Older consumers (those age 45 and older) are a powerful economic force in America, spending more as a group than all other consumers. In 2001, older consumers spent $2.28 trillion of total consumer spending ($4.36 trillion) in the United States. This 52 percent market share was up from 47 percent in 1984. Increases in market share were not limited to the Boomers: the market share of consumers age 75 and older also increased during the same period.
**Introduction**—For some time now, marketing analysts have focused on the size and commercial potential of expenditures by America’s older population, particularly that segment known as “Boomers” born between 1946 and 1964. Headlines like “Older Baby Boomers a Big, Growing Market,” “Big Spenders,” and “The Boomer Attitude” testify to the growing importance of the older population to the bottom line of American business.¹

This review of expenditure patterns, however, does not focus on the potential for sales, brand preferences, or the attitudes of the older population toward particular products. Rather, it identifies several questions concerning public policy, consumer well-being, and the role of well-informed consumers in fostering a fair and efficient marketplace. These questions include:

- How have older consumers’ expenditures in key categories changed over time?
- What are the differences in the expenditures among various groups within the older population based on such characteristics as age, income, race, ethnicity, and family size?
- What do these expenditure patterns and trends suggest about the role of older consumers in the nation’s economy and the well-being of the older population?

To answer these questions, this report relies on recent data available from the Consumer Expenditure Survey (CEX), issued by the U.S. Bureau of Labor Statistics (BLS) in 2001. While the CEX tends to underestimate expenditures in some areas, it is the best source of information about the spending behavior of American consumers. The BLS conducts the survey—which comprises two parts: an interview survey and a diary survey—annually, integrates the responses to calculate average expenditures, and publishes the results the year after conducting the surveys.² To examine changes in spending over time, this report also relies on data from the 1984, 1990, and 1994 CEX surveys.³

**Glossary of Frequently Used Terms**

Readers should be aware of the following terms used in this analysis:

- **Consumer Expenditures.** Consumer spending on the various expenditure categories as defined in the Consumer Expenditure Survey. The amounts may represent out-of-pocket spending or payroll deductions and do not include spending by other payors. For example, expenditures on insurance or Social Security do not include employer contributions.

- **Older Consumer.** A consumer age 45 or older. We selected this age break because it allows the analysis to encompass the leading edge of the Boomer generation—persons born from 1946 to 1964.⁴

- **Consumer Unit.** Roughly equivalent to households, consumer units are the measurement unit used in the CEX. However, some households contain more than one consumer unit.⁵ This study uses the terms, “older consumer(s)” and “older consumer unit(s),” interchangeably.
Key Categories. This report designates food, housing, health care, transportation, and personal insurance and pensions as “key categories” of expenditures for older consumers. We group the remaining categories under the title, “other,” when examining percentage shares of total average annual expenditures by consumer units. The key categories typically include a broad array of expenditures. For example, “Housing” includes not only expenditures for shelter but also those for utilities, fuel, public services, household operations, housekeeping supplies, and household furnishings and equipment. A listing of the expenditures comprising each of the key categories is provided on page 114 of the Appendices.

Average Annual Expenditure. All expenditure information in this report is shown as annual averages, expressed in:

Dollars. This report presents all expenditure figures in 2001 dollars to account for inflation and allow comparisons of expenditures over time.

Percentage of Total Average Annual Expenditure or “Percentage Share.” We use these terms to compare spending across key categories.

Indexed Spending. We provide indexed spending figures to facilitate comparisons of spending by groups of consumer units in a particular key category with the spending of all consumer units in that category. We compute the index used in this analysis by dividing the average spending of consumer units in the particular group (age, race, family size, etc.) by the average spending of all consumer units, then multiplying by 100. For example, an index of 150 means that...
spending by a consumer group is 50 percent above the average spending in that key category by all consumers. Similarly, an index of 50 means spending by that group of consumers is 50 percent below the average spending in that key category.

- **Population Share.** Population share shows the size of a group (for example, age, race, or income) relative to the total population of consumer units.

- **Market Share.** Market share is contribution of a group (for example, age, race, or income) to total spending in a particular category. For example, if consumer units age 65 and older spend one-quarter of the amount spent by all consumers on food consumed at home, the market share of consumer units age 65 and older is 25 percent. If the market share by a group greatly exceeds its population share, analysts consider the group to have high potential for spending. Conversely, a market share that is less than the population share may indicate that the particular group has fewer resources or that the key category is not in demand by the particular group.

The remainder of this section explores the market share and average annual expenditures of the older population, with a focus on the key expenditure categories of food, housing, health care, transportation, and personal insurance and pensions.
Market Share of the Older Population, 1984 to 2001

Total Market Share
Older consumers (those age 45 and older) are a powerful economic force in America, spending more as a group than all other consumers. In 2001, older consumers spent $2.28 trillion of total consumer spending ($4.36 trillion) in the United States. This 52 percent market share was up from 47 percent in 1984. Increases in market share were not limited to the Boomers—the market share of consumers age 75 and older also increased during the same period (see Figure 1).

A major factor contributing to the growing market share of older consumers is the increasing population of older consumers. While the total population grew by 22 percent between 1984 and 2001, the number of older consumers increased by 33 percent during the same period. Figure 2 illustrates population growth for various age groups.

From 1984 to 2001, the number of consumers age 35 to 44 increased by 43 percent (from 17,118,000 to 24,422,000) and those age 45 to 54 by 71 percent (from 13,027,000 to 22,317,000). Together, these two...
FIGURE 3: The Market Share of Older Consumers Reached 50 Percent in Each of the Key Expenditure Categories in 2001

FIGURE 4: The Market Share of Older Consumers Age 45–54 in Each of the Key Expenditure Categories Increased Between 1984 and 2001

groups comprised more than two-fifths of the total population in 2001. While these groups include the Boomers, the population of consumers age 75 and older increased by about 50 percent, from 7,105,000 in 1984 to 10,596,000 in 2001.

Although consumers age 75 and older spend the least of all age groups, their expenditures increased by 22 percent between 1984 and 2001. This represents a large increase in spending, compared to the six percent increase among all consumers, 19 percent for consumers age 65 to 74, and four percent for those age 55 to 64.

**Market Share of Older Consumers in the Key Expenditure Categories**

Older consumers held at least half of the market share in each key expenditure category in 2001 (see Figure 3). Market share increased in every category since 1984, with the largest increases in the key categories of housing and health care. By 2001, older consumers spent more than two-thirds (69 percent) of all consumer expenditures on health care; 52 percent of total food expenditures; and about half of all expenditures on housing, transportation, and personal insurance and pensions.

Figure 4 shows the market share in each of the key categories for various ages within the older population. As with the overall market share held by each age group (see Figure 1 on page 13), the key category market share each age group holds reflects the changing size of the older age groups. Consumers age 45 to 54 and age 75 and older increased their market share in each of the key categories between 1984 and 2001.
Average Annual Expenditures of the Older Population, 1984 and 2001

Total Expenditures

Older consumers spent an average of $38,787 in 2001 (see Figure 5). Consumers age 45 to 54 had the highest average annual expenditures (AAE) of all age groups, spending an average of $47,930 annually. The average expenditures of this age group were slightly higher than those of consumers age 35 to 44, and more than double the annual amount spent by consumers age 75 and older. The average expenditures of older consumers increased by 8 percent during this time (from $36,049 to $38,787), compared to six percent for consumers of all ages.

The annual average expenditures for each of the age groups remained relatively stable between 1984 and 2001 (see Figure 6).

The income and other resources available to individual consumers generally limit annual consumer expenditures. It is possible, however, for annual expenditures to exceed annual income, such as when a consumer borrows to get through difficult financial circumstances.

As with total expenditures, the share of total income derived from various sources was relatively stable between 1984 and 2001. Not surprisingly, as consumers age, their share of income derived from wages and salaries decreases, while income from Social Security and pensions as a share of total income increases. Wages and salaries are the largest source of income for all consumers, comprising more than three-quarters (81 percent) of total income in 2001. This share was also large (71 percent) for consumers age 45 and older, despite the fact that many of the older consumers have retired from wage and salary employment. Although incomes vary by race and ethnicity, the share of total income from wages and salaries was similar for all groups except single nonearners.

FIGURE 5: Consumers Age 45–54 Had the Highest Average Annual Expenditures of All Age Groups in 2001

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Average Annual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>$23,526</td>
</tr>
<tr>
<td>25–34</td>
<td>$39,451</td>
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<tr>
<td>35–44</td>
<td>$46,908</td>
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<tr>
<td>45–54</td>
<td>$47,930</td>
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<tr>
<td>55–64</td>
<td>$41,462</td>
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<td>65–74</td>
<td>$32,023</td>
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<tr>
<td>75+</td>
<td>$23,099</td>
</tr>
<tr>
<td>45+</td>
<td>$38,787</td>
</tr>
</tbody>
</table>

FIGURE 6: Average Annual Expenditures Remained Relatively Stable for All Age Groups Between 1984 and 2001

*Note: All figures are adjusted to 2001 dollars.

FIGURE 7: The Percentage of Total Spending Remained Largely Unchanged Between 1984 and 2001*

*Note: Percentages may not add to 100 due to rounding.
Social Security and pensions are the most important sources of income for older consumers after wages and salaries. In 2001, nearly one-fifth (19 percent) of older consumers received income from these sources.

Although older consumers, on average, derived 71 percent of their total income from wages and salaries, notable differences emerge when examining older consumers by income quartile. Consumers in the lowest income quartile relied on Social Security and pensions for almost three-quarters (71 percent) of their income, but these sources accounted for only seven percent of the total income of consumers in the high income quartile.

Expenditures in the Key Categories: Food, Housing, Health Care, Transportation, and Personal Insurance and Pensions

In a trend similar to consumer expenditures in all categories, the percentage of total spending by all consumers in the key categories—food, housing, health care, transportation, and personal insurance and pensions—remained virtually unchanged between 1984 and 2001 (see Figure 7). In 2001, older consumers allocated more than three-quarters (80 percent) of their expenditures to the key categories, the same share allocated by all consumers. Spending on each individual key category also remained remarkably stable between 1984 and 2001. Among the key categories in 2001, older consumers allocated about one-third (32 percent) of their total expenditures to housing, 19 percent to transportation, 13 percent to food, and 10 percent to personal insurance and pensions.

While key category expenditures as a percent of total expenditures by all older consumers appear to have remained largely unchanged between 1984 and 2001, more varied spending priorities emerge when examining the spending

among various age groups (see Figure 8). In particular, illustrating key category expenditures for each age group confirms that as consumers age, their expenditures on personal insurance and pensions as a share of total expenditures decrease. When examining expenditures in the key categories as a share of total spending, the allocated amounts are largely consistent across various demographic groups (see Figure 9 on page 20). With slight variations, all consumers allocated about the same percentage of total expenditures to the key categories in 2001: they spent about one-third of total expenditures on housing; approximately one-fifth on transportation; and comparable amounts on food, health care, and personal insurance and pensions. Single nonearners appear to allocate substantially more to housing than do other consumers, but this may simply reflect lower expenditures on personal insurance and pensions.

While shares allocated to the key categories are similar across demographic groups, actual dollars spent vary substantially. Figure 10 on page 21 illustrates the variation in average annual expenditures among various demographic groups.

FIGURE 8: The Percentage of Average Annual Expenditures in the Key Categories Varied by Age Group Between 1984 and 2001*

*Note: Percentages may not add to 100 due to rounding. Source: Consumer Expenditure Survey, 1984, 2001
Older consumers are responsible for the majority of total consumer spending in the United States, and they dominate the market in every key category of expenditure: food, housing, health care, transportation, and personal insurance and pensions. Their population share makes them a growing and powerful economic force.

Continuity was a primary feature of the expenditure patterns of older consumers, with little change in the share of average annual expenditures spent on each of the key categories in 1984 and 2001. In addition, changes in average annual expenditures have been modest and gradual. The 45 to 54 age group had the highest average annual expenditure ($47,930) of all age groups in 2001, while the 75 and older age group had the lowest average annual expenditure ($23,099) of all age groups.

But is spending power all that one needs to achieve what economists call “consumer sovereignty” or success in choosing a product or service within the limits of personal income that provides the quality desired at the lowest possible cost? This question is far from academic because we know from both practical experience and research that the information available to consumers to make choices is far from perfect in most markets, and consumers themselves are often ill equipped to shop effectively and manage their finances. Further, the marketplace has become vastly more complex since 1984, making the consumer’s task even more challenging.

*Notes: Percentages may not add to 100 due to rounding. Demographic classifications are not mutually exclusive. Native American classification includes consumers identified as American Indian, Aleut, or Eskimo. Data for “All” and “45+” groups are from BLS-published tables. Source: Consumer Expenditure Survey, 2001.
The stakes are high for both the nation’s economy and older consumers in how we address these issues. Given current demographic projections, “consumer” will increasingly mean “older consumer.”

Willie Sutton, the famous bank robber of the 1930s, was once asked why he robbed banks. His reply, “Because that’s where the money is,” is instructive for policymakers and consumer advocates because price competition and the availability of timely and accurate information about products and services are most important in areas where consumers spend the majority of their money. If consumers are not in a position to make decisions that reward efficient producers and punish inefficient ones, the potential efficiency of a market system is lost. Further, the savings that accrue from effective shopping and financial management are vital to helping consumers, especially Boomers, find adequate resources for myriad responsibilities, including financing their children’s education, caring for older relatives, and saving for their own retirement. In Part II of this report, we discuss what it will take to even the odds and get closer to “consumer sovereignty.”

*Notes: Demographic classifications are not mutually exclusive. Native American classification includes consumers identified as American Indian, Aleut, or Eskimo. Data for “All” and “45+” groups are from BLS-published tables. Source: Consumer Expenditure Survey, 2001.