THE SURVEY OF INCOME AND
PROGRAM PARTICIPATION

TRENDS IN INCOME AND WEALTH OF THE ELDERLY IN THE 1980'S

No. 141

P. Ryscavage
Bureau of the Census

U. S. Department of Commerce BUREAU OF THE CENSUS

Trends in Income and Wealth of the Elderly in the 1980's

by Paul Ryscavage

Income Growth for the Elderly...The Big Picture 61
Special Problem Groups Among the Elderly 64
The Elderly and Wealth 66
Other Aspects of the Elderly's Net Worth 68
Conclusions 69

TABLES

1. Real Median Household Income for Elderly Households and All Households: 1979 to 1989 62
2. Real Median Income for Elderly Men and Women and All Men and Women (age 15 and over): 1979 to 1989 63
3. Distribution of Aggregate Household Income by Quintile and the Number of Elderly Households Represented in Each Quintile: 1979 and 1989 64
4. Number of Persons With Incomes Below the Poverty Level and the Poverty Rate for Elderly Persons and All Persons: 1979 to 1989 65
5. Distribution of Aggregate Household Income by Quintile for Households With an Elderly Householder: 1979 and 1989 65
6. Real Median Income of Elderly Families by Type and Elderly Unrelated Individuals by Sex: 1979 and 1987 65
7. Poverty Levels and Poverty Rates of Elderly Families, by Type and of Elderly Unrelated Individuals, by Sex: 1979 and 1989 66
8. Distribution of Elderly Family Households, Elderly Unrelated Individuals, and Elderly Persons by Their Income-to-Poverty Line Ratio: 1979 and 1987 67
9. Distribution of Net Worth, by Asset Type and Median Value for Elderly Households and All Households: 1988 67
10. Median Value of Household Net Worth, by Monthly Income Quintile and Median Value of Household Net Worth After Excluding Home Equity, by Monthly Income Quintile for Elderly Households and All Households: 1984 and 1988 68
11. Median Value of Net Worth and Median Value of Net Worth After Excluding Home Equity for Elderly Households, by Age and Type of Household: 1984 and 1988 68

FIGURE

Trends in Real Median Income in Elderly and All Households: 1979 to 1989 63

TRENDS IN INCOME AND WEALTH OF THE ELDERLY IN THE 1980's

by Paul Ryscavage

Presented at the 37th Annual Meeting of the American Society on Aging in New Orleans on March 18, 1991. Paul Ryscavage is a Senior Labor Economist in the Housing and Household Economic Statistics Division of the U.S. Bureau of the Census. The views expressed in this paper are attributable to the author and do not reflect those of the Census Bureau.

The 1980's contained one of the longest periods of economic expansion in recent history. The economy, after experiencing back-to-back recessions in the opening years, grew (as measured by the gross national product) between 1983 and 1989 at an average rate of almost 4.0 percent a year. Millions of jobs were created, inflation was held in check, and prices on the stock market soared to all time highs. But as is frequently pointed out today, the expansion was not without its flaws. The Federal government's fiscal deficit mushroomed as did the Nation's trade deficit. And one of the more disturbing developments was that not all groups in society shared equally in the benefits of the economic growth. Income inequality among households increased during the 1980's and the incidence of poverty was reduced only slightly.

Because not everyone benefited from the prosperity of the 1980's, it is of interest to find out how the elderly, or persons age 65 and over, fared in these years. After all, unlike the nonelderly most of the elderly are retired and are somewhat removed from the day-to-day workings of the economy. Did they share in the general rise in economic well-being or were they left behind?

This question takes on added significance, today, in the decade of the 1990's. In the second half of 1990 the economy slumped into a recession and, at the same time, the budget and trade deficits continued to impact on the country's economic performance. Furthermore, the financial costs of the Persian Gulf war and the savings and loan crisis represent an additional strain on the economy. Where the elderly stood economically as they left the 1980's and entered the 1990's becomes even more important, if the recession deepens, the deficits fail to shrink, and the other economic burdens are not resolved. A second and more difficult question, therefore, might be asked: Are the elderly prepared for "hard times" if indeed the economic climate worsens?

Comprehensive answers to these two questions are difficult since the economic well-being of the elderly, or any group, is so multifaceted.[1] In the following pages, however, we examine two aspects of the economic expansion of the 1980's which have been discussed frequently in the media—income growth and wealth accumulation—and assess what they meant for the elderly in the previous decade. In so doing, implications of these developments for the current decade will emerge. Data from Census Bureau surveys are used in this assessment.

Income Growth for the Elderly—The Big Picture

Real incomes (incomes adjusted for price changes) of most Americans began to grow again in the 1980's, after periods of economic recession and rampant inflation in the 1970's and early 1980's. The real annual median household income of all households rose by 10.5 percent between 1982 and 1989.[2] Previous to this, income growth had been erratic at best, affected by the country's sluggish economic performance. What happened to the incomes of the elderly?

Perhaps the best source of information to answer this question, or for that matter any question relating to the income of specific population groups, is the March Current Population Survey (CPS) conducted by the Census Bureau. This is a sample survey of approximately 60,000 households throughout the country and is also the source of the Nation's statistics on poverty, labor force activity, and other socio-economic characteristics of the population.

The CPS allows one to examine income trends in a variety of ways and for a variety of groups. For example, we can examine the median or mean income of households with an elderly householder, or we can look at the incomes of all elderly persons living in households.[3] In addition, the CPS allows us to examine different groups

[1]For a comprehensive review of the research on the elderly, including their economic status, see Michael D. Hurd, "Research on the Elderly: Economic Status, Retirement, and Consumption and Saving," *Journal of Economic Literature*, June 1990, pp. 565-637.

[2]All nominal income data cited in this paper can be found in various editions of Current Population Reports, Series P-60, U.S. Bureau of the Census, USGPO, Washington, D.C. Real annual income data are in terms of 1989 dollars and have been adjusted for inflation by the Bureau of Labor Statistics' Consumer Price Index (CPI-U-X1).

[3]A householder is a person in whose name the residence being surveyed is owned or rented.

among the elderly. The elderly, of course, are a heterogeneous group. Many are very old and live alone, others may have just retired and live as married couples, and still others may live as single individuals in their son's or daughter's family.

The CPS income data, however, do have their limitations. These limitations become particularly troublesome when the emphasis of the analysis is on income comparisons between groups, and issues of "well-being" are being examined. One limitation is that the CPS excludes the value of certain "noncash" income items, such as food stamps, Medicare, Medicaid, employer-provided health insurance and pension plans. Some of these items are important to the elderly. A second limitation is that the CPS income data relate to incomes before taxes. Obviously, a "disposable income" concept would be more desirable for determining the elderly's resources for immediate consumption. A third limitation concerns income underreporting in the CPS. It is well known that some income items, such as income from certain assets, are underreported by survey respondents. And a last limitation concerns the adjustments to the reported income data which should be made for "economies of scale" in households of different sizes and compositions. All of these limitations are important to the extent that they have differential effects on population groups. The emphasis of the analysis in this section of the paper, however, is the trend in income for the elderly relative to the population as a whole. While it is recognized that if the above limitations were accounted for the quantitative results would be somewhat different from what is presented, it is most likely that the basic relationship between income trends would not be much different.

Median Incomes of Households and Persons. Table 1 shows the real annual median incomes of all households in the country and elderly households between 1979 and 1989. In 1989, the median income of the 93.3 million households in the country was $28,906, compared to $15,571 for the 20.2 million elderly households. When the trends in incomes for all households and elderly households are examined over this period some interesting patterns emerge.

Between 1979 and 1989, the real median income of elderly households increased by 19.5 percent comapred to a 4.8 percent increase in the real median income of all households. Between 1982 and 1989, however, there was no significant difference in the rates.[4] This, of course, was a period of economic recovery. It was in the 1979 to 1982 period—years containing two recessions—that the median for all households declined while the median for the elderly increased (figure). This illustrates the elderly's greater insulation from downswings in economic activity.

Table 1. **Real Median Household Income for Elderly Households and All Households: 1979 to 1989**

(In 1989 dollars)

Year	Elderly households		Total households	
	Income	Index (1979 = 100.0)	Income	Index (1979 = 100.0)
1989	$15,771	119.5	$28,906	104.8
1988	15,642	118.5	28,537	103.5
1987	15,765	119.4	28,447	103.1
1986	15,664	118.6	28,168	102.1
1985	15,274	115.7	27,218	98.7
1984	15,275	115.7	26,751	97.0
1983	14,905	112.9	26,167	94.9
1982	14,321	108.5	26,163	94.9
1981	13,629	103.2	26,251	95.2
1980	13,230	100.2	26,683	96.7
1979	13,203	100.0	27,583	100.0
Percent change in income:				
1982-89	10.1	(NA)	10.5	(NA)
1979-89	19.5	(NA)	4.8	(NA)

Note: Median household incomes have been adjusted for inflation using the Bureau of Labor Statistics' CPI-U-X1.

Source: U.S. Bureau of the Census, Current Population Survey.

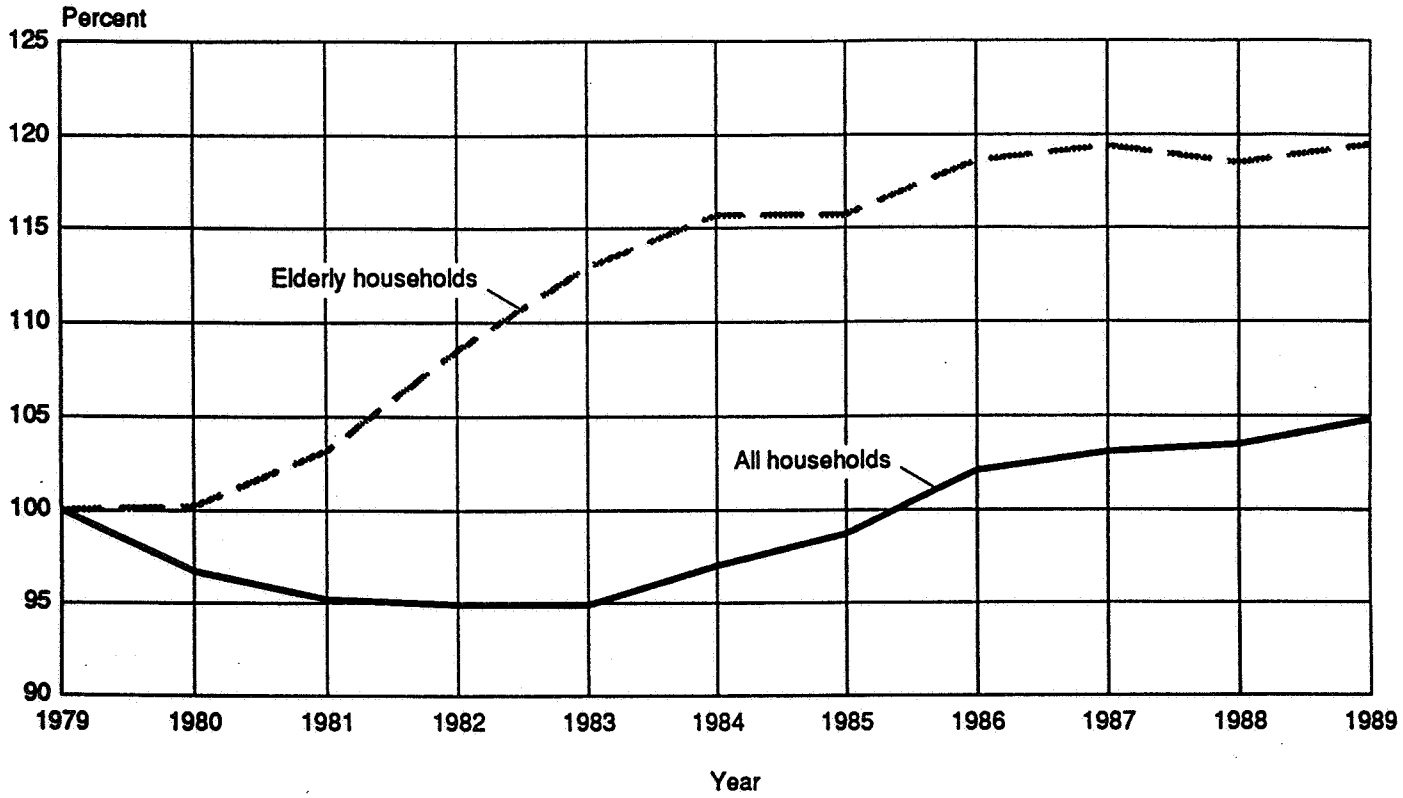
Table 2 contains data for all persons age 15 and over and elderly persons by sex. (Differences in income when measured on a person basis are smaller than when measured on a household basis.) During the 1982 to 1989 period real median annual incomes for elderly men and women and for men of all ages rose by similar rates—10 percent. For women of all ages, real incomes rose by 26 percent, no doubt reflecting the gains made by women in the job market during these years. It should be noted that even during the early part of the decade—1979 to 1982—women's incomes continued to rise faster than the other groups.

Trends in Income Inequality. Although real household incomes, on average, grew in the 1980's, the Census Bureau reported that income inequality had increased as well. How were the elderly affected?

A frequently used measure of income inequality is the share of "aggregate" income received by each quintile of the population, or in this case households. What this involves is a ranking of all households on the basis of income and then dividing this distribution into five equal parts or quintiles. As shown in table 3, the overall share of aggregate income received by the highest quintile in

[4]Statistical significance is a concept concerning the amount of confidence we have in an estimate derived from a sample. Confidence in an estimate is expressed in terms of a confidence interval. In the case above, if all possible samples were surveyed under the same conditions, statistically significant changes in incomes would occur in 90 percent of the samples. Unless, otherwise stated, all statistical comparisons in this paper have been tested for statistical significance at the 10 percent level.

Trends in Real Median Income in Elderly and All Households: 1979 to 1989 (1979=100)



Note: Elderly householders are age 65 years or more.

Source: U.S. Bureau of the Census, Current Population Survey

Table 2. **Real Median Income for Elderly Men and Women and All Men and Women (age 15 and over): 1979 to 1989**

(In 1989 dollars)

Year	Elderly persons		All persons	
	Men	Women	Men	Women
1989	$13,107	$7,655	$19,893	$9,624
1988	13,072	7,445	19,819	9,312
1987	13,019	7,527	19,414	9,054
1986	13,061	7,269	19,363	8,610
1985	12,561	7,275	18,797	8,317
1984	12,472	7,185	18,618	8,197
1983	12,320	7,111	18,253	7,974
1982	11,917	6,959	18,094	7,636
1981	11,248	6,547	18,542	7,512
1980	11,062	6,367	18,879	7,413
1979	10,780	6,302	19,738	7,293
Percent change in income:				
1982-89	10.0	10.0	9.9	26.0
1979-89	21.6	21.5	0.8	32.0

Note: Median incomes have been adjusted for inflation using the Bureau of Labor Statistics' CPI-U-X1.

Source: U.S. Bureau of the Census, Current Population Survey.

1979 was 44.2 percent, but 10 year later the proportion had increased to 46.8 percent, a statistically significant change. This share increase for the richest households occurred while households in the middle three quintiles and the lowest quintile experienced slight declines.

Table 3 also shows the number of elderly households in these quintiles in 1979 and 1989 and the fact that in both years more than 1 out of every 3 elderly households was in the lowest quintile of the Nation's income distribution. It also shows the relatively small number of elderly households in the top part of the income distribution.

The tabulation below looks at these data a different way. It shows the proportion of elderly households in the lowest quintile, the middle three quintiles, and the top quintile of the Nation's income distribution in 1979 and

Year	Proportion of Elderly Households in		
	Lowest quintile	Middle quintiles	Highest quintile
1989	41.6	19.2	8.7
1979	46.2	16.7	5.9

1989. Although the elderly are heavily represented in the lowest part of the income distribution, between 1979 and 1989 proportionally fewer of the elderly were in the lowest quintile and proportionally more were in the

Table 3. **Distribution of Aggregate Household Income, by Quintile and the Number of Elderly Households Represented in Each Quintile: 1979 and 1989**

Year	Total	Distribution by quintile			
		Bottom	Middle three	Top	Gini index
AGGREGATE INCOME OF ALL HOUSEHOLDS (in percent)					
1989	100.0	3.8	49.3	46.8	.431
1979	100.0	4.1	51.7	44.2	.404
ELDERLY HOUSEHOLDS (in thousands)					
1989	20,156	7,759	10,778	1,619	(NA)
1979	16,544	7,457	8,118	969	(NA)

NA Not applicable.
Source: U.S. Bureau of the Census, Current Population Survey.

middle and highest quintiles of the distribution. In other words, the elderly, while still very common at the bottom of society's income ladder, made progress in climbing to higher rungs of that ladder during the 1980's.

Also shown in table 3 are the Gini indexes, or the shorthand measures of how much inequality exists in the country's income distribution.[5] If each household had the same income—perfect equality—this index would have a value of 0.0; however, if one household received all the income—perfect inequality—then the Gini index would be 1.0. In other words, the measure is bounded between 0 and 1. The Gini index for the U.S. household income distribution rose from .404 to .431 between 1979 and 1989, a statistically significant increase. According to the Census Bureau, the rate of increase was twice as great as the increase during the 1970's, so during the 1980's there was an acceleration in income inequality.

Poverty. Table 4 presents the trend in poverty for the elderly during the 1980's. In terms of the total population in 1989, 31.5 million persons were considered poor based on the Federal government's poverty definition, or 12.8 percent of the population. This poverty rate was slightly higher than that in 1979 (11.7 percent), but considerably lower than the rate in 1983 (15.2 percent) which reflected the economic downturn experienced in the opening years of that decade.

[5]The Gini index can be written as

$$G = 1.0 - \sum_{i=1}^{m} f\,(y_i + y_{i-1})$$

where f is the proportion of income recipients in interval i and y_i is the proportion of aggregate income received by the recipients in interval i and all lower intervals.

Among the elderly, 3.4 million persons had incomes below the poverty line in 1989, or 11.4 percent of all the elderly. This rate was well below that for the Nation as a whole and was well below the elderly's rate in 1979 of 15.2 percent.[6] The economic downturn of the early 1980's had less of an impact on the elderly than the population primarily because a smaller proportion of the elderly are in the work force and susceptible to periods of unemployment.

Indeed, the improvement in the poverty picture for the elderly during the 1980's stands out in sharp contrast to that of the nonelderly. The tabulation below shows that over the 10 year period the incidence of poverty worsened for nonelderly persons between the ages of 18 and 64 and for persons under age 18 (the majority of whom were children).[7]

Group	Percentage poor in	
	1979	1989
Total population	11.7	12.8
Persons under 18	16.4	19.6
Persons 18 to 64	8.9	10.2
Persons 65 and older	15.7	11.4

These differential changes in poverty rates, of course, reflect the changing composition of the poverty population. The elderly's share of it in 1979 was 14.1 percent and by 1989 it was 10.7 percent.

Special Problem Groups Among the Elderly

The foregoing suggests that the elderly, on average, did quite well in the 1980's relative to the population. It should be remembered, however, that their average income is still far below that for all households in the Nation (46 percent below) [8] and that 2 out of every 5 households in the lowest income quintile are elderly households. Furthermore, not everyone within the elderly population shared equally in the income gains of the 1980's.

[6]According to the Bureau of the Census, the rate in 1989 for the elderly would have been 5.1 percent and 8.9 percent for the Nation if the value of certain noncash benefits were included and other adjustments to the poverty definition had been made. See "Measuring the Effect of Benefits and Taxes on Income and Poverty: 1989," Current Population Reports, Series P-60, No. 169-RD, U.S. Bureau of the Census, USGPO, Washington, D.C. 1990.

[7]Just as for the total population, poverty rates increased for persons aged 18 to 64 and persons under 18 during the early 1980's as a result of the economic slowdown in those years, and then the rates declined as the recovery began.

Poverty rates in 1989 for the groups shown here would be much lower if data on taxes, capital gains, and the value of certain noncash benefits were included in the CPS income concept. See "Measuring the Effect of Benefits and Taxes on Income and Poverty: 1989," Current Population Reports, Series P-60, No. 169-RD, U.S. Bureau of the Census, USGPO, Washington, D.C., 1990.

[8]Research has shown that this income differential is smaller if the CPS income were "adjusted" for some of the limitations discussed earlier. See Michael D. Hurd, "Research on the Elderly," cited in footnote 1, above.

Table 4. **Number of Persons With Incomes Below the Poverty Level and the Poverty Rate for Elderly Persons and All Persons: 1979 to 1989**

Years	Elderly persons		All persons	
	Number (thous.)	Rate (percent)	Number (thous.)	Rate (percent)
1989	3,369	11.4	31,534	12.8
1988	3,481	12.0	31,745	13.0
1987	3,563	12.5	32,221	13.4
1986	3,477	12.4	32,370	13.6
1985	3,456	12.6	33,064	14.0
1984	3,330	12.4	33,700	14.4
1983	3,625	13.8	35,303	15.2
1982	3,751	14.6	34,398	15.0
1981	3,853	15.3	31,822	14.0
1980	3,871	15.7	29,272	13.0
1979	3,682	15.2	26,072	11.7

Source: U.S. Bureau of the Census, Current Population Survey.

Table 5 shows the distribution of aggregate income by quintiles for elderly households in 1979 and 1989, just as was shown for all households in table 3. The first thing to note is that when measured by the Gini index, the elderly have a somewhat more unequal distribution of income than society as a whole. Their Gini index in 1989 was .467. But, more importantly, even among the elderly there was some evidence of an increase in inequality over 1979-89 period. According to the Gini index, inequality in the elderly's distribution rose from .446 to .467 (the increase, however, was not statistically significant).[9] Some groups among the elderly were left behind also. Who were they?

Elderly Women Living Alone. There are a number of ways to answer this question. One way is to look at the data by the elderly's living arrangements and marital status. (Unfortunately, the only published data available from the Census Bureau at the time of this writing was for 1987. Nevertheless, these data are useful.)

Table 6 shows that real median annual incomes between 1979 and 1987 rose by only 12.9 percent for elderly female unrelated individuals, or from $6,966 to $7,863. For female family householders in which the husband was absent, incomes rose but the increase was not statistically significant. These are sizable groups when compared to all elderly families and unrelated individuals. The increases in their income levels were far below the increases experienced by elderly married couple families.

[9]The change in the Gini index for elderly households was on the borderline of statistical significance. Other researchers have observed growing inequality of income among elderly households during the 1980's. See Daniel B. Radner, "Changes in the Incomes of Age Groups, 1984-89," *Social Security Bulletin*, Vol. 54, No. 12, December, 1991, pp. 2-18.

Table 5. **Distribution of Aggregate Household Income, by Quintile for Households With an Elderly Householder: 1979 and 1989**

(In percent)

Quintile	1979	1989
Total	100.0	100.0
Lowest	4.8	4.5
Second	9.0	8.5
Third	14.3	13.5
Fourth	22.0	21.7
Highest	50.0	51.9
Mean	$11,144	$23,452
Gini index	.446	.467

Source: U.S. Bureau of the Census, Current Population Survey.

The relatively poor income growth performance of elderly women during the 1980's is also reflected in their poverty statistics. As shown in table 7, while their poverty rate fell from 30.4 to 23.4, it still remains very high. And the economic situation for elderly Black women who are poor has been particularly intractable. The poverty rate for the 371,000 Black elderly women in 1989 was 59.8 percent; in 1979 the comparable figure was 64.8 percent, not significantly different. The vast majority of these women are widowed and live alone. Clearly, the income picture for elderly Black women did not brighten much in the 1980's.

Table 6. **Real Median Income of Elderly Families, by Type and Elderly Unrelated Individuals, by Sex: 1979 and 1987**

(In 1987 dollars)

Type of family and sex	1979		1987	
	Number (thous.)	Income	Number (thous.)	Income
FAMILIES				
Total	8,792	$17,362	10,502	$20,813
Married-couples	7,248	17,330	8,631	20,996
Male householder, no wife	304	18,606	391	24,946
Female householder, no husband	1,240	17,235	1,479	18,761
UNRELATED INDIVIDUALS				
Total	7,656	7,141	9,330	8,205
Male	1,666	7,961	2,158	9,584
Female	5,990	6,966	7,173	7,863

Source: U.S. Bureau of the Census, Current Population Survey.

The Elderly "Slightly Above" the Poverty Line. Another way to find out who was left behind is to look at how far

Table 7. **Poverty Levels and Poverty Rates of Elderly Families, by Type and of Elderly Unrelated Individuals, by Sex: 1979 and 1989**

Type of family and sex	1979		1989	
	Number (thous.)	Rate (percent)	Number (thous.)	Rate (percent)
FAMILIES				
Total	797	9.1	703	6.6
Married couples	594	8.2	495	5.6
Male householder, no wife	35	11.7	28	7.8
Female householder, no husband	168	13.5	180	12.2
UNRELATED INDIVIDUALS				
Total	2,243	29.3	2,166	22.0
Male	421	25.3	385	17.3
Female	1,822	30.4	1,780	23.4
Black	295	64.8	371	59.8

Source: U.S. Bureau of the Census, Current Population Survey.

above and below the poverty line the elderly were located in 1979 and 1987. (Again, we must rely on data for 1987.) To do this the ratio of income to the poverty line is computed for elderly householders and unrelated individuals.[10]

As was indicated earlier, income levels of the elderly rose during the 1980's but at different rates for different groups of the elderly. The data in table 8 show that the proportions of elderly family householders with income to poverty line ratios of under 2.0 (or incomes below twice the poverty line) declined between 1979 and 1987. Moreover, the proportion with income to poverty ratios of 2.0 or more rose from 62 to 70 percent of all the elderly.

But when we examine the data for elderly unrelated individuals, the improvement is less impressive, especially just slightly above the poverty line. The proportion of unrelated individuals with income-to-poverty line ratios of between 1.26 and 2.00 was not significantly different during the 1980's, vis-a-vis the situation for all elderly households. Almost 25 percent of all elderly unrelated individuals were located in this part of the distribution in both 1979 and 1987. This lack of identifiable change was particularly obvious among elderly women who were unrelated individuals (most of whom live alone), as is shown in table 8. These are probably persons with Social Security income as their only source of income.

[10]The poverty index, of course, varies by family size, number of children, and age of householder for one or two person households. In 1987, the poverty line for an elderly unrelated individual was $5,447; for an elderly two-person household, it was $6,865.

In contrast, the proportions of elderly unrelated individuals located below 1.25 of the poverty line did decline significantly between 1979 and 1987, while the proportion above 2.0 of the poverty line increased. In consequence, the general improvement in the income situation of the elderly was not necessarily shared by groups with incomes slightly above their poverty lines.

The Elderly and Wealth

Another important dimension of the economic well-being of the elderly is their wealth or net worth. While the incomes of the elderly are lower than the nonelderly, on average, their net worth is much higher simply because they have had a longer period of time to accumulate assets. This wealth is an important source of income and security for the elderly.

There is a general impression that asset holdings appreciated across society during the 1980's. Real estate values and stock market prices did rise, while investment opportunities abounded given the expansion in corporate indebtedness. Of interest, of course, is what happened to the asset position of the elderly during this period.

The Census Bureau's Survey of Income and Program Participation (SIPP) periodically surveys households about their economic well-being, including wealth holdings or net worth.[11] The Census Bureau defines net worth as the value of assets minus liabilities. Specifically, interest-earning assets, stocks and mutual fund shares, real estate, own businesses or professions, mortgages held by sellers, and vehicles, minus debts secured by any asset, credit card or store bills, bank loans, and other unsecured debts equals net worth. The Bureau recently released the results of their wealth survey for 1988 and it is possible to compare it to the results of the same survey in 1984.

What the Elderly Have. Before we examine what happened to the net worth of the elderly in the 1980's it would be useful to take an inventory of their assets as compared to the rest of the population. The total value of the elderly's net worth, of course, is twice as high as that of all households—the median net worth for the elderly was $73,471 compared to $35,752 for all households. Table 9 displays the distribution of net worth in 1988 by asset type for all households in the population as well as those households with elderly householders. Also shown are the median values of these assets.

[11]See Household Wealth and Asset Ownership: 1988, Current Population Reports, Series P-70, No. 22, U.S. Bureau of the Census, USGPO, Washington, D.C., 1990, and Household Wealth and Asset Ownership: 1984, Current Population Reports, Series P-70, No. 7, U.S. Bureau of the Census, USGPO, Washington, D.C., 1986.

Table 8. **Distribution of Elderly Family Households, Elderly Unrelated Individuals, and Elderly Persons by Their Income-to-Poverty Line Ratio, 1979 and 1987**

(In percent)

Ratio	Elderly households		Elderly unrelated individuals		Elderly female unrelated individuals		Elderly persons	
	1979	1987	1979	1987	1979	1987	1979	1987
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than .50	1.6	1.4	4.0	2.9	3.8	3.0	2.4	1.9
.50-1.00	7.4	5.7	25.3	21.1	26.5	22.4	12.7	10.3
1.01-1.25	6.2	4.5	17.1	15.0	17.8	15.4	9.6	8.0
1.26-1.50	6.9	5.7	11.7	11.0	11.7	11.7	8.2	7.2
1.51-2.00	15.7	12.8	14.3	13.8	14.2	13.7	15.3	13.1
2.00 or +	62.1	69.8	27.7	36.1	25.8	33.8	51.9	59.4

Source: U.S. Bureau of the Census, Current Population Survey.

Table 9. **Distribution of Net Worth, by Asset Type and Median Value for Elderly Households and All Households: 1988**

Asset type	Elderly households		All households	
	Total (percent)	Median value	Total (percent)	Median value
Total	100.0	$73,471	100.0	$35,752
Interest earning assets[1]	22.4	14,560	14.1	3,494
Other interest earned[2]	6.8	24,080	4.2	10,911
Checking accounts	0.5	605	0.6	487
Stocks, mutual funds	8.2	11,017	6.5	4,510
Home equity	40.4	55,447	43.1	43,070
Rental property equity	6.7	45,075	7.9	37,439
Other real estate equity	2.6	17,417	4.3	18,064
Vehicles	3.1	3,834	5.8	4,416
Business equity	3.0	10,662	8.8	10,446
U.S. savings bonds	0.6	1,430	0.6	546
IRA/Keogh	2.8	12,155	4.2	9,016
Other financial investments	3.5	26,891	3.0	16,204
Unsecured assets	-0.5	(NA)	-2.9	(NA)

1/Includes savings accounts, money market deposit accounts, certificates of deposit, and interest earning checking accounts.
2/Includes money market funds, government securities, corporate or municipal bonds, and other interest earning assets.
Source: U.S. Bureau of the Census, Survey of Income and Program Participation.

As is well known, the single most important component of the average household's assets is the equity in the home—43 percent of total net worth. This is also true for the elderly, although to a slightly lesser extent. Interest earning assets, however, are a very important element of the elderly's net worth vis-a-vis the population in general. Almost 25 percent of the elderly's net worth is comprised of passbook savings accounts, money market deposit accounts, certificates of deposit, and other interest earning assets held at financial institutions. Only 14 percent of all households' net worth is comprised of these assets.

Changes in the Elderly's Net Worth, 1984 to 1988. So did "wealth" increase during the 1980's and what happened to the elderly's net worth? Table 10, which shows the median net worth for all households and elderly households by monthly income quintiles, attempts to answer to that question. (As with the income data, net worth data are presented in "real" terms.) [12]

The table shows that despite the economic expanison of the 1980's, wealth did not change. The real median net worth of all households in the country was about $36,000 in both 1984 and 1988. (The difference shown in the table was not statistically significant.) For the elderly, however, median net worth rose from $68,600 to $73,471, a statistically significant increase. In addition, the elderly in the third and highest monthly income quintiles also experienced statistically significant increases in their net worth. Net worth increased from roughly $110,000 to $142,000 in the third quintile and from

[12]The net worth data for 1984 are expressed in terms of 1988 dollars having been adjusted for inflation by the Bureau of Labor Statistics' Consumer Price Index (CPI-U).

Table 10. **Median Value of Household Net Worth, by Monthly Income Quintile and Median Value of Household Net Worth After Excluding Home Equity, by Monthly Income Quintile for Elderly Households and All Households: 1984 and 1988**

(In 1988 dollars)

Year	Total	Monthly income quintile				
		Bottom	Second	Third	Fourth	Highest
NET WORTH						
Elderly Households						
1988	$73,471	$25,220	$76,050	$141,811	$201,562	$343,015
1984	68,600	25,088	73,814	109,998	194,876	273,982
All Households						
1988	$35,752	4,324	19,694	28,044	46,235	111,770
1984	37,012	5,130	21,248	29,459	49,947	98,411
NET WORTH (excluding home equity)						
Elderly Households						
1988	$23,856	3,536	28,168	57,026	100,480	208,789
1984	21,557	3,193	26,200	51,827	97,677	185,844
All Households						
1988	$9,840	1,152	5,454	8,418	14,376	40,688
1984	8,800	1,112	5,320	7,938	12,406	35,744

Source: U.S. Bureau of the Census, Survey of Income and Program Participation.

$274,000 to $343,000 in the highest. Only about 17 percent of all elderly households fall in the third quintile and only 8 percent in the highest. So, it was only in these relatively small groups of the elderly population that gains in net worth were registered.

Also shown in table 10 is the median net worth position of the elderly and the population as a whole, excluding the equity in the home. Obviously, these medians are much lower reflecting the importance of the home in an elderly household's net worth. What is of interest for the elderly is that, although the medians had increased between 1984 and 1988, none of the changes were statistically significant.

Other Aspects of the Elderly's Net Worth

As indicated above, while the net worth position of the elderly did increase "on average" during the heart of the 1980's, it was not a uniform increase across all income groups. In general, the improvement was found among those in the middle and upper monthly income brackets of society. But as was also pointed out earlier, the elderly are more commonly found in the lower portion of the income distribution.

Table 11 shows two other dimensions of the increase in the real net worth of the elderly between 1984 and 1988. First, the increase was concentrated among those households in which the householder was 70 to 74 years of age. Real net worth rose from $68,500 to $82,111. Changes for the other age groups were not statistically significant. The same pattern was observed when home equity was excluded from net worth: only among those elderly households in which the householder was 70 to 74 did net worth increase. (Table 11 also shows how net worth drops after age 74—from roughly $82,000 to $61,000. Those householders age 75 and over are a growing proportion of the elderly.)

Table 11. **Median Value of Net Worth and Median Value of Net Worth After Excluding Home Equity for Edlerly Households, by Age and Type of Household: 1984 and 1988**

(In 1988 dollars)

Age and type of household	Net worth		Net worth (excluding home equity)	
	1984	1988	1984	1988
AGE				
65 and over	$68,600	$73,471	$21,557	$23,856
65 to 69	75,992	83,478	24,757	27,482
70 to 74	68,514	82,111	21,321	28,172
75 and over	62,865	61,491	19,469	18,819
TYPE OF HOUSEHOLD				
Married couple	98,128	124,419	39,270	45,890
Male householder	47,504	48,883	14,448	15,914
Female householder	48,386	47,233	11,622	10,693

Source: U.S. Bureau of the Census, Survey of Income and Program Participation.

A second dimension of the table, net worth by type of household, also illustrates the rather narrowly based increase in net worth for the elderly. Only among elderly married couple households did real median net worth increase. It rose from $98,128 in 1984 to $124,419 in

1988. These types of households, of course, make up less than half of all elderly households and are comprised of 65 to 74 year olds. For single male and female householders, on the other hand, little change was observed in their net worth positions. This pattern was also evident after the exclusion of home equity. (The table also demonstrates how much lower wealth holdings are for these single householders, especially women, as compared to married couple households.)

Conclusions

In general, the 1980's were relatively good years for the elderly, at least in terms of income growth and increases in net worth or wealth. Broad measures of income and net worth for elderly households increased more than they did for all households. However, as was true concerning the entire population, the gains in income and wealth associated with the economic expansion of the 1980's were not shared by all elderly households.

Growth in real income was weakest for elderly single householders, especially women, and those elderly households slightly above the poverty line. The situation was particularly acute for elderly Black women living alone—a group whose poverty rate changed very little in the decade. Elderly married couple households, on the other hand, appeared to have fared best during the decade. Income inequality became somewhat more acute for the elderly as well.

Although data on net worth, or wealth, are not as readily available as income data, survey data for 1984 and 1988 provide two points in time by which we might obtain a glimpse of what was happening in the decade. The data showed that for all households there was very little change, and only among the highest income households did median net worth increase. In contrast, among elderly households net worth increased and was up particularly for middle income and high income elderly households. The increase was confined generally to married couple households and those with householders aged 70 to 74.

As the elderly left the 1980's and entered the 1990's, therefore, it appears that, on average, they were better off, at least with respect to income and wealth, then when they entered the 1980's. But the 1990's began on less than a sanguine note—recession, indebtedness, and unexpected costs. For those among the elderly who did not share in the benefits of the economic expansion of the 1980's, the years immediately ahead may produce considerable economic stress. Indeed, these groups would appear to be the most economically vulnerable.