

**Statement of  
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**before the  
Subcommittee on Social Security  
Committee on Ways and Means  
U.S. House of Representatives**

**May 23, 1989**

**NOTICE**

**This statement is not available  
for public release until it is  
delivered at 1:00 p.m. (EDT),  
Tuesday, May 23, 1989.**

Mr. Chairman, I am pleased to appear before this Subcommittee to discuss the economic status of the elderly.<sup>1/</sup> Broad measures indicate that the elderly as a group are doing well. Since 1970, their median income has grown faster than that of the nonelderly. Their poverty rate has fallen to an all-time low and is now less than that of the rest of the population. Some groups of the elderly, however, continue to have low incomes, high rates of poverty, and few assets.

A recent analysis by the Congressional Budget Office (CBO) examined the incomes and assets of two groups: unmarried elderly individuals who live alone, and married couples who do not live with any other people and in which at least one spouse is age 65 or over. In 1988, these groups, which are jointly referred to as "elderly units," contained over two-thirds of the elderly population.

My statement today will focus on four topics:

- o The relationships among income, age, and marital status of the elderly;
- o Inequality of income among the elderly;
- o Assets owned by the elderly; and
- o Poverty among the very old.

#### THE RELATIONSHIPS AMONG INCOME, AGE, AND MARITAL STATUS

The "old" old have lower incomes than the "young" old, but their lower incomes result more from the greater likelihood of their being widowed than from their being older.

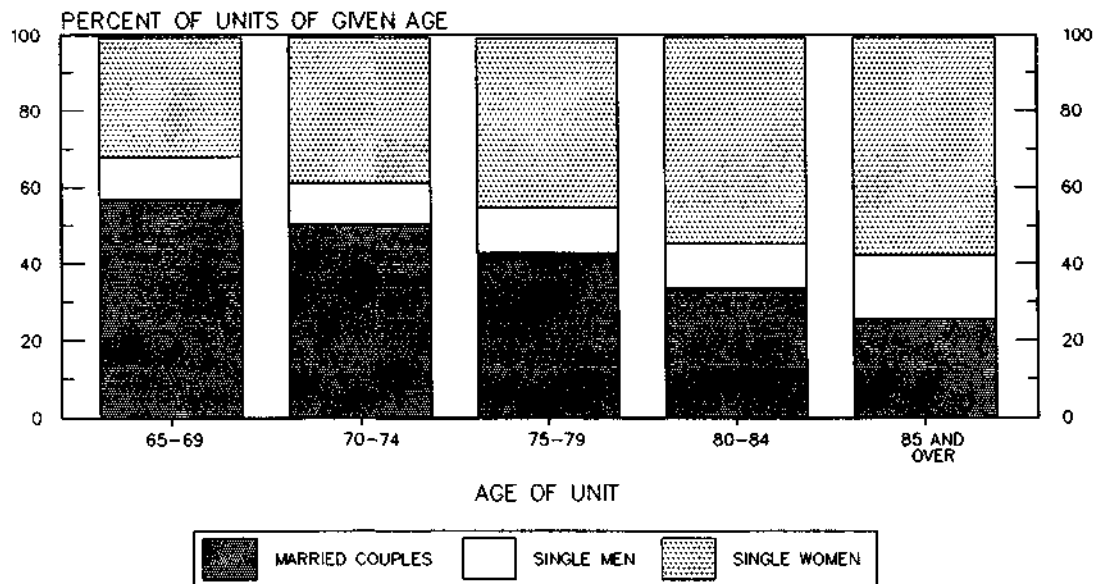
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1. This testimony is based primarily on a Congressional Budget Office Staff Working Paper, "The Economic Status of the Elderly" (May 1989).

Figure 1 shows the dramatic shift in marital status that occurs as the elderly age. Among units ages 65 through 69, almost 60 percent are married couples, and about 30 percent are single women. In contrast, by age 85 or older, this 60/30 split is roughly reversed: about 25 percent are married couples and almost 60 percent are unmarried women--mostly widows. (Because of data limitations, CBO's study does not include the elderly who live with people other than their spouses or those who live in nursing homes and other institutions.)

The right-hand portion of Figure 2 shows that in 1987 the median income of elderly units age 85 or older--adjusted for family size using the equivalence scale embodied in the official poverty thresholds--was just under \$8,000, or 48 percent below the \$15,000 median income of units ages 65 through 69. The shift in the elderly population from predominantly married couples among the "young" old to

FIGURE 1. DISTRIBUTION OF ELDERLY UNITS BY TYPE OF UNIT AND AGE, 1988



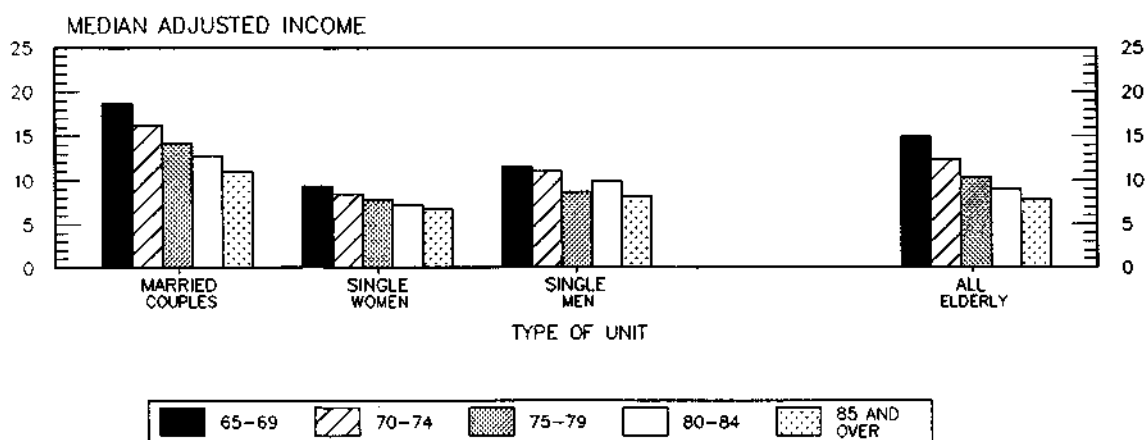
SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

primarily single women among the oldest elderly explains much of this drop in income with age. In fact, single women and men have lower incomes than couples at every age. Even the oldest couples--those age 85 or over--had a median adjusted income of \$11,000, or about one-fifth higher than the \$9,000 median income of the youngest group of elderly single women.

## INEQUALITY OF INCOME

Income is distributed unequally among the elderly. Low-income elderly people rely heavily on Social Security and, to a lesser extent, Supplemental Security Income (SSI). In contrast, the elderly who are better-off get most of their income from earnings, pensions, and other private sources.

FIGURE 2. MEDIAN INCOME OF ELDERLY UNITS, ADJUSTED FOR FAMILY SIZE, BY AGE AND TYPE OF UNIT, 1987 (In thousands of dollars)

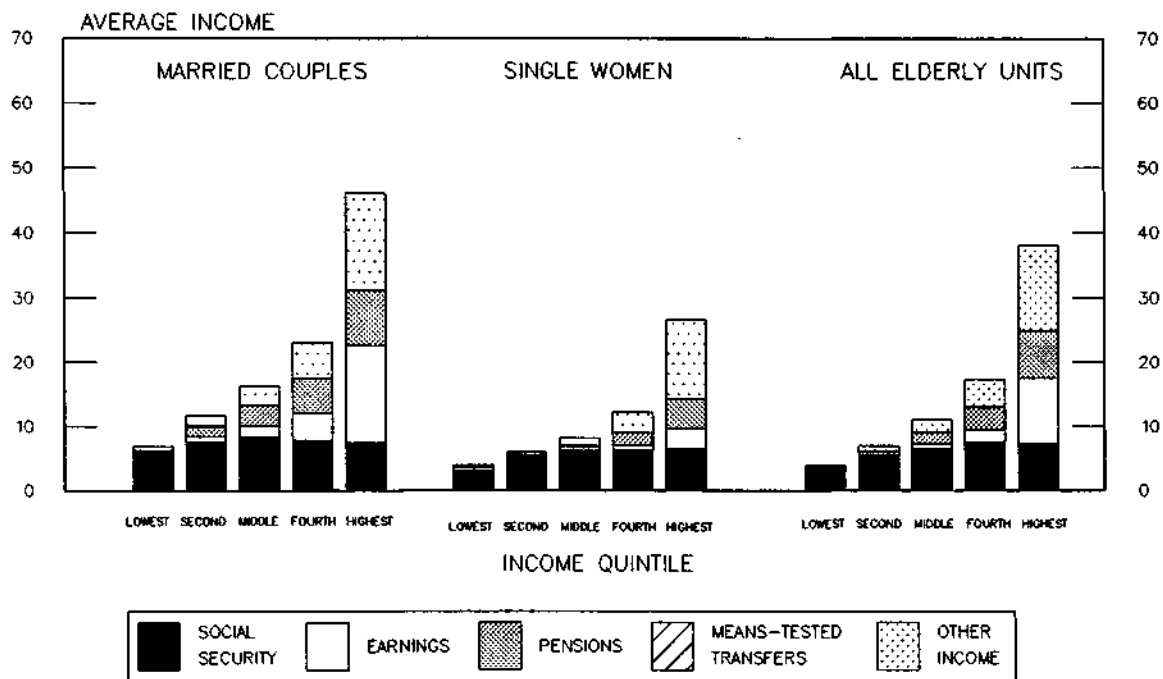


SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

NOTE: Incomes of married couples adjusted for family size by dividing by 1.25.

The right-hand portion of Figure 3 shows that, in 1987, units in the top fifth, or quintile, of the distribution had an average income (adjusted for family size) more than eight times that of the poorest fifth -- \$38,000 compared with \$4,500. Single people are disproportionately represented in the lower quintiles, while married couples predominate among the higher-income groups: in 1987, 60 percent of single elderly women were in the bottom two quintiles for all elderly units, while 58 percent of couples were in the top two quintiles.

FIGURE 3. AVERAGE ADJUSTED INCOME OF ALL ELDERLY UNITS, MARRIED COUPLES, AND SINGLE WOMEN, BY SOURCE OF INCOME AND INCOME QUINTILE, 1987 (In thousands of dollars)



SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

Virtually all elderly units received Social Security benefits in 1987, but the receipt of income from other sources was much less universal. In fact, differences in income among groups of elderly are primarily the result of variation in the average amounts of earnings, pensions, and other private income.

The low-income elderly received about 80 percent, or \$3,600, of their 1987 income from Social Security and 9 percent from SSI and other means-tested cash transfer programs. In contrast, elderly units in the top income quintile got less than 20 percent, or \$7,000, of their total income from Social Security and virtually none from the means-tested programs. Instead, nearly half of the highest-income units had earnings (with an average value for recipients of \$22,800) and almost two-thirds had pensions (with an average value for recipients of \$11,900).

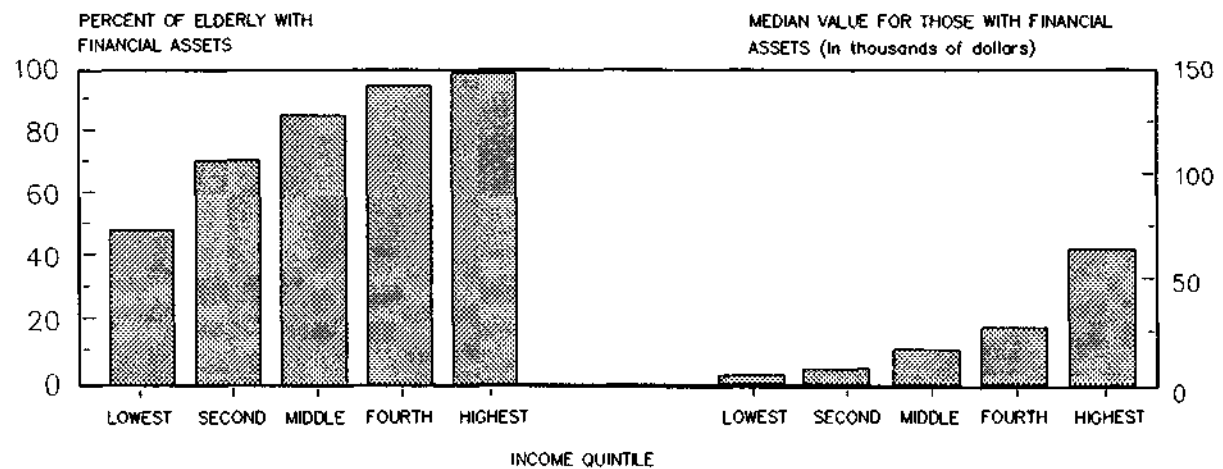
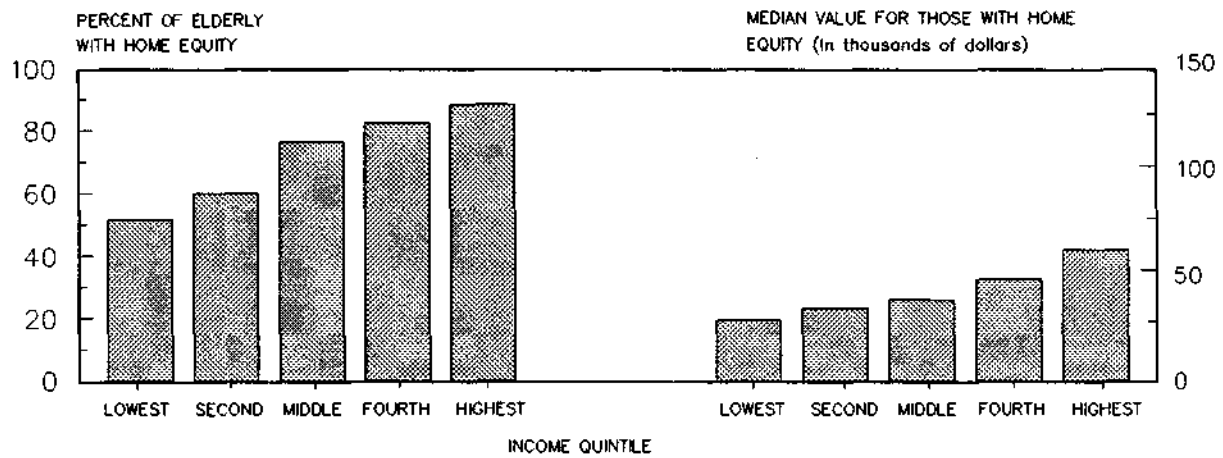
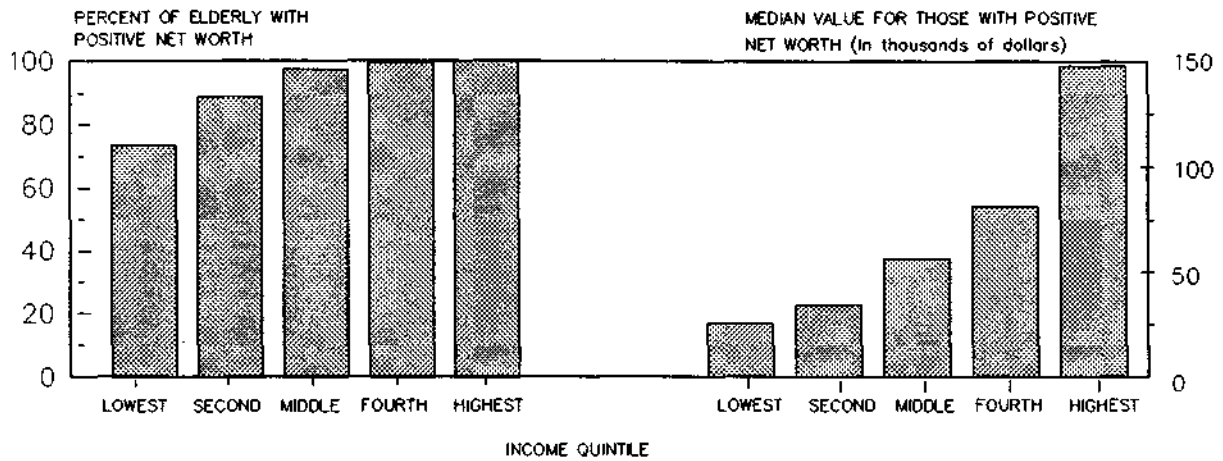
## ASSETS

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Unlike the high-income elderly, those with low incomes have few financial assets with which they can supplement their incomes, although a substantial fraction own their own homes.

As the top panel of Figure 4 shows, the distribution of assets among the elderly mirrors the distribution of income. Essentially all high-income units had positive net worth in 1985--with a median net value of almost \$150,000. In contrast, only three-quarters of those with low incomes had assets, and those with positive net worth had median holdings of only about \$25,000. While elderly married

FIGURE 4. ASSETS OF ELDERLY UNITS BY TYPE OF ASSET AND ADJUSTED INCOME QUINTILE, 1985



SOURCE: Congressional Budget Office tabulations of data from the 1984 and 1985 Survey of Income and Program Participation.

couples were only slightly more likely than single people to have assets, the median net worth of married asset-holders was more than twice as large as for single people with assets (nearly \$100,000 compared with less than \$50,000). In addition, net worth declines with increasing age.

About 70 percent of elderly units owned their homes in 1985, with a median equity of about \$50,000. High-income units were, however, much more likely to have equity in their homes than were their low-income counterparts. Homeownership rates also decline with age, although among homeowners the median amount of home equity varies little by age group.

The median value of financial assets--bank accounts, stocks, bonds, and similar holdings--is substantially lower, and its distribution is more uneven. Less than half of the elderly in the lowest income quintile had such assets, and the median value for those who did was only about \$4,000. In contrast, essentially all high-income units had financial holdings, with a median value of over \$60,000.

#### POVERTY AMONG THE VERY OLD

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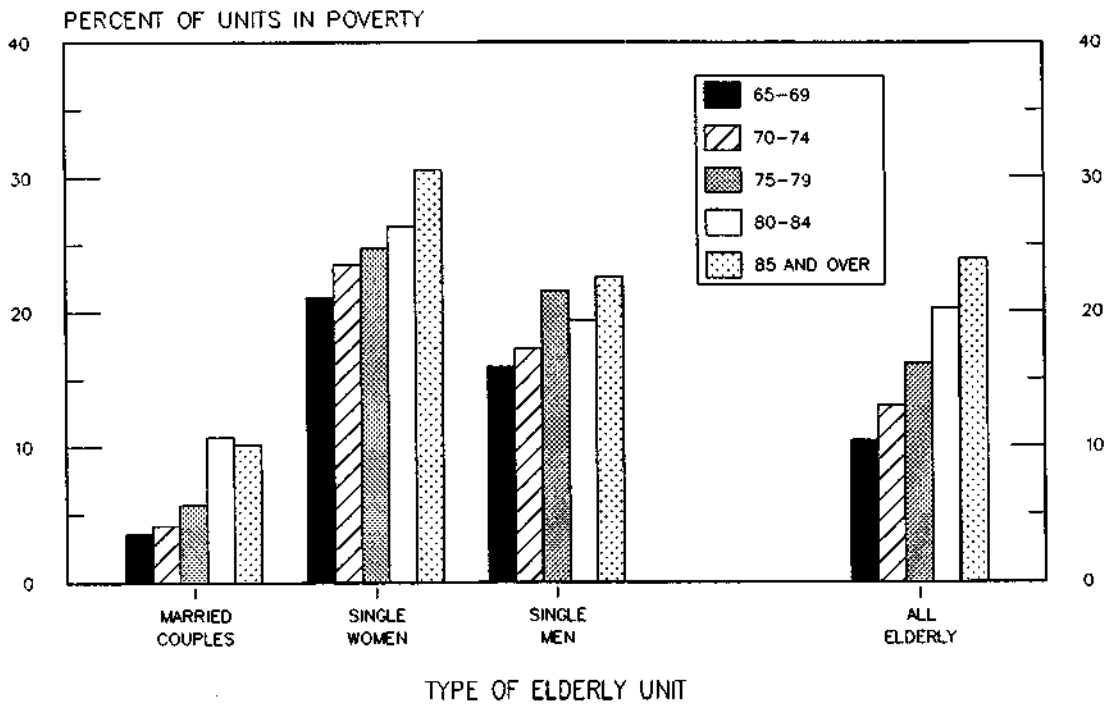
Mr. Chairman, in your invitation to appear before this Subcommittee, you asked why the "oldest old"--people age 85 or older--are disproportionately poor. (Elderly individuals and couples were considered poor if their incomes in 1987 were below \$5,447 and \$6,872, respectively.) CBO's analysis of the incomes of the oldest units confirms that their poverty rate is much higher than that of the young elderly and



suggests at least a partial explanation. As depicted in the right-hand portion of Figure 5, the poverty rate of units age 85 and over was 24 percent, or more than double the 10 percent rate of units ages 65 through 69.

The higher poverty rate for the oldest group is largely associated with phenomena described earlier: units age 85 and over consist primarily of widows and other single women, who are much more likely than married couples to be poor. Indeed, Figure 5 shows that even the 21 percent poverty rate of the youngest elderly single women is twice that of the oldest married couples. While poverty rises with age within each marital status group, these differences are not as dramatic as between married couples and single women.

FIGURE 5. DISTRIBUTION OF ELDERLY UNITS WITH INCOMES BELOW POVERTY, BY AGE AND TYPE OF UNIT, 1987 (In percent)



SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.