Income and Poverty of Older Americans in 1999: A Chartbook
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Income and Poverty of Older Americans in 1999:
A Chartbook

by

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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

The distribution of income is a topic of central importance to the economic well-being of older Americans. 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 Public Policy Institute 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 decided to prepare 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 1999. The data are from the U.S. Bureau of the Census’s March 2000 Current Population Survey. The survey consists of about 60,000 households in the United States for the calendar year 1999. 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 20 years. In all cases, the material was either prepared or created by Ke Bin Wu of the Public Policy Institute 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 Ke Bin 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 1999 was $7,990 for single persons aged 65 and over and $8,667 for single persons under age 65. For couples, the threshold was $10,070 for households in which the householder was age 65 or over and $11,156 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.
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Older Americans have lower incomes than younger Americans.
Figure 1
Median Income of Persons, Households, and Families by Age in 1999


Prepared by AARP
Public Policy Institute
Median household income rises and falls over the life cycle, increasing steadily until middle age, and then declining steadily.
Figure 2
Median Household Income by Age of Householder in 1999

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 male single-parent households.
Figure 3
Median Household Income by Age and Living Arrangement in 1999

Prepared by AARP Public Policy Institute
Median income varies by race. Median income of white families, households, and persons is higher than for non-white families.
Figure 4
Median Income of Persons, Households, and Families by Race in 1999

*Individuals who live alone or 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 younger and older households. However, the gap in household median income between white and minority households under age 65 is wider than for those aged 65 and over.
Figure 5
Median Income of Households by Age and Race in 1999

*Individuals who live alone or unrelated persons are classified as families of one.
Prepared by AARP Public Policy Institute
Older households are more concentrated at lower income levels, and younger households at higher income levels. In 1999, nearly 55 percent of older households had incomes below $25,000, while more than 75 percent of younger households had incomes above $25,000.
Figure 6
Percentage of Households in Income Class by Age in 1999

Prepared by AARP Public Policy Institute
Among older families, median income declines steadily with age for families headed by both men and women.
Figure 7
Median Family Income by Age and Gender of Family Head* for Persons Aged 65+ in 1999

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


Prepared by AARP Public Policy Institute
Among older individuals, median income declines steadily with age for men, but remains virtually unchanged for women.
Figure 8
Median Person Income by Age and Gender for Persons Aged 65+ in 1999


Prepared by AARP Public Policy Institute
Among the older population, median income was highest for married men and lowest for married women.
Figure 9
Median Person Income by Marital Status and Gender for Persons Aged 65+ in 1999

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. Pension, earnings, and asset income account for roughly equal shares of income.
Figure 10
Income Source as a Percent of Aggregate Income for Persons Aged 65+ in 1999

- Social Security: 39.1%
- Earnings: 18.7%
- Government Cash Transfers*: 2.1%
- Retirement/Pensions: 20.3%
- Assets: 19.3%
- Other**: 0.4%

*Government cash transfers include unemployment compensation, worker’s compensation, veteran benefits, SSI, public assistance, and education assistance.
**Other income includes child support, alimony payments, and financial assistance.
Note: Numbers do not sum to 100% due to rounding.


Prepared by AARP
Public Policy Institute
Older persons’ dependence on Social Security increases as their age increases. For persons age 85 and over, nearly half of their income is from Social Security.
Figure 11

Income Source as a Percent of Total Person Income by Age Group for Persons Aged 65+ in 1999

*Government cash transfers include unemployment compensation, worker’s compensation, veteran benefits, SSI, public assistance, and education assistance.
**Other income includes child support, alimony payments, and financial assistance.
Note: Numbers do not sum to 100% because the smallest of two categories cannot be labeled.

Prepared by AARP Public Policy Institute
Older persons with low family income are more likely to depend on Social Security income than those with high family income. More than 50 percent of the income for older persons within or below the middle quintile of family income is from Social Security.
Figure 12
Income Source as a Percent of Total Person Income by Quintile of Family Income for Persons Aged 65+ in 1999

*Government cash transfers include unemployment compensation, worker’s compensation, veteran benefits, SSI, public assistance, and education assistance.
**Other income includes child support, alimony payments, and financial assistance.
Note: Numbers do not sum to 100% 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. This is partly the result of the benefit formula that replaces a higher proportion of earnings for lower-wage earners. The median benefit of women is about 60 percent that of men except for those with family income below $20,000.
Figure 13

Median Social Security Income by Family Income and Gender for Persons Aged 65+ in 1999


Prepared by AARP Public Policy Institute
Social Security income is the most important income source for the older population. One-third 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 Aged 65+ in 1999

- 50%-89% of income (32.3% of beneficiaries)
- Less than 50% of income (33.8% of beneficiaries)
- 90%-99% of income (13.8% of beneficiaries)
- 100% of income (20.0% of beneficiaries)

Note: Numbers do not sum to 100% due to rounding.


Prepared by AARP Public Policy Institute
Older women are more likely to depend on Social Security than older men. About 40 percent of older female Social Security beneficiaries receive 90 percent or more of their income from Social Security, while 25 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 Sex for Beneficiaries Aged 65+ in 1999

Note: Numbers do not sum to 100% due to rounding.

Among the older population, blacks and Hispanics are more likely to depend on Social Security income than older whites: 41.9 percent of older Hispanic and 38.8 percent of older black Social Security beneficiaries receive all their income from Social Security, while 16.8 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 Aged 65+ in 1999

Percent of Social Security Beneficiaries

Race

Note: Numbers do not sum to 100% due to rounding.


Prepared by AARP Public Policy Institute
Asset income rises steadily as total income increases among older persons. Women have slightly higher asset income than men for family income between $10,000 and $40,000, but above $50,000, men have slightly higher asset income than women.
Figure 17
Median Asset Income* by Family Income and Gender for Persons Aged 65+ in 1999

*Asset income includes interest income, dividend income, and rental income.


Prepared by AARP Public Policy Institute
Older women have substantially less income from pensions than older men, and the disparity increases as family income increases.
Figure 18
Median Pension Income* by Family Income and Gender for Persons Aged 65+ in 1999

*Pension income includes retirement income and survivor income.


Prepared by AARP Public Policy Institute
Earnings among older men and women are almost equal up to $75,000. Above that level, however, men have 2 to 4 times as much income from earnings as women.
Figure 19

Median Earnings* by Family Income and Gender for Persons Aged 65+ in 1999

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

Older men generally have higher income from government cash transfers than older women. The large transfers among the higher income class come mainly from veterans’ benefits.
Figure 20
Median Government Transfer Income* by Family Income and Gender for Persons Aged 65+ in 1999

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


Prepared by AARP
Public Policy Institute
Over the last 25 years, there has been a slight convergence in incomes of younger and older families, with younger family median income increasing $1,000 and the median income of older families increasing $5,000.
Figure 21
Trends in Median Family* Income by Age of Family Head, 1975-1999

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


Prepared by AARP
Public Policy Institute
Male-headed families had median incomes nearly twice those of female-headed families.
Figure 22
Trends in Median Family* Income by Gender of Family Head for Persons Aged 65+, 1975-1999

Median Family Income (in 1999 dollars)

Year

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

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Income has historically been distributed more unequally among older persons than among younger ones. Since 1975, levels of income inequality among those aged 65 and older and those under age 65 converged. By 1995-1997, inequality among those under age 65 equaled or exceeded that of those aged 65 and older, but has since declined slightly.
Figure 23
Inequality of Family* Income by Age of Family Head, 1975-1999

*Individuals who live alone or 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.


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Public Policy Institute
Low-income status is proportionally greater among older than among younger populations, but poverty is lower among the elderly than among the young.
Figure 24
Percent Poor, Near Poor, and Low-Income by Age in 1999

Prepared by AARP Public Policy Institute
The poverty rate for children is 60 percent higher than that for older persons overall. Regardless of age, the poverty rate among minorities is more than twice as high as among whites.
Figure 25

Percent of Population below Poverty by Race and Age in 1999


Prepared by AARP Public Policy Institute
Poverty rates varied by age, gender, race, and living area. Black women have the highest poverty rate among selected categories of vulnerable persons.
Figure 26
Poverty Rates among Selected Vulnerable Groups in 1999

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent of Population in Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>11.8%</td>
</tr>
<tr>
<td>Age 65+</td>
<td>9.7%</td>
</tr>
<tr>
<td>Women Age 75+</td>
<td>13.4%</td>
</tr>
<tr>
<td>Outside Metropolitan Area</td>
<td>14.3%</td>
</tr>
<tr>
<td>Central Cities</td>
<td>16.4%</td>
</tr>
<tr>
<td>Under Age 18</td>
<td>16.9%</td>
</tr>
<tr>
<td>Age 18 to 24</td>
<td>17.3%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>22.8%</td>
</tr>
<tr>
<td>Black</td>
<td>23.6%</td>
</tr>
<tr>
<td>Black Women</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

Prepared by AARP Public Policy Institute
Among the older population, women are much more likely to be poor. The poverty rate among women is about twice that among men in all but the youngest age group.
Figure 27
Poverty Rates by Age and Gender for Persons Aged 65+ in 1999

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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 28

Prepared by AARP Public Policy Institute
Without Social Security benefits, the poverty rate would increase from 9.7 percent to 45.3 percent for the total older population, and to more than three-fifths for those aged 85 and older.
Figure 29
Effect of Social Security Benefits on Poverty Rate by Age for Persons Aged 65+ in 1999


*These figures indicate the percent currently not poor who would be poor without Social Security benefits.

Prepared by AARP Public Policy Institute
Without government cash transfers, the poverty rate would increase from 9.7 percent to 11.5 percent for the total older population.
Figure 30
Percent of Population below Poverty with or without Government Cash Transfers* by Age in 1999

*Government cash transfers include non-means-tested transfers (unemployment compensation, worker’s compensation, veteran’s pension, and other non-means-tested payments) and means-tested transfers (AFDC, SSI, and other public assistance programs).


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