



# The Not-So-Golden Years

## Confronting Elderly Poverty and Improving Seniors' Economic Security

Alexandra Cawthorne September 27, 2010

Newly released Census data for 2009 show the largest number of poor Americans in the 51 years the bureau has measured poverty. This news is yet another piece of mounting evidence that the recession has wiped out decades of gains in our society's material well-being.

Poverty rates increased for children and working-age adults, but they actually *declined* for seniors age 65 and older. This bit of seemingly good news points to Social Security's success in ensuring bedrock security for seniors. But as we focus on combating poverty among children and their families we must not neglect our rapidly growing aging population and its unique challenges. The decrease in the senior poverty rate belies the fact that far too many of our nation's elderly scrape by near, just at, or below the poverty line after a lifetime of hard work in the labor market, raising children, and managing families.

Challenges to the economic well-being of seniors are made worse by a number of factors including lower retirement savings, record unemployment, high health care costs, and a lackluster housing market. Low-income seniors of color, particularly women, have an even harder time getting by.

Social Security is tremendously effective in helping seniors and their families stay out of poverty. Its benefits kept 14 million elderly Americans out of poverty in 2009. The Center on Budget and Policy Priorities estimated in an analysis of 2008 Census data that the elderly poverty rate would actually exceed 40 percent in most states without Social Security benefits. The majority of people kept out of poverty by Social Security are elderly, but the Census data shows almost a third of those kept out of poverty are under 65 and include more than 1 million children.

The number of older workers filing for these benefits has spiked with worsening economic conditions. A record 2.7 million people filed for Social Security last year. The increase also came as the Social Security retirement age rose in 2009 from 65 to 66. Many former workers are opting to collect early and receive less money in a weak economy.

We can do more to address the economic challenges of growing old. This brief will discuss the nature of elderly poverty and identify economic vulnerabilities among aging Americans that heighten their risk of becoming impoverished. It will also discuss policies that will move our nation toward both combating elderly poverty and improving economic security for seniors.

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## Demographics of elderly poverty

Currently 3.4 million seniors age 65 and older live below the poverty line. And millions more are barely making ends meet just above the poverty line. While 8.9 percent of seniors had incomes in 2009 below the poverty threshold of \$10,289 for an individual and \$12,982 for a couple, about one in every five seniors (20.4 percent) had family incomes below 150 percent of the poverty line.

The overall elderly poverty rate masks a striking racial disparity among seniors. Aging households of color face a much higher risk of falling into poverty than white households, especially households headed by elderly adults over age 75 (Figure 1). A study from the Institute on Assets and Social Policy and Demos found that even before the recession 9 out of 10 black and Latino senior households did not have sufficient resources to sustain themselves throughout their projected lifetimes.

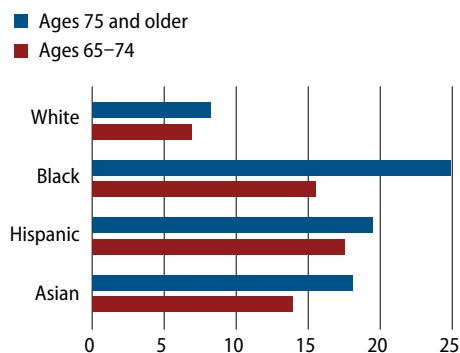
Social Security plays a critical role in raising the income of seniors of color above the poverty line. Elderly people of color are less likely than whites to receive private retirement benefits and are far less likely to have asset income, including interest on bank accounts and investments, dividends, rental income on property, and estates and trusts.

Poverty also does not affect senior men and women equally, a trend observed in other age groups. Women are more likely than men to face poverty in old age (Figure 2). A lifetime of lower earnings due to wage discrimination, absence from

FIGURE 1

### Scraping by

Percentage of seniors living at or below 100 percent of the poverty line by race



the labor market due to childbirth and caregiving, and jobs that are less likely to have employer-sponsored retirement plans all take their toll. What's more, women's smaller retirement savings and benefits have to last longer because women outlive men by five years on average. Elderly divorced, widowed, and never-married women are especially at risk of poverty.

Lesbian, gay, bisexual, and transgender, or LGBT seniors see particularly high poverty. A LGBT Movement Advancement Project study found that social stigma, unequal treatment under the law, and a greater dependence on informal networks instead of traditional families cause LGBT elders to face above-average poverty rates. And this problem will only grow worse. The study estimates that the number of LGBT seniors over 65 will double to 3 million over the next two decades.

Keep in mind that the elderly poverty rate would actually be significantly higher if we used a better poverty measure. Our traditional measure is based on the cost of an emergency food diet and does not account for health care costs, among other issues. Aging Americans have high out-of-pocket medical expenses that can and often do eat into their income available to meet other needs. The Census Bureau will be releasing a new measure of poverty alongside the traditional poverty data in 2011. This measure adapts National Academy of Sciences recommendations that account for the costs of medical care, everyday expenses, and necessities beyond food.

The elderly have traditionally been one of our most economically vulnerable populations. But America's commitment to changing that in the 20th century through the establishment and subsequent strengthening of a social safety net with Social Security and Supplemental Security Income played a key role in the significant reduction of the risk of poverty in old age.

Yet poverty rates among our elders are still unacceptably high. And a rapidly changing social and economic environment underscores this group's increasing struggle to make ends meet.

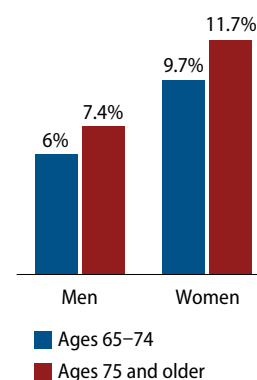
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## Demographic shifts equal more pressure on seniors and their children

America's demographics are in flux. The nation's first crop of baby boomers will reach full retirement age in 2011, signaling the beginning of the surge in America's elderly population over the next several decades. Today's senior citizens are expected to live longer than ever before, and those over 85 are projected to be the

**FIGURE 2**  
**Women are more likely to fall into poverty**

Percentage of seniors living at or below 100 percent of the poverty line by gender



fastest-growing part of the elderly population over the next century. This means that seniors' limited financial resources must last more years—a challenge made more difficult by poor economic conditions that include less employment stability, fewer retirement savings prospects, and increased strain on household incomes.

Elderly Americans' economic insecurity also can be hard on their adult children, who are often tasked with their long-term care. Many adult children of the older elderly are members of the “sandwich generation.” They care for aging parents while supporting their own children. The Pew Research Center estimated that about one in every eight Americans between the ages of 40 and 60 is raising a child or supporting an older child while caring for a parent. Many of these people already face additional demands on their household income, and may find themselves tapping into their retirement savings early to help make ends meet.

And while some members of the sandwich generation are caring for their elderly parents, other elderly parents are caring for their grandchildren. Researchers from the Pew Center uncovered a spike in the number of grandparents raising their grandchildren between 2007 and 2008—the first year of the current recession. This trend was already increasing slowly and steadily during the last decade, but the sudden and unexpected spike may be indicative of the ways in which some families are increasingly relying on their oldest members for economic support despite the fact that many of these elders themselves have low income. Nearly one in five grandparent-caregivers are living below the poverty line, and almost half have incomes between one and three times the poverty level.

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## Aging Americans face growing challenges to their already fragile economic security

### Retirement

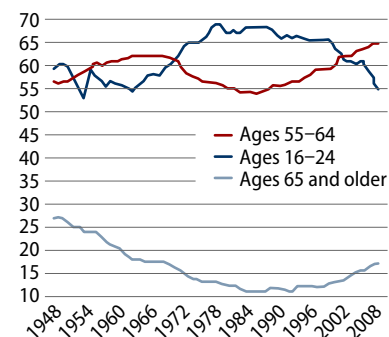
Retirement income is often described as a “three-legged stool”: a defined benefit pension, Social Security, and personal savings. Low-income Americans, however, rarely have a pension or sufficient savings and rely heavily on Social Security benefits alone. And in the last decade the United States has seen a significant shift away from defined benefit pensions and a plunging personal savings rate, essentially shortening two of the stool's three legs.

The recession has only exacerbated these trends and redefined retirement for aging Americans. Many have awoken from sweet dreams of retirement in their immediate futures to a nightmare of eroded 401(k), IRA, and other investment accounts. Unlike younger workers, they don't have years to make up for these losses to their retirement savings. This reality is likely a more recent driver of the "graying" of America's labor force.

The youth labor force participation rate is nearing historic lows, but more aging Americans are in the job market than at any other time since the Great Depression (Figure 3). The Bureau of Labor Statistics projects the most dramatic growth in labor market participation for the oldest workers, and estimates that by 2016 the number of workers between the ages of 65 and 74 and those age 75 and older will rise by more than 80 percent.

**FIGURE 3**  
**The workforce gets gray**

Labor force participation rates of younger and older workers, 1948–2009



## Unemployment

The unemployment rate for workers 55 and older has grown in the midst of this group's rising labor force participation—with particularly sharp increases since the beginning of the recession in December 2007. The unemployment rate among older workers reached a record-high level of 7.3 percent in August 2010.

True, the jobless rate is lower for older workers than it is for younger workers. But older workers who become unemployed spend more time looking for a new job in an increasingly competitive labor market. Nearly half (49.5 percent) of jobseekers 55 and older had been unemployed for 27 weeks or longer in August 2010 compared with 28.2 percent of workers ages 16 to 24 and 47.2 percent of workers ages 25 to 54.

Finding employment is even tougher for older low-income workers. A survey of more than 2,000 unemployed low-income workers age 55 and older found that on average they had been searching for work for an estimated 52 weeks. The average duration of unemployment for all workers was about 33 weeks in August 2010.

## Health care

Many older workers under 65 are also choosing to delay their retirement due to a decline in employer-sponsored retiree health care plans. A large number of these

workers are not yet eligible for Medicare and the lack of a health care safety net significantly raises their risk of financial instability.

Older Americans find their already thin budgets stretched even thinner by higher expenditures on health care. Out-of-pocket medical expenses such as prescription drugs, long-term care, and medical supplies rise dramatically with age and are often not covered by health insurance. Medical spending for adults between the ages of 55 and 64 is almost twice that of adults between the ages of 35 and 44.

AARP Public Policy Institute analysis finds that costly health care expenditures from a serious illness before a patient is eligible for Medicare and the inability to work during and after a serious illness are root causes of financial crises among those 55 and older. In fact, high health care costs have contributed to the dramatic rise in bankruptcy filings among the elderly. Senior citizens' level of indebtedness has risen faster than any other group because they have increasingly turned to credit cards and home equity loans to pay for medical expenses and other debts.

Adults ages 55 to 64 and those 65 and older show an increased consumption of medical services and higher health care expenditures that tends to influence their poverty status more than for other age groups. And low-income elderly tend to have more chronic and debilitating health challenges. Research shows that poverty rates among those age 55 and older rise higher than those of other age groups when their incomes are reduced by medical out-of-pocket spending alone, nearly doubling for seniors age 75 and older.

## Housing

Senior citizens have been hit hardest by the housing crisis. Many are unable to sell their homes in a volatile housing market, and thousands of them who need support and care are unable to move into retirement communities and assisted-living facilities.

*The New York Times* reports that growing numbers of elderly are “essentially ... stranded in their own homes.” Many simply cannot afford the upfront payment it requires to move into senior living environments. A number of areas in the country with weak local economies have seen vacancy rates soar for independent and assisted-living facilities according to data from the National Investment Center for the Seniors Housing and Care Industry.

Thousands of elderly homeowners (and renters) also have faced foreclosure and eviction. Equity-rich and cash-poor elderly homeowners were attractive targets for unscrupulous mortgage lenders—many of whom capitalized on seniors’ need for cash by offering them high-rate and high-fee loan products. Aging Americans’ increased economic vulnerability, a long-standing affordable housing crunch, and the expected growth in the elderly population leads the National Alliance to End Homelessness to project that homelessness among the elderly will increase by 33 percent by 2020, and more than double by 2050.

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## Reducing aging Americans’ risk of poverty and improving their economic well-being

Policymakers must promote long-term economic security for seniors. This is a win-win strategy: Relieving economic pressures among the elderly also will ease some of the strain on our nation’s social safety net. The current reality is bleak for many of our nation’s elderly, but the current generation of seniors is better prepared for life after work than future generations. It is imperative that we reverse the trends outlined in this brief that are increasing economic vulnerability and the risk of poverty among aging Americans. The following are some areas that will help move us toward this goal.

### The Older Americans Act

State budget crises have drained dollars from important social programs that provide essential services and support for seniors, adding to their emotional, physical, and financial hardships.

The Older Americans Act, adopted in 1965, funds many important social programs that include senior meals, transportation services, home-based care, health promotion, disease prevention activities, and wellness and recreation programs. Federal funding over the last several years has not kept pace with inflation, eroding many of the act’s programs’ budgets and service capacity.

The act is up for reauthorization in 2011. Policymakers should ensure that it has the necessary resources in the years ahead to serve a rapidly growing senior population.

## Social Security

Social Security will likely remain a substantial part of American families' income security for decades to come. The recurring proposal of cutting Social Security benefits by raising the retirement age is ill-advised at best and dangerous at worst.

Across-the-board benefit cuts to everybody will have little if any impact on the federal deficit. These cuts would, however, certainly impact the ability of millions of seniors, young families, people with disabilities, and children to survive. And they would disproportionately affect women and people of color who rely most heavily on Social Security to meet basic needs. Policymakers should instead promote policies that address benefit adequacy for vulnerable populations.

Social Security reform efforts should also redress inequalities in the law that discriminate against same-sex couples and their families in several Social Security benefit categories including retirement, dependents disability insurance, and survivor and death benefits.

## Health care reform

Several provisions in the health care law will lessen the heavy burden of health costs on the elderly and their families. For instance, the legislation created a new long-term care insurance program that will give families greater means to care for disabled relatives. It also established the Early Retiree Reinsurance Program, which will provide \$5 billion in financial assistance to help maintain health coverage for early retirees age 55 and older who are not yet eligible for Medicare.

It is critical that policymakers continue to support the implementation of health care reform.

## Employment

Earned income is important for older households that are able to work. Our employment system must therefore provide adequate opportunities for older adults. Policymakers should support efforts to ensure older workers are able to access job-training programs that help them update skills. Policy interventions need to help remove barriers to the reemployment of older Americans facing excessively long-term unemployment.



## Retirement and asset protection

The accumulation of assets occurs over our lifetimes. Assets can include a college education, a home, and retirement savings. They can help alleviate the shocks of economic downturns and help temper the effects of poverty and strains on household income. Most importantly, adequate assets allow seniors to retire more comfortably at the end of their working lives.

It is important that policymakers pass measures that incentivize and shore up asset building and private retirement savings throughout the life course, especially among low-income households and households of color. These measures should lower the costs of building wealth and reduce individual risk exposure. Policymakers should also strengthen and enforce regulations that protect our wealth by preventing predatory lending practices.

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## Conclusion

Our social safety-net programs have done much to improve the economic status of aging Americans, but far too many seniors remain economically vulnerable. And weak economic conditions have only erected additional barriers to financial security and well-being for elderly Americans. This problem will only grow in magnitude as 75 million people in the baby boomer generation reach retirement age—with eroded savings and retirement accounts.

We owe our elders a debt of gratitude for their decades of hard work in the labor market and managing families by ensuring that they are protected from poverty and can securely retire with dignity at the end of their working lives. It is clear that policymakers must promote comprehensive efforts and reforms that support all working-age adults and help them maintain economically stable households throughout their lifetimes.

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