11-2019

Living Below the Line: Economic Insecurity and Older Americans, Insecurity in the States 2019

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LIVING BELOW THE LINE

Economic Insecurity and Older Americans
Insecurity in the States 2019

Jan E. Mutchler, Yang Li, and **Nidya Velasco Roldán**

NOVEMBER 2019

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ABOUT THE AUTHORS

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ACKNOWLEDGEMENTS

We acknowledge with appreciation the support of our funders: The Retirement Research Foundation, the National Council on Aging, The Silver Century Foundation, The Henry and Marilyn Taub Foundation, and the Gary and Mary West Foundation.

ABOUT THE ELDER INDEX

The Elder Index™ is a one-of-a-kind, county-by-county measure of the income needed by older adults to maintain independence and meet their daily living costs while staying in their own homes. Developed by the Gerontology Institute at the University of Massachusetts Boston in collaboration with Wider Opportunities for Women and a national Advisory Board, the Elder Index defines economic security as the income level at which older people are able to cover basic and necessary living expenses and age in their homes, without relying on means-tested income support programs, loans or gifts.

For more information about the Elder Index, including county-level Elder Index values, values for homeowners, and values for older adults in poor or in excellent health, see ElderIndex.org and www.umb.edu/demographyofaging/elder_economic_security.

LIVING BELOW THE LINE:
Economic Insecurity and Older Americans

Insecurity in the States 2019

New estimates from the 2019 Elder Index™ suggest that half of older adults living alone, and 23% of older adults living in two-elder households, lack the financial resources required to pay for basic needs. The Gerontology Institute compares the 2019 household incomes for adults age 65 and above living in one- and two-person households to the 2019 Elder Index for each state and Washington, DC to calculate Elder Economic Insecurity Rates (EEIRs), the percentage of independent older adults age 65 or older living in households with annual incomes that do not support economic security. The EEIRs allow state and local governments to better understand and benchmark how many and which older adults are at risk of financial instability. *National averages suggest that 50% of older adults living alone, and 23% of older adults living in older couple households (with an older spouse, partner, or some other older adult), have annual incomes below the Elder Index.* In every state, more than four out of ten older singles are at risk of being unable to afford basic needs and age in their own homes.

Defining Economic Security for Older Americans: The Elder Index

The Elder Index measures the costs faced by households that include one or two older adults age 65 or older living independently. The Elder Index defines economic security as the income level at which older people are able to cover basic and necessary living expenses and age in their homes, without relying on means-tested income support programs, loans or gifts. The Elder Index is calculated for every county in the United States; statewide and national averages are also generated. Elder Index expenses include housing, food, transportation, health care, and basic household items including clothing, a telephone, hygiene items and cleaning supplies. The Elder Index is a basic budget, allowing no vacations, restaurant meals, savings, large purchases, gifts or entertainment of any kind. The Congressional Budget Office cites the Elder Index as the most commonly used measure of retirement adequacy, noting that it is the only adequacy measure that is oriented specifically to older people and that takes into account the unique demands of housing and medical care on older budgets.[1]

Table 1 presents the 2019 Elder Index for the United States. For older adults living in their own homes without a mortgage, the Elder Index is $21,012 annually for an older adult living alone, and $31,800 for an older couple living together. Estimated costs are higher for renters ($25,416 for singles and $36,204 for couples) and for those who are paying off a mortgage ($32,064 for singles and $42,852 for couples).[2]

Table 1: The Elder Index for the United States, 2019

	Elder Person			Elder Couple		
Expense	**Owner without Mortgage**	**Renter**	**Owner with Mortgage**	**Owner without Mortgage**	**Renter**	**Owner with Mortgage**
Housing	$548	$915	$1,469	$548	$915	$1,469
Food	$257	$257	$257	$471	$471	$471
Transportation	$259	$259	$259	$399	$399	$399
Health Care	$395	$395	$395	$790	$790	$790
Miscellaneous	$292	$292	$292	$442	$442	$442
Elder Index Per Month	$1,751	$2,118	$2,672	$2,650	$3,017	$3,571
Elder Index Per Year	$21,012	$25,416	$32,064	$31,800	$36,204	$42,852

The 2019 Elder Index illustrates that the cost of living independently varies substantially across localities. Table 2 includes the Elder Index values for renters by state, and shows that for single renters living alone, the cost of living independently ranges from a low of $21,504 in Alabama to a high of $33,060 in Washington, DC. The cost of living for couples who rent is highest in Massachusetts ($45,252) and is lowest in Nevada ($31,836).

[1] Congressional Budget Office (2017). Measuring the adequacy of retirement income: A primer. Available online: https://www.cbo.gov/publication/53191

[2] Elder Index values presented in this report assume that an older adult is in good health. Values assuming alternative levels of health (poor; excellent) are also calculated as part of the Elder Index program.

Table 2: Elder Index Values for Renters, by State, 2019							
Rank	State	Singles	Couples	Rank	State	Singles	Couples
1	District of Columbia	$33,060	$44,868	26	Utah	$23,472	$34,416
2	Massachusetts	$33,048	$45,252	27	Wyoming	$23,412	$35,316
3	Hawaii	$32,688	$44,700	28	Arizona	$23,196	$33,552
4	Maryland	$30,480	$42,984	29	Wisconsin	$23,184	$34,452
5	New York	$30,480	$41,640	30	Nebraska	$23,124	$34,764
6	California	$30,276	$40,380	31	Kansas	$23,052	$34,728
7	New Jersey	$29,616	$40,128	32	Montana	$23,040	$34,860
8	Vermont	$29,340	$43,392	33	South Carolina	$23,040	$33,756
9	Connecticut	$28,536	$39,660	34	Michigan	$23,016	$34,152
10	New Hampshire	$28,308	$40,884	35	New Mexico	$22,992	$34,236
11	Washington	$27,744	$38,856	36	South Dakota	$22,884	$34,632
12	Alaska	$26,556	$37,968	37	North Carolina	$22,764	$33,612
13	Virginia	$26,376	$37,584	38	Iowa	$22,620	$34,248
14	Colorado	$26,292	$36,960	39	Louisiana	$22,548	$33,096
15	Oregon	$25,716	$36,696	40	Idaho	$22,440	$34,020
16	Delaware	$25,644	$37,008	41	Oklahoma	$22,392	$33,780
17	Rhode Island	$25,560	$36,060	42	Mississippi	$22,344	$33,996
-	United States	$25,416	$36,204	43	Nevada	$22,260	$31,836
18	Illinois	$25,140	$35,784	44	Tennessee	$22,188	$32,784
19	Maine	$24,912	$36,108	45	Indiana	$22,164	$33,012
20	Minnesota	$24,576	$36,144	46	Missouri	$22,092	$32,940
21	Florida	$24,276	$33,888	47	Ohio	$21,996	$32,844
22	Texas	$23,916	$34,296	48	West Virginia	$21,792	$33,156
23	Pennsylvania	$23,820	$34,560	49	Arkansas	$21,720	$33,084
24	North Dakota	$23,784	$35,844	50	Kentucky	$21,684	$32,796
25	Georgia	$23,544	$34,140	51	Alabama	$21,504	$31,956

Large Proportions of Elder Households Fall Short of Economic Security

Table 3a ranks states' EEIRs for singles—the percentage of older people who live alone with incomes below their state's Elder Index. *With an EEIR of 62%, single older people in Massachusetts are more likely to face economic insecurity than are single older people in any other state.* States in the Northeast comprise the majority of the 10 states with the largest EEIRs for singles (Massachusetts (1st), New York (2nd), Vermont (3rd), Maine (5th), New Jersey (7th), Rhode Island (9th), and New Hampshire (10th); rounding out the top ten are Mississippi (4th), Louisiana (6th), and California (8th). Although the cost of living, as captured by the Elder Index, is low in Mississippi and Louisiana relative to the national average (see Table 2), the Elder Economic Insecurity Rates in these states are well above the national average rate due to low incomes among residents. Most other states at the top of the EEIR rankings are characterized by higher than average Elder Index values, reflecting the high cost of living in these locations. *The EEIR for singles is lowest in Nevada (41%) with fewer than half of single elders living in insecurity. This rate is nine percentage points lower than the national average.* Alaska and Utah have the second and third lowest rates, respectively.

Table 3b ranks the percentage of older people living in two-person households with incomes below their state's Elder Index for older couples. Once again, states in the Northeast dominate the rankings of the states with the largest EEIRs

Table 3a: Elder Economic Insecurity Rates, Poverty Rates, and Percentage in the Gap by State, 2019 (Singles)									
Rank	State	Below Index (%)	Below Poverty (%)	"In the gap" (%)	Rank	State	Below Index (%)	Below Poverty (%)	"In the gap" (%)
1	Massachusetts	61.7	18.0	43.7	26	Maryland	49.3	15.5	33.8
2	New York	59.6	21.0	38.6	27	Washington	49.3	15.5	33.8
3	Vermont	57.3	14.6	42.7	28	Florida	49.2	19.1	30.1
4	Mississippi	57.2	25.8	31.4	29	Alabama	49.1	21.2	27.9
5	Maine	55.7	17.5	38.2	30	Idaho	49.1	18.9	30.2
6	Louisiana	54.6	24.6	30.0	31	Montana	49.1	17.7	31.4
7	New Jersey	54.4	17.1	37.3	32	Oklahoma	49.0	18.2	30.8
8	California	53.8	19.9	33.9	33	North Dakota	48.3	18.6	29.7
9	Rhode Island	53.6	18.3	35.3	34	South Dakota	48.1	16.6	31.5
10	New Hampshire	53.2	12.8	40.4	35	Virginia	47.2	16.5	30.7
11	Hawaii	53.1	23.6	29.5	36	Colorado	47.1	15.1	32.0
12	Arkansas	53.0	22.0	31.0	37	Minnesota	46.3	15.3	31.0
13	West Virginia	51.3	18.1	33.2	38	Wisconsin	46.2	15.0	31.2
14	Georgia	51.1	20.5	30.6	39	Iowa	46.1	14.3	31.8
15	Kentucky	51.0	22.1	28.9	40	Nebraska	45.8	15.3	30.5
16	North Carolina	51.0	19.6	31.4	41	Wyoming	45.7	16.2	29.5
17	District of Columbia	50.9	21.7	29.2	42	Missouri	45.3	17.3	28.0
18	South Carolina	50.9	20.3	30.6	43	Delaware	45.0	15.6	29.4
19	Pennsylvania	50.5	16.0	34.5	44	Indiana	44.6	14.7	29.9
-	United States	50.3	18.2	32.1	45	Kansas	44.3	15.1	29.2
20	Connecticut	50.2	14.5	35.7	46	Arizona	44.2	16.3	27.9
21	Texas	49.8	20.4	29.4	47	Michigan	43.9	15.6	28.3
22	New Mexico	49.7	21.6	28.1	48	Ohio	43.8	15.8	28.0
23	Oregon	49.7	15.3	34.4	49	Utah	42.7	16.5	26.2
24	Illinois	49.6	16.5	33.1	50	Alaska	42.2	16.2	26.0
25	Tennessee	49.6	19.5	30.1	51	Nevada	41.1	14.9	26.2

for couples[3]. Older people living in two-person households in Vermont (35%) and New York (30%) are most likely to face economic insecurity, followed by older couples in Massachusetts (30%), Mississippi (30%), and California (27%). Other states in the top ten on economic insecurity for couples are Hawaii (27%), Maine (27%), Arkansas (26%), Louisiana (26%), and North Dakota (25%). The EEIR for couples is lowest in Alaska, with just 15% of older couples living with economic insecurity. This rate is 8% lower than the national average. Washington, DC and Utah have the second and third lowest insecurity rates for older couples.

[3] Calculations are based on elders in two-person households, both of whom are age 65 or older. These elders may or may not be married to one another.

Large Proportions of Elder-Only Households Live "In the Gap" between Poverty and Economic Security

Additional information provided in Tables 3a and 3b compare the incomes of older households to the Federal Poverty Guidelines, commonly referred to as the federal poverty level (FPL), which are used to establish eligibility for many state and federal assistance programs.[4] Also

[4] This analysis compares older adults' incomes to the HHS Poverty Guidelines, which are used in determining most public assistance income eligibility, and not to the US Census Bureau's federal poverty thresholds, which are used to calculate official poverty rates. The Guidelines are derived from the thresholds, and the values are quite similar. The Guidelines were used herein in order to facilitate observations about public assistance program eligibility. The 2019 values of the poverty Guideline are the same for all 48 contiguous states and Washington DC (at $12,490 for singles and $16,910 for couples in 2019), but higher for Alaska ($15,600, $21,130) and Hawaii ($14,380, $19,460).

Table 3b: Elder Economic Insecurity Rates, Poverty Rates, and Percentage in the Gap by State, 2019 (Couples)									
Rank	**State**	**Below Index (%)**	**Below Poverty (%)**	**"In the gap" (%)**	**Rank**	**State**	**Below Index (%)**	**Below Poverty (%)**	**"In the gap" (%)**
1	Vermont	34.8	3.7	31.1	26	New Jersey	22.2	4.5	17.7
2	New York	30.4	6.4	24.0	27	Wyoming	22.2	3.8	18.4
3	Massachusetts	29.7	4.6	25.1	28	North Carolina	22.1	4.1	18.0
4	Mississippi	29.5	5.8	23.7	29	Rhode Island	21.5	4.7	16.8
5	California	27.4	5.3	22.1	30	Washington	21.2	3.9	17.3
6	Hawaii	26.8	7.6	19.2	31	Wisconsin	21.2	3.4	17.8
7	Maine	26.6	4.6	22.0	32	Iowa	21.0	3.2	17.8
8	Arkansas	25.8	4.6	21.2	33	Montana	20.8	3.0	17.8
9	Louisiana	25.7	6.0	19.7	34	South Carolina	20.7	3.4	17.3
10	North Dakota	25.1	6.1	19.0	35	Illinois	20.6	4.0	16.6
11	New Mexico	24.9	6.5	18.4	36	Missouri	20.6	4.2	16.4
12	South Dakota	24.8	4.3	20.5	37	Nebraska	20.5	3.6	16.9
13	West Virginia	24.4	4.0	20.4	38	Kansas	20.1	3.7	16.4
14	Kentucky	24.0	5.2	18.8	39	Minnesota	20.1	3.4	16.7
15	New Hampshire	23.9	2.5	21.4	40	Virginia	20.1	3.4	16.7
16	Texas	23.8	6.5	17.3	41	Arizona	19.8	4.9	14.9
17	Tennessee	23.4	4.2	19.2	42	Delaware	19.8	4.0	15.8
18	Oklahoma	23.3	3.7	19.6	43	Colorado	19.7	3.6	16.1
19	Florida	23.1	5.9	17.2	44	Michigan	19.4	3.6	15.8
-	United States	22.9	4.6	18.3	45	Connecticut	19.2	2.9	16.3
20	Oregon	22.8	4.1	18.7	46	Indiana	18.7	3.2	15.5
21	Georgia	22.5	4.5	18.0	47	Ohio	18.2	3.6	14.6
22	Idaho	22.4	4.6	17.8	48	Nevada	18.0	5.3	12.7
23	Pennsylvania	22.4	4.0	18.4	49	Utah	17.8	3.6	14.2
24	Maryland	22.3	3.7	18.6	50	District of Columbia	17.1	4.6	12.5
25	Alabama	22.2	4.7	17.5	51	Alaska	14.7	4.4	10.3

displayed are the percentages of older people who live "in the gap" with incomes falling between the FPL and the Elder Index. These individuals often have incomes too high to qualify for many means-tested public programs, yet too low to achieve intermediate- or long-term economic stability.

On average throughout the United States, the share of older adults living alone with incomes below the FPL is 18.2%; another 32.1% live above the poverty level yet still have income less than what is required to live with economic security. New Hampshire has the lowest rate of singles living with incomes below the FPL—13%—which is five percentage points lower than the national average (see Table 3a). At the other end of the spectrum, 25.8% of Mississippi's singles live below the FPL. In every state, the share "in the gap" between the poverty line and the Elder Index is larger than the share living in poverty; in some states the share living in the gap is nearly three times higher (see New Hampshire and Vermont, for example).

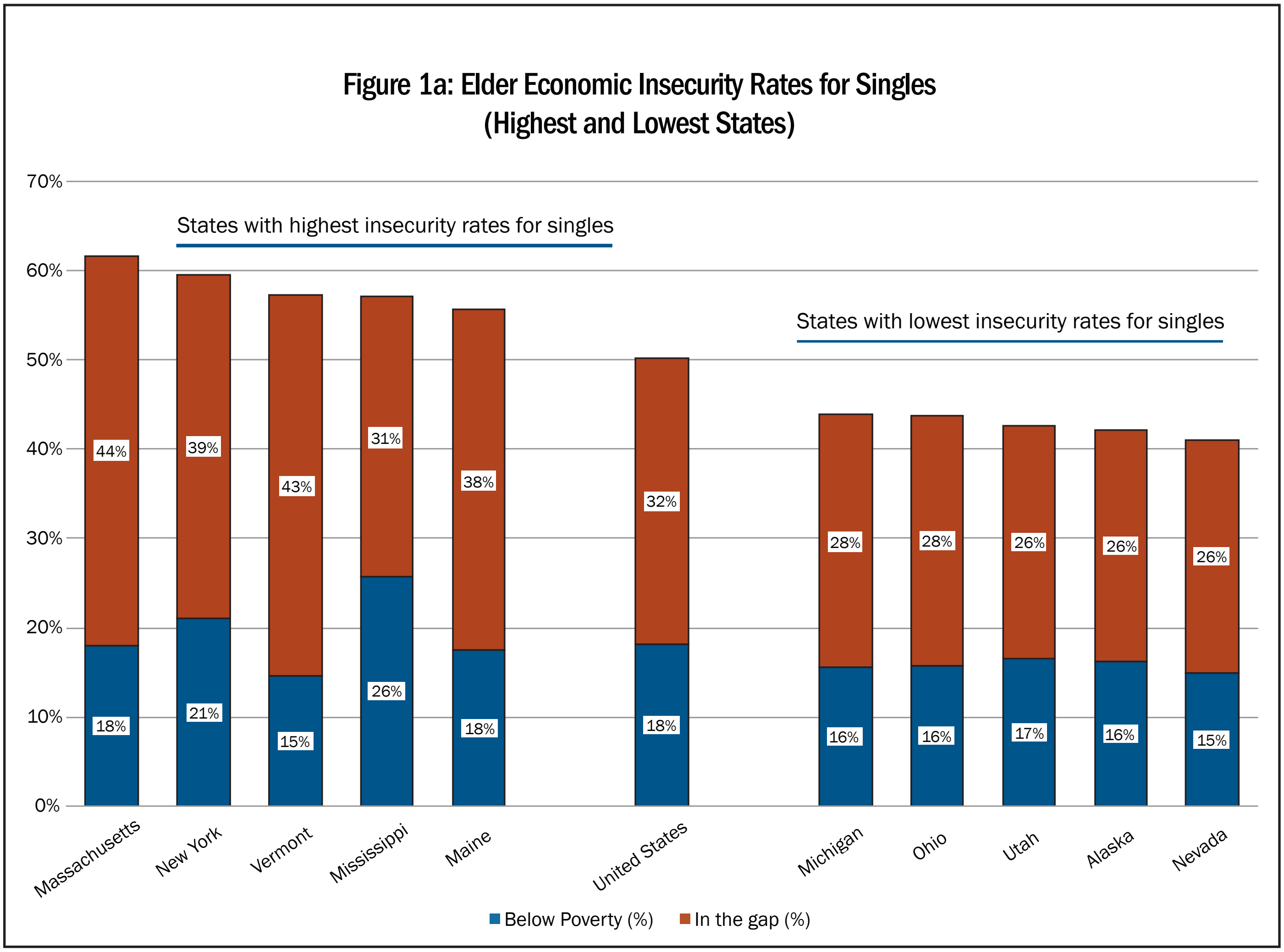


Figure 1a illustrates the five highest and five lowest states with older singles falling short of economic security, illustrating the extent to which older adults with incomes "in the gap" adds to insecurity, above and beyond those living below the poverty line.

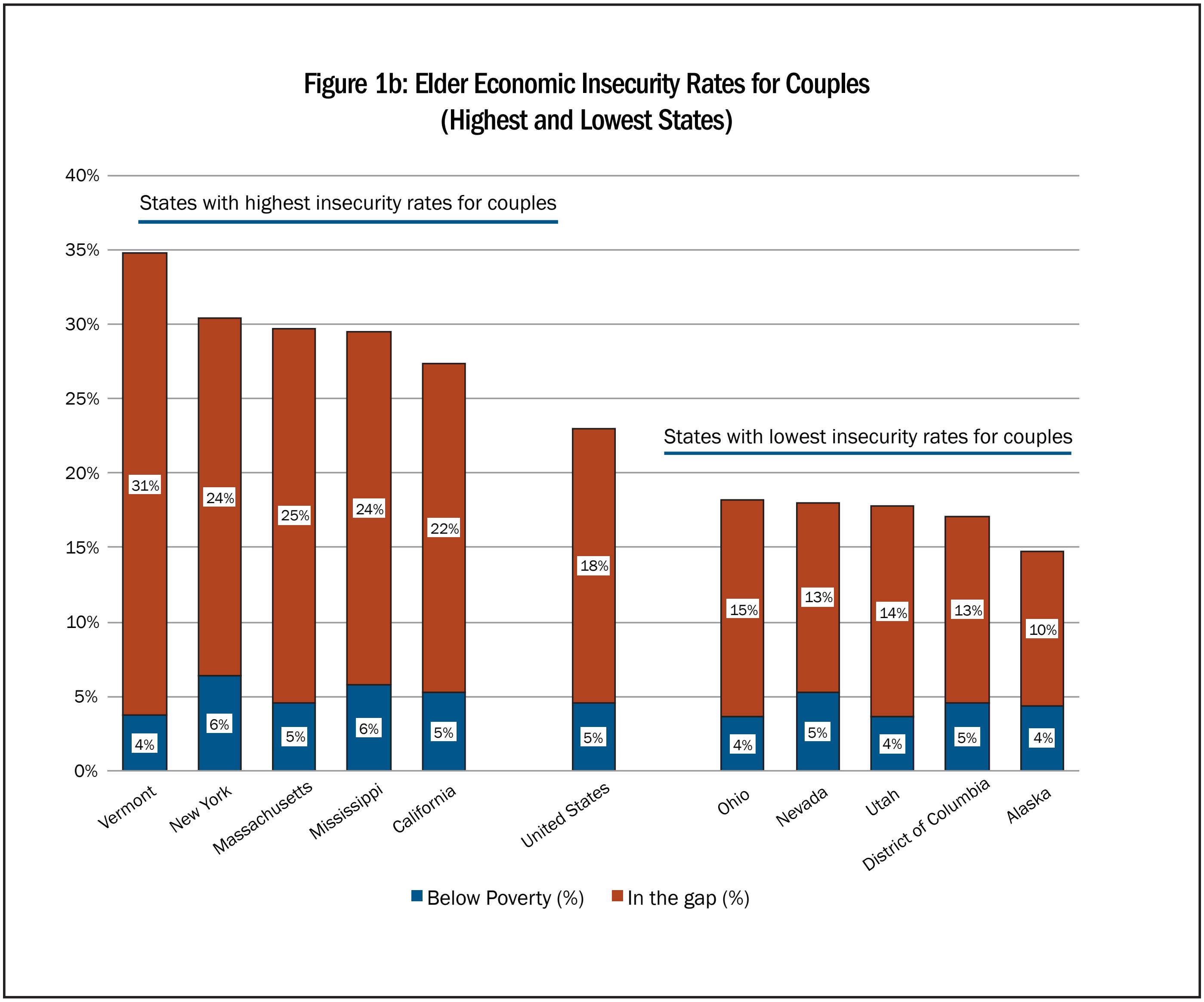
Table 3b ranks the same measures as in Table 3a but for older couples. Both poverty rates and EEIR values are substantially lower for couples than for singles throughout the United States, due to economies of scale in costs of living, but also because two-person households typically have higher levels and more sources of income. For example, New Hampshire has just 2.5% of its older couples living below poverty, followed by Connecticut, Montana, Iowa, and Indiana. Hawaii, on the other hand, has the highest rate of older couples in poverty, at 7.6%, and nationwide, the share of older adults in two-person households with poverty-level incomes is 4.6%. The share of older couples with incomes "in the gap" is considerably higher than the share living in poverty; for example, although just 3.7% of Vermont older couples live below poverty, an additional 31% have incomes above the FPL but below what is required to live with economic security. These figures make clear that while a large majority of couples avoid poverty, many are unable to afford daily expenses of living as reflected by the Elder Index. Figure 1b illustrates the five highest and five lowest states with elder couples falling short of economic security.

Older Adults Living Below the Elder Index Depend on Social Security

Most older adults rely on Social Security benefits as a key component of their incomes. The Social Security Administration estimates that Social Security benefits provide one-third of all income received by older adults, and that lower-income people are especially reliant on Social Security[5]. Indeed, our calculations show that on average, *more than half of older adults who live below the Elder Index rely on Social Security for at least 90% of their incomes.*

The extent to which the living costs summarized by the Elder Index are covered by the average Social Security benefits varies widely throughout the United States

[5] Income of the Aged Chartbook, 2014. Retrieved online: https://www.ssa.gov/policy/docs/chartbooks/income_aged/2014/index.html



(Figure 2). In some areas, the discrepancy between the average Social Security benefit and the cost of living is fairly small and may be bridged with a few hours of paid work weekly, a small pension, or a modest housing or health care subsidy: For example, in Wyoming County, West Virginia, the gap is less than $2,000 annually. In other counties, the shortfall is substantial and would require far more extensive remedies, including perhaps moving to a more affordable county or state: For example, in San Francisco County, California, the gap between the Elder Index and the average Social Security benefit for an older retiree is more than $27,000. Overall, the Northeast, coastal areas, California, Alaska, and Hawaii are where the average Social Security benefits cover the smallest share of older adults' living costs as reflected by the Elder Index. The spatial pattern shown in Figure 2 is the result not just of variability in Social Security benefits levels or just of the cost of living—but rather, the balance between the two.

These ratios impart novel information about the extent to which Social Security, the income resource most commonly held by older Americans, brings older adults closer to economic security in some communities than in others.

Conclusion

Many older adults who live independently do not have the means to live with economic security. These older adults are of special concern, and policy and programs that address the concerns of older singles or couples living on their own—congregate and home-delivered meals, transportation, fall prevention, employment and training—should also be of special concern to state and local governments.

While decreasing poverty is a critical policy goal, the "circle of concern" cannot be limited to impoverished older adults. Elder Economic Insecurity Rates demonstrate that a large proportion of every state's independent older adults lack incomes that would allow them to escape the threat of poverty, to remain independent, and to age in their own homes. The EEIR for the United States is a full 50% for singles and 23% for couples. At the national level, 32% of singles and 18% of couples fall into the security gap between the FPL and the income required for economic security.

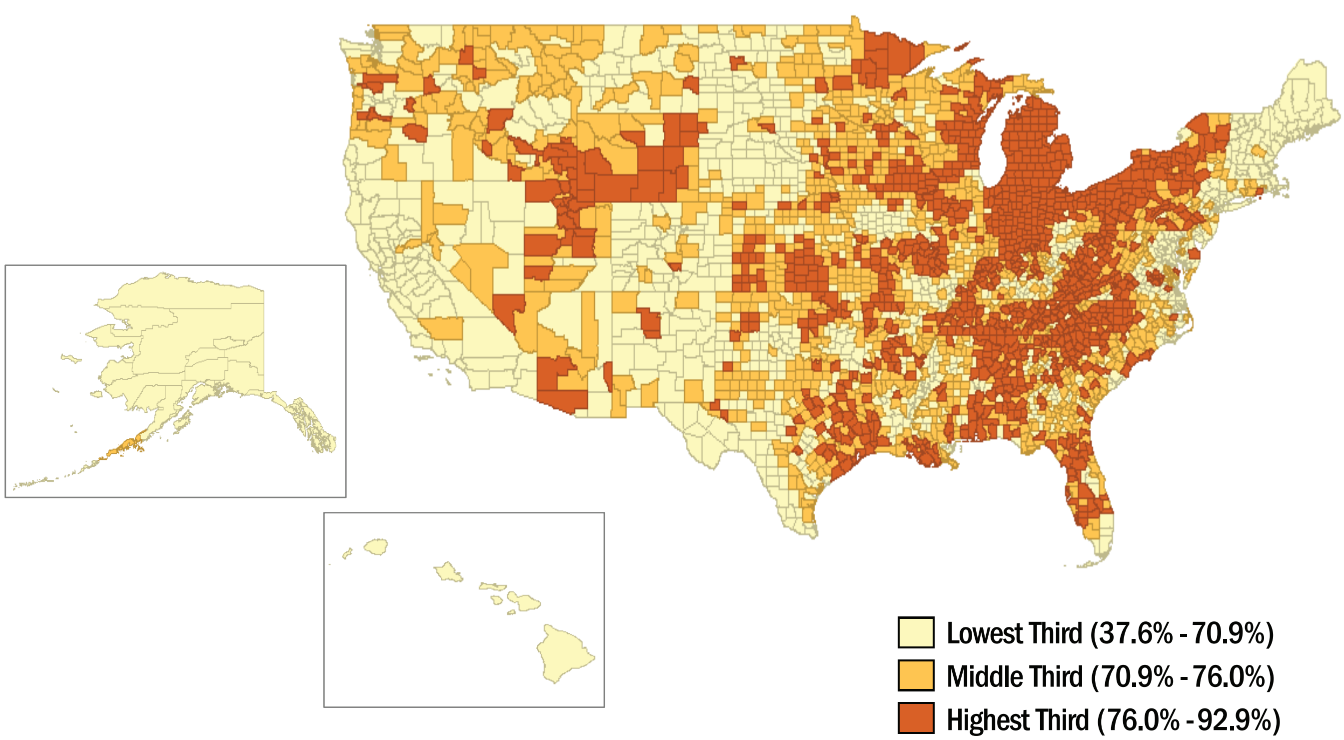
As the older adult population grows, the federal government and each state must learn to recognize the security gap and those who fall into it. They must also consider whether or not policies contribute to the economic security of older adults living above the poverty line, as they require services and supports beyond emergency aid that contribute to intermediate- and long-term stability goals. Economic security, rather than avoiding poverty, is the goal to which older people and those who represent and serve them should aspire. Protecting Social Security benefits is essential for older adults, including not only those who are poor but also for those "in the gap."

Methodology

This report focuses exclusively on households that include adults age 65 and older who live alone or who live with one additional person who is also age 65 or older. Older adults who live in group quarters, including institutional settings, those who reside in households including three or more people, and those living with anyone under the age of 65 are not included in this analysis. This analysis calculates Elder Economic Security Rates by state by comparing elder household incomes to annualized incomes required for basic economic security, as defined by statewide Elder Index values. Household income is based on 2013-2017 5-year American Community Survey PUMS data, with income values converted to 2019 dollars using the June 2019 Consumer Price Index.

For more information about the Elder Index, including county-level Elder Index values, values for homeowners, and values for older adults in poor or in excellent health, see ElderIndex.org and https://www.umb.edu/demographyofaging/elder_economic_security.

Figure 2: Percent of Elder Index for Single Renters in Good Health Covered by Average Social Security Benefit in 2019 by County



ABOUT THE CENTER FOR SOCIAL AND DEMOGRAPHIC RESEARCH ON AGING

The Center for Social and Demographic Research on Aging (CSDRA) conducts research that informs communities and organizations as they plan for aging populations. Our mission is pursued in part by developing collaborations with community partners, advocacy groups, and aging services organizations. Areas of special interest include economic security in later life; well-being and quality of life; community supports for older adults; evaluating programs designed for older adults; and demography and diversity of the aging population. For more information, visit **www.umb.edu/demographyofaging**.

ABOUT THE GERONTOLOGY INSTITUTE AT UNIVERSITY OF MASSACHUSETTS BOSTON

Created by the Massachusetts Legislature in 1984, the Gerontology Institute conducts research and policy analysis in the field of aging, and offers lifelong learning and pension protection services to older adults. The Institute's priorities include income security, long-term services and supports, healthy aging, age-friendly communities and social and demographic research on aging.

Located within the McCormack Graduate School of Policy and Global Studies at UMass Boston, the Institute furthers the university's educational programs in Gerontology, including a Ph.D. program in Gerontology, a Master's program in the Management of Aging Services, and undergraduate programs in Gerontology.

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Nationally recognized as a model for public service schools, the John W. McCormack Graduate School of Policy and Global Studies is committed to social justice and equity. The School offers an interdisciplinary education and conducts cutting edge research that seeks to understand and remedy some of the most important social, political, economic, and environmental issues of our time. Home to world-renowned institutes and entrepreneurial centers, McCormack scholars critically explore better policies and practices in fields of aging, climate change, democracy reconstruction, public management, social policy, and women's political advancement.

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