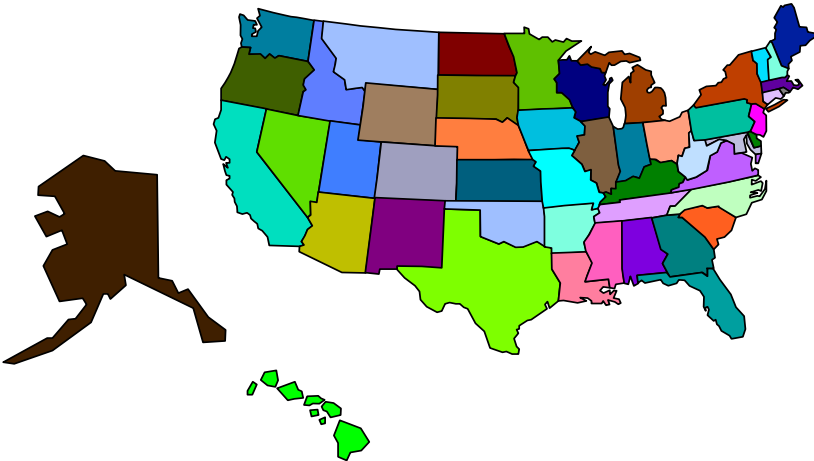


Income and Poverty of Older Americans in 2001: A Chartbook



August 2003

Income and Poverty of Older Americans in 2001:

A Chartbook

by

Kebin Wu

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

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 AARP public Policy Institute (PPI) 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 2001. The data are from the U.S. Bureau of the Census's March 2002 Current Population Survey. The survey consists of about 78,000 households in the United States for the calendar year 2001. 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 Kebin Wu of the PPI 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 Kebin Wu at (202) 434-3878 or kwu@aarpp.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 2001 was \$8,494

for single persons aged 65 and older and \$9,214 for single persons under age 65. For couples, the threshold was \$10,705 for households in which the householder was age 65 or older and \$11,859 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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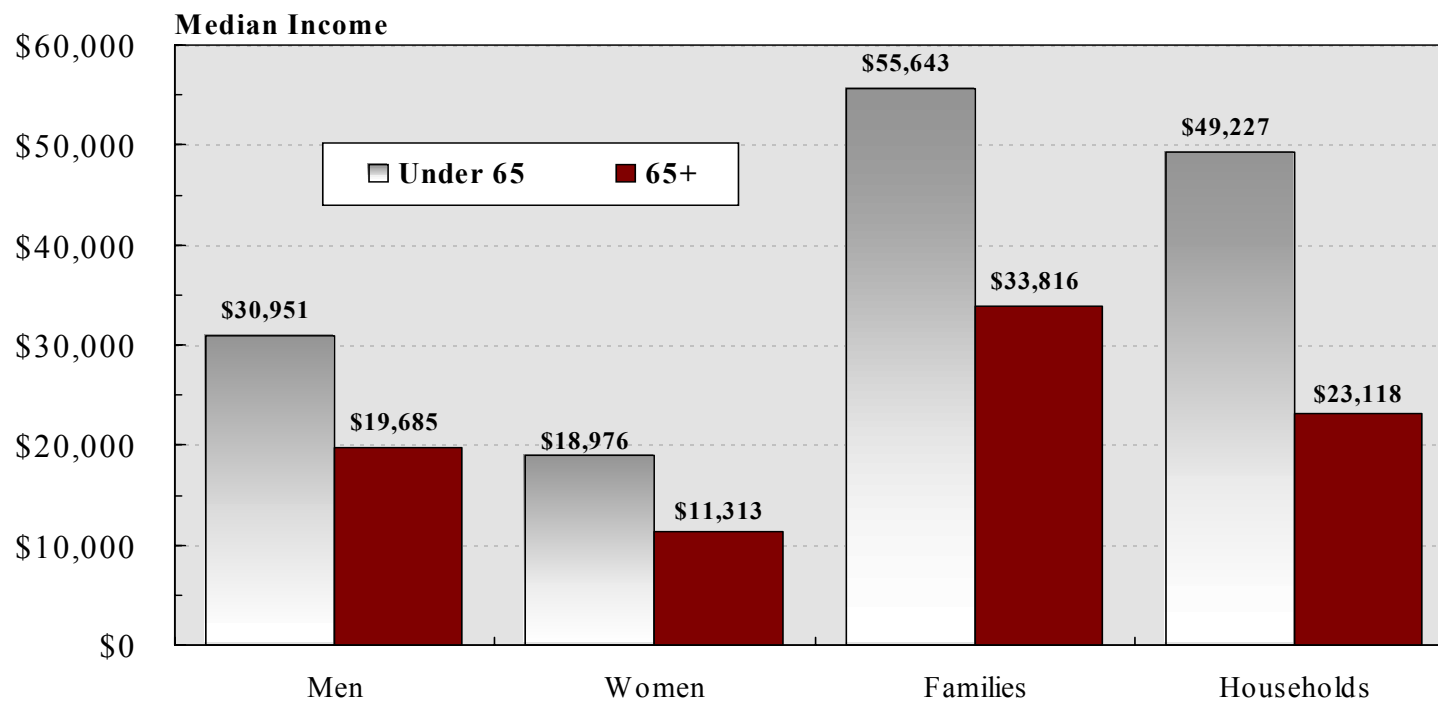
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*Older Americans have lower incomes than younger Americans.
Incomes decline in retirement due to loss of earnings.*

Figure 1
Median Income of Persons, Households, and Families
by Age in 2001

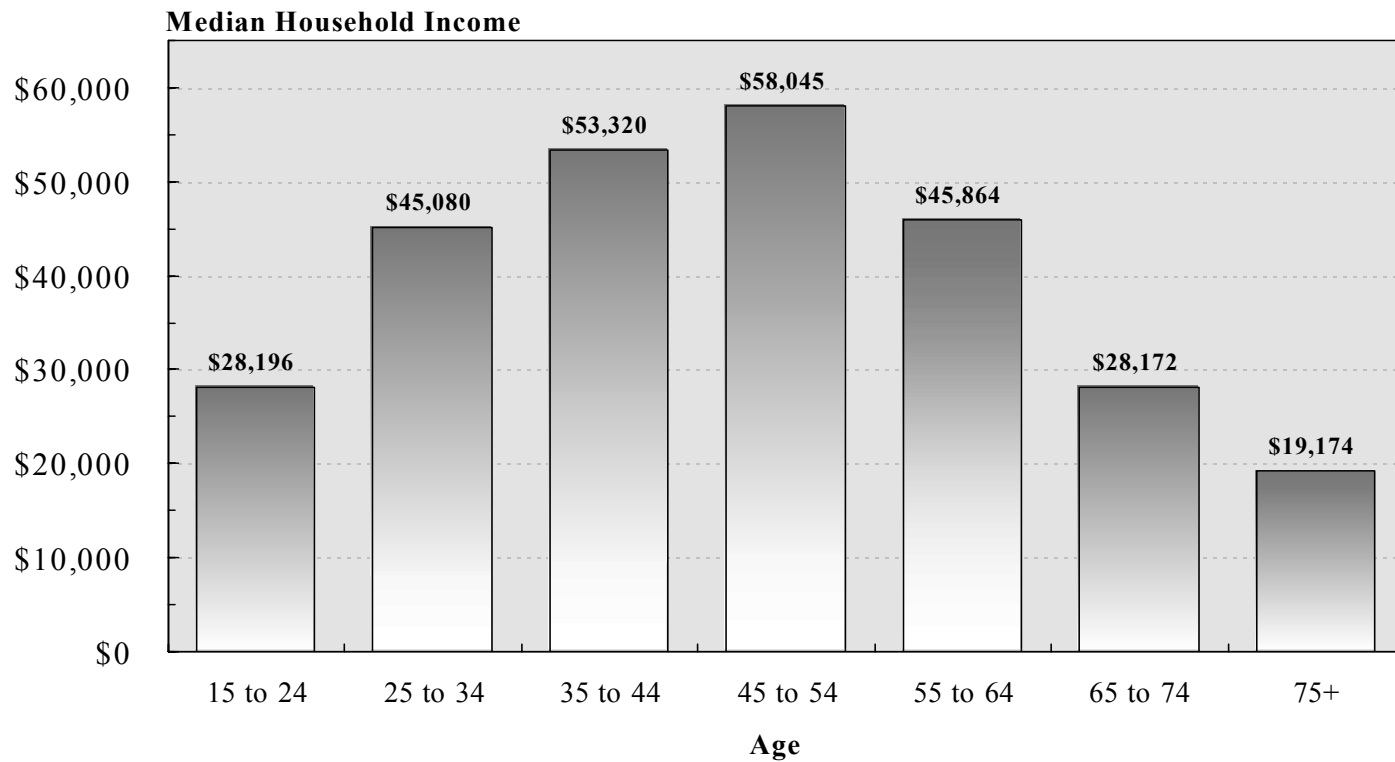


Source: U.S. Bureau of the Census, *Money Income in the United States: 2001*, September 2002.

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Median household income rises steadily with age until middle age and then falls. This pattern reflects the steadily rising incomes of successive age cohorts. It also suggests a life cycle pattern of rising and then declining income over the life cycle.

Figure 2
Median Household Income by Age of Householder
in 2001

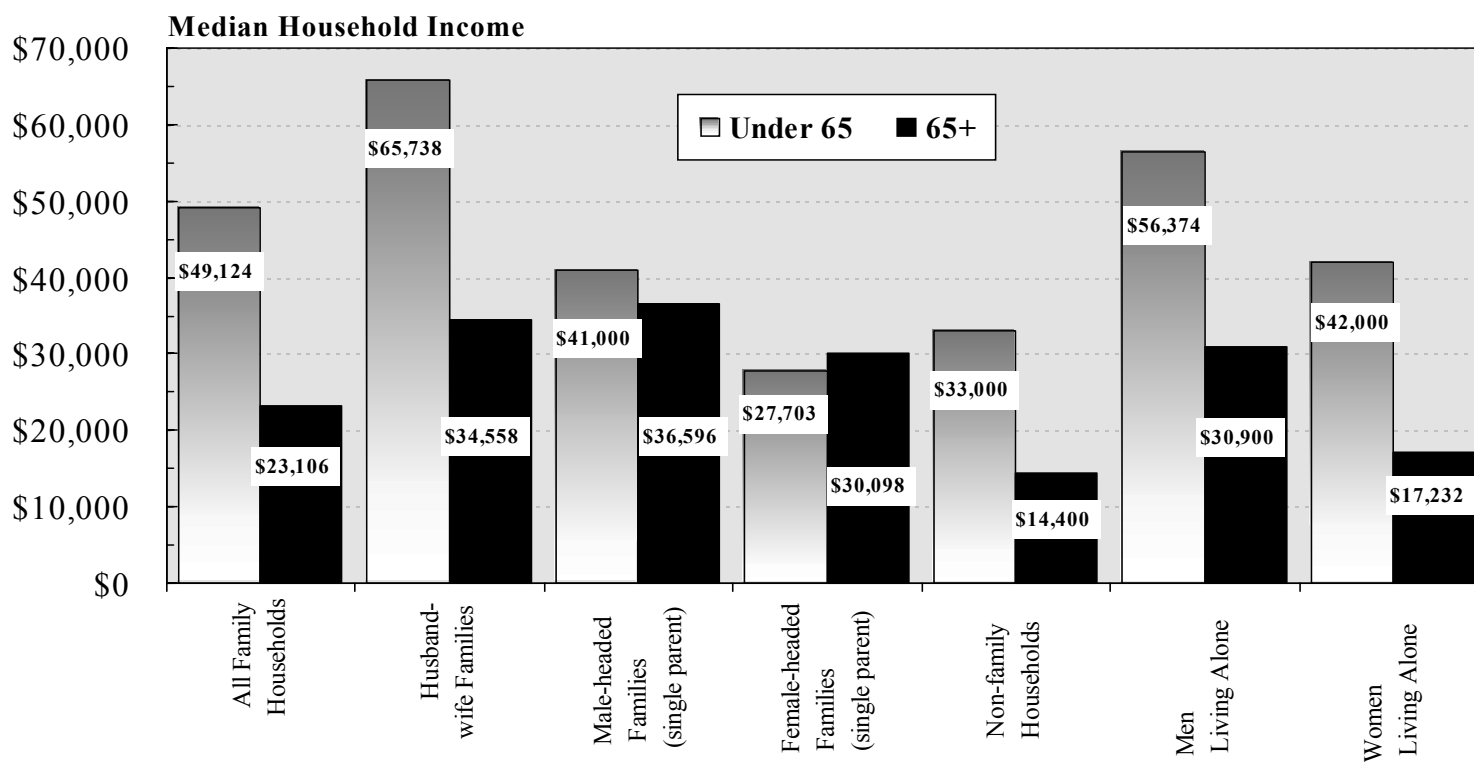


Source: U.S. Bureau of the Census, *Money Income in the United States: 2001*, September 2002.

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*Median household income varies by age and living arrangement.
Younger married couples have the highest median household income,
followed by younger single men and younger single women.*

Figure 3
Median Household Income by Age and Living Arrangement in 2001

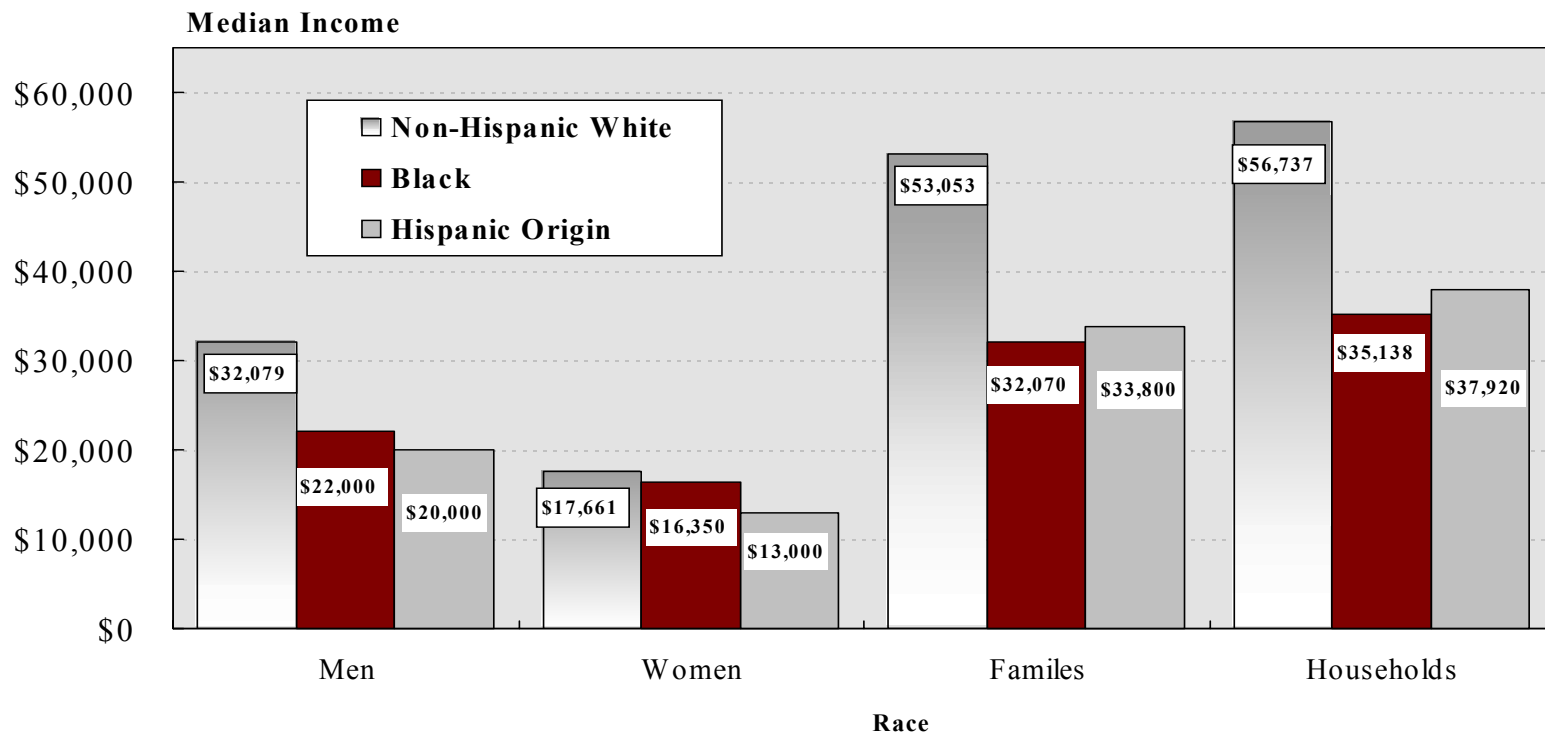


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Median income varies by race. Median incomes of white families, households, and persons are higher than for non-white families. Hispanic men and women have lower median incomes than black men and women, but Hispanic households and families have higher incomes than black households and families, suggesting more workers per Hispanic household.

Figure 4
Median Income of Persons, Households, and Families*
by Race in 2001

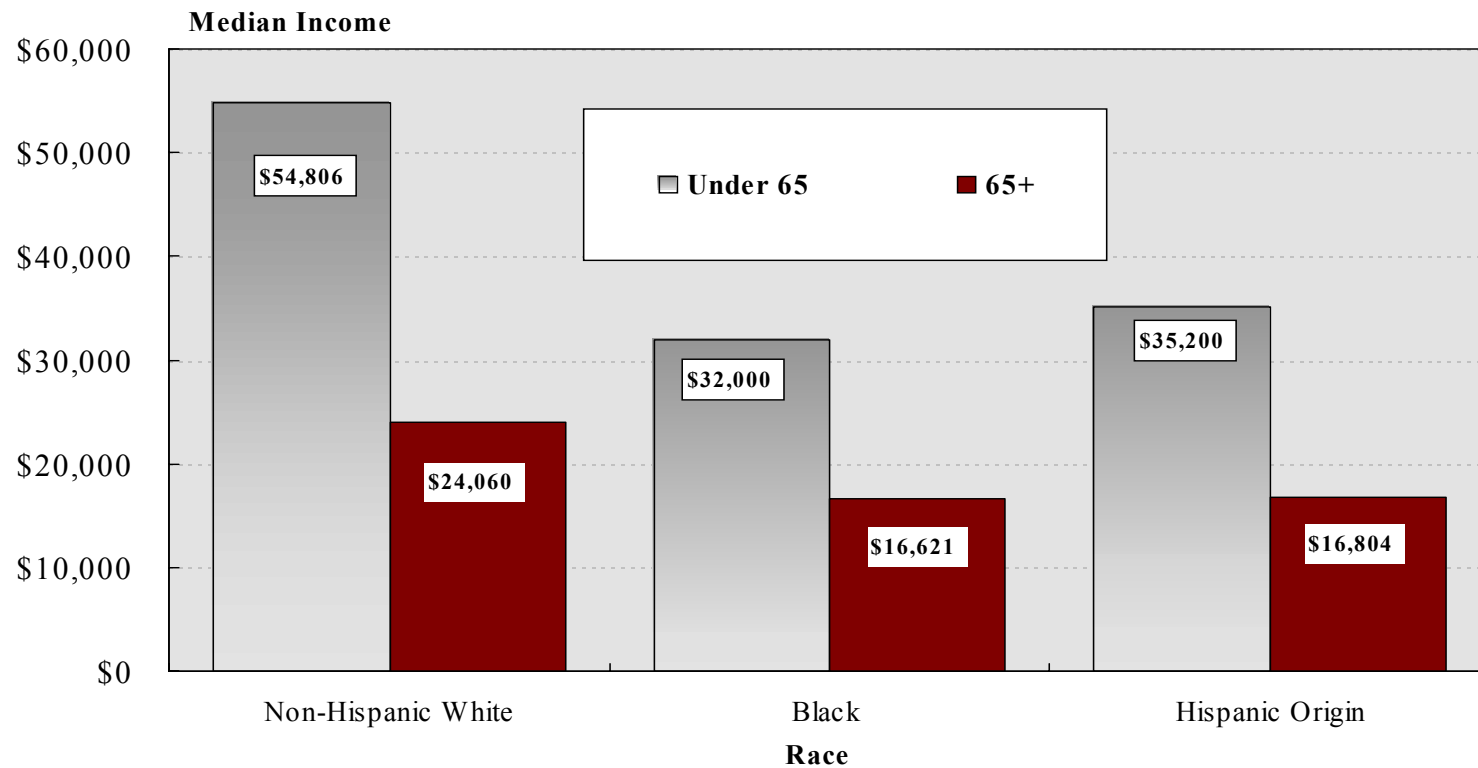


*Individuals who live alone or unrelated persons are classified as families of one.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Median household income for minorities is lower than for whites among both 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 older, due in part to the leveling effect of Social Security benefits.

Figure 5
Median Income of Households by Age and Race in 2001

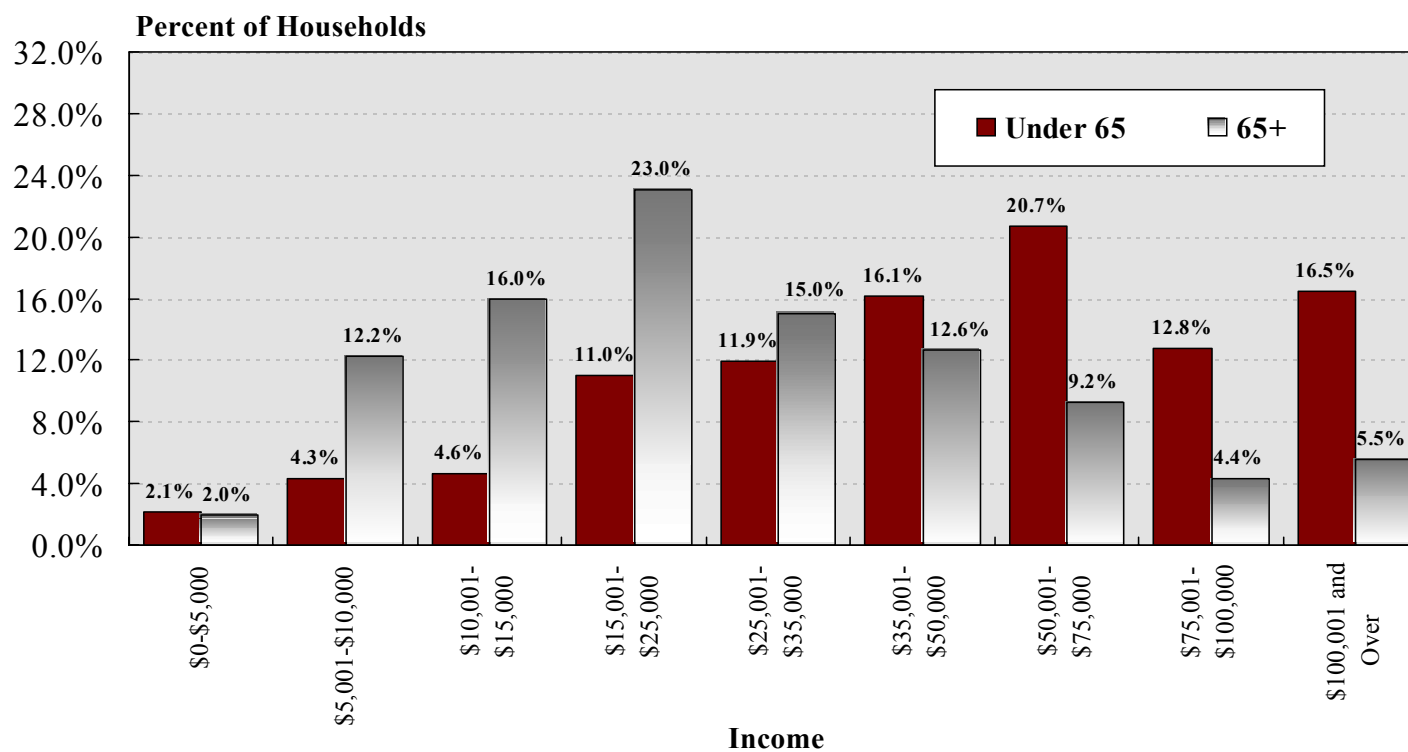


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Older households are more concentrated at lower income levels, and younger households at higher income levels. In 2001, more than 50 percent of older households (53.2 percent) had incomes below \$25,000, while 78 percent of younger households had incomes above \$25,000.

Figure 6
Percentage of Households in Income Class by Age
in 2001

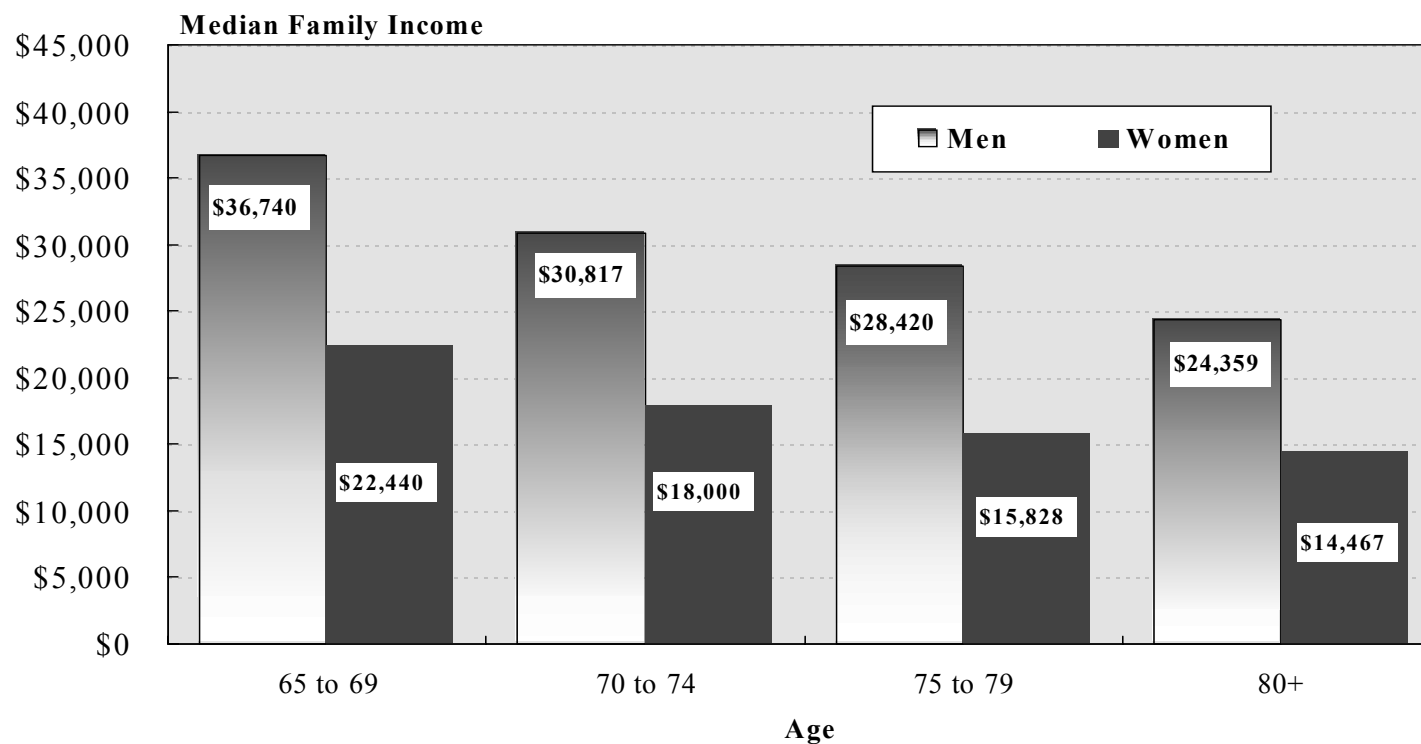


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Among older families, median income declines steadily with age for families headed by both men and women. This pattern is due to cohort effects on income as well as declines in income-generating assets.

Figure 7
Median Family Income by Age and Gender of Family Head* for Persons Aged 65+ in 2001

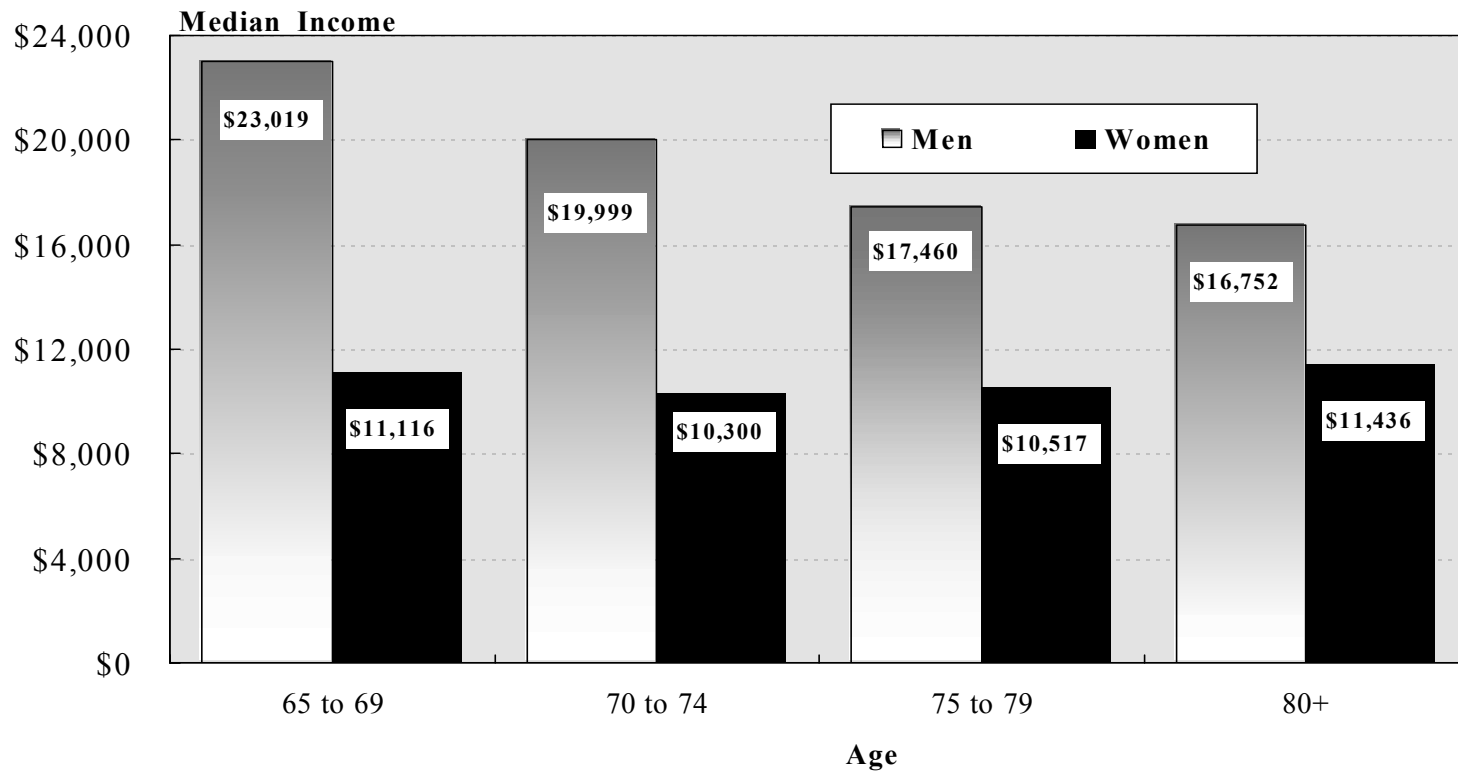


*Individuals who live alone or unrelated persons are classified as families of one.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Among older individuals, median person income is higher for men in every age group than for women, even though the median income of men declines steadily with age.

Figure 8
Median Person Income by Age and Gender
for Persons Aged 65+ in 2001

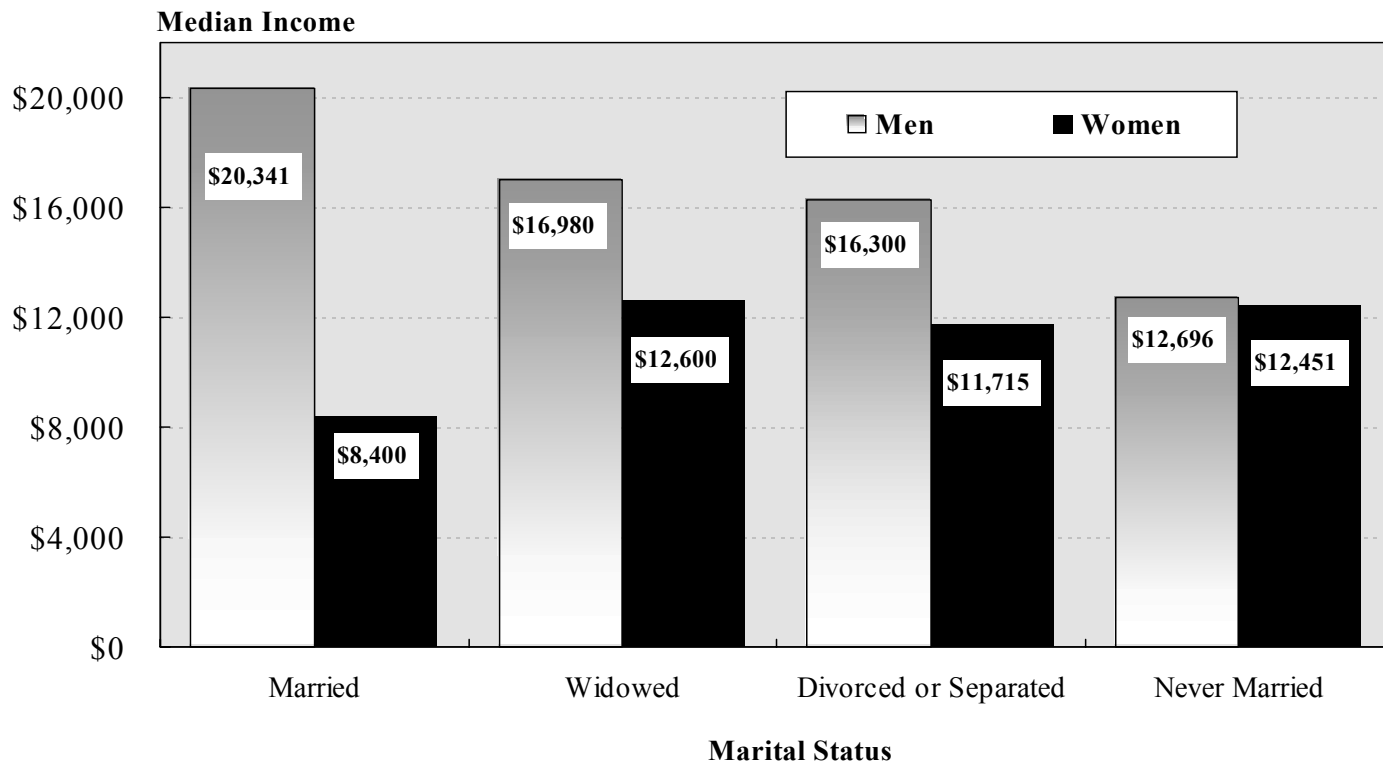


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Among the older population, median person income was highest for married men and lowest for married women because many married women do not work.

Figure 9
Median Person Income by Marital Status and Gender
for Persons Aged 65+ in 2001

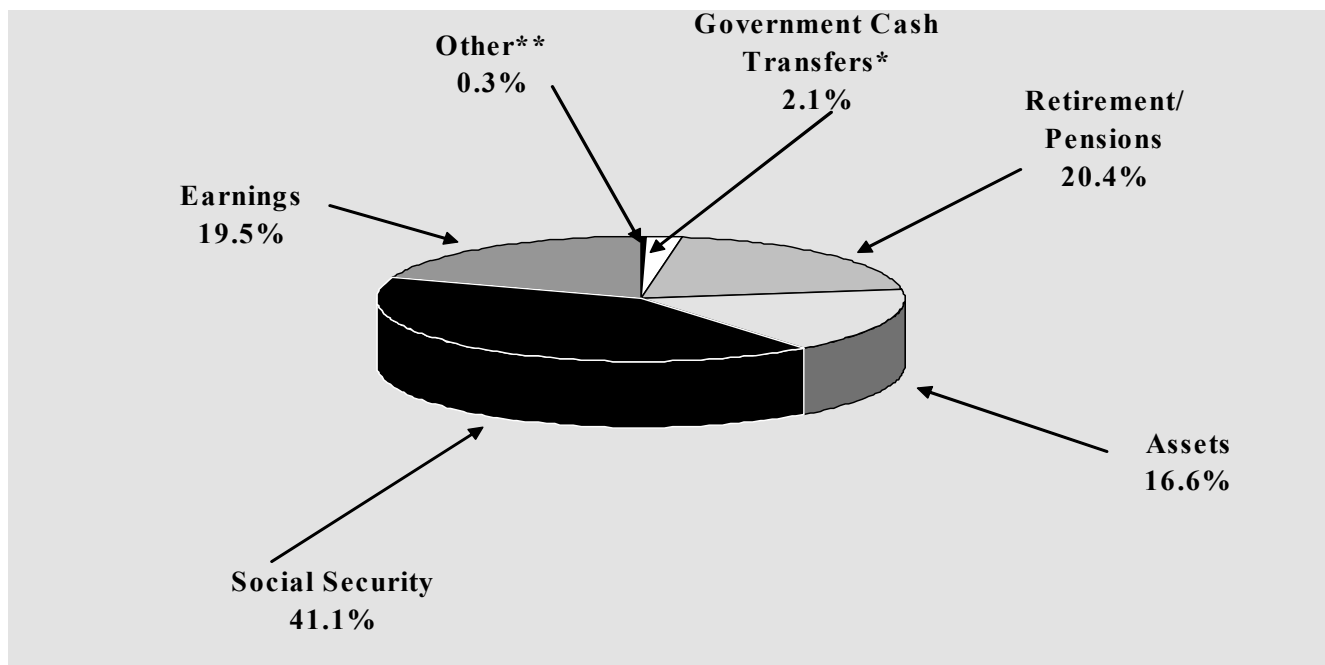


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Social Security is the most important income source for the older population, accounting for about two-fifths of total income. Pension income accounts for about one-fifth of total income, as does earnings income. Asset accounts for about 16.6 percent of total income.

Figure 10
Income Source as a Percent of Aggregate Income for
Persons Aged 65+ in 2001



*Government cash transfers include unemployment compensation, worker's compensation, veteran benefits, SSI, public assistance, and education assistance.

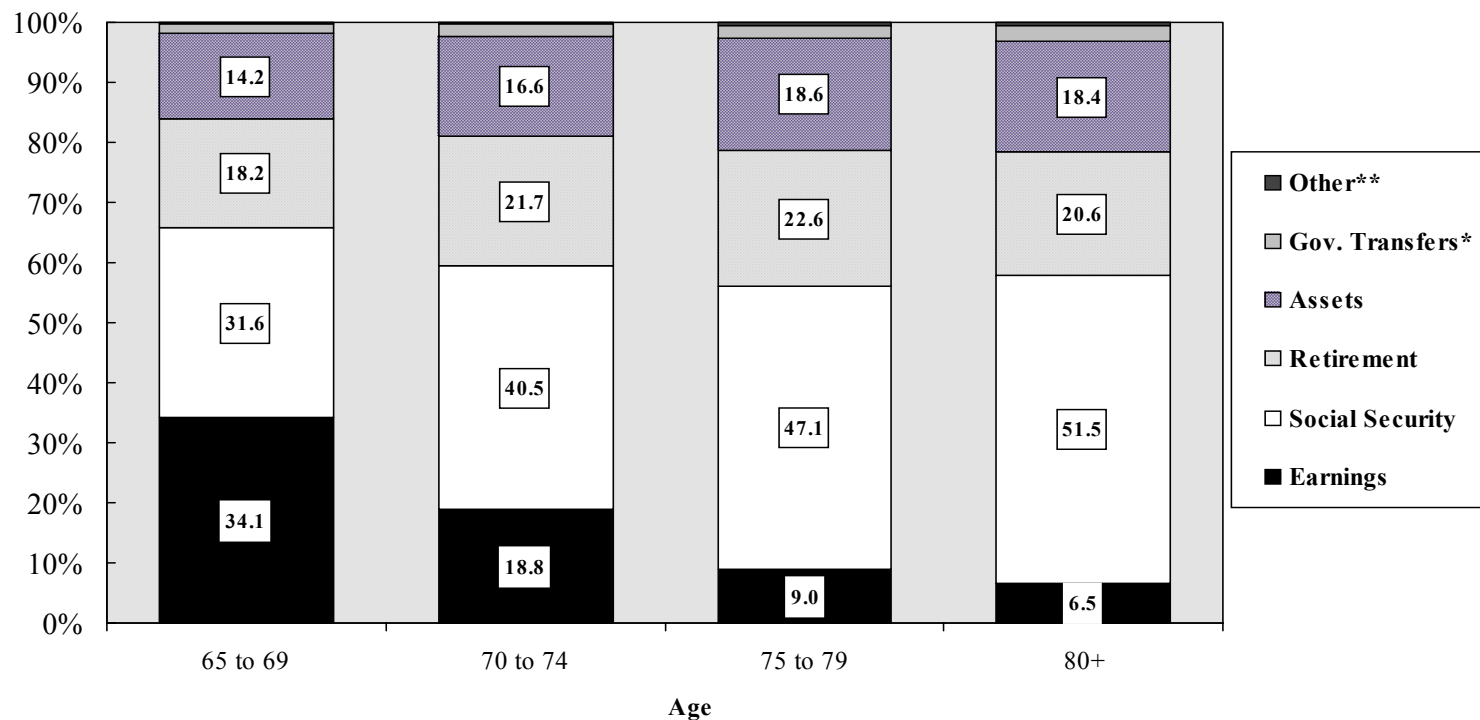
**Other income includes child support, alimony payments, and financial assistance.

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Older persons' dependence on Social Security increases as their age increases. For persons age 80 and older, over 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 2001



*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.

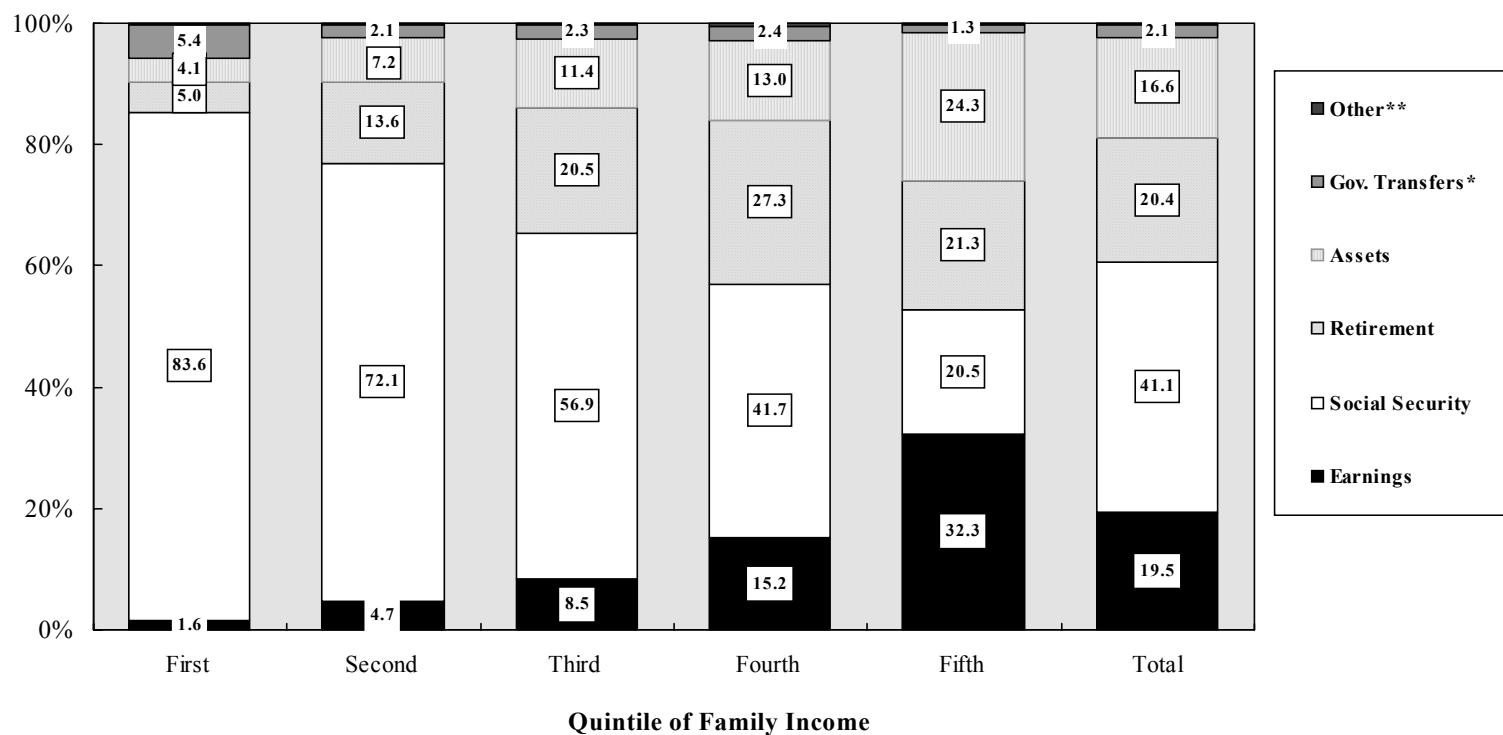
Note: Numbers do not sum to 100 percent because the smallest of two categories cannot be labeled.

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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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 in the bottom three family income quintiles 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 2001



*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.

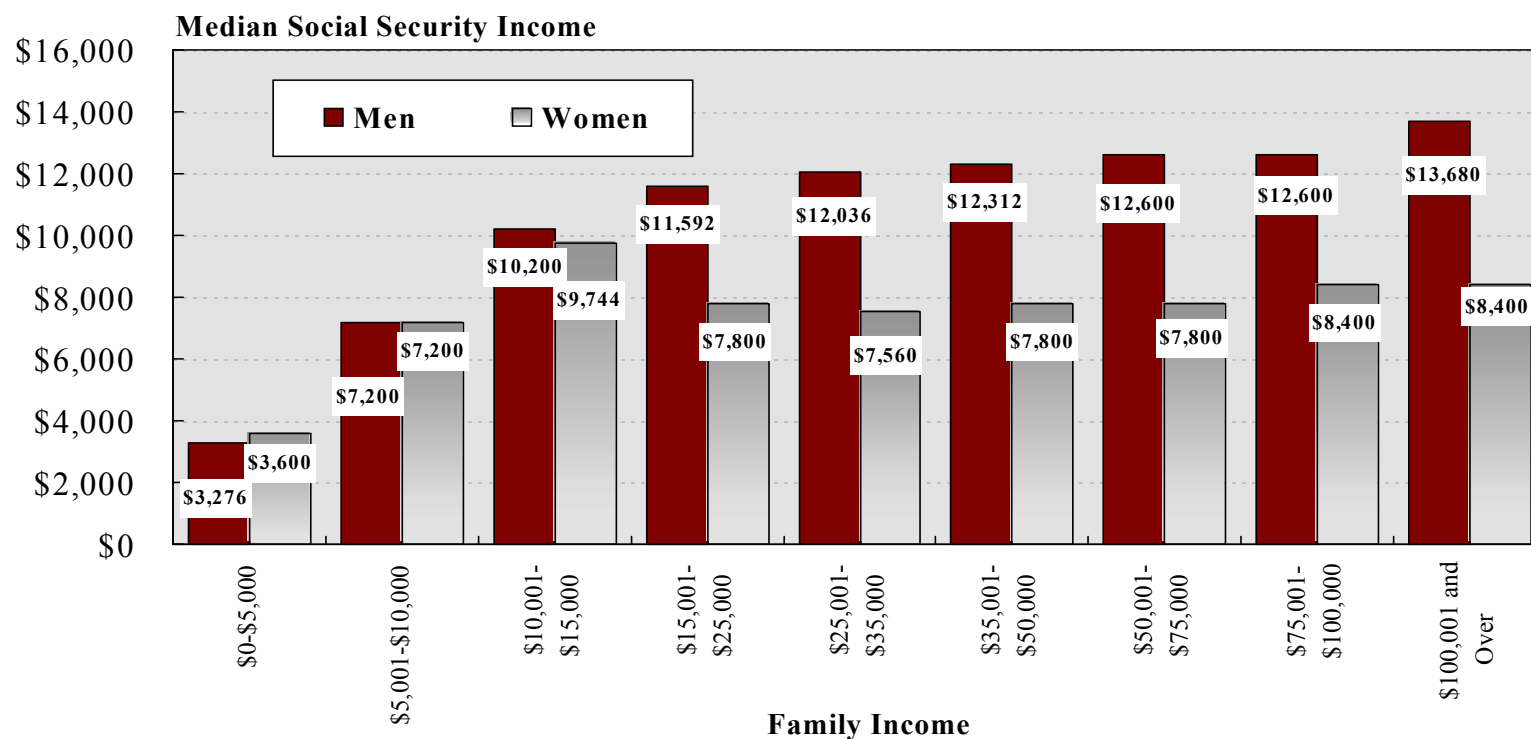
Note: Numbers do not sum to 100 percent because the smallest value of one category cannot be labeled.

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Median Social Security income was roughly constant across income classes for both men and women above \$15,000 in family income. 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 \$15,000. For those with family income below \$15,000, median Social Security income for women is almost the same as for men.

Figure 13
Median Social Security Income by Family Income* and Gender for Persons Aged 65+ in 2001

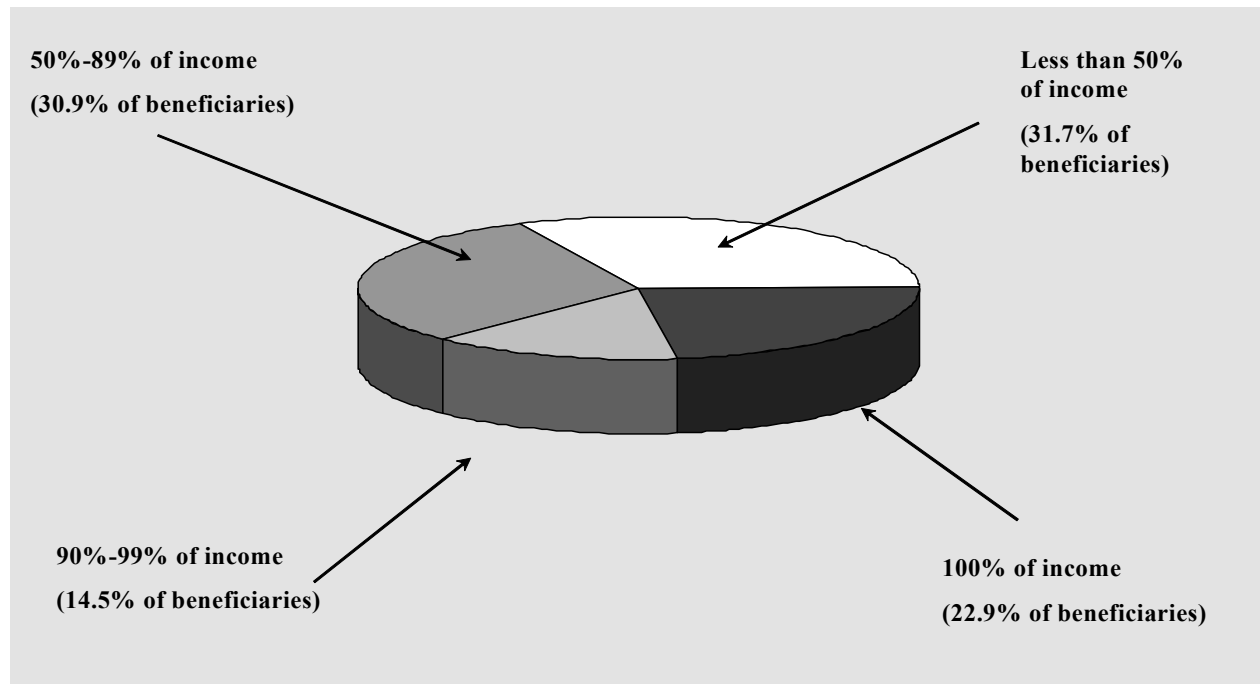


*Individuals in this and similar figures are classified by family income but the level of income by source is person specific income and is reported for both married and single individuals.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Social Security income is the most important income source for the older population. Nearly 38 percent 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 2001

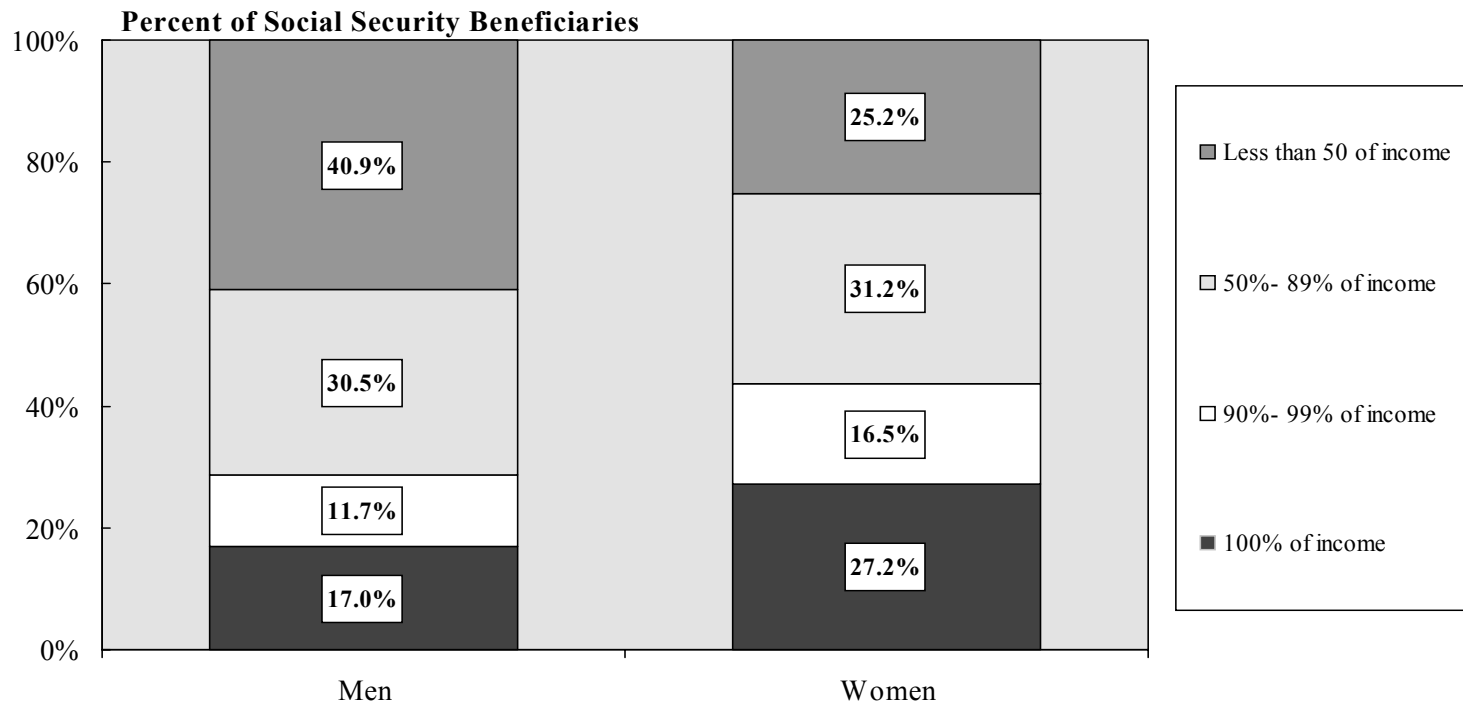


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Older women are more likely to depend on Social Security than older men. Nearly 44 percent of older female Social Security beneficiaries receive 90 percent or more of their income from Social Security, while 28.7 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 2001



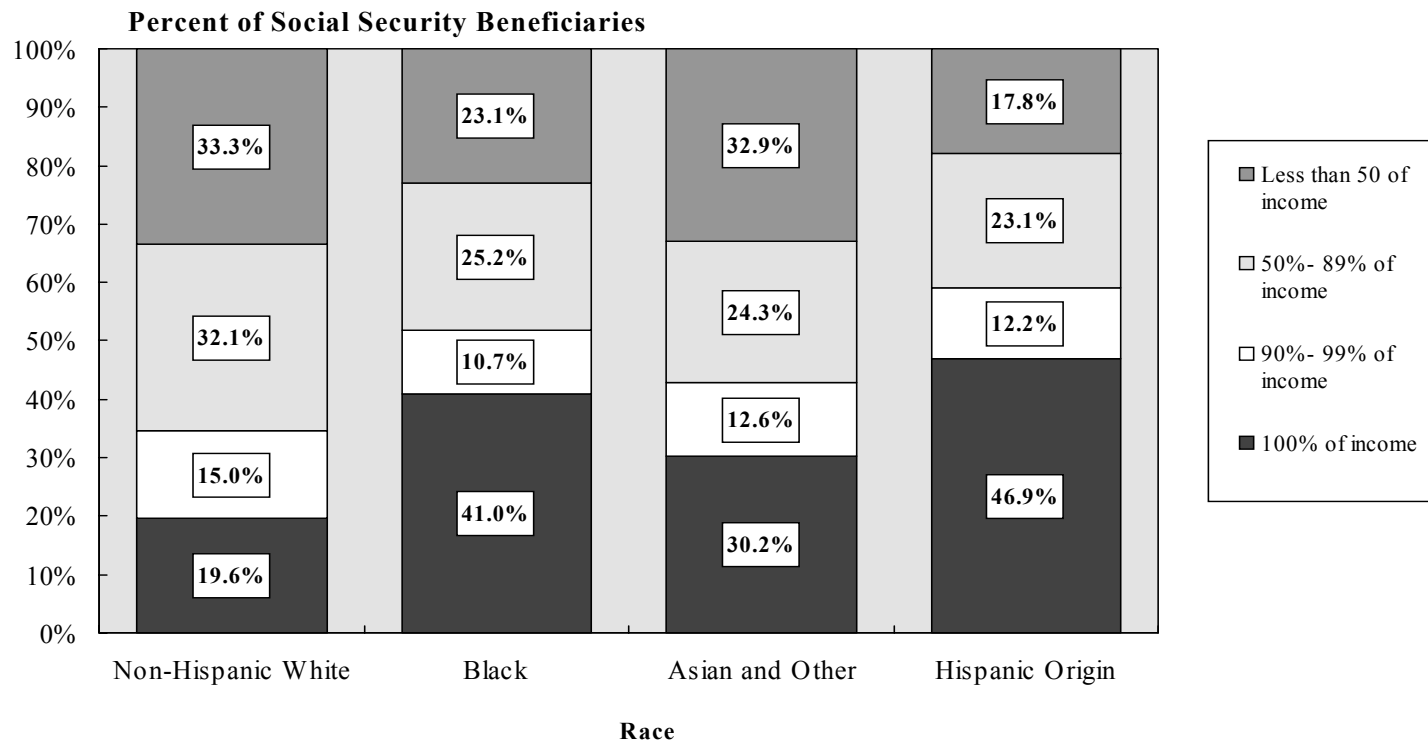
Note: Numbers do not sum to 100 percent due to rounding.

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Among the older population, blacks and Hispanics are more likely to depend on Social Security income than are older whites: 46.9 percent of older Hispanic and 41.0 percent of older black Social Security beneficiaries receive all their income from Social Security, while 19.6 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 2001

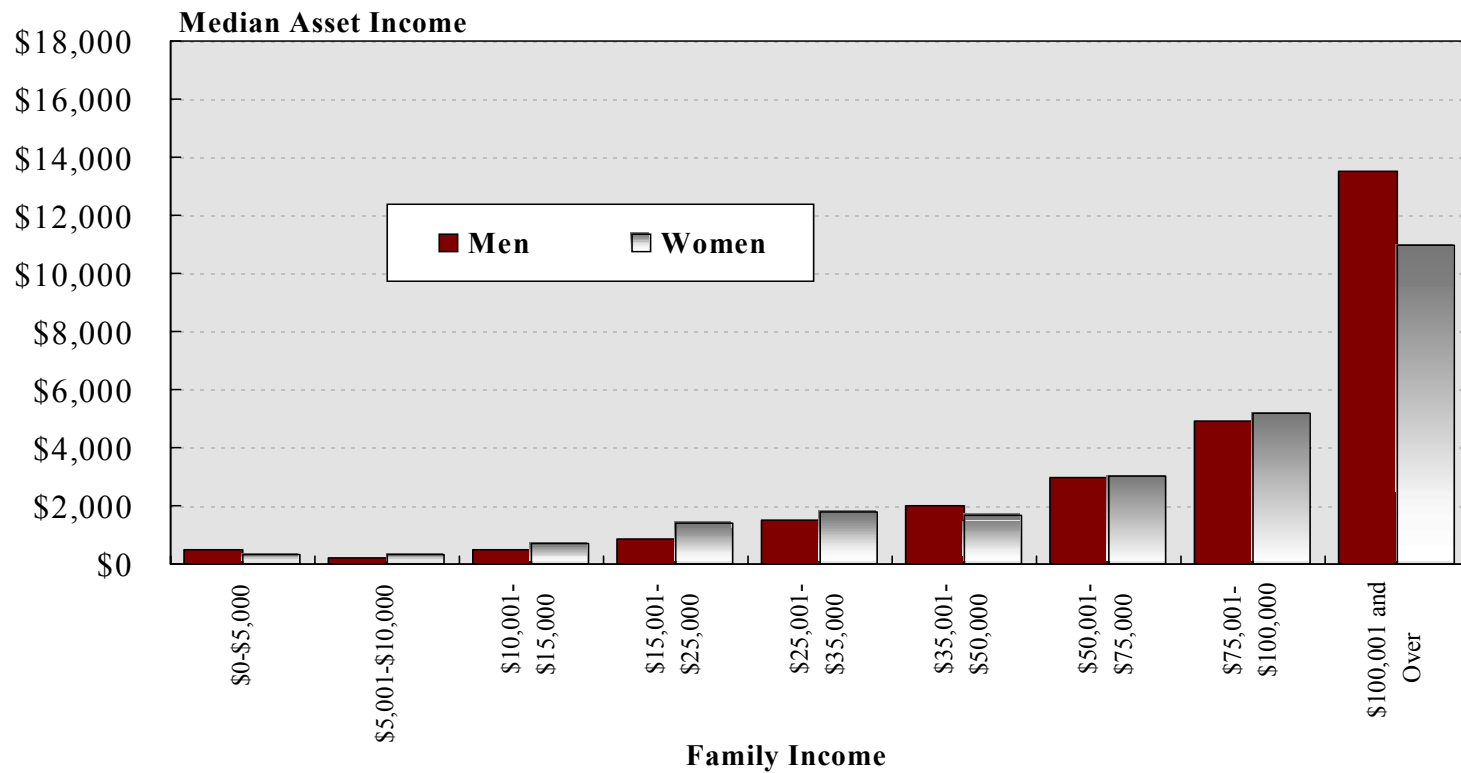


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Asset income rises steadily as total family income increases among older persons. Women and men generally have similar levels of asset income up to \$100,000 in family income. For families with incomes of \$100,000 and over, men have higher asset income than women.

Figure 17
Median Asset Income* by Family Income and Gender
for Persons Aged 65+ in 2001

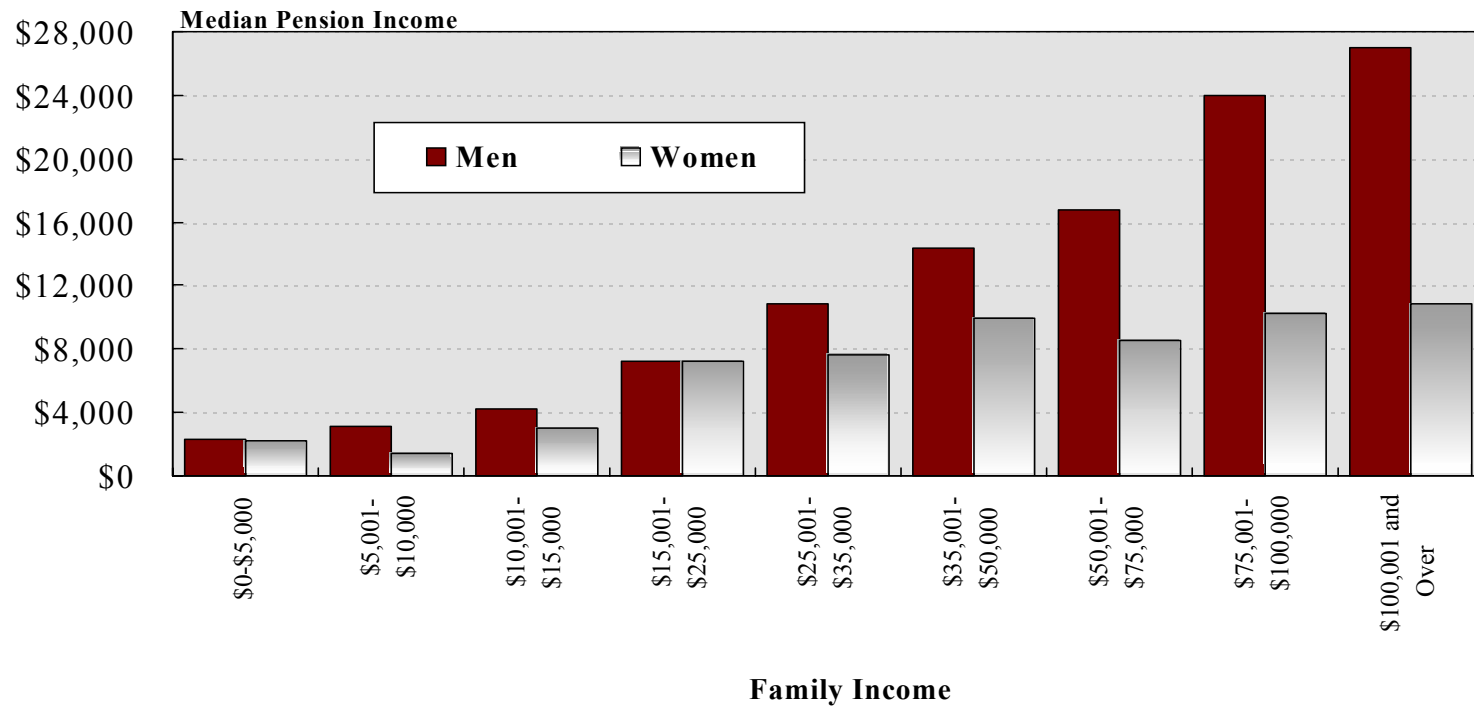


*Asset income includes interest income, dividend income, and rental income. See Figure 13 note.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Older women have less income from pensions than older men, and the disparity becomes substantial as family income increases. This is due to women's disadvantage in the labor market during their prime working years, because they are less likely to have jobs that include pension coverage.

Figure 18
Median Pension Income* by Family Income and Gender
for Persons Aged 65+ in 2001

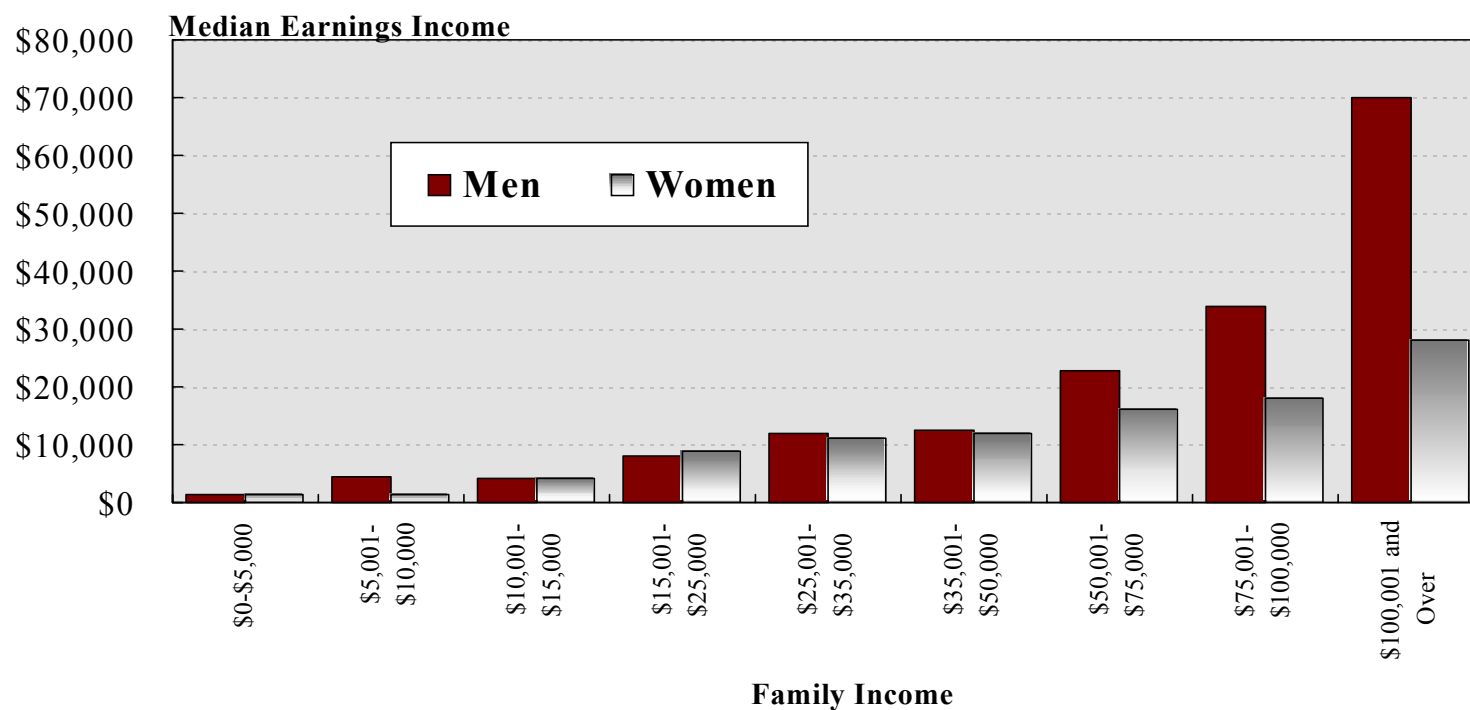


*Pension income includes retirement income and survivor income. See Figure 13 note.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Earnings among older men and women are almost equal up to \$75,000. Above that level, however, men have 2 to 3 times as much income from earnings as women.

Figure 19
Median Earnings* by Family Income and Gender for
Persons Aged 65+ in 2001

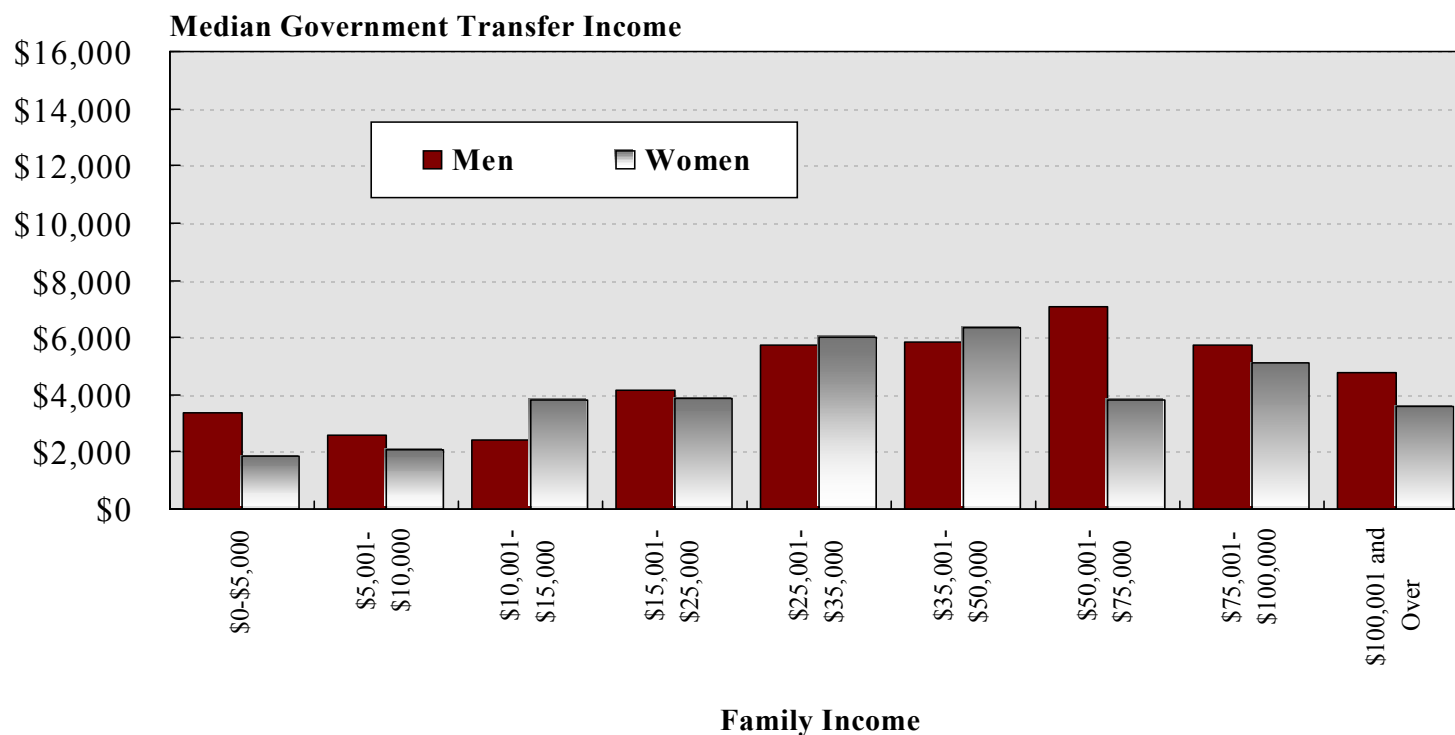


*Earnings income includes wage and salary income, self-employment income, and farm income. See Figure 13 note.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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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 2001

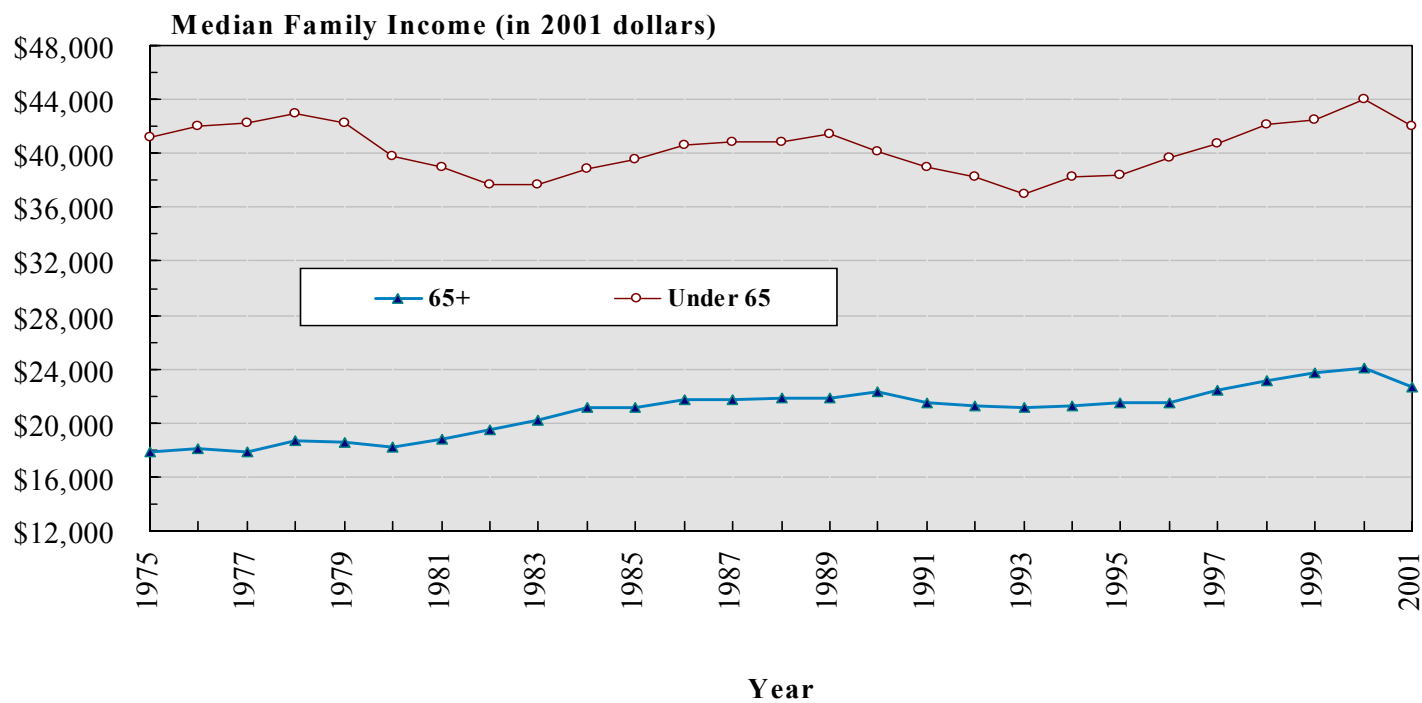


*Government transfer income includes unemployment compensation, worker's compensation, SSI, public assistance, veteran benefits, and education assistance. See Figure 13 note.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Over the last 27 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, 1975-2001

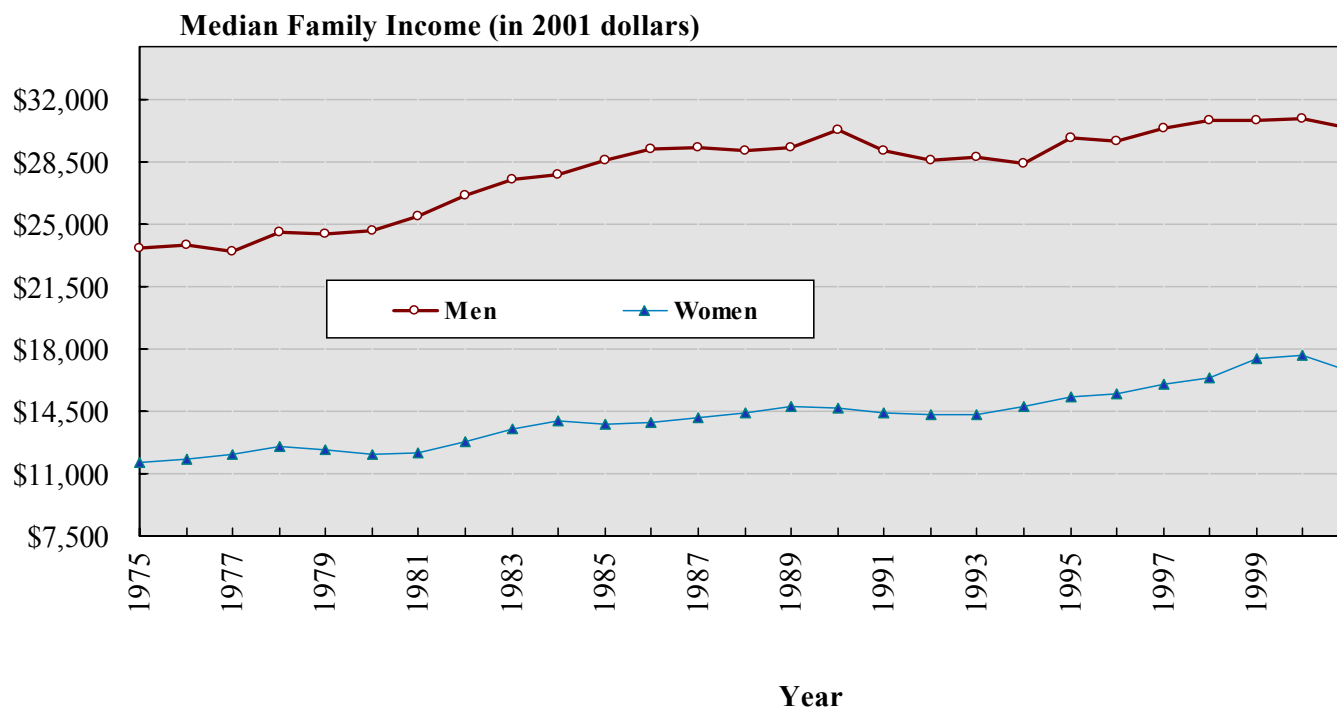


*Individuals who live alone or unrelated persons are classified as families of one.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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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+, 1975-2001

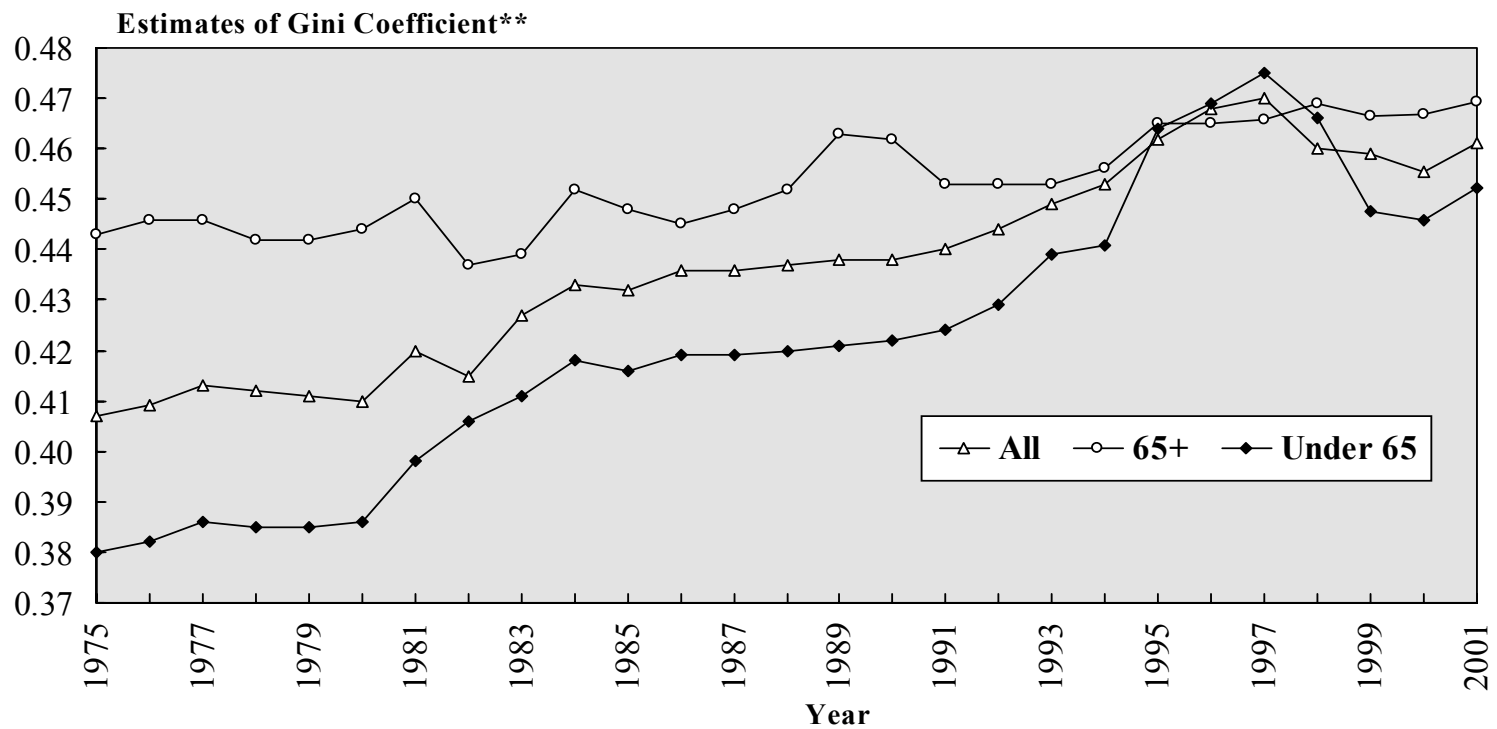


* Individuals who live alone or unrelated persons are classified as families of one.
 Source: U.S. Bureau of the Census, March Current Population Survey, 1976-2002 Historical Data.

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Income has historically been distributed more unequally among older persons than it has 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 declined slightly since, and inequality is again greater among older persons than among younger one.

Figure 23
Inequality of Family* Income by Age of Family Head,
1975-2001



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

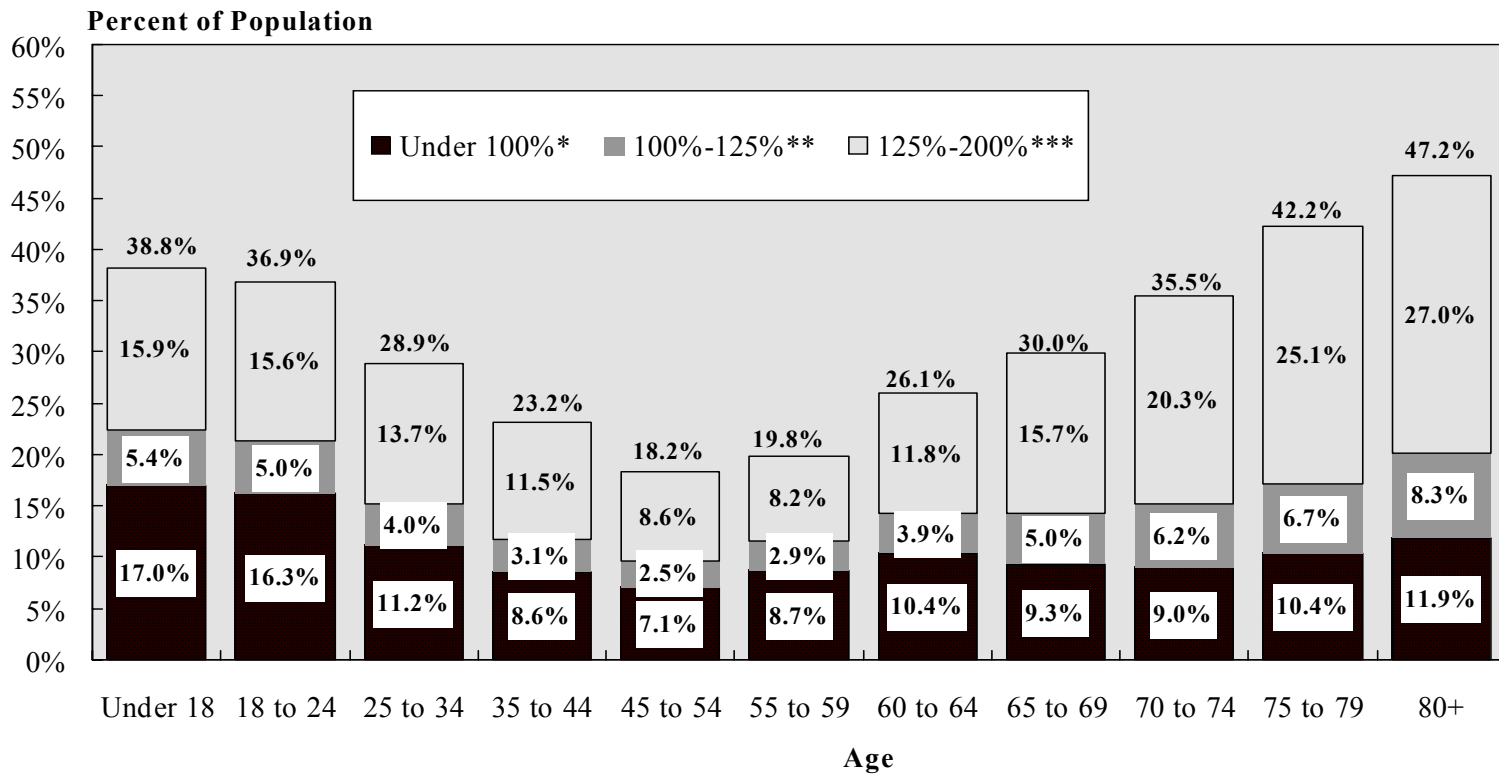
**The Gini Coefficient is a statistical measure of income equality ranging from 0 to 1. A measure of 1 indicates perfect inequality, i.e., one person has all the income, and the rest have none.

Source: U.S. Bureau of the Census, March Current Population Survey, 1976-2002 Historical Data.

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Low-income status is proportionally greater among older than among younger populations, but poverty is lower among elderly persons than among the very young.

Figure 24
Percent Poor, Near Poor, and Low-Income by Age
in 2001



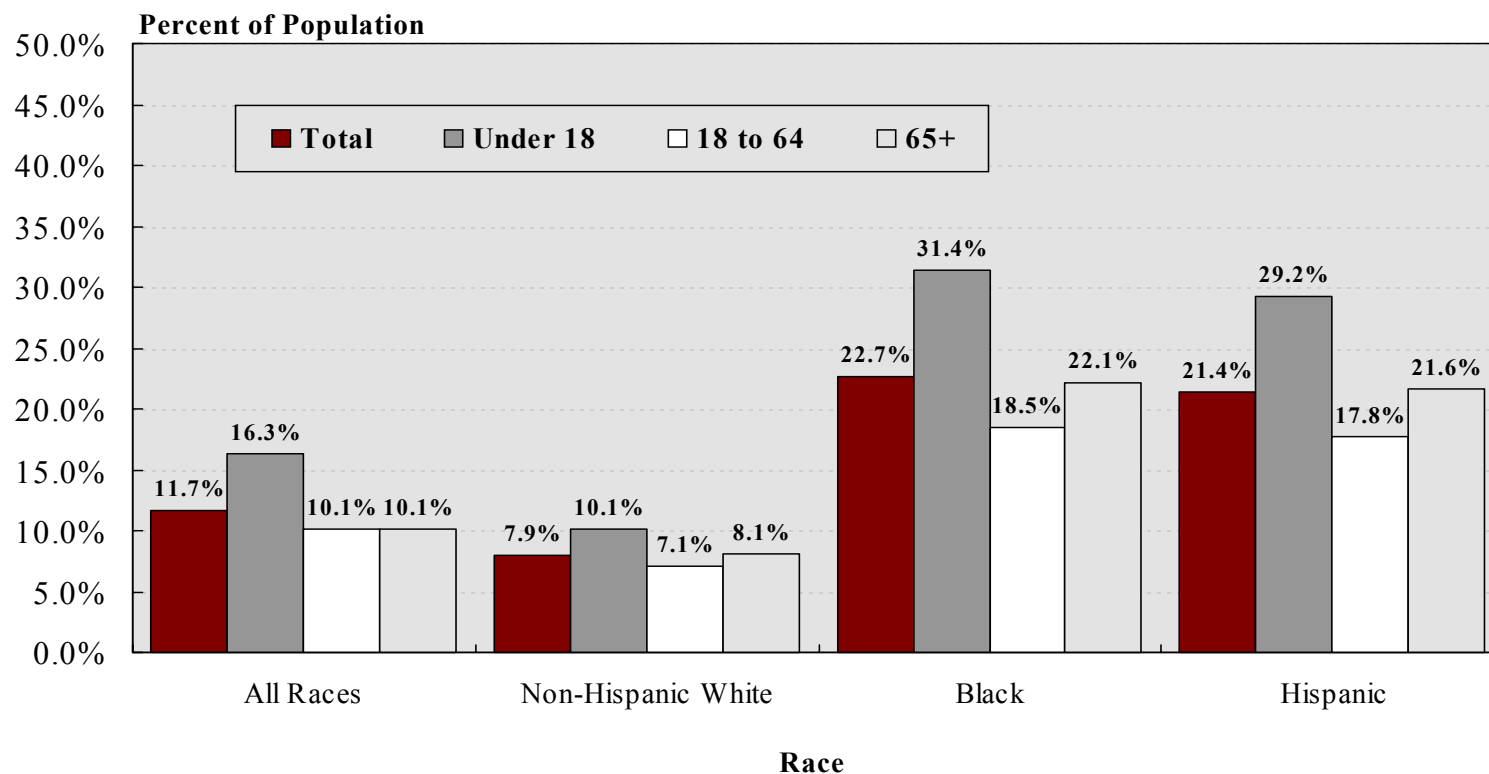
* Poor ** Near poor *** Low income

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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The poverty rate for children is 6.2 percentage points higher than that for older persons overall. Regardless of age, the poverty rate among minorities is more than twice as high as that among whites.

Figure 25
Percent of Population below Poverty by Race and Age
in 2001

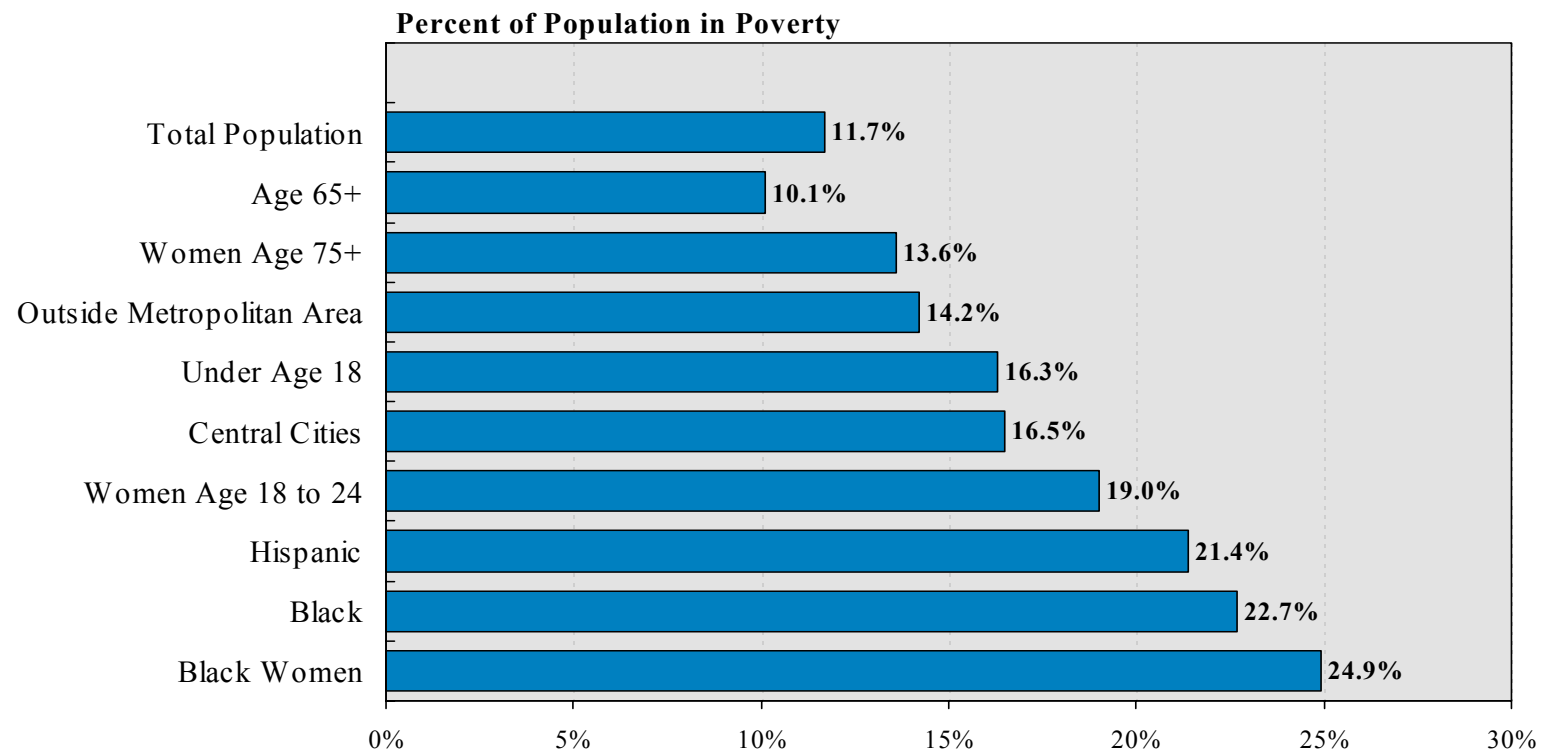


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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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 2001

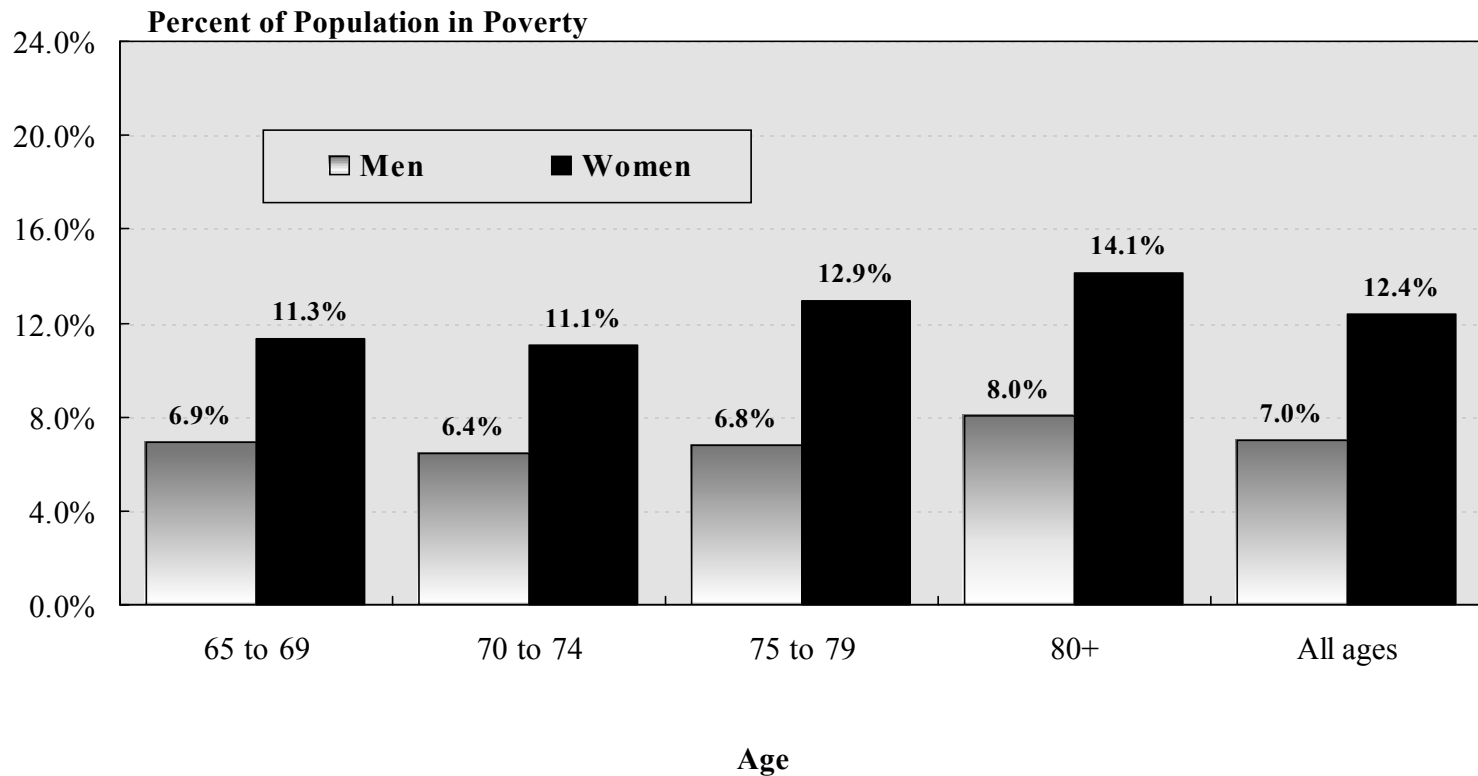


Source: U.S. Bureau of the Census, *Poverty in the United States: 2001*, September 2002.

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Among the older population, women are much more likely to be poor. The poverty rate among women is about 40 percent higher than that among men.

Figure 27
Poverty Rates by Age and Gender
for Persons Aged 65+ in 2001

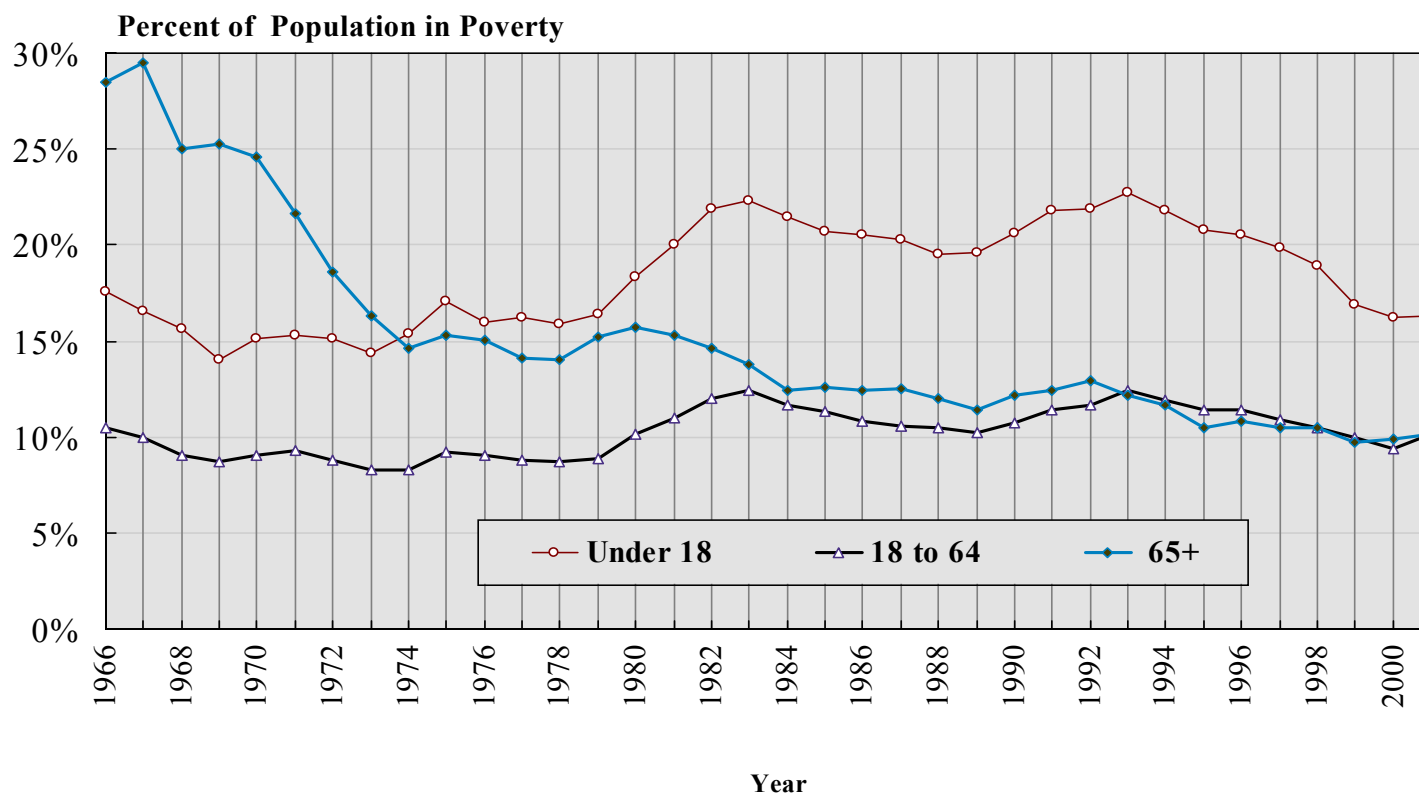


Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

Prepared by AARP
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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
Trends in Poverty Rates by Age, 1966-2001

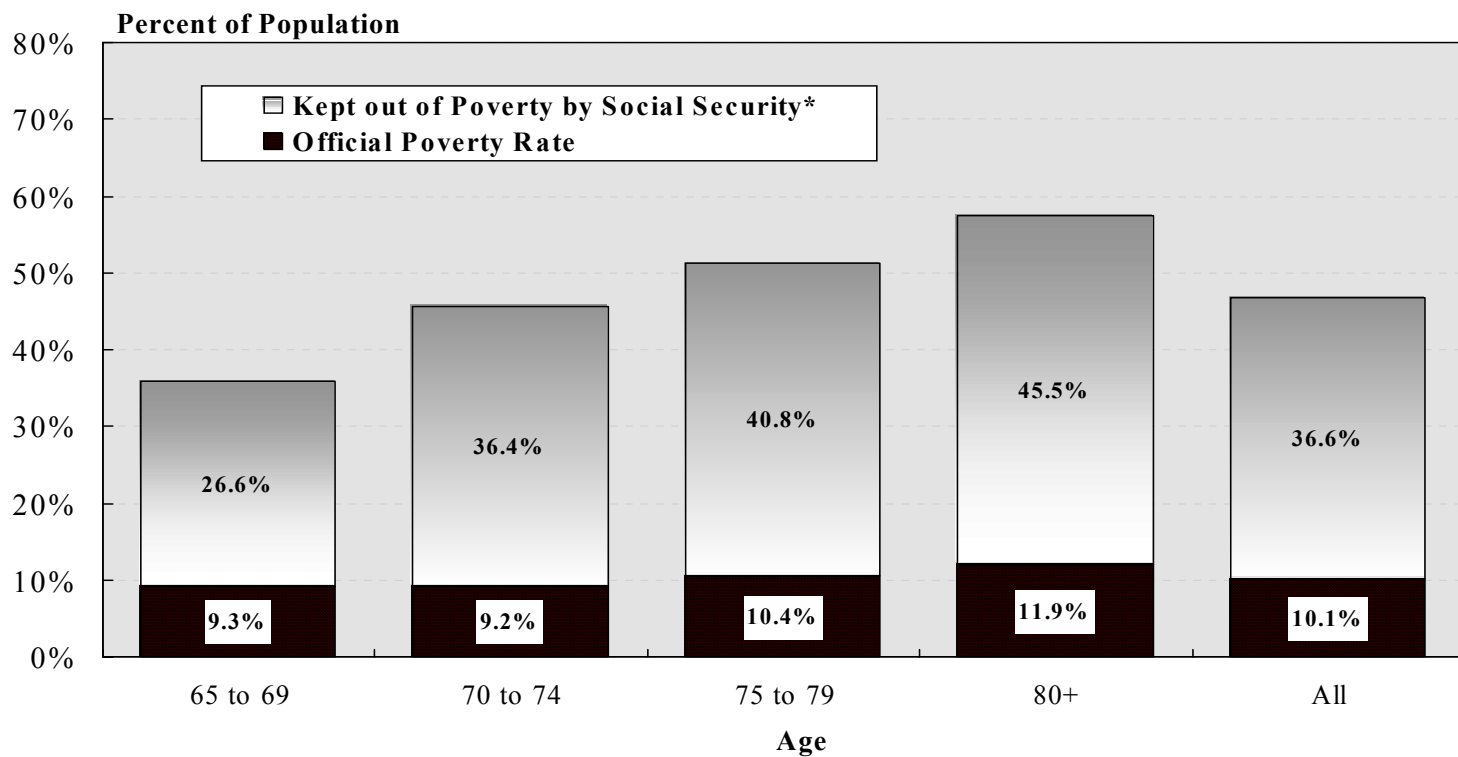


Source: U.S. Bureau of the Census, *Poverty in the United States: 2001*, September 2002.

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Without Social Security benefits, the poverty rate would increase from 10.1 percent to 46.7 percent for all older persons, and from 11.9 percent to 57.4 percent for those aged 80 and older.

Figure 29
Effect of Social Security Benefits on Poverty Rate by Age
for Persons Aged 65+ in 2001

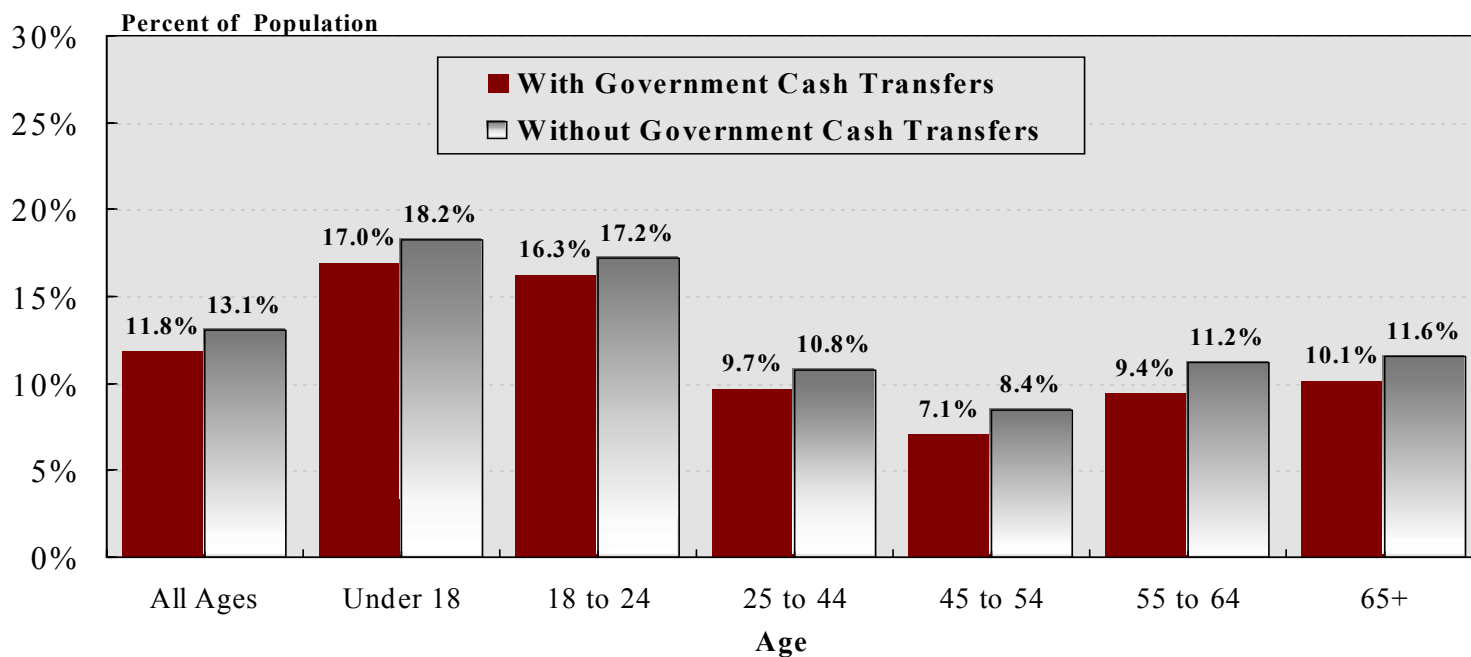


*These figures indicate the percent currently not poor who would be poor without Social Security benefits.
 Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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Without government cash transfers, the poverty rate would increase from 10.1 percent to 11.6 percent for the total older population.

Figure 30
Percent of Population below Poverty with or without
Government Cash Transfers* by Age in 2001



*Government cash transfers include non-means-tested transfers (unemployment compensation, workers' compensation, veterans' pension, and other non-means-tested payments) and means-tested transfers (AFDC, SSI, and other public assistance programs).

Source: U.S. Bureau of the Census, March 2002 Current Population Survey (machine-readable micro data).

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