

SOURCES OF INCOME FOR OLDER PERSONS IN 2004

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 veterans' benefits, are also important income sources. The March 2005 Current Population Survey (CPS) of the U.S. Bureau of the Census provided the information about personal income sources for calendar year 2004 that is used for this report.²

Number of Older Persons with Each Income Source

According to the CPS estimates, about 34.1 million persons age 65 and older (96.9 percent of the older population) had income in 2004, with a *mean* personal income of \$23,811. The *median* personal income was \$15,199. Table 1 presents the number of persons age 65 and older with various income sources, and the mean and the median of each relevant income source.

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

The CPS estimates that about 31 million persons age 65 and older (88.2 percent of the older population) had *Social Security income* in 2004. The mean amount of Social Security income was \$10,681 and the median was \$10,399, indicating that Social Security income was quite evenly distributed, especially as compared with interest and dividend income.

About 11.0 million persons age 65 and older (31.3 percent of the older population)

had *pension income* in 2004. The mean amount of pension income for those having pensions was \$14,129, and the median pension income was \$9,860 (see Table 1).

Interest income from personal savings was the next most commonly held income source for older persons after Social Security income. Although more than half (51.8 percent) of those age 65 and older reported income from interest in 2004, most people received very little, as reflected in the median of only \$450 for those with interest income. For some aged persons, however, interest was a substantial source of income, as is evident from the mean of \$3,484. *Dividend income* revealed a similar spread.

Many older persons were working in 2004. About 6.2 million persons age 65 and older (17.6 percent) had *earnings income*, and the median income from this source was \$15,500, while the mean was nearly twice as large -- \$30,222.

Other government transfers also were important income sources for older persons. Nearly 1.2 million persons age 65 and older (3.3 percent) received *Supplemental Security Income*,³ and the median SSI benefit was \$3,600 in 2004.

Income by Source and by Gender

Income sources for older persons, such as Social Security, pensions, and earnings, varied substantially by gender.

¹ AARP, 2001. *Beyond 50: A Report to the Nation on Economic Security*.

² The March 2005 Current Population Survey consisted of about 78,000 households. The survey did not include the institutionalized population or those under age 15. The March 2005 survey refers to 2004 income levels.

³ Individuals age 65 and older are eligible for SSI benefits if their income falls below the federal maximum monthly SSI benefit. SSI eligibility is restricted to qualified persons who have resources of not more than \$2,000, or \$3,000 in the case of a couple. The basic federal SSI benefit is the same nationwide. Effective January 2005, the SSI payment for an eligible individual is \$579 per month and \$869 per month for an eligible couple. States may add a supplemental benefit (see website: <http://www.ssa.gov/>).

Table 1
Sources of Income for Persons Age 65 and Older in 2004¹

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	34,126	96.9	23,811	15,199	97.7	21,120	96.3	12,000
Social Security	31,044	88.2	10,681	10,399	87.9	12,583	88.4	8,799
Interest income	18,257	51.8	3,165	450	55.7	451	48.9	424
Pension income ³	11,018	31.3	14,129	9,860	43.5	12,000	22.0	6,141
Dividend income	7,978	22.7	3,483	1,000	26.2	1,000	20.0	1,000
Earnings income ⁴	6,209	17.6	30,222	15,500	22.4	20,300	14.0	12,000
Rents, royalties, estates, or trusts	2,797	7.9	8,973	3,000	9.0	3,500	7.1	2,640
Survivors' benefits ⁵	1,767	5.0	9,569	6,432	1.9	9,000	7.4	6,000
Supplemental Security Income (SSI)	1,179	3.3	4,325	3,600	2.4	4,116	4.1	3,500
Veterans' benefits ⁶	1,117	3.2	8,802	5,639	5.6	5,724	1.3	4,847
Disability benefits ⁷	149	0.4	15,944	12,000	0.7	15,600	0.2	9,564
Unemployment compensation	174	0.5	3,482	2,400	0.8	2,460	0.3	2,250
Workers' compensation	76	0.2	6,590	4,000	0.2	1,617	0.2	6,000
Public assistance ⁸	71	0.2	2,523	1,000	0.1	1,000	0.3	1,860

¹ Source: March 2005 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 Survivors' 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, survivors' 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.

The last four columns of Table 1 show that older men had more income from most sources than older women did. Almost nine out of ten older men and women received *Social Security income*. Men received 30 percent more, as reflected in a median of \$12,583 vs. \$8,799 for women. Men's higher lifetime earnings and the fact that they were less likely to be receiving lower spousal benefits contributed to this difference.

Older men were twice as likely (43.5 percent) as older women (22.0 percent) to have *pension income*, and the men's median pension income of \$12,000 was two times as much as that of women (\$6,141). About 22.4 percent of older men had income from *earnings*, with a median of \$20,300, while 14.0 percent of older women had earnings income, with a median of \$12,000. 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 49 percent of older women had *interest income*. The median amounts were \$451 for men and \$424 for women. About 26.2 percent of older men and 20.0 percent of older women had *dividend income*. The median amounts were \$1,000 for both men and women (see Table 1).

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 the portion who received them, or in the dollar amount) (see Table 1).

Income by Source and by Race/Ethnic Group

The income sources of persons age 65 and older varied by race/ethnicity (Figure 1). Blacks 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 some

differences in *Social Security* and *earnings* receipt among race/ethnic groups. About 90.5 percent of whites, 82.0 percent of blacks, and 76.6 percent of Hispanics had income from Social Security. About 18.0 percent of whites, 16.3 percent of blacks, and 15.3 percent of Hispanics had earnings.

There were larger percentage differences among race/ethnic groups in *pension, interest, dividends, and SSI*. Nearly 58 percent of whites had interest income, compared with only 23.8 percent of blacks and 21.4 percent of Hispanics. About 26 percent of whites had dividend income, compared with 5.9 percent of blacks and 5.2 percent of Hispanics. Only 2.0 percent of whites had income from the SSI program, while 8.6 percent of blacks and 10.9 percent of Hispanics received SSI payments (Figure 1).

Income by Source and by Personal Income⁴ Quintile

More than 90 percent of persons age 65 and older in the second, middle and fourth quintiles of personal income had *Social Security income* in 2004, while only 72.7 percent of older persons in the lowest income quintile and 86.0 percent of older persons in the highest income quintile had Social Security income (see Table 2).

*Pension income*⁵ was most common in the middle and higher income ranges. Both the percentage with pension income and the median⁶ amounts of pension income increased steadily as one moved up the income scale. In 2004, more than 60 percent of older persons in the fourth and fifth income quintiles had pension income with a median pension income of \$9,600 in the fourth quintile and \$22,032 in

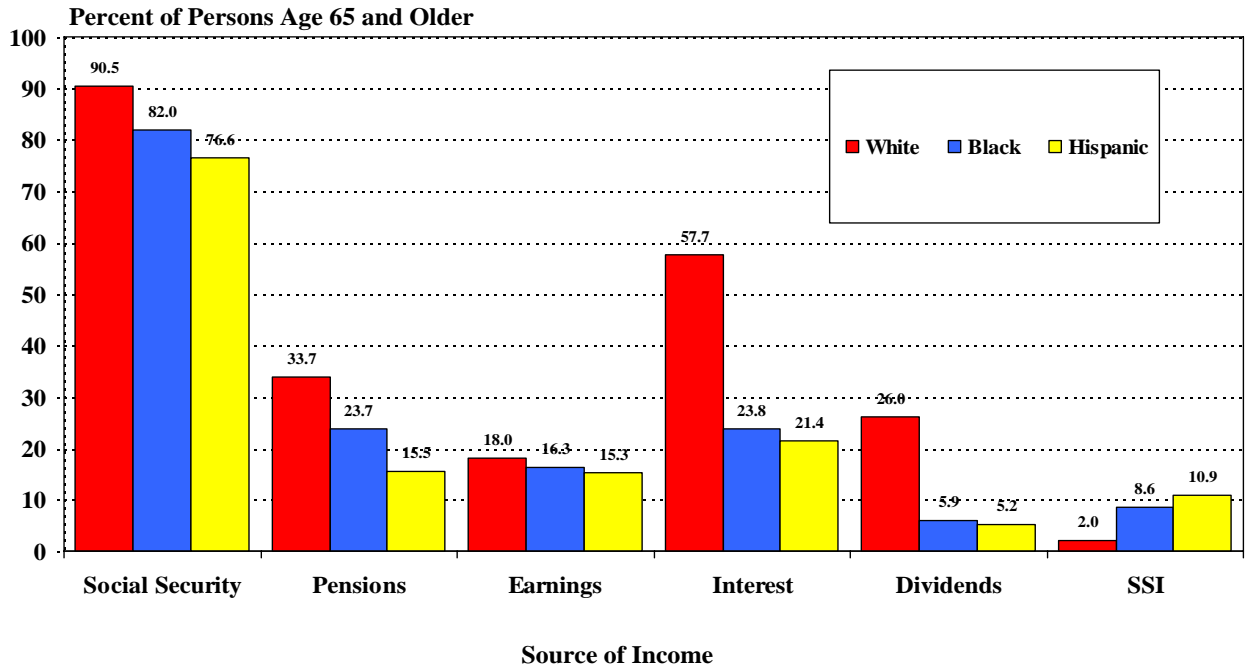
⁴ "Personal Income" used here is the same as the Census Bureau's "person income."

⁵ Pension income includes pension, survivor, and disability income (except disability payments from Social Security).

⁶ The average income is the mean income for those persons who have this source of income.

⁷ Asset income includes interest, dividends, and rent.

Figure 1
Sources of Income by Race/Ethnic Group
for Persons Age 65 and Older in 2004



Source: March 2005 Current Population Survey (machine-readable micro data) .

Table 2
Persons Age 65 and Older with Source of Income by Personal Income Quintile in 2004¹

Personal Income Quintile	Social Security		Pensions ²		Asset ³		Earnings ⁴		Public Welfare ⁵		Other Gov. Transfers ⁶	
	Percent	Median	Percent	Median	Percent	Median	Percent	Median	Percent	Median	Percent	Median
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Lowest Quintile	72.7	5,731	4.0	1,800	31.7	225	2.7	1,400	7.4	3,480	0.8	2,025
Second Quintile	94.2	9,199	13.2	2,400	38.4	386	5.1	3,540	6.9	3,360	2.9	2,080
Middle Quintile	96.8	12,475	35.2	3,600	56.1	612	9.7	5,000	2.0	5,196	2.9	3,191
Fourth Quintile	91.1	12,787	61.4	9,600	66.6	1,050	24.4	12,000	0.9	6,000	6.1	7,427
Highest Quintile	86.0	13,411	63.6	22,032	79.3	3,731	46.1	34,000	0.5	3,360	6.6	7,919
Total	88.2	10,399	35.5	9,600	54.4	900	17.6	15,500	3.5	3,600	3.9	4,799

¹ Source: March 2005 Current Population Survey.

² Pensions income sources include pensions, IRA, annuity, survivor's, and disability income (except disability payment from Social Security).

³ Asset income includes interest, dividend, and rent income.

⁴ Earnings income includes wage, salary, and non-farm and farm self-employment.

⁵ Public welfare includes SSI, family support, and others.

⁶ Other government transfer income includes unemployment compensation, worker's compensation, and veterans benefits.

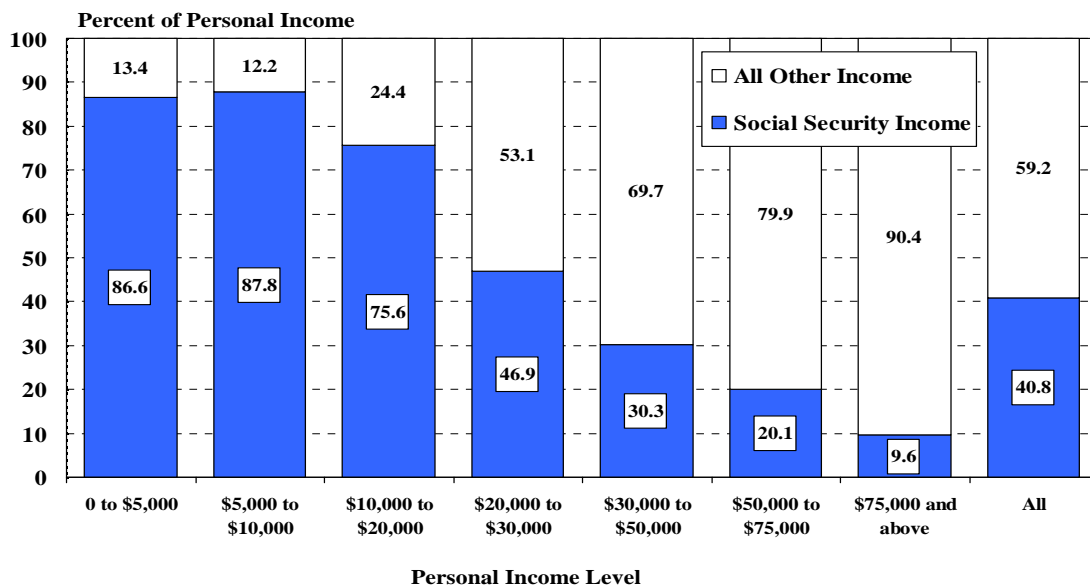
the highest quintile. Only 4.0 percent of older persons in the lowest income quintile had pension income, with a median pension income of \$1,800.

Older persons with higher income were more likely to have *asset income*⁷ and to have a higher amount of assets. More than 50 percent of older persons in the middle income quintile and above had asset income. Nearly 80 percent of older persons in the highest income quintile had asset income, with median asset income of \$3,731, while only 31.7 percent of older persons in the lowest income quintile had asset income with median asset income of \$225 for those with any asset income (see Table 2).

\$34,000. Only 2.7 percent of older persons in the lowest income quintile had income from earnings, with median earnings of \$1,400 for those having any earnings.

Older persons with low income were more likely to receive *public welfare assistance*.⁸ In 2004, about 7 percent of older persons in each of the lowest two income quintiles had public welfare income, with a median of \$3,480 in payments in the lowest income quintile and a median of \$3,360 in the second income quintile, while only 0.5 percent of older persons in the highest income quintile had public welfare income, with a median of \$3,360 in benefits.⁹

Figure 2
Social Security Income as Percent of Personal Income
by Personal Income Level for Persons Age 65 and Older in 2004



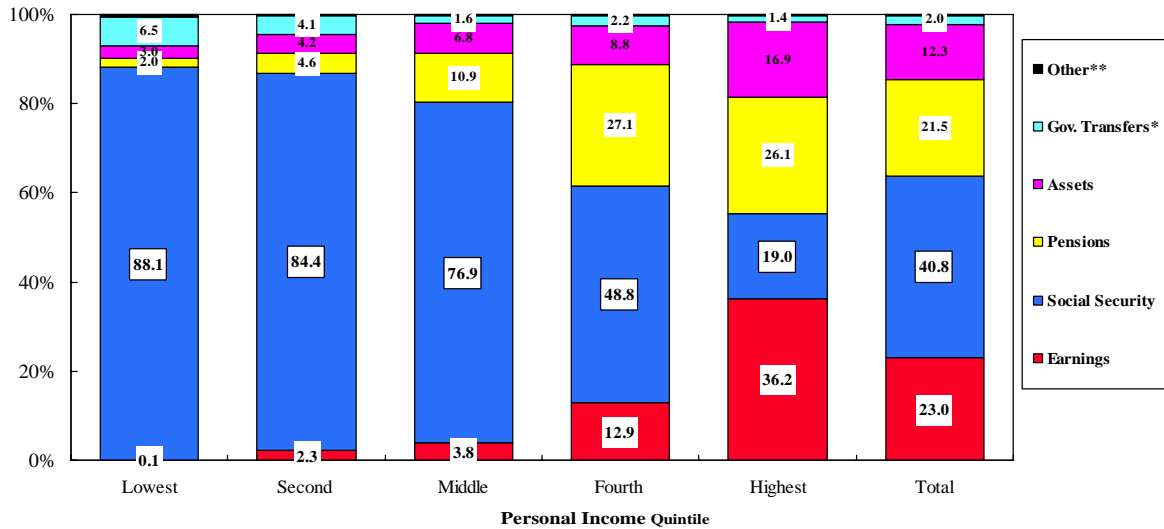
Source: March 2005 Current Population Survey.

Older persons with higher income were more likely to have income from *earnings* and to have higher average earnings. About 24.4 percent of older persons in the fourth income quintile had earnings, with median earnings of \$12,000. About 46.1 percent of older persons in the highest income quintile had earnings, with median earnings of

⁸ Public welfare assistance includes SSI, family support, and other income assistance.

⁹ The amount of median public welfare benefits is almost same for families in the lowest family income quintile and families in the highest income quintile. An individual who is eligible to receive public welfare assistance (such as person with disability) should receive the same benefits regardless of his or her family income.

Figure 3
Income Sources as a Percent of Total Personal Income by
Personal Income Quintile for Persons Age 65 and Older in 2004



*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, "Other," cannot be shown and labeled, numbers do not sum to 100 percent.
 Source: March 2005 Current Population Survey.

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 Public Policy Institute

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 2004, nearly 41 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 2004, more than 85 percent of income for older persons with personal income under \$10,000 came from Social Security payments compared with 9.6 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.

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 2004, only 0.1 percent of total income came from earnings for persons in the lowest income quintile, compared with 36.2 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.

Written by Ke Bin Wu
 AARP Public Policy Institute
 601 E Street, N.W., Washington, DC 20049
 Tel: (202) 434-3870
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