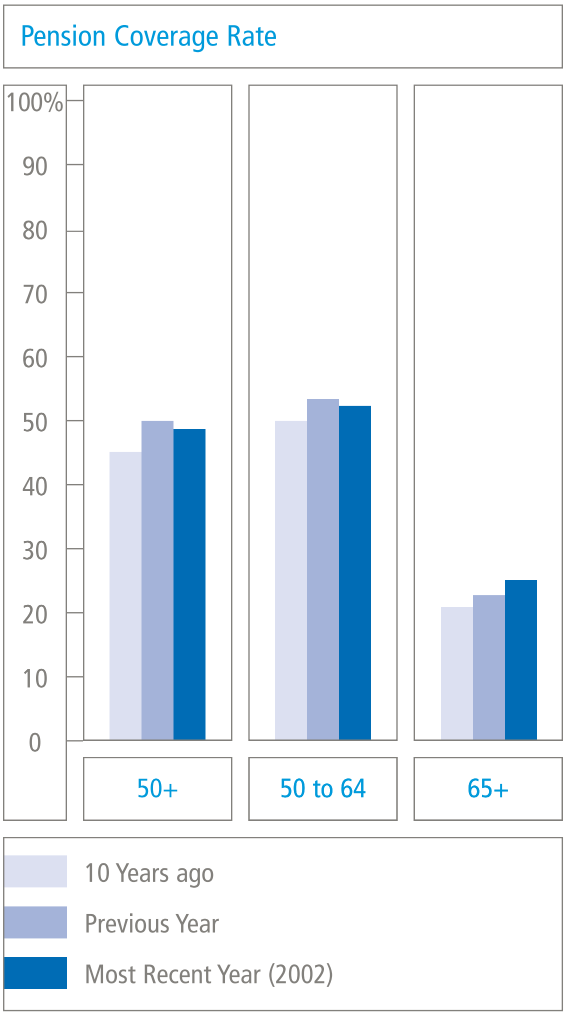
Percent of the Population 62+ for Whom Social Security is Less than 50 Percent of Income	
10 Years ago	50.8%
Previous Year	50.1%
Most Recent Year	49.9%

5 The pension coverage rate

indicates the percentage of workers who work for employers that offer a pension. For roughly half the workforce, including part-time workers, a large part of ongoing saving for retirement occurs through participation in a pension plan.

The pension coverage rate for the 50+ age group was 49.2 percent in 2002, up nearly four percentage points from a decade earlier. Coverage rates would be higher if only full-time, year round workers were included. The long-term trend has been that about half of adult workers have pension coverage.

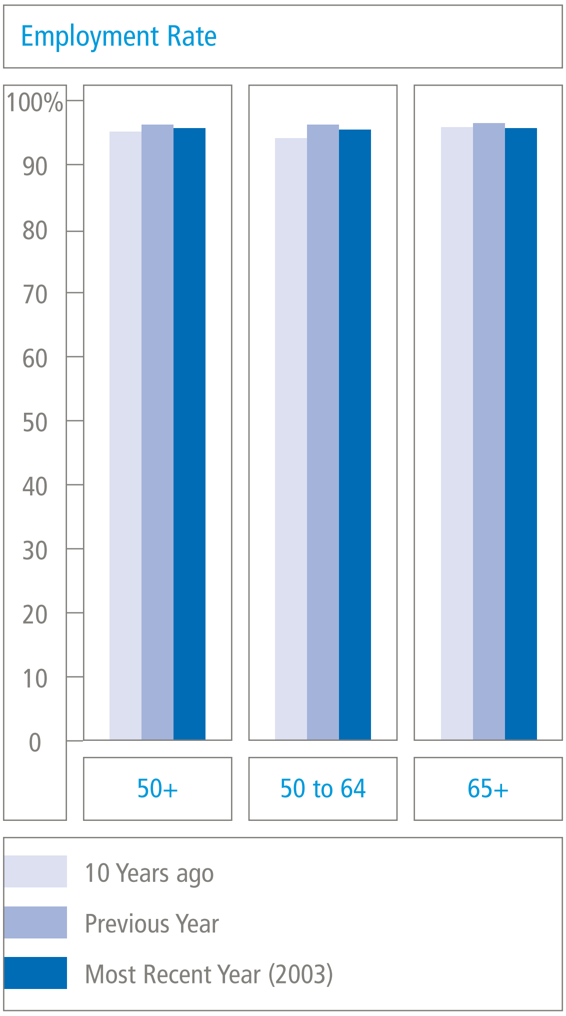
In the past year, coverage dropped from 50.2 percent to 49.2 percent for the entire 50+ population. Although coverage increased among the older age group by nearly two percentage points (23.6 percent to 25.5 percent), it declined by more than one percentage point for the younger group. Coverage for this younger group is more of a concern because most are still working. Most of those in the 65+ group are no longer working and many may already have earned pensions from earlier jobs.



6

The employment rate is the percent of people in the labor force who are working (it equals 100 percent minus the unemployment rate). Compared to a decade before, the employment rate was up by less than one percentage point in 2003 for all workers aged 50+. In 2003, both subgroups had the identical rate of employment (95.6 percent).

The 2001 recession and its aftermath caused more than 2 million jobs to be lost among workers of all ages. Older workers were not immune from these losses. As a result, the unemployment rates of older workers have risen and the employment rates have declined. In the past year, the employment rate declined slightly for the workforce aged 50+ (from 96 percent to 95.6 percent), but it declined by more than a percentage point for the 65+ group. These declines are consistent with the trend in the larger economy, where even the official end of the recession in 2001 did not stem the loss of jobs.



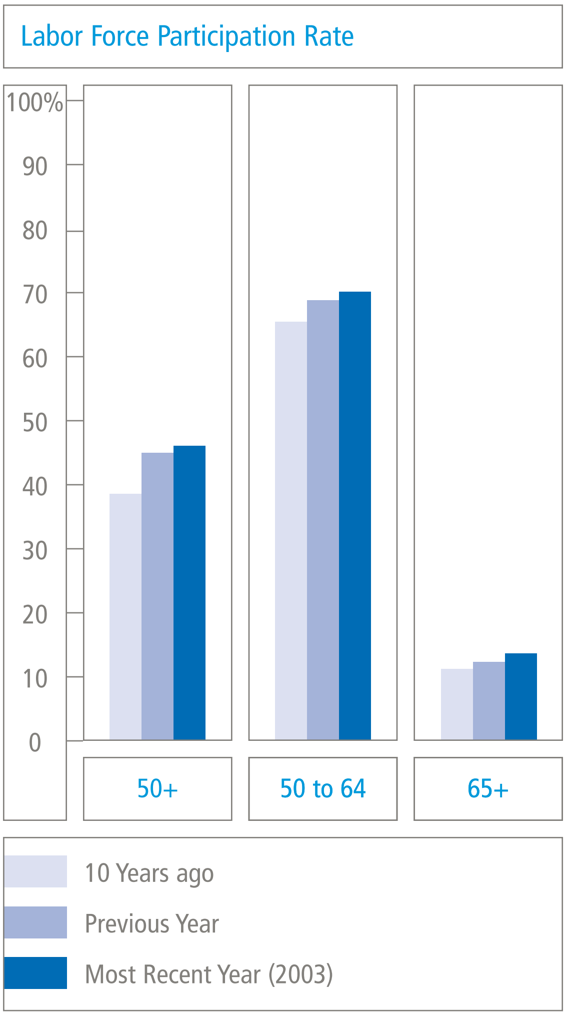
7

The labor force participation rate

The labor force participation rate is the ratio of those employed and those unemployed and looking for work to the adult civilian noninstitutional population.

The labor force participation rate of the 50+ population increased from 1980 to 2000 as the net result of two opposing trends—the participation rate for women increased, while the participation rate for men aged 55 to 64 decreased.

The overall labor force participation rate was 46.3 percent for all people aged 50+ in 2003, up nearly seven percentage points from a decade ago. Both younger and older age groups have increased their labor force participation in the past decade (by five and three percentage points, respectively). Despite the recession and the continued weak employment situation, labor force participation has increased from 69.4 percent to 70.1 percent for the younger age group, and from 13.2 to 14.2 percent for the age 65+ group.



8 The percent better off economically than a year earlier

is a measure derived from our own national survey. The results appear to mirror the mixed economic picture that obtained through 2003. About one-fifth (19 percent) of the 50+ population considered their economic situation better than 12 months before, but a larger percentage (21 percent) regarded themselves as worse off. More than half (58 percent) said they were about the same.

The 50 to 64 group was more likely to judge themselves better off than the 65+ age group (23 percent compared with 14 percent). The clearest evidence in the other indicators to explain this difference is that the older group's income losses from the year before were more severe, and the losses of financial assets might be more difficult for them to recover from. Both groups were about equally likely to feel worse off than they were the previous year (22 percent v. 20 percent).

Percent Who Say They are Better Off Economically than Last Year	
50+ (2003)	19%
50 to 64 (2003)	23%
65+ (2003)	14%

9

The percent confident in their retirement future

like the previous measure, is a subjective and summary measure of well-being, but one that focuses more specifically on future retirement prospects. Two-thirds of those 50+ were confident (either very confident or somewhat confident) that they would have enough money to live comfortably throughout their retirement years.

More of the 65+ group (73 percent) were confident that they would have enough than the 50 to 64 year-olds (63 percent). These percentages are lower than we found with a similar question in a 2001 AARP report,[13] which showed confidence among pre-retirees above 70 percent and that of retirees above 80 percent. But the pattern of greater confidence in the already-retired group than those nearing retirement also appeared in the earlier study. It suggests that either the retirement experience is less daunting once one is in it, or that retirees learn to adjust their expectations to their resources.

Percent Confident in Their Retirement Future	
50+ (2003)	67%
50 to 64 (2003)	63%
65+ (2003)	73%

The percent with health insurance during the year, which focuses only on people aged 50 to 64 has barely changed within the past decade.

Health Indicators

Health Indicators

10

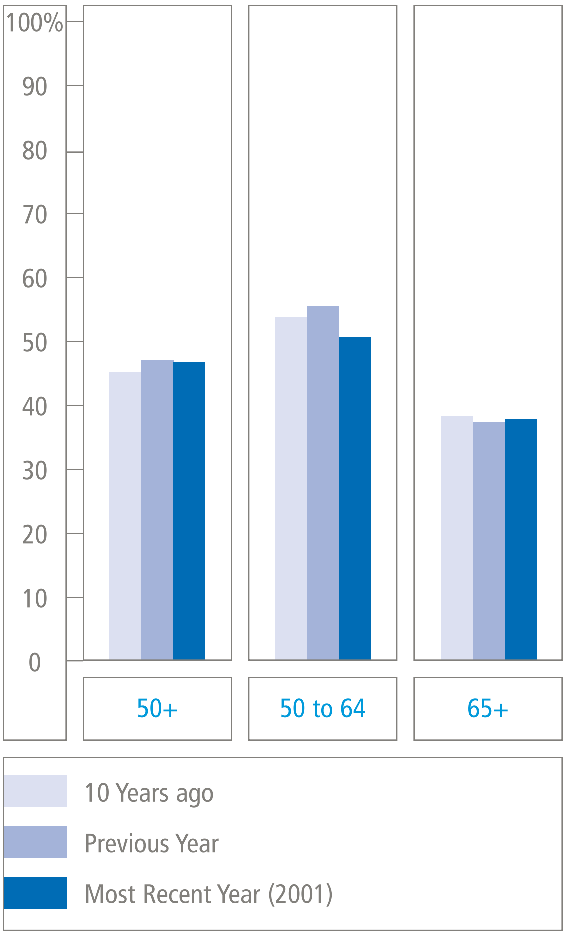
The percent reporting their health as "excellent" or "very good"

is one of the most commonly used indicators of a person's well-being. In the most recent National Health Interview Survey, 47.3 percent of the 50+ population self-reported their health as "very good" or "excellent" (on a scale consisting of poor, fair, good, very good, and excellent) in 2001. The results for the 50+ population overall mask fairly dramatic differences between 50 to 64 year-olds (54.5 percent) and people aged 65+ (38.1 percent).

Self-assessed health has the advantage over a professional assessment of being simple and reflecting various dimensions of health—physical, emotional, even social—that individuals may themselves understand best. In addition, self-reported health status is a predictor of health outcomes such as mortality, functional status, and health service use, as well as serving as a rough proxy for chronic physical health conditions.[14]

The one-year change in this indicator was negligible, although a full percentage point decline occurred for the 50 to 64 year-olds. Over a decade, between 1991 and 2001, the direction of change was positive by nearly two percentage points for the entire 50+ group, but results differed by age. The portion of the younger subgroup who reported excellent or very good health increased by 2.8 percentage points, while it declined slightly for the 65+ group.

Percent Reporting Health as "Excellent" or "Very Good"



11 The percent of noninstitutional Medicare beneficiaries with prescription drug coverage throughout the year

The percent of noninstitutional Medicare beneficiaries with prescription drug coverage throughout the year barely changed in the most recent available year (1999 to 2000), although it increased by more than five percentage points from 1995 to 2000.[15]

The plateau in the rate of drug coverage in the past year is no surprise given the decline in two key sources of supplemental coverage for Medicare beneficiaries—employer-sponsored plans and Medicare private plans.

Although legislation establishing a benefit for outpatient prescription drugs in Medicare was signed last year, the benefit does not take effect until 2006 and is voluntary.

Percent of Medicare Beneficiaries with Prescription Drug Coverage throughout the Year, 65+ or Disabled	
1995	51.1%
Previous Year	56.6%
Most Recent Year (2000)	56.7%

12 The percent with health insurance during the year,

which focuses only on people aged 50 to 64,[16] has barely changed within the past decade. People without health insurance are at risk for poorer health and premature death as a result of their lack of coverage.[17]

In the past year, the portion of 50 to 64 year-olds who had health insurance from any source at any time during 2002 declined to 86.9 percent from 87.1 percent in 2001; this slight change represented about 300,000 more uninsured 50 to 64 year-olds.

Understanding the coverage trend over a longer period of time is not straightforward because a new insurance question was added in the March 2000 Current Population Survey, which had the effect of identifying people with health insurance (primarily from private sources) who otherwise would have been counted as uninsured. When the new methodology was introduced in 1999, the coverage estimate increased by 1.1 percentage points. This suggests that the difference from 1992 to 2002 could be either negative or positive.

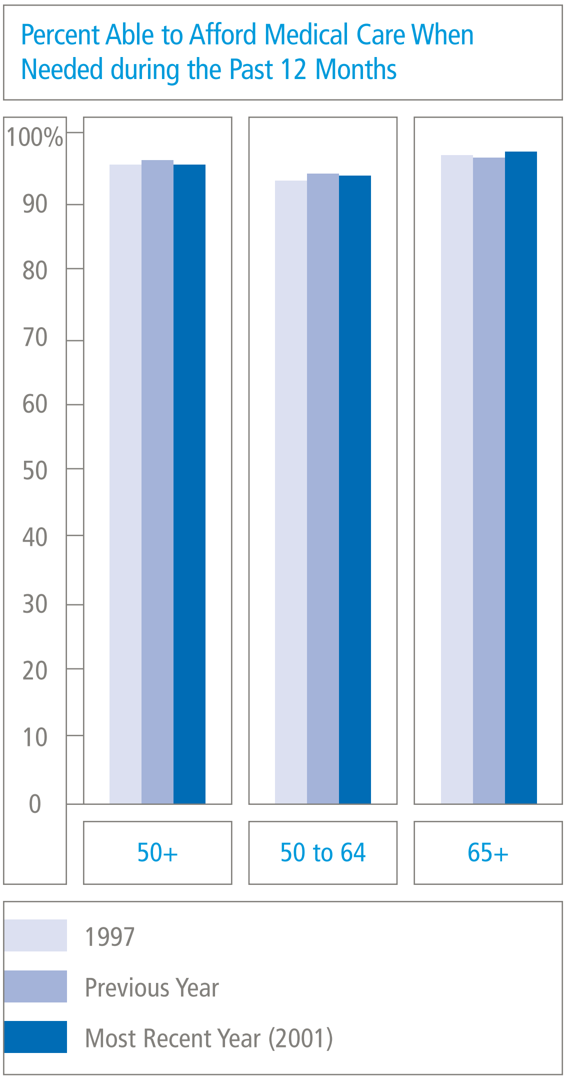
Percent of Population 50 to 64 with Health Insurance from Any Source during the Year	
10 Years ago	86.7%*
Previous year	87.1%
Most Recent Year (2002)	86.9%

* (old method-see footnote #3 and discussion above)

13 The percent able to afford medical care when needed

was virtually unchanged between 2000 and 2001, the most recent period for which data are available, for the 50+ population and both subgroups. Indeed, there has been virtually no change in this indicator between 1997 and 2001. Health insurance does not guarantee access to care. Cost is a barrier for some. Nevertheless, the vast majority of people aged 50+ in 2001 (95.9 percent) did not in the previous 12 months experience a need for medical care and fail to get it because of financial barriers.

The differences between people aged 50 to 64 (94.4 percent) and people aged 65+ (97.8 percent) are not large, but they show that financial barriers to needed medical care are more common among the younger age group, which is likely a reflection of the role of Medicare coverage for most of the older group.



Despite the range of opportunities for activity and a high awareness of its importance, only one quarter of people aged 50+ engaged in regular leisure-time physical activity in 2001...

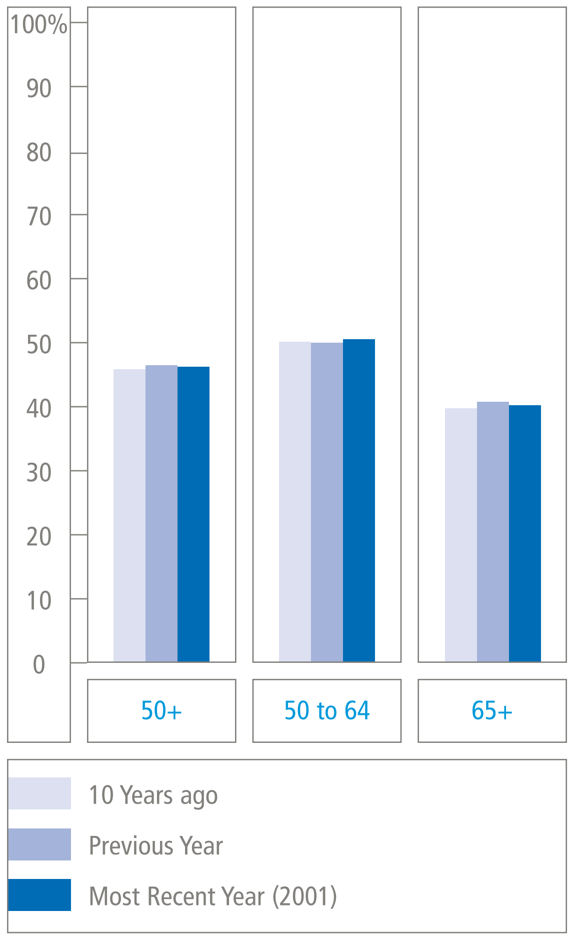
Consumption and Social/Lifestyle Indicators

14 The percent of expenditures for "non-necessities"[18] suggests the degree of flexibility or "slack" in family budgets, which provides a sense of security and peace of mind. It also provides greater ability to save for emergencies, for long-term investments such as children's education, and for retirement.

The portion of family budgets spent on "non-necessities" declined from 46.8 percent to 46.3 percent in the most recent year (2001) relative to 2000 for those aged 50+, with a slight increase for the younger group and nearly a one percentage point decline for the older group. In fact, the percent spent on more discretionary items changed little over the past decade for the overall 50+ population or either subgroup.

There was about a 10 percentage point difference between the non-necessity spending share of 50 to 64 year-olds (50.4 percent) compared with that of persons 65+ (40.1 percent). These percentages were stable even when measured over a decade, and increased very slightly in that period for both age groups.

Percent of Expenditures Spent on "Non-necessities"



15

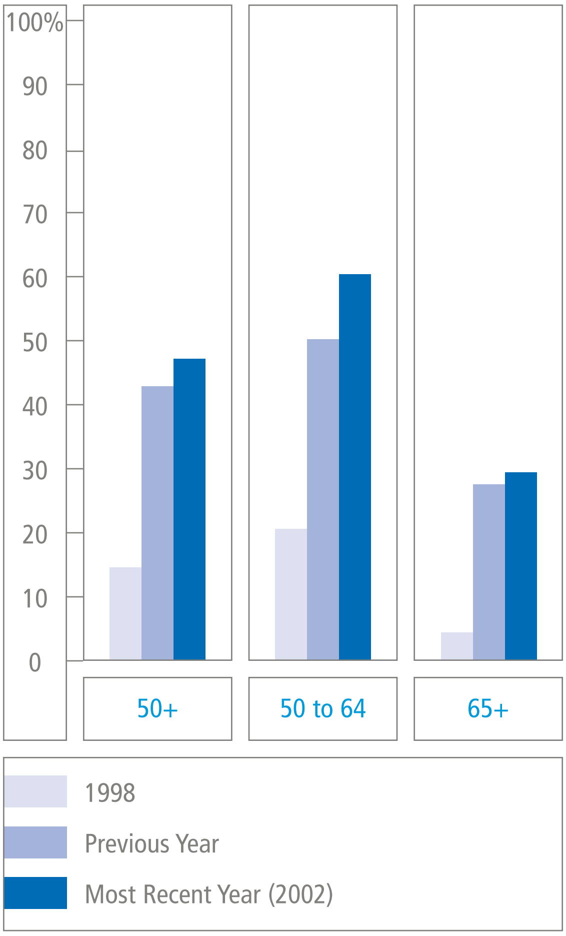
The percentage of the population aged 50+ having access to the Internet at home

provides one measure of the degree of connection with the outside world. Americans over age 50 rely increasingly on the Internet to communicate with friends and family, keep abreast of the news, search for health and medical information, pay bills, make online purchases, track investments, engage in work-related activities, and more. For this age group, the Internet is rapidly becoming an essential tool of modern life.

While 60 percent of the 50 to 64 age group had Internet access at home, about half that percentage had access among the 65+ group. Nonetheless, for both age groups, access to the Internet at home has been growing rapidly.

Between 1998 and 2002, the proportion of people aged 50+ with Internet access increased from 15 to 47 percent. For those aged 50 to 64, Internet access has nearly tripled, from 22 to 60 percent; among those aged 65+ it has grown six-fold, from just under five percent to nearly 30 percent. In the past year, access increased by four percentage points overall and by 10 percentage points for the younger group.

Percent Who Have Internet Access at Home



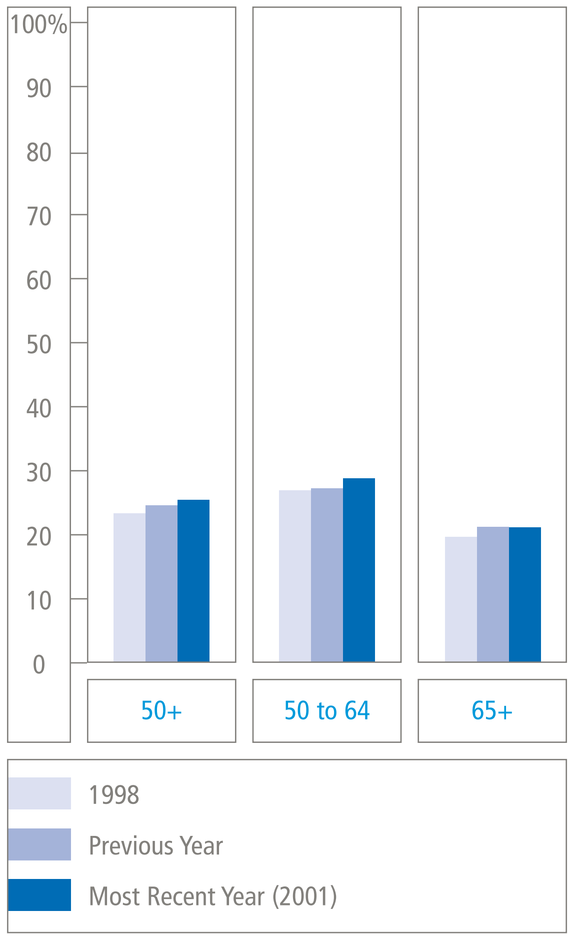
16

The percent who regularly engage in physical activity

provides an important indicator of a healthy lifestyle. A sedentary lifestyle contributes to the onset of cardiovascular conditions, osteoporosis, and some cancers, and is a major factor in the diabetes and overweight/obesity epidemics. Despite the range of opportunities for activity and a high awareness of its importance, only one-quarter (25.4 percent) of people aged 50+ engaged in regular leisure-time physical activity in 2001, up less than one percentage point from the year before and up less than two percentage points from 1998. There was an improvement of over 1.5 percentage points for 50 to 64 year-olds.

Regular physical activity in 2001 was more common among 50 to 64 year-olds (28.9 percent) than those 65+ (21.0 percent).

Percent Who Regularly Engage in Physical Activity



17

Satisfaction with the amount of family contact,

which is important for social functioning, was very high among the 50+ population. Nearly nine in 10 (89 percent) were either somewhat or very satisfied, and more than two-thirds (69 percent) were very satisfied with the amount of family contact.

While much attention is focused on preserving physical functioning throughout the aging process, the importance of social functioning should not be underestimated. The percentage of older Americans living alone has increased over the past few decades. This trend may represent voluntary desires, but it nevertheless highlights the importance of tracking satisfaction with the amount of contact older persons have with family.

The older respondents were somewhat more likely to be "very satisfied" with the amount of contact (75 percent) than was the 50 to 64 group (63 percent). Combining the "very satisfied" and "somewhat satisfied" responses, there were only small differences between the two age groups (88 percent for the younger ages vs. 91 percent for the older).

Percent Very Satisfied with Amount of Family Contact

50+ (2003)	69%
50 to 64 (2003)	63%
65+ (2003)	75%

18

Satisfaction with the amount of contact with friends and neighbors also contributes to social well-being.

Research has shown that social contact through such community engagement can positively affect the physical and mental health and general well-being of older Americans. For instance, volunteerism can lead to physical activity. Visiting and helping neighbors, volunteering (either informally or through a religious/nonprofit organization), or participating in community meetings are important ways that older Americans can maintain social ties. These social ties are also a critical way to help to alleviate feelings of isolation, which is a particularly important issue for many older Americans.

The percent "very satisfied" with the amount of contact with neighbors was 60 percent for the 50+ population, although the 65+ group was again more likely (64 percent) to be very satisfied than were those in the younger group (56 percent). When the "very satisfied" and "somewhat satisfied" responses were combined, there was virtually no difference between the groups (88 v. 87 percent).

Percent Very Satisfied with the Amount of Contact with Friends or Neighbors	
50+ (2003)	60%
50 to 64 (2003)	56%
65+ (2003)	64%

Even though the provision of this assistance is usually a caring act, it nevertheless can result in increased stress and worsened health for caregivers.

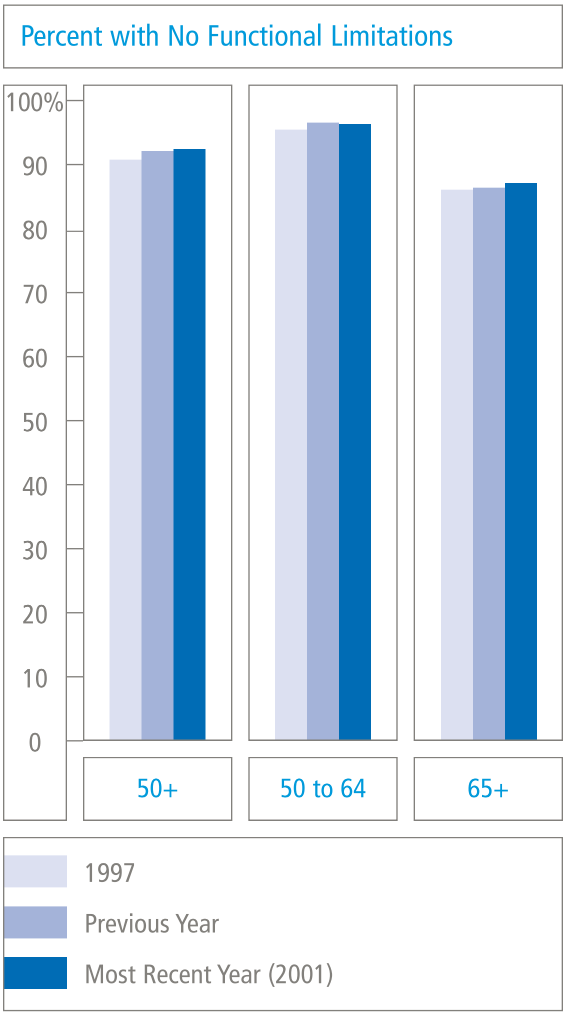
Long-Term Care and Independent Living Indicators

Long-Term Care and Independent Living Indicators

19

The percent with no functional limitation

is a measure of the independence of the population, which generally correlates with a sense of control and empowerment. Well-being is greatly affected by the ability to accomplish tasks associated with everyday living. When measuring disability, social scientists frequently look at two types of limitations: 1) those affecting "activities of daily living" (ADLs), which include very basic tasks such as eating, dressing, bathing, transferring in and out of bed, and toileting; and 2) "instrumental activities of daily living" (IADLs), which affect a person's ability to manage his or her household through such activities as paying bills, using a telephone, shopping, and doing light housekeeping. This indicator measures the proportion of persons aged 50+ who have none of these ADLs or IADLs. There was little change in this indicator between 2000 and 2001.



20 The percent with substantial caregiving burdens is an indicator of the potential stress resulting from the burden of caring for an aged parent, relative, or friend. In spite of increasing average levels of wealth and technological advances, persons aged 50+ frequently find themselves providing services and care to parents, other family members, other loved ones, and friends who have developed disabilities. While this caregiving remains largely a role assumed by women, men are also increasingly involved in providing unpaid assistance.

We first asked whether people provided care to a relative or friend aged 50 or older, and then whether that care caused a loss or burden in terms of pay or employment, savings, or time. Nearly half (46 percent) of the overall 50+ population reported giving care, but that differed slightly between the 50 to 64 (54 percent) and 65+ (38 percent) groups. Of those providing care, about one-fifth (22 percent) experienced substantial burdens from doing so (23 percent for the younger group, 19 percent for the older group). Thus, of the total 50+ population, about 10 percent experienced substantial caregiving burdens, with 50 to 64 year-olds more likely (13 percent) to experience such a burden than the 65+ group (7 percent). It is important to note that such assistance is usually a caring act, but still can result in increased stress and worsened health for caregivers.

Percent with Substantial Caregiving Burdens	
50+ (2003)	10%
50 to 64 (2003)	13%
65+ (2003)	7%

How Have Stock Price and Interest Rate Declines Affected Retirement?

When the United States entered the new millennium on January 1, 2000, the economy was still booming in the ninth year of the longest peacetime expansion in our history. The expansion saw 20 million new jobs created, unemployment reach 30-year lows, equity shares soar in value, and pension portfolios swell. The Federal Reserve Board responded to the boom by raising interest rates, and the Fed Chairman attempted to dampen investor enthusiasm by cautioning about excessive euphoria—"irrational exuberance."

Beginning in early 2000, a series of events—equity price collapses, a recession beginning in March 2001, terrorist attacks, financial market scandals—caused financial reversals and a loss of confidence that wiped out many of the equity gains of the late 1990s.

From its March 2000 peak of 5000, NASDAQ lost half its value in 2000 alone, and bottomed out in early October 2002. In December 2003, it was still less than 40 percent of its peak. The Standard and Poor's 500 Index lost nearly half its value between August of 2000 and March 2003 before it started to rise again. By the end of 2003, the S&P 500 was 40 percent above its March 2003 low, but still nearly 30 percent below its March 2000 peak.

To combat the deterioration of the economy, the Federal Reserve lowered its target for the federal funds rate 13 consecutive times (11 in 2001 alone), from 6.5 percent in late 2000 to 1.0 percent in June of 2003, where it remained in late 2003. In addition, long-term interest rates dropped to near all-time low levels. The rate on 10-year Treasury bills dropped from 6.4 percent in 2000 to 3.8 percent by the end of 2002, a decline of 40.6 percent. Rates rose back to 4.5 percent by September 4, 2003.

Some have characterized the confluence of the falling stock market and falling interest rates as a "perfect storm," since it happened in only two years—2001 and 2002—out of the last two decades. It not only depleted individual savings, but also reversed employer—provided pension funding from 23 percent overfunded at the end of 2000 to 19 percent underfunded at the end of 2002.[19]

The decline in the stock market affected the value of individual wealth holdings. Equity shares declined in value by more than 42 percent ($7 trillion) between 1999 and 2002. Because the population aged 50+ owns more than two-thirds of the nation's personal net worth, these individuals were probably most affected by the "double whammy" of low equity returns and low interest rates, which depleted the retirement nest eggs of both those retired and those nearing retirement. The double whammy also posed a kind of Hobson's choice for asset holders between very low returns on the one hand, and the assumption of greater risk on the other, due to the limited potential to recover lost ground in the market.

How people responded to these options is the focus of the remainder of this part of the report. In the face of declining assets, some people chose to maintain their consumption by tapping into their one appreciating asset—their home equity. They refinanced their mortgages, cashed out equity, or took out home equity loans or lines of credit, thereby increasing debt with potential long-term consequences for well-being in old age. Others chose to work longer or return to work, lower bequests, or reduce consumption.

For the current report, AARP commissioned a survey in late 2003 to reexamine who was affected by declining asset returns. The survey, using a national randomly selected sample of 1200 adults aged 25+ (including 900 aged 50+), found that 60 percent of persons aged 50+ owned stock either directly or indirectly, with a higher rate of ownership (69 percent) among the younger group than among the older (49 percent). About 68 percent of those 50+ said they owned interest-earning assets in the form of bonds, Treasury bills or notes, CDs, money market mutual funds, money market accounts, or savings accounts. The percentage was slightly higher (71 percent) among the younger group again compared with the older (64 percent).

Of those owning stocks, 30 percent of those aged 50+ said that the value of their stocks had declined in the past year, with 65+ respondents more frequently reporting losses (34 percent) than did 50 to 64 year-olds (27 percent). This is a far cry from the 77 percent reported in an AARP survey a year ago, which asked whether respondents had lost money in the stock market in the previous *two* years. Of those in our survey owning interest-earning assets, 30 percent said they had earned less than two percent interest on their assets.

About one-fifth (21 percent) of our survey respondents who are retired said the performance of their stock and interest-earning investments had led them to expect to receive less retirement income. The percentage was higher (29 percent) for the 50 to 64 year-olds than for the 65+ group (17 percent). In addition to revised expectations about current retirement income, reduced earnings on investment had prompted some retirees to consider returning to work. Of all retired respondents, nine percent said the performance of their investments had led them to consider returning to work. The percentages were considerably higher among those aged 50 to 64 (20 percent) than the 65+ group (five percent). The percentage considering a return to work was slightly higher (13 percent) among those who said their stocks had declined in value, and was three times as high among the 50 to 64 year-old group (25 percent) as it was among the 65+ group (eight percent).

Market losses affected expected retirement dates for older workers. In our survey, 21 percent of those working said they had decided in the past 12 months that they would retire later, whereas only five percent said they had decided to retire earlier.

Of those 50+ who were already retired, 34 percent retired before age 60, 55 percent by age 62, and 69 percent by age 65. Among those still working, only 11 percent still expect to retire before age 60, 34 percent by 62, and only 52 percent by age 65, which for most will be before eligibility for full Social Security retirement benefits.

When asked whether their financial setbacks had affected their consumption, one-fifth (20 percent) of the 50+ survey respondents indicated they had cut back on entertainment and about one-fifth (22 percent) also cut back on vacations. Only about six to seven percent of the 50+ respondents said they had cut back in their expenditures for health care, prescriptions, or health insurance.

The plunge in investment markets following their long period of growth affected some people's investment practices. We found that 13 percent said they were taking on less risk than before, and only five percent had decided to take on more investment risk. Two-thirds of respondents decided to keep their investment risk about the same. But of those who experienced losses, one-fifth of both age subgroups were taking less risk to reduce potential losses.

Losses in 401(k) plans may discourage workers and reduce their willingness to contribute to those plans. Of those who experienced losses in the stock market, more than one-fifth (23 percent) increased the amount they contributed to their 401(k) plan. On the other hand, only five percent opted to reduce their contributions, and 69 percent kept them the same.

These reactions suggest that, more than three years after the equity bubble burst in 2000, people have partially recovered from the shock to their savings, investments, and retirement prospects. Fewer reported stock losses in the past year than did so a year ago, but still nearly one-third did suffer financial losses. One-fifth of those already retired expected lower retirement income as a result, and nine percent contemplated a return to work. Those not retired generally expect to retire at later ages than those already retired. Although an equal proportion (36 percent) said that market performance affected their decision to invest in either stocks or interest-earning assets, financial setbacks did not strongly affect their willingness to take risks-only 13 percent were taking on less financial risk-and one-fifth of those experiencing losses actually increased their contributions to their retirement plans.

Commentary

Alan S. Blinder

For pretty obvious reasons, people aged 50+ own a disproportionate share of the nation's wealth. (Did you have much wealth when you were 25?) The AARP report notes that this share rose from 56% in 1983 to 69% in 2001. But, of course, the saying goes: the bigger they are, the harder they fall. So the population aged 50+ naturally absorbed a disproportionate share of the capital losses stemming from the falling stock market between 2000 and early 2003. That hurt many seniors, as the report ably notes. What can they do now?

Looking forward rather than backward, wealth-holders now face a triple whammy. (The report refers to a "double whammy," but I'd add a third.) First, while the stock market has rallied impressively since March 2003, the rapid run-up has elicited warnings from many "experts" that the market has risen too far, too fast. No one can predict what the stock market will do, but one thing we do know is that stocks are always risky. Second, many forecasters foresee higher long-term interest rates as the economy strengthens and the national debt skyrockets. If so, bond prices will fall. So there is also much risk in investing in bonds right now. Third, conservative investors who shun both stock-market and bond-market risk are left with very short-term instruments like money market funds-with their currently microscopic interest rates. So this is a truly a tough time for risk-averse investors who rely on interest earnings, like many seniors.

Is there a way out? Not really. One of the most basic precepts of finance is that higher returns go hand-in-glove with higher risk. But the AARP survey finds that few people want to take on more risk. Those who are unwilling to accept any risk will have to invest in insured bank accounts, Treasury bills, and the like-and content themselves with very low interest earnings for a while. And what about those who are willing to accept a bit more risk in order to raise investment returns? They should never lose sight of the first three principles of sound investing: diversify, diversify, diversify.

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Dr. Blinder is the author or co-author of 15 books and scores of scholarly articles on such topics as fiscal policy, monetary policy, and the distribution of income. From 1985 until joining the Clinton Administration, Dr. Blinder wrote a lively monthly column in Business Week magazine. Currently, he is a regular commentator on PBS's Nightly Business Report and appears frequently on CNBC, CNN, and elsewhere.

Dr. Blinder was born on October 14, 1945, in Brooklyn, New York. He earned his A.B. at Princeton University in 1967, M.Sc. at London School of Economics in 1968, and Ph.D. at Massachusetts Institute of Technology in 1971—all in economics. At Princeton, Dr. Blinder chaired the Department of Economics from 1988 to 1990, and founded Princeton's Center for Economic Policy Studies. He has taught at Princeton since 1971. He and his wife, Madeline, live in Princeton, NJ; they have two sons, Scott and William, and two grandsons, Malcolm and Levi.

Jane Bryant Quinn

The AARP's terrific, annual studies of older people show that their welfare continues to progress. Like other Americans, they took a hit during the recession. Some people lost jobs and many lost income, from the decline in interest rates and the stock-market collapse. But looking back over the past ten years as a whole, the incomes, assets and pension coverage of the 50-plus segment of the population has risen smartly, while those in poverty declined. It shows that the country does well by its older people, just as they do well for themselves.

Still, their bear-market losses raised some hard questions for older families. How they handled their ill-fortune points to some new choices that future retirees will have to consider.

First, to count the losses. People 50 and up hold more than two-thirds of the nation's assets and, collectively, lost nearly seven percent of their money in 2001 and 2002. For the median household, losses might average 8 percent. Older households (age 65-plus) lost more income and assets than younger ones (age 50 to 64). This adds up to less retirement income and, for workers, fewer years to catch up.

How have older people responded? They went back to work or decided not to retire early. Despite the recession, labor-force participation, among both younger and older populations, increased last year—driven principally by larger numbers of women in paying jobs. More than one-fifth of working people raised their contributions to 401(k)s—exactly the right response. Some 13 percent were taking less investment risk, while only five percent were taking more (the rest kept their risk level about the same).

These results portend major changes as the Boomers roll toward their 60th birthday. We'll have more older workers, more savings and more "safe" savings. More people will also tell pollsters that they're "confident" about living well when they retire. Older people spend less than younger people do, and—importantly—cut their expectations to match the income that's coming in. Even though workers rarely save enough to maintain their previous level of spending, at retirement they find—usually to their surprise—that they get along all right. It's the little secret of retirement: you can live happily on less than you think.

There's one especially important finding for the future here. The percentage of retirees who rely principally on income from Social Security rose, both over the past decade and from 2002 to 2003. Right now, half of those 62 and up depend on the program for more than half of their incomes. Any benefit cuts should be tilted toward wealthier Social Security recipients, rather than being chopped across the board. And any investment schemes that don't pan out will damage more people than you might have thought.

***Jane Bryant Quinn** writes a personal finance column for Newsweek and Good Housekeeping. In 2002, she retired from her successful, twice-weekly newspaper column ("time to smell at least two roses, even if on the fly," she says). She's working on a book to accompany her best-selling guidebook to successful personal finance, Making the Most of Your Money. In the past, she has had her own TV show—"Take Charge"—on PBS, and appeared regularly on the CBS Morning News and CBS Evening News with Dan Rather. Jane was born in Niagara Falls, attended Middlebury College in Vermont, married a lawyer and has two children, three stepchildren and a Shih Tzu.*

Alice Rivlin

AARP's Report Card on the older population will prove increasingly useful as data for additional years accumulate. Persnickety social scientists will demand more indicators and more breakdowns, but the first version is a good start!

I'll be persnickety by pointing out that aggregating the population over 65 may be more useful to retailers than policy-makers. People 65 to 74 are more prosperous, healthier and more independent than their elders. To spot problems we need to look at the more vulnerable population over 75 and over 85. Moreover, in the coming decade the boomers will swell the 65 to 74 group and make trends for the over 65 population look more positive than they would look if age were held constant.

As we come to grips (finally!) with Social Security and Medicare reform these indicators will both help and haunt us. Last year's drop in financial asset values of older Americans is a reminder of the hazards of privatization. The fact that 62 percent of older Americans have incomes at least twice the federal poverty line is reassuring, but focuses attention on the 38 percent, who are not living comfortably.

I worry about indicators that have not changed. Half the population 62 and over depends on Social Security for at least half their income-same as ten years ago. We all know that Social Security is underfunded, and will require adjustment as the boomers claim benefits. These adjustments will be less stressful if private pensions, employment, and other income sources make the older population less dependent on Social Security, but the Report Card shows little evidence that this is happening. And isn't it ominous that massive investment in health care and dramatic successes of drugs and procedures have not increased the proportions of seniors who report excellent health or no functional limitations? Go figure!

***Alice M. Rivlin** is a Visiting Professor at the Public Policy Institute of Georgetown University and a Senior Fellow in the Economic Studies program at the Brookings Institution. She is the Director of the Greater Washington Research Program at Brookings. Before returning to Brookings, Dr. Rivlin served as Vice Chair of the Federal Reserve Board from 1996 to 1999. She was Director of the White House Office of Management and Budget from 1994 to 1996, and Deputy Director (1993-94). She served as Chair of the District of Columbia Financial Management Assistance Authority (1998-2001).*

Dr. Rivlin was the founding Director of the Congressional Budget Office (1975-1983). She was director of the Economic Studies Program at Brookings (1983-1987). She also served at the Department of Health, Education and Welfare as Assistant Secretary for Planning and Evaluation (1968-69).

She is a frequent contributor to newspapers, television, and radio, and has written numerous books. Her books include Systematic Thinking for Social Action (l971), Reviving the American Dream (1992), and Beyond the Dot.coms (with Robert Litan, 2001.) She is co-editor (with Litan) of The Economic Payoff from the Internet Revolution.

Dr. Rivlin was born in 1931 in Philadelphia, Pennsylvania and grew up in Bloomington, Indiana. She received a B.A. in economics from Bryn Mawr College in 1952; and in 1958 a Ph.D. from Radcliffe College (Harvard University) in economics. She is married to economist Sidney G. Winter, who is a professor at the University of Pennsylvania. She has three children and four grandchildren.

Robert J. Shiller

Retired persons are essentially vulnerable, since they must rely either on the benefits provided by Social Security or on their income from private pensions and investments. Both of these sources of income may be dangerously unstable.

The results of the AARP survey show that the median individual over 62 depends just as much on Social Security benefits as on other sources of income. The Social Security benefit to an individual is capped for 2004 at $1,825 per month. This is not enough to live well on by itself.

Moreover, as can be seen from Table 1, the median financial assets of the population aged 50 or over is only $38,598, not enough by itself to support decades of comfortable retirement. And only about half of workers are given retirement pensions by their employers.

No surprise that, as the AARP study reports, only 61.7% of people over 65 are living above 200% of the poverty level.

Since these sources of retirement income are not at high levels, any risks to them can matter a great deal in terms of human welfare.

Because of the increasing number of retired relative to working people in the future, there is a risk that Congress will reduce these benefits, especially at a time of soaring government deficits.

Private pensions and personal investments provide income that is also risky: it depends on the success of the investments. The AARP study shows that the recent stock market decline has had a modest but measurable impact on the lives of retired people.

We must recognize that the stock market, as all investments, entails risks. Despite confident assurances from many "experts," no one knows whether we will see even more investment declines in the future.

Thinking through the issues of dealing with the income security of retired Americans must stand as a high priority for the next Congress. People have come to expect the government to take sensible steps to validate their confidence in their retirement futures.

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He is Research Associate of the National Bureau of Economic Research, a fellow of the American Academy of Arts and Sciences, a fellow of the Econometric Society, a member of the Academic Advisory Panel for the Federal Reserve Bank of New York, a recipient of a Guggenheim fellowship, and a member of the American Philosophical Society.

His 1993 book Macro Markets: Creating Institutions for Managing Society's Largest Economic Risks (Oxford University Press) won the 1996 Paul A. Samuelson Award. His book Irrational Exuberance (Princeton University Press, 2000, Broadway Books 2001), an analysis and explication of the stock market boom since 1982, won the Commonfund Prize, and was a New York Times Nonfiction Bestseller. His new book The New Financial Order: Risk in the 21st Century (Princeton University Press, 2003) is an analysis of an expanding role of finance, insurance, and public finance in our future.

Methodological Note

The data in this report are derived from five different government surveys, the UCLA Internet Report published by the UCLA Center for Communication Policy, and a survey fielded by AARP in November and December of 2003. Seven of the indicators (#1, 3-7, and 12) are from the Census Bureau's Current Population Survey (CPS), four (#10, 13, 16, and 19) from the National Health Interview Survey (NHIS), and one each from the Federal Reserve's Survey of Consumer Finances (SCF)(#2), the Center for Medicare and Medicaid Services' Medicare Current Beneficiary Survey (MCBS) (#11), and the Bureau of Labor Statistics' Consumer Expenditure Survey (CEX) (#14). One indicator (#15) came from the UCLA Internet report, and five were taken from the AARP survey (#8, 9,17,18, and 20).

The CPS and NHIS data were available every year, but some of the NHIS measures (such as barriers to obtaining medical care, engaging in regular physical activity, and the presence of functional limitations) were not defined consistently over ten years. Therefore, we compared data from the most recent year available with data from the earliest year consistent with it, so that results would be based on comparable questions. In the case of the percent of Medicare beneficiaries with drug coverage, the data only go back to 1995. The financial assets indicator is available only every three years from the Federal Reserve Board, the most recent being 2001.

Most of the indicators were measured at the individual level, but the first four indicators used the family as the unit of analysis. We identified families in which either the head of household or the spouse was aged 50 or older.

Endnotes

[1] The AARP Aging Indicator Survey was fielded for AARP by Southeastern Institute of Research, Inc. of Richmond, VA. Weighting, response rates and the full annotated questionnaire are available upon request from Ms. Sarah Zapolsky, Senior Research Advisor, AARP, 601 E Street NW, Washington, DC, szapolsky@aarp.org.

[2] In some cases the period of time is shorter for reasons of data availability.

[3] Though small, the 10-year health insurance differential may be biased high because the base year estimate used a different method (see discussion of indicator #12 in the text).

[4] The first two indicators (median income and median financial assets are denominated in dollars, but the rest are either rates or percentages. Change in the first two indicators is measured as *percentage changes*, and change in the other indicators is measured as *percentage point changes.*

[5] The percent above twice the poverty threshold, labor force participation, spending on non-necessities, Internet access at home, and regular physical activity.

[6] The percent above twice the poverty threshold, pension coverage, labor force participation, all three health measures pertaining to them, Internet access, and absence of functional limitations.

[7] Individuals who live alone and unrelated persons are classified as families of one.

[8] Financial assets exclude housing wealth and other tangible property (because they are not easily converted to cash), and also exclude wealth held in traditional defined benefit pensions (because it is not readily measurable). The indicator does include wealth in Individual Retirement Accounts (IRAs) and 401(k) plans, however.

[9] Families in the 65+ age group held over 30 percent of all net worth in the U.S. in 2001.

[10] Federal Reserve Board, Flow of Funds Accounts of the United States, Table B.100, Second Quarter, 2003.

[11] The poverty index was originally based on food consumption, which was thought to be one-third of family budgets, but because older people consumed less, their poverty thresholds were accordingly lower.

[12] This indicator is measured only for the population aged 62+ because that is the earliest age at which Social Security old-age benefits can be received.

[13] AARP, *Beyond 50: A Report to the Nation on Economic Security,* Washington, DC.: 2001.

[14] Office of Public Health and Science, U.S. Department of Health and Human Services, *Healthy People 2010 Objectives: Draft for Public Comment,* September 15, 1998.

[15] Includes only disabled Medicare beneficiaries among the 50 to 64 age group.

[16] Health coverage of people aged 65+ is virtually universal as a result of the Medicare program.

[17] Institute of Medicine, *Care without Coverage: Too Little, Too Late,* Washington, D.C.: National Academy Press, 2002.

[18] Necessities are defined as health care, food, housing and utilities. We have defined expenditures on all other items as non-necessities.

[19] *The Wall Street Journal,* November 18, 2003.

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. We provide information and resources; engage in legislative, regulatory, and legal advocacy; assist members in serving their communities; and offer a wide range of unique benefits, special products and services for our members. These include *AARP The Magazine,* published bimonthly; *AARP Bulletin,* our monthly newspaper; *Segunda Juventud,* our quarterly newspaper in Spanish; *NRTA Live and Learn,* our quarterly newsletter for National Retired Teachers Association members; and our Web site, www.aarp.org. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

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