

African Americans Age 65 and Older: Their Sources of Income

Introduction

The economic security of those 65 and older has improved over the last 30-plus years. Poverty rates for this age group fell from 28.5 percent in 1966 to 10.4 percent in 2002. For most, Social Security benefits provide the foundation for their retirement income security.¹ Some have additional sources of income--public and private pensions, personal savings and assets, and even income from work.

Unfortunately, this improved economic picture does not describe a growing portion of older people, particularly minorities and women. In 2002, older African Americans were only 8.3 percent of the total population age 65 and older;² yet, they comprised 18.9 percent of all those age 65 and older living below the poverty threshold.³ This Fact Sheet focuses on the poverty status and sources of retirement income for older African Americans.

Poverty

The poverty rate for African Americans age 65 and older is more than twice that of all older people (23.9 percent and 10.4 percent respectively). In fact, without Social Security benefits, the portion of African Americans age 65 and older who fall below poverty would increase from 23.9 percent to 58.2 percent.

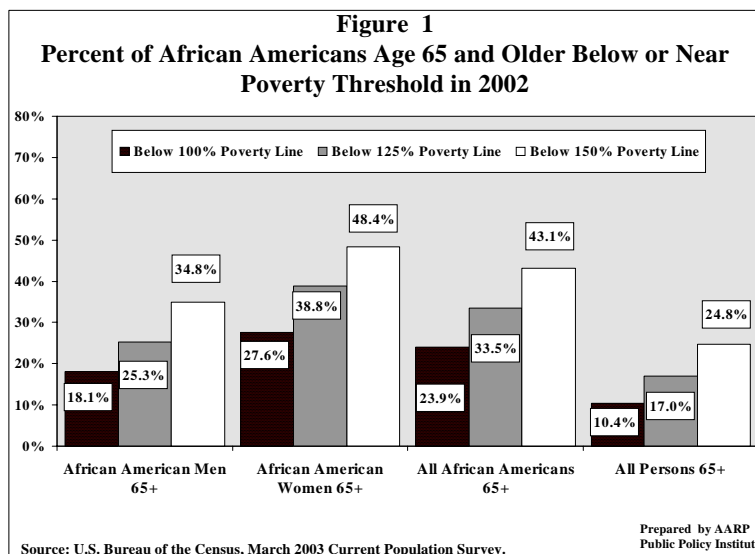
¹ The annual cost-of-living adjustment maintains the purchasing power of Social Security benefits over time.

² The Bureau of the Census in 2002 divided the U.S. population into five groups on the basis of race: White, Black, American Indian/Aleut Eskimo, Asian or Pacific Islander, and Other races. This paper will use African American and Black interchangeably.

³ Calculated by the U.S. Census Bureau, the poverty thresholds are the dollar amounts used to determine poverty status. For an individual 65 or older in 2002, the poverty threshold was \$8,628 for an older individual and \$10,874 for an older couple.

The portion of older African Americans who fall into the near-poor categories of below 125 percent and below 150 percent of poverty is close to twice that of all persons age 65 and older (33.5 and 43.1 percent for African Americans and 17 and 24.8 percent for all 65 and older). (See Figure 1.)

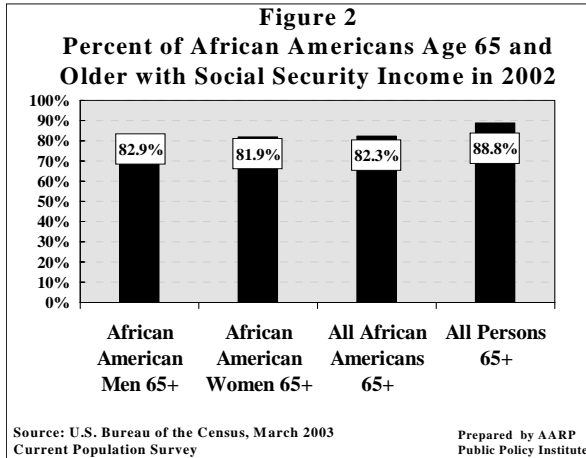
The portion of African American women who fall below poverty and near poverty is significantly higher than the portion for all older persons. Almost 28 percent of African American women 65 and older live below poverty, 39 percent live below 125 percent of poverty, and almost half of older African American women live below 150 percent of poverty.⁴



Sources of Retirement Income

Social Security. For African Americans Social Security is the predominant source of retirement income. It provides

⁴ In contrast, 10.5 percent of non-Hispanic white women fall below poverty, 17.0 percent fall below 125 percent of poverty, and 24.8 percent fall below 150 percent of poverty.



income to 82.3 percent of African Americans age 65 and older. (See Figure 2.)

Not only do more than 80 percent of older African Americans receive Social Security, they depend on it. Almost 80 percent (78.2) of African Americans age 65 and older depend on Social Security for more than 50 percent of their income and more than one-half (52.8 percent) depend on Social Security for 90 percent or more of their income.⁵ (Data not shown.)

Pensions.⁶ Benefits from pensions undoubtedly improve income security for older people. However, pensions are a part of retirement income security for less than one-third (30.6 percent) of all persons over age 65. Interestingly, the portion of African American men who receive pensions is slightly higher than that for all older persons. On the other hand the portion of African American women receiving pensions is much lower. (See Figure 3.)

Interest and Dividends. Interest is a source of income for more than half (53 percent) of all persons age 65 and older. In contrast, less than one-quarter (23.9 percent) of older

⁵ Two-thirds of all persons age 65 and older depend on Social Security for more than 50 percent of their income.

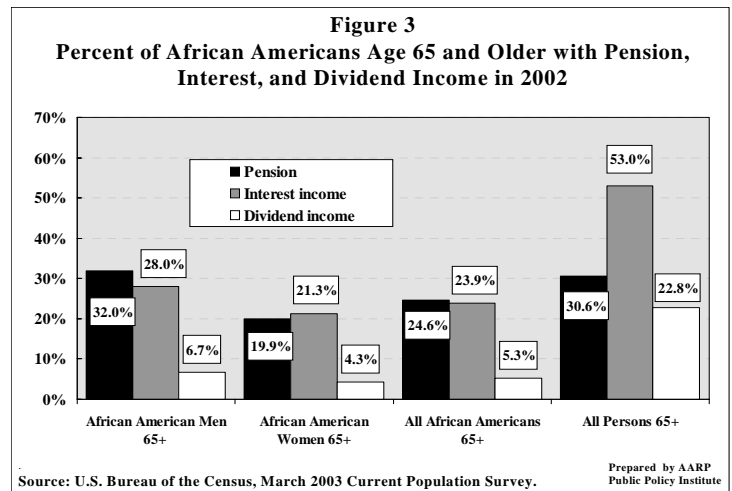
⁶ Pension sources include: private company or union, federal government, military retirement, state and local government, railroad retirement, annuities, and IRA, Keogh or 401 (k) plans.

African Americans receive income from interest. (See Figure 3.)

Income from dividends is received by a very small portion of African Americans age 65 and older. While close to one-quarter (22.8 percent) of all people 65 and older receive income from dividends, only 5.3 percent of African Americans in the same age group receive dividends (women 4.3 percent, men 6.7 percent). (See Figure 3.)

Conclusions

Great strides have been made in raising the incomes of African Americans age 65 and older, due in large part to the inflation



protections provided by Social Security. However, this population remains disproportionately poor. Older African Americans receive relatively little income from other sources (except, notably, older African American men's pensions). For African Americans age 65 and older, Social Security continues to be the primary source of retirement income security. Particularly in light of overall trends in pension coverage in the U.S., Social Security's central importance cannot be overemphasized.

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