

SOURCES OF INCOME FOR OLDER PERSONS IN 2002

Social Security, pensions and personal savings, and earnings constitute three of the four pillars of retirement income security (the fourth being health insurance).¹ In addition, government transfers (such as Supplemental Security Income [SSI] and veteran benefits) are also important income sources. The March 2003 Current Population Survey (CPS) of the U.S. Bureau of the Census provided information about personal income sources for calendar year 2002.²

Number of Older Persons with Each Income Source

According to the CPS estimates, nearly 33.3 million persons age 65 and older (97.2 percent of the older population) had income in 2002, with a mean personal income of about \$22,000. The median personal income was \$14,148. Table 1 presents the number of persons age 65 and older having various income sources, and the mean and the median of each relevant income source.

The difference between the mean and median amounts indicates the degree to which each income source was skewed in favor of those with higher income.

The CPS estimates nearly 30.4 million persons age 65 and older (88.8 percent of older population) had *Social Security income* in 2002. The mean amount of Social Security income was \$10,000, and the median was \$9,864, indicating that Social Security income was quite evenly distributed, especially as compared with interest and dividend income.

About 10.5 million persons 65 and older (30.6 percent of older population) had *pension income* in 2002. The mean of pension income for those having pensions was

\$12,845, and the median pension income was \$8,400.

Interest income from personal savings was the next most commonly held income source for older persons after Social Security income. Although more than half of persons (53 percent) age 65 and older reported income from interest in 2002, most people received very little, as reflected in the median of only \$600 for those having interest income. For some aged persons, however, interest was a substantial source of income, as evident from the mean of \$3,377. *Dividend income* revealed a similar spread.

Many older persons were working in 2002. Nearly 5.6 million persons age 65 and older (16.3 percent) had *earnings income*, and the median income from this source was \$15,000, while the mean was nearly twice as large -- \$28,044.

Other government transfers also were important income sources for older persons. Nearly 1.2 million persons age 65 and older (3.5 percent) who were in poverty received *Supplemental Security Income*, and the median SSI benefit was \$3,396 in 2002.

Income by Source and by Gender

Income sources for older persons, such as Social Security, pensions, and earnings, varied substantially by gender (see Table 1).

Older men had income from more sources than older women did, and the median amount tended to be greater. Nine out of ten older men and women received Social Security income. Men received about 28.7 percent more, as reflected in a median of \$11,628 vs. \$8,292 for women. Men's higher lifetime earnings and the fact that they were less likely to be receiving spousal benefits contributed to this difference.

¹ AARP 2001, AARP beyond 50 A Report to the Nation on Economic Security.

² The March 2003 Current Population Survey consisted of about 78,000 households. The survey did not represent the institutionalized population or those under age 15. The March 2003 survey refers to 2002 income levels.

Table 1
Sources of Income for Persons Age 65 and Older in 2002¹

Sources of Income	65 and Older				Men		Women	
	Number with Income	Recipients as Percent of Persons Age 65 and Older ²	Mean Income from Source	Median Income from Source	Recipients as Percent of Men Age 65 and Older	Median Income from Source	Recipients as Percent of Women Age 65 and Older	Median Income from Source
	(thousands)	%	\$	\$	%	\$	%	\$
Persons with income	33,292	97.2	21,940	14,148	98.1	19,528	96.6	11,424
Social Security	30,392	88.8	10,019	9,864	88.6	11,628	88.9	8,292
Interest income	18,135	53.0	3,377	600	55.7	675	51.0	563
Pension income ³	10,469	30.6	12,845	8,400	43.1	10,800	21.3	6,000
Dividend income	7,793	22.8	3,592	780	25.6	750	20.7	1,000
Earnings income ⁴	5,583	16.3	28,044	15,000	21.4	20,000	12.5	11,000
Rents, royalties, estates, or trusts	2,684	7.8	8,194	3,000	8.7	4,000	7.2	2,000
Survivor benefits ⁵	1,666	4.9	9,178	5,508	1.5	5,520	7.4	5,508
Supplemental Security Income (SSI)	1,192	3.5	4,219	3,396	2.5	4,800	4.2	3,000
Veterans benefits ⁶	1,127	3.3	7,611	4,799	5.7	4,679	1.5	5,255
Disability benefits ⁷	191	0.6	8,661	6,000	0.9	6,324	0.3	5,076
Unemployment compensation	198	0.6	4,774	2,520	0.9	2,560	0.4	2,016
Worker's compensation	88	0.3	7,983	8,640	0.3	8,148	0.2	8,640
Public assistance ⁸	96	0.3	3,377	2,000	0.2	1,400	0.4	2,000

¹ Source: March 2003 Current Population Survey.

² Numbers do not sum to 100 percent because individuals have more than one income source.

³ Pension income sources include: private company or union, federal government, military retirement, state and local government, railroad retirement, annuities, and IRA, Keogh, or 401(k) plans.

⁴ Earnings income includes: wages, salaries, and non-farm and farm self-employment income.

⁵ Survivor benefits sources include: private company or union, federal government, military retirement, state and local government, railroad retirement, workers' compensation, black lung, estates or trusts, and annuities.

⁶ Veterans benefits sources include: disability benefits, survivor benefits, pensions, and education benefits.

⁷ Disability benefits sources include: workers' compensation, private company, federal government, military retirement, state and local government, railroad retirement, accident insurance, black lung, and temporary insurance.

⁸ Public assistance includes: family support and other assistance.

Older men were twice as likely (43.1 percent) to have pension income as older women (21.3 percent), and the men's median pension income of \$10,800 was 1.8 times as much as that of women (\$6,000). About 21.4 percent of older men had income from earnings, with a median of \$20,000, while 12.5 percent of older women had earnings income, with a median of \$11,000. These differences were due to the fact that women had lower labor force participation and were more likely to have low-wage jobs.

Nearly 56 percent of older men and 51 percent of older women had interest income. The median amounts were \$675 for men and \$563 for women. About 25.6 percent of older men and 20.7 percent of older women had dividend income. The median amounts were \$750 for men and \$1,000 for women.

Overall, older men were more likely than older women to have Social Security, pensions, and earnings income, while women were more likely to have SSI and survivor benefits. There was not a large difference between men and women in interest and dividend income (either in portion who received, or in the dollar amount.)

Income by Source and by Race/Ethnic Group

The income sources of persons age 65 and older varied by race/ethnicity (Figure 1). Black and Hispanics were less likely than whites to have income from Social Security, earnings, pension, interest, and dividends. On the other hand, blacks and Hispanics were more likely than whites to have income from SSI. According to the CPS, there were relatively small differences in Social Security and earnings receipt among race/ethnic groups. About 91.3 percent of whites, 82.3 percent of blacks and 76.8 percent of Hispanics had income from Social Security. About 16.7 percent of whites, 13.6 percent of blacks, and 13.8 percent of Hispanics had earnings.

There were larger percentage differences among race/ethnic groups in pension, interest, dividends, and SSI. Nearly

59 percent of whites had interest income, compared with only 23.9 percent of blacks and 22.2 percent of Hispanics. About 26 percent of whites had dividend income, compared with 5.3 percent of blacks and 6.3 percent of Hispanics. Only 2 percent of whites had income from the SSI program, while 8.6 percent of blacks and 11.2 percent of Hispanics received SSI payments (Figure 1).

Income by Source and by Personal Income³ Level

More than 90 percent of persons age 65 and older with personal income between \$5,000 and \$30,000 had Social Security income, while only 53.3 percent of older persons with personal income under \$5,000 and 84.4 percent of older persons with personal income of \$75,000 and above had Social Security income.

Pension income⁴ was most common in the middle and higher income ranges, and average⁵ amounts of pension income increased steadily as one moved up the income scale. In 2002, 60 to 70 percent of older persons with personal income between \$20,000 and \$50,000 had pension income, with an average pension income ranging from \$10,527 to \$18,764. Only 4 percent of older persons with personal income under \$5,000 had pension income, with an average of \$2,200.

Older persons with higher income were more likely to have asset income⁶ and to have a higher amount of assets. Three-fourths or more of older persons with personal income of \$30,000 and above had asset income. Average asset income increased from about \$7,000 for those with personal income between \$30,000 and \$50,000 to nearly

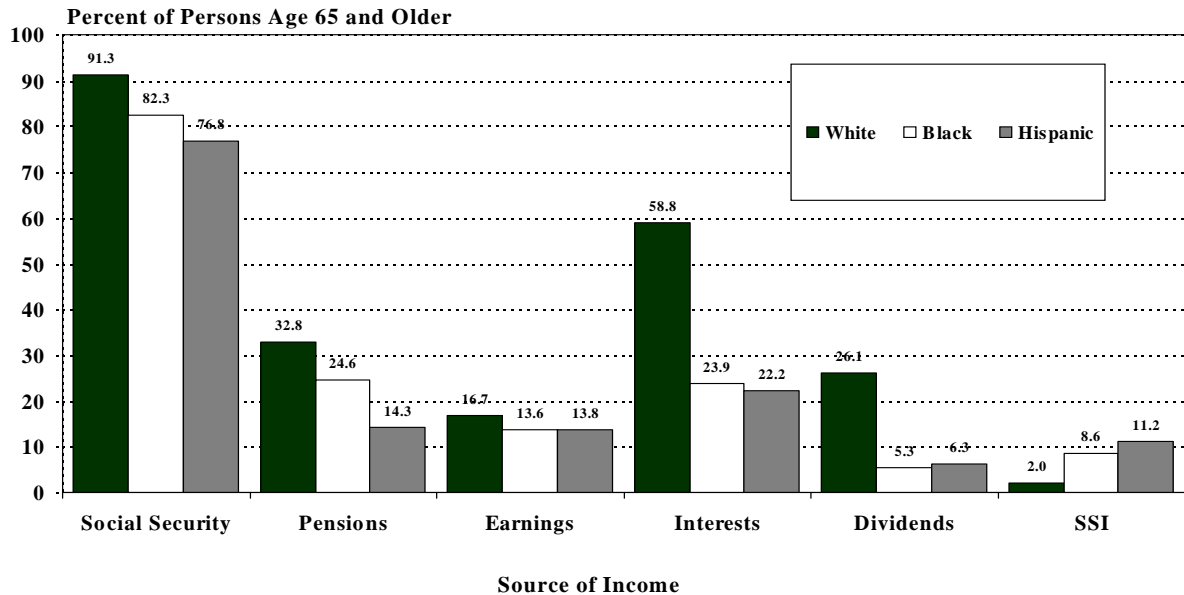
³ "Personal Income" used here is the same as the Census Bureau's "person income."

⁴ Pension income includes: pension, survivor, and disability (except disability payment from Social Security).

⁵ The average income is the mean of income for those persons who have this source of income.

⁶ Asset income includes: interest, dividends, and rent.

Figure 1
Sources of Income by Race/Ethnic Group
for Persons Age 65 and Older in 2002



Source: March 2003 Current Population Survey (machine-readable micro data).

Table 2
Persons Age 65 and Older with Source of Income by Personal Income Level in 2002¹

Personal Income Level	Social Security		Pension ³		Asset ⁴		Earnings ⁵		Public Welfare ⁶		Other Govt. Transfers ⁷	
	Percent	Mean ²	Percent	Mean	Percent	Mean	Percent	Mean	Percent	Mean	Percent	Mean
(\$ thousands)	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
0 to 5	53.3	3,579	4.0	2,200	27.6	662	2.2	1,736	4.8	2,639	0.6	472
5 to 10	92.3	6,935	8.4	3,057	36.2	929	3.1	3,162	10.5	4,090	1.8	572
10 to 20	95.9	10,796	35.2	5,071	55.4	1,992	10.6	6,533	1.5	4,738	3.7	993
20 to 30	92.4	11,796	66.2	10,527	71.4	3,766	25.0	12,326	0.8	8,022	7.0	1,431
30 to 50	87.3	12,414	65.5	18,764	75.9	7,091	36.9	22,817	0.7	8,504	7.9	981
50 to 75	84.1	14,156	53.9	27,973	81.4	15,628	48.8	39,636	0.1	2,238	7.8	993
75 and above	84.4	14,751	53.3	42,583	89.3	29,932	61.6	97,823	0.2	12,813	5.6	3,715
All	88.8	10,019	34.9	12,675	55.0	5,331	16.3	28,044	3.7	4,232	4.1	1,175

¹ Source: March 2003 Current Population Survey.

² Average income for persons with income.

³ Pension Income sources include: pensions, IRA, annuity, survivor's, and disability (except disability payment from Social Security).

⁴ Asset income includes: interest, dividend, and rent income.

⁵ Earnings income includes: wage, salary, and non-farm and farm self-employment.

⁶ Public welfare includes: SSI and family support.

⁷ Other government transfer income includes: unemployment compensation, worker's compensation, and veterans benefits.

\$30,000 for those with personal income of \$75,000 and above (Table 2).

Older persons with higher income were more likely to have income from earnings and to have higher average earnings. About 36.9 percent of older persons with personal income between \$30,000 and \$50,000 had earnings, with a mean of \$22,817. About 61.6 percent of older persons with personal income of \$75,000 and above had earnings, with a mean of \$97,823. Only 2.2 percent of older persons with personal income under \$5,000 had income from earnings, averaging \$1,736.

Older persons with low income were more likely to receive public welfare assistance.⁷ In 2002, 10.5 percent of older persons with personal income between \$5,000 and \$10,000 had public welfare income, with an average of \$4,090 in payments, while 0.1 percent of older persons with personal income between \$50,000 and \$75,000 had public

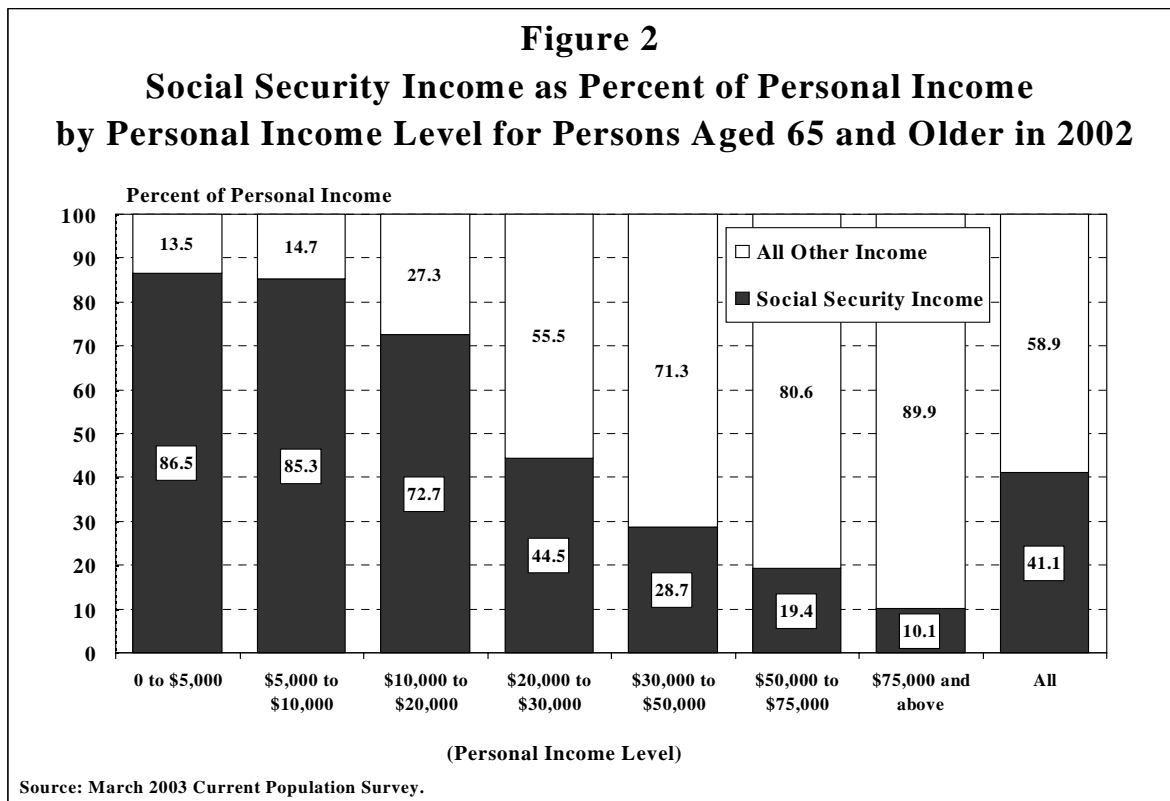
welfare income, with an average of \$2,238 of benefits.

Sources of Income as a Share of Total Personal Income

Social Security is the most important income source for persons age 65 and older. In 2002, about 41.1 percent of aggregate personal income of the older population was from Social Security payments (Figure 2).

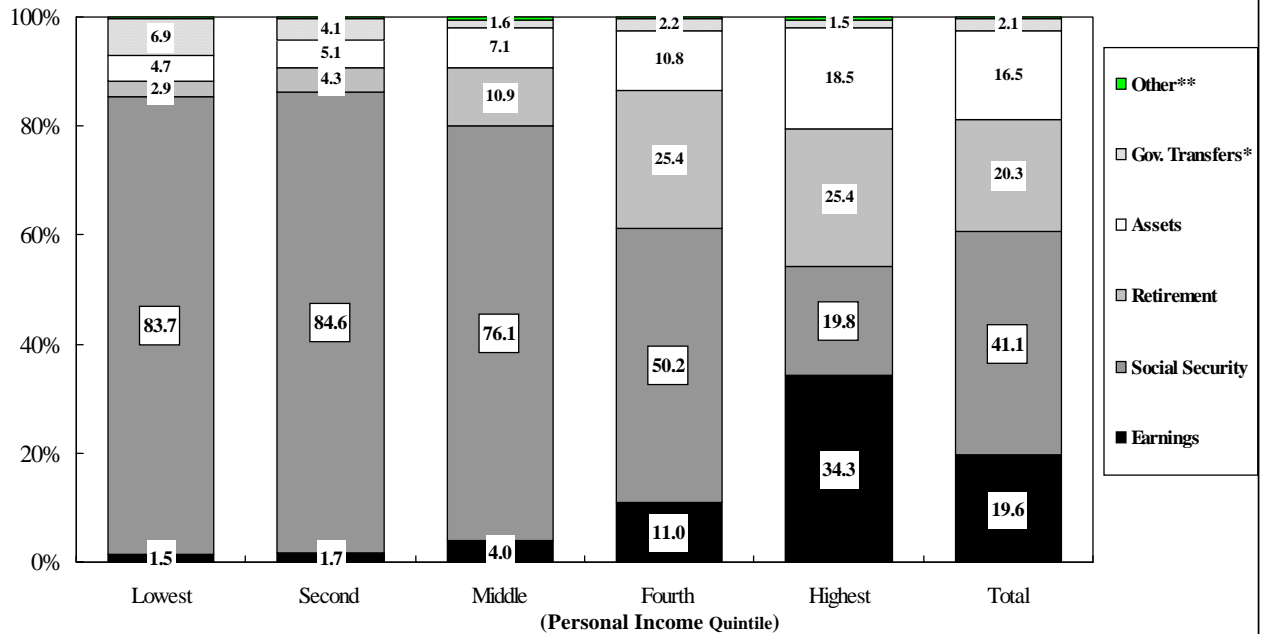
Older persons with low income were more likely than middle and high income older persons to depend on Social Security. In 2002, more than 85 percent of income came from Social Security payments for older persons with personal income under \$10,000, compared with 10 percent for those with personal income of \$75,000 and above (Figure 2).

Figure 3 presents income sources as a percentage of total income by personal income quintile for persons age 65 and older.



⁷ Public welfare assistance includes SSI and family support income

Figure 3
Income Sources as a Percent of Personal Income by Personal Income Quintile for Persons Age 65 and Older in 2002



*Government cash transfers include unemployment compensation, workers' compensation, veterans benefits, SSI, public assistance, and education assistance.

**Other income includes child support, alimony payments, and family financial assistance.

Note: Because the smallest value of one category "Others" cannot be shown and labeled, numbers do not sum to 100 percent.

Source: March 2003 Current Population Survey.

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The share of Social Security income declined as personal income increased. The shares of earnings, pension, and asset income tended to increase as personal income increased. For example, in 2002, only 1.5 percent of total income came from earnings for persons in the lowest income quintile, compared with 34.3 percent for persons in the highest personal income quintile (Figure 3).

Overall, older persons with low personal income depend heavily on Social Security income supplemented by income from savings and public welfare assistance such as SSI. For middle-income older persons, Social Security income is followed in importance by pensions and assets. Older persons with high income rely on earnings, followed by pensions, Social Security and assets for most of their personal income.

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