



# Elderly Poverty: The Challenge Before Us

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Aging Americans, like other age groups, are feeling the effects of the declining real estate and stock markets, as well as soaring fuel and food prices. Seniors' economic security will only increase in importance as the U.S. population ages. The nation's health and social services resources will face unprecedented demand as 75 million people in the baby boomer generation reach retirement age—some with eroded savings and retirement accounts.

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## Fighting elderly poverty

Between 1959 and 1974, the elderly poverty rate fell from 35 percent to 15 percent. This was largely attributable to a set of increases in Social Security benefits. The elderly poverty rate has continued to decline in subsequent decades, reaching 9.4 percent in 2006. Social Security and Supplemental Security Income benefits continue to play a key role in reducing elderly poverty, especially among women and people of color. If Social Security benefits did not exist, an estimated 44 percent of the elderly would be poor today, assuming no changes in behavior.

Yet there is still work to do. Currently, 3.4 million seniors age 65 and older live below the poverty line. Millions more are barely making ends meet just above the poverty line. While 9.4 percent of seniors had incomes in 2006 below the poverty threshold of \$9,669 for an individual, and \$12,186 for a couple, nearly a quarter of older Americans (22.4 percent) had family incomes below 150 percent of the poverty line.

If we had a better measure of poverty, the elderly poverty rate would be considerably higher. The current poverty measure gives no consideration to health care costs, among other problems. High medical bills for the elderly can greatly reduce the income available to meet their other needs. New York City has recently calculated its poverty rates under an improved approach proposed by the National Academy of Sciences. Among other things, it takes into account how much money people have left to meet basic needs after paying for their medical costs. Under this measure, the elderly poverty rate in New York City would have been 32 percent in 2006, compared to 18 percent under the official measure.

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## Demographics of elderly poverty

Most elderly poor are women. Very elderly women have even higher poverty rates.

As in other age groups, poverty does not affect senior men and women equally. A lifetime of lower earnings due to wage discrimination, absence from the labor market due to childbirth, and jobs that are less likely to have employer-sponsored retirement plans takes its toll.

- Over 2.3 million women over the age of 65—11.5 percent—live at or below the poverty line, while slightly over 1 million—6.6 percent—of senior men live in poverty.
- Nearly one in five—19 percent—of single, divorced, or widowed women over the age of 65 are poor, and the risk of poverty for older women only increases as they age.
- Women ages 75 and up are over three times as likely to be living in poverty as men in the same age range. Only 416,000 men in this age range live at or below the poverty line, while over 1.3 million women ages 75 and up are poor.
- Among married women, longer female life expectancy makes it likely that they will outlive their spouses, and be left without any additional sources of income they bring to the household.

Elderly people of color experience poverty at higher rates than whites.

Aging people of color are more likely than white Americans—7.9 percent of whom are poor—to experience poverty. Social Security plays a significant role in raising the incomes of many people of color above the poverty line. Elderly people of color are less likely than whites to receive private retirement benefits and are far less likely to have asset income, including interest on bank accounts and investments, dividends, rental income on property, and estates and trusts.

- Blacks make up only about 9 percent of the elderly population in the United States, yet represent 21 percent of the elderly population living below the poverty line. Nearly one quarter of all elderly black Americans live below the poverty line.
- If the monetary benefits from all public programs were excluded from their incomes, more than 6 in 10 African American and Hispanic American elderly would be poor. When Social Security is counted, the rate drops to about 3 in 10. When income from other public programs is also counted, 21 percent of African-American and 17 percent of Hispanic-American elderly remain poor.

- Asian Americans are less dependent on Social Security than other aging people of color, but the poverty rate among elderly Asians is still 12 percent, which is higher than that of white Americans.

Elderly people living in rural areas have higher rates of poverty than those who live in urban areas.

Rural elderly have higher rates of poverty than the urban elderly, and rural areas tend to have a higher percentage of elderly in their total population than their urban counterparts. These higher numbers are due to a mixture of economic pressures forcing younger rural inhabitants to migrate to urban areas in search of jobs, and the tendency for rural elderly to age in place. Rural people are less likely than their urban counterparts to leave their homes when they retire. Elderly residents of rural areas may have less access to necessary services and rely more heavily on private transportation.

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## Issues affecting poverty among aging Americans

### Retirement

Economists and demographers expected a large exodus from the workforce as the first baby boomers reached 60 in 2006, yet the weakened economy and rising health care costs are causing many aging Americans to delay retirement. The percentage of U.S. residents ages 55 to 64 in the work force rose from 63.3 percent in April 2007 to 64.8 percent in February 2008, an increase of more than 1 million workers.

### Health care

Elderly Americans' limited budgets are stretched even further by higher expenditures on health care. Medical spending for those between the ages of 55 and 64 is almost twice the amount spent by those between the ages of 35 and 44. Health care costs have contributed to the rise in bankruptcy filings among the elderly.

### Energy

Older consumers with the lowest incomes struggle the most to pay their utility bills—35 percent of older households have incomes of less than \$20,000 and experience the greatest energy burden, or percentage of income spent on energy costs.

## Food insecurity

According to 2006 U.S. Department of Agriculture data, almost 18 percent of low-income elderly (with incomes below 130 percent of the poverty line) who live with others are food insecure, as are more than 12 percent of low-income seniors who live alone. And although 65 percent of individuals who are eligible for food stamps receive benefits, the participation rate among the elderly is much lower at only 30 to 40 percent.

## Transportation

Only one half of Americans 65 or older have access to public transportation to meet their daily needs. Yet research shows the elderly use public transportation when it is available, and that access to goods and services reduces their isolation and increases their mobility. The elderly who do not drive take an estimated 310 million trips per year on public transportation.

## Predatory lending

Equity-rich and cash-poor elderly homeowners have been an attractive target for unscrupulous mortgage lenders, many of whom have capitalized on seniors' need for cash by offering high-rate and high-fee loans.

Data Source: U.S. Census Bureau—Current Population Survey.