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

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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 nonelderly 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. This report will be updated every two years.

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