

Social Security: A Key Retirement Income Source for Minorities

- ✓ **Social Security is the primary source of retirement income for older minorities. Over a quarter of older African Americans and Hispanics depend on Social Security for more than 90 percent of their family income.**
- ✓ **Social Security keeps roughly 30 percent of older African Americans and Hispanics and 19 percent of older Asians out of poverty. Nonetheless, high poverty rates persist for older minorities.**
- ✓ **Older foreign-born persons and their families receive less, if any, Social Security income than older native-born citizens.**

This fact sheet examines elderly minorities' reliance on Social Security by race, ethnicity, gender, and nativity, and the factors that affect the level of benefits minorities receive. We find that Social Security is the primary source of retirement income for older minorities. However, minorities have less income from both Social Security and other sources, and high poverty rates persist for older minorities. We also find that older foreign-born persons and their families receive less, if any, Social Security income. We measure reliance on Social Security by taking into account all of the income sources of the family that an older person resides in.

Older African Americans and Hispanics depend on Social Security for a large share of their retirement income.

In 2008, 5.6 million minority Americans age 65 or older (2.6 million African Americans, 2.1 million Hispanics and 933,000 Asians) depended on Social Security for part of their family income.

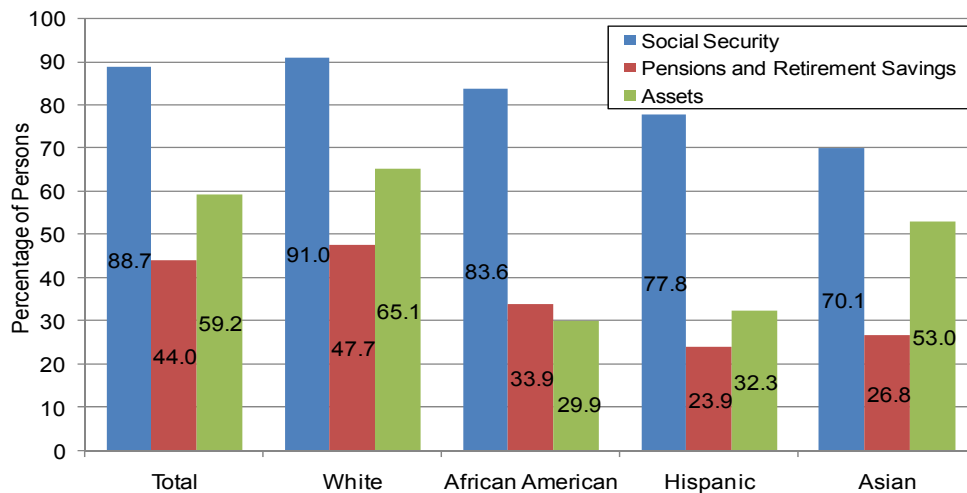
Roughly 80 percent of African American and Hispanic persons age 65 or older live in families that receive Social Security benefits (see figure 1). In contrast, only about a third receives income from pensions or retirement accounts, and only about a third receives interest, dividends, or rental income.

Because they are unlikely to receive other sources of retirement income, over a quarter of older African Americans (29 percent) and Hispanics (26 percent) depend on Social Security for more than 90 percent of their family income (see figure 2). Older African Americans and Hispanics are more likely than whites to rely on Social Security for all or almost all of their family income.

Poverty rates are higher for older minorities.

Minorities age 65 and older have higher poverty rates than whites, both including and excluding Social Security income (see figure 3). Without Social Security, 53 percent of older African Americans, 49 percent of older Hispanics, and 19 percent of

Figure 1
Family Income Sources of Older Americans, by Race and Ethnicity, 2008



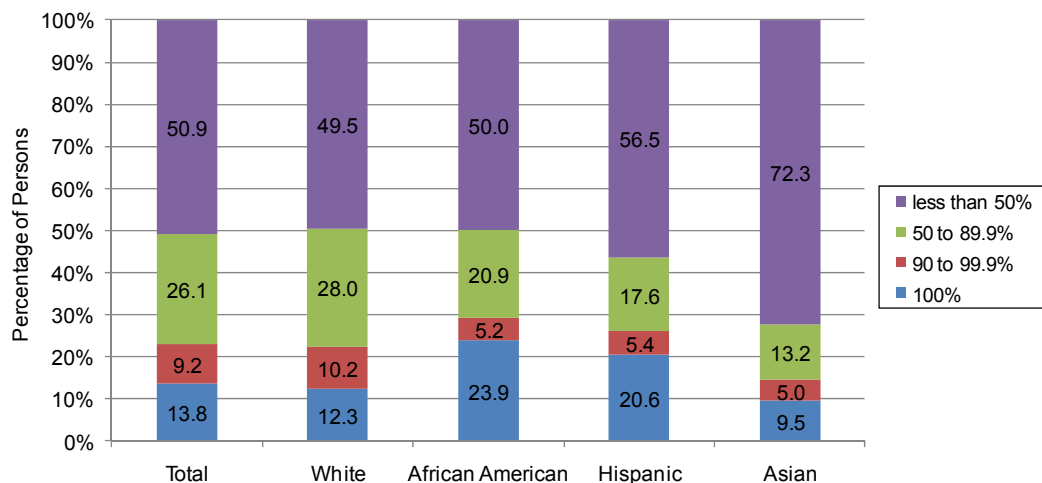
Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

Asians would be in poverty. Even after accounting for Social Security, about 20 percent of older African Americans and Hispanics—more than double the rate for whites (8 percent)—and 12 percent of older Asians live in poverty.

Social Security keeps a smaller share of older minorities out of poverty than older whites. About 37 percent of older whites are kept out of poverty by Social Security

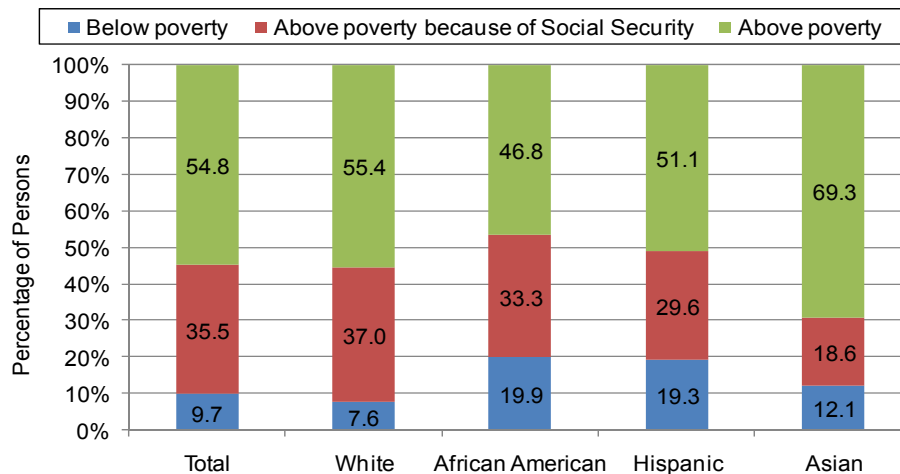
income. By comparison, Social Security benefits lifted an estimated 33 percent of African Americans, 30 percent of Hispanics, and 19 percent of Asians out of poverty in 2008. The difference in the proportion of older minorities and older whites kept out of poverty by Social Security reflects two factors: older minorities are less likely to receive Social Security income and the typical benefit is lower for those who do receive income.

Figure 2
Older Minorities Rely on Social Security for a Significant Share of Family Income, 2008



Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 3
Poverty Rates Are Higher for Older Minorities, 2008



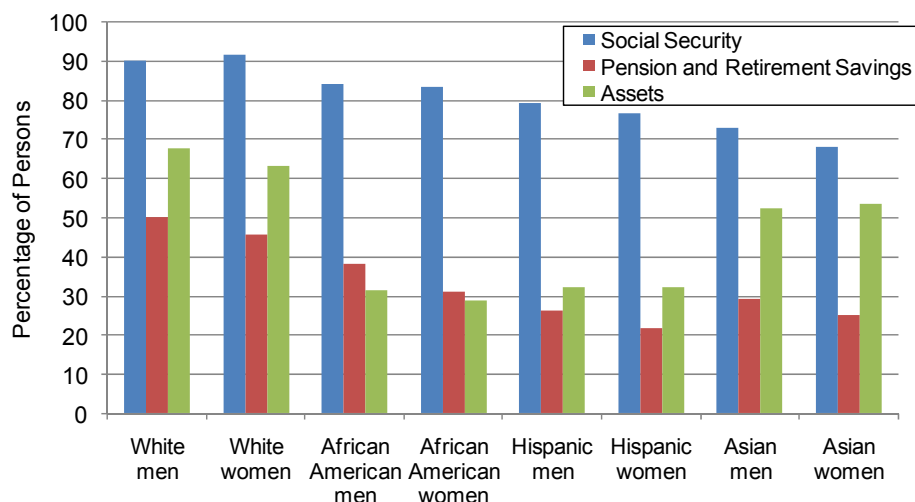
Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

Poverty rates are higher for minority women than minority men.

Men and women across all racial and ethnic groups have similar rates of receipt for the major sources of retirement income shown in figure 4. However, stark differences appear when we examine rates of receipt by marital status. For example, never-married African American women receive Social Security at much lower rates than married African American

women; 90 percent of married African American and 66 percent of never-married African American women receive Social Security or live in families that receive Social Security. Never married Hispanic women also are less likely to receive Social Security income than their married counterparts (80 percent versus 67 percent). In contrast, never married and married white women receive Social Security benefits at much more similar rates.¹

Figure 4
Family Income Sources of Older Men and Women by Race and Ethnicity, 2008



Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

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Poverty rates of women are higher than those of men for all racial and ethnic groups, but this difference is most notable among African American women (figure 5). The poverty rate for African American women (24 percent) is 10.2 percentage points higher than that of African American men; the gap between the poverty rate of white women (10 percent) and that of white men is 4.5 percentage points.

Social Security plays a key role in keeping older women out of poverty, but keeps a smaller share of older minority women out of poverty. Social Security keeps roughly 30 percent of African American and Hispanic women, 17 percent of Asian women, and 40 percent of white women out of poverty (figure 6).

Despite their greater reliance on Social Security, older minorities receive less Social Security income.

Older minorities are less likely to receive any Social Security family income than older whites and when they do, they receive less. The median annual Social

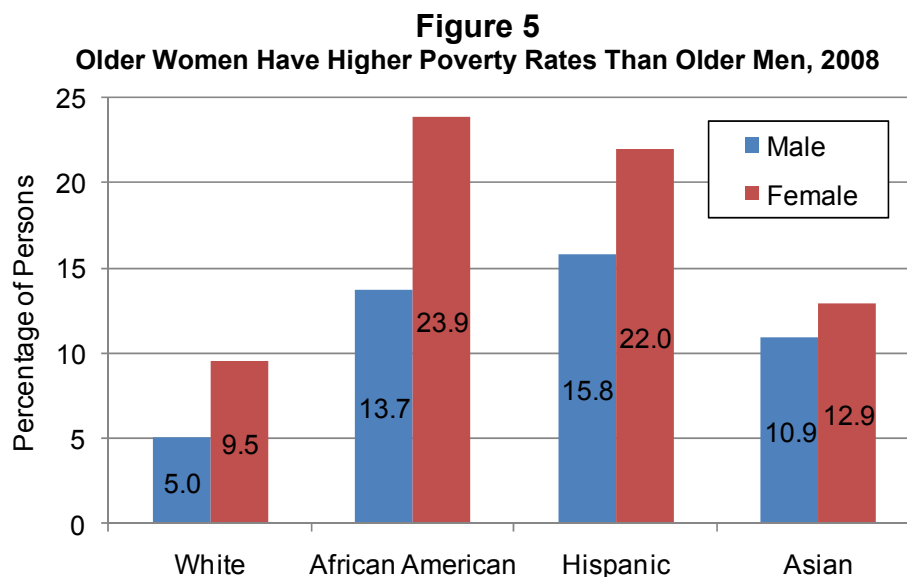
Security family income of older minorities is roughly 26 percent lower than that of older whites (see table 1). The gap between the lifetime earnings of whites and African Americans and Hispanics explains part of this difference.

Table 1
Median Social Security Family Income, by Race and Ethnicity, 2008

	All Persons	Persons in Families with Social Security Income (Beneficiary Families)
White	\$16,714	\$17,914.00
African American	\$11,657	\$13,157.00
Hispanic	\$11,417	\$13,282.00
Asian	\$14,357	\$15,557.00

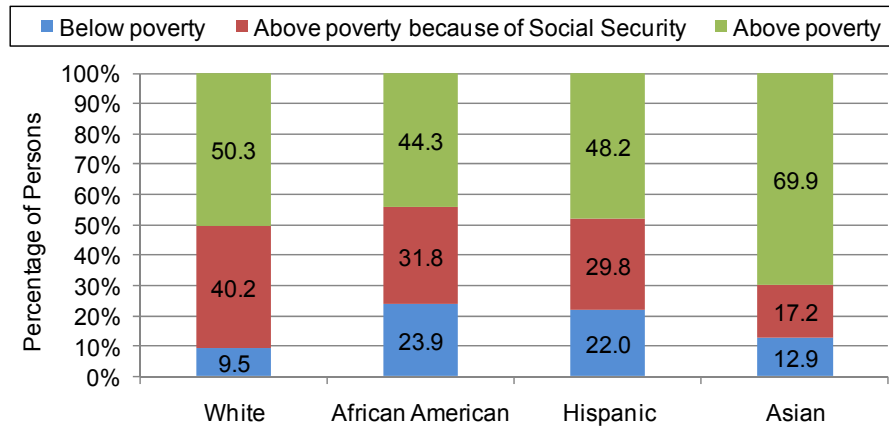
Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Lower Social Security benefits for Hispanic and Asian families also reflect the high proportions of immigrants in these population groups, who have shorter earnings histories. Further, Hispanic and Asian families tend to be larger, and benefits and other resources are presumably shared among family members residing together.



Source: AARP tabulation of U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 6
Social Security Keeps Older Minority Women Out of Poverty, 2008



Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

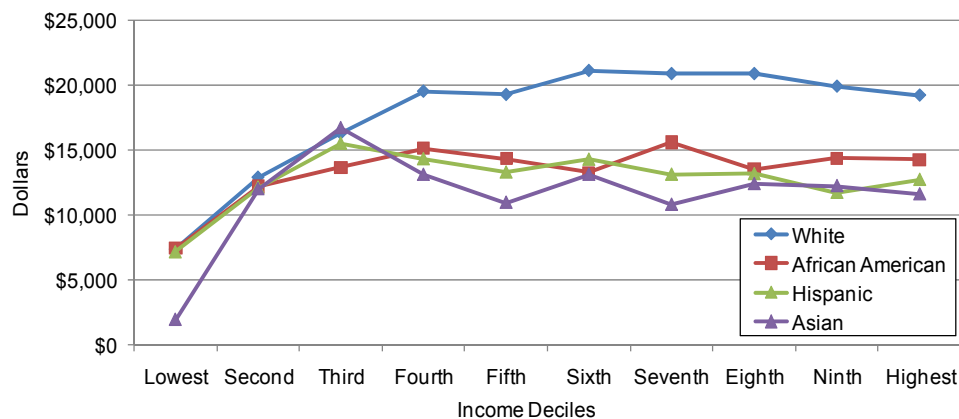
When adjusted for family size, the gap between the median Social Security family income of Hispanics and whites grows to about 38 percent, and the gap between Asians and whites grows to about 44 percent.² This suggests that Hispanics and Asians not only receive lower benefits but also may share those benefits with larger families.

Even the most affluent older minority families are less likely to receive Social Security than whites, and more likely to receive lower benefits.

The median annual Social Security family income of older minorities is lower at all income deciles than that of white families (see figure 7). Older minorities and their families also are less likely to receive Social Security income than older whites at almost all income deciles (see figure 8). Social Security receipt by Hispanics and Asians, in particular, is much lower than receipt by whites.

Except for higher-income African Americans, older minorities in almost all income deciles are less likely to receive

Figure 7
Median Social Security Family Income of Minorities Is Less in All Income Deciles, 2008



Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

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income from pensions and retirement savings (figure 9). Higher-income Asians are more likely to receive interest, dividends, and rental income from assets than the other minority groups, and only slightly less likely to receive asset income than whites (figure 10).

Lifetime earnings, disability rates, and immigration have important effects on minorities' Social Security benefits.

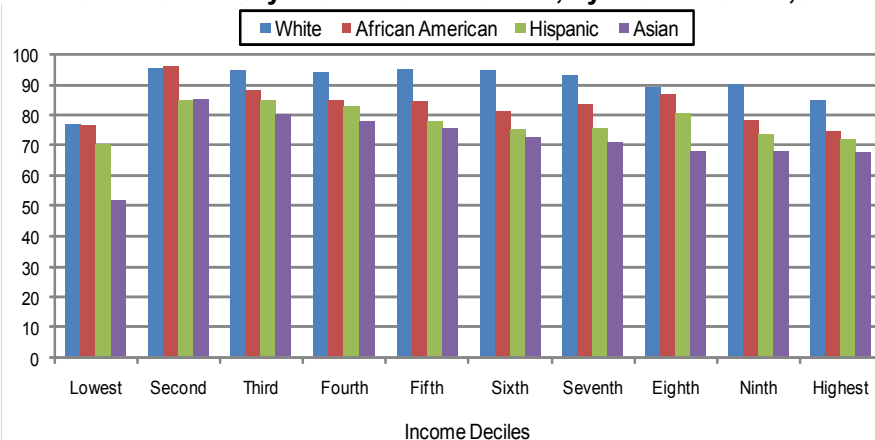
Lower wages and employment, higher disability rates, and immigration negatively impact lifetime earnings and the amount of benefits minorities

receive. However, the progressivity of the Social Security benefit calculation means that minorities with low lifetime earnings enjoy a higher replacement rate.

Minorities tend to earn lower wages.

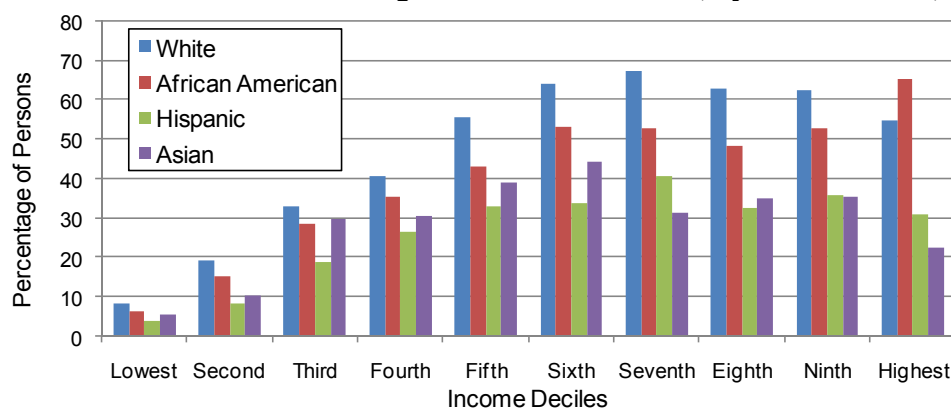
As shown in figure 11, a larger percentage of working-age minorities, particularly African Americans and Hispanics, than whites have earnings in the lower earnings deciles. There are also smaller shares of African Americans and Hispanics than whites in the higher earnings deciles. Median earnings of working-age African Americans are 74 percent of median

Figure 8
Social Security as an Income Source, by Income Decile, 2008



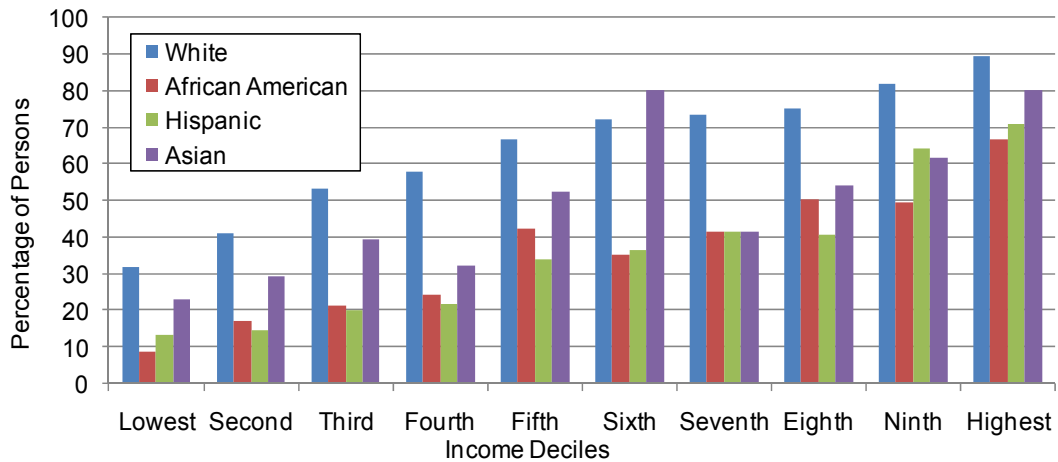
Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 9
Pensions and Retirement Savings as an Income Source, by Income Decile, 2008



Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 10
Assets as an Income Source, by Income Decile, 2008



Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 11
More Working-Age Minorities Have Earnings in Lower Earnings Deciles, 2008



Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

earnings of working-age whites. Hispanic median earnings are 57 percent of white median earnings. Median earnings for working-age Asians are much closer to those of whites at 97 percent.

Disability has a negative effect on minorities' lifetime earnings.

Minorities, particularly African Americans and Hispanics, have higher disability rates than whites in the ages leading up to retirement.³ Studies suggest that minorities' higher rates of

disability are also linked to lower employment rates, which negatively affect lifetime earnings.⁴ Trupin, Sebasta, and Yelin find that minorities with disabilities experience larger decreases in employment rates than whites. Johnson, Favreault, and Mommaerts find that while government transfers offset some of disability's negative effect on income, the disabled still face decreases in income and higher poverty rates.

Immigration has a negative effect on retirement income.

For some minority groups, immigration is another key factor that drives down Social Security income of families. Undocumented immigrants are not eligible for Social Security benefits and legally present immigrants may not have enough reported years of work to be eligible for Social Security benefits.⁵ For immigrants who are eligible for benefits, a shorter history of U.S. earnings drives down the level of benefits received.

Older foreign-born persons are less likely to receive any Social Security benefits than older native-born citizens.

Naturalized citizens and immigrants⁶ age 65 and older are less likely than native-born citizens age 65 and older to have any of the three major sources of retirement income shown in figure 12.

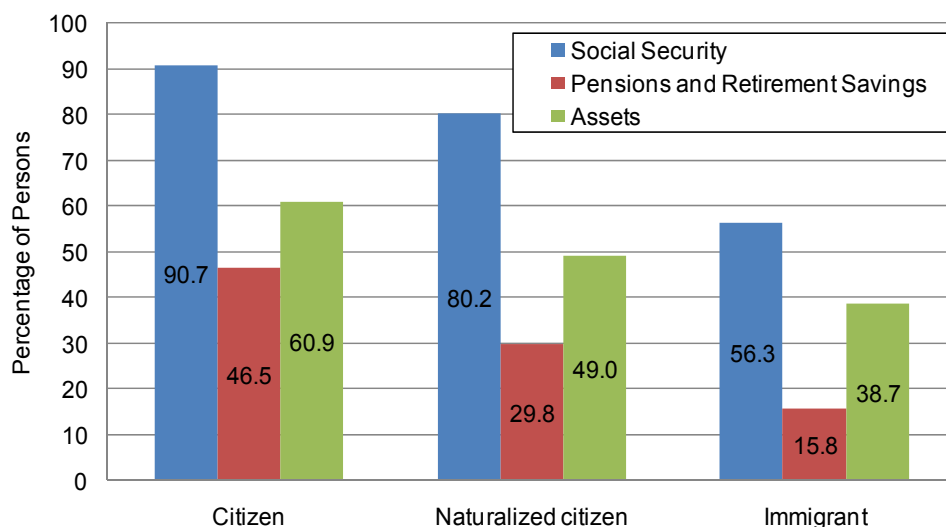
In addition to nativity's effect on Social Security income, the number of years lived in the United States has a significant impact on Social Security

benefits of older foreign-born persons. As seen in figure 13, today's elderly persons who entered the United States in the 1980s and later (when they were age 37 or older) are much less likely to have income from Social Security, assets, or pensions and retirement savings than those who entered earlier (when they were younger).

Median annual Social Security family income of older foreign-born persons of all races and ethnicities lags behind that of older native-born citizens (see table 2). Even among those foreign-born persons in beneficiary families (families receiving any Social Security income), median Social Security family income is lower than that of native-born citizens. Naturalized citizens receive somewhat lower benefits, and the benefits of immigrants are much lower. Older minorities live in families that receive lower median benefits, whether they are native-born, naturalized citizens, or immigrants.

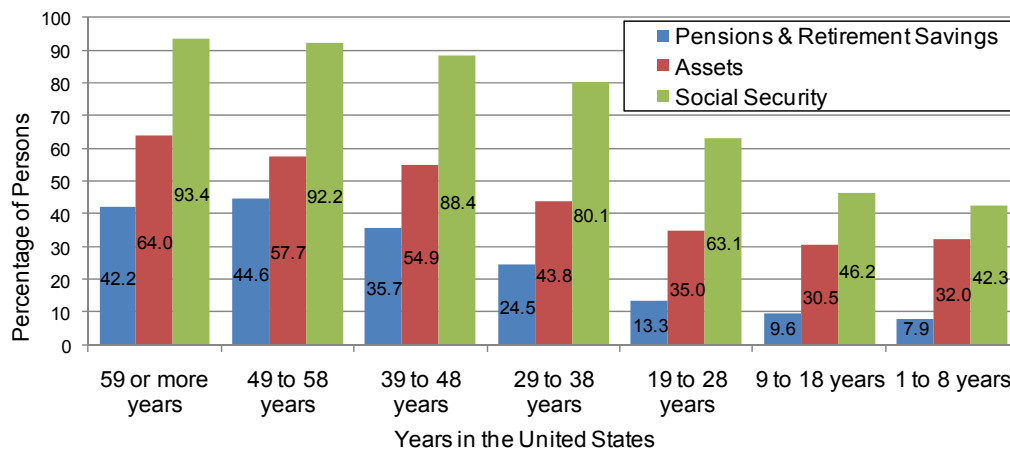
The impact of immigration on Social Security benefits is especially evident in

Figure 12
Older Foreign-Born Persons Are Less Likely to Have Any of the Three Major Sources of Retirement Income, 2008



Source: AARP tabulations of U.S. Bureau of the Census, March 2009, Current Population Survey.

Figure 13
Years in the U.S. Affect Probability of Receiving Social Security



Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Table 2
Median Social Security Family Income by Race and Ethnicity and Nativity, 2008

Persons in All Families					
	All	White	African American	Hispanic	Asian
Citizen	\$15,809.00	\$16,757.00	\$11,957.00	\$12,677.00	\$15,557.00
Naturalized citizen	\$13,157.00	\$16,157.00	\$10,637.00	\$11,757.00	\$11,914.00
Immigrant	\$5,957.00	\$10,757.00	\$0.00	\$4,757.00	\$0.00
Persons in Families with Social Security Income (Beneficiary Families)					
	All	White	African American	Hispanic	Asian
Citizen	\$17,093.00	\$17,951.00	\$13,157.00	\$14,357.00	\$17,837.00
Naturalized citizen	\$15,617.00	\$18,041.00	\$11,957.00	\$13,397.00	\$15,557.00
Immigrant	\$12,389.00	\$15,166.00	\$8,453.00	\$11,117.00	\$12,629.00

Source: U.S. Bureau of the Census, March 2009, Current Population Survey.

Note: Median family Social Security Income for African American immigrants and Asian immigrants is \$0. Less than half of African American immigrants and Asian immigrants receive any Social Security benefits.

the Hispanic and Asian populations. Fifty-two percent of older Hispanics and 80 percent of older Asians are either naturalized citizens or immigrants. In contrast, only 6 percent of older whites and 7 percent of older African Americans are foreign-born. Thus, the less frequent receipt of Social Security benefits and lower level benefits for naturalized citizens and immigrants primarily impact the Hispanic and Asian populations.

The progressivity of the Social Security benefit formula is important to low lifetime earners.

The Social Security benefit formula is progressive: while benefits increase with lifetime earnings (up to a cap), Social Security replaces a higher share of average lifetime earnings for low lifetime earners than for higher lifetime earners. As a result, minorities, who tend to have lower lifetime earnings, experience higher replacement rates than non-Hispanic whites.

For example, Bridges and Choudhury find that, among workers reaching age 61 between 2003 and 2007, the median share of taxable earnings replaced was 30 percent for whites, 37 percent for African Americans, 38 percent for Hispanics and 34 percent for Asians. However, the higher lifetime earnings and lower mortality rates of whites result in Social Security wealth that still outpaces that of minorities.⁷

Improvements to Social Security and other programs would enhance retirement income security for minorities and others.

An enhanced minimum benefit for Social Security that would target workers with long careers and low lifetime earnings would increase the Social Security benefits of low-income retirees, including many minorities. By tying an enhanced benefit to years of work, minimum benefit proposals ensure the adequacy of benefits received by low-wage workers and reward their years of work. Minimum benefit proposals that also include credits for time out of the labor force for caregiving, unemployment, or poor health also would boost the benefits of minority groups.⁸

Improved access to health care, work support and rehabilitation services, and Social Security disability benefits would not only increase income prior to retirement age, but also increase income in later years. Improved access would increase lifetime earnings used to compute Social Security benefits, so that disabled workers would not need to claim early, reduced retirement benefits, if they could continue working or disability benefits were available.⁹

Social Security is and will continue to be the main source of income for low-and moderate-wage retirees, but improvements in other programs would alleviate poverty and income insecurity among older Americans.

Increased Supplemental Security Income (SSI) benefits would mitigate hardship for the most vulnerable older Americans. Reforms to SSI should include increasing the benefit to bring beneficiaries up to the poverty level, relaxing the asset test, eliminating the reduction in benefits for older persons who live with others, and restoring benefits for legal immigrants.

Implementing Auto-IRA and reforming the Saver's Credit would help minorities—particularly Hispanic workers who are much less likely than whites to have employer-sponsored pension coverage—to save for their own retirement.¹⁰

Methodological Note: Unless otherwise noted, the tables and figures in this report show the family income of older individuals. Family income includes any income received by related persons living with an individual who is 65 or older.

This report uses self-identified racial and ethnic designations. Designations are exclusive in this report—Hispanics may be of any race, but all white, African American, and Asian persons are non-Hispanic.

¹ AARP tabulations of 2008 Current Population Survey. Social Security rates of never-married and married white women differ by only 3 percentage points.

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² Adjusted for family size, median Social Security income is \$13,364 for white families, \$9,303 for African American families, \$8,222 for Hispanic families, and \$7,467 for Asian families. We adjust income for family size by dividing income by the square root of the number of family members. This provides a measure in between unadjusted family income and per capita family income that recognizes that larger families have greater needs but family members can share some costs.

³ Laura Trupin, Douglas S. Sebesta, and Edward Yelin, "Transitions in Employment and Disability Among People Ages 51 to 61." National Institute on Disability and Rehabilitation Research, August 2000.

Richard W. Johnson, Melissa M. Favreault, and Corina Mommaerts, "Work Ability and the Social Insurance Safety Net in the Years Prior to Retirement." January 2010, Urban Institute, Discussion Paper 10-01.

⁴ John Bound, Timothy Waidmann, Michael Schoenbaum, and Jeffrey B. Bingenheimer, "The Labor Market Consequences of Race Differences in Health." *Milbank Quarterly*, vol. 81, no. 3, 2003.

⁵ Generally, a person must work at least 10 years in Social Security covered employment to be eligible for retirement benefits.

⁶ Foreign-born persons include both naturalized citizens and immigrants. The Current Population Survey does not distinguish between legal and undocumented immigrants.

⁷ Benjamin Bridges and Sharmila Choudhury, "Examining Social Security as a Retirement Resource for Near-Retirees, by Race and Ethnicity, Nativity, and Disability Status." *Social Security Bulletin*, vol. 69, no. 1, 2009.

⁸ Melissa M. Favreault, "A New Minimum Benefit for Low Lifetime Earners." Urban Institute, March 2009.

Peter A. Diamond and Peter R. Orszag, "Reforming Social Security: A Balanced Plan." Brookings Institution Policy Brief No. 126, December 2003.

⁹ Ellen O'Brien and Carlos Figueiredo, "19 million Working-Age Americans Have a Disability that Limits or Prevents Work. Most are Poor or Low-Income." AARP Public Policy Institute Fact Sheet No. 153, April 2009.

¹⁰ Ariel Investments and Hewitt Associates, *401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups* (2009).

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