

A Wider Opportunities for Women series  
assessing the economic security of US elders

A WOW analysis of US Census Bureau data finds that nearly half of fully retired, elder-only households lack incomes required for economic security. WOW compares the 2013 household incomes of the nation's retired, independent seniors to the 2013 US Elder Economic Security Standard™ Index to calculate Elder Economic Insecurity Rates by gender, race, age, household composition and other characteristics.

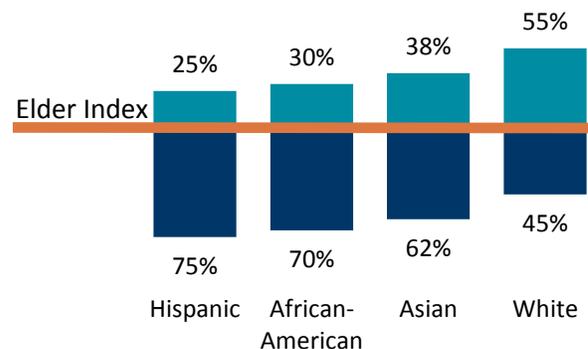
### Economic Insecurity and Race and Hispanic Origin

While Elder Economic Insecurity Rates (EIRs)—the percentage of seniors (65+) living in elder-only households with annual incomes which do not allow economic security—are high among seniors of all races and ethnicities, rates for retired seniors of color are particularly high. Among retired elder-only households, 75% of Hispanic-headed households, 70% of African-American-headed households, and 62% of Asian-headed households lack incomes that allow basic economic security.<sup>1</sup> Forty-five percent of households headed by white seniors lack such incomes.

### Defining Economic Security for Older Americans: The Elder Economic Security Standard Index

The Elder Economic Security Standard Index (Elder Index) is a measure of the costs faced by households of either one or two fully retired seniors age 65 or older. Developed by the Gerontology Institute at the University of Massachusetts Boston and Wider Opportunities for Women, the Elder Index defines economic security as the income level at which elders are able to cover basic and necessary living expenses and age in their homes, without relying on public assistance

Figure 1: Elder Economic Security and Insecurity Rates, by Householder Race/Ethnicity, 2013



Source: Author's calculations based on US Census Bureau American Community Survey 2013 PUMS

programs, loans or gifts. Table 1 presents the US Elder Index for 2013.

### Income

Retired African-American and Hispanic seniors report typical annual incomes lower than white elders' incomes by several thousand dollars. The difference between median annual household retirement incomes for white seniors and African-American seniors is more than \$5,600; Asian and Hispanic seniors report median annual incomes that are more than \$7,900 and \$8,300, respectively, below white retirees' median annual incomes.

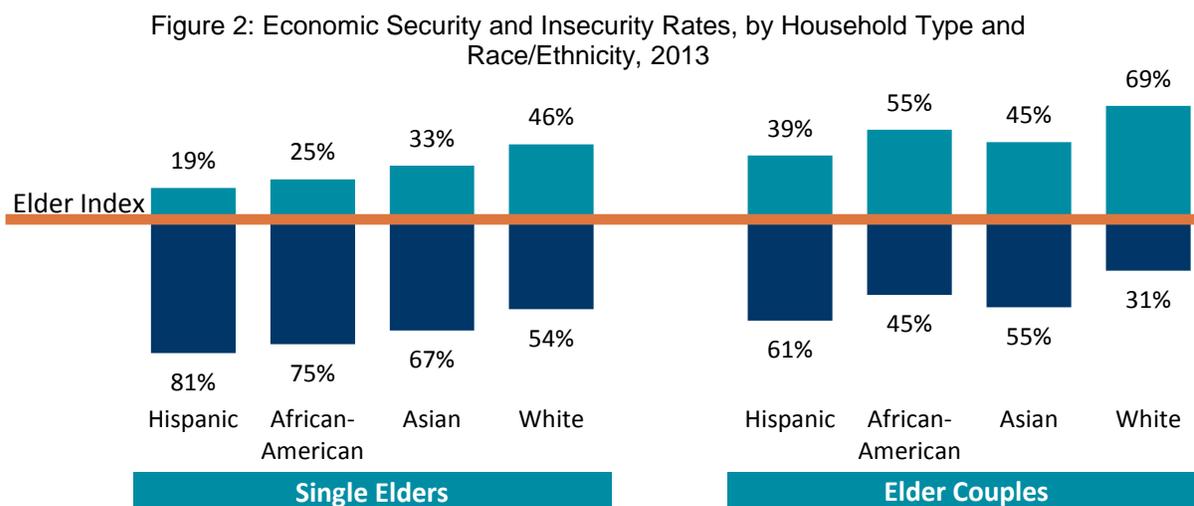
<b>Table 1: The Elder Economic Security Standard Index for the United States, 2013</b>						
<b>Expenses</b>	<b>Elder Person</b>			<b>Elder Couple</b>		
	<b>Owner w/o Mortgage</b>	<b>Renter</b>	<b>Owner w/ Mortgage</b>	<b>Owner w/o Mortgage</b>	<b>Renter</b>	<b>Owner w/ Mortgage</b>
Housing	\$470	\$791	\$1,306	\$470	\$791	\$1,306
Food	\$251	\$251	\$251	\$461	\$461	\$461
Transportation	\$248	\$248	\$248	\$383	\$383	\$383
Health Care	\$402	\$402	\$402	\$804	\$804	\$804
Miscellaneous	\$274	\$274	\$274	\$424	\$424	\$424
<b>Elder Index Per Month</b>	<b>\$1,645</b>	<b>\$1,966</b>	<b>\$2,481</b>	<b>\$2,542</b>	<b>\$2,863</b>	<b>\$3,378</b>
<b>Elder Index Per Year</b>	<b>\$19,740</b>	<b>\$23,592</b>	<b>\$29,772</b>	<b>\$30,504</b>	<b>\$34,356</b>	<b>\$40,536</b>

Source: *The Economic Security Database*, Wider Opportunities for Women. Calculation by the Gerontology Institute, University of Massachusetts Boston.

Note: For more information on the Elder Index methodology, see *The National Elder Economic Security Standard: Methodology* (Boston: The Gerontology Institute, University of Massachusetts Boston, 2012).

Racial disparities in retirement income reflect racial disparities in income during adults' working years; men and women of color earn lower median wages than white workers.<sup>ii</sup> They also tend to work in jobs that do not offer retirement plans.<sup>iii</sup> At retirement, minority seniors tend to have less in retirement savings.<sup>iv</sup> Earnings and labor force participation patterns also result in Social Security benefits that are typically lower among elders of color than among white retirees.

Retired seniors as a group depend heavily on Social Security as a source of income: Among those seniors studied, 2013 Social Security payments accounted for, on average, 65% of personal income.<sup>v</sup> White elders reported median annual Social Security benefits that are approximately \$2,300 higher than benefits for African-American retirees, more than \$2,900 higher than benefits for Asian retirees, and more than \$3,000 higher than benefits for Hispanic retirees.



Source: Author's calculations based on US Census Bureau American Community Survey 2013 PUMS

## One-Person vs. Two-Person Households

Despite higher expenses, seniors who live with a partner are more likely to have total household incomes above their Elder Index than are single seniors who live alone: *58% of single elders living alone report household incomes below the Elder Index, compared to just 34% of elder couples.* Couples tend to have higher Social Security incomes and total incomes, and many benefit from economies of scale, enabling them to spend less per person on housing, food and transportation costs.<sup>vi</sup>

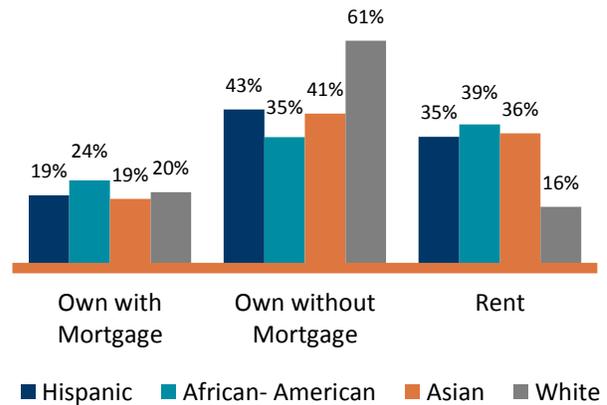
Minority couples do not enjoy economic security at the same rate as white couples. While more than two-thirds (69%) of white elders who live with a spouse or partner have household incomes above the Elder Index, 55% of African-American elders, 45% of Asian elders and 39% of Hispanic elders who live with a partner have economic security incomes.

Similarly, while single elders are at greater risk for economic insecurity regardless of racial or ethnic background, minority elders who live alone experience economic insecurity at alarming rates. *EEIRs for Asian, African-American and Hispanic single retired seniors living alone are 69%, 75% and 81%, respectively.*

## Housing Tenure

The Elder Index calculates different income needs for elders who own their homes outright, who own with a mortgage payment, and who rent. Elders who own their homes without a mortgage require the lowest incomes to be economically secure. Owners who carry a mortgage payment require the highest incomes to reach economic security.

Figure 3: Elder Housing Status, by Race/Ethnicity, 2013



Source: Author's calculations based on US Census Bureau American Community Survey 2013 PUMS

Note: Totals do not sum to 100% because some individuals occupy housing they neither own nor rent.

Given that their income requirements are the lowest, it is unsurprising that elder households who own their homes without a mortgage have the lowest economic insecurity rate. However, even among this population, just 62% have incomes above the Elder Index. Owners who still owe mortgages on their homes require approximately \$10,000 more per year to be economically secure than those who own their homes outright, but they also report higher median incomes than those without mortgages or renters. The EEIR for owners with mortgages is 50%.

*The most at-risk group is renters, with an EEIR of 73%.* Renters are also disproportionately minority households. While approximately 16% of white elders rent their homes, 39% of African-American households, 36% of Asian households, and 35% of Hispanic households rent.

Elders who rent are most vulnerable to short-term changes in costs in their communities.

Rental costs can change significantly over short periods of time. Also, while rental costs may move with other aspects of the local economy, including wages, retired seniors living on fixed incomes can find themselves quickly priced out of a local rental market.

*The EEIR for African-American elder renters is 84%. Nearly all Asian and Hispanic households lack security incomes, with EEIRs of 90% and 91%, respectively.*

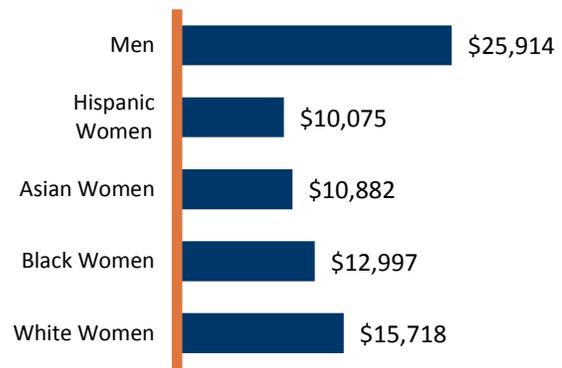
### Women of Color

Older women are much more likely to live in households that lack economic security than are older men.<sup>vii</sup> As noted above, this is in large part attributable to retired women’s smaller retirement incomes and the higher likelihood that senior women are single and/or rent their homes. Each of these likelihoods is higher still for minority women.

Elder men studied report typical annual incomes in retirement 71% higher than the typical elder woman’s income in retirement (\$25,914 compared to \$15,113). This difference affects women regardless of racial or ethnic background, but it is especially large for women of color. As Figure 4 shows, for retired women of color, the retirement income disparity between median annual incomes for women and men ranges from over \$12,900 for African-American women to more than \$15,800 for Hispanic women.

Household composition varies across racial and ethnic groups. Among seniors living independently, Asian elder women are more likely than African-American, white or Hispanic elder women to live with a spouse or partner.

Figure 4: Elder Median Individual Income, by Gender, Race/Ethnicity, 2013

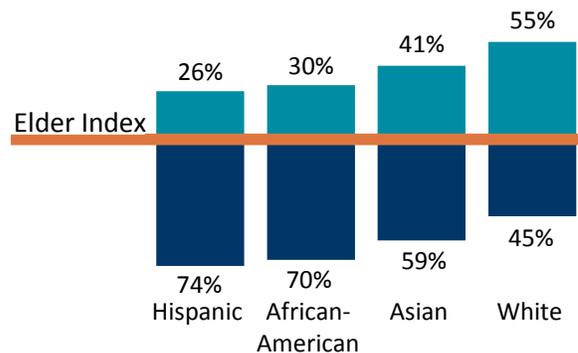


Source: Author's calculations based on US Census Bureau American Community Survey 2013 PUMS

Fifty-four percent of Asian women live with a partner, compared to 45% of white and 41% of Hispanic elder women. African-American women age 65 and older are most likely to live alone: Just 25% live with a spouse or partner.

Older women of color are more likely to rent their homes than white women. Just 19% of white senior women studied are renters, compared to 37% of Asian, 36% of Hispanic, and 38% of African-American senior women.

Figure 5: Economic Security and Insecurity Rates of Elder Women, by Race, 2013



Source: Author's calculations based on US Census Bureau American Community Survey 2013 PUMS

*These cumulative disadvantages result in a large economic security race disparity among women: Forty-five percent of white women, 59% of Asian women, 70% of African-American women, and 74% of Hispanic women studied live in households that lack economic security incomes in retirement.*<sup>viii</sup>

## Conclusion

With nearly one-half of elder-only households reporting incomes below the Elder Index, millions of older adults face tough spending choices, may go without one or more basic needs, and may have trouble remaining in their homes if faced with common health and financial pressures.

During their working years, minority men and women earn lower median wages than white workers, and their family Economic Insecurity Rates are much higher than rates for white men and women.<sup>ix</sup> This security racial gap persists across the lifespan, and the threat of poverty and/or institutionalization looms largest for seniors of color, particularly those who are single and/or rent their homes.

The challenges faced by seniors of color are greater yet for minority women. This is largely due to their lower retirement incomes, which are in large part attributable to:

- Lower incomes and higher Economic Insecurity Rates during their working years
- Living without a spouse or partner in retirement
- Lower Social Security benefits in retirement
- Less retirement savings

On the other side of the ledger, minority elder women are likely to have certain higher expenses, as they are more likely to rent than to own their homes, and are more likely to be in less than good health.<sup>x</sup>

To decrease the number of men and women of color retiring into or aging into insecurity or poverty, federal, state and local governments must learn to recognize the security gap and those who fall into it. They must also consider whether or not their policies contribute to the security of those seniors who live above the poverty line, as they require services and supports that go beyond emergency aid and lead to intermediate- and long-term stability goals. Economic security, rather than “not-poverty,” is the goal to which elders and those who represent and serve them should aspire.

## Methodology

This analysis calculates elder economic security rates by comparing elder household incomes to annualized incomes required for basic economic security, as defined by the Elder Index, to 2013 one-year American Community Survey PUMS data. The study sample is limited to households for which Elder Index values are calculated: Households composed of either a single adult age 65+ or an elder couple where both adults are age 65 or older. All adults are fully retired (reporting zero earnings and no paid work in the past year). Seniors who live in group quarters, including institutional settings, and those who reside with an unrelated roommate or family member other than a partner are not included in this analysis.

The incomes of individuals living in homes they do not own and for which they do not pay rent (typically 2-3% of seniors studied, depending on senior subgroup) are compared to the US Elder Index value for renters. When elders' incomes are compared to Elder Index values, payments from cash-equivalent public assistance programs and Supplemental Security Income (SSI) are excluded from elder incomes. Less than 1% of households studied received income from a public (cash) assistance program; approximately 4% of households received income from Supplemental Security Income.

Basic economic security is defined as having enough income to meet basic needs without

public or private assistance. While public assistance programs are critical to helping elders address the economic security gap—the gap between income and economic security needs—elders who depend on an often underfunded social safety net cannot be fully secure. Estimates of the population with incomes above and below the Elder Index are statistically significantly different from the estimates for the general population at the  $p < .05$  level, except where noted.

## Wider Opportunities for Women

Wider Opportunities for Women (WOW) has promoted empowerment, equity and economic security across the lifespan since 1964. Through advocacy, research, training and technical assistance, WOW advances equal education and employment opportunities, nontraditional occupations for women, freedom from financial abuse and secure retirement.

WOW's Family Economic Security Project (FES Project) and Elder Economic Security Initiative (Elder Initiative) improve policy and programs by defining and advocating economic security. The FES Project and Elder Initiative work in WOW's home of Washington, DC and with their partner networks across the country to improve the lives of workers, families and seniors.

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<sup>i</sup> The group "Hispanic" includes those self-identifying as Hispanic, Latino or Spanish on the US Census Bureau's American Community Survey.

<sup>ii</sup> DeNavas-Walt, Carmen and Bernadette D. Proctor. *Income and Poverty in the United States: 2013*. Washington, DC: US Department of Commerce, 2014.

<sup>iii</sup> Copeland, Craig. *Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013*. Washington, DC: Employee Benefit Research Institute, 2014.

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<sup>iv</sup> Advisory Council on Employee Welfare and Pension Benefit Plans. *Disparities for Women and Minorities in Retirement Savings*. Washington, DC: US Department of Labor, 2010.

<sup>v</sup> Social Security as a percentage of total personal income, not total household income.

<sup>vi</sup> Elder Index values for a single adult age 65 or older range from approximately 65% to 73% of the Elder Index values for an elder couple, depending on housing status (see Table 1).

<sup>vii</sup> Wider Opportunities for Women. "Living Below the Line: Economic Insecurity and Older Americans, No. 2: Women." Washington, DC: Wider Opportunities for Women, 2015.

<sup>viii</sup> The calculation for white women is not significantly different than the calculation for the general study population.

<sup>ix</sup> Wider Opportunities for Women. *Living Below the Line: Economic Insecurity and America's Families*. Washington, DC: Wider Opportunities for Women, 2013.

<sup>x</sup> Administration on Aging. *A Profile of Older Americans: 2011*. Washington, DC: US Department of Health and Human Services, 2011.