

SOURCES OF INCOME FOR OLDER PERSONS IN 1995

Social Security, pensions, and interest from personal saving are three major income sources for older persons. They form the proverbial “three-legged stool” of retirement income. Besides these three sources, personal earnings and government transfers, such as Supplemental Security Income (SSI) and veteran benefits, are also important income sources. The March 1996 Current Population Survey (CPS)

Number of Older Persons with Each Income Source

According to the March 1996 CPS estimates, nearly 29 million persons aged 65 and over (92.5 percent) had *Social Security income*² in 1995. The median amount of Social Security income was \$7,749. Table 1 presents the number of individuals aged 65 and over with various

Table 1
Number of Persons Aged 65 and Over with Source of Income in 1995¹

Sources of Income	Number with Income (thousands)	As Percent of Over Age 65 Population ² %	Mean Income from Source \$	Median Income from Source ³ \$
Persons with Income	31,081	N/A	17,604	11,809
Social Security	28,739	92.5	7,972	7,749
Interest income	20,695	66.6	3,144	793
Pensions ⁴	9,977	32.1	9,595	6,240
Dividend income	6,070	19.5	3,471	1,200
Earnings income ⁵	4,960	16.0	19,612	9,000
Rents, royalties, estates, or trusts	3,248	10.5	3,434	1,200
Survivor benefits ⁶	1,603	5.2	7,354	4,800
Supplemental Security Income (SSI)	1,308	4.2	2,982	2,280
Veterans' benefits ⁷	1,155	3.7	5,390	2,999
Disability benefits ⁸	233	0.7	9,768	5,652
Unemployment compensation	110	0.4	3,668	2,208
Public Assistance (AFDC and other assistance) ⁹	81	0.3	1,706	890
Worker's compensation	77	0.2	8,028	6,600

¹ Source: *Money Income in the United States: 1995* Bureau of the Census, October 1996 Table 11 and the March 1996 Current Population Survey (machine-readable data file).

² Percent was calculated by author. Numbers do not sum to 100 percent because individuals have more than one income source.

³ Figures were calculated by author based on the March 1996 Current Population Survey (machine-readable data file).

⁴ 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.

⁵ Earnings income includes: wages, salaries, non-farm, and farm self-employment.

⁶ Survivor benefits sources include: private company or union, federal government, military retirement, state and local government, railroad retirement, worker's compensation, black lung, estates or trusts, and annuities.

⁷ Veterans' benefits include: disability benefits, survivor benefits, pensions, education benefits, and others.

⁸ Disability benefits sources include: worker's compensation, private company, federal government, military retirement, state and local government, railroad retirement, accident insurance, black lung, and temporary insurance.

⁹ Public assistance includes: AFDC and other assistance.

provides information about personal income by source for calendar year 1995.¹

represent the institutionalized population or those under age 15. The March 1996 survey refers to 1995 income levels.

¹ The March Current Population Survey consists of about 60,000 households. The survey does not

income sources, and the mean and the median of each income source for those having each source.

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

Based on the March 1996 CPS estimates, almost 10 million persons aged 65 and over (32.1 percent) had *pension income* in 1995. The median pension income in that group was \$6,240. Many older persons were working in 1995. Nearly five million persons aged 65 and over had *earnings income* in 1995, and the median income from this source was \$9,000, while the mean was over twice as large (\$19,612) (see Table 1).

Interest income from personal savings is one of the three major income sources for older persons. According to the March 1996 CPS estimates, 66.6 percent of persons aged 65 and over had interest income in 1995. The mean income from interest was \$3,144 while the median was only \$793. About 19.5 percent of older persons had *dividend income* with a mean income from this source of \$3,471 and a median of \$1,200 (see Table 1).

Besides Social Security, other government transfers also are important income sources for older persons. *Supplemental Security Income* was received by 1.3 million individuals aged 65 and over (4.2 percent), three-fourths of whom were women (see Table 2). Median SSI benefits were \$2,280 in 1995 (see Table 1).

Number of Older Persons with Income Source Varied by Gender

Table 2 presents the number of persons aged 65 and over with each income source by gender, and the median of each income source for those having each source. Among the aged population, the number of persons with certain income sources varied substantially by gender. Similarly large percentages of both men and women received Social Security benefits and interest income. Based on the March 1996 CPS estimates, 91.4 percent of older men and 93.7 percent of older women had Social Security income in 1995. However, the amounts differ considerably. The median Social Security income was \$9,409 for men, and \$6,493 for women. Nearly 70 percent of older men and 65 percent of older women had interest income in 1995. The median amounts were comparable -- \$800 for men and \$771 for women.

About 6.1 million older men (46.5 percent) had *pension income*, with a median pension income of \$8,280, while 3.9 million older women (21.7 percent) had pension income, with a median pension income of \$4,188. Nearly 22 percent of older men had income from earnings and median earnings of \$11,000, while 11.7 percent of older women had earnings income with a median of \$6,600. Five and one-half percent of older women received benefits from the SSI program in 1995, while 2.4 percent of older men had SSI benefits. The median SSI benefit was comparable for men and women -- \$2,412 for men and \$2,220 for women.

² Estimation based on the CPS is subject to both sampling and non-sampling error.

Table 2**Number of Persons Aged 65 and Over with Source of Income by Gender in 1995¹**

Source of Income	Men			Women		
	Number with	As Percent	Median	Number with	As Percent of	Median
	income ²	of Over Age	Income	income	Over Age 65	Income from
		65	from		Population ³	Source
	Population ³	Source				
	(thousands)	%	\$	(thousands)	%	\$
Persons with Income	13,091	N/A	16,484	17,990	N/A	9,355
Social Security	11,962	91.4	9,409	16,774	93.7	6,493
Interest income	9,153	69.9	800	11,541	64.5	771
Pensions ⁴	6,090	46.5	8,280	3,887	21.7	4,188
Dividend income	2,893	22.1	1,063	3,177	17.8	1,225
Earnings income ⁵	2,863	21.9	11,000	2,096	11.7	6,600
Rents, royalties, estates, or trusts	1,556	11.9	1,000	1,692	9.5	1,200
Survivor benefits ⁶	190	1.4	5,556	1,414	7.9	4,800
Supplemental Security Income	317	2.4	2,412	991	5.5	2,220
Veterans benefits ⁷	878	6.7	2,711	277	1.5	6,032
Disability benefits ⁸	166	1.3	6,500	67	0.4	5,184
Unemployment compensation	49	0.4	2,500	61	0.3	1,139
Public Assistance ⁹	18	0.1	890	63	0.4	852
Worker's compensation	57	0.4	7,860	20	0.1	5,096

¹ Source: March 1996 Current Population Survey (machine-readable data file).

² All figures were based on the author's analysis of the March 1996 Current Population Survey (machine-readable data file).

³ Numbers do not sum to 100 percent because individuals have more than one income source.

⁴ 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.

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

⁶ Survivor benefits sources include: private company or union, federal government, military retirement, state and local government, railroad retirement, worker's compensation, black lung, estates or trusts, and annuities.

⁷ Veterans benefits include: disability benefits, survivor benefits, pensions, education benefits, and others.

⁸ Disability benefits sources include: worker's compensation, private company, federal government, military retirement, state and local government, railroad retirement, accident insurance, black lung, and temporary insurance.

⁹ Public Assistance includes: AFDC and other assistance.

Overall, for persons aged 65 and over, men were more likely than women to have pension income, dividend income, and earnings income, while women were more likely to have SSI and Social Security survivor benefits. There was not a large percentage difference between men and women having Social Security and interest income.

Persons Aged 65 and Over with Income Source Varied by Personal Income

Table 3 presents percentages of persons aged 65 and over by income who

have each income source and the mean of each income source in 1995. Based on the March 1996 estimates, over 90 percent of older persons with personal income between \$5,000 and \$30,000 had Social Security income, while only 70.8 percent of older persons with personal income under \$5,000 and 76.3 percent of older persons with personal income \$75,000 and over had Social Security income.

Pension income is most frequent in the middle-income range, but average amounts of pension income increase steadily as one moves up the income scale.

In 1995, 65-70 percent of older persons with personal income between \$20,000 and \$50,000 had pension income, with an average pension payment of over \$10,700 for those between \$20,000 and \$30,000 and an average of \$17,000 for those between \$30,000 and \$50,000. Only 3.7 percent of older persons with personal income under \$5,000 had pensions, with an average \$1,708 of pension income.

Older persons with higher income were more likely to have asset income and to have higher asset income on average. In 1995, 90 percent or more of older persons with personal income above \$30,000 had asset income with the average amount increasing from nearly \$9,000 for those between \$30,000 and \$50,000 income to more than \$34,000 for those with income above \$75,000 (Table 3).

Among the older population, persons with higher income were more

likely to have income from earnings and to have higher average earnings. In 1995, 40.5 percent of older persons with personal income between \$30,000 and \$50,000 had earnings income, with an average of \$21,212. Nearly two-thirds of older persons with income \$75,000 and over had earnings, with a mean of \$93,434. Only 3.9 percent of older persons with personal income under \$5,000 had income from earnings, averaging \$1,039.

Older persons with low income were more likely to receive government welfare payments. In 1995, 10.3 percent of older persons with personal income between \$5,000 and \$10,000 had public welfare benefits, with an average of \$2,737 of payments, while 0.3 percent of older persons with personal income between \$50,000 and \$75,000 had public welfare income, with an average of \$412 of benefits.

Table 3
Percentage of Persons Age 65 and Over with Source of Income by Personal Income in 1995¹

Personal Income level	Social Security		Pension ⁷		Asset ⁸		Earnings ⁴		Public Welfare ⁵		Other Gov. Transfers ⁶	
	Percent ²	Mean ³	Percent	Mean	Percent	Mean	Percent	Mean	Percent	Mean	Percent	Mean
(\$ thousands)	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
0 to 5	70.8	3,495	3.7	1,708	40.8	520	3.9	1,039	5.9	2,460	0.7	1,169
5 to 10	95.3	6,376	12.5	2,301	49.5	1,165	5.4	2,556	10.3	2,737	2.6	2,132
10 to 20	95.7	9,008	47.1	5,107	76.0	2,599	14.4	6,111	1.0	4,268	4.3	4,789
20 to 30	92.4	9,494	69.7	10,734	86.6	5,046	25.2	11,889	0.4	9,183	8.0	6,606
30 to 50	86.7	9,898	64.6	16,995	90.0	8,932	40.5	21,212	0.5	8,637	7.0	8,930
50 to 75	80.7	14,074	57.9	26,970	90.7	15,257	47.5	36,755	0.3	412	8.6	7,217
75 and above	76.3	12,566	54.4	33,835	96.0	34,400	64.6	93,434	0.8	1,578	8.1	9,484

¹ Source: Bureau of the Census, March 1996 Current Population Survey (machine-readable data file).

² Persons with income as a percent of total for persons age 65 and over within the income class.

³ Average income for persons with income.

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

⁵ Public Welfare includes SSI, AFDC, and other assistance.

⁶ Other government transfer income includes: unemployment compensation, worker compensation, and veteran benefits.

⁷ Retirement income includes: pension income, survivor income, and disability income.

⁸ Asset income includes: interest income, dividend income, and rent income.

Share of Income Sources in Total Personal Income Varied by Personal Income for Persons Age 65 and Over

For the older population, the distribution of income shares varied by personal income level. Table 4 presents amounts of income by source as a percent of total personal income (in the aggregate) for each personal income level.

In 1995, over 80 percent of income came from Social Security payments for older persons with personal income under \$10,000. The share of Social Security income in total personal income declined directly as income increased. It was lower than 10 percent of income for those with income of \$75,000 and over.

Compared with Social Security income, the shares of savings and asset income tend to be distributed in the opposite way -- the shares of these sources in total personal income increased directly as personal income increased.

Pensions tend to be more important for those in the middle-income range. About 25 to 30 percent of personal income for older persons with personal income between \$20,000 and \$75,000 was from pensions.

Overall, for older persons with low personal income, their income depends on Social Security income supplemented by income from savings and public welfare assistance such as SSI. For the middle income older persons, Social Security income, pensions, personal savings and earnings are the major sources of personal income. For older persons with high income, earnings, personal savings, pensions, and Social Security constitute most of their personal income.

Number of Older Persons with Income Source Varied by Race/Ethnic Group

Among the aged population, the number of persons with each income source varied by race/ethnicity (see Figure

Table 4
Distribution of Income Source as a Percent of Personal Income (in the aggregate) for Each Personal Income Level in 1995

Personal Income Level (\$ thousands)	Social Security %	Pension ⁵ %	Asset ⁶ %	Earnings ² %	Public Welfare ³ %	Other Transfers ⁴ %	Other ⁷ %	Total %
0 to 5	84.2	2.1	6.8	1.4	5.0	0.3	0.2	100.0
5 to 10	81.8	3.9	7.7	1.9	3.8	0.8	0.2	100.0
10 to 20	60.7	17.0	13.9	6.2	0.3	1.4	0.6	100.0
20 to 30	36.1	30.8	17.9	12.3	0.1	2.2	0.6	100.0
30 to 50	23.1	29.5	21.6	23.0	0.2	1.6	1.1	100.0
50 to 75	19.2	26.4	23.3	29.4	0.0	1.0	0.7	100.0
75 and above	7.7	14.8	26.5	48.6	0.0	0.6	1.8	100.0
All	41.9	20.0	17.6	17.6	0.7	1.3	0.8	100.0

¹ Source: Bureau of the Census, March 1996 Current Population Survey (machine-readable data file).

² Earnings income includes: wage, salary, non-farm, and farm self-employment.

³ Public Welfare includes SSI, AFDC, and other assistance.

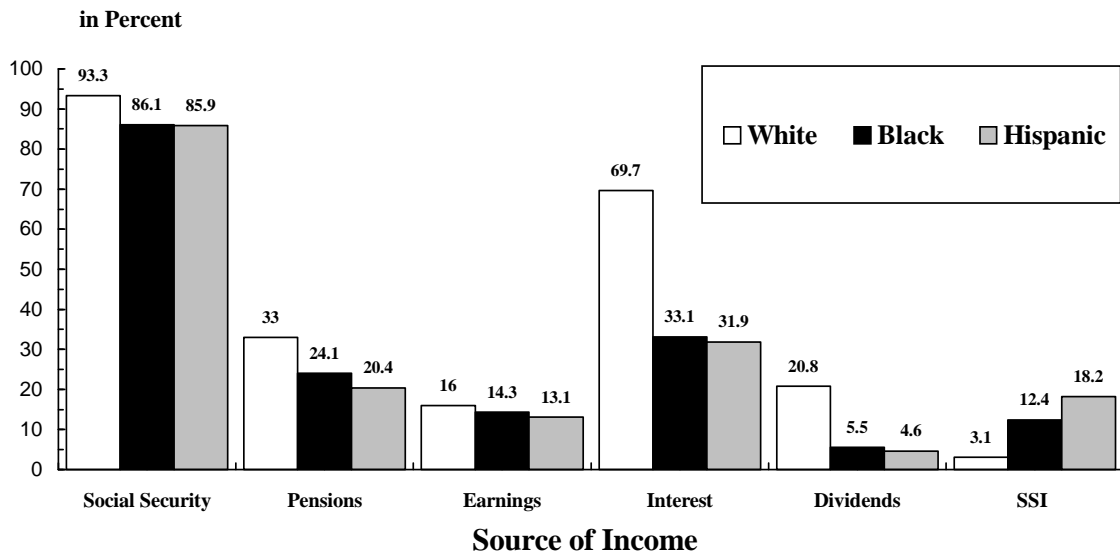
⁴ Other government transfers income includes unemployment compensation, worker compensation, and veteran benefits.

⁵ Retirement income includes: pension income, survivor income, and disability income

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

⁷ Other income includes: alimony income, child support income, and miscellaneous.

Figure 1
Percent of Older Population with Selected Source of Income by Race/Ethnic Group in 1995



Data Source: *Money Income in the United States 1995*. Bureau of the Census, October 1996, Table 11

1). According to the March 1996 CPS estimates, about 93 percent of whites and 86 percent of blacks and Hispanics had income from Social Security. About 33 percent of whites, 24.1 percent of blacks, and 20.4 percent of Hispanics had pension income.

Among the aged population, 69.7 percent of whites had interest income in 1995, while only 33.1 percent of blacks and 31.9 percent of Hispanics had interest income. Nearly 21 percent of whites had dividend income, while only 5.5 percent of blacks and 4.6 percent of Hispanics had such income. Only 3.1 percent of whites had income from the SSI program, while 12.4 percent of blacks and 18.2 percent of Hispanics received SSI payments.

In short, for the older population, there were not large percentage differences among race/ethnic groups in Social Security and earnings income, but blacks and Hispanics were less likely to have pension and interest income, and were more likely to have SSI income.

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