

Sources of Income for Older Persons, 2006

- ✓ Older persons with low income depend heavily on Social Security.
- ✓ Over the past 11 years, earnings have become a more important income source for the older population, especially for the older individuals with middle and high income.

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 important income sources. This report includes information about income sources for individuals age 65 and older in 2006 obtained from the March 2007 Current Population Survey (CPS).²

Number of Older Persons with Each Income Source

According to CPS estimates, 34.8 million people age 65 and older (96.6 percent of the older population) had income in 2006, with a *mean* income of \$26,878 and a *median* income of \$16,902. Table 1 presents the number of persons age 65 and older with various income sources, and the mean and median of each 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 individuals age 65 and older (86.4 percent of the older population) had *Social Security income* in 2006 (table 1). The mean amount of Social Security income was \$11,723 and the median was \$11,682, indicating that Social Security income was

quite evenly distributed, as compared with most other types of income.

About 11 million people age 65 and older (30.7 percent of the older population) had income from *pensions and retirement savings* in 2006. The mean amount of income from pensions and retirement savings for those having such income was \$14,566, and the median was \$10,080.

Interest income from personal savings was the next most commonly held income source for older individuals after Social Security. Although more than half (50.6 percent) of those age 65 and older reported income from interest in 2006, most of them received very little, as reflected in the median of only \$978 for those with interest income. For some older people, however, interest was a substantial source of income, as is evident from the mean of \$4,392. *Dividend income* revealed a similar spread.

Many older persons were working in 2006. About 6.7 million people age 65 and older (18.6 percent) had *earnings income*. The median income from this source was \$19,250, while the mean was nearly 1.8 times as large — \$33,758.

About 1 million individuals age 65 and older (2.8 percent) received *Supplemental Security Income*,³ and the median SSI benefit was \$4,512 in 2006.

Source of Income	65 and Older				Men		Women	
	Number of Income Recipients (thousands)	Recipients as a Percentage of Persons Age 65 and Older ² (%)	Mean Income from Source (\$)	Median Income from Source (\$)	Recipients as a Percentage of Men Age 65 and Older (%)	Median Income from Source (\$)	Recipients as a Percentage of Women Age 65 and Older (%)	Median Income from Source (\$)
All persons with income ³	34,805	96.6	26,878	16,902	97.5	23,462	95.9	13,448
Social Security ⁴	31,124	86.4	11,723	11,682	85.6	13,518	86.9	9,562
Interest income	18,227	50.6	4,392	978	54.3	1,000	47.8	895
Income from pensions and retirement savings ⁵	11,046	30.7	14,566	10,080	42.6	12,334	21.7	6,804
Dividend income	7,528	20.9	5,542	1,327	24.2	1,500	18.4	1,150
Earnings income ⁶	6,715	18.6	33,758	19,250	23.9	24,000	14.7	15,000
Rents, royalties, estates, or trusts	2,525	7.0	8,768	3,000	8.1	2,500	6.2	3,418
Survivors' benefits ⁷	1,919	5.3	11,556	6,780	1.6	8,400	8.1	6,672
Supplemental Security Income (SSI)	1,026	2.8	4,915	4,512	1.8	5,760	3.6	4,080
Veterans' benefits ⁸	973	2.7	11,079	7,630	5.0	6,300	1.0	12,000
Disability benefits ⁹	187	0.5	11,965	7,296	0.7	9,600	0.4	7,296
Unemployment compensation	156	0.4	3,737	1,960	0.6	2,800	0.3	1,545
Workers' compensation	107	0.3	8,177	5,736	0.5	5,736	0.1	3,896
Public welfare ¹⁰	64	0.2	2,700	2,268	0.1	660	0.3	2,268

1 Data Source: U.S. Bureau of the Census, March 2007 Current Population Survey.

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

3 Income includes the items shown separately below plus child support, alimony, assistance from friends and relatives, and other regular sources of cash income.

4 Social Security includes: Old Age, Survivors, and Disability Insurance benefits.

5 Pensions and retirement savings include: private company or union, federal government, military retirement, state and local government, and railroad retirement plans and pensions; annuities; and IRA, Keogh, or 401(k) plans.

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

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

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

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

10 Public welfare includes: Temporary Assistance for Needy Families (TANF) and education assistance.

Income by Source and by Gender

Income sources for older persons, such as Social Security, retirement, and earnings, varied substantially by gender in 2006. The last four columns of table 1 show that older men had more income from most sources than older women. Almost 9 out of 10 older men and women received *Social Security income*. Men tended to receive more, as reflected in a median of \$13,518 versus \$9,562 for women. Men's higher lifetime earnings and the fact that they were less likely to receive lower spousal benefits contributed to this difference.

Older men were twice as likely (42.6 percent) as older women (21.7 percent) to have income from *pensions and retirement savings*, and the men's median retirement income of \$12,334 was almost two times that of women (\$6,804). About 24 percent of older men had income from *earnings*, with a median of \$24,000, while 14.7 percent of older women had earnings income, with a median of \$15,000. These

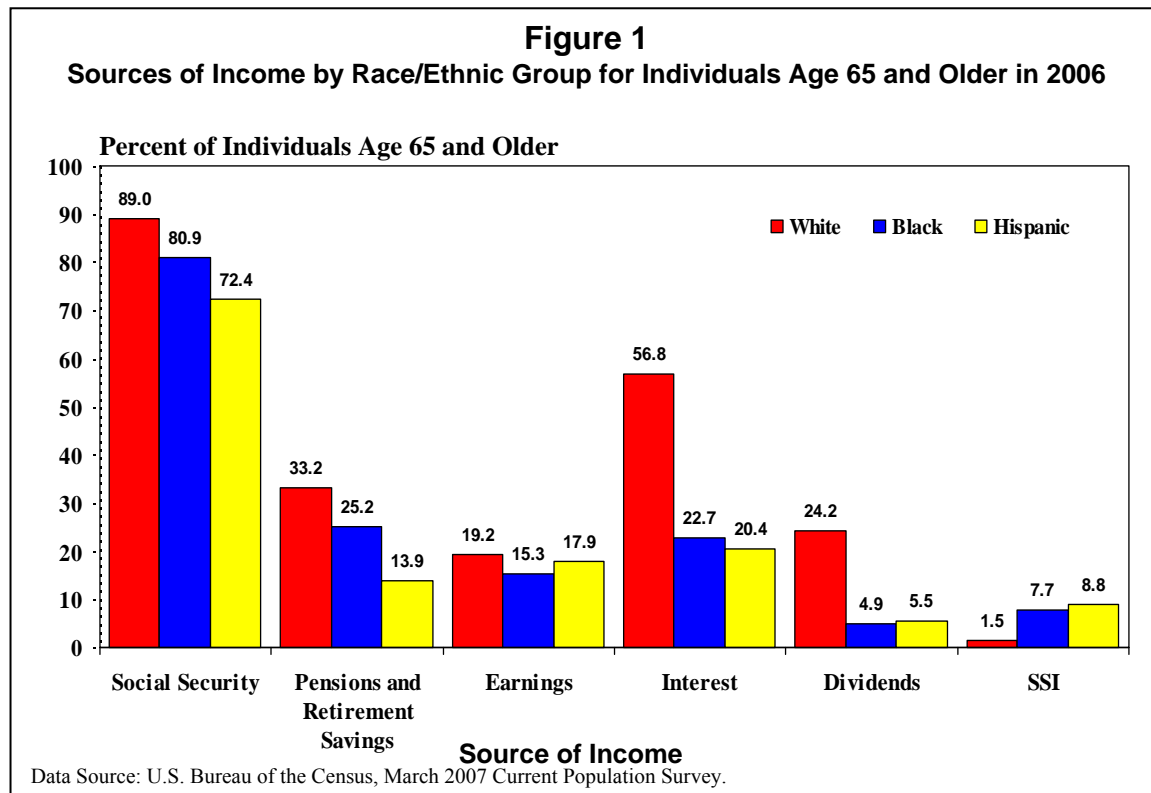
differences were due to the fact that women had lower labor force participation and were more likely to have low-wage jobs.

About 54 percent of older men and 48 percent of older women had *interest income*. The median amounts were \$1,000 for men and \$895 for women. About 24.2 percent of older men and 18.4 percent of older women had *dividend income*. The median amounts were \$1,500 for older men and \$1,150 for older women.

Older men were more likely than older women to have 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 (either in the portion who received them or in the median amount received).

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, pensions and retirement savings, interest, and dividends. Blacks and Hispanics were more likely than whites to have income from SSI. About 89 percent of whites, 80.9 percent of blacks, and 72.4 percent of Hispanics had income from Social Security in 2006. About 19.2 percent of whites, 15.3 percent of blacks, and 17.9 percent of Hispanics had earnings income.

There were larger percentage differences among race/ethnic groups in income from pensions and retirement savings, interest, dividends, and SSI. In 2006, 33.2 percent of whites had income from pension and retirement savings, compared with 25.2 percent of blacks and 13.9 percent Hispanics. Nearly 57 percent of whites had interest income, while only 22.7 percent of blacks and 20.4 percent of Hispanics had this income. Only 1.5 percent of whites had income from the SSI program, while 7.7 percent of blacks and 8.8 percent of Hispanics received SSI payments.

Income by Source and by Age

The distribution of income sources did not vary substantially by age for older people except for earnings income. For the older population, *earnings income* decreased as age increased. In 2006, about one-third of persons age 65 to 69 had earnings income, with a median of \$23,000. Only 2.9 percent of individuals age 85 and older had earnings, with a median of \$12,000 (table 2).

In 2006, 86.4 percent of people age 65 and older had *Social Security income*, and 35.1 percent *retirement income* (including income from pensions and retirement savings, survivors benefits, and disability income), with median amounts of \$11,682 and \$9,788 respectively. Persons age 65 to 69 were less likely to receive Social Security and retirement income than other age groups, which may reflect delayed

retirement by older individuals in this age group.

Sources of Income by Person Income Quintile

More than 90 percent of persons age 65 and older in the second, middle, and fourth quintiles of income had *Social Security income* in 2006, while only 69 percent of older people in the lowest quintile and 83 percent of older individual in the highest quintile had Social Security income (table 3).

Retirement income from pension and savings was most common in the middle and higher income ranges. Both the percentage with retirement income and the median amounts increased steadily as one moved up the income scale. In 2006, 60.9 percent of older persons in the fourth and 58.5 percent of older individuals in the fifth income quintiles had retirement income with a median amount of \$10,136 in the fourth quintile and \$23,800 in the highest quintile. Only 4.8 percent of older people in the lowest income quintile had retirement income, with a median amount of \$1,872.

More than 50 percent of older people in the middle quintile and above had asset income (including interest, dividend, and rent income) in 2006. Nearly 80 percent of older people in the highest quintile had asset income, with a median of \$7,208, while only 27.4 percent of older persons in the lowest quintile had any asset income, with a median asset income of \$297.

Older people in the higher income quintiles were more likely to have income from *earnings* and to have higher median earnings. About 26 percent of older individuals in the fourth quintile had earnings, with a median of \$14,000. Nearly half of older people (47.8 percent) in the highest quintile had earnings, with a median of \$40,000. Only 3.3 percent of older persons in the lowest quintile had

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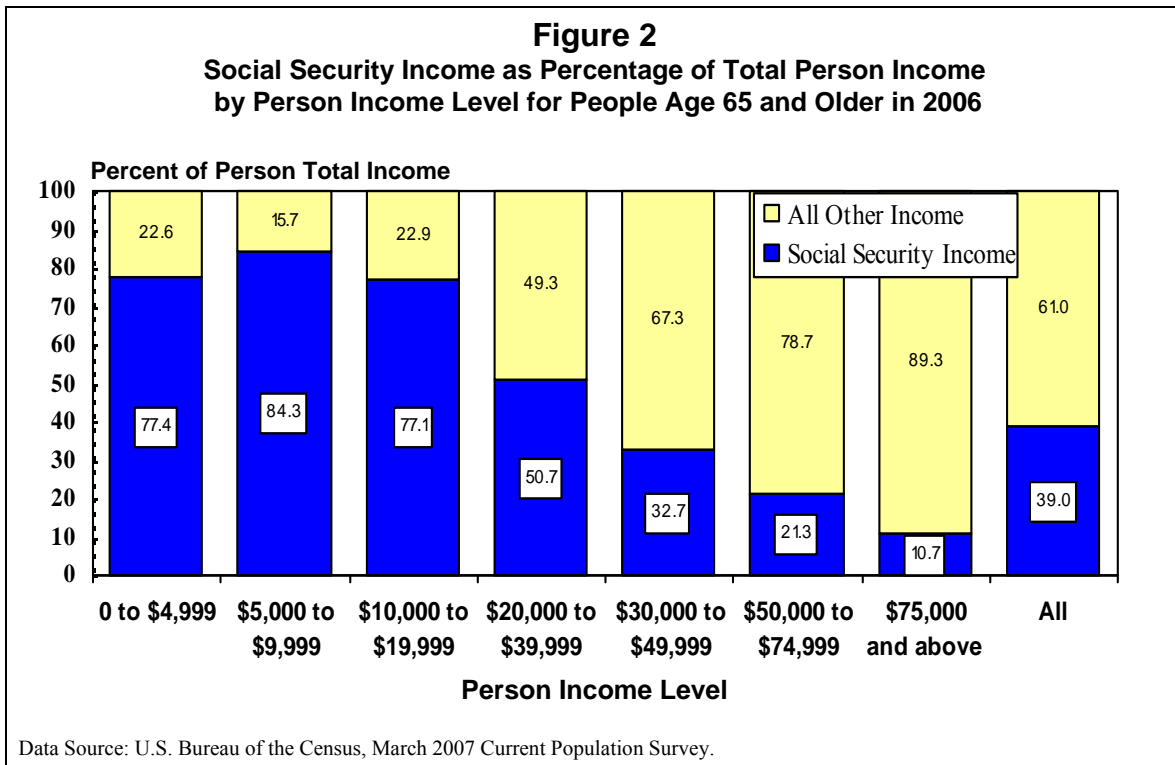
any income from earnings, with a median earnings of \$2,600.

Age Group	Social Security ²		Retirement ³		Asset ⁴		Earnings ⁵		Public Welfare ⁶		Other Gov. Transfers ⁷	
	Percent ⁸	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)
Age 65–69	79.6	11,538	30.7	12,000	53.9	1,685	33.4	23,000	3.0	5,484	3.1	4,524
Age 70–74	87.6	11,382	36.1	10,248	53.3	1,586	20.7	15,000	2.9	4,368	2.9	5,616
Age 75–79	88.5	11,562	36.4	9,600	53.5	1,681	17.0	14,538	2.9	4,032	3.1	7,630
Age 80–84	91.0	11,862	39.0	8,400	54.6	1,882	6.1	18,000	2.9	4,752	4.4	7,630
Age 85+	89.5	11,862	36.5	7,680	48.6	1,690	2.9	12,000	3.3	3,600	4.2	6,000
Total	86.4	11,682	35.1	9,788	53.2	1,700	18.6	19,250	3.0	4,200	3.4	5,850

¹ Data Source: U.S. Bureau of the Census, March 2007 Current Population Survey.
² Social Security includes: Old Age, Survivors, and Disability Insurance Benefits.
³ Retirement income includes: income from pensions and retirement savings (see table 1, note 5), survivors' benefits, and disability income.
⁴ Asset income includes interest, dividend, and rent income.
⁵ Earnings income includes: wages, salaries, and non-farm and farm self-employment income.
⁶ Public welfare includes: SSI, TANF, and education assistance.
⁷ Other government transfer income includes: unemployment compensation, workers' compensation, and veterans' benefits.
⁸ Numbers do not sum to 100 percent because individuals have more than one income source.

Person Income Quintile ²	Age Group	Social Security ³		Retirement ⁴		Asset ⁵		Earnings ⁶		Public Welfare ⁷		Other Gov. Transfers ⁸	
		Percent ⁹	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)	Percent	Median (\$)
Lowest Quintile	Age 65–69	69.0	6,234	4.8	1,872	27.4	297	3.3	2,600	6.7	4,800	0.7	1,380
Second Quintile	Age 70–74	94.7	10,062	14.3	2,400	38.0	592	5.0	3,600	5.7	3,408	1.6	1,976
Middle Quintile	Age 75–79	93.9	13,398	37.2	4,476	53.8	1,200	11.6	7,000	1.4	5,040	2.9	3,000
Fourth Quintile	Age 80–84	91.3	13,512	60.9	10,136	67.6	2,200	25.5	14,000	0.8	7,800	5.7	9,348
Highest Quintile	Age 85+	83.0	15,000	58.5	23,800	79.4	7,208	47.8	40,000	0.4	4,080	6.2	13,620
Total	Total	86.4	11,682	35.1	9,788	53.2	1,700	18.6	19,250	3.0	4,200	3.4	5,850

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Older individuals with low income were more likely to receive income from *public welfare assistance*, which included SSI, Temporary Assistance for Needy Families (TANF) and educational assistance. In 2006, about 7 percent of older individuals in the lowest quintile had public welfare income, with a median of \$4,800, while only 0.4 percent of older people in the highest quintile had public welfare income, with a median of \$4,080 in benefits.⁴

Sources of Income as a Share of Total Person Income

Social Security is the most important income source for people age 65 and older. In 2006, 39 percent of aggregate person income of the older population was from Social Security payments (figure 2).

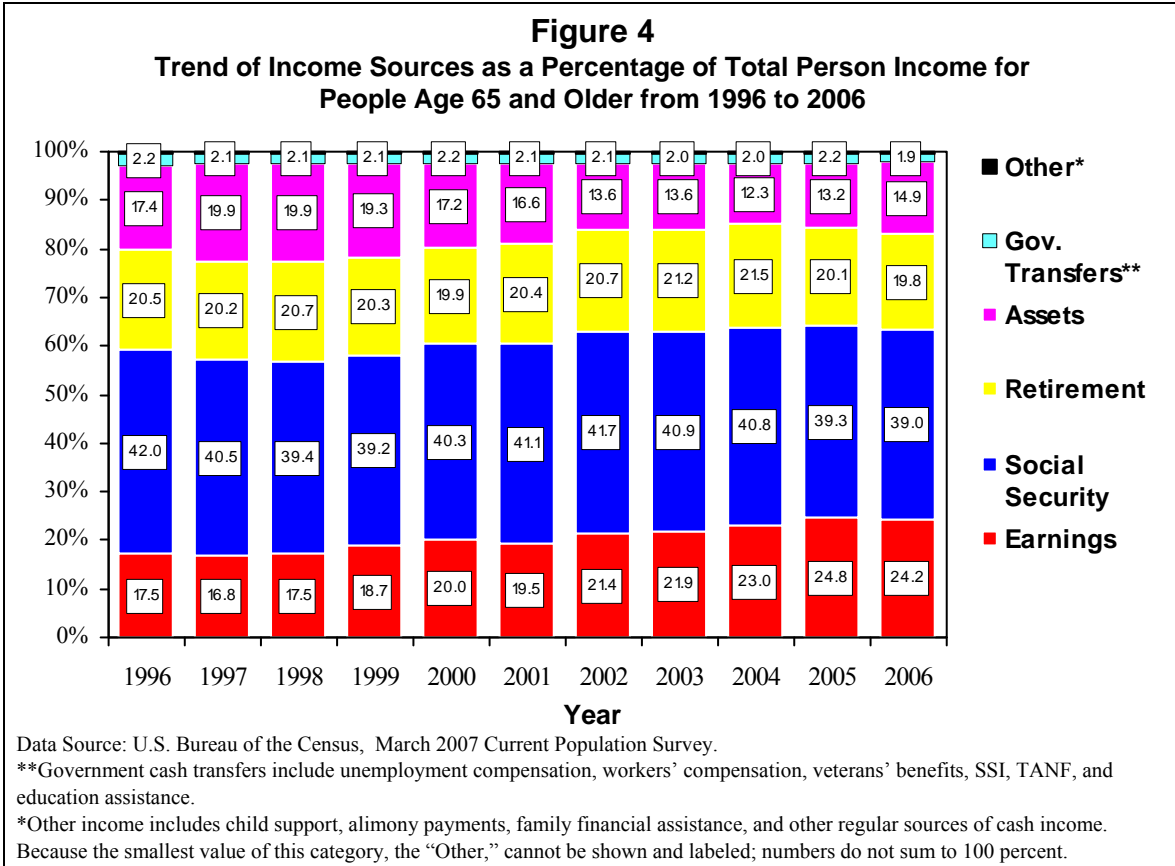
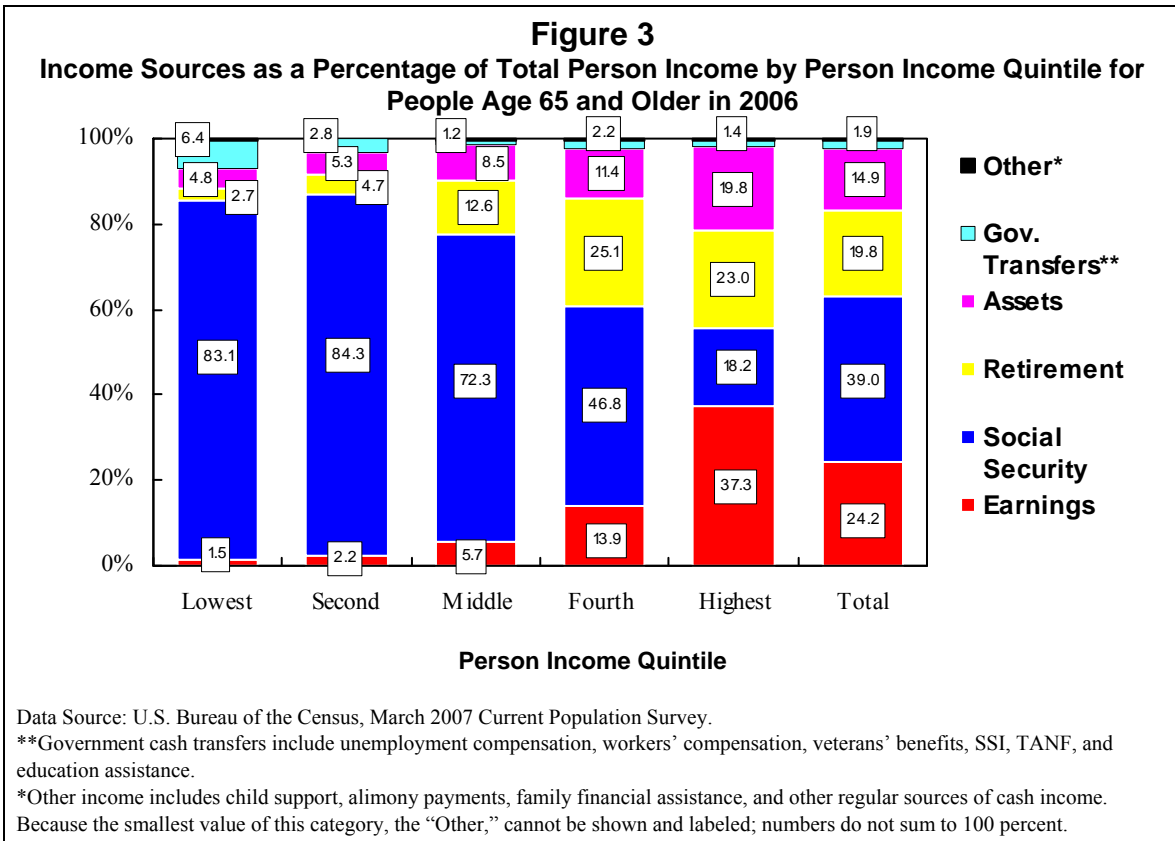
Older people with low income depended on Social Security the most. In 2006, more than 75 percent of income for older persons with income under \$20,000 came from Social Security payments compared

with 10.7 percent for those with person income of \$75,000 and above.

Figure 3 presents aggregate income sources as a percentage of aggregate total income by income quintile for persons age 65 and older. The shares of earnings, retirement, and asset income tended to increase as person income increased. For example, in 2006, only 1.5 percent of total income came from earnings for persons in the lowest income quintile, compared with 37.3 percent for persons in the highest quintile.

Trend in Sources of Income as a Share of Total Person Income

The share of some sources of income for people age 65 and older changes significantly over time. Figure 4 presents the trend in each source of income as a percentage of total person income for the older population since 1996. For the older population, aggregate *Social Security* income was about 40 percent of aggregate



total person income from 1996 to 2006, (for example, 42 percent in 1996, 41.7 in 2002, and 39.0 in 2006).

The share of aggregate *earnings income* increased from 17.5 percent in 1996 to 24.8 percent in 2005 and then decreased slightly to 24.2 percent in 2006, about a 7 percentage point increase over 11 years. This change indicates that the earnings are becoming a more important income source for older persons.

The share of aggregate *retirement income*, (about 20 percent of aggregate person income), showed no changes from 1996 to 2006. The share of *asset income* increased in the late 1990s and has declined since 2000. These changes reflect the fluctuation of financial markets.

Conclusion

Overall, individuals age 65 and older with low person income depend heavily on Social Security supplemented by income from savings and public welfare assistance such as SSI. For middle-income older persons, Social Security is followed in importance by retirement income, earnings, and assets. Older people with high income rely on earnings, followed by retirement income, Social Security, and assets for most of their income. Over the past 11 years, earnings have become a more important income source for the older population, especially for older persons with middle and high income.

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

² The Current Population Survey (CPS) is conducted by the U.S. Bureau of the Census. The March 2007 Annual Social and Economic Supplement to the CPS (*Sources and Accuracy of Estimates for Income, Poverty, and Health Insurance Coverage in the United States: 2006 U.S. the Census Bureau 2007*; see Web site: www.census.gov/hhes/www/income06.html) consisted of about 76,100 households. The survey did not include the institutionalized population. The March 2007 survey refers to 2006 income levels.

³ Individuals age 65 and older are eligible for SSI benefits if their countable income falls below the federal maximum monthly SSI benefit. SSI eligibility is restricted to qualified persons who have resources (e.g., financial assets) of not more than \$2,000, or \$3,000 in the case of a couple. The basic federal SSI benefit is the same nationwide. For 2006, the SSI was \$603 per month payment for an eligible individual and \$904 per month for an eligible couple (for 2008, SSI benefits are \$637 for individual and \$956 for couple). States may add a supplemental benefit (see Web site: www.ssa.gov/pub/ssi).

⁴ Individual welfare benefits may not vary monotonically with individual income because public assistance eligibility is often determined based on family income and other characteristics.

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