The True Cost of Growing Old in America

Implications for states
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Gerontology Department and Institute, UMass Boston

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Former Executive Director
New Jersey Foundation for Aging
This is an important time to be talking about elder economic security

• More older people are at risk of economic insecurity than is realized, even in “normal times”

• The COVID-19 pandemic will elevate risk of economic insecurity among older people, in the short term as well as the longer term
First, a word about the other index . . .
In the public’s mind, the **Federal Poverty Level** is the dividing line between those who have enough money to get by and those who don’t . . .

A very brief history of the FPL proves otherwise
Origins of FPL: “War on Poverty” (1963-64)

As Pres. Johnson prepares to declare War on Poverty, his administration creates a poverty threshold.

It adopts USDA finding from 1955 *Household Food Consumption Survey* that families spend one-third of after-tax income on food.

The cost of food is determined by using USDA’s cheapest plan—the *Thrifty Food Plan*—“designed for temporary or emergency use when funds are low.”

In 1963, the *Thrifty Food Plan* would cost family of four $1,033.

Multiplying $1,033 x 3 (since food is one-third of total budget), the first federal poverty threshold is set at $3,100.
Origins of FPL: *Ad hoc* threshold becomes permanent

- In 1965, Office of Economic Opportunity adopts this measure as Federal government’s working or “quasi-official” definition of poverty

- In 55 years, this formula has never changed

- Meanwhile, the underlying assumptions of the FPL formula have changed dramatically . . .

- One example: In 1950 households spent an average of 18% of income on rent; by 2017, the proportion of income spent on rent had increased to over 30%
The Elder Index measures the income older people need to meet their daily living expenses while staying independent in their own homes.
Notable features of the Elder Index

• Built around a market basket of everyday expenses encountered by people 65+
  • Bare-bones budget
  • Adjusts for number of people in the home (singles v couples)
  • Adjusts for housing status (renters, homeowners with a mortgage, homeowners with no mortgage)
  • Adjusts for health status (excellent, good, poor)

• Assumes living independently

• Calculated county by county for the entire United States
Unique strengths cited by the CBO

- household-level measurement
- geographic specificity
- based on existing data
- built around elder-specific expenses

“The most common measure” of income adequacy for older people.

“Allows researchers to tailor the adequacy measure to the elderly while still providing a relatively simple way to evaluate retirement security.”
The 2019 Elder Index
<table>
<thead>
<tr>
<th>Monthly expenses:</th>
<th>Single Person</th>
<th>Older Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Owner, no Mortgage</td>
<td>Renter</td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care (good health)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elder Index Per Month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elder Index Per Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Elder Index 2019: National Average

<table>
<thead>
<tr>
<th></th>
<th>Single Person</th>
<th></th>
<th>Older Couple</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner, no Mortgage</td>
<td>Renter</td>
<td>Owner, with Mortgage</td>
<td>Owners, no Mortgage</td>
<td>Renters</td>
</tr>
<tr>
<td>Housing</td>
<td>$548</td>
<td>$915</td>
<td>$1,469</td>
<td>$548</td>
<td>$915</td>
</tr>
<tr>
<td>Food</td>
<td>$257</td>
<td>$257</td>
<td>$257</td>
<td>$471</td>
<td>$471</td>
</tr>
<tr>
<td>Transportation</td>
<td>$259</td>
<td>$259</td>
<td>$259</td>
<td>$399</td>
<td>$399</td>
</tr>
<tr>
<td>Health Care (good health)</td>
<td>$395</td>
<td>$395</td>
<td>$395</td>
<td>$790</td>
<td>$790</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$292</td>
<td>$292</td>
<td>$292</td>
<td>$442</td>
<td>$442</td>
</tr>
<tr>
<td><strong>Elder Index Per Month</strong></td>
<td><strong>$1,751</strong></td>
<td><strong>$2,118</strong></td>
<td><strong>$2,672</strong></td>
<td><strong>$2,650</strong></td>
<td><strong>$3,017</strong></td>
</tr>
<tr>
<td><strong>Elder Index Per Year</strong></td>
<td><strong>$21,012</strong></td>
<td><strong>$25,416</strong></td>
<td><strong>$32,064</strong></td>
<td><strong>$31,800</strong></td>
<td><strong>$36,204</strong></td>
</tr>
</tbody>
</table>
Elder Index, US average, 2019

(annual expenses)

- Poverty threshold for 1 person = $12,490
- Poverty threshold for 2 people = $16,910

Housing | Health care | Food | Transportation | Miscellaneous

Owner with mortgage | Renter | Owner no mortgage | Owners with mortgage | Renters | Owners with mortgage

Single in good health | Couple in good health

Poverty threshold for 2 people = $16,910
Community examples: annual expenses for a single renter in good health

Poverty threshold = $12,490

Shelby County TN (Memphis)  
Cook County IL (Chicago)  
King County WA (Seattle)  
Suffolk County MA (Boston)

- Housing (renter)
- Health care (good)
- Food
- Transportation
- Miscellaneous
Using the Elder Index to measure economic insecurity and disparities among older people
Measuring the gap between poverty and security

- “In the gap” = above poverty line, but below the Elder Index
- 2019 FPL for a one-person household = $12,490
- Economic insecurity = having incomes that do not support independent living (that is, below the level of the Elder Index)
Social Security and earnings account for 2/3 of income among older people

Shares of aggregate income by source, 2014

Figures refer to aged units (singles and couples age 65+)
Singles living alone are at especially high risk of economic insecurity: U.S. persons age 65+ (2019)

50% of singles are economically insecure

23% of couples are economically insecure

Source: Calculated from the Elder Index and the 2013-2017 American Community Survey microdata, IPUMS.
Percent of Singles Below Elder Index in 2019, by State

- Lowest Third (41.1% - 47.2%)
- Middle Third (48.1% - 50.9%)
- Highest Third (51.0% - 61.7%)
Retrieving the Elder Index

http://www.ElderIndex.org
Elder Index Data in NJ


- National testimony for OAA
- AAAs use it
- Funders & Policy Advocates use it
- State & Local print and broadcast media have used it
- In 2015 the Legislature required that the NJ State Unit on Aging to publish it and use it for their Strategic Aging Plan
## NJ Statewide Elder Index

### 2019

<table>
<thead>
<tr>
<th>Monthly and Yearly Expenses</th>
<th>Elder Person (age 65+)</th>
<th>Elder Couple (one age 65+)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner w/o Mortgage</td>
<td>Renter, one bedroom</td>
</tr>
<tr>
<td>Housing</td>
<td>$1,071</td>
<td>$1,201</td>
</tr>
<tr>
<td>Food</td>
<td>$257</td>
<td>$257</td>
</tr>
<tr>
<td>Transportation</td>
<td>$224</td>
<td>$224</td>
</tr>
<tr>
<td>Health Care (Good Health)</td>
<td>$396</td>
<td>$396</td>
</tr>
<tr>
<td>Miscellaneous @ 20%</td>
<td>$390</td>
<td>$390</td>
</tr>
<tr>
<td>Index Per Month</td>
<td>$2,338</td>
<td>$2,468</td>
</tr>
<tr>
<td>Index Per Year</td>
<td>$28,056</td>
<td>$29,616</td>
</tr>
</tbody>
</table>
Key Findings of the NJ Data

- Social Security is the sole income for 30% of NJ Elders.
- The Average Social Security in NJ is $17,286 for a woman; $21,529 for a man.
- Average expenses for a single elder renter = $29,616.
- Average expenses for a elder renter couple = $40,128
- Fifty-four percent of single elders and 22% of elder couples in NJ cannot cover their basic expenses.
Basics Costs with Long Term Care Costs/person

<table>
<thead>
<tr>
<th>2018 NJ Elder Index™ Per Year (assuming poor health)</th>
<th>Elder Person</th>
<th>Elder Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner w/o Mortgage</td>
<td>Renter, one bedroom</td>
<td>Owner w/ mortgage</td>
</tr>
<tr>
<td>$31,188</td>
<td>$32,580</td>
<td>$45,288</td>
</tr>
</tbody>
</table>

Regional Cost of Community Long Term Care (Annual)

<table>
<thead>
<tr>
<th>6 Hours/week</th>
<th>16 Hours/wk</th>
<th>36 Hours/wk</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,048/yr</td>
<td>$23,891/yr</td>
<td>$50,051/yr</td>
</tr>
</tbody>
</table>

Percent of elders experiencing income shortages increases with age. Elders - 85 years & above – are most vulnerable.
2019 Elder Index for singles living alone in good health

- New Jersey owner no mortgage: $28,056
- New Jersey renter: $29,616
- New Jersey owner with mortgage: $41,292
- Bergen county owner no mortgage: $30,516
- Bergen county renter: $32,376
- Bergen county owner with mortgage: $47,184

Legend:
- Housing (rent)
- Health care (good)
- Food
- Transportation
- Miscellaneous
So What?

- Data creates a more accurate new profile of seniors living on the edge of, or in poverty

- The profile data surprises policy makers, middle age adults and younger generations

- Use it to tailor the national, state and local policy discussions to focus on quality of life issues and to provide enlightened financial planning forums
Myth Buster & Reality Check

Confront the Myths

• All seniors have free health care
• Greedy seniors want to keep their large family homes
• Seniors are living well in ‘their golden years’

Reality Check, those living below the index:

▪ 16% of single renters’ living costs per month are for health care when in good health, the percentage is higher when in poor health

▪ 30% have mortgages at 65- Why? New furnace, college payments, illness, death of a spouse, etc.

▪ 49% of the monthly costs for a single renter are for housing. Can’t afford to move- no affordable housing in their area
Who is on the edge of poverty in NJ?

Of those with incomes **below EI:**

- 25% still have a Mortgage
- 48% are owners Without a Mortgage
- 27% are Renters
  
  \[ \Rightarrow 68,978 \text{ persons} \]

- 63% are Women
- 37% are Men
- 22% are Minority Elders
- 40% are between Ages 65 and 74
- **60% are over Age 75 seniors**
- **23% are over Age 85**
<table>
<thead>
<tr>
<th>Expenses/Monthly and Yearly Totals</th>
<th>Elder Person (age 65+)</th>
<th>Elder Couple (one or both age 65+)</th>
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<tbody>
<tr>
<td></td>
<td>Owner w/o Mortgage</td>
<td>Renter, one bedroom</td>
</tr>
<tr>
<td>Housing (inc. utilities, taxes &amp; insurance)</td>
<td>$1,270</td>
<td>$1,425</td>
</tr>
<tr>
<td>Food</td>
<td>$257</td>
<td>$257</td>
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<tr>
<td>Transportation</td>
<td>$223</td>
<td>$223</td>
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<tr>
<td>Health Care (Good Health)</td>
<td>$369</td>
<td>$369</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$424</td>
<td>$424</td>
</tr>
<tr>
<td>Index Per Month</td>
<td>$2,543</td>
<td>$2,698</td>
</tr>
<tr>
<td>Index Per Year</td>
<td>$30,516</td>
<td>$32,376</td>
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## Basics Costs plus Long Term Care Costs/person in Bergen County

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<th>Elder Couple</th>
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### Cost of Community Long Term Care (Annual)

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<th>6 Hours/week</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>$24,491/yr</td>
<td>$51,887/yr</td>
</tr>
</tbody>
</table>

*Percent of elders experiencing income shortages increases with age. Elders- 85 years & above – are most vulnerable.*
Who is on the edge of poverty in Bergen County?

Of those with incomes **below EI**:  
- 21% still have a Mortgage  
- 49.3% are owners Without a Mortgage  
- 29.7% are Renters => 8322 persons  
- 66.2% are Women  
- 33.7% are Men  
- 18.8% are Minority Elders  
- 40% are between Ages 65 and 74  
- **87% are over Age 75 seniors**  
- **27% are over Age 85**
Stakeholder Recommendations based on the Data

- Expand affordable housing options!
- Increase access to food and nutritional programs!
- Widen access to community based long-term care & aging in place services
- Explore economic supports like tax rebates & NJ SSI

**USE NJ Elder Index Data**

- As an outreach, planning and case management tool to gauge progress for vulnerable Elders to improve economic security & a better quality of life
- As metrics to determine the impact of public benefit programs
Elder Index Data in NJ


- National testimony for OAA
- AAAs use it
- Funders & Policy Advocates use it
- State & Local print and broadcast media have used it
- In 2015 the Legislature required that the NJ State Unit on Aging to publish it and use it for their Strategic Aging Plan
New Jersey timeline

- WOW works with NJFA to institutionalize EI data as basis for State Aging Policy. WOW hires NJ lobbyist to open doors with legislative members. 2013

- NJFA briefs legislators on county-specific EI data and its potential use: Planning Tool targeting most economically vulnerable constituents. 2014

- Bi-partisan bill introduced requiring State to develop and use the Elder Index. 2014

- Bill passes and is signed in May by the Governor, P.L. 2015, c. 53. 2015

- Fiscal support added by legislature to NJ FY 2016 State Budget. 2015
How will COVID-19 and the ensuing economic crisis impact elder economic security?

<table>
<thead>
<tr>
<th>Short-term</th>
<th>Longer-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income shortfalls through loss of employment, cutbacks in hours,</td>
<td>Older people take longer to find new employment, and some may become</td>
</tr>
<tr>
<td>declining asset income</td>
<td>discouraged</td>
</tr>
<tr>
<td>Stimulus checks</td>
<td>Some may enroll in Social Security sooner than they had planned, with</td>
</tr>
<tr>
<td></td>
<td>permanent financial implications</td>
</tr>
<tr>
<td>Stimulus allows claiming $100K in emergency cash from retirement accounts</td>
<td>Declining value of retirement assets</td>
</tr>
<tr>
<td>Intergenerational households increase, family financial support declines</td>
<td>Declining home values?</td>
</tr>
<tr>
<td></td>
<td>Accumulating debt</td>
</tr>
</tbody>
</table>
Thank you!

Visit the Elder Index website:
http://www.ElderIndex.org

Learn about the Elder Index:
https://www.umb.edu/demographyofaging/elder_economic_security

Gerontology at UMass Boston:
https://www.umb.edu/gerontologyinstitute

ADvancingStates:
http://www.advancingstates.org/

With appreciation to our funders: RRF Foundation for Aging; The National Council on Aging; The Henry and Marilyn Taub Foundation; The Silver Century Foundation; Gary and Mary West Foundation; and the University of Massachusetts Boston
The Elder Index allows researchers to tailor the adequacy measure to the elderly while still providing a relatively simple way to evaluate retirement security.

Your Elder Index at a Glance
To view the numbers, hover over the bricks or scroll further down the page to see the data table(s).

Monthly Expense Breakdown
RENTER (SINGLE – GOOD HEALTH) IN 2019

<table>
<thead>
<tr>
<th>Location</th>
<th>Rent</th>
<th>Food (Single)</th>
<th>Health Costs</th>
<th>Good Health</th>
<th>Miscellaneous</th>
<th>Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stark County, IL</td>
<td>$1,770</td>
<td>$267</td>
<td>$373</td>
<td></td>
<td>$244</td>
<td>$244</td>
</tr>
<tr>
<td>Albany County, NY</td>
<td>$2,161</td>
<td>$257</td>
<td>$373</td>
<td></td>
<td>$244</td>
<td>$244</td>
</tr>
<tr>
<td>Andrews County, TX</td>
<td>$2,017</td>
<td>$257</td>
<td>$373</td>
<td></td>
<td>$244</td>
<td>$244</td>
</tr>
</tbody>
</table>

Stark County, IL
RENTER

The Elder Index is: $21,240 / year
This is 84% of the national average of $25,416

Housing (Renter) $629
Monthly Total $1,770
### Stark County, IL

**RENTER**

- **The Elder Index is:** $21,240 / year
- This is 84% of the national average of $25,416
- **Miscellaneous (Single)** $267
- **Transportation (Single)** $244
- **Housing (Renter)** $629
- **Monthly Total** $1,770
- **Food (Single)** $257
- **Good health** $373

### Albany County, NY

**RENTER**

- **The Elder Index is:** $25,932 / year
- This is 102% of the national average of $25,416
- **Miscellaneous (Single)** $310
- **Transportation (Single)** $241
- **Housing (Renter)** $904
- **Monthly Total** $2,161
- **Food (Single)** $257
- **Good health** $449

### Andrews County, TX

**RENTER**

- **The Elder Index is:** $24,204 / year
- This is 95% of the national average of $25,416
- **Miscellaneous (Single)** $267
- **Transportation (Single)** $298
- **Housing (Renter)** $783
- **Monthly Total** $2,017
- **Food (Single)** $257
- **Good health** $412
Job loss may have a significant impact on elder economic security

Percentage employed

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>56%</td>
</tr>
<tr>
<td>65-69</td>
<td>32%</td>
</tr>
<tr>
<td>70-74</td>
<td>18%</td>
</tr>
<tr>
<td>75+</td>
<td>7%</td>
</tr>
</tbody>
</table>

Percentage in retail or entertainment (among those employed)

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>13%</td>
</tr>
<tr>
<td>65-69</td>
<td>15%</td>
</tr>
<tr>
<td>70-74</td>
<td>16%</td>
</tr>
<tr>
<td>75+</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: ACS, 2018