Income and Poverty of Older Americans in 2004:

A Chartbook

by

Kebin Wu

The AARP Public Policy Institute, formed in 1985, is part of the Policy and Strategy Group at AARP. One of the missions of the Institute is to foster research and analysis on public policy issues of importance to midlife and older Americans. This publication represents part of that effort.

The views expressed herein are for information, debate, and discussion, and do not necessarily represent official policies of AARP.

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Introduction

For years, the Census Bureau’s annual Current Population Survey (CPS March Supplement) has provided the government’s official estimates of income and poverty among American families, households, and individuals. Over the years, the AARP Public Policy Institute (PPI) has regularly summarized the salient findings from the annual CPS pertaining to the income and poverty status of all Americans, but especially older Americans.

To respond to the frequent demand for short, concise data presentations, PPI’s annual summaries of the CPS have been intentionally brief and have omitted the kind of detail on income and poverty status that might be of interest to many consumers of income data. For that reason, we have prepared this chartbook on income and poverty of older Americans. It provides greater detail on poverty and the distribution of income among older persons, families, and households in terms of demographic categories such as gender, marital status, and living arrangement.

The charts in this book present information on income and poverty of older Americans in the United States in 2004. The data are from the U.S. Bureau of the Census’s March 2005 Current Population Survey. The survey consists of about 78,000 households in the United States for the calendar year 2004. The survey does not represent the institutionalized population or those under age 15.

Some of the data in the chartbook are derived from the Census Bureau’s publications, *Money Income in the United States* and *Poverty in the United States*, in the Current Population Reports P-60 series. In other cases, the charts are based on PPI analyses of the Current Population Survey over the past 30 years. In all cases, the material was either prepared or created by Kebin Wu of the PPI Economics Team. It is our hope that this chartbook can become an annual contribution to the Institute’s ongoing work on the economics of aging, and that we can add material that others would find useful, so that the book can serve as a resource for an even wider audience over time. Any suggestions that you might have about the content of the chartbook, or additions that you would find useful, should be addressed to Kebin Wu at (202) 434-3878 or kwu@aarp.org.

The charts present median money income by household, family, and person. Unless otherwise noted, the definition of household, householder, and family are the same as the Census Bureau’s definitions:

**Income:** Income is defined by the Census Bureau as *money income excluding capital gains and before taxes.*

**Poverty Thresholds:** The Census Bureau establishes “cutoffs” or thresholds to determine the poverty status of families and unrelated individuals. The thresholds differ depending on family size and age. The poverty threshold in 2004 was $9,060.
for single persons age 65 and older and $9,827 for single persons under age 65. For couples, the threshold was $11,430 for households in which the householder was age 65 or older and $12,714 for those where the householder was under age 65.

**Household:** A household consists of all persons who occupy a housing unit. A house, an apartment, or other group of rooms or a single room is a housing unit. A household includes the related family members and all the unrelated persons. A person living alone in a housing unit or a group of unrelated persons sharing a housing unit as partners is also counted as a household.

**Householder:** A householder is a person in whose name the home is owned or rented. One person in each household is designated as the householder. The number of householders, therefore, is equal to the number of households.

**Family:** A family refers to a group of two or more persons related by birth, marriage, or adoption who reside together; all such persons are considered as members of one family.
List of Figures

Figure 1. Median Income of Persons, Households, and Families by Age in 2004 ......................................................... 2
Figure 2. Median Household Income by Age of Householder in 2004 ............................................................................ 4
Figure 3. Median Household Income by Age and Living Arrangement in 2004 ................................................................. 6
Figure 4. Median Income of Persons, Households, and Families by Race in 2004 ............................................................... 8
Figure 5. Median Income of Households by Age and Race in 2004 .................................................................................. 10
Figure 6. Percent of Households in Income Class by Age in 2004 .................................................................................. 12
Figure 7. Median Family Income by Age and Gender of Family Head for Persons Age 65+ in 2004 ............................................... 14
Figure 8. Median Person Income by Age and Gender for Persons Age 65+ in 2004 ................................................................. 16
Figure 9. Median Person Income by Marital Status and Gender for Persons Age 65+ in 2004 .................................................... 18
Figure 10. Share of Aggregate Income from Different Sources, Population Age 65+ in 2004 .................................................. 20
Figure 11. Share of Aggregate Income from Different Sources, by Age Group for Population Age 65+ in 2004 ................................. 22
Figure 12. Share of Aggregate Income from Different Sources, by Family Income Quintile for Population Age 65+ in 2004 ........................................................................ 24
Figure 13. Median Social Security Income by Family Income and Gender for Persons Age 65+ in 2004 .................................................. 26
Figure 14. Social Security as a Percent of Income for Beneficiaries Age 65+ in 2004 ................................................................. 28
Figure 15. Social Security as a Percent of Income by Gender
   for Beneficiaries Age 65+ in 2004................................................................. 30

Figure 16. Social Security as a Percent of Income by Race
   for Beneficiaries Age 65+ in 2004................................................................. 32

Figure 17. Median Asset Income by Family Income and Gender
   for Persons Age 65+ in 2004........................................................................... 34

Figure 18. Median Pension Income by Family Income
   and Gender for Persons Age 65+ in 2004......................................................... 36

Figure 19. Median Earnings by Family Income and Gender
   for Persons Age 65+ in 2004........................................................................... 38

Figure 20. Median Government Transfer Income by Family Income
   and Gender for Persons Age 65+ in 2004......................................................... 40

Figure 21. Trends in Median Family Income by Age of Family Head, 1975-2004......................................................... 42

Figure 22. Trends in Median Family Income by Gender of Family Head
   for Persons Age 65+, 1975-2004 ...................................................................... 44

Figure 23. Inequality of Family Income by Age of Family Head, 1975-2004.......................... 46

Figure 24. Percent Poor, Near Poor, and Low-Income by Age in 2004................................................................. 48

Figure 25. Percent of Population below Poverty by Race and Age in 2004.......................... 50

Figure 26. Poverty Rates by Age and Gender for Persons Age 65+ in 2004.............................. 52
Figure 27. Trends in Poverty Rates by Age, 1966-2004 ................................................................. 54

Figure 28. Effect of Social Security Benefits on Poverty Rate by Age for Persons Age 65+ in 2004 .................................................................................................................. 56

Figure 29. Percent of Population below Poverty with and without Government Cash Transfers by Age in 2004 ............................................................................................................ 58

Figure 30. Percent of Families in Poverty Who Received Housing Subsidies by Householder’s Age and Race in 2004 ........................................................................................................... 60

Figure 31. Percent of Families in Poverty Who Received Energy Assistance by Householder’s Age and Race in 2004 ............................................................................................................. 62

Figure 32. Percent of Families in Poverty Who Received Food Stamps by Householder’s Age and Race in 2004 ................................................................................................................. 64

Figure 33. Percent of People in Poverty Covered by Medicaid by Age and Race in 2004 ........................................... 66
Older Americans have lower incomes than younger Americans. Households headed by people age 65 and older have less than half the income of under age 65 households. Incomes decline in retirement due to loss of earnings.
Figure 1
Median Income of Persons, Households, and Families by Age in 2004

Prepared by AARP Public Policy Institute
Median household income rises steadily with age until middle age and then falls. This pattern reflects the steadily rising incomes of successive age cohorts. It also suggests a pattern of rising and then declining income over the life cycle.
Figure 2
Median Household Income by Age of Householder in 2004


Prepared by AARP Public Policy Institute
Median household income varies by age and living arrangement. Younger married couples have the highest median household income, followed by younger single men and younger male-headed families (single parent).
Figure 3
Median Household Income by Age and Living Arrangement in 2004

Prepared by AARP Public Policy Institute
Median income varies by race. Median incomes of white families, households, and persons are higher than for non-white families. Among persons, however, the smallest differences across races occur among women. Hispanic men and women have lower median incomes than black men and women, but Hispanic households and families have higher incomes than black households and families, suggesting that there may be more workers per Hispanic household.
Figure 4

Median Income of Persons, Households, and Families* by Race in 2004

*Individuals who live alone and unrelated persons are classified as families of one.
Prepared by AARP Public Policy Institute
Median household income for minorities is lower than for whites among both younger and older households. However, the gap in household median income between white and minority households under age 65 is wider than for those age 65 and older, due in part to the leveling effect of Social Security benefits.
Figure 5
Median Income of Households by Age and Race in 2004

Prepared by AARP Public Policy Institute
Older households are more concentrated at lower income levels, and younger household at higher income levels. In 2004, more than half of older households (53.2 percent) had incomes below $25,000, while 78.6 percent of younger households had incomes above $25,000.
Figure 6
Percent of Households in Income Class by Age in 2004

Prepared by AARP Public Policy Institute
Among older families, median income declines steadily with age for families headed by both men and women. This pattern is due to cohort effects on income as well as declines in income-generating assets.
Figure 7
Median Family Income by Age and Gender of Family Head* for Persons Age 65+ in 2004

*Individuals who live alone and unrelated persons are classified as families of one.


Prepared by AARP Public Policy Institute
Among older individuals, median person income is higher for men in every age group than for women, even though the median income of men declines steadily with age. Median income of women varies little by age group.
Figure 8
Median Person Income by Age and Gender for Persons Age 65+ in 2004

Prepared by AARP Public Policy Institute
Among the older population, median person income was highest for married men and lowest for married women because many married women age 65 and older do not work. Among men and women age 65 and older, the only marital status having comparable income was those who were never married.
Figure 9
Median Person Income by Marital Status and Gender for Persons Age 65+ in 2004

Prepared by AARP Public Policy Institute
Social Security is the most important income source for the older population, accounting for about two-fifths of total income (40.8 percent). Earnings accounts for about one-fifth of total income (23.0 percent), as does pension income (21.5 percent). Assets account for about 12.3 percent of total income.
Figure 10
Share of Aggregate Income* from Different Sources, Population Age 65+ in 2004

* Income is total person income.
** Government cash transfers include unemployment compensation, worker’s compensation, veterans’ benefits, SSI, public assistance, and education assistance.
*** Other income includes child support, alimony payments, and financial assistance.

Older persons' dependence on Social Security increases with age. For persons age 80 and older, over half of their income is from Social Security. Earnings are the single most important sources of income for younger (ages 65 to 69) retirees, composing three-eighths of total income, but the share of income from earnings drops to one-quarter for ages 70 to 74, and less than 10 percent for ages 75 and older.
Figure 11
Share of Aggregate Income* from Different Sources, by Age Group for Population Age 65+ in 2004

* Income is total person income.
**Government cash transfers include unemployment compensation, worker’s compensation, veterans’ benefits, SSI, public assistance, and education assistance.
***Other income includes child support, alimony payments, and financial assistance.

Note: Numbers do not sum to 100 percent because the smallest of two categories cannot be labeled.

Older persons with low family income are far more dependent on Social Security income than those with high family income. More than 50 percent of the income of older persons in the bottom three family income quintiles is from Social Security.
Figure 12
Share of Aggregate Income* from Different Sources, by Family Income Quintile, for Population Age 65+ in 2004

* Income is total person income.
**Government cash transfers include unemployment compensation, worker’s compensation, veterans’ benefits, SSI, public assistance, and education assistance.
***Other income includes child support, alimony payments, and financial assistance.
Note: Numbers do not sum to 100 percent because the smallest value of one category cannot be labeled.

Prepared by AARP Public Policy Institute
Median Social Security income was roughly constant across income classes for both men and women above $15,000 in family income. The median benefit of women is about 60 percent that of men except for those with family income below $15,000. For those with family income below $15,000, median Social Security income for women is almost the same as for men. For those women, their Social Security benefits are more likely to be based on their own work record rather than receiving 50 percent of their spouse’s benefits.
Figure 13
Median Social Security Income by Family Income* and Gender for Persons Age 65+ in 2004

*Individuals in this and similar figures are classified by family income but the level of income by source is person specific income and is reported for both married and single individuals.


Prepared by AARP Public Policy Institute
Social Security income is the most important income source for the older population. Nearly 40 percent of Social Security beneficiaries receive 90 percent or more of their income from Social Security.
Figure 14
Social Security as a Percent of Income* for Beneficiaries Age 65+ in 2004

* Income is total person income.
Prepared by AARP Public Policy Institute
Older women are more dependent on Social Security than older men. About 46 percent of older female Social Security beneficiaries receive 90 percent or more of their income from Social Security, while 30 percent of older male beneficiaries receive 90 percent or more of their income from Social Security.
Figure 15

Social Security as a Percent of Income*
by Gender for Beneficiaries Age 65+ in 2004

* Income is total person income


Prepared by AARP
Public Policy Institute
Among the older population, blacks and Hispanics are more dependent on Social Security income than older whites: 48.6 percent of older Hispanic and 43.8 percent of older black Social Security beneficiaries receive all their income from Social Security, while 20.3 percent of older white persons receive all their income from Social Security.
Figure 16
Social Security as a Percent of Income* by Race for Beneficiaries Age 65+ in 2004

* Income is total person income.


Prepared by AARP Public Policy Institute
Median asset income rises steadily as total family income increases among older persons. Women and men generally have similar levels of asset income up to $100,000 in family incomes. For families with incomes of $100,000 and over, men have much higher asset income than women.
Figure 17
Median Asset Income* by Family Income and Gender for Persons Age 65+ in 2004

*Asset income includes interest income, dividend income, and rental income.
Older women have less income from pensions than older men, and the disparity becomes more substantial as family income increases. This is due to women’s disadvantage in the labor market during their prime working years, because they are less likely to have jobs that include pension coverage, and more likely to have lower pensions due to lower lifetime earnings if they do have pensions.
Figure 18
Median Pension Income* by Family Income and Gender for Persons Age 65+ in 2004

*Pension income includes retirement income and survivor income.

Prepared by AARP Public Policy Institute
Median earnings among older men and women are almost equal up to $50,000. Above that level, however, men have much greater income from earnings than women.
Figure 19
Median Earnings by Family Income and Gender for Persons Age 65+ in 2004


Prepared by AARP Public Policy Institute
Older men have higher income from government cash transfers than older women for family income range from $35,000 to $100,000. The large transfers among these income classes come mainly from veterans’ benefits.
Figure 20
Median Government Transfer Income* by Family Income and Gender for Persons Age 65+ in 2004

*Government transfer income includes unemployment compensation, worker’s compensation, SSI, public assistance, veterans’ benefits, and education assistance.


Prepared by AARP Public Policy Institute
Over the last 30 years, there has been a slight convergence in incomes of younger and older families. Median income of younger families is the same as in 1975 and median income of older families increased $5,000.
Figure 21
Trends in Median Family* Income by Age of Family Head, 1975-2004

Median Family Income (in 2004 dollars)

*Individuals who live alone and unrelated persons are classified as families of one.


Prepared by AARP Public Policy Institute

42
Male-headed families had median incomes nearly twice those of female-headed families in 1975. This ratio has declined over time, but the real dollar gap between men and women has remained roughly constant.
Figure 22
Trends in Median Family* Income by Gender of Family Head for Persons Age 65+, 1975-2004

Median Family Income (in 2004 dollars)

* Individuals who live alone and unrelated persons are classified as families of one.


Prepared by AARP Public Policy Institute
Income has historically been distributed more unequally among older persons than among younger ones. Since 1975, levels of income inequality among those age 65 and older and those under age 65 converged. By 1995-1997, inequality among those under age 65 equaled or exceeded that of those age 65 and older, but has declined slightly since, and inequality is again slightly greater among older persons than among younger.
Figure 23
Inequality of Family* Income by Age of Family Head, 1975-2004

Estimates of Gini Coefficient**

*Individuals who live alone and unrelated persons are classified as families of one.  
**The Gini coefficient is a statistical measure of income equality ranging from 0 to 1. A  
measure of 1 indicates perfect inequality, i.e., one person has all the income, and the rest have none. 
Prepared by AARP 
Public Policy Institute
Low-income status is proportionally greater among older than among younger populations, but poverty is lower among elderly persons than among the very young. The age 75 and older group has the highest percentage of people below twice the poverty line.
Figure 24
Percent Poor, Near Poor, and Low-Income by Age in 2004

Percent of Population

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percent Poor</th>
<th>Near Poor</th>
<th>Low-Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 18</td>
<td>15.9%</td>
<td>5.0%</td>
<td>39.3%</td>
</tr>
<tr>
<td>18 to 24</td>
<td>38.1%</td>
<td>14.6%</td>
<td>31.3%</td>
</tr>
<tr>
<td>25 to 34</td>
<td>14.4%</td>
<td>4.2%</td>
<td>24.8%</td>
</tr>
<tr>
<td>35 to 44</td>
<td>24.8%</td>
<td>11.7%</td>
<td>19.9%</td>
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<tr>
<td>45 to 54</td>
<td>20.2%</td>
<td>8.9%</td>
<td>9.0%</td>
</tr>
<tr>
<td>55 to 64</td>
<td>25.3%</td>
<td>11.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>65 to 69</td>
<td>29.6%</td>
<td>15.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>70 to 74</td>
<td>20.3%</td>
<td>5.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>75 to 79</td>
<td>24.5%</td>
<td>9.2%</td>
<td>9.2%</td>
</tr>
<tr>
<td>80+</td>
<td>47.6%</td>
<td>11.4%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

* Poor  ** Near poor  *** Low-income
Prepared by AARP Public Policy Institute
The poverty rate for children is 8.6 percentage points higher than that of older persons overall. Regardless of age, the poverty rate among minorities is two to three times as high as among whites.
Figure 25
Percent of Population below Poverty by Race and Age in 2004


Prepared by AARP
Public Policy Institute
Among the older population, women are much more likely to be poor than men. The poverty rate among women ranges from 4 to 7 percentage points higher than that among men, and the disparity generally increases with age.
Figure 26
Poverty Rates by Age and Gender for Persons Age 65+ in 2004

Prepared by AARP Public Policy Institute
The poverty rate for the older population has declined significantly since 1966 due in large part to the increases in Social Security benefits enacted in the early 1970s and their indexation after 1975.
Figure 27
Trends in Poverty Rates by Age, 1966-2004

Prepared by AARP Public Policy Institute
Without Social Security benefits, the poverty rate would increase from 9.8 percent to 47.9 percent for all older persons and from 11.4 percent to 59 percent for those age 80 and older.
Figure 28
Effect of Social Security Benefits on Poverty Rate by Age for Persons Age 65+ in 2004

Percent of Population

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Kept out of Poverty by Social Security*</th>
<th>Official Poverty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 to 69</td>
<td>35.9%</td>
<td>9.2%</td>
</tr>
<tr>
<td>70 to 74</td>
<td>46.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>75 to 79</td>
<td>54.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>80+</td>
<td>59.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>All</td>
<td>47.9%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

*These figures indicate the percent currently not poor who would be poor without Social Security benefits.
Without government cash transfers other than Social Security, the poverty rate would increase from 9.8 percent to 11.5 percent for the total older population.
Figure 29
Percent of Population below Poverty with and without Government Cash Transfers* by Age in 2004

*Government cash transfers include non-means-tested transfers (unemployment compensation, worker’s compensation, veterans’ pensions, and other non-means-tested payments) and means-tested transfers (Family Support Program, SSI, and other public assistance programs).

Among poor families, black and Hispanic families of both under 65 and 65+ age groups are much more likely to receive housing subsidies from government than white families.
Figure 30
Percent of Families in Poverty Who Received Housing Subsidies* by Householder’s Age and Race in 2004

*Housing subsidies refers to family either living in public housing or paying low rent.

Prepared by AARP
Public Policy Institute
Among poor families, white and black families of both under 65 and 65+ age groups are more likely to receive energy assistance from government than Hispanic families.
Figure 31
Percent of Families in Poverty Who Received Energy Assistance by Householder’s Age and Race in 2004


Prepared by AARP Public Policy Institute
Among poor families, younger families are more likely to receive food stamps than older families. Minority families are more likely to receive food stamps than white families.
Figure 32
Percent of Families in Poverty Who Received Food Stamps by Householder’s Age and Race in 2004

Prepared by AARP Public Policy Institute
Among the poor, blacks and Hispanics are more likely to be covered by Medicaid than whites. Whites and blacks under age 65 are more likely to be covered by Medicaid than those age 65 and above.
Figure 33
Percent of People in Poverty Covered by Medicaid by Age and Race in 2004


Prepared by AARP Public Policy Institute