

CRS Report for Congress

Received through the CRS Web

Topics in Aging: Income of Americans Age 65 and Older, 1969 to 2004

April 21, 2006

Patrick Purcell
Specialist in Social Legislation

Debra Whitman
Specialist in the Economics of Aging

Domestic Social Policy Division

Topics in Aging: Income of Americans Age 65 and Older, 1969 to 2004

Summary

The aging of the American population and the retirement of the baby boom generation will place financial strains on Social Security, public and private pensions, and on retirees' personal savings. Since the 1960s, birth rates have fallen and average life expectancy has increased. Consequently, the number of workers relative to the number of retirees is projected to decline, and retirees will have to stretch their savings and other assets over longer periods of retirement than their parents and grandparents experienced. This CRS report presents data collected by the Census Bureau from 1969 through 2005 that describe how the demographic traits, employment patterns, and the sources and amounts of income of people 65 and older have changed over a period of nearly 40 years.

America's elderly today are older, more racially and ethnically diverse, better educated, and less likely to be widowed than the elderly population of the late 1960s. The increasing number of Americans living to age 80 and older is of particular significance because it is the very old who are most likely to need medical, social, and long-term care services, and who are at the greatest risk of depleting their financial resources and slipping into poverty.

Rates of employment among older persons have been rising in recent years. Employment rates fell among men 55 and older from the late 1960s to the early 1990s. Since then, employment rates have risen for older men, but they remain below the employment rates of the 1970s. Among older women, employment rates have steadily increased, but older women's employment rates today remain lower than those of men the same age. Earnings, Social Security, pensions, and income from assets comprise the majority of income among people 65 and older today, just as they did 35 years ago. Wages and salaries today constitute a greater proportion of the aggregate income of the elderly than at any time since the late 1970s. Since the early 1990s, both the share of aggregate income received from assets and the percentage of older persons with asset income have fallen. Social Security has remained a fairly stable share (about 40%) of the total income of people 65 and older. The percentage of men receiving pension income rose until the early 1990s and then fell. More women today have pension income, but their average pension is half the amount that men receive.

Median household income rose faster among elderly households than among non-elderly households from 1969 through 2004, but in 2004 the median annual income of households in which the householder or spouse was 65 or older (\$25,210) was just half of the median income of younger households (\$50,466). The rise in the income of elderly households coincided with a decline in the poverty rate among people 65 and older from 25% in 1969 to just 10% in 2004. Also since the 1960s, the rate of decline in median personal and household income that occurs as people pass age 60 and begin to retire has slowed. Growth in real wages — and in the Social Security and pensions based on these wages — has contributed greatly to the economic well-being of today's retirees.

Contents

Background: America's Aging Population	1
Americans Are Living Longer than Ever Before	1
The Income of Older Americans and the Federal Budget	3
Trends in the Income of Older Americans	3
The Data	4
Demographic Profile of the CPS Population Age 65 and Older	5
Summary	5
Age	5
Sex	6
Race and Ethnicity	6
Marital Status	7
Education	8
Employment Among People Age 65 and Older	9
Summary	9
Rates of Employment, by Age	9
Employment Rates among Men and Women	11
Full-Time vs. Part-Time Employment among Older Workers	15
Sources and Amounts of Income Among People 65 and Older	15
Summary	15
Earnings	16
Social Security	17
Asset income	17
Pension Income	19
Welfare Income	20
Other Income	21
Sources of Income, by Quartile	21
Sources of Income Differ Between Men and Women	24
Household Income of People 65 and Older	26
Summary	26
Median Household Income, by Age	27
Household Income at the 75 th and 25 th Percentiles	29
Poverty Status of the Elderly	30
Summary	30
Decline in Poverty among the Elderly	31
Poverty among Demographic Groups	32
Changes in Income as People Age	34
Summary	34
Changes in Individual and Household Income	34
Conclusion	39
Appendix: Historical Tables of Individual and Household Income	40

List of Figures

Figure 1. Number of Older Americans, 1969-2005, by Age Group	2
Figure 2. Employment Rates of Men by Age, 1969-2005	13
Figure 3. Employment Rates of Women by Age, 1969-2005	14
Figure 4. Share of Income by Source among People 65+, 1969-2004	19
Figure 5. Sources of Income by Quartile, 1975	22
Figure 6. Sources of Income by Quartile, 2004	23
Figure 7. Percentage of Men and Women Age 65+ with Income from Each Source, by Year	25

List of Tables

Table 1. Projections of the Resident U.S. Population, by Age	2
Table 2. Age Distribution of People Age 65 and Older, 1970-2005	6
Table 3. Race and Sex of Individuals Age 65 and Older, 1970-2005	7
Table 4. Marital Status of Men and Women Age 65 and Older, 1970-2005	8
Table 5. Educational Attainment of Individuals Age 65 and Older, 1970-2005	8
Table 6. Employment Rates, by Age, 1969 to 2004	11
Table 7. Employment Rates Among Men and Women, by Age	12
Table 8. Full-time and Part-time Employment, By Age of Worker	15
Table 9. People Age 65 and Older with Income from Each Source	18
Table 10. Income from Each Source as a Percentage of Total Income among People 65 and Older	18
Table 11. Mean Annual Income of People 65 and Older from Each Source	18
Table 12. Median Annual Income of Individuals 65 and Older from Each Source	19
Table 13. Median Income of Men and Women from Each Source	26
Table 14. Average Household Size by Year and Age of Householder	27
Table 15. Mean and Median Household Income, by Age of Householder	28
Table 16. Percentage Change in Median Household Income, 1969 to 2004, by Age of Householder	29
Table 17. Household Income at 75 th and 25 th Percentiles, by Age of Householder	29
Table 18. Cumulative Percentage Change in Household Income at 75 th and 25 th Percentiles, by Age of Householder	30
Table 19. Poverty Status of Individuals Age 18 and Older, by Year	31
Table 20. Poverty Status of Individuals Age 18 and Older in 2004, by Demographic Characteristics	33
Table 21. Median Individual Income at 5-Year Intervals	37
Table 22. Median Household Income at 5-Year Intervals	38
Table A1. Percentage of People Age 65 and Older with Income from Each Source, by Year	41
Table A2. Median Annual Income of Individuals Age 65 and Older, by Income Source, in 2004 Dollars	42
Table A3. Mean and Median Annual Household Income in 2004 Dollars	43

Topics in Aging: Income of Americans Age 65 and Older, 1969 to 2004

Background: America's Aging Population

The aging of the American population and the impending retirement of the “baby boom” generation will place significant strains over the next several decades on Social Security and on retirees’ own financial resources. The decline in birth rates since the 1960s and increases in life expectancy will result in fewer workers relative to the number of retirees.¹ Consequently, Social Security benefits will have to be financed by a working population that is shrinking relative to the number of retirees and retirees will have to stretch their savings and other assets over longer periods of retirement than their parents and grandparents experienced.

Americans Are Living Longer than Ever Before. The average life expectancy of Americans born in 1969 was 70.5 years. It has been estimated that those who were born in 2003 will live for an average of 77.5 years.² Women continue to have a longer average life expectancy than men, but both men and women have experienced gains in average life expectancy since the 1960s. A man who reached age 65 in 1969 could expect to live another 13.0 years, while a woman who turned 65 in 1969 had a remaining life expectancy of 16.5 years. A man who reached age 65 in 2003 could expect to live another 16.8 years, while a woman who turned 65 in 2003 had a remaining life expectancy of 19.8 years. As more people live into old age, the age-profile of the population will shift. In 1969, 18.6 million people in the United States — 9.4% of the population — were age 65 or older. In 2005, there were 36.7 million Americans age 65 or older, representing 12.4% of the population. (See **Figure 1.**) By 2025, according to projections made by the Bureau of the Census, there will be 63.5 million people age 65 or older, comprising 18.2% of the U.S. population. (See **Table 1.**)

These demographic trends will strain the components of the traditional “three-legged stool” of retirement income: Social Security, pensions, and personal saving. The Social Security Board of Trustees has estimated that the Social Security trust fund will be exhausted by 2041 unless actions are taken to preserve it.³ Pensions are the second largest source of income among the elderly, after Social Security, but only about half of all workers in the United States have pension coverage through their jobs. Moreover, the traditional pension that provides a lifelong annuity is becoming less common. Today, more workers participate in savings and thrift plans than in traditional pension plans. A key characteristic of these savings plans is that the

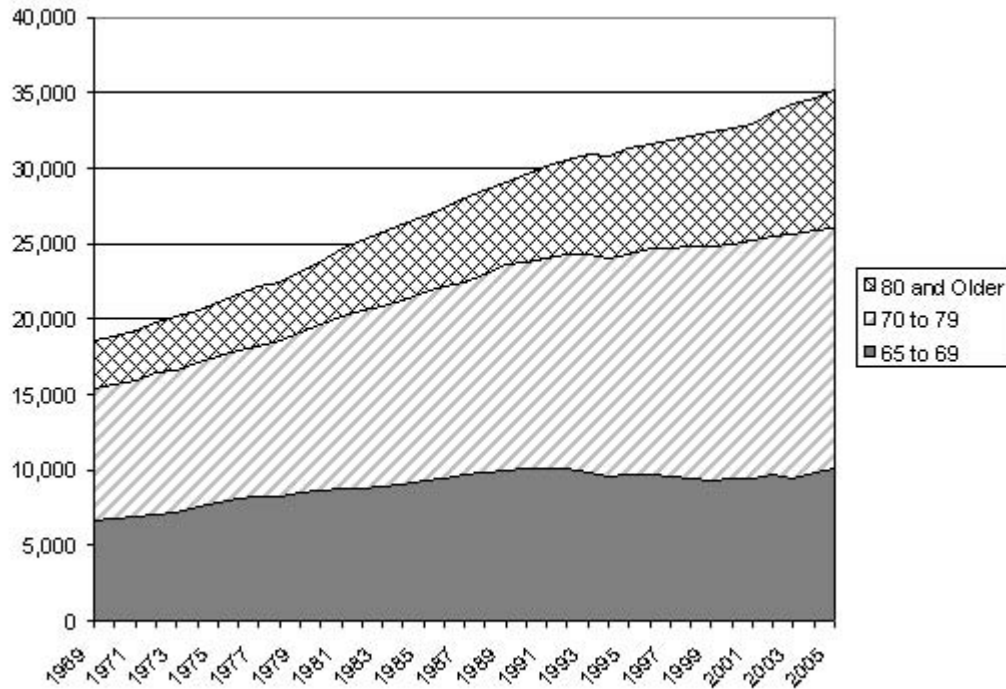
¹ For more information, see CRS Report RL32981, *Age Dependency Ratios and Social Security Solvency*, by Laura Shrestha.

² U.S. National Center for Health Statistics, *Vital Statistics of the United States*.

³ Social Security and Medicare Boards of Trustees, *Status of the Social Security and Medicare Programs: A Summary of the 2005 Annual Reports*, Washington DC, March 2005.

worker must actively participate, deciding whether to contribute to the plan, how much to contribute, and how to invest the funds. Workers who do not choose to save, or who save too little, may face difficult financial circumstances in retirement.

**Figure 1. Number of Older Americans, 1969-2005,
by Age Group
(In thousands)**



Source: CRS analysis of the March income supplements to Current Population Survey.

Table 1. Projections of the Resident U.S. Population, by Age
(in thousands, as of July 1 each year)

Age	2005	2015	2025	2035	2045	2050
Under 20	81,972	85,208	92,026	98,192	105,344	109,147
20 to 64	176,839	190,368	193,888	203,052	217,559	224,001
65 to 69	10,123	15,621	19,647	18,683	18,829	20,444
70 to 79	15,876	18,748	28,309	34,114	32,183	32,566
80 and up	10,696	12,422	15,568	23,844	31,947	33,696
Total	295,506	322,367	349,438	377,885	405,862	419,854
65 and older	36,695	46,791	63,524	76,641	82,959	86,706
% of Total	12.4%	14.5%	18.2%	20.3%	20.4%	20.7%

Source: U.S. Census Bureau [<http://www.census.gov/ipc/www/usinterimproj/>].

The Income of Older Americans and the Federal Budget. The Congress has an interest in the sources and amounts of income among older Americans, not only because they represent a large and growing proportion of the U.S. population, but also because much of the income of older Americans is provided through government-sponsored income transfers, or is subsidized through income tax deductions and exemptions. In fiscal year 2006, for example, federal expenditures for Social Security will exceed \$550 billion, representing more than 20% of total federal spending and nearly 38% of federal spending on entitlement programs.⁴ The federal government also provides income directly to low-income older Americans through the Supplemental Security Income (SSI) program and to retired federal employees through the Civil Service Retirement System and the Federal Employees' Retirement System. Of the estimated \$35.3 billion federal expenditure for SSI benefits in FY2006, approximately one-sixth, or \$5.9 billion, will be paid to recipients who are 65 or older.⁵ Federal outlays for retirement and disability pensions for former federal employees will exceed \$58 billion in FY2006, with most of this amount being paid to individuals age 55 and older.

The public also subsidizes the income of older Americans through several exemptions and deductions that Congress has included in the Internal Revenue Code. These tax incentives promote sponsorship of pension plans by employers and encourage workers to save for retirement. The tax deductions and deferrals granted to qualified retirement plans are the second-largest tax expenditure in the federal budget, and will reduce federal tax revenues by an estimated \$103.3 billion in FY2006.⁶ Congress also allows taxpayers who are 65 or older to claim an additional standard deduction on their income tax returns, which will reduce federal tax revenues by an estimated \$1.7 billion in FY2006.

Trends in the Income of Older Americans. Developing public policies that will promote income security among older Americans while also meeting other important fiscal priorities will pose many challenges for the Congress. Congress has already begun to consider policy options to meet these challenges. In its first session, the 109th Congress debated proposals to incorporate individual accounts into Social Security. In the second session, Congress is attempting to reconcile bills passed by the House and Senate that would substantially reform the laws that govern the funding requirements for employer-sponsored pensions in the private sector. Social Security, pensions, and retirement savings will continue to occupy the attention of Congress as the baby boom generation retires, and more households begin to rely on Social Security, pensions, and savings to provide the majority of their income.

As policymakers consider proposals that would affect the main income sources of older Americans, it may be helpful for them to know how the amounts and sources

⁴ *Budget of the United States Government, Fiscal Year 2007: Analytical Perspectives*, p. 360. Not all Social Security spending is for persons 65 and older. Data collected by the Census Bureau indicate that about 76% of Social Security recipients in 2004 were 65 or older and these individuals received 78% of Social Security benefits paid that year.

⁵ *Budget of the United States Government, Fiscal Year 2007*, and Census Bureau data.

⁶ *Budget of the United States Government, Fiscal Year 2007: Analytical Perspectives*, p.289. The largest tax expenditure is the exclusion for employer contributions for employee health insurance, which will reduce federal tax revenues by an estimated \$118.4 billion in FY2006.

of income of people who have reached retirement age have changed over time. This Congressional Research Service (CRS) report presents data collected by the Census Bureau from 1969 through 2005 that describe how the demographic traits, employment patterns, and the sources, amounts, and distribution of income among people 65 and older have changed over a period of nearly 40 years. The report begins with a demographic profile of older Americans, which describes the population 65 and older in terms of age, race, sex, educational attainment, and marital status and how these demographic traits have changed since the late 1960s. This is followed by a section that focuses on trends in employment among people 65 and older, including differences in rates of employment among men and women. The third section of the report provides detailed information on the sources and amounts of income received by people 65 and older, and how the proportion of total income from each source has changed over time. The fourth section examines trends in the distribution of income among households, and compares the distribution of income among the households of older Americans with the income distribution of income among the households of people under 65 years old. This is followed by a section that describes the decline in the proportion of older Americans living in poverty since the 1960s. The final section of the paper explains how individual and household incomes fall as people age and gradually reduce their attachment to the paid labor force.

The Data. All of the data presented in this report were collected by the Census Bureau through the Current Population Survey (CPS), a survey of the civilian, noninstitutional population of the United States. The CPS was begun in the 1940s as a way to measure unemployment each month on the basis of a random sample of U.S. households. It is still the source of the official rate of unemployment reported each month by the Bureau of Labor Statistics. The CPS also is used to collect annual income data. Each year, in March, the survey includes a detailed set of questions on the amounts and sources of income people received during the previous calendar year. Over the years, the number of income questions has expanded, and today information is gathered on more than 50 different sources of income, and noncash benefits such as food stamps, employer-provided pension plans, employer-sponsored health insurance plans, Medicaid, Medicare, and home energy assistance. The survey also collects detailed information on the employment status, work experience, occupation, and industry of employment of people 15 years old and over. The number of households surveyed has increased over the years. In March 1969, the earliest survey CRS analyzed for this report, the CPS sample included 47,000 households and contained records for 152,000 individuals. In March 2005, the most recent survey studied for this report, the CPS sample included 100,000 households and contained records for 216,000 individuals.

People 65 and Older in Nursing Homes and Long-term Care Facilities

The data presented in this report were collected by the Census Bureau through the Current Population Survey (CPS). The CPS is conducted among the civilian, noninstitutionalized population of the United States. It does not include residents of prisons, nursing homes, or military personnel living on base. In 2000, an estimated 1.72 million persons resided in nursing homes. Of this number, 1.56 million (91%) were age 65 or older, comprising 4.5% of the total number of persons age 65 or older. Elderly residents of nursing homes differ demographically from older persons who live in the community. Nursing home residents are older, more likely to be female, and are less likely to be married than community residents. In 2005, among people 65 and older living in the community, 52% were 65 to 74 years old, 37% were 75 to 84 years old and 11% were 85 or older. The age distribution among nursing home residents age 65 and older in 2005 was a mirror image of the community population: 15% were 65 to 74 years old, 37% were 75 to 84 years old, and 48% were 85 or older. Among people 65 and older living in the community in 2005, 57% were women. Among nursing home residents age 65 and older, 74% were women. Among community residents age 65 and older in 2005, 55% were married. Among nursing home residents, just 20% were married. The remainder were widowed, divorced, or never married.⁷

Demographic Profile of the CPS Population Age 65 and Older

Summary. The demographic traits of people 65 and older have changed over the past 35 years. Demographically, America's elderly today are older, more racially and ethnically diverse, better educated, and less likely to be widowed than the elderly population of the late 1960s and early 1970s. The increasing number of Americans living to age 80 and older is of particular importance to policymakers, because it is the very old who are most likely to need medical, social, and long-term care services, and who are at the greatest risk of depleting their financial resources and slipping into poverty.

Age. The American population is not only growing larger, it is getting older. Over the last 35 years, the total U.S. population increased by 47%, rising from 198 million in 1970 to 291 million in 2005. During that same period, the number of Americans age 65 and over has nearly doubled, growing from slightly under 19 million to over 35 million. (See **Table 2**.) The proportion of the population who are 65 or older is projected to continue rising. In 1970, 9% of the population were age 65 and over, and by 2005 the share had risen to 12%. The Census Bureau projects that by 2035, 20% of the U.S. population will be age 65 and over.⁸

⁷ The demographic characteristics of nursing home residents presented here were taken from the Minimum Data Set Resident Reports prepared by the Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services. These data are a representative sample of 1.4 million residents of Medicare- and Medicaid-certified long-term care facilities.

⁸ U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin," 2004 at [<http://www.census.gov/ipc/www/usinterimproj>].

As the proportion of the total population age 65 and older has increased, the age distribution among older persons also has changed. Compared to 35 years ago, a greater share of the elderly today are age 80 or older. In 1970, 36% of Americans age 65 or older were 65 to 69 years old, 47% were 70 to 79 years old, and just 17% were 80 or older. In contrast, by 2005 the proportion of people age 65 or older who were 65 to 69 years of age had declined to 29% and the proportion who were age 80 or older had risen to 26%. (See **Table 2**.)

Table 2. Age Distribution of People Age 65 and Older, 1970-2005

	Number (thousands)	65-69	70-79	80 and older	Total	Percentage of U.S. population*
1970	18,899	35.7%	47.3%	17.0%	100%	9.4%
1980	23,743	36.1	46.3	17.6	100	10.9
1990	29,566	34.3	46.1	19.6	100	12.0
2000	32,621	28.7	47.9	23.4	100	11.9
2005	35,213	28.8	45.0	26.2	100	12.1

Source: CRS analysis of the March income supplements to Current Population Survey.

* People age 65 and older as a percentage of total U.S. population.

Sex. The proportion of Americans age 65 and over who are male or female has remained relatively constant over the last 35 years. (See **Table 3**.) Roughly 43% of older Americans are men, while women comprise roughly 57%. The difference in the share of elderly by sex is primarily due to females having a longer life expectancy than their male counterparts.⁹ On average, a woman age 65 in 2002 could expect to live an additional 19.5 years (to age 84 and 6 months) and a man age 65 could expect to live an additional 16.6 years (to age 81 and 7 months).¹⁰ While the population age 65-69 is roughly equally divided between men and women — with men comprising 48% and women comprising 52% in 2005 — women's greater longevity results in a dramatic difference for older age groups. Nearly two-thirds (63% in 2005) of Americans age 80 and over are women.

Race and Ethnicity. Reflecting changes in the general population, America's older population has become more racially and ethnically diverse over the last 35 years.¹¹ While they remain a majority, the share of Americans age 65 and over who report their race as white has declined. (See **Table 3**.) In 1970, 92% of those age 65 and over were white while in 2005 the share had fallen to 87%. The

⁹ For an explanation of the differences in life expectancy by sex see CRS Report RL32792, *Life Expectancy in the United States*, by Laura Shrestha.

¹⁰ U.S. National Center for Health Statistics, *Vital Statistics of the United States*.

¹¹ In 1970, 88% of the total U.S. population of all ages reported their race as white, 11% as black, and 1% as other. By 2005, the share reporting their race as white had fallen to 81% and the share reporting their race as black had risen to 13%; other rose to 7%.

share of older Americans who are black has risen slightly during the same period from 7% to 8%. The share of older individuals who the Census Bureau categorizes as other races — primarily persons of Asian and Native American heritage — has risen over the last 35 years from less than 1% to over 4% of the population. Persons of Hispanic ethnicity may report themselves to be of any race.¹² Between 1971 and 2001, the proportion of Americans age 65 and older who identified themselves as being of Hispanic ethnicity increased from 1.6% to 5.3%.

Table 3. Race and Sex of Individuals Age 65 and Older, 1970-2005

	Male	Female	White	Black	Other*
1970	42.7%	57.3%	91.9%	7.3%	0.8%
1980	41.2	58.8	90.3	8.5	1.2
1990	41.7	58.3	89.6	8.4	2.0
2000	42.6	57.4	88.5	8.4	3.0
2005	43.0	57.0	87.2	8.4	4.4

Source: CRS analysis of the March income supplements to Current Population Survey.

* Mainly Asian and Native American. Persons of Hispanic ethnicity may be of any race.

Marital Status. In 2005, women age 65 and over were almost equally likely to be widowed as they were to be married. (See **Table 4.**) This a consequence of both women’s longevity and the fact that many women marry older men. In 2005, roughly one-half of married women age 65 and over had husbands who were at least two years older. These factors help to explain how less than one-half (42%) of older women, but nearly three-quarters (72%) of older men were married in 2005. The marital composition of the elderly has changed over the last 35 years. The proportion of men and women who are divorced has more than tripled, and the share of men and women who are widowed has fallen. For both older men and women, the share who have never been married has fallen. In 1970 roughly 7% of persons age 65 and over had never been married; by 2005 it was roughly 4%.

¹² For a discussion of the federal standards for presenting data on race and Hispanic origin see CRS Report RL3270 *The Changing Demographic Profile of the United States*, by Laura Shrestha.

Table 4. Marital Status of Men and Women Age 65 and Older, 1970-2005

Men					
	Married	Separated	Divorced	Widowed	Single
1970	71.0%	2.3%	2.3%	17.6%	6.8%
1980	75.5	2.0	3.7	13.6	5.1
1990	74.3	2.3	5.0	14.2	4.2
2000	72.6	2.7	6.1	14.4	4.3
2005	71.7	3.2	7.1	13.7	4.4
Women					
1970	35.3%	1.3%	2.1%	54.1%	7.2%
1980	38.1	1.7	3.4	51.0	5.9
1990	39.7	1.7	5.1	48.6	4.9
2000	41.3	2.6	7.2	45.3	3.6
2005	42.0	2.7	8.5	42.9	4.0

Source: CRS analysis of the March income supplements to Current Population Survey.

Education. America's older population is an increasingly well-educated group. In 1970, the vast majority (71%) of Americans age 65 and over had not graduated from high school and only 13% had either some college or were college graduates. (See **Table 5.**) By 2005, only a quarter of older Americans had not graduated from high school and 38% had either some college or were college graduates. The rise in the education level of the elderly reflects the increasing educational attainment in the total population as well as the positive correlation between education and life expectancy.^{13, 14}

Table 5. Educational Attainment of Individuals Age 65 and Older, 1970-2005

	Less than High School	High School graduate	Some college	College graduate
1970	71.4%	16.0%	6.2%	6.3%
1980	59.4	24.0	8.1	8.5
1990	42.9	33.1	12.1	11.9
2000	29.0	37.3	18.0	15.6
2005	26.1	36.4	18.7	18.8

Source: CRS analysis of the March income supplements to Current Population Survey.

¹³ Nicole Stoops, *Educational Attainment in the United States, 2003*, Population Characteristics, U.S. Census Bureau, Current Population Reports, P20-550.

¹⁴ CRS Report RL32792, *Life Expectancy in the United States*, by Laura Shrestha.

Employment Among People Age 65 and Older

Summary. Patterns of employment among older Americans have changed since the 1960s, and the trends in employment among older workers have differed between men and women. From the late 1960s to the early 1990s, employment rates fell steadily among men 55 and older. Since then, employment rates have risen for older men, but they remain below the employment rates that prevailed among men 55 and older as recently as the late 1970s. Among older women, the trend in employment since the late 1960s has been one of steady increase, as the larger numbers of women who entered the labor force in the 1960s and 1970s have begun to pass age 55. Despite this steady increase, however, older women's employment rates today remain lower than those of men the same age. Moreover, among both men and women employment rates continue to drop significantly after age 70. Consequently, earnings are likely to remain a fairly small contributor to the total income of people older than age 70.

Although the reasons for the increased employment among older individuals — particularly the upturn in employment among older men — cannot be determined with complete certainty, two factors often cited by economists are long-term developments in the design of employer-sponsored pensions and the decline in the proportion of retirees with access to employer-sponsored group health insurance. With respect to pensions, the trend for the past 25 years has been away from traditional defined-benefit pensions that pay a guaranteed annuity for life — and which often pay early-retirement subsidies to encourage workers to retire at 55 — toward defined contribution plans, such as the 401(k). The typical 401(k) plan does not include any type of subsidy for early retirement, and some workers may have begun to delay retirement in order to retire with a larger account balance. In the area of health insurance, rapidly rising health care costs have discouraged employers from beginning or continuing to offer health insurance to retirees.¹⁵ In the absence of this coverage, more workers may choose to continue working until age 65, when they become eligible to enroll in Medicare.

Rates of Employment, by Age. As people grow older, both the proportion of those who work and of those who work full-time decline. In 2004, 90% of men between the ages of 25 and 54 worked for pay at some time during the year.¹⁶ Among men age 55 to 64, 73% worked in 2004, and of men 65 and older only 23% were employed at some time during the year. Similarly, while 77% of women between the ages of 25 and 54 were employed at some time in 2004, the employment rate among women 55 to 64 years old was 60%. Among women 65 or older, just 14% were employed at some time in 2004.

Older workers also tend to work fewer hours than younger workers. Among all workers between the ages of 25 and 54, 87% worked full-time in calendar year 2004 and 13% worked part-time. Even among workers aged 55 to 59, 86% worked full-

¹⁵ For more information, see CRS Report RL33361, *Employer-Sponsored Retiree Health Insurance: An Endangered Benefit?*, by Neela Ranade.

¹⁶ The statistics in this paragraph were derived from the March 2005 Current Population Survey. For more on labor force participation among people 55 and older see, CRS Report RL30629, *Older Workers: Employment and Retirement Trends*, by Patrick Purcell.

time in 2004. However, among those 60 to 64 years old, only 78% who worked in 2004 were employed full-time. Beginning at age 62, individuals are eligible for Social Security retired worker benefits, and this appears to have some effect on rates of full-time employment. Among people who were 60 or 61 years old and who worked in 2004, 82% were employed full-time. Among those who were 62 to 64 years old and who worked in 2004, just 74% worked full time. Rates of full time employment fall further after age 65. Of those 65 and older who were employed in 2004, only 51% worked full-time.¹⁷

The trend in employment rates among all persons 55 and older since the late 1960s is described by a slightly “U-shaped” curve. The employment rate among people 55 and older at first declined, reaching a low point in the mid- to late 1980s. Over the past 10 to 15 years, employment rates among older persons have risen, and the rate of increase appears to have accelerated recently. In 1969, 70% of people 55 to 59 years old were employed at some time during the year, as were 60% of people 60 to 64 years of age, 35% of those aged 65 to 69, and 13% of those age 70 and older. (See **Table 6.**) By the late 1980s, employment rates for all four of these age groups had fallen, and for those age 60 or older employment rates had fallen substantially. In 1989, the employment rate among people 55 to 59 years old was 67%, just 3 percentage points lower than in 1969. Among those 60 to 64 years old, however, the employment rate in 1989 was 49%, or 11 percentage points lower than 20 years earlier. Likewise, among people ages 65 to 69, the employment rate of 25% in 1989 was 10 percentage points lower than it had been in 1969. Among people age 70 and older, the 1989 employment rate was more than four percentage points lower than it had been in 1969.

Since the late 1980s, employment rates among older persons have risen, although among people 60 and older they remain lower than they were in the late 1960s. Among people 55 to 59 years old, 74% were employed at some time in 2004, an increase of seven percentage points since 1989. The employment rate among individuals age 60 to 64 was 57% in 2004, an increase of eight percentage points since 1989. The employment rate among those 65 to 69 years old also rose by eight percentage points between 1989 and 2004, rising from 25% to 33%, while the employment rate among those age 70 and older rose from 9% to 12% during this time.

¹⁷ Although Social Security retired worker benefits are first available at age 62, beneficiaries who are under the full retirement age (65 years and 8 months for those who reach age 65 in 2006) are subject to an earnings test that reduces the monthly benefit if their earnings exceed a threshold amount. In 2006, Social Security beneficiaries who are under the full retirement age have their benefit reduced by \$1 for every \$2 of annual earnings over \$12,480.

Table 6. Employment Rates, by Age, 1969 to 2004
(persons employed full-time or part-time in any month of the year)

	Age 55-59	Age 60-64	Age 65-69	Age 70 and older
1969	70.4%	59.5%	34.9%	13.3%
1974	66.4	55.2	27.7	11.7
1979	68.5	54.2	28.4	11.2
1984	68.3	51.1	24.8	10.0
1989	67.4	48.5	24.8	8.5
1994	69.1	48.6	24.4	8.2
1999	70.3	52.7	27.0	10.0
2004	73.9	57.0	32.7	12.2

Source: CRS analysis of the March income supplements to Current Population Survey.

Employment Rates among Men and Women. Employment rates differ between men and women at every age, and the recent trends in employment rates among older Americans also differ between men and women. Although women have lower labor force participation rates than men, most of the increase in employment among older Americans since the mid-1980s has been the result of the increased labor force participation of women. Employment rates among older men have begun to rise over the past 15 years, but they remain substantially lower than the employment rates that prevailed among men up until about 1980. Employment rates among older women, in contrast, were higher in 2004 than at any point in the previous 35 years.

In 1969, 91% of men between the ages of 55 and 59 were employed at some time during the year. (See **Table 7.**) The employment rate among men in this age group declined steadily over the next 30 years, falling to 78% by 1999. By 2004, the employment rate among 55 to 59 year-old men had risen to 80%, but this was still lower than the employment rate among men in this age group had been 20 years earlier in 1984. Similar patterns can be seen in the employment rates of men in the 60-64, 65-69, and 70 and older age categories. In each of these groups, employment rates among men fell from the late 1960s through the mid-1990s, and then rose a few percentage points. Employment rates among men in these age groups, while higher in 2004 than in 1999 or 1994 were still lower than they were 25 years earlier in 1979.

Table 7. Employment Rates Among Men and Women, by Age
(persons employed full-time or part-time in any month of the year)

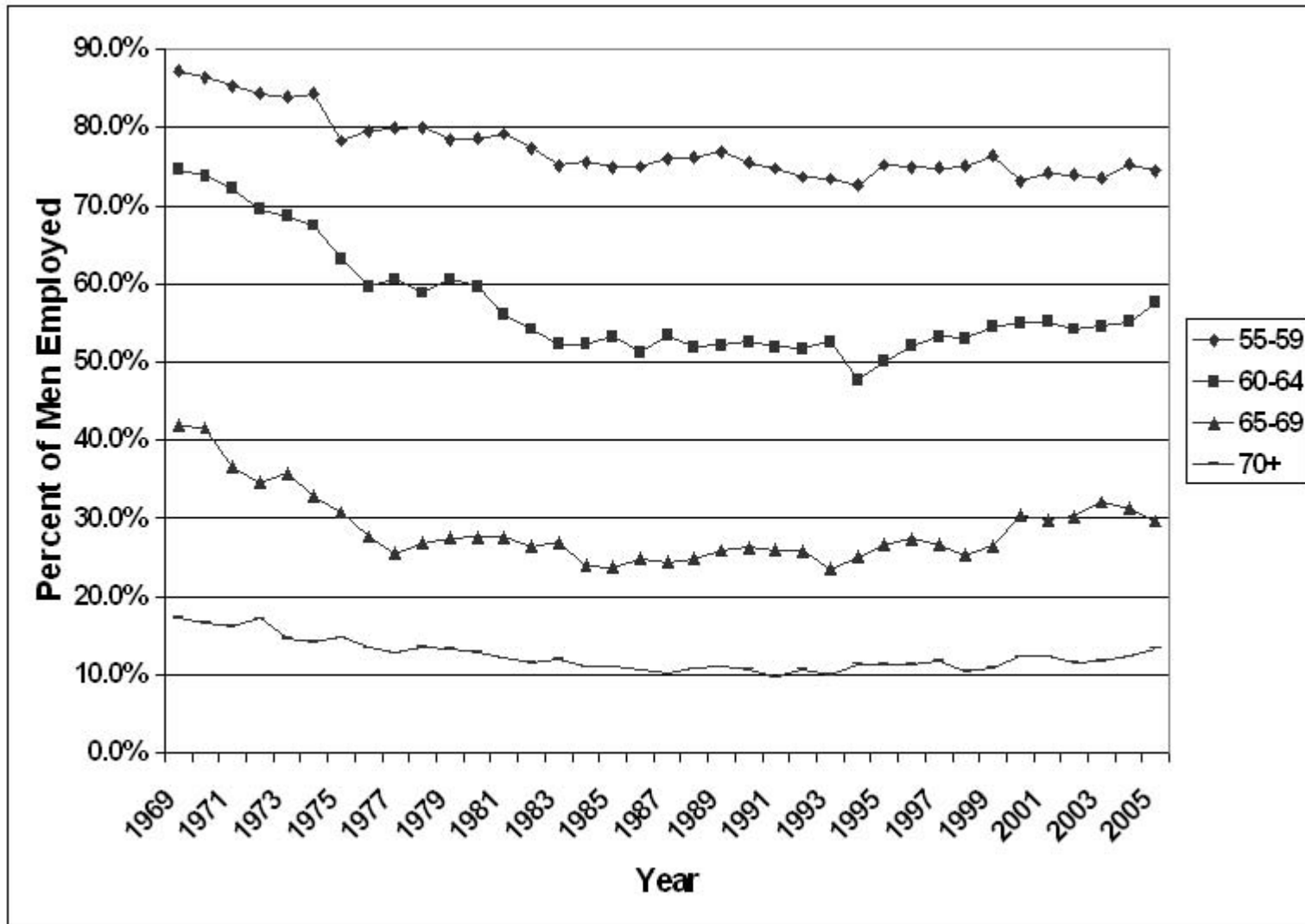
	Age 55-59		Age 60-64		Age 65-69		Age 70 and older	
	Men	Women	Men	Women	Men	Women	Men	Women
1969	90.7%	52.0%	80.3%	41.4%	50.2%	22.3%	21.3%	7.7%
1974	83.8	50.5	73.8	39.0	39.2	18.5	19.7	6.5
1979	84.6	53.9	70.5	39.9	38.4	20.3	17.9	6.8
1984	81.8	55.8	64.2	40.0	32.9	18.3	15.1	6.7
1989	79.6	56.3	59.9	38.5	30.6	20.0	12.9	5.7
1994	78.4	60.7	56.0	41.8	30.1	19.6	12.4	5.4
1999	77.7	63.7	61.6	44.6	33.2	21.4	14.4	6.9
2004	80.1	68.2	64.5	50.3	37.1	28.7	16.7	9.0

Source: CRS analysis of the March income supplements to Current Population Survey.

Employment rates among older women did not follow the U-shaped pattern of men's employment rates over the period from 1969 to 2004. From 1969 through the mid 1980s, employment rates among women age 55 to 59 generally rose, while employment rates among women 60 and older fell slightly. Since the late 1980s, employment rates among women 55 to 69 years old have continued to rise as the large numbers of women who entered the labor force in the 1960s and 1970s began to pass age 55. In 2004, for example, 68% of women aged 55 to 59 were employed, up from 56% in 1984. Employment rates also have risen among women 60 and older. Fifty percent of women 60 to 64 years old were working in 2004, compared to 40% in 1984, and 29% of women aged 65 to 69 were employed at some time in 2004, up from 18% 20 years earlier.

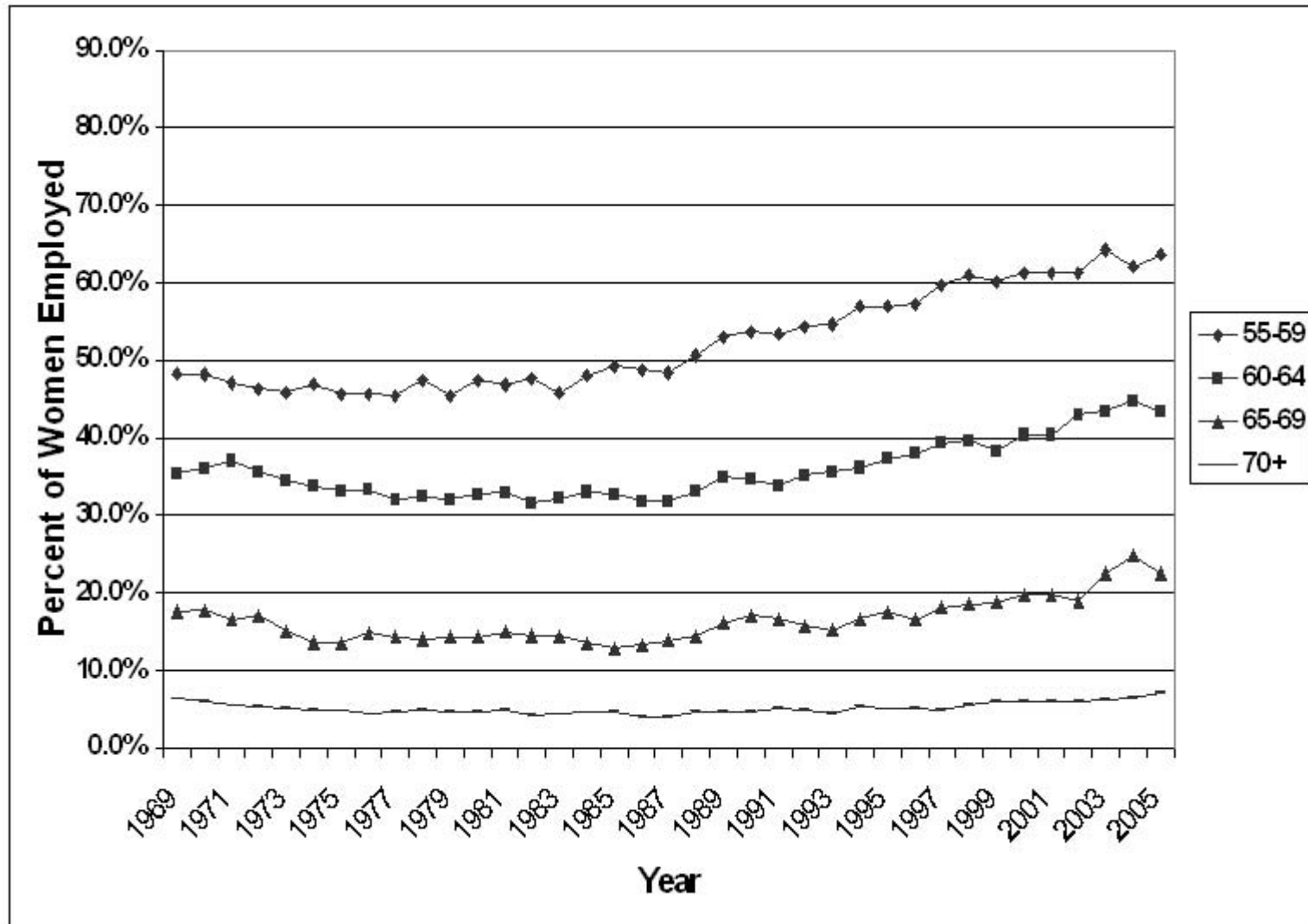
Figure 2 and **Figure 3** show the percentage of men and women, respectively, who were employed in March each year from 1969 to 2005.

Figure 2. Employment Rates of Men by Age, 1969-2005



Source: CRS analysis of the March income supplements to Current Population Survey.

Figure 3. Employment Rates of Women by Age, 1969-2005



Source: CRS analysis of the March income supplements to Current Population Survey.

Full-Time vs. Part-Time Employment among Older Workers. As noted above, individuals who continue to work past age 55 remain almost as likely to work full-time as their younger counterparts until about age 62, the first age of eligibility for Social Security retired worker benefits. For workers 55 to 59 years old, the distribution between full-time and part-time employment changed relatively little between 1969 and 2004, while for those age 60-64 the proportion of workers employed full-time fell from 86% in 1969 to 78% in 1989 and has remained near that level since then. Among workers 65 to 69 years old and those 70 and older, the percentage who work full-time fell between 1969 and 1979, but has since increased. (See Table 8.)

Table 8. Full-time and Part-time Employment, By Age of Worker

	Age 55-59		Age 60-64		Age 65-69		Age 70 and older	
	Full- time	Part- time	Full- time	Part- time	Full- time	Part- time	Full- time	Part- time
1969	89.1%	10.9%	85.7%	14.3%	65.2%	34.8%	45.2%	54.8%
1974	88.6	11.4	85.9	14.1	57.4	42.6	43.2	56.8
1979	86.2	13.8	81.9	18.1	51.1	48.9	37.8	62.2
1984	84.1	15.9	79.0	21.0	51.5	48.5	34.2	65.8
1989	85.1	14.9	77.7	22.3	53.5	46.5	38.9	61.1
1994	84.5	15.5	76.2	23.8	53.6	46.4	40.2	59.8
1999	86.9	13.1	78.8	21.2	54.9	45.1	46.0	54.0
2004	86.2	13.8	78.2	21.8	59.0	41.0	42.2	57.8

Source: CRS analysis of the March income supplements to Current Population Survey.

Sources and Amounts of Income Among People 65 and Older

Summary. Older Americans receive income from a variety of sources such as earnings, Social Security, assets, pensions, and welfare.¹⁸ Four sources of income — earnings, Social Security, pensions, and income from assets — comprise the majority of income among people 65 and older today, just as they did 35 years ago. In 2004, these four income sources provided 97% of all income received by people 65 and older. This was a slight increase from 1975 (the first year for which separate data on pension income are available from the CPS) when these four sources provided 95% of income received by people 65 and older.

Wages and salaries today constitute a greater proportion of the aggregate income of the elderly than at any time since the late 1970s, and while this is due in part to increasing rates of employment, it is also partly the result of a decline over the past 15 years in the proportion of income received as interest and dividends. Since the early 1990s, interest rates and dividend yields have fallen, and both the share of

¹⁸ The CPS does not collect information on income received from capital gains.

aggregate income received from these sources and the percentage of older individuals with income from assets have fallen since that time. Social Security has for most of the past 35 years remained a fairly stable share (about 40%) of the income of people 65 and older. Trends in pension income have been more complex.

Trends in the percentage of people receiving pension income have differed between men and women. The proportion of men 65 and older with pension income rose between 1980 and the early 1990s. By that time, almost half of men 65 and older received some pension income. Since about 1992, however, the proportion of men receiving pension income has fallen to about 44%. Although the percentage of women 65 and older with pension income has continued to rise — although very slowly — women 65 and older are only half as likely as men to receive income from this source. Moreover, women's pension income is, on average, only half that of male pension recipients. The share of income the elderly receive from pensions has fallen since the early 1990s because the proportion of men with pension income has fallen and the rise in the proportion of women with pension income has been offset by the smaller amounts they typically receive. Because the proportion of the total workforce who participate in employer-sponsored pensions has remained stable at about half the workforce since the 1970s, it is unlikely that the share of total income of the elderly received from pensions will rise substantially in the next 10 to 20 years.

Few individuals age 65 and over do not receive any income. Between 1969 and 2004, the percentage of people 65 and older receiving income from at least one source increased from 90% to 97%.¹⁹ Among people who had income from any source, the mean annual amount (in constant 2004 dollars) rose from \$13,414 in 1969 to \$23,762 in 2004, an increase of 77% or 1.6% per year. Median total income, also in constant 2004 dollars, rose from \$8,196 in 1969 to \$15,189 in 2004, an increase of 85% or 1.7% per year. (See **Tables 9 through 12.**)²⁰

Earnings. In 1969, a quarter of all people 65 and older worked, and earnings provided a third of the total income of the elderly. Both of these percentages declined sharply over the next decade, and by 1980, the proportion of people 65 and older with earned income had fallen to 17%, and earnings had fallen to 16% of the aggregate income of the elderly. The proportion of Americans age 65 and older with earnings has increased slightly in recent years, rising from 16% in the early 1990s to 18% in 2004. As a share of aggregate income, however, earnings have risen more substantially, growing from 15% of the total income of the elderly in the mid-1990s to 23% in 2004. (See **Figure 4.**) The increase in the proportion of income from earnings is the result mainly of four factors: (1) growth in real wages; (2) increased employment among people 65 and older; (3) an increase in the percentage of working elderly who are employed full-time; and (4) a drop in interest and dividend income

¹⁹ The majority of individuals without income were women. In 1969, 16% of women and 1% of men received no income. By 2004, the share of men who received no income had risen slightly (to 2%) and the share of women who received no income had fallen to 4%.

²⁰ The median lies at the middle of the income distribution. Half of the population have higher incomes, and half have lower incomes. Mean income is generally higher than median income because a relatively small percentage of people have very high incomes. The median is therefore widely considered to be a more accurate measure of average income.

that resulted from falling interest rates, falling dividend yields, and a decline in the percentage of people receiving interest and dividend income.²¹ Among people who had earned income, the mean total amount (in constant 2004 dollars) rose from \$14,497 in 1969 to \$29,459 in 2004, an increase of 103% or 2.0% per year. Median earned income, also in constant 2004 dollars, rose from \$6,856 in 1969 to \$15,000 in 2004, an increase of 119% or 2.2% per year.

Social Security. In 1969, 75% of people 65 and older received Social Security income, either as retired workers, as spouses, or as survivors of deceased workers. By 1991, the proportion of elderly receiving Social Security benefits had risen to 91%, and it has remained within two percentage points of 90% since that time. Social Security provided almost one-third of all income received by people 65 and older in 1969. By 1975, Social Security benefits accounted for 42% of the total income of people 65 and older. Over the past 30 years, Social Security has consistently comprised between 38% and 43% of the aggregate income of the elderly population. Among people 65 and older who received Social Security income, the mean annual amount rose from \$5,171 in 1969 to \$10,681 in 2004, an increase of 107% or 2.0% per year. Median Social Security income rose from \$4,866 in 1969 to \$10,399 in 2004, an increase of 114% or 2.1% per year. (All amounts are in constant 2004 dollars.)

Asset income. Income from assets — primarily interest and dividends, but also including rents and royalties — was received by 39% of people 65 and older in 1969. The proportion of older persons receiving asset income rose steadily over the next decade, and by 1980 two-thirds of the elderly received income from assets. This proportion remained relatively stable until the late 1990s when it began to decline. By 2004, the proportion of people 65 and older who received asset income had fallen to 56%. The decline in the proportion of people receiving income from assets coincided with a long period of falling interest rates and dividend yields. As the rate of return on these assets fell, fewer people chose to hold such assets.

In 1969, interest, dividends, rent, and royalties provided 20% of the aggregate income of people 65 and older. This proportion steadily increased over the next two decades and peaked at 26% of total income in 1986. The share of the income of the elderly comprised of income from assets has progressively fallen since 1986, and in 2004 only 12% of the income of people 65 and older came from this source. Among people 65 and older who received income from assets, the mean and median annual amounts received fluctuated from year to year. Mean annual income ranged from a low of about \$5,000 per year to a high of about \$7,500 per year, in 2004 dollars. Median income from assets was substantially lower than mean asset income because a relatively small proportion of individuals had very large amounts of asset income. Expressed in 2004 dollars, median income from assets was highest in 1984, reaching \$2,637 that year. Since the mid-1980s, median asset income has steadily fallen. Among those who received income from interest, dividends, rent, and royalties in 2004, the median annual amount was just \$817.

²¹ Between 1984 and 1994, the yield on 10-year Treasury notes fell from 12.4% to 7.1% and by 2004 had fallen to 4.3%. Dividend yields declined from 4.6% in 1984 to 2.8% in 1994 and 1.7% in 2004. (Source: *Economic Report of the President, 2006*.)

Table 9. People Age 65 and Older with Income from Each Source

	Percentage of people 65 and older with income from each source:					
Source of income:	1969	1970	1980	1990	2000	2004
Any income	90.1%	90.4%	98.7%	98.8%	97.8%	97.1%
Earnings	24.9	23.4	16.6	16.3	16.9	18.0
Social Security	74.7	75.9	90.5	91.0	89.8	88.2
Asset income	39.4	39.5	67.1	69.9	59.2	55.5
Pension income	n/a	n/a	26.6	37.0	34.9	35.5
Welfare	9.2	9.2	8.5	5.5	3.8	3.5
Other income	24.6	24.2	6.9	7.7	6.0	5.5

Source: CRS analysis of the March income supplements to Current Population Survey.

n/a = not available

Table 10. Income from Each Source as a Percentage of Total Income among People 65 and Older

	Percentage of total income in each year:					
Source of income:	1969	1970	1980	1990	2000	2004
Earnings	29.9%	27.1%	15.9%	15.3%	20.0%	23.0%
Social Security	32.0	35.3	42.8	37.9	40.3	40.8
Asset income	20.4	19.5	22.4	24.0	17.2	12.3
Pension income	n/a	n/a	15.3	19.8	19.7	21.2
Welfare	2.7	2.6	1.6	0.8	0.7	0.6
Other income	15.1	15.5	2.0	2.2	2.1	2.0

Source: CRS analysis of the March income supplements to Current Population Survey.

n/a = not available

Table 11. Mean Annual Income of People 65 and Older from Each Source

(mean annual income of individuals with income from each source, in 2004 dollars)

	Mean income, in 2004 dollars:					
Source of income:	1969	1970	1980	1990	2000	2004
Income from all sources	\$13,414	\$13,429	\$15,662	\$20,072	\$23,257	\$23,762
Earnings	14,497	14,039	14,789	18,602	27,001	29,459
Social Security	5,171	5,656	7,305	8,253	10,213	10,681
Asset income	6,256	5,986	5,161	6,803	6,622	5,122
Pension income	n/a	n/a	8,924	10,617	12,810	13,953
Welfare	3,556	3,408	2,818	3,035	4,149	4,245
Other income	7,405	7,788	4,445	5,743	7,911	8,161

Source: CRS analysis of the March income supplements to Current Population Survey.

n/a = not available

Table 12. Median Annual Income of Individuals 65 and Older from Each Source

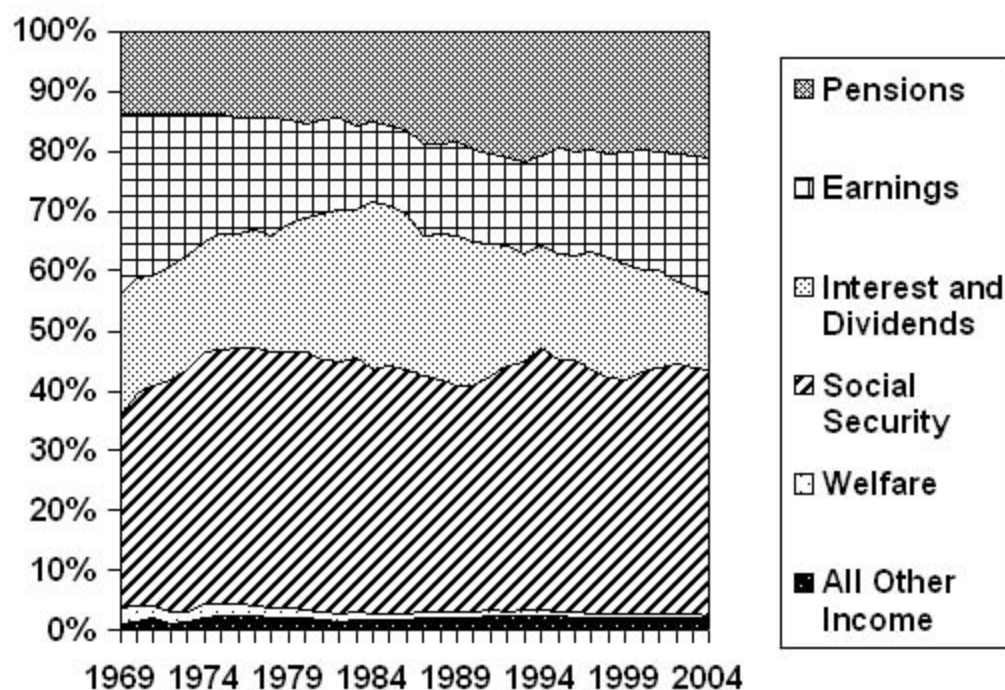
(Median income of individuals with income from each source, in 2004 dollars)

Source of income:	Median income, in 2004 dollars:					
	1969	1970	1980	1990	2000	2004
Income from all sources	\$8,196	\$8,271	\$10,723	\$13,523	\$14,727	\$15,189
Earnings	6,856	6,644	8,281	8,705	12,937	15,000
Social Security	4,866	5,267	7,212	8,036	9,903	10,399
Asset income	2,134	2,038	1,656	2,385	1,477	817
Pension income	n/a	n/a	5,995	6,991	8,625	9,600
Welfare	3,125	3,180	2,374	2,314	3,247	3,600
Other income	5,123	5,189	2,459	2,893	3,880	4,799

Source: CRS analysis of the March income supplements to Current Population Survey.

n/a = not available

Figure 4. Share of Income by Source among People 65+, 1969-2004



Source: CRS analysis of the March income supplements to Current Population Survey.

Pension Income. The CPS has collected data on pension income as a separate category only since the March 1976 survey, which collected information on income received in 1975. Before that, income from pensions was included in a broad category of “other income.” In 1975, 22% of people 65 and older received income

from pensions earned through a job or jobs in either the public or private sectors or as the survivor of a worker who was receiving a pension. The percentage of people 65 and older receiving income from pensions rose until the early 1990s, peaking at 38% in 1992. The proportion of the elderly population receiving pension income has since fallen slightly. In 2004, 36% of people 65 and older received pension income.²²

In 1975, income from pensions made up 14% of the total income of people 65 and older. This proportion increased over the next 15 years, along with the percentage of older persons receiving income from pensions, reaching a peak of 22% in 1993. Since then, pension income has comprised roughly 20% of the total income of people 65 and older each year. Among people 65 and older who received pension income, the mean annual amount (in 2004 dollars) rose from \$8,848 in 1975 to \$13,953 in 2004, an increase of 58% or 1.5% per year. Median pension income rose from \$6,081 in 1975 to \$9,600 in 2004, also increasing by 58% or 1.5% per year.

Welfare Income. In the late 1960s and early 1970s, about 10% of the elderly population in the United States received some form of cash welfare assistance from the federal or state governments. The largest source of cash welfare assistance for people 65 and older is the Supplemental Security Income (SSI) program, which was authorized by Congress in 1972 and began making payments to eligible low-income aged and disabled persons in 1974.^{23 24} The proportion of the elderly population receiving cash welfare payments has steadily fallen since the mid-1970s, mainly because the proportion of people 65 and older who receive Social Security benefits has increased and the real value of Social Security benefits has risen due to the growth in real wages. The maximum eligible income limit for SSI benefits, in contrast, grows at the annual rate of price inflation.²⁵ As a share of the aggregate income of people 65 and older, cash welfare payments fell from 3% in 1969 to 1% in 1986. Welfare income has been less than 1% of the total income of older Americans for each of the past 20 years. Over the period from 1969 to 2004, the mean and median amounts of welfare income received by older individuals fluctuated within relatively narrow ranges, measured in constant 2004 dollars. Mean welfare income ranged from a low of \$2,818 in 1980 to a high of \$4,426 in 2002. Median welfare income reached a low of \$2,261 in 1992 and a high of \$3,629 in 2003.

²² This category includes pensions from previous employers or unions, and other retirement income, excluding Social Security and Veterans' Administration payments. It includes company or union pensions and profit sharing plans; annuities; military retirement; federal government pensions; state or local government pensions; Railroad Retirement; payments from annuities or paid-up insurance policies; and payments from IRA or Keogh accounts.

²³ For more information on SSI see CRS Report 94-486, *Supplemental Security Income (SSI): A Fact Sheet*, by Scott Szymendera.

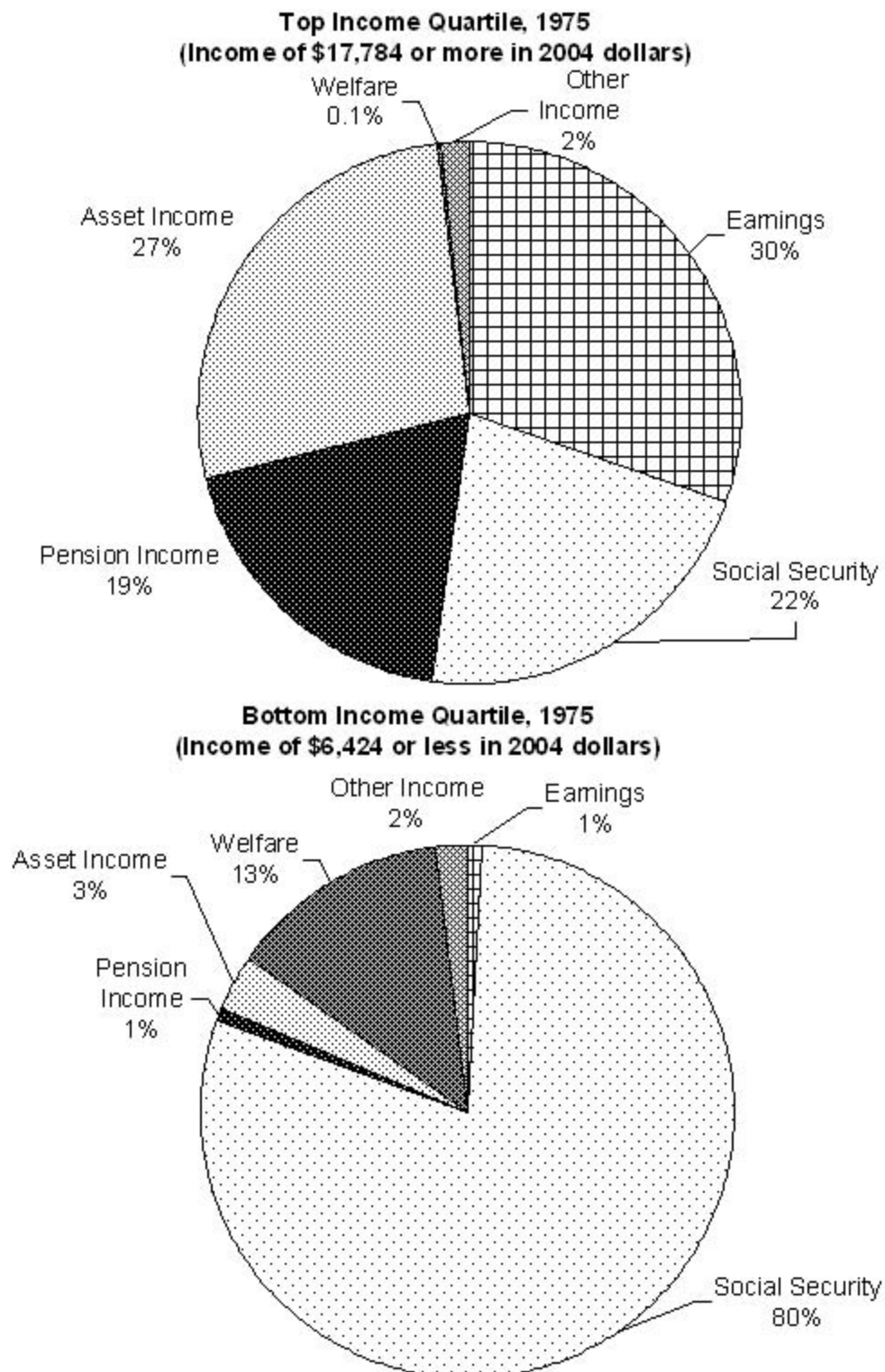
²⁴ This category includes only cash welfare payments. It does not include the value of food stamps, medical assistance, rental subsidies, heating assistance, or other in-kind transfers.

²⁵ In any given year the rate of price inflation may exceed the rate of growth of average wages, but over long periods of time wages grow faster than prices because average wages grow at the average rate of inflation *plus* the rate of growth of labor productivity. Prices can grow faster than wages in the long run only if labor productivity fails to increase.

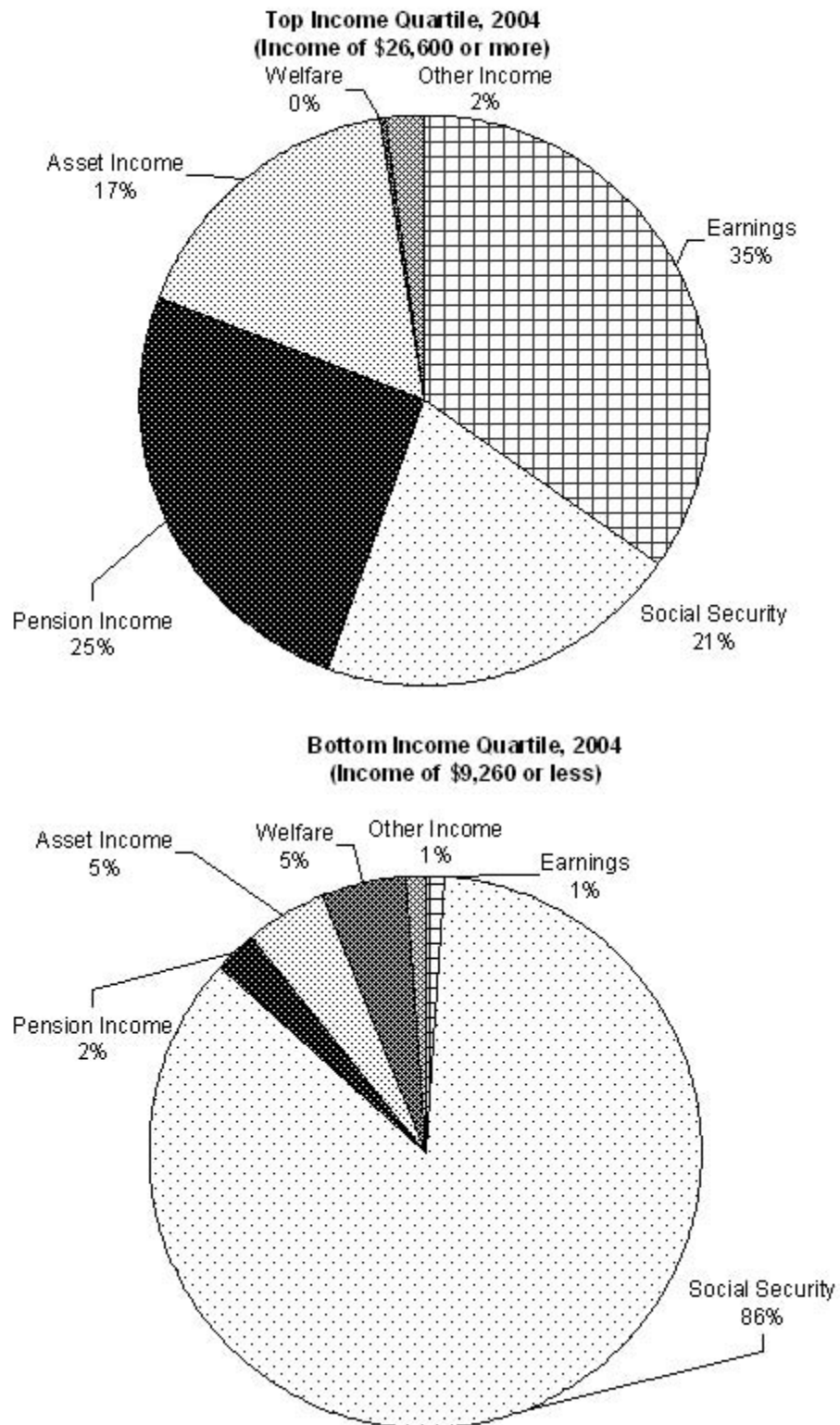
Other Income. Other sources of income recorded on the CPS include workers' compensation, unemployment compensation, alimony, child support, and financial assistance from friends or relatives not living in the same household. Over the past 30 years, the proportion of people 65 and older receiving any income from these sources has consistently remained in a narrow range of 6% to 8% of the elderly population. As a share of the aggregate income of the elderly, all of these sources combined have in each of the past 30 years accounted for just 2% to 3% of total income. Among people 65 and older who received income from one or more of these sources in 2004, the mean amount received was \$8,161 and the median amount was \$4,799. This compares to mean and median amounts received from these sources in 1975 of \$4,191 and \$3,118, respectively. (All amounts are in 2004 dollars.)

Sources of Income, by Quartile. The sources of income received by people 65 and older whose incomes are at the lower end of the income distribution differ from the sources of income of people at the upper end of the income distribution. This was true of income throughout the period from 1969 to 2004. In 1975, individuals 65 and older whose incomes (in 2004 dollars) exceeded \$17,784 were in the top 25% (the top quartile) among people in this age group. On average, they received 30% of their income from earnings, 22% from Social Security, 19% from pensions, 27% from assets, less than 1% from welfare, and 2% from other sources. That same year, individuals whose incomes were less than \$6,424 (in 2004 dollars) were in the bottom quartile among individuals age 65 and older. Older individuals in the bottom income quartile received less than 1% of their income from earnings, 80% from Social Security, 1% from pensions, 3% from assets, 13% from welfare, and 2% from other sources. (See **Figure 5** and **Figure 6**.)

By 2004, the sources of income in the top and bottom quartiles of the income distribution had changed relatively little. In the top quartile — people 65 and older with 2004 income of \$26,600 or more — earnings and pension income each had increased as shares of total income, while asset income had declined somewhat as a percentage of total income. In both 1975 and 2004, Social Security accounted for about \$1 out of every \$5 of income among people 65 and older with incomes in the top 25% of the income distribution. In the bottom quartile — people with 2004 income of less than \$9,260 — Social Security accounted for about \$4 out of every \$5 of income. Earnings accounted for only 1% of income in both 1975 and 2004. Although pensions and asset income increased slightly in relative significance among people 65 and older in the bottom income quartile, in 2004 both of these sources of income combined accounted for just 7% of their income. Cash welfare declined from 13% of the income received by persons in the bottom income quartile in 1975 to 5% in 2004. This was due both to the increase in the proportion of people 65 and older who received Social Security benefits and to growth in the real value of Social Security benefits. In the bottom income quartile, Social Security increased from 80% of total income in 1975 to 86% of total income in 2004.

Figure 5. Sources of Income by Quartile, 1975

Source: CRS analysis of the Current Population Survey.

Figure 6. Sources of Income by Quartile, 2004

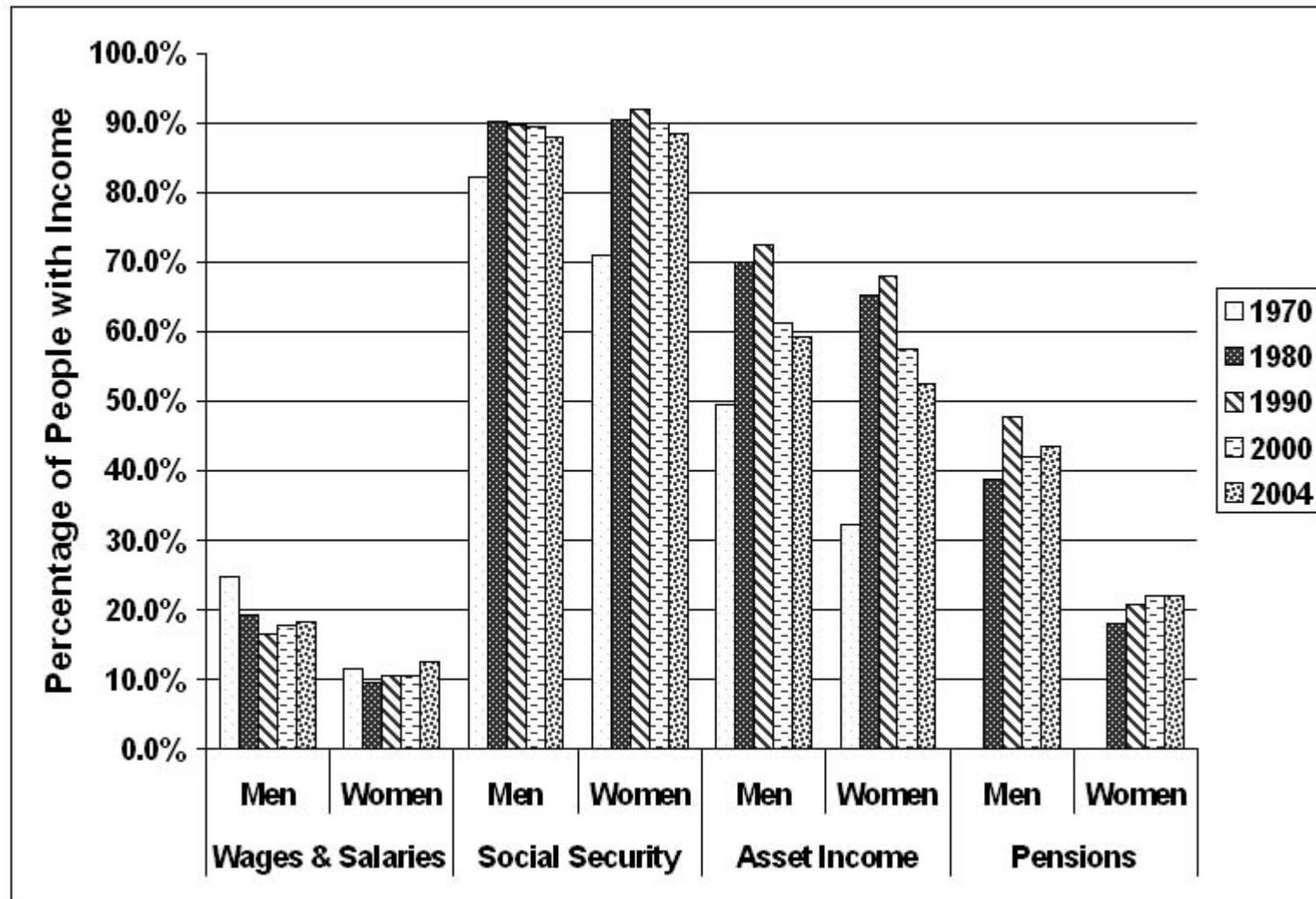
Source: CRS analysis of the Current Population Survey.

Sources of Income Differ Between Men and Women. Men and women are not equally likely to receive income from each of the four main income sources among individuals age 65 and older, and the importance of each source of income has changed for both men and women over the past 35 years. (See **Figure 7**.) Throughout this period, men 65 and older were more likely than women to have income from wages and salaries, income from assets, and income from pensions. In 1970, 25% of men 65 and older had wage and salary income, compared to 12% of women. By 2004, just 18% of older men had wage and salary income, while the proportion of women with wage and salary income had increased to 13%. Up until about 1980, men 65 and older also were more likely than women to receive income from Social Security. Since then, however, the percentage of both men and women 65 and older receiving Social Security has ranged between 88% and 92%. The percentage of both men and women 65 and older receiving income from assets increased sharply through the 1970s and 1980s. By 1990, 72% of men and 68% of women had asset income. By 2004, these figures had fallen to 59% of men and 53% of women. While the percentage of both men and women receiving pension income (including survivor benefits) increased substantially between 1975 and 1990, the upward trend ceased in the early 1990s. Moreover, throughout the 20 years from 1975 to 1995, men 65 and older were more than twice as likely as older women to have received retired-worker or survivor benefits from a pension. Since 1995, the gap between the proportion of men and women receiving pension income has narrowed slightly, but this has been due more to a decline in the percentage of men receiving pension income rather than to an increase in the proportion of women with income from pensions.

Older men and women also differ with respect to the amount of income that they receive from each source, with men typically receiving larger amounts. Among men age 65 and older who had wage and salary income in 1970, the median amount, in 2004 dollars, was \$8,560. (See **Table 13**.) Among women age 65 and older who had wage and salary income in 1970, the median amount was \$6,163. By 2004, the median wage and salary income of men 65 and older had increased to \$20,800, a 143% increase. That same year, the median wage and salary income of women 65 and older was \$12,000, or 95% higher than in 1970. Men also had higher median income from Social Security through the period from 1970 to 2004, but the rate of growth in the median benefit was slightly higher for women, as more women became eligible for retired worker benefits that were larger than the spousal benefit they would have received had they not worked or had worked less. Men had higher pension income than women, and the rate of growth of pension income was faster among men than women. Among men 65 and older who had pension income, the median amount rose from \$7,096 in 1980 to \$12,000 in 2004, an increase of 69%.²⁶ Median pension income among women 65 and older rose from \$4,347 in 1980 to \$6,141 in 2004, an increase of 41%. Men also had higher median income from assets, although for both men and women the median income from this source was relatively small compared to income from earnings, pensions, and Social Security.

²⁶ The CPS began to collect data on pension income as a separate category in 1976.

Figure 7. Percentage of Men and Women Age 65+ with Income from Each Source, by Year



Source: CRS analysis of the March income supplements to Current Population Survey.

Table 13. Median Income of Men and Women from Each Source

(Men and women age 65 and older, amounts in 2004 dollars)

	Wages & Salaries		Social Security		Income from Assets		Pension income	
	Men	Women	Men	Women	Men	Women	Men	Women
1970	\$8,560	\$6,163	\$6,848	\$4,353	\$2,242	\$1,895	n/a	n/a
1980	10,143	6,444	8,706	6,173	1,967	1,553	7,096	4,347
1990	11,783	7,713	9,889	6,726	2,410	2,345	8,886	4,820
2000	17,572	8,786	11,601	8,180	1,690	1,289	10,877	5,892
2004	20,800	12,000	12,583	8,799	964	750	12,000	6,141

Source: CRS analysis of the March income supplements to Current Population Survey.

n/a = not available

Household Income of People 65 and Older

Summary. The previous section of this report described the sources and amounts of income received by people 65 and older at the level of the individual recipient. Although a substantial — and growing — proportion of Americans of all ages live in single-person households, a majority live with a spouse, other relatives, a roommate, or others with whom they share household expenses.²⁷ Consequently, gaining a complete picture of the income of older Americans, how it has changed over time, and how it compares with the income of the non-elderly population, requires an examination of household income as well as individual income. This section of the report describes income among all U.S. households and also among elderly households — defined here as those in which either the householder²⁸ or householder's spouse is 65 or older — and nonelderly households, defined here as those in which neither the householder nor spouse is 65 or older.

Median household income rose faster among households in which the householder or spouse was 65 or older than among households headed by younger persons during the period from 1969 through 2004. Nevertheless, in 2004 the median income of households in which the householder or spouse was 65 or older (\$25,210) was just half of the median income of households in which neither the householder nor spouse had reached age 65 (\$50,466). Elderly households, however, tend to be smaller (averaging 1.7 residents) than nonelderly households (with an average of 2.8 residents) and they do not have all of the work-related and child-rearing expenses that many nonelderly households must pay.

²⁷ In 1969, 16.6% of all U.S. households were one-person households, as were 38.9% of households in which the householder was 65 or older. In 2005, 26.4% of all households were one-person households, as were 45.8% in which the householder was 65 or older.

²⁸ The Census Bureau defines the householder as the person in whose name the housing unit is owned or rented. In a married couple, the householder may be either the husband or wife.

When comparing the income of elderly households with the household income of the nonelderly population, it is important to keep in mind that the households in which people 65 and older live tend to be smaller than the households of younger adults. Over the past 35 years, average household size has shrunk among both elderly and nonelderly households, and while the decline has been greater among nonelderly households, they remain larger, on average, than elderly households. In 1970, there were 3.5 persons in the average nonelderly household: 2.1 adults and 1.4 children. (See **Table 14.**) The average elderly household had 1.9 people in 1970. By 2005, the average number of people in nonelderly households had fallen to 2.8 people: 1.9 adults and 0.9 children. The average size of an elderly household had fallen to 1.7 people. Because the average elderly household has 1.1 fewer people than the average nonelderly household, it requires less income to maintain a comparable standard of living.

Table 14. Average Household Size by Year and Age of Householder

Year	Householder under 65		Householder Age 65+	
	Mean household size	Mean number of adults	Mean household size	Mean number of adults
1970	3.5	2.1	1.9	1.8
1980	3.0	2.0	1.7	1.7
1990	2.9	2.0	1.7	1.7
2000	2.8	1.9	1.7	1.7
2005	2.8	1.9	1.7	1.7

Source: CRS analysis of the March income supplements to Current Population Survey.

Median Household Income, by Age. Adjusted for inflation, median household income in the United States rose from \$35,539 in 1969 to \$44,214 in 2004, an increase of 24% or 0.6% per year in real terms. (See **Tables 15 and 16.**) Real median household income reached a peak of \$45,302 in 2000 and fell by \$1,100 or 2.4% between 2000 and 2004. Among households in which neither the householder nor the householder's spouse was 65 or older, median income rose from \$40,278 in 1969 to \$50,466 in 2004, an increase of 25% or 0.6% annually, on average. Among households in which either the householder or the householder's spouse was 65 or older, real median income rose from \$14,498 in 1969 to \$25,210 in 2004, an increase of 74%, or 1.6% annually, on average.

**Table 15. Mean and Median Household Income,
by Age of Householder**
(household income in 2004 dollars)

Income year	All households		Householder and spouse under age 65		Householder or spouse 65 or older	
	Mean	Median	Mean	Median	Mean	Median
1969	\$40,378	\$35,539	\$44,886	\$40,278	\$22,393	\$14,498
1970	40,423	35,461	44,986	40,295	22,303	14,641
1980	42,847	36,639	47,239	41,853	26,424	18,425
1990	49,053	40,036	53,619	45,476	33,173	22,910
2000	61,460	45,302	67,742	52,680	38,466	25,570
2004	60,530	44,214	66,433	50,466	38,963	25,210

Source: CRS analysis of the March income supplements to Current Population Survey.

For most of the period from 1969 to 2004, the real household income of elderly households — those in which either the householder or the householder's spouse was 65 or older — grew faster than the real income of younger households. For example, over the period from 1969 to 2004, the real median income of elderly households grew by 74%, compared to 25% for nonelderly households. Since 1990, however, the rates of income growth in elderly and nonelderly households have been much closer together, each increasing by 10% to 11% over that period. Since 2000, however, while the real income of nonelderly households has fallen by 4.2%, the income of elderly households has fallen by just 1.4%.

In constant dollars, the total increases in median household income among elderly and nonelderly households since 1969 have not differed greatly. Between 1969 and 2004, the real income of households in which neither the householder nor spouse was 65 or older grew by \$10,188, in 2004 dollars. Over the same period, the real median income of elderly households grew by \$10,712. One reason that the percentage change in household income has been greater in elderly households is simply that the income of these households was growing from a much smaller base. In 1969, the median income of elderly households, expressed in 2004 dollars was just \$14,498. An increase of \$1,000 from this amount would represent a percentage change of 7%, while a \$1,000 increase in the 1969 median income of nonelderly households (\$40,278, in 2004 dollars) would represent an increase of just 2.5%. In percentage terms, the increase in median income among elderly households since the late 1960s looks relatively large because their median household income was — and is — much lower than the median household income of the nonelderly population.

Table 16. Percentage Change in Median Household Income, 1969 to 2004, by Age of Householder
(household income in 2004 dollars)

Income years	All households		Householder and spouse under age 65		Householder or spouse 65 or older	
	Total change	Annual average	Total change	Annual average	Total change	Annual average
1969-2004	24.4%	0.6%	25.3%	0.6%	73.9%	1.6%
1970-2004	24.7	0.6	25.2	0.7	72.2	1.6
1980-2004	20.7	0.8	20.6	0.8	36.8	1.3
1990-2004	10.4	0.7	11.0	0.7	10.0	0.6
2000-2004	-2.4	-0.5	-4.2	-0.9	-1.4	-0.3

Source: CRS analysis of the March income supplements to Current Population Survey.

Household Income at the 75th and 25th Percentiles. Household incomes have changed not only at the median — the middle of the distribution — but also at the upper and lower ends of the income distribution. At the 75th percentile — marking the point that separates the highest quarter of household incomes from the lowest three-quarters — incomes grew by 47% among nonelderly households from 1969 to 2004 and by 64% among households in which the householder or spouse was 65 or older. In constant 2004 dollars, this represented an increase in household income of \$27,234 for nonelderly households at the 75th percentile and an increase of \$18,186 for elderly households at the 75th percentile. (See **Tables 17 and 18.**)

Table 17. Household Income at 75th and 25th Percentiles, by Age of Householder
(household income in 2004 dollars)

Income year	All households		Householder and spouse under age 65		Householder or spouse 65 or older	
	75 th percentile	25 th percentile	75 th percentile	25 th percentile	75 th percentile	25 th percentile
1969	\$53,789	\$18,886	\$57,632	\$25,614	\$28,414	\$7,718
1970	53,909	18,648	57,940	24,864	28,124	7,830
1980	58,962	18,839	63,446	24,153	32,930	10,265
1990	66,319	20,301	71,570	25,441	41,214	12,463
2000	78,694	23,192	85,298	28,163	45,846	13,913
2004	78,050	22,200	84,866	26,880	46,600	14,199

Source: CRS analysis of the March income supplements to Current Population Survey.

At the lower end of the income distribution, rates of growth in household income differed dramatically between elderly and nonelderly households over the

period from 1969 to 2004. Among nonelderly households, income at the 25th percentile grew by just 5% in real terms from 1969 to 2004. Over the four years from 2000 to 2004, household incomes at the 25th percentile fell by 5%. Among elderly households, however, incomes at the 25th percentile grew by 84% from 1969 through 2004, and by 2% from 2000 through 2004. The steady growth in income among elderly households in the lowest quartile of the income distribution since the late 1960s is largely due to the fact that the great preponderance of their income comes from Social Security. Initial Social Security benefits are based on the real value of average lifetime wages, and the benefit formula is designed to replace a higher percentage of average lifetime earnings for low-wage workers. Over the period from 1969 through 2004, the Social Security national average wage index grew from \$5,894 to \$35,649, an average rate of increase of 5.0% per year.²⁹ Over the same period, real wages grew by about 1% per year, which was reflected in higher real Social Security benefits for new retirees each year.³⁰ Once Social Security benefits begin, they are adjusted each year by the rate of change in the Consumer Price Index, thus preventing the real value of the benefit from being eroded by inflation.

Table 18. Cumulative Percentage Change in Household Income at 75th and 25th Percentiles, by Age of Householder
(household income in 2004 dollars)

Income years	All households		Householder and spouse under age 65		Householder or spouse 65 or older	
	75 th percentile	25 th percentile	75 th percentile	25 th percentile	75 th percentile	25 th percentile
1969-2004	45.1%	17.5%	47.3%	4.9%	64.0%	84.0%
1970-2004	44.8	19.0	46.5	8.1	65.7	81.3
1980-2004	32.4	17.8	33.8	11.3	41.5	38.3
1990-2004	17.7	9.4	18.6	5.7	13.1	13.9
2000-2004	-0.8	-4.3	-0.5	-4.6	1.6	2.1

Source: CRS analysis of the March income supplements to Current Population Survey.

Poverty Status of the Elderly

Summary. The steady rise in the median income of elderly households over the past 35 years coincided with a dramatic decline in the proportion of older Americans living in poverty. In 1969, nearly a quarter of Americans 65 and older had family incomes below the federal poverty threshold, and the poverty rate among the population 65 and older was more than double the poverty rate among adults 18

²⁹ See [<http://www.ssa.gov/OACT/COLA/AWI.html>].

³⁰ From 1969 to 2004, the price level as measured by the Personal Consumption Expenditure Index of the National Income and Product Accounts rose from 25.3 to 108.2, an average annual rate of increase of 4.1%. (Source: *Economic Report of the President, February 2006*, Table B-7, page 290.)

to 64 years old. By the early 1990s, the poverty rate among people 65 and older had fallen below the poverty rate among adults age 18 to 64 and it has remained lower since that time. Over the same period of time, the ratio of the poverty threshold to the median income of the population has fallen as wage growth has outpaced the rate of inflation, by which the poverty threshold is adjusted each year. As a consequence, those who are officially poor have become progressively less well-off than households with income at the median. Nevertheless, the substantial reduction in the proportion of older Americans living in poverty must be regarded as one of the most important economic developments of the past 35 years. Without the decline in elderly poverty, the economic burden of supporting those who can no longer work in old age would weigh that much more heavily on their adult children, and many millions of older Americans would likely have to give up their own households to live with other relatives.

Decline in Poverty among the Elderly. The percentage of older Americans in poverty has fallen dramatically over the past 35 years, from one-in-four people age 65 and older in 1969 to just one-in-ten in 2004. As the result of the dramatic decline in elderly poverty and a relatively constant poverty rate among working-age Americans, by the early 1990s the poverty rate for people 65 and older fell below that of adults age 18 to 64. By 2004, the poverty rate among Americans age 65 and older had fallen to 9.8%, or 1.5 percentage points lower than the poverty rate among adults age 18 to 64. However, while the *share* of people age 65 and over in poverty has fallen, the *number* of poor elderly has remained relatively constant since the mid-1970s due to the growth in the total number of elderly. (See **Table 19.**)

Table 19. Poverty Status of Individuals Age 18 and Older, by Year

Year	People 18 to 64 years old			People 65 and older		
	Number (000s)	Number in poverty	Percent in poverty	Number (000s)	Number in poverty	Percent in poverty
1970	113,554	10,187	9.0	19,470	4,793	24.6
1975	124,122	11,456	9.2	21,662	3,317	15.3
1980	137,428	13,858	10.1	24,686	3,871	15.7
1985	146,396	16,598	11.3	27,322	3,456	12.6
1990	153,502	16,496	10.7	30,093	3,658	12.2
1995	161,508	18,442	11.4	31,658	3,318	10.5
2000	173,638	16,671	9.6	33,566	3,323	9.9
2004	182,121	20,514	11.3	35,213	3,457	9.8

Source: See [<http://www.census.gov/hhes/www/poverty/histpov/hstpov3.html>].

The decline in the elderly poverty rate was due both to the growth of older Americans' incomes and also to the constant real value of the poverty threshold. The growth in wages from year to year reflects both the rising general level of prices and gains in labor productivity. Because labor becomes more productive over time —

as a result of better education and training, improved methods of production and distribution, and new technologies — wages rise faster than prices over the long run. As noted above, from 1969 through 2004 average wages in the United States grew by about 1% more per year than prices. Because both initial Social Security benefits and most pension benefits are based on measures of career-average wages, higher real wages have caused the average Social Security and pension benefits of each successive cohort of retirees to exceed those of earlier cohorts. The rising real values of these sources of income have led to an increasing standard of living among older Americans. Further, retirees' Social Security benefits are increased each year by a cost-of-living adjustment that is equal to the rate of inflation. This has kept the real value of Social Security benefits from eroding over time.³¹

The increase in average real income of the elderly population, which is due mainly to the higher career-average earnings of each successive generation of retirees, is not reflected in the federal poverty thresholds. The poverty thresholds are intended to measure the income necessary to maintain a minimally adequate standard of living, and thus they are increased each year by the rate of inflation. In other words, the poverty thresholds measure the amount of income necessary to maintain a *constant* standard of living, not the amount of income needed to keep up with the *rising* average standard of living of the working population.

The federal poverty thresholds were developed by government economists in the 1960s to serve as a standard for measuring income adequacy.³² The thresholds are adjusted annually by the rate of inflation as measured by the consumer price index (CPI-U) so that the real (inflation-adjusted) value remains constant over time. Because the real value of the poverty threshold has remained constant over time while the real income of the elderly has been rising, the poverty threshold has fallen as a percentage of median income. For example, in 1970 the poverty threshold (\$1,861) for an individual 65 or older was equal to 89% of the median income (\$1,959) of single people age 65 and older. Over the next 34 years, the median income grew 666% while the poverty threshold only rose 387%. Thus, the 2004 poverty threshold for a single person age 65 and over (\$9,060) was only 60% of the median income for an individual in that age group (\$15,000). In the future, other things being equal, the disparity between rising real incomes and a fixed real poverty threshold will lead to a decreasing proportion of the elderly being in poverty.³³

Poverty among Demographic Groups. In 2004, poverty among the elderly was highest among women, minorities, single persons, those with less education, and the very old. (See **Table 20.**) Twelve percent of women over age 65

³¹ Many public-sector pension plans make regular cost-of-living adjustments (COLAs) to retirees' pensions. Most private-sector pensions do not pay annual COLAs.

³² The poverty threshold has changed slightly over time. For a comprehensive history of the poverty threshold see Gordon M. Fisher "The Development and History of the Poverty Threshold" Social Security Bulletin, vo. 55 no. 4, 1992 at [<http://www.ssa.gov/history/fisheronpoverty.html>].

³³ Barbara Butrica and Cori Uccello, "How Will Boomers Fare at Retirement?" The Urban Institute Retirement Project, no. 2, November 2005 at [http://www.urban.org/UploadedPDF/900892_boomers.pdf]

were in poverty compared to 7% of men. While only 8% of non-hispanic whites age 65 and over were in poverty, 24% of non-hispanic black seniors and 14% of Hispanic seniors were in poverty. Married couples had significantly lower levels of poverty (5%) than singles (16%). Poverty rates are higher than average among the less-educated elderly. In 2004, older individuals with less than a high school education had a poverty rate (19%) that was over three times as high as the poverty rate among college graduates. Finally, poverty rates are higher among individuals age 80 and older than among those 65 to 79 years old. Just nine percent of people between age 65 and 79 were poor in 2004, compared to 11% of individuals age 80 and older.

Table 20. Poverty Status of Individuals Age 18 and Older in 2004, by Demographic Characteristics

	Percent in Poverty, Age 18-64	Percent in Poverty, Age 65+	Number in Poverty, 65+ (000s)
All	11.3%	9.8%	3,457
Gender			
Male	9.6	7.0	1,058
Female	12.8	12.0	2,398
Race and Ethnicity			
White, Not Hispanic	8.3	7.5	2,150
Black, Not Hispanic	20.3	23.7	687
Other*	11.1	18.7	410
Hispanic	18.3	14.1	210
Marital Status			
Married	5.8	4.5	871
Single, divorced, widowed	17.9	16.2	2,585
Education			
Less than High School	26.6	18.7	1,719
High School Graduate	12.8	7.9	1,008
Some College	8.9	5.6	369
College Graduate	4.1	5.4	360

Source: CRS analysis of the 2005 March income supplements to Current Population Survey.

* "Other" includes mainly individuals of Asian and Native American heritage.

Changes in Income as People Age

Summary. As workers pass age 60, they begin — gradually, in many cases — to withdraw from the paid labor force and to rely on pensions, Social Security, and personal savings to supply more of their income. A positive development since the 1960s has been that the rate of decline in median personal and household income (measured in constant dollars) that occurs as individuals reach their mid- to late 60s appears to have slowed. This has occurred despite the fact that a smaller proportion of people over age 60 work today than was the case 35 years ago. The long-term growth in real wages — and in the real value of Social Security and pension benefits that are based on these wages — has contributed greatly to the economic well-being of today’s retirees. In addition, the growth — recently stalled — in the proportion of older Americans with income from pensions has helped more people maintain a standard of living in retirement that is comparable to that which they enjoyed while working. More Americans 65 and older also receive asset income than did in the 1960s and 1970s, but the amounts received as income from this source (with a median value of \$817 in 2004) pale in comparison to the amounts that most people 65 and older receive from earnings, pensions, and Social Security.

As was noted earlier in **Table 6**, employment rates are lower among people 60 to 64 years old than among those under age 60, and they fall even further after age 65. Among people 65 to 69 years old in 2004, for example, just 33% were employed at any time during the year. Rates of full-time employment also decline as workers age, and among older Americans who remain in the workforce after age 60, many work part-time. In 2004, while 86% of people 55 to 59 years old worked full-time, this proportion fell to 78% among workers 60 to 64 years old and to 59% among those 65 to 69 years old. As older workers reduce their hours of work and gradually withdraw from the labor force, their earnings fall and they begin to rely to a greater extent on income from pensions, savings, and after age 62, Social Security.³⁴ Earnings, often from part-time employment, remain an important source of income for many older people, but both their average hours worked and average earnings per hour are lower than in their peak earning years.

Changes in Individual and Household Income. The income data collected in the CPS allow us to see how the median incomes differ between people of different ages, and how the median incomes of people in different age groups change as they age. For example, looking at the top row of **Table 21**, the reader can see that individuals 55 to 59 years old had a median income in 1969 of \$23,437, measured in 2004 dollars. People who were 55 to 59 years old in 1969 all were born between 1910 and 1914. Demographers refer to people born in the same year or group of years as a “birth cohort.”

Following this same birth cohort forward five years to 1974, **Table 21** shows that individuals who were 60 to 64 years old that year had a median income of \$18,562, or \$4,875 lower than the median income of this same birth cohort five years

³⁴ Social Security retired worker benefits are first available at age 62. Workers who become disabled may be eligible for Social Security Disability Insurance at any age. Rates of disability are higher among people 55 and older than among younger individuals.

earlier. Five years later in 1979, people in the 1910-1914 birth cohort were 65 to 69 years old and these individuals had a median income of \$12,039, or \$11,398 less than the median income of individuals in this birth cohort 10 years earlier. Following each of the pairs of diagonal arrows in this table allows one to see how median individual incomes of successive cohorts changed as they aged. The most recent birth cohort for which income data are available over a 10-year period comprises people who were 55 to 59 in 1994. In constant dollars, the median income of individuals in this birth cohort declined from \$24,068 in 1994 to \$22,321 in 1999 (at age 60-64) and to \$18,199 in 2004 (at age 65 to 69).

The third column of **Table 21** shows median incomes at age 60 to 64 and age 65 to 69 as a percentage of the median income of the same birth cohort at age 55 to 59. For example, the median income of individuals who were 60 to 64 years old in 1974 was 79.2% of the median income of this same cohort in 1969, when they were 55 to 59 years old. Their median income in 1979, at age 65 to 69, was 51.4% of their income in 1969 at age 55 to 59. Looking at the most recent cohort for which income data are available for a 10-year period, the reader can see that the median individual income of people who were 60 to 64 years old in 1999 was 92.7% of the median income of the same cohort in 1994 at age 55 to 59. In 2004, when the people in this cohort had reached age 65 to 69, their median income was 75.6% of the median income of people who were age 55 to 59 ten years earlier in 1994.

Table 22 shows the median household income in selected years of people in these same three age cohorts as Table 21: 55 to 59, 60 to 64, and 65 to 69. Here a similar pattern is apparent, with median household income falling as people age. Among those who were 55 to 59 in 1969, median household income was \$39,151, measured in 2004 dollars. Five years later in 1974, the median household income of this age group, who were then 60 to 64 years old, was \$33,789, or \$5,362 lower than the household income of this cohort in 1969. By 1979, at age 65 to 69, the median household income of this cohort was \$25,357, or \$13,794 lower than the median household income of this cohort 10 years earlier. For the most recent 10-year period, median household income among those who were 55 to 59 in 1994 was \$50,400 in that year. Five years later in 1999 when they were 60 to 64 years old, the median household income of this cohort was \$48,211. By 2004, at age 65 to 69, the median household income of this cohort was \$37,989.³⁵

The third column of **Table 22** shows median household incomes at age 60 to 64 and age 65 to 69 as a percentage of the median income of the same birth cohort at age

³⁵ Average household size declines as people age, but the decline in the median household incomes shown in **Table 22** appears to be due mainly to the declining income of the people in households rather than to a decline in the number of people in the household. When we looked at households of fixed sizes, we still found that median household incomes fell between ages 55 to 59 and 65 to 69. For example, the median household income in 1979 of persons 65 to 69 years old who lived in two-person households was 73% of the median household income in 1969 of persons 55 to 59 years old who lived in two-person households. The equivalent ratio for one-person households was 67%. Likewise, the median household income in 2004 of persons 65 to 69 years old in two-person households was 81% of the median household income in 1994 of persons 55 to 59 years old in two-person households. The equivalent ratio for one-person households was 76%.

55 to 59. The median household income of people age 60 to 64 in 1974 was 86.3% of the median household income of this same cohort five years earlier when they were 55 to 59 years old. By 1979, the median household income of people age 65 to 69 was 64.8% of the median household income of this same age cohort 10 years earlier when they were 55 to 59 years old. For the most recent cohort for which ten years of income data are available, the median household income of people who were 60 to 64 in 1994 was 95.7% of the median income of the same cohort five years earlier at age 55 to 59. By 2004, when they had reached age 65 to 69, the median household income of this cohort was 75.4% of the median income of the same cohort ten years earlier when they were 55 to 59 years old.

The data displayed in **Tables 21** and **22** show that real median incomes have risen at both the individual and household level among all three age groups since 1969. Real median individual income was more variable than median household income, but the trend was upward for both. Some of the increase in real median incomes in the three age categories was due to increased employment among older persons, particularly women. Since the mid-1990s, employment among men 60 and older also has risen. Over time, the ratio of median individual and household incomes at ages 65 to 69 to income at age 55 to 59 also has risen, although the changes in the household income ratios were variable rather than increasing steadily.

Although, at the median, the trend in incomes shown in **Tables 21** and **22** is positive, it is important to keep in mind that, by definition, half of all individuals and households have incomes less than their respective medians. For some people, their income in old age may be less than the amount needed to maintain their desired standard of living. Many financial analysts recommend that workers aim for an income replacement rate of 70% or more in their first year of retirement if they want to maintain the standard of living they enjoyed while working.³⁶ The median household income of people who were 65 to 69 years old in 2004 was 75% of the household income of people in this age cohort 10 years earlier when they were 55 to 59 years old. Thus, a household that was at exactly the median income for its birth cohort in both 1994 and 2004, and that had retired in the interim, would probably find itself able to maintain a standard of living in retirement that was comparable to the lifestyle they had enjoyed while working. Those whose income from pensions, savings, and Social Security do not reach this threshold — whose income in retirement falls below 70% of their pre-retirement income — may have to make difficult adjustments in order to keep their spending in retirement within their more limited incomes. For most individuals, the most direct way to boost the income they will have in retirement, both in absolute terms and relative to pre-retirement income, would be to increase the percentage of earnings that they save in employer-sponsored retirement plans, individual retirement accounts, or other savings plans.

³⁶ The ratios in **Table 22** are not true “replacement rates,” which measure income in the first year or (or n years) of retirement to income in the last year (or n years) of employment. The ratios in the tables are based on the median income of everyone in each age cohort, whether working full-time, part-time, or fully retired. Nevertheless, they demonstrate the effect on the median income of each cohort of the gradual retirement of the members of the cohort.

Table 21. Median Individual Income at 5-Year Intervals
(in 2004 dollars)

Income year	Individual Income			Percentage of Age 55-59 Income		
	Age 55 to 59	Age 60 to 64	Age 65 to 69	Age 55 to 59	Age 60 to 64	Age 65 to 69
1969	<u>\$23,437</u>			<u>100%</u>		
1974						
	<u>\$24,035</u>	<u>\$18,562</u>		<u>100%</u>	<u>79.2%</u>	
1979						
	<u>\$22,910</u>	<u>\$16,839</u>	<u>\$12,039</u>	<u>100%</u>	<u>70.1%</u>	<u>51.4%</u>
1984						
	<u>\$21,619</u>	<u>\$17,552</u>	<u>\$14,144</u>	<u>100%</u>	<u>76.6%</u>	<u>58.8%</u>
1989						
	<u>\$23,817</u>	<u>\$18,914</u>	<u>\$15,222</u>	<u>100%</u>	<u>87.5%</u>	<u>66.4%</u>
1994						
	<u>\$24,068</u>	<u>\$18,377</u>	<u>\$14,827</u>	<u>100%</u>	<u>77.2%</u>	<u>68.6%</u>
1999						
	<u>\$28,048</u>	<u>\$22,321</u>	<u>\$17,238</u>	<u>100%</u>	<u>92.7%</u>	<u>72.4%</u>
2004						
		<u>\$25,000</u>	<u>\$18,199</u>		<u>89.1%</u>	<u>75.6%</u>

Source: CRS analysis of the March income supplements to Current Population Survey. Incomes have been adjusted to 2004 dollars based on the NIPA PCE Index.

Table 22. Median Household Income at 5-Year Intervals

Income Year	Household Income			Percentage of Age 55-59 Income		
	Age Cohort			Age Cohort		
	55 to 59	60 to 64	65 to 69	55 to 59	60 to 64	65 to 69
1969	<u>\$39,151</u>			<u>100%</u>		
1974	<u>\$42,399</u>	<u>\$33,789</u>		<u>100%</u>	<u>86.3%</u>	
1979	<u>\$48,111</u>	<u>\$35,647</u>	<u>\$25,357</u>	<u>100%</u>	<u>84.1%</u>	<u>64.8%</u>
1984	<u>\$47,923</u>	<u>\$37,260</u>	<u>\$29,729</u>	<u>100%</u>	<u>77.4%</u>	<u>70.1%</u>
1989	<u>\$50,611</u>	<u>\$41,519</u>	<u>32,244</u>	<u>100%</u>	<u>86.6%</u>	<u>67.0%</u>
1994	<u>\$50,400</u>	<u>\$39,454</u>	<u>\$30,903</u>	<u>100%</u>	<u>78.0%</u>	<u>64.5%</u>
1999	<u>\$58,123</u>	<u>\$48,211</u>	<u>\$37,020</u>	<u>100%</u>	<u>95.7%</u>	<u>73.1%</u>
2004		<u>\$49,818</u>	<u>\$37,989</u>		<u>85.7%</u>	<u>75.4%</u>

Source: CRS analysis of the March income supplements to Current Population Survey. Incomes have been adjusted to 2004 dollars based on the NIPA PCE Index.

Conclusion

The past 35 years have seen a substantial increase in the real incomes of older Americans and a dramatic decline in the percentage of people 65 and older living in poverty. These developments can be attributed both to long-term economic growth and increases in real wages and also to public policies that have contributed to improving pension security and encouraged retirement saving. Perhaps the single greatest contributor to the improved economic situation of the elderly in the United States has been the growth in real wages that they experienced during their working lives. In real terms, measured in 2004 dollars, the median annual earnings of workers between the ages of 18 and 64 rose from \$21,777 in 1969 to \$28,251 in 2004. Among households in which neither the householder nor spouse was 65 or older, real median income rose from \$40,278 in 1969 to \$50,446 in 2004. Growth in real wages — and in the Social Security and pensions based on these wages — has contributed greatly to the economic well-being of today's retirees.

Actions taken by Congress over the past 35 years also have affected the incomes of older Americans. In 1974, Congress passed the *Employee Retirement Income Security Act* (ERISA), which set funding standards and vesting requirements for pension plans sponsored by employers in the private sector. This law also authorized individual retirement accounts (IRAs) which encourage workers to save for retirement by deferring income taxes on some contributions and on investment earnings. In the *Revenue Act of 1978*, Congress added section 401(k) to the Internal Revenue Code, which authorized employers to establish retirement savings plans for employees in which contributions and investment earnings grow on a tax-deferred basis until retirement.

Legislation affecting Social Security has also contributed to increasing the income of older Americans. The *Social Security Amendments of 1972* provided for automatic cost-of-living adjustments (COLAs), which prevent the real value of Social Security benefits from being eroded by inflation. The 1977 Social Security amendments established the current benefit formula, in which initial benefits are based on each worker's career-average wages, indexed to current values based on a national average wage index. This assures that each successive cohort of workers receives a Social Security benefit that reflects the growth in real wages that occurred during their working lives. In 2000, Congress repealed the "earnings test" for workers who have reached the Social Security full retirement age. This test reduces benefits for Social Security beneficiaries whose earnings exceed a threshold set in law. The earnings test now applies only to beneficiaries under the full retirement age.

As the 78 million members of the "baby boom" — people born between 1946 and 1964 — approach retirement, Congress is likely to continue to debate changes to the federal laws affecting pensions, retirement savings, and Social Security. Future retirees are likely to live longer and will need to accumulate relatively greater retirement assets than past retirees if they are to maintain their standard of living through these longer periods of retirement. With Social Security facing a financial shortfall and the number of private-sector pensions continuing to decline, it is likely that a relatively greater share of current workers' future retirement income will have to be financed from their own personal savings.

**Appendix: Historical Tables of Individual and
Household Income**

Table A1. Percentage of People Age 65 and Older with Income from Each Source, by Year

Income year	Number of People 65+ (thousands)	Number with any income (thousands)	Percentage with any income	Percentage with earnings	Percentage receiving Social Security	Percentage receiving asset income	Percentage receiving pension income	Percentage receiving welfare	Percentage receiving other income*
1969	18,899	17,026	90.1%	24.9%	74.7%	39.4%	*	9.2%	24.6%
1970	19,231	17,393	90.4	23.4	75.9	39.5	*	9.2	24.2
1975	21,662	20,311	93.8	19.5	83.5	45.4	22.3%	10.0	8.2
1980	24,686	24,353	98.7	16.6	90.5	67.1	26.6	8.5	6.9
1981	25,231	24,947	98.9	16.1	91.2	67.3	27.2	7.5	6.1
1982	25,738	25,432	98.8	15.9	90.9	68.5	27.5	6.8	6.3
1983	26,291	25,938	98.7	15.1	91.2	69.7	29.2	7.0	6.3
1984	26,818	26,522	98.9	15.1	91.6	68.6	29.8	7.0	6.7
1985	27,322	26,976	98.7	15.0	92.0	67.6	30.3	6.6	6.2
1986	27,975	27,617	98.7	14.7	91.7	67.9	31.3	6.0	6.6
1987	28,487	28,196	99.0	15.6	91.1	69.6	34.5	5.5	7.9
1988	29,022	28,747	99.1	16.3	90.9	68.4	35.2	5.6	7.4
1989	29,566	29,320	99.2	16.3	90.8	69.6	35.8	6.0	8.1
1990	30,093	29,734	98.8	16.3	91.0	69.9	37.0	5.5	7.7
1991	30,590	30,256	98.9	15.5	90.2	69.2	37.7	5.9	7.9
1992	30,870	30,538	98.9	14.7	91.7	68.0	38.0	5.9	7.5
1993	30,779	30,223	98.2	15.8	90.5	67.8	37.5	5.0	8.1
1994	31,267	30,676	98.1	15.4	90.8	68.0	36.2	4.9	7.4
1995	31,658	31,081	98.2	15.7	90.8	67.2	35.4	4.3	7.1
1996	31,877	31,199	97.9	15.6	90.1	64.1	35.2	4.7	6.9
1997	32,082	31,401	97.9	15.3	89.9	62.9	35.5	4.4	6.8
1998	32,394	31,694	97.8	15.9	89.4	63.8	35.9	3.9	6.7
1999	32,621	31,978	98.0	16.9	89.5	62.7	36.3	4.1	6.2
2000	32,979	32,258	97.8	16.9	89.8	59.2	34.9	3.8	6.0
2001	33,770	32,911	97.5	16.2	90.1	58.4	34.5	3.7	6.3
2002	34,234	33,334	97.4	16.6	88.8	55.8	34.4	3.6	6.1
2003	34,659	33,779	97.5	17.5	89.1	56.4	35.3	3.7	5.6
2004	35,213	34,187	97.1	18.0	88.2	55.5	35.1	3.5	5.5

Source: CRS analysis of the March income supplements to Current Population Survey. Data represent the civilian, noninstitutional population.

* Prior to the March 1976 survey, the CPS included income from pensions with “other income.”

Table A2. Median Annual Income of Individuals Age 65 and Older, by Income Source, in 2004 Dollars

Income Year	Number with income	Median total income	Median earnings	Median Social Security	Median asset income	Median pension income	Median welfare income	Median all other income*
1969	17,026	\$8,196	\$6,856	\$4,866	\$2,134	*	\$3,125	\$5,123
1970	17,393	\$8,271	\$6,644	\$5,267	\$2,038	*	\$3,180	\$5,189
1975	20,311	\$10,147	\$6,896	\$7,166	\$2,159	\$6,081	\$2,549	\$3,118
1980	24,353	\$10,723	\$8,281	\$7,212	\$1,656	\$5,995	\$2,374	\$2,459
1981	24,947	\$11,161	\$7,698	\$7,367	\$1,901	\$5,603	\$2,395	\$2,441
1982	25,432	\$11,788	\$8,321	\$7,817	\$2,071	\$5,641	\$2,338	\$2,318
1983	25,938	\$12,008	\$8,288	\$7,874	\$2,072	\$6,050	\$2,504	\$2,590
1984	26,522	\$12,394	\$7,487	\$7,987	\$2,637	\$5,990	\$2,453	\$2,496
1985	26,976	\$12,626	\$7,979	\$8,002	\$2,553	\$5,889	\$2,513	\$2,416
1986	27,617	\$12,725	\$9,394	\$8,094	\$2,431	\$6,289	\$2,608	\$2,377
1987	28,196	\$13,125	\$9,118	\$7,861	\$2,369	\$6,838	\$2,486	\$2,443
1988	28,747	\$13,027	\$8,887	\$7,964	\$2,462	\$6,771	\$2,508	\$2,456
1989	29,320	\$13,306	\$9,309	\$8,026	\$2,349	\$6,723	\$2,381	\$2,656
1990	29,734	\$13,523	\$8,705	\$8,036	\$2,385	\$6,991	\$2,314	\$2,893
1991	30,256	\$13,242	\$9,008	\$8,187	\$1,939	\$6,963	\$2,683	\$3,102
1992	30,538	\$12,936	\$9,400	\$8,032	\$1,507	\$6,783	\$2,261	\$3,166
1993	30,223	\$13,124	\$9,577	\$8,472	\$1,228	\$7,352	\$2,824	\$2,728
1994	30,676	\$13,420	\$9,620	\$8,962	\$1,203	\$7,215	\$2,872	\$2,525
1995	31,081	\$13,902	\$10,713	\$9,123	\$1,510	\$7,177	\$2,684	\$3,644
1996	31,199	\$14,014	\$10,430	\$9,217	\$1,465	\$7,697	\$2,849	\$3,678
1997	31,401	\$14,294	\$11,012	\$9,518	\$1,700	\$8,024	\$2,897	\$4,012
1998	31,694	\$14,743	\$11,233	\$9,661	\$1,685	\$8,088	\$3,087	\$4,044
1999	31,978	\$15,178	\$11,491	\$9,884	\$1,657	\$8,309	\$3,354	\$3,804
2000	32,258	\$14,727	\$12,937	\$9,903	\$1,477	\$8,625	\$3,247	\$3,880
2001	32,911	\$14,715	\$13,091	\$10,137	\$1,584	\$8,794	\$3,168	\$3,800
2002	33,334	\$14,668	\$15,617	\$10,270	\$1,070	\$8,746	\$3,536	\$3,997
2003	33,779	\$14,796	\$16,349	\$10,529	\$896	\$9,196	\$3,629	\$4,793
2004	34,187	\$15,189	\$15,000	\$10,399	\$817	\$9,600	\$3,600	\$4,799

Source: CRS analysis of the March income supplements to Current Population Survey. Data represent the civilian, noninstitutional population.

* Prior to the March 1976 survey, the CPS included income from pensions with "other income." Incomes have been adjusted to 2004 dollars based in the Personal Consumption Expenditure Index of the National Income and Product Accounts.

Table A3. Mean and Median Annual Household Income in 2004 Dollars

Income year	All Households			Householder and Spouse Under Age 65*			Householder or Spouse 65 or Older**		
	Number of Households (thousands)	Mean Household Income	Median Household Income	Number of Households (thousands)	Mean Household Income	Median Household Income	Number of Households (thousands)	Mean Household Income	Median Household Income
1969	63,365	\$40,378	\$35,539	50,667	\$44,886	\$40,278	12,698	\$22,393	\$14,498
1970	64,648	40,423	35,461	51,644	44,986	40,295	13,005	22,303	14,641
1975	72,867	40,945	35,200	57,715	45,288	40,317	15,152	24,406	16,963
1980	82,368	42,847	36,639	64,988	47,239	41,853	17,380	26,424	18,425
1981	83,527	43,058	36,119	65,737	47,268	41,442	17,790	27,501	19,115
1982	83,918	43,476	36,045	65,771	47,503	41,099	18,147	28,878	20,024
1983	85,407	43,540	35,887	67,008	47,605	41,172	18,399	28,733	20,455
1984	86,789	45,700	37,224	68,085	49,776	42,096	18,704	30,859	21,689
1985	88,458	46,407	38,020	69,319	50,742	43,175	19,138	30,707	21,539
1986	89,479	47,767	39,064	69,903	52,320	44,488	19,576	31,509	22,134
1987	91,124	48,567	39,520	71,102	53,375	45,600	20,022	31,490	22,265
1988	92,830	48,918	39,664	72,515	53,726	45,427	20,315	31,760	22,222
1989	93,347	50,009	40,523	72,607	54,851	46,236	20,741	33,061	22,325
1990	94,312	49,053	40,036	73,251	53,619	45,476	21,061	33,173	22,910
1991	95,669	48,156	38,760	74,268	52,861	45,065	21,401	31,827	22,197
1992	96,391	47,929	38,308	75,011	52,614	44,462	21,380	31,493	21,872
1993	97,262	48,250	38,068	75,823	52,856	43,913	21,439	31,961	22,104
1994	99,087	49,138	38,664	77,054	54,013	44,691	22,033	32,088	22,118
1995	99,683	52,870	40,018	77,546	58,228	46,027	22,137	34,101	22,780
1996	101,081	54,270	40,518	78,979	59,847	46,923	22,102	34,342	22,810
1997	102,584	56,289	41,839	80,234	61,763	47,953	22,350	36,635	23,918
1998	103,991	58,187	43,590	81,600	63,745	50,233	22,391	37,934	24,810
1999	104,780	59,446	44,813	82,201	65,064	51,825	22,579	38,994	25,592
2000	106,509	61,460	45,302	83,653	67,742	52,680	22,856	38,466	25,570
2001	109,387	61,433	44,484	85,839	67,812	52,004	23,548	38,178	25,013
2002	111,381	60,190	44,119	87,694	66,435	51,425	23,687	37,068	24,725
2003	112,015	60,381	44,150	87,860	66,378	51,100	24,154	38,568	25,031
2004	113,155	60,530	44,214	88,842	66,433	50,466	24,313	38,963	25,210

Source: CRS analysis of the March income supplements to Current Population Survey. Data represent the civilian, noninstitutional population.

* Neither the householder nor the householder's spouse were 65 or older. ** Either the householder or householder's spouse was 65 or older. Incomes have been adjusted to 2004 dollars based in the Personal Consumption Expenditure Index of the National Income and Product Accounts.