IASP Institute on Assets and Social Policy
The Heller School FOR SOCIAL POLICY AND MANAGEMENT • BRANDEIS UNIVERSITY

LIVING LONGER ON LESS *SERIES*

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POST-RECESSION SENIOR IN-SECURITY REMAINS HIGH

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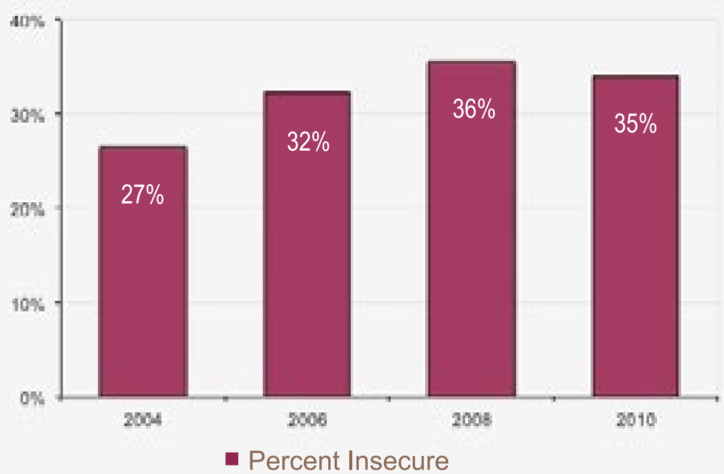
In the wake of the Great Recession, growth in employment rates and small gains in the construction and housing sectors have indicated that the national economy is on the road to recovery. Yet, these first signs of improvement are not experienced enjoyed equally across the population. The number of seniors at risk of outliving their financial resources remains unacceptably high. Utilizing the Senior Financial Stability Index (SFSI),[1] just over one-in-four older Americans was found to be insecure in 2004, and that number increased to more than one-in-three by 2008. As of 2010, just over one-third of all older Americans remained economically insecure, indicating no significant improvement over the previous two years.

Figure 1. Economic Insecurity Among All Seniors 2004-2010



THE SENIOR FINANCIAL STABILITY INDEX (SFSI)

Unlike traditional measures of poverty (e.g. the Federal Poverty Guideline), the SFSI recognizes that economic well-being is multifaceted and cannot be adequately measured by a single aspect of a household's resources. The SFSI incorporates five key factors that impact economic security:

- retirement assets
- household budget
- healthcare expenses
- home equity
- housing costs.

By this measure, a household is deemed to be secure if it meets the security threshold for the asset factor plus two of the four additional factors. Conversely, a household is insecure when it is insecure in the asset factor, as well as two other factors. More detailed information is available at http://iasp.brandeis.edu/research/Senior.html.

The SFSI indicated that while one-in-three American seniors were overall economically insecure, another 40 percent of older adults were economically vulnerable, this means they did not have enough financial resources to be fully secure as measured by the SFSI. In total, 75 percent of all 2010 senior households lacked sufficient resources to withstand financial shocks—such as medical or other personal crises—and this finding has remained unchanged since 2008.

National Economic Environment Affecting Financial Stability for Older Americans

The costs facing seniors, including healthcare, housing, and other household expenses, have remained high through 2010. As retirement security prospects look increasingly challenging for many Americans, increased employment among older adults has been a solution frequently mentioned by experts to bridge the growing divergence between household retirement resources, increased life expectancies, and rising health care costs.[2] However, given that most individuals age 65 and older[3] are not currently in the labor force,[4] and work becomes more difficult with age—particularly for those with physically demanding jobs—this solution will most likely be feasible for only a portion of the many older workers approaching retirement.

These facts underscore the need to strengthen Social Security and Medicare. For many seniors, these programs mean the difference between making ends meet and falling into poverty; yet, recent proposals to cut these services may threaten the well-being of many American seniors.

Changes to Social Security have been and continue to be widely discussed. These changes often focus on cutting benefits for current and future beneficiaries. For example, among current proposals lingers a change in the way that Social Security's cost of living adjustments are made, which will essentially result in benefit cuts. Similar proposals to reduce Medicare and Medicaid benefits will only increase the already high levels of economic insecurity, sending thousands of older adults into poverty.

Key Economic Factors Affecting Financial Stability for Older Americans

As has been the case since 2004, growing housing costs, deficient household budgets, and scarce assets are the driving forces behind high levels of senior economic insecurity. Analyses of 2010 data show no substantial improvements in these trends since 2008.

Housing

Housing costs for older households have increased steadily between 2004 and 2010. Exactly half of all senior households spent more than 30 percent of their annual income on housing in 2010, an increase of 6 percentage points since 2004. Seniors living on fixed incomes often face high maintenance costs for owned homes or tightened rental housing stocks and rising rents for leased residences.[5] Therefore, an increasing share of older adults' limited resources is going toward maintaining their basic housing needs. Considering the growing needs of the older population, the increased desire to age in place, and proposals to cut benefits like Social Security and Medicare, growth in seniors' housing costs represents a significant policy concern.

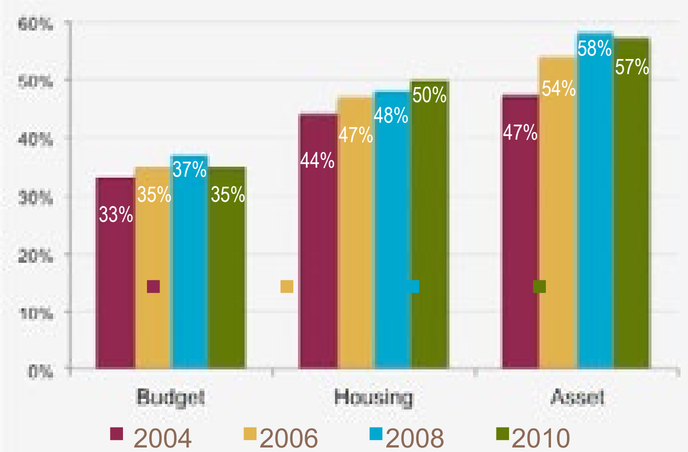
Budgets

More than one-in-three seniors had a zero or negative budget balance after paying for household needs, such as healthcare and housing. As a result, other essential household expenses, such as groceries, transportation, and utilities, may go unpaid or result in mounting debt. Of course, when even these basic necessities are unaffordable, nonessential and emergency expenses pose a serious threat that can send financially insecure seniors into poverty.

Assets

Of the five factors that comprise the SFSI, security in retirement assets have declined the most during the study period, a total of 10 percentage points since 2004. This analysis indicates that for a growing share of seniors, consumption is accelerating relative to income and wealth holdings. Nearly three-in-five seniors were asset insecure, indicating a reduced capacity to cover a budget shortfall or cushion the financial impact of an unanticipated illness or other significant expense.

Figure 2. Overall Economic Insecurity by Factor 2004-2010



Financial Stability for Older Americans by Race, Ethnicity, and Gender

As a large portion of older Americans face economic challenges, the outlook is even more distressing for households of color and women.

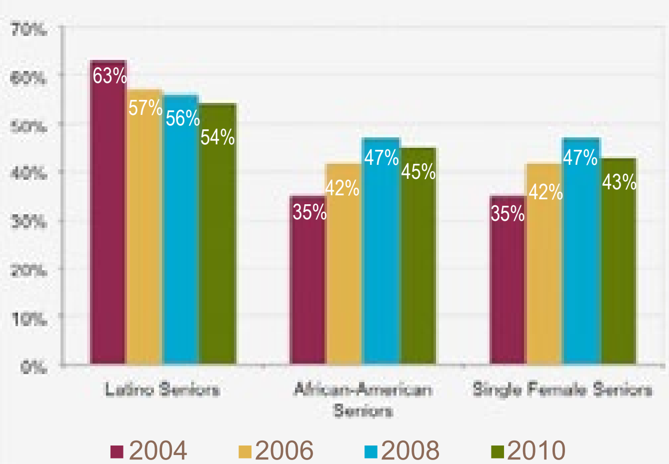
African American and Latino Seniors

While financial insecurity dropped slightly for African American and Latino seniors from 2008 to 2010, still too many seniors of color face financial uncertainties. In 2010, half of all African American senior households were economically insecure, and Latino senior households had even higher rates of economic insecurity (54 percent). Despite progress toward greater equality of education, employment opportunities, and other factors over the past decades, older adults of color remain more vulnerable to economic hardship in their later years, facing higher levels of insecurity, fewer assets, and greater financial burdens for housing and healthcare.

Senior Women

Likewise, rates of economic insecurity for single female seniors have also remained high, with more than two-in-five single female seniors facing economic insecurity in 2010. Older single women, many of whom are widows, have a longer life expectancy compared to older men; yet, this population typically has fewer retirement income resources compared to their male peers. Years of unequal pay for female workers, and a higher likelihood of leaving the workforce to care for children or older relatives, result in diminished opportunities for pensions, 401(k)s, and other retirement earnings,[6] leaving older women particularly vulnerable to economic uncertainties and fragility.

Figure 3. Overall Economic Insecurity Among Seniors by Ethnicity, Race, and Gender 2004-2010



Policy Recommendations

The aftermath of the Great Recession left a wake of hardship across age groups. While these data indicate some small signs of improvement, many older Americans remain financially vulnerable. Housing, household budgets, and diminished assets were found to be particularly harmful to seniors' economic well-being and levels of insecurity remain particularly high for older minorities and single women.

Existing programs such as Social Security and Medicare maintain a basic level of support for seniors; yet, these programs are threatened by budget cuts that will only drive more seniors into poverty. Policies that undercut the security of already struggling seniors will have negative ripple effects throughout the economy, as more than 85 percent of U.S. households 65 and older receive Social Security, and among beneficiaries, over half of senior couples and almost three-quarters of singles depend on the programs like Social Security for a majority of their income.[8]

Policymakers should avoid cutting the two existing programs that are the backbone of retirement security in this country—Social Security and Medicare—while expanding the availability and reliability of additional retirement programs for working-age people as well as seniors. Social Security should not be reformed in ways that will reduce benefits to older Americans who are already facing substantial economic pressures. Additionally, Social Security should bolster support for older Americans who may have lower Social Security incomes due to low-wage employment or life events that removed them from the labor market during their working years. Other forms of retirement income, such as pensions, investments, and savings accounts, should be made more widely available to workers across sectors, including those in low-wage occupations, so that older Americans have more asset wealth and budget stability to weather financial shocks. Finally, increasing the opportunities for discount housing and expanding services to support seniors who are aging-in-place could minimize the financial burdens of growing housing costs.

This analysis reveals that seniors today are facing considerable economic vulnerabilities as retirement resources fail to meet the expenses confronting older households and three-quarters of senior households fail to meet the SFSI threshold for economic security. A comprehensive approach for expanding retirement resources to families of all economic backgrounds is needed to ensure the next generation of retirees can look forward to a secure retirement.

ENDNOTES

1. Meschede, T., Sullivan, L., & Shapiro, T. (2009). Living longer on less in Massachusetts: The new economic (in)security of seniors. The Institute on Assets and Social Policy, Heller School, Brandeis University and Demos, New York.
2. Ellis, C.D., Munnell, A. H., & Eschtruth, A. D. (2014). Falling Short: The Coming Retirement Crisis and What to Do about It. New York: Oxford University Press.
3. The Administration on Aging reported that for 2009-2010, only 17% of older adults were employed or actively seeking employment.
4. Administration on Aging. (2011). A profile of older Americans: 2011. U.S. Department of Health and Human Services, Washington, DC.
5. Joint Center for Housing Studies of Harvard University. (2011). America's rental housing: Meeting challenges, building on opportunities. Accessed from http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americasrental housing-2011.pdf.
6. Meschede, T., Sullivan, L., & Shapiro, T. (2011). From bad to worse: Senior economic insecurity on the rise. The Institute on Assets and Social Policy, Heller School, Brandeis University and Demos, New York.
7. National Council on Aging (2012). Economic security for seniors: Fact sheet. Accessed from http://www.ncoa.org/ press-room /fact-sheets/economic-security-for.html.
8. Social Security Administration (2014). "Income of the Aged Chartbook, 2012." Online. Available http:/www.ssa.gov/policy/docs/chartbooks/incom_aged/2012/iac12.pdf, p. 9.

ABOUT IASP

The Institute on Assets and Social Policy (IASP), a research institute at the Heller School for Social Policy and Management at Brandeis University, is dedicated to the economic well-being and social mobility of individuals and families, particularly those traditionally left out of the economic mainstream. Working in close partnership with state and federal policy makers, constituencies, grassroots advocates, private philanthropies, and the media, IASP bridges the worlds of academic research, government policy-making, and the interests of organizations and constituencies. IASP works to strengthen the leadership of policy makers, practitioners, and others by linking the intellectual and program components of asset-building policies.

This research brief is the seventh in the "Living Longer on Less" Series. Previous briefing papers are:

- Rising Economic Insecurity Among Senior Single Women (October 2011)
- The Crisis of Economic Insecurity for African-American and Latino Seniors (September 2011)
- From Bad to Worse: Senior Economic Insecurity on the Rise (July 2011)
- Severe Financial Insecurity Among African-American and Latino Seniors (May 2010)
- Living Longer on Less in Massachusetts: The New Economic (In)Security of Seniors (March 2009)
- Living Longer on Less: The New Economic (In)Security of Seniors (January 2009)

All reports in the "Living Longer on Less" Series are available at www.iasp.brandeis.edu.

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