



What Is Poverty?
Demographic Characteristics of Poor Older Adults
The Geographic Distribution of Poverty
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Noncash Benefits
Enrollment in Assistance Programs
Affordability of Health Care
Health and Disability Status
The Burden of Health Care Costs
Food Security
Assessing the Needs of Poor Older Adults
Improving the U.S. Poverty Measure
New Poverty Measures
Closing the Poverty Gap

OLDER AMERICANS IN POVERTY: A SNAPSHOT

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Older Americans in Poverty: A Snapshot

Ellen O'Brien, Ke Bin Wu and David Baer

AARP Public Policy Institute

This report was prepared under the direction of Janet McCubbin.

AARP's Public Policy Institute informs and stimulates public debate on the issues we face as we age. Through research, analysis and dialogue with the nation's leading experts, PPI promotes development of sound, creative policies to address our common need for economic security, health care, and quality of life.

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AARP, 601 E Street, NW,

Washington, DC 20049

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OVERVIEW

Poverty among the elderly remains a serious and persistent problem in the United States. Nearly one in ten adults age 65 and above live in a family with income below the official U.S. poverty line, or federal poverty level (FPL). In 2008, an adult age 65 and older living alone was counted as poor if his or her annual cash income before taxes was below \$10,326. An elderly couple with income below \$13,014 was counted as poor.¹ Nearly one in six older adults was poor or near poor, with income below 125 percent of the FPL, and about a third had low income—below 200 percent of the FPL.

The fact that 3.7 million older adults do not have sufficient cash income to meet their basic expenses too often escapes attention. By most accounts, elderly poverty is a problem we have largely solved. Since 1968 the poverty rate among adults age 65 and older has declined by about a third, falling from 25 percent in 1968 to 9.7 percent in 2008. In contrast, poverty among younger adults, and especially among children, has risen in recent decades even as national prosperity, real gross domestic product per capita, has grown. But poverty—particularly poverty among the elderly—is mismeasured and poverty rates are still unacceptably high, especially for certain groups of older Americans.

Poverty hits some groups of older adults more than others.

Twenty percent of older adults who are black or Hispanic are poor, and poverty hits older people with limited education and those who are not married especially hard. Most poor adults age 65 and older are not married—either widowed (43 percent), divorced or separated (19 percent), or never married (8 percent). Older women of color are especially likely to live in poverty. Nearly a quarter of older women who are black or Hispanic are poor, and more than a third are poor or near poor (with income below 125 percent of the FPL).

Poverty among older adults varies across the states, but because of Social Security and Supplemental Security Income (SSI)—which provide uniform federal benefits—the percentage of older adults living in poverty varies far less across the country than does the percentage of children living in poverty. The percentage of older adults living in poverty in 2008 ranged from a high of 16.9 percent in Mississippi to a low of 3.7 percent in Alaska.

Most poor older adults receive income from Social Security. **In fact, the majority (59 percent) of poor older adults depend on Social Security for all or nearly all (90 percent or more) of their family income.** And although Social Security benefits are typically large enough to prevent older people from living in poverty, some people receive only modest benefits that leave them in poverty. Older poor families are substantially less likely than the nonpoor to have income from assets, earnings, and pensions. And, even when they do have income from these sources, poor families derive less from these sources of income than do nonpoor families. Only about 15 percent of poor older families received cash assistance from SSI or other cash welfare programs.

An array of state and federal assistance programs is available to assist poor and low-income older adults, but a substantial share of even very low-income adults do not benefit from programs that could supplement limited incomes and make food, shelter, utilities, health care, and other necessities more affordable. Many of the elderly poor receive assistance from other (noncash or near-cash) federal assistance programs, including Medicaid and the Medicare Savings Programs (MSP), the Medicare Part D Low Income Subsidy (LIS), and the Supplemental Nutritional Assistance Program (SNAP, formerly food stamps).

Many older adults who live in poor families face other challenges that make it especially difficult to get by on a limited income. **Poor older adults tend to be in worse health than adults who are not poor:** They tend to have more chronic and disabling health conditions. Poor health and disability, on top of very limited income and inadequate insurance protection, mean that health care costs are a burden for many poor older adults. In 2006, the typical poor

adult age 65 and older spent 19.6 percent of income on health care, compared to 6.1 percent for older adults with incomes above 400 percent of poverty. Health care costs are unaffordable (exceed 20 percent of family income) for half of poor elderly adults.

Housing takes an even bigger bite out of the incomes of poor older adults.

The median poor older household spent 60 percent of annual household income on housing in 2008. Put another way, housing costs are extremely unaffordable (absorbing more than half of household income) for more than half (56.9 percent) of older poor households. When a less restrictive standard is used, more than three-fourths of poor older households faced a housing affordability problem, spending more than 30 percent of household income on housing in 2008.

Food is a far less costly item than housing in the budgets of the elderly poor, but a growing share of poor and near-poor older households experienced severe difficulties paying for food in 2008. In 2008, 22.1 percent of low-income elderly households (with incomes below 130 percent of the poverty line) were “food insecure” (they had limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods). This is a substantial increase from 2006, when 17.6 percent of the very low-income elderly had low or very low food security.

Some of the elderly poor can draw on assets to ease their hardships. Some poor older adults may have accumulated assets that can provide a cushion during hard times and can be used to meet extraordinary needs. But most have few assets, and most of what they do have is tied up in their home. Poor older adults had median assets (excluding home equity) of just \$5,310 in 2005. Even when home equity is included, the median total family assets of elderly poor individuals were just \$66,600 in 2005.

The official U.S. poverty measure has been in use for more than four decades, but increasingly, it fails to accurately describe who is and who is not poor, and it does an especially inadequate job of measuring the extent of poverty among older adults. Nearly twice as many adults age 65 and above are poor when newer measurement approaches are used.

Reducing poverty among older adults should be a policy priority for federal and state policymakers. Options for alleviating poverty among the elderly include improvements in Social Security and SSI, better protection from high out-of-pocket costs for health care and long-term care, and policies to ensure that housing is affordable for both renters and homeowners.

WHAT IS POVERTY?

The official poverty measure describes the number and percentage of people who have pre-tax cash family income inadequate to meet their most basic needs for shelter, food, and clothing. Constructed more than four decades ago—and adjusted only for price inflation since then—the poverty measure is widely regarded as out-of-date.² Recent efforts to measure the income needed to pay for ordinary expenses find that the income needed for a decent standard of living is significantly higher than the federal poverty level (FPL). Further, since the official poverty measure fails to count noncash sources of assistance and post-tax transfers, it is not useful for assessing the effectiveness of government policies.

Measuring Poverty

The official poverty measure is a measure of income poverty. Various sources of cash income before taxes are counted to determine a family's poverty status, including earnings, self-employment income, Social Security benefits, private and government pension income, interest, rent and dividends, unemployment insurance, workers' compensation and veterans' benefits, and SSI benefits and other forms of welfare payments or cash assistance, as well as other regular source of support, such as alimony payments.

The official poverty measure does not make allowance for noncash benefits received, such as food stamps, housing and energy subsidies, or Medicaid's health care benefits; it does not deduct taxes paid (or include tax credits, such as the Earned Income Tax Credit, as income), nor does it take into account any savings or financial assets that a family may be able to draw on to supplement income.

To determine the poverty rate for the population as a whole and for various subgroups, the Census Bureau uses annual thresholds based on family size and composition. There are 48 thresholds reflecting variation in the income families of different sizes and types need to meet basic expenses.³ Each year, the Census Bureau estimates the number of individuals who live in families with income below the threshold *for families of their size and type*.

These thresholds were first set in the mid-1960s, based on expenditure data from the mid-1950s. Since expenditures on food were estimated to represent about a third of family expenditures, the poverty threshold was defined as three times the cost of a minimally adequate diet (to allow for expenditures on all other goods and services). Consequently, today's thresholds, updated only for inflation, continue to reflect 55-year-old expenditure patterns for basic needs.⁴

Not only do the thresholds vary by family size and presence of children, they also vary by age. The thresholds are based on an assumption that older adults need less cash income to meet basic needs than do younger adults. In 2008, for example, the official poverty threshold for an older adult was 92 percent of the threshold for a younger adult. (Figure 1.)

If the higher thresholds for younger adults had been used to estimate the number of older people living in poverty, an additional 704,000 older adults would have been counted as poor in 2008 (for a total of 4.36 million), and the poverty rate for adults age 65 and above would have been

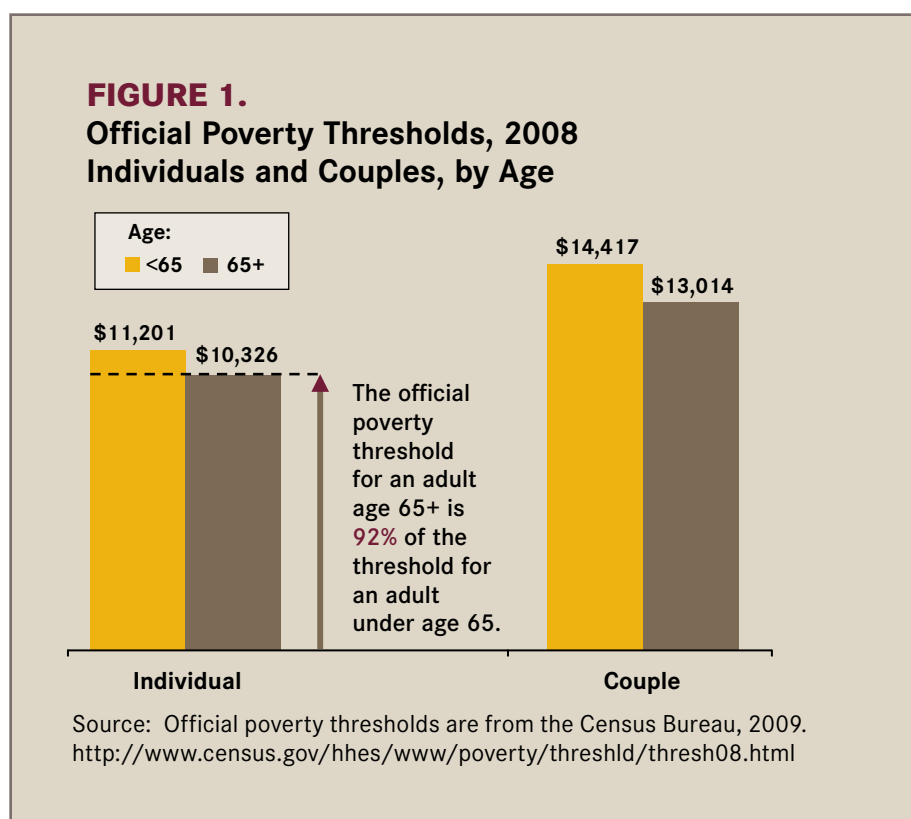
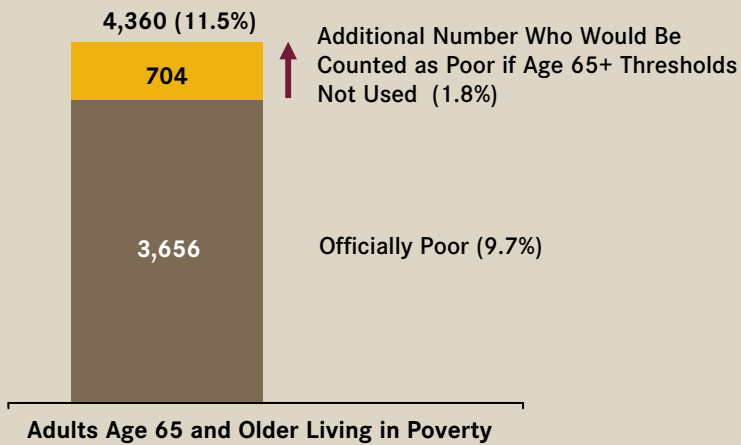


FIGURE 2.
Number of Adults Age 65 and Older Living in Poverty When Age-Related Thresholds Are Not Used, 2008 (in Thousands)

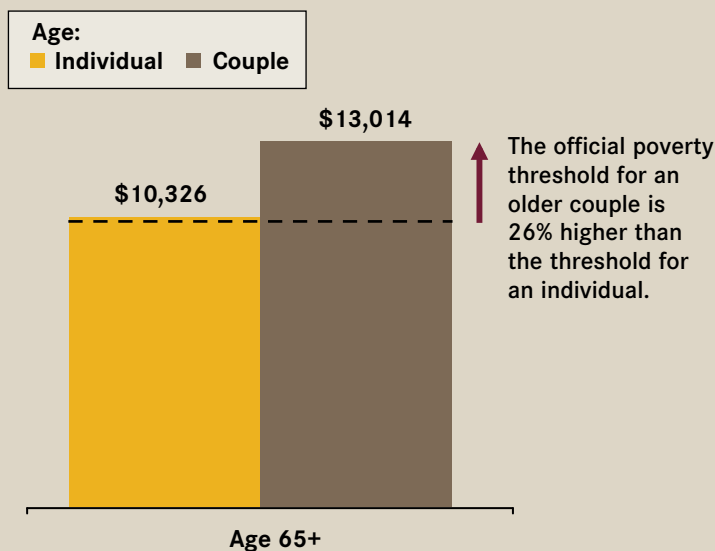


Source: **AARP** Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

nearly 2 percentage points higher (11.5 percent vs. 9.7 percent). (Figure 2.)

In 2008, the poverty threshold for an older couple was \$13,014—just 26 percent higher than the threshold for an individual age 65 or older (\$10,326). That is, according to official poverty calculations, an older couple needs 26 percent more income than an individual to meet basic needs for food, clothing, and shelter. (Figure 3.)

FIGURE 3.
Official Poverty Thresholds, 2008 Adults Age 65 and Older



Source: Official poverty thresholds are from the Census Bureau, 2009. <http://www.census.gov/hhes/www/poverty/threshld/thresh08.html>

Poverty Guidelines for Program Administration

The federal poverty measure is used in determining individuals' eligibility for some low-income assistance programs and is used in some federal funding formulas.⁵ Each year, the U.S. Department of Health and Human Services issues federal poverty guidelines (FPGs)—which are somewhat different from the Census Bureau's poverty thresholds—that are used in a number of federal, state, and local public programs. The 2009

federal poverty guidelines are those used for program administration in 2009. They are based on the 2007 federal poverty thresholds (with adjustments for family size and for inflation through the end of 2008). There is a single poverty guideline for adults, rather than separate guidelines for older and younger adults. In 2009, the FPG for a single person was \$10,830; for a family of two persons, it was \$14,570.⁶ (Figure 4.)

FIGURE 4.
2009 Poverty Guidelines

Persons in Family	Poverty Guideline
1	\$10,830
2	\$14,570
3	\$18,310
4	\$22,050
For each additional person, the guideline is increased by \$3,740.	

Source: <http://aspe.hhs.gov/POVERTY/09poverty.shtml>
 Note: There are separate guidelines for Alaska and Hawaii. The 2009 guideline in Alaska is \$13,530 for one person and \$4,680 for each additional family member; in Hawaii, it is \$12,460 for one person and \$4,300 for each additional family member.

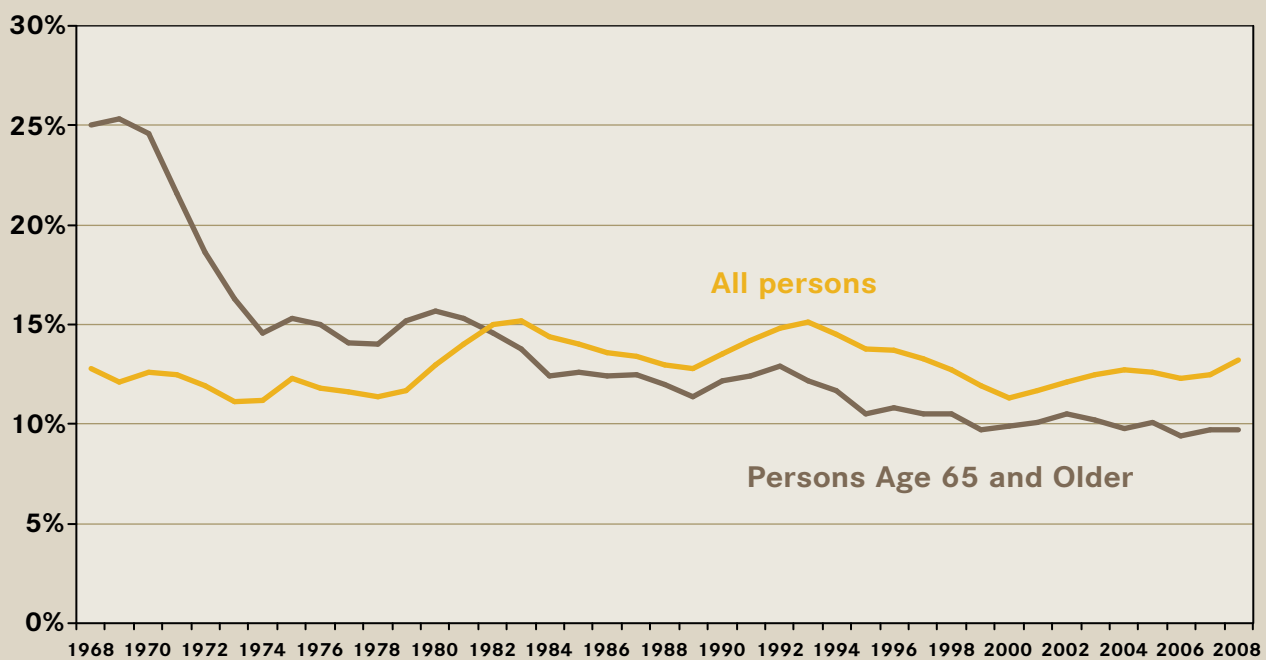
For the first time since the establishment of the official poverty guidelines, the average annual CPI went down between 2008 and 2009 (by -0.4 percent). The Defense Appropriations Act of 2010 includes a provision that freezes the poverty guidelines at 2009 levels through March 1, 2010, in order to prevent a reduction in eligibility for certain means-tested programs, including Medicaid, SNAP, and child nutrition.⁷ Additional legislation may be needed to prevent any reduction of the guidelines in 2010. (The 2009 thresholds, which the Census Bureau will use to measure the poverty rate later in 2010, are lower than the 2008 thresholds.⁸)

TRENDS IN POVERTY

Tremendous strides have been made in reducing the poverty rate of the elderly. Just in the first decade since the federal government adopted an official measure of poverty, the percentage of older adults in poverty fell dramatically, from 25 percent in 1968 to 14 percent in 1978. The steep decline in the 1960s and 1970s was almost entirely due to the significant expansion of Social Security benefits during that period. Since then, progress has been more gradual, with the official rate of poverty among older adults

remaining at about 10 percent over the past decade. (Figure 5.) However, while the percentage of persons aged 65 and older in poverty has fallen over the past 40 years, the number of poor elderly has remained relatively constant since the mid-1970s due to the growth in the total number of elderly people.

FIGURE 5.
Percentage of the Population below the Official Poverty Threshold, 1968–2008

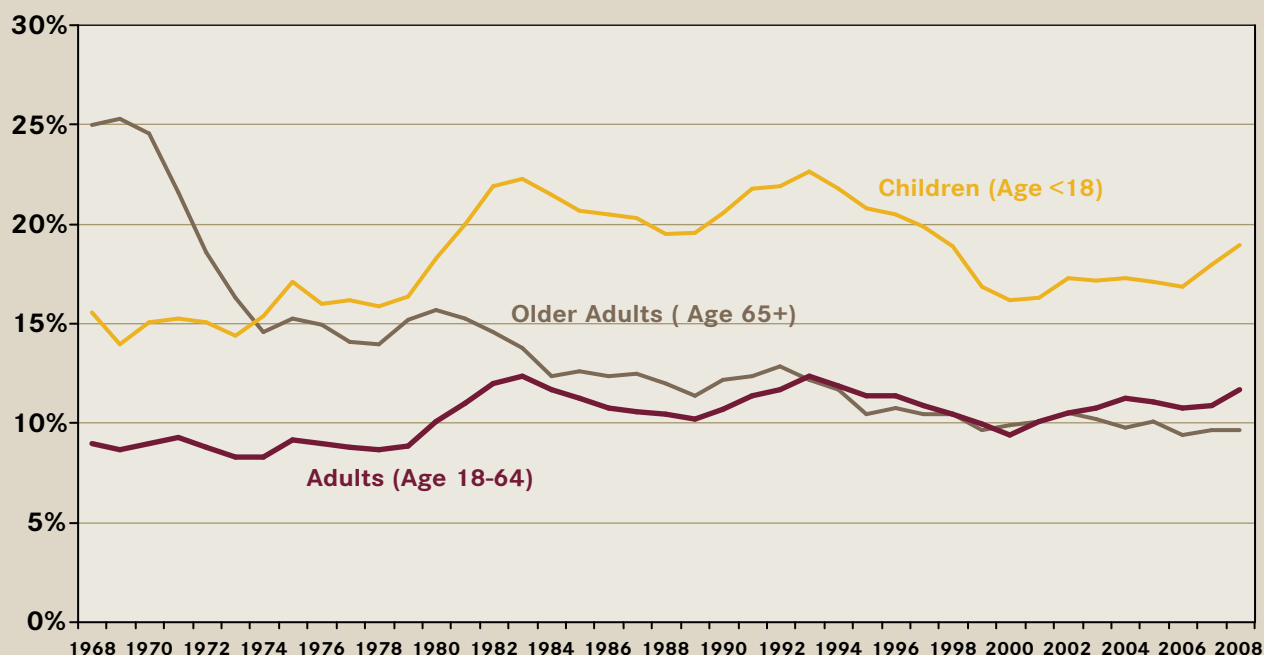


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 1969–2009.

When the poverty rate for the elderly is compared to poverty rates for other age groups, the elderly appear to be significantly better off. In 2008, nearly 40 million people (13.2 percent of the noninstitutionalized population) lived below the official poverty line in the United States. The elderly poverty rate (9.7 percent) is significantly lower than the child poverty rate (19 percent) and lower than the poverty rate for adults aged 18 to 64 (11.7 percent). In addition, in contrast to the fairly steady decline in poverty among older adults, poverty among younger adults and especially, children, has risen in

recent decades, even as national prosperity (real gross domestic product per capita) has grown. (Figure 6.)

FIGURE 6.
Percentage of the Population below the Official Poverty Threshold, by Age, 1968–2008



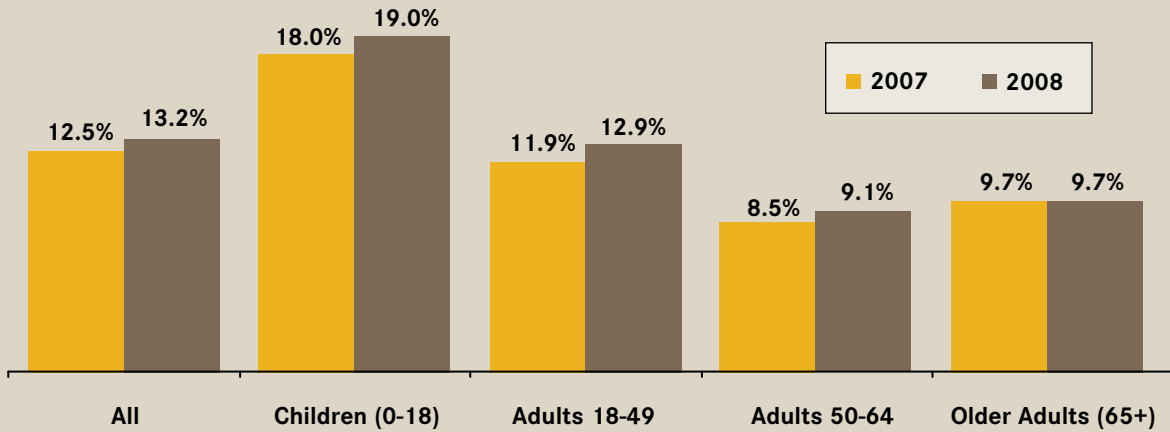
Source: U.S. Census Bureau, Current Population Survey, 2008 and 2009 Annual Social and Economic Supplements.

In 2008, one year into the current economic recession, the number of people living in poverty rose by 2.5 million, from 37.3 million in 2007 to 39.8 million. The overall poverty rate increased sharply, rising from 12.5 percent in 2007 to 13.2 percent, with most of the increase occurring among children and adults under age 65. (Figure 7.) Of the 2.5 million people who fell into poverty, 1.7 million were adults age 18 to 64, 744,000 were children, and 100,000 were adults age 65 and older.

WHO ARE POOR AND NEAR-POOR OLDER ADULTS?

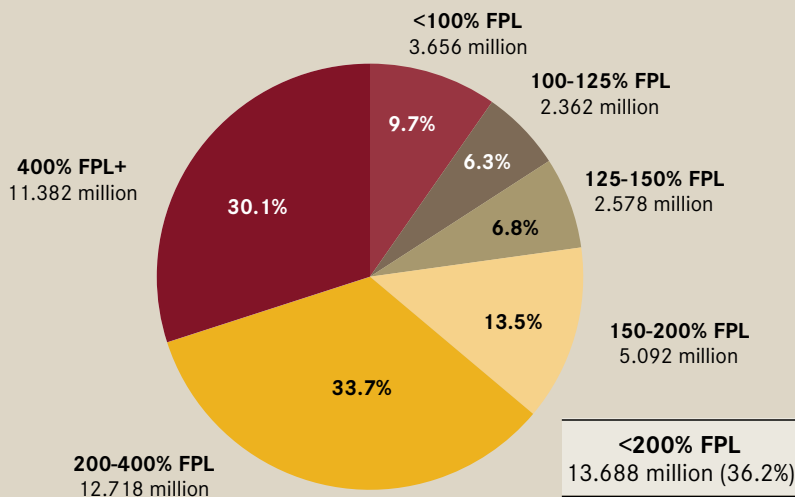
Today, nearly 3.7 million older adults (9.7 percent of adults age 65 and older) live in poverty. Another 2.4 million older adults live in families with incomes marginally above the poverty threshold (between 100 percent and 125

FIGURE 7.
Increase in Official Poverty Rates, by Age, 2007–2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2008 and 2009 Annual

FIGURE 8.
Distribution of Older Adults, Age 65 and Older, by Income Relative to the Federal Poverty Level, 2008



Total Noninstitutionalized Elderly = 37.788 million

Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: These are estimates for the civilian, noninstitutionalized population. The 2008 federal poverty threshold was \$10,326 for single elderly persons and \$13,014 for elderly couples.

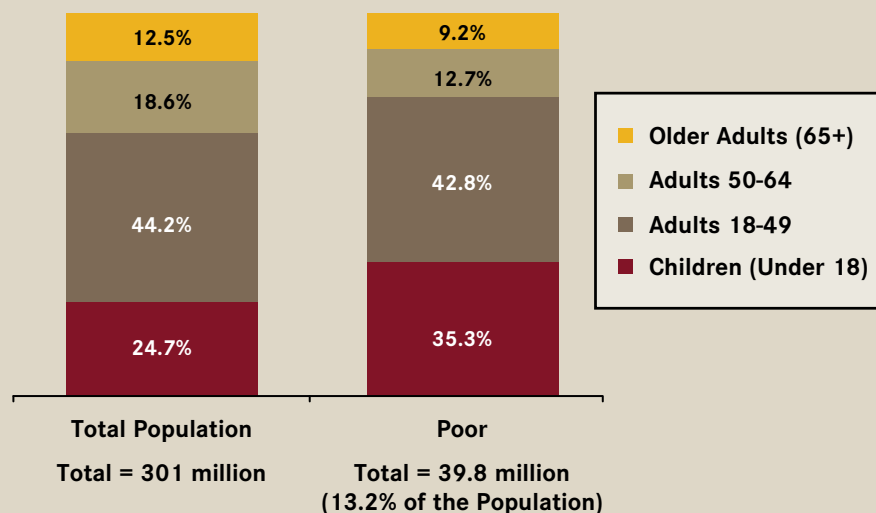
percent of the federal poverty line), and 2.6 million have incomes between 125 percent and 150 percent of the federal poverty line. Overall, 36.2 percent of older adults, or 13.7 million adults age 65 and older, have low income—defined as family income below 200 percent of the FPL. (Figure 8.)

Because people age 65 and older represent just 12.6 percent of the noninstitutionalized U.S. population, they

represent a relatively small share of the poor. Most people living in poverty are children and working-age adults. In 2008, 35.3 percent of people living in poverty were children. Adults age 18 to 64 accounted for 55.5 percent of the poor, and people age 65 and above accounted for 9.2 percent. (Figure 9.)

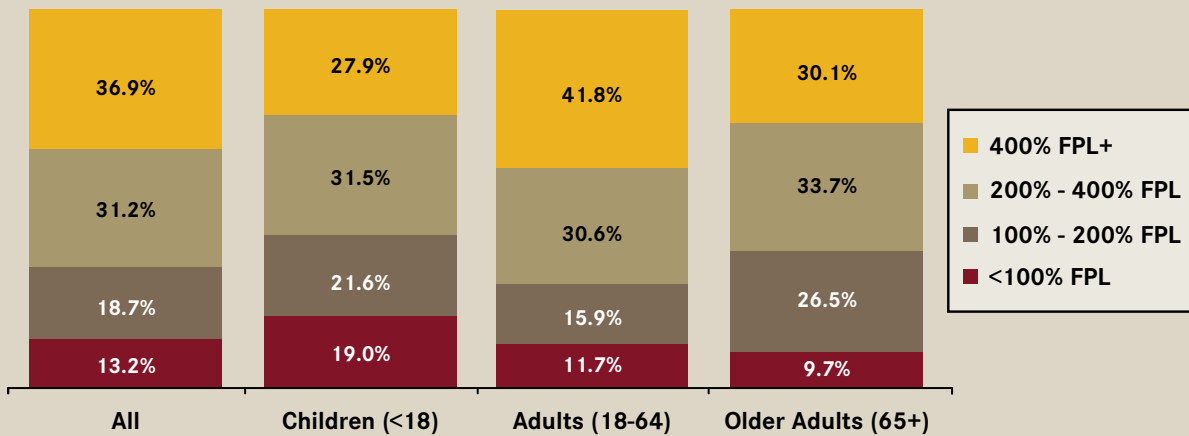
While adults age 65 and older are less likely than younger people to live in poor families, they are more likely to live in families with incomes between one and two times the poverty line. As a result, when we look at people with low income (defined as income below 200 percent of the FPL), the gap between the elderly and other age groups narrows. Although children are twice as likely as elderly adults to live in poverty, the elderly are *more* likely than children to have family income between 100 percent and 200 percent of poverty (26.5 percent vs. 21.6 percent). The share of older adults with low income (36.2 percent) is only slightly lower than the share of children living in low-income families (40.6 percent). (Figure 10.)

FIGURE 9.
Distribution of the Population and the Poor, by Age, 2008



Source: U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement.
Note: These are estimates of the noninstitutionalized population.

FIGURE 10.
Distribution by Income Relative to the Federal Poverty Level, 2008



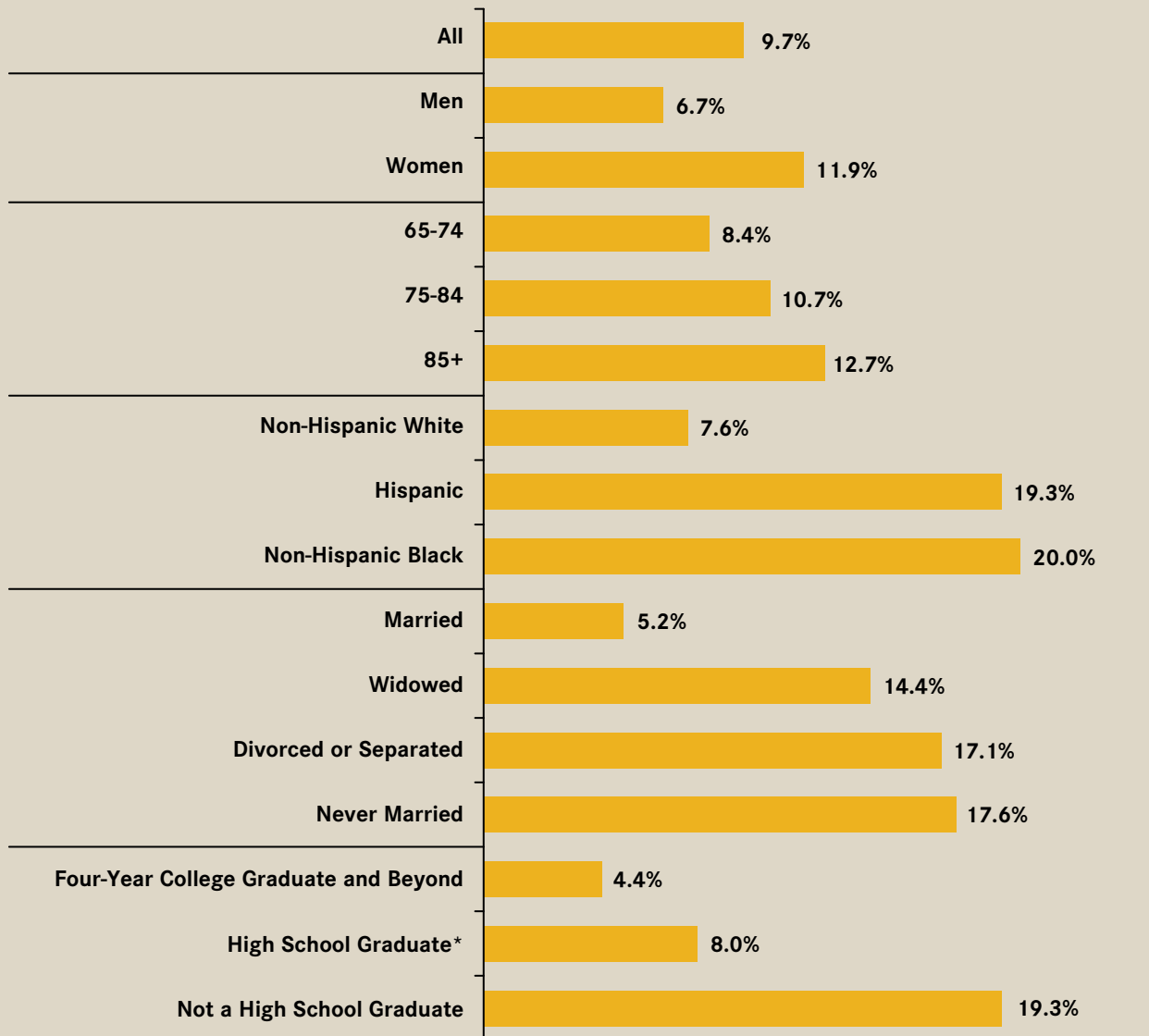
Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Demographic Characteristics of Poor Older Adults

Economic hardship and poverty are pervasive for many subgroups of older adults, especially women; widows and people who are divorced, separated, or never married; racial and ethnic minorities; people living alone; and the oldest adults (people over age 85).

In 2008, about 12 percent of women age 65 and above lived in poverty, compared to about 7 percent of men. Poverty is more common among the oldest adults; 12.7 percent of adults age 85 and above were poor, compared to 8.4 percent of those aged 65 to 74. Poverty rates are especially high among racial and ethnic minorities. About 20 percent of black and Hispanic older adults were poor in 2008, compared to 7.6 percent of whites. Older adults with low levels of educational attainment are also far more likely than those with more education to live in poor families; 19.3 percent of elderly individuals who did not complete high school lived in poverty in 2008, compared to just 4.4 percent of four-year college graduates. (Figure 11.)

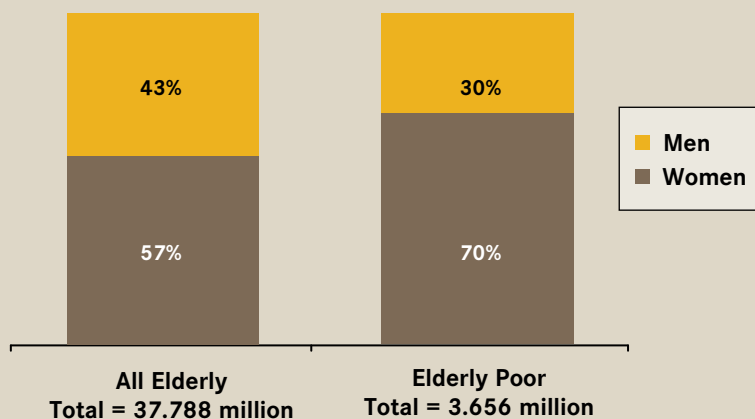
FIGURE 11.
Percentage of Adults Age 65 and Above with Income Below the Official Poverty Threshold, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

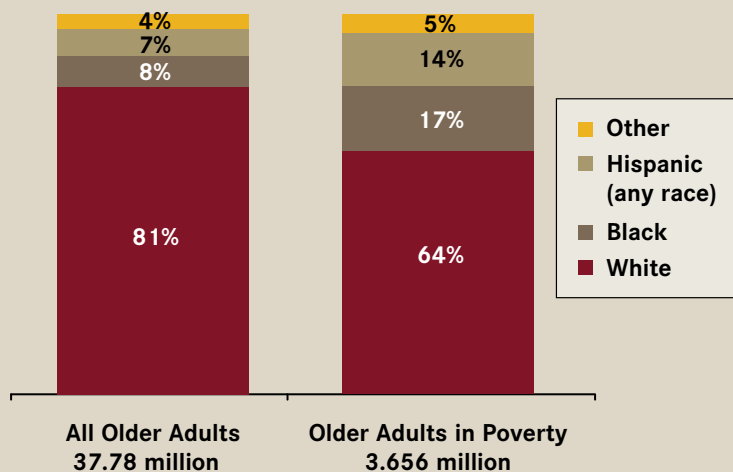
Note: The category high school graduate may include people with additional schooling, including a two-year college degree, but who did not graduate from a four-year university.

FIGURE 12.
Older Adults Age 65 and Above, and Older Poor Adults, by Sex, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

FIGURE 13.
Adults Age 65 and Above, and Older Adults in Poverty, by Race and Ethnicity, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: "Hispanic" includes people of any race. "White" includes people who are not Hispanic who report only one race or who report more than one race (e.g., white and black, white and Asian); "Black" includes people who are not Hispanic who report only one race or who report black and any other race except white.

In part because women live longer than men, the number of poor older women (2.564 million) in 2008 was more than twice the number of poor older men (1.092 million). In 2008, 70 percent of older adults in poverty were women, and 30 percent were men. (Figure 12.)

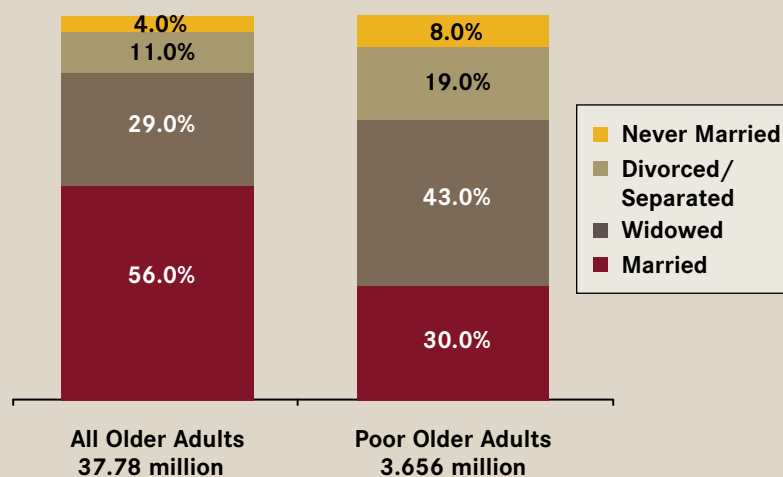
Poor older adults are also more ethnically diverse than the overall elderly population. In 2008, racial and ethnic minorities accounted for 19 percent of the elderly, but 36 percent of the elderly poor. Reflecting poverty rates that are twice those for older whites, blacks account for 8 percent of all older adults, but 17 percent of poor older adults. Hispanics are also disproportionately represented among the older adults in poverty. (Figure 13.)

The elderly poor are also disproportionately on their own, either widowed or unmarried. Most adults age 65 and above (56 percent) are married, but only 30 percent of the elderly poor

are married. People who are widowed account for 29 percent of older adults, but 43 percent of the elderly poor. In 2008, 8 percent of the elderly poor had never married. (Figure 14.)

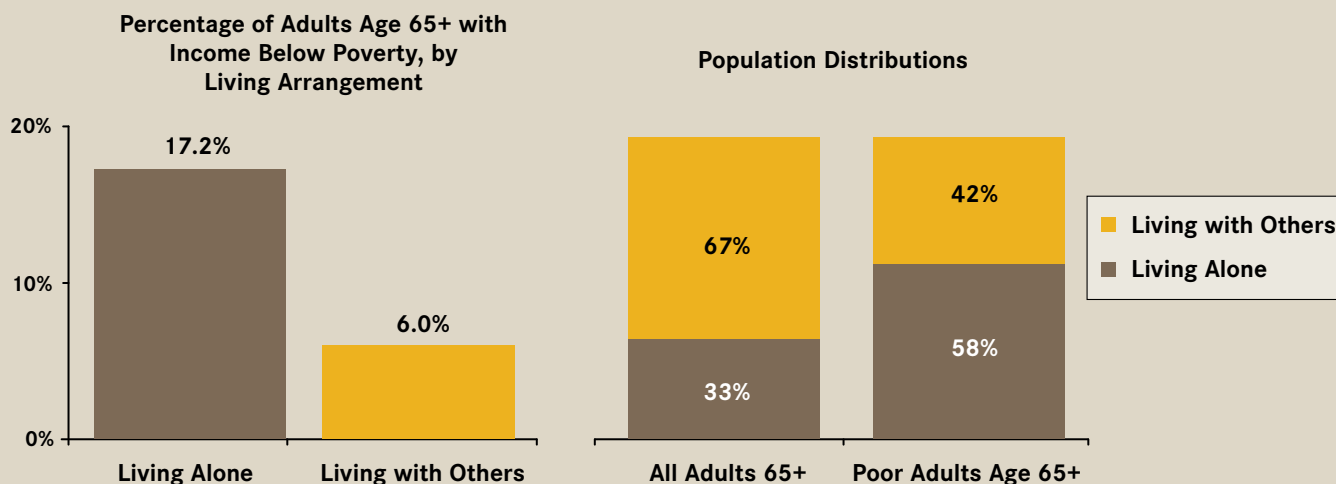
A third of all adults age 65 and older live alone, compared to 58 percent of poor older adults. (Figure 15.) The poverty rate for older adults who live alone was nearly three times that for older adults who lived with others (17.2 percent vs. 6.0 percent).

FIGURE 14.
All Elderly and Elderly Poor, by Marital Status, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

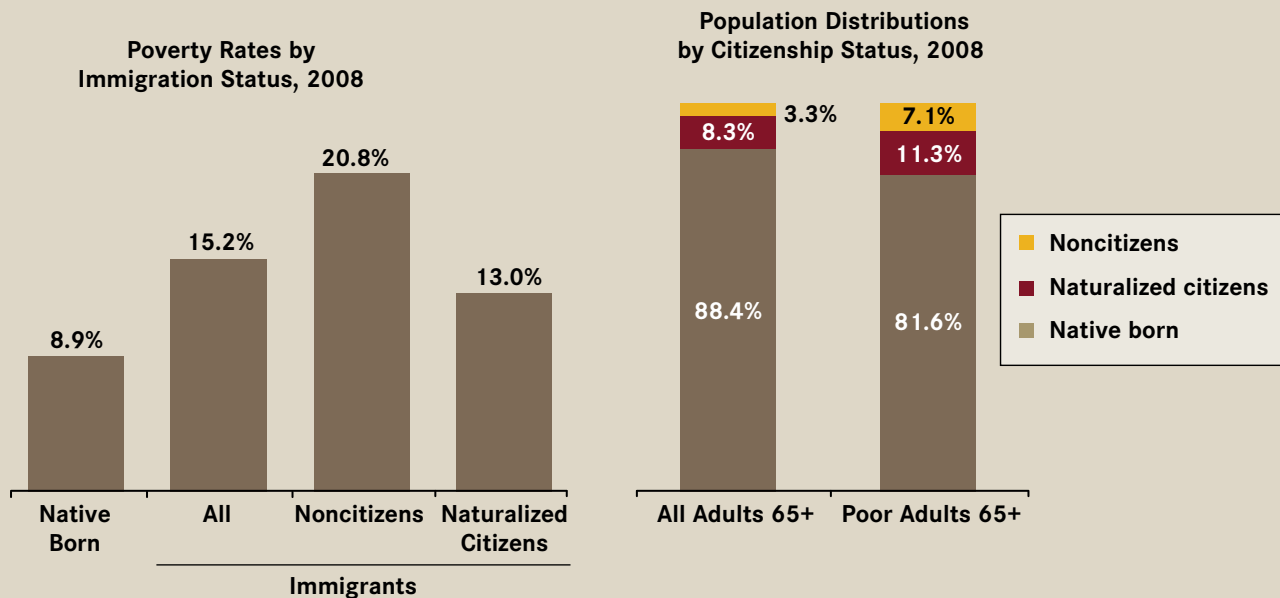
FIGURE 15.
Poverty Rate of Adults Age 65 and Older and Distribution of the Elderly Poor, by Living Arrangement, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Poverty rates are also higher among older adults who are immigrants (15.2 percent), compared to people who were born in the United States (8.9 percent). Naturalized citizens have lower poverty rates than older noncitizens (13.0 percent vs. 20.8 percent). Despite higher poverty rates, immigrants account for just 11.6 percent of the older population and thus account for a relatively small share of poor older adults nationwide (18.4 percent in 2008). (Figure 16.)

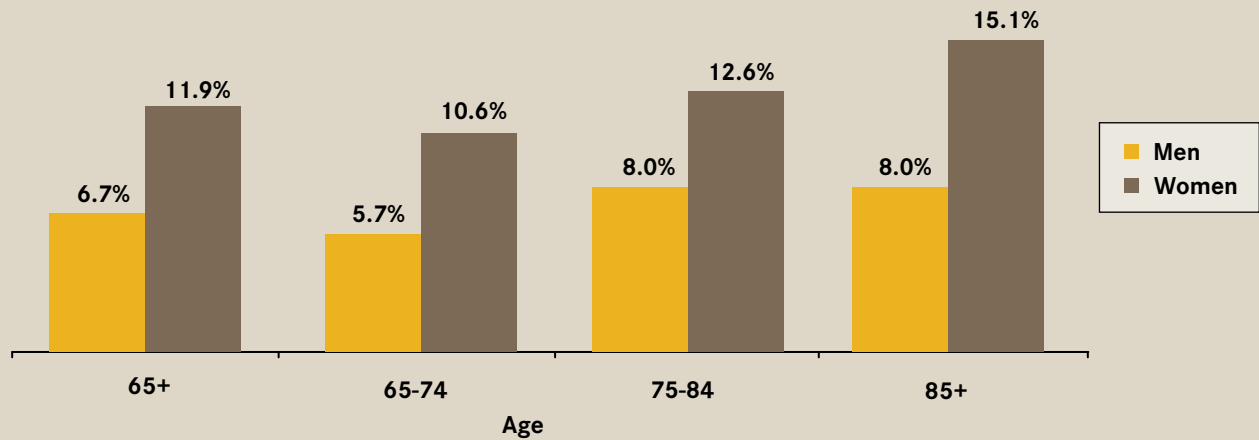
FIGURE 16.
Older Adults Who Are Not Citizens Have High Poverty Rates, but Account for a Small Proportion of Poor Older Adults



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

A closer look at these populations reveals in even starker terms the level of economic insecurity a large share of older adults face. The likelihood that an older woman will live in poverty rises substantially with age; 10.6 percent of women age 65 to 74 were poor in 2008, compared to 15.1 percent for women age 85 and older. Poverty rates for older men are lower than those for women at all ages. In 2008, 8.0 percent of men age 85 and above lived in poverty, compared to 15.1 percent of women. (Figure 17.)

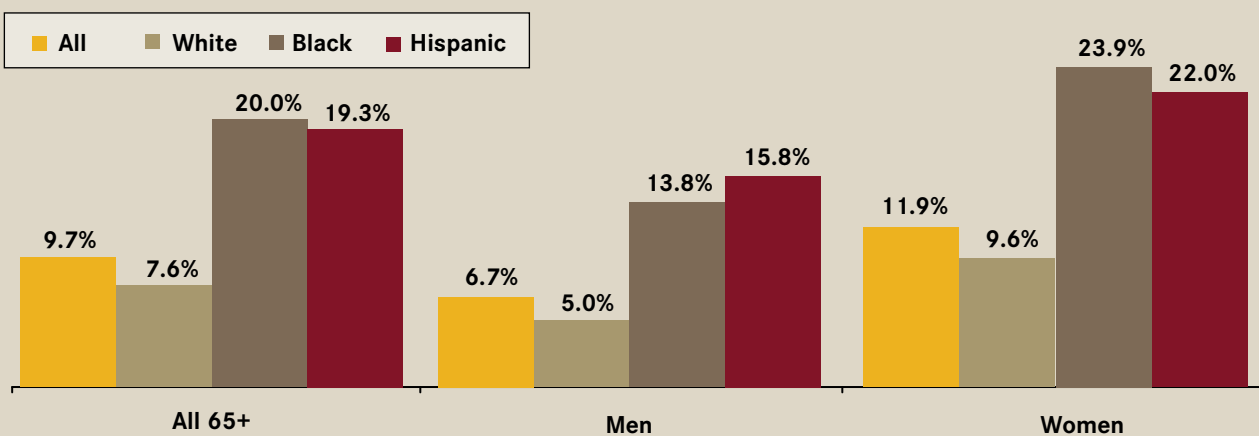
FIGURE 17.
Share of Older Adults Living below the Official Poverty Threshold,
by Sex and Age, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Nearly a quarter of black and Hispanic women age 65 and above lived in poverty in 2008. (Figure 18.)

FIGURE 18.
Poverty Rates, Adults Age 65 and Older, by Sex and by Race/Ethnicity, 2008

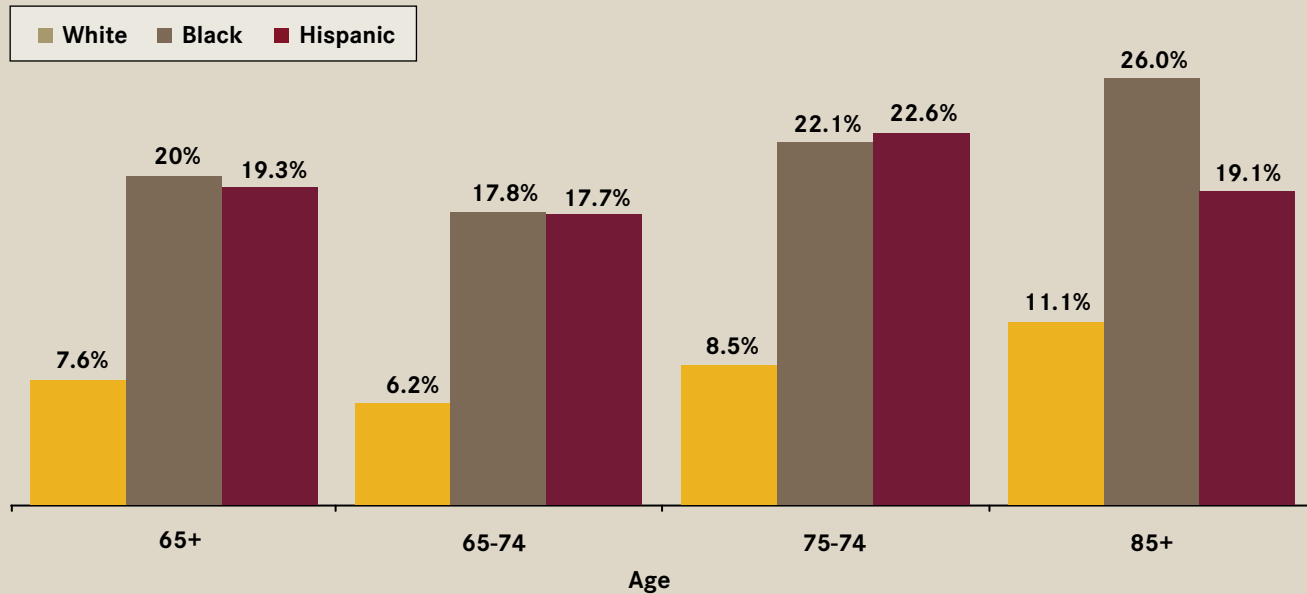


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: "Hispanic" includes people of any race. "White" includes people who are not Hispanic who report only one race or who report more than one race (e.g., white and black, white and Asian); "Black" includes people who are not Hispanic who report only one race or who report black and any other race except white.

Roughly 20 percent of black and Hispanic adults age 65 and above lived in poverty in 2008, compared to just 7.6 percent of whites. (Figure 19.)

FIGURE 19.
Poverty Rates, Adults Age 65 and Older, by Age and by Race/Ethnicity, 2008



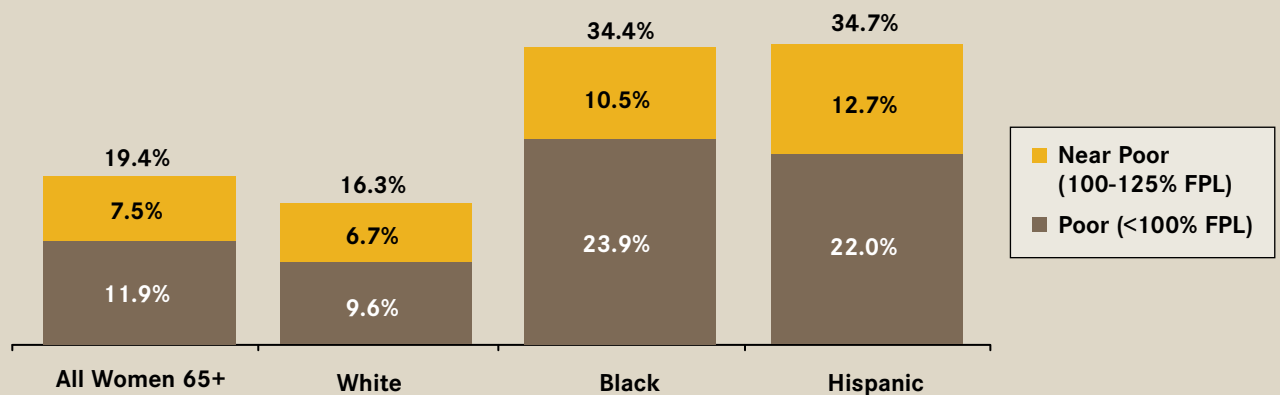
Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: “Hispanic” includes people of all races. “White” includes people who are not Hispanic who report only one race or who report more than one race (e.g., white and black, white and Asian); “Black” includes people who are not Hispanic who report only one race or who report black and any other race except white.

When those with incomes just above the poverty line are counted, the numbers rise sharply. More than a third of black and Hispanic women over age 65 have incomes below 125 percent of poverty (34.4 percent of black elderly women and 34.7 percent of Hispanic elderly women) in 2008. (Figure 20.)

FIGURE 20.

Women Age 65 and Older with Income below 125% of Poverty, by Race/Ethnicity, 2008



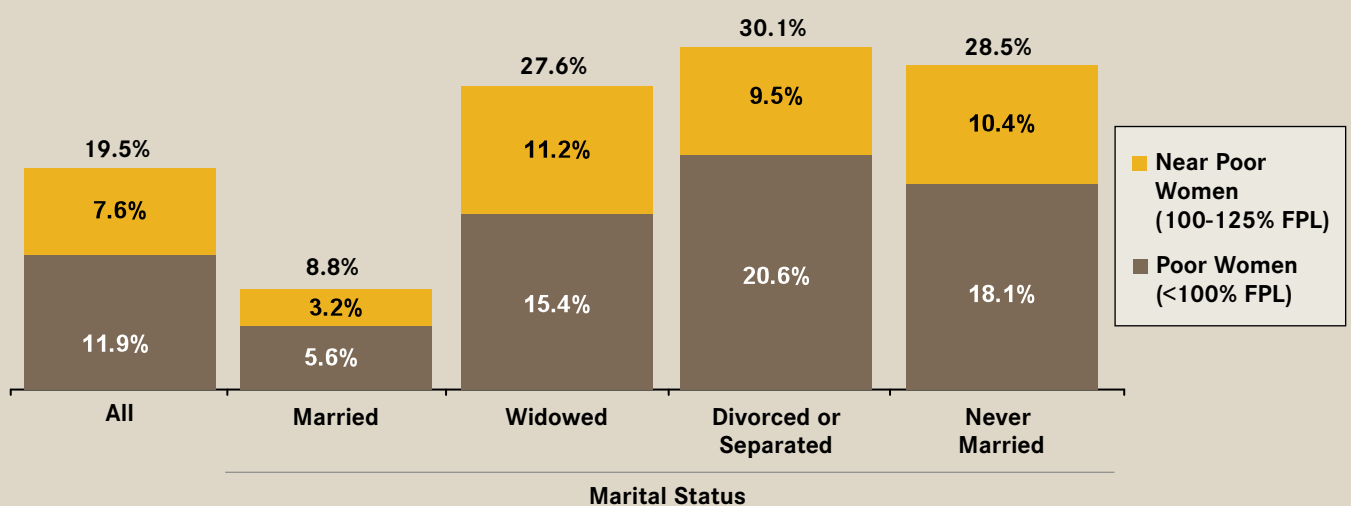
Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: "Hispanic" includes people of all races. "White" includes people who are not Hispanic who report only one race or who report more than one race (e.g., white and black, white and Asian); "Black" includes people who are not Hispanic who report only one race or who report black and any other race except white.

Across racial and ethnic groups, more than a quarter of unmarried older women have incomes below the poverty level or only modestly above it (27.6 percent of widows, 30.1 percent of divorced or separated women, and 28.5 percent of never-married women). (Figure 21.)

FIGURE 21.

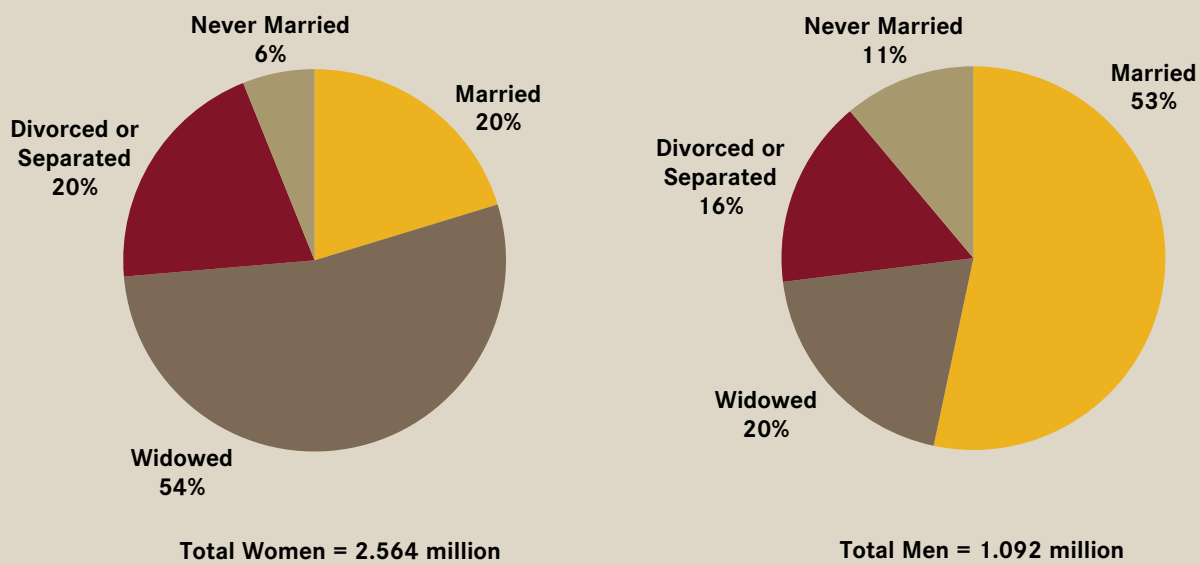
Share of Women Age 65 and Older Who are Poor or Near Poor, by Marital Status, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

The large majority of poor women age 65 and above (80 percent) are not married. More than half (54 percent) of those women are widows, and more than a quarter (26 percent) are divorced or separated (20 percent) or never married (6 percent). Only 20 percent of older poor women in poverty are married. In contrast, more than half of all older men in poverty are married. (Figure 22.)

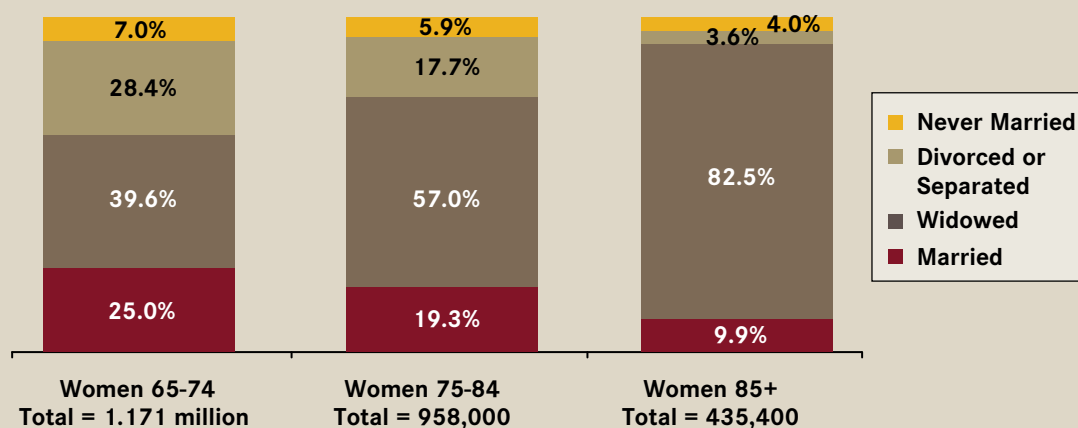
FIGURE 22.
Distribution of Poor Women and Men, Age 65 and Older, by Marital Status, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Most poor older women are not very old: Nearly half (roughly 1.2 million) are 65 to 74 years old, and most of these women are not widowed. About 40 percent of poor women between the ages of 65 and 74 are widowed, 25 percent are married, 28.4 percent are divorced or separated, and 7 percent were never married (7 percent). Among the poor women age 85 and older, more than 80 percent are widows. (Figure 23.)

FIGURE 23.
Distribution of Older Poor Women, by Marital Status and Age, 2008

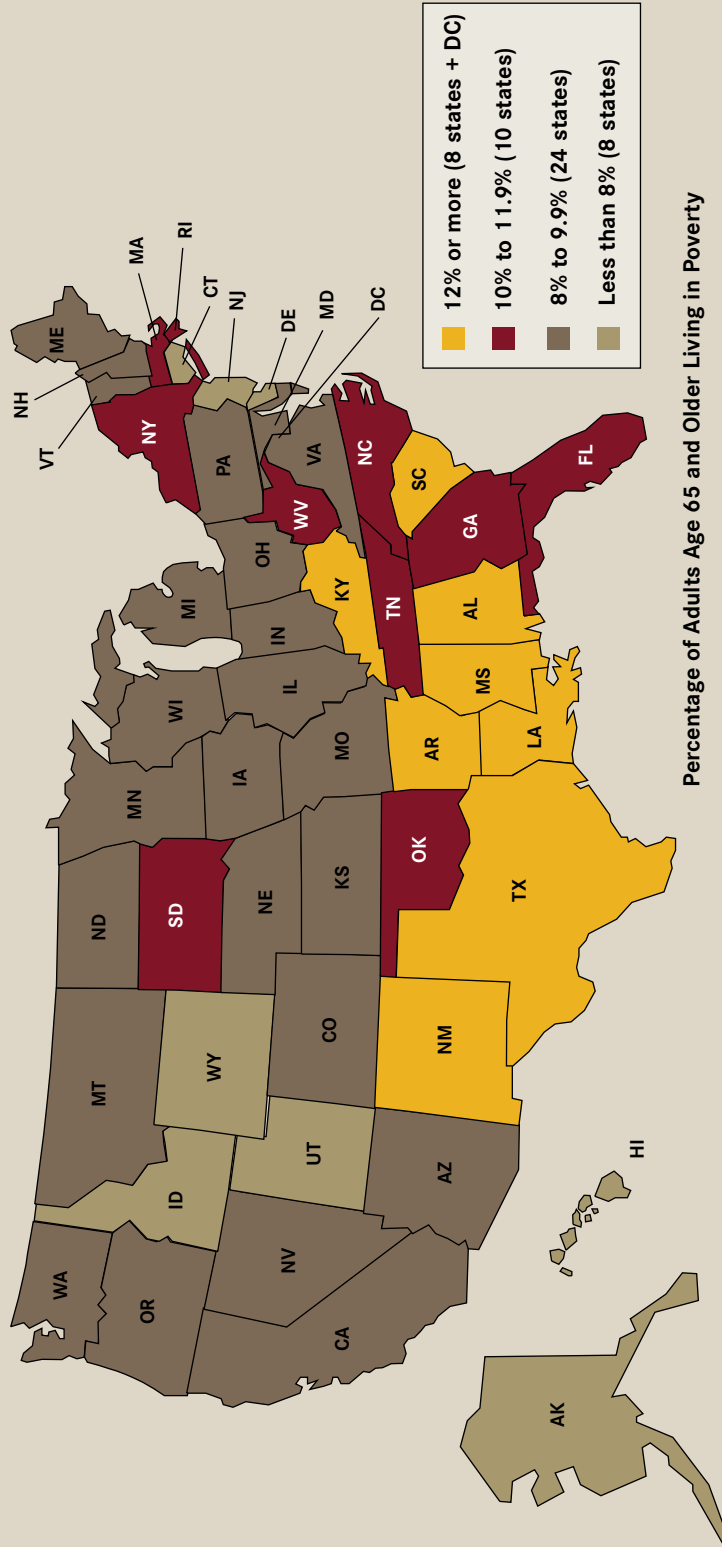


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

The Geographic Distribution of Poverty among the Elderly

Poverty among older adults varies across the states, but because of Social Security and SSI—which provide uniform federal benefits—the percentage of older adults living in poverty varies less across the country than does the percentage of children living in poverty. According to data from the 2008 American Community Survey, the percentage of older adults living in poverty ranged from 16.9 percent in Mississippi to 3.7 percent in Alaska. (See appendix table 1). In general, however, the official rate of elderly poverty varies relatively little across the states. Most states (34) had an elderly poverty rate between 8 percent and 11.9 percent in 2008, with the highest rates of elderly poverty occurring in the South. (Figure 24.)

FIGURE 24.
Elderly Poverty Rates, by State, 2008

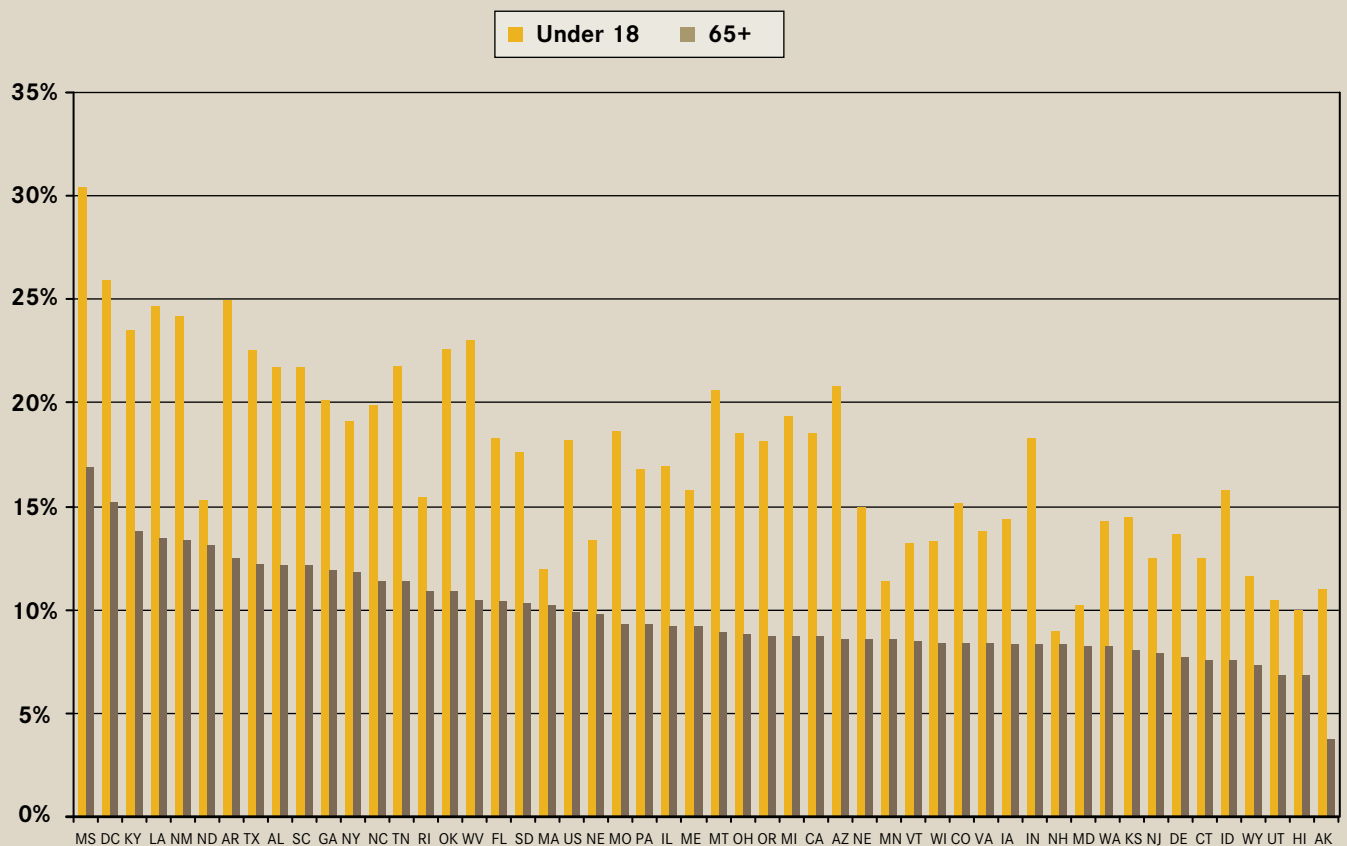


U.S. elderly poverty rate = 9.9%

Source: AARP Public Policy Institute estimates based on the American Community Survey, 2008.

In every state, children are more likely (though not always much more likely) than older adults to live in poor families (see appendix table 1). (Figure 25.) In part, this is because benefit levels for assistance programs for poor and low-income families with children are determined by states. In addition, the largest federal income support program for families with children—the Earned Income Tax Credit—is not included as income in the official poverty measure.

FIGURE 25.
Elderly and Child Poverty Rates, by State, 2008



Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

SOURCES OF INCOME AND ASSISTANCE

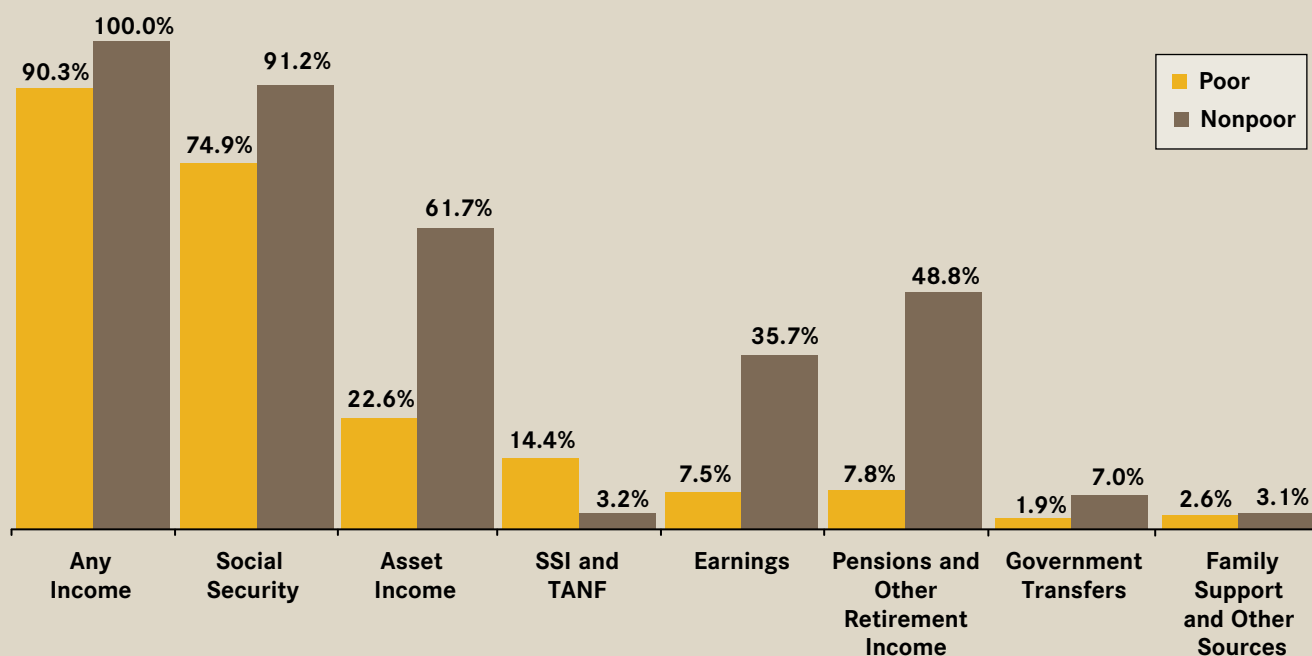
In 2008, elderly poor families (poor families headed by a person age 65 and above) had a median family income of just \$8,507. In the same year, the median income of nonpoor elderly families was roughly \$33,000. Although increases in Social Security benefits account for most of the decline in elderly poverty since the 1960s, there are still large numbers of elderly families for whom a Social Security benefit does not guarantee a poverty-level income.⁹ Public transfers, especially SSI, can provide a supplement to Social Security, but older individuals receiving SSI—even in combination with a Social Security benefit—often live in poverty.

Safety net programs—including Medicaid, the MSPs, the LIS, public housing and housing voucher programs, SNAP, and Low Income Home Energy Assistance Program (LIHEAP)—can provide substantial assistance, offsetting the costs of necessities and ensuring the elderly poor a decent standard of living. But some poor and low-income older adults are not eligible for assistance because they fail to meet all of the eligibility criteria. Many are disqualified, for example, because eligibility is limited to people with low incomes and very modest assets. Others are not enrolled either because they do not know they are eligible for assistance or are reluctant to apply.

Sources of Income

Social Security is, by far, the largest source of income for elderly poor families. In 2008, nearly 75 percent of poor families headed by a person age 65 or older received income from Social Security; 25 percent of older families did not report receiving Social Security. (Figure 26.) Older poor families were much less likely to have income from earnings (7.5 percent) or from pensions (7.8 percent). About 14 percent of older poor families received income from SSI or other public assistance programs, and just over 20 percent had asset

FIGURE 26.
Percentage of Poor and Nonpoor Older Families with Income by Source, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

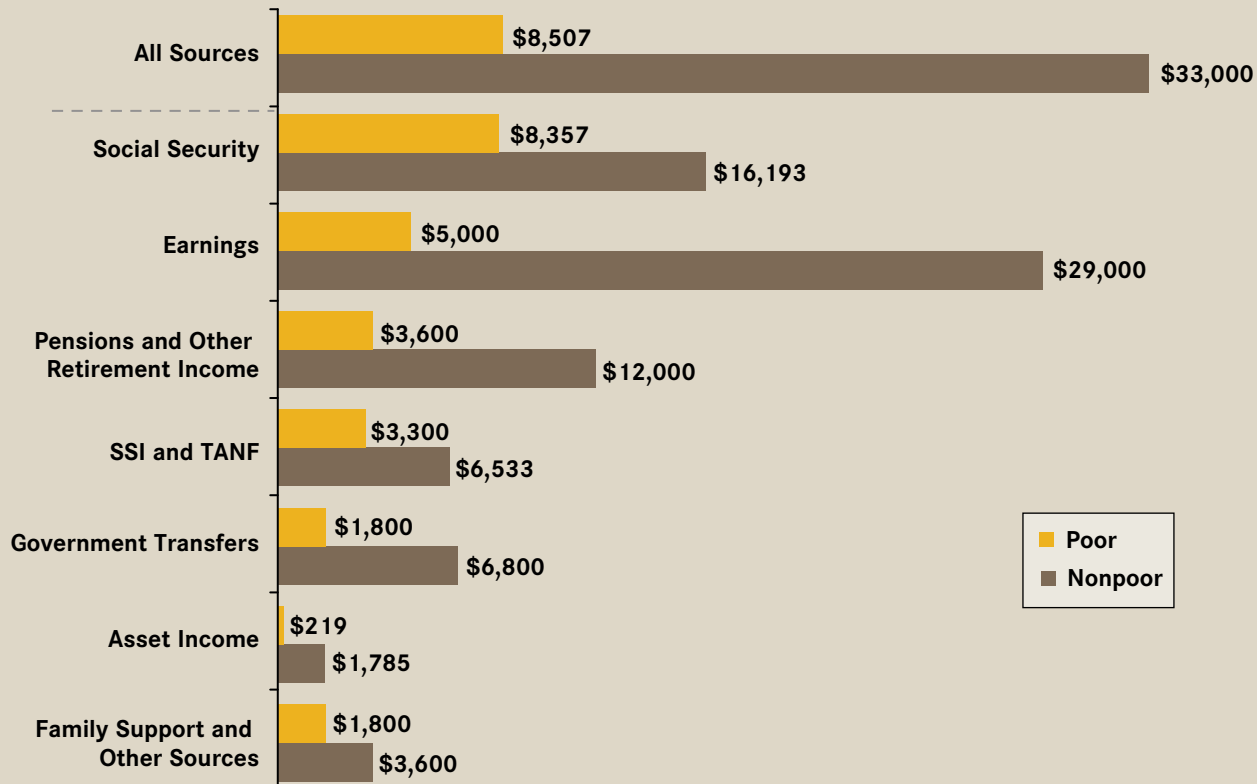
Note: Older families are those headed by a person age 65 and above. Asset income includes interest, rent, and dividends. TANF is Temporary Assistance for Needy Families. Government transfers include unemployment compensation, workers' compensation, and veterans' benefits. Family support includes alimony, child support, and educational assistance.

income, but the amount of income from assets (among those who received it) was insignificant, typically just over \$200 per year. (Figure 27.)

Not only are older poor families substantially less likely than the nonpoor to have income from assets, earnings, and pensions, for example, but, in general, even when they do, poor families derive less from most of these sources of income than do nonpoor older families.

FIGURE 27.

Median Family Income by Source, Poor and Nonpoor Older Families, 2008
(Median Amount of Family Income for Those with Source of Income)

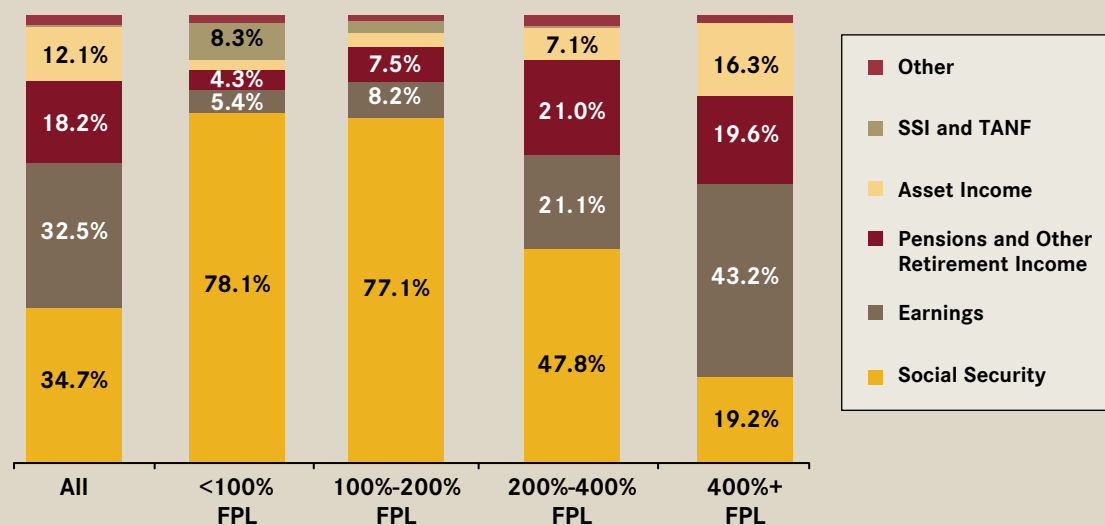


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement. Median family income for all families headed by a person age 65 and older was \$29,305 in 2008.

Note: Older families are those headed by a person age 65 and above. Asset income includes interest, rent, and dividends. TANF is Temporary Assistance for Needy Families. Government Transfers include unemployment compensation, workers' compensation, and veterans' benefits. Family support includes alimony, child support, and educational assistance.

Social Security accounts for more than three-quarters of family income of older poor and low-income families (people with income below 200 percent of the FPL), with earnings, retirement savings, and public assistance (mainly SSI) filling in the gap. Public assistance accounts for a very small share of the income of even older poor families (8.3 percent), reflecting the limited reach and modest size of SSI benefits. (Figure 28.)

FIGURE 28.
Distribution of Family Income by Source, Families Headed by a Person Age 65 and Older, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

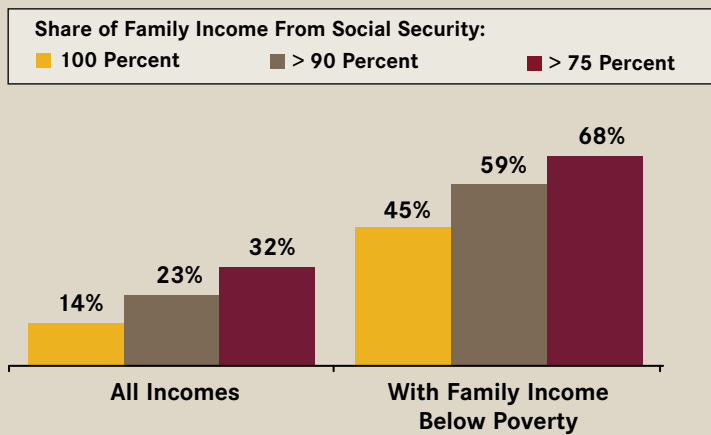
Note: This is the distribution of aggregate income. "Other" includes unemployment compensation, workers' compensation, veterans' benefits, family support, alimony, and other sources of income. "Asset Income" includes interest, rent, and dividends.

Reliance on Social Security

The elderly poor rely heavily on Social Security. As the income data in figure 28 show, older families with very low income depend much more heavily on Social Security than do higher income older families. Social Security is the only source of income for 45 percent of poor older adults. The majority (59 percent) of poor older adults depend on Social Security for all or nearly all (90 percent or more) of family income. (Figure 29.)

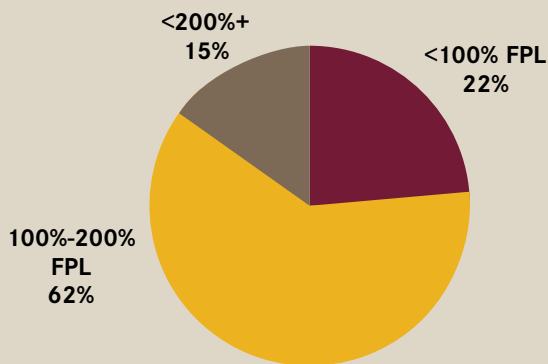
Among older adults who rely most heavily on Social Security (depend on Social Security for 90 percent or more of their annual income), 84 percent have low family income (below 200 percent of the FPL), but most are not poor. In 2008, 22 percent of these older adults were poor, but nearly two-thirds had income between 100 percent and 200 percent of the FPL. (Figure 30.)

FIGURE 29.
Reliance of Adults 65+ on Social Security, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement. Note: These estimates include all people 65+, including those who do not receive Social Security benefits. They exclude individuals who have no reported family income, negative family income, negative family earnings, or negative family asset income.

FIGURE 30.
Poverty Status of Adults 65+ Who Rely on Social Security for All or Nearly All* of Their Family Income, 2008



Total = 8.5 Million Adults 65 or Older for Whom Social Security Benefits Account for 90 Percent or more of Family Income

Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement. Numbers do not sum to 100 percent due to rounding. The federal poverty level was \$10,326 for an elderly individual, \$13,014 for a couple; 200 percent of FPL = \$20,652/\$26,028.

*Note: "All or nearly all" is defined here as 90 percent or more of family income.

Sources of Assistance

Public assistance programs can provide a substantial supplement to the cash incomes of the poor. However, a relatively small share of poor and near-poor older adults are enrolled in low-income assistance programs.

Noncash Benefits Can Supplement the Cash Income of the Poor

SSI is the main form of cash assistance for the elderly poor. Safety net programs also provide noncash assistance to some of the poor and low-income elderly—notably those who have limited financial resources (savings, other financial and nonfinancial assets). In addition to SSI and other public assistance programs that provide cash income, other forms of assistance that provide noncash (or near-cash) assistance include SNAP; the MSPs and LIS, which provide assistance with Medicare's Part B and Part D premiums and cost sharing;

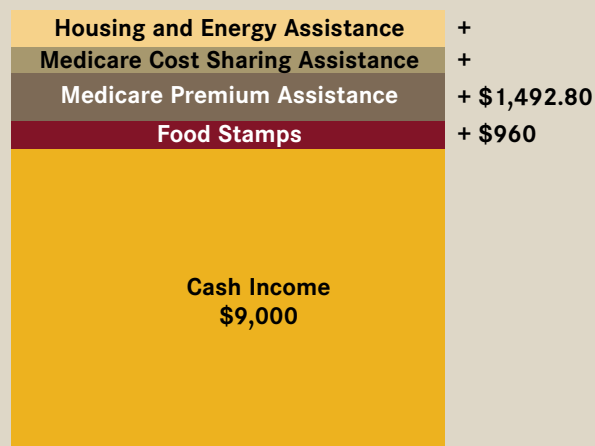
Medicaid, the health care and long-term care program for low-income people; housing vouchers and public housing programs; and energy assistance programs such as LIHEAP.

An older adult with an annual cash income of \$9,000 and limited assets may qualify for substantial assistance. An annual SNAP benefit was worth about \$960 in 2009. Assistance with Part B and Part D premiums alone was worth \$1,492.80 in 2009. (The monthly Part B premium was \$96.40, and Part D plans cost \$28 per month on average). (Figure 31.) Assistance with Part B and Part D cost sharing and with housing and energy costs can also be very valuable. These programs are more variable and are not estimated here.

Enrollment in Assistance Programs

In 2008, survey data suggest that only about a quarter of older poor adults were enrolled in Medicaid and about 12 percent were receiving SSI. Older adults with family incomes between 100 percent and 200 percent of the poverty level were substantially less likely to receive either benefit. (Figure 32.) Some poor and low-income people

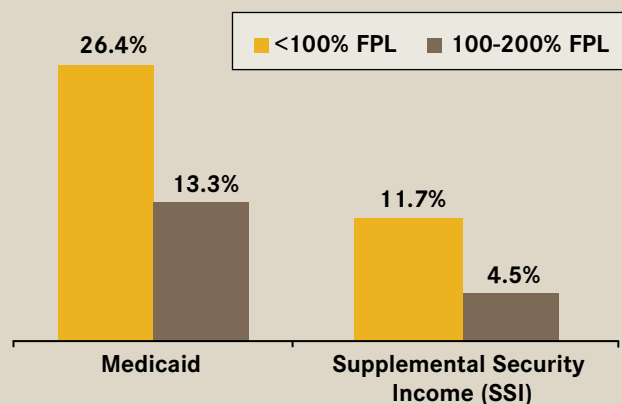
FIGURE 31.
Noncash Benefits Can Provide a Substantial Supplement to the Cash Income of Poor Older Adults



Source: AARP Public Policy Institute; based on Dorothy Rosenbaum, Center on Budget and Policy Priorities, "Presentation to the Forum on Improving Older Americans Access to SNAP," AARP Foundation, December 2, 2009.

Note: The Medicare Part D premium was \$28 per month in 2009; the Part B premium was \$96.40 per month.

FIGURE 32.
Percentage of Poor and Low-Income Adults Age 65 and Older Enrolled in Means-Tested Assistance Programs, 2008

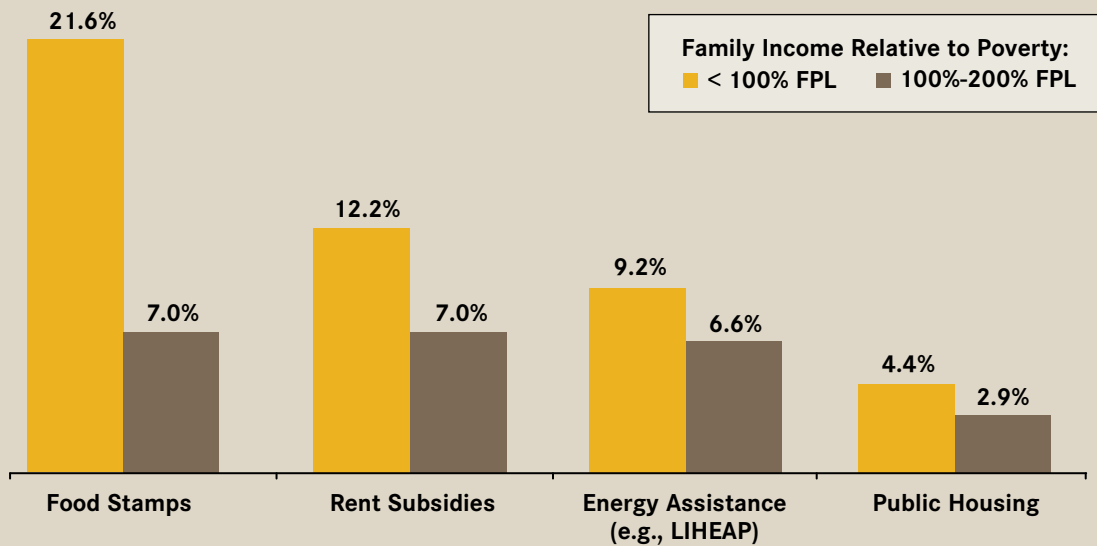


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

are blocked from enrolling in assistance programs by asset tests that limit eligibility to low-income people with very limited resources.¹⁰

The share of older poor families receiving SNAP, rent subsidies, or energy assistance, or living in public housing, was similarly low. Only about 22 percent of older poor families received SNAP, but SNAP reached an even smaller share (7 percent) of older households with family income between poverty and twice the poverty level. (Figure 33.)

FIGURE 33.
Percentage of Poor and Low-Income Older Families Receiving Assistance with Costs of Food and Housing, 2008



Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: Older families are those headed by a person aged 65 and older.

AFFORDING BASIC NEEDS

By definition, being poor means having an annual income that is inadequate to meet basic expenses. Analysis confirms that poor adults aged 65 and older face tremendous burdens meeting basic expenses for health care, housing, food, and other necessities out of income.

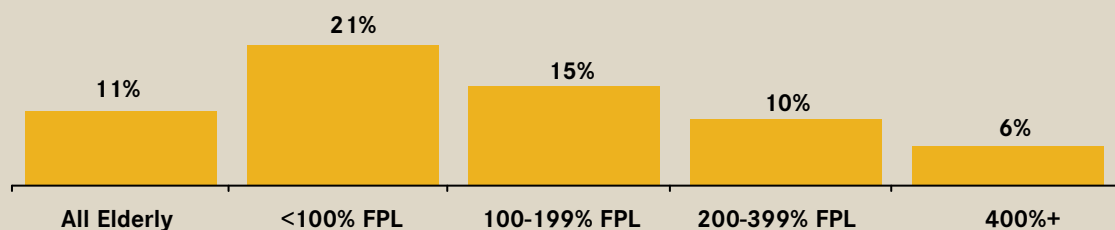
Affordability of Health Care

Health care costs can pose a substantial financial burden for poor and low-income older adults. Although Medicare provides nearly universal health care coverage for the elderly, Medicare requires sizable cost sharing from its beneficiaries, imposing significant burdens on beneficiaries with low incomes, especially on those in poor health. Adults in poor health are more likely than those in good health to be burdened by health care costs.

Health and Disability Status of the Elderly Poor

Older adults who live in poor families are more likely than those with higher incomes to report poor health status. In 2008, 21 percent of poor adults aged 65 and older said they were in poor health, compared to 6 percent of older adults with incomes above 400 percent of the FPL. (Figure 34.) (Additional detail on health status by income relative to poverty is in appendix table 4.)

FIGURE 34.
Percentage of Older Adults in Poor Health, by Family Income Relative to Poverty, 2008

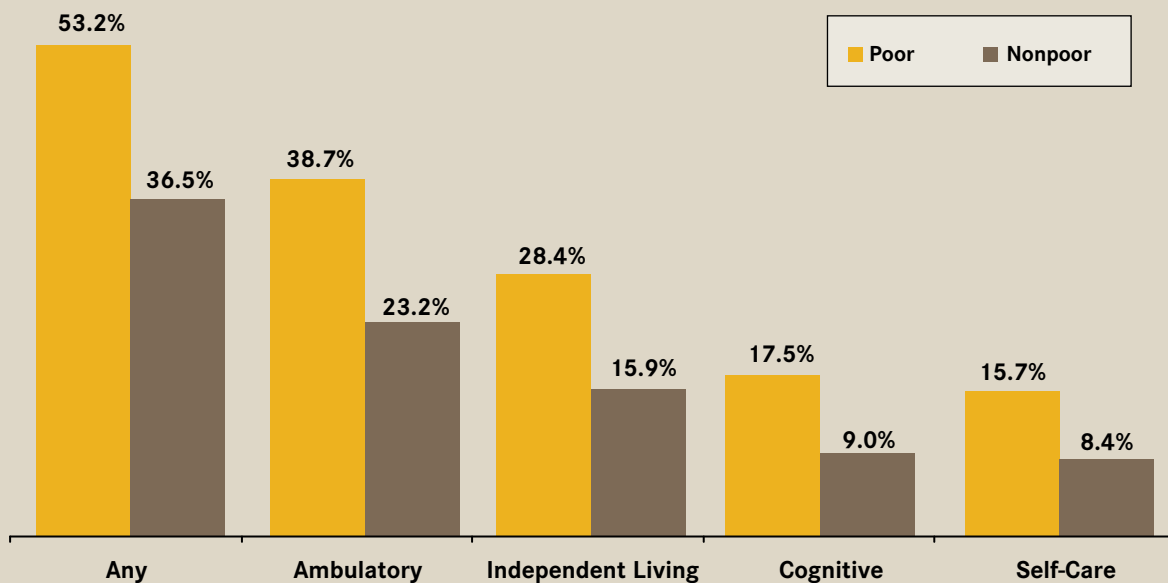


Source: AARP Public Policy Institute estimates based on the Current Population Survey, 2009 Annual Social and Economic Supplement.

Note: Older adults are people aged 65 and older.

Older poor adults are also more likely than those with higher incomes to have physical disabilities or cognitive limitations and to require assistance with daily activities such as preparing meals, bathing, and getting dressed. According to the Census Bureau’s American Community Survey, nearly 40 percent of adults age 65 and older report having a disability of some kind (including hearing or vision loss, or any other physical or cognitive disability or limitation). More than half (53.2 percent) of poor older adults reported a disability of some kind in 2008, compared to about a third (36.5 percent) of the nonpoor. Poor older adults are nearly twice as likely as the nonpoor to have a limitation in their ability to live independently (28.4 percent vs. 15.9 percent). (Figure 35.) (Additional detail on disability rates by income is in appendix table 5.)

FIGURE 35.
Percentage of Poor and Nonpoor Adults Aged 65 and Older with a Disability, by Type of Disability, 2008

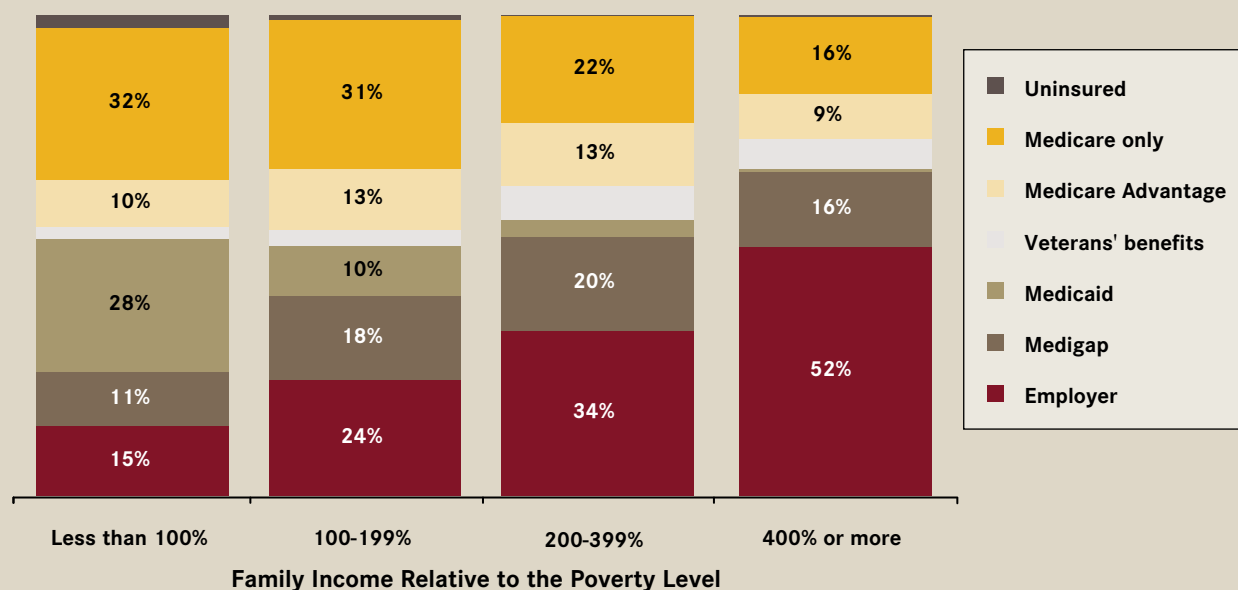


Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.
 Note: “Any Disability” includes sensory disabilities (hearing and vision loss), as well as ambulatory, independent living, and cognitive disability. Ambulatory disability refers to serious difficulty walking or climbing stairs. Independent living disability refers to difficulty doing errands alone, such as shopping or visiting a doctor’s office, because of a physical, mental, or emotional condition. Cognitive disability refers to serious difficulty concentrating, remembering, or making decisions due to a physical, mental, or emotional condition. Self-care disability refers to difficulty bathing or dressing.

Health Insurance Coverage

Most Medicare beneficiaries have supplemental coverage to fill Medicare's gaps, often retiree health insurance benefits through a former employer, or individually purchased supplemental health insurance plans called Medigap plans. Medicaid fills in Medicare's gaps for some of the elderly poor. In 2006, 28 percent of poor older adults and 10 percent of those with income between 100 percent and 200 percent of the FPL were covered by full Medicaid, receiving assistance with the Medicare premiums and cost sharing and services not covered by Medicare, including long-term care. (Figure 36.)

FIGURE 36.
Health Insurance Coverage of Adults Age 65 and Above, by Family Income Relative to Poverty, 2006



Source: Johnson and Mommaerts, 2009, estimates from the 2006 Medical Expenditure Panel Survey (MEPS).

Poor and low-income Medicare beneficiaries with limited assets can also qualify for assistance with Medicare's premiums and cost sharing through the MSP and the Medicare Part D LIS. Medicare beneficiaries who are enrolled in Medicaid or in MSP are deemed eligible and automatically enrolled in the LIS. (Enrollment in MSP and LIS is not shown in figure 36,

but the financial relief that this assistance provides to low-income people who are enrolled was factored into the estimates of health care cost burdens in figures 37–39.¹¹)

MSP and LIS are intended to reach most of the elderly poor: according to one recent estimate, 87 percent of the poor on Medicare are eligible for MSP and/or LIS benefits. But a substantial number who could be receiving assistance with Medicare’s costs are not. In 2009, 9.64 million Medicare beneficiaries with Part D were enrolled in the LIS, but 2.34 million were eligible for the LIS but not enrolled—presumably because they were not aware of their eligibility or because they were reluctant to apply for assistance.¹²

The Burden of Health Care Costs

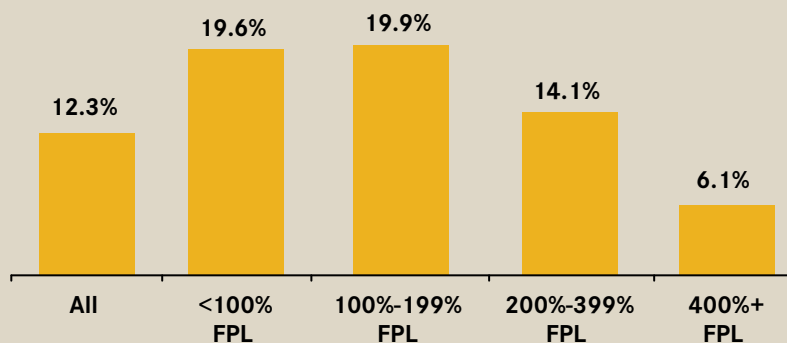
Health care costs represent an unaffordable burden for many of the elderly poor, with older adults in poor and low-income families spending a much larger fraction of their income on health care than middle- and higher-income people.

In 2006, the median share of income spent on health care by the elderly poor was 19.6 percent, compared to 6.1 percent for older adults with incomes above

400 percent of poverty. Median spending out of pocket relative to income was 12.3 percent for all noninstitutionalized adults age 65+.¹³ (Figure 37.)

Health care costs are unaffordable (exceed 20 percent of family income) for 48.8 percent of poor and low-income older adults. In comparison, health care costs represent a significant financial

FIGURE 37.
Median Percentage of Income Spent on Health Care, Adults Age 65 and Older by Family Income Relative to the Federal Poverty Level, 2006



Source: Johnson and Mommaerts, 2009, estimates from the 2006 Medical Expenditure Panel Survey (MEPS).

Note: Data are for noninstitutionalized adults aged 65 and older.

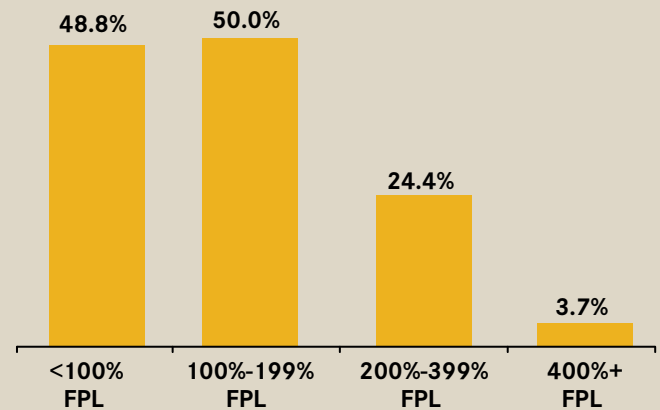
burden for only 3.7 percent of the elderly with incomes above 400 percent of FPL. (Figure 38.)

Medicare Part D has helped to ease health care costs for the typical older adult living in poverty. Between 2005 and 2006, the median share of income going toward health care declined by 8 percentage points among the elderly poor (falling from 27.5 percent to 19.6 percent). (Figure 39.)

Affordability of Housing

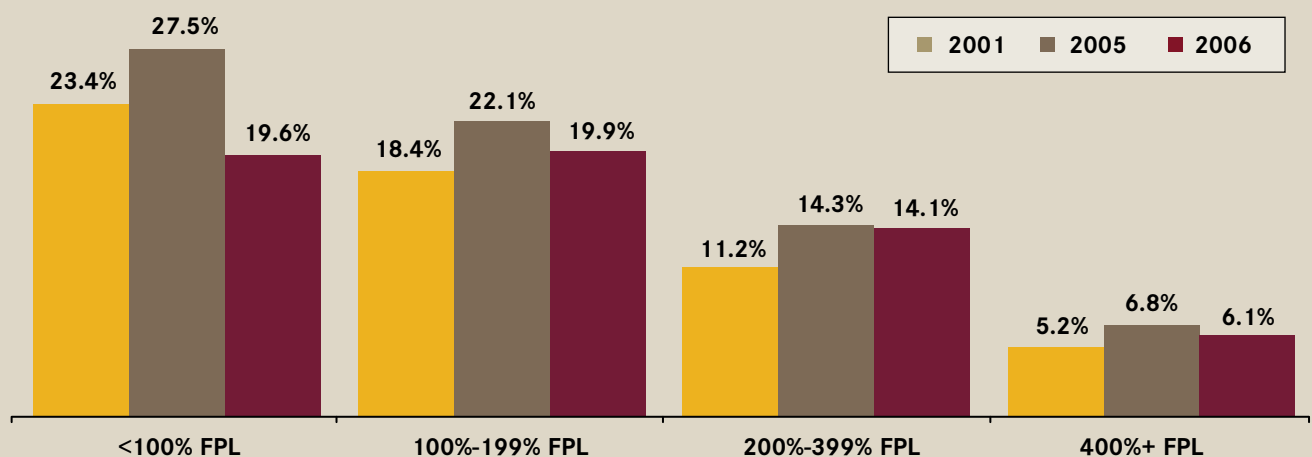
Although a substantial share of poor older adults own their own homes, and—with no outstanding

FIGURE 38.
Percentage of Adults Age 65 and Older Spending More than 20 Percent of Income on Health Care, 2006
by Family Income Relative to the Federal Poverty Level



Source: Johnson and Mommaerts, 2009, estimates from the 2006 Medical Expenditure Panel Survey (MEPS).
Note: Data are for noninstitutionalized adults aged 65 and older.

FIGURE 39.
Median Percentage of Income Spent on Health Care, Adults Age 65 and Older,
by Family Income Relative to the Federal Poverty Level, 2001, 2005, 2006



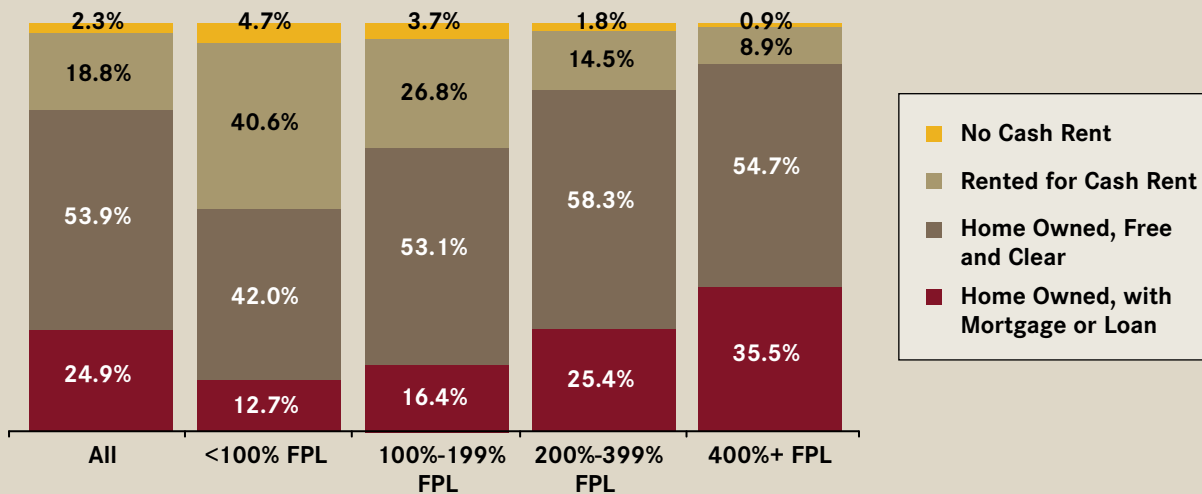
Source: Johnson and Mommaerts, 2009, estimates from the 2006 Medical Expenditure Panel Survey (MEPS).
Note: Data are for noninstitutionalized adults aged 65 and older.

mortgage or loans—mostly own them “free and clear,” many poor older adults are burdened by unaffordable housing costs. More than half of poor older households have extremely unaffordable housing costs (with expenditures on housing and utilities exceeding half of household income); housing costs absorb more than 30 percent of income for 80 percent of poor older households.

Housing Status

Poor older adults are substantially more likely than the nonpoor to live in rental housing. In 2008, 40.6 percent of poor older households (those headed by an adult aged 65 and older) were renters, compared to just 8.9 percent of older households with income above 400 percent of the FPL. Roughly 5 percent of older poor households were living with others, not paying cash rent. A large proportion of the poor (54.7 percent) own their own homes, and most of them own their homes free and clear. (Figure 40.)

FIGURE 40.
Housing Status of Older Households, 2008
 by Family Income Relative to the Federal Poverty Level



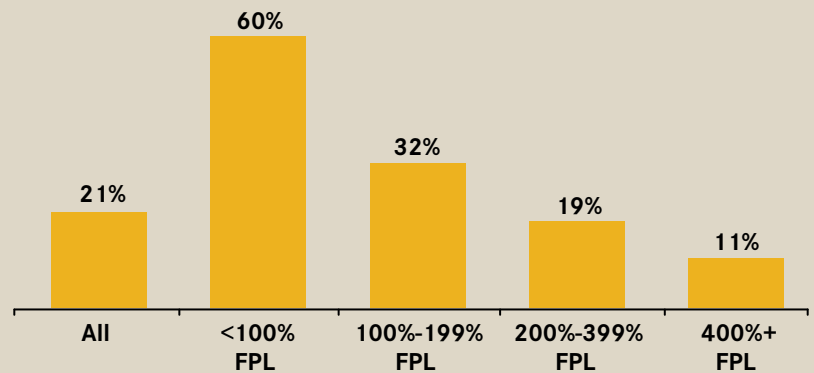
Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.
 Note: Older households are those headed by a person age 65 or older.

Housing Cost Burdens

Whether poor older adults are renters or owners, expenditures on housing are an unaffordable burden for many. In 2008, according to data from the American Community Survey, older poor households typically spent 60 percent of annual household income on housing, a far higher share than higher income households pay. (Figure 41.)

In general, older poor renters are more likely to face high housing costs than are older poor homeowners, but the median expenditure on housing was high for both. (Figure 42.) Utility costs, property taxes and,

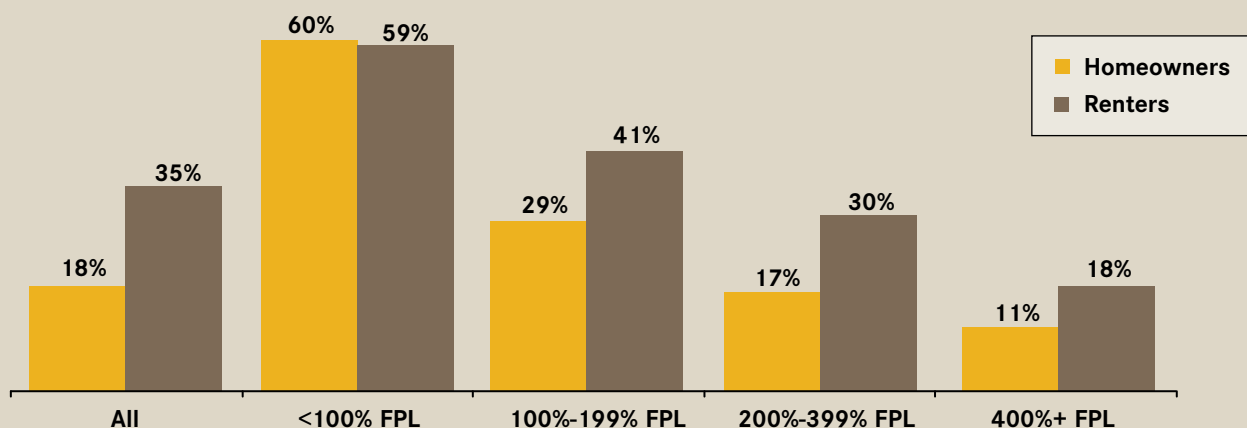
FIGURE 41.
Median Percentage of Household Income Spent on Housing, Older Households, 2008 by Family Income Relative to the Federal Poverty Level



Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

Note: Older households are those headed by a person age 65 or older. Spending on housing includes rent, mortgages, utilities and fuels, property taxes, insurance premiums, and condominium fees.

FIGURE 42.
Median Percentage of Household Income Spent on Housing, Older Households, 2008 by Housing Status and Family Income Relative to the Federal Poverty Level



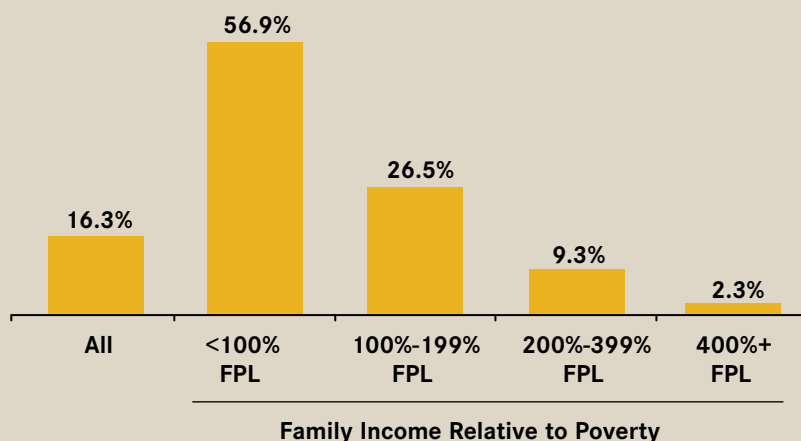
Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

Note: Older households are those headed by a person age 65 or older. Spending on housing includes rent, mortgages, utilities and fuels, property taxes, insurance premiums, and condominium fees.

for some, mortgage payments absorb a sizable share of the income of older poor homeowners.

Elderly poor homeowners who own their homes free and clear spend a lower share of income on housing than do those with mortgages, but housing is still unaffordable for many. The median expenditure out of income for older poor households who owned their home free and clear was 49 percent (vs. 60 percent for all older poor homeowners).

FIGURE 43.
Percentage of Older Households Spending More than 50 Percent of their Household Income on Housing, 2008 by Family Income Relative to the Federal Poverty Level



Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

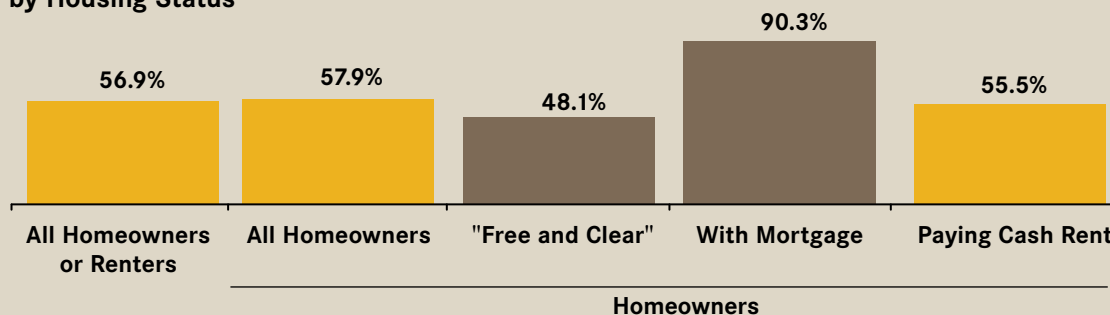
Note: Older households are those headed by a person age 65 or older. Spending on housing includes rent, mortgages, utilities and fuels, property taxes, insurance premiums, and condominium fees.

In fact, housing costs are *extremely* unaffordable for more than half of older poor households. In 2008, expenditures on housing exceeded 50 percent of income for 56.9 percent of older poor households. In comparison, just over a quarter of near-poor older households (with income between 100 percent and 199 percent of FPL) faced severe housing cost burdens. (Figure 43.)

The elderly poor who own their homes free and clear are less likely to be burdened by high housing costs than are renters or home owners with mortgages, but even so, 48.1 percent spend more than half of their annual income on housing costs. (Figure 44.)

The elderly poor

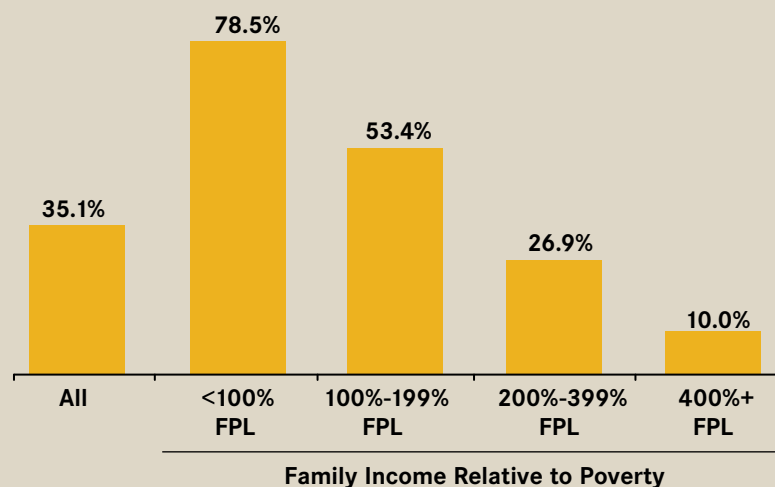
FIGURE 44.
Percentage of Poor Older Households Spending More than 50 Percent of their Household Income on Housing, 2008
by Housing Status



Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.
Note: Older households are those headed by a person age 65 or older. Spending on housing includes rent, mortgages, utilities and fuels, property taxes, insurance premiums, and condominium fees.

When a less restrictive standard is used, nearly 80 percent of poor older households faced a housing affordability problem in 2008, spending more than 30 percent of household income on housing. Housing expenditures that exceed 30 percent of household income (the rent standard for most rental housing programs) are regarded as unaffordable. More than half of older households with incomes between 100 percent and 199 percent of the FPL also faced housing affordability burdens. (Figure 45.)

FIGURE 45.
Percentage of Older Households Spending More than 30 Percent of their Household Income on Housing, 2008
by Family Income Relative to the Federal Poverty Level



Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.
Note: Older households are those headed by a person age 65 or older. Spending on housing includes rent, mortgages, utilities and fuels, property taxes, insurance premiums, and condominium fees.

Affordability of Food

Most older, poor people are able to afford food, but a significant number of poor and near-poor adults age 65 and older have difficulty paying for and obtaining it. They are “food insecure.” Federal food and nutrition assistance programs reach some poor older households, but only 30 to 40 percent of eligible elderly individuals are receiving SNAP benefits.¹⁴

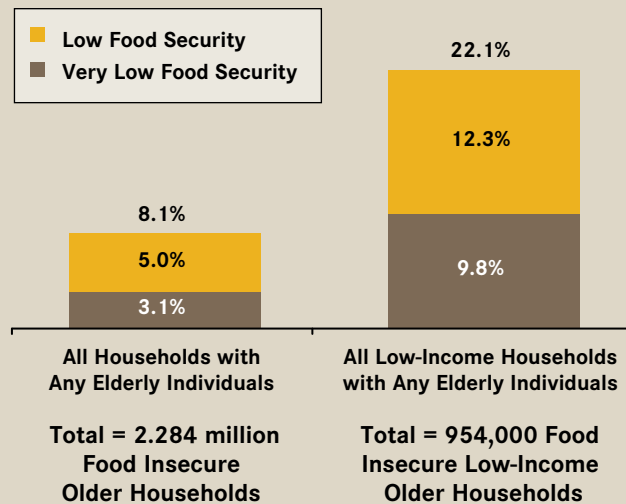
Food Security

According to 2008 U.S. Department of Agriculture data, 22.1 percent of the low-income elderly (defined in the report as having income below 130 percent of the poverty line) are food insecure (they have limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods). Older poor and near-poor households are

substantially more likely to experience food insecurity than are higher income households. In 2008, 8.1 percent of households with any adults age 65 and older experienced food insecurity during the year. (Figure 46.)

Moreover, in 2008, roughly 10 percent of low-income elderly households had *very low* food security: They not only had limited or uncertain availability of food, but they ate less than they felt they should, cut the size of meals, or skipped meals in three or more months during the year. Many reported additional, more severe experiences as well.

FIGURE 46.
Food Insecurity Among Older Households, 2008
All Households and with Any Adults Aged 65+ and Older
Households with Income Below 130 Percent of the Federal
Poverty Level Experiencing Low or Very Low Food Security



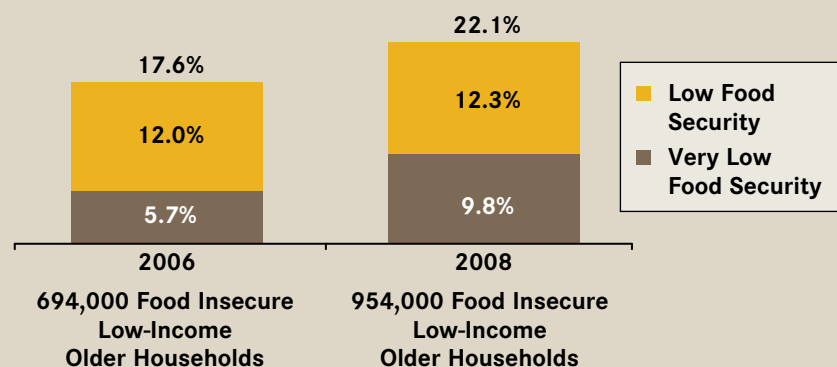
Source: December 2008 Current Population Survey Food Security Supplement; Mark Nord, Margaret Andrews, Steven Carlson, *Household Food Security in the United States, 2008*, ERR-83 (Washington, DC: Dept. of Agriculture, Economic Research Service, 2009).

Note: Low-income households are those with income below 130 percent of FPL.

Coinciding with the economy's slide into recession, food insecurity among poor and near-poor older households has increased significantly. Between 2006 and 2008, there was a nearly 40 percent increase in the number of older, low-income households experiencing food insecurity, rising from 17.6 percent in 2006 to 22.1 percent in 2008. There was an especially troubling rise in the share of such households experiencing very low food security. (Figure 47.)

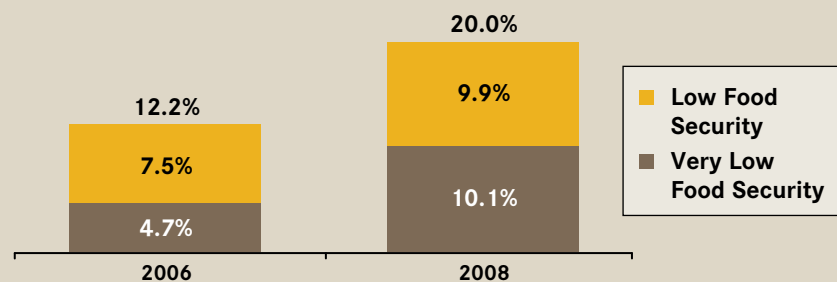
There was an even larger increase in food insecurity among the low-income elderly living alone. In 2008, an estimated 20 percent of the poor and near-poor elderly living alone experienced food insecurity, an increase of nearly 8 percentage points in a two-year period. (Figure 48.)

FIGURE 47.
Increase in Food Insecurity Among Low-Income Older Households, 2006-2008
Share of Households with Income Below 130 Percent of the Federal Poverty Level Experiencing Low or Very Low Food Security



Source: 2008 and 2006 Current Population Survey Food Security Supplements; Mark Nord, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2008* (Washington, DC: Dept. of Agriculture, Economic Research Service, 2009), and Nord, Andrews and Carlson, *Household Food Security in the United States, 2006* (Washington, DC: Dept. of Agriculture, Economic Research Service, 2007).

FIGURE 48.
Increase in Food Insecurity Among the Low-Income Elderly Living Alone, 2006-2008
Share of Households with Income Below 130 Percent of the Federal Poverty Level Experiencing Low or Very Low Food Security



Source: 2008 and 2006 Current Population Survey Food Security Supplements; Mark Nord, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2008*, (Washington, DC: Dept. of Agriculture, Economic Research Service, 2009), and Nord, Andrews, and Carlson, *Household Food Security in the United States, 2006* (Washington, DC: Dept. of Agriculture, Economic Research Service, 2007).

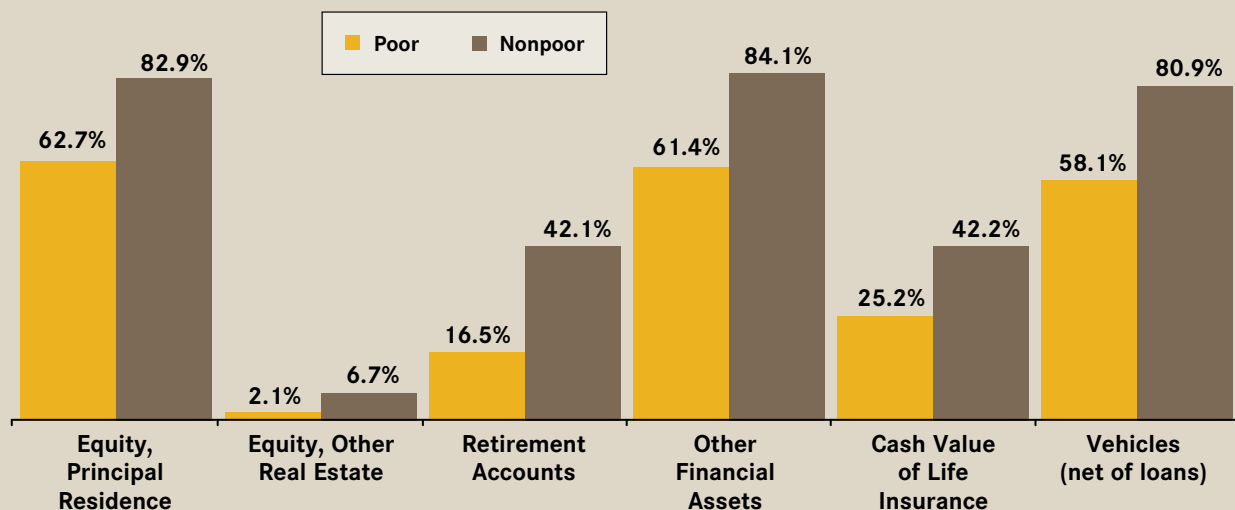
ASSETS OF THE ELDERLY POOR

Poor older adults typically have few financial assets. Some have accumulated savings—in retirement accounts, for example—that can serve as a financial cushion, but the share of poor older adults with financial assets of any consequence is small. The majority of the elderly poor own their own homes, but most have low home equity and limited ability to tap home equity to improve their standard of living in retirement.¹⁵

What Are the Assets of Poor and Nonpoor Older Adults?

Most poor older adults own some assets: Nearly two-thirds (62.7 percent in 2005) have equity in their home; 58.1 percent own a car, and 61.4 percent have some financial assets (such as savings accounts). (Figure 49.) However, poor older adults are less likely than nonpoor older adults to hold these assets—often substantially less likely. For example, poor older adults are less likely than the nonpoor to have equity in a principal residence (62.7

FIGURE 49.
Percentage of Poor and Nonpoor Elderly Adults with Family Assets, 2005



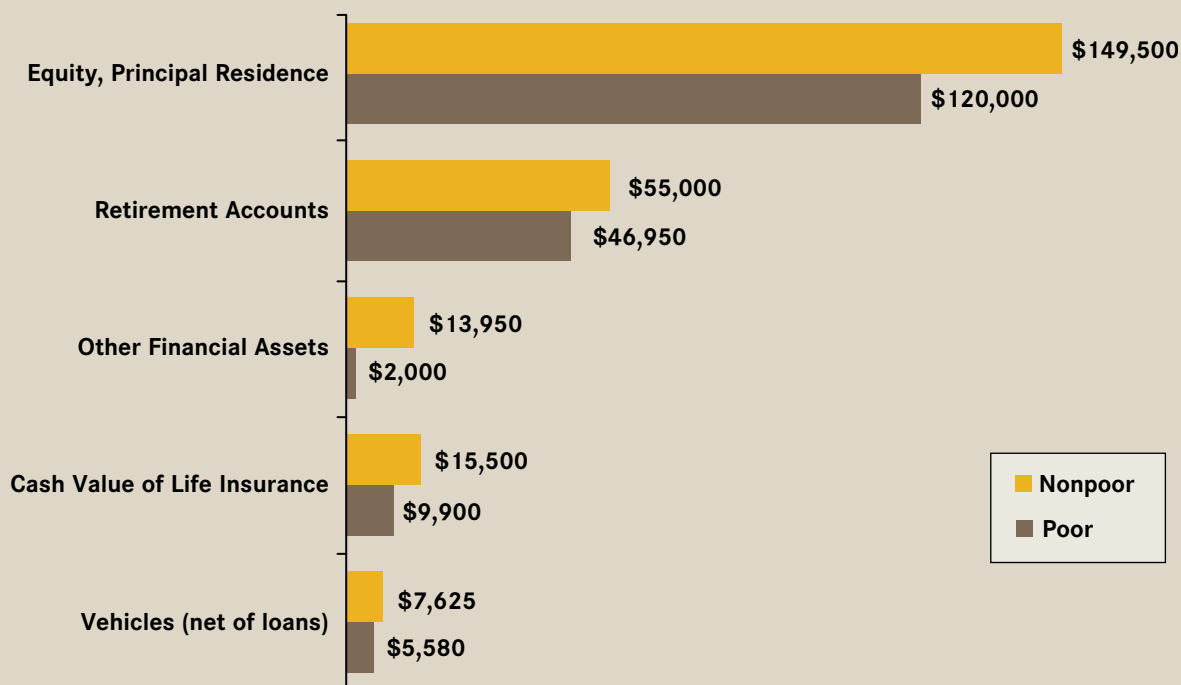
Source: Estimates prepared by Mark Merlis for the AARP Public Policy Institute, based on analysis of the 2005 Survey of Income and Program Participation.

Note: The estimates reflect the percentage of poor and nonpoor elderly individuals who live in a family with this type of asset.

vs. 82.9 percent). The gap is even wider for savings in retirement accounts. Only 16.5 percent of poor older adults have any savings in retirement accounts; nonpoor adults age 65 and older are more than twice as likely as the poor to have funds in retirement accounts (42.1 percent of the nonpoor have accounts).

Not only are poor older adults less likely to have assets, but the assets they do have are worth less than those held by the nonpoor. For poor older adults *who have home equity*, for example, the median amount of home equity was \$120,000 in 2005, compared to median home equity of \$149,500 for nonpoor older adults. (Figure 50.)

FIGURE 50.
Median Value of Family Assets for Poor and Nonpoor Elderly Adults with Each Type of Asset, 2005



Source: Estimates prepared by Mark Merlis for the AARP Public Policy Institute, based on analysis of the 2005 Survey of Income and Program Participation.
Note: These are median values *only* for older adults who *hold* the family asset, not for all poor and nonpoor older adults.

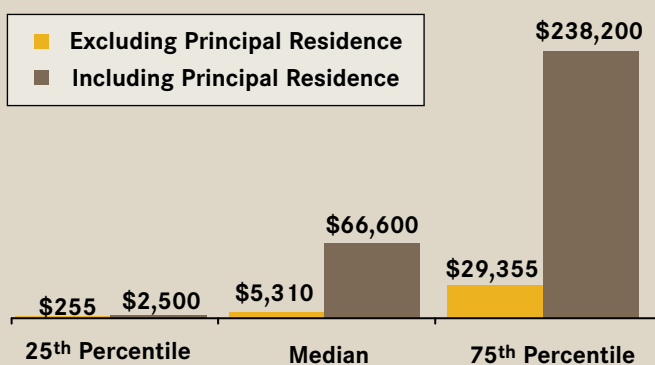
These data are consistent with other research that shows that the major source of wealth for adults age 65 and older is “Social Security wealth”—the discounted value of the future stream of Social Security benefits they can expect to receive.

What Is the Distribution of Assets of Older Adults?

Summing the value of all of the assets held by poor older adults reveals that those assets are typically quite limited. Poor older adults are not only income poor, they are also—not surprisingly—“asset poor.” That is, even if they were to draw down available financial assets, their assets are so limited that the stream of income they create would be insufficient to meet basic needs for more than a few months. Most of the wealth poor older adults do have is tied up in their home.

When home equity is excluded, poor older adults had median family assets of just \$5,310 in 2005, including vehicles, equity in real estate other than a principal residence, cash (savings and checking account balances), and assets readily convertible into cash (such as stocks, bonds, certificates of deposit, individual retirement accounts, and cash-value life insurance). And even when home equity is included, the median total assets of the elderly poor amounted to just \$66,600 (reflecting the fact that many of the poor have no, or only very modest, home equity). (Figure 51.)

FIGURE 51.
Distribution of Assets of Poor Adults Age 65 and Older, 2005



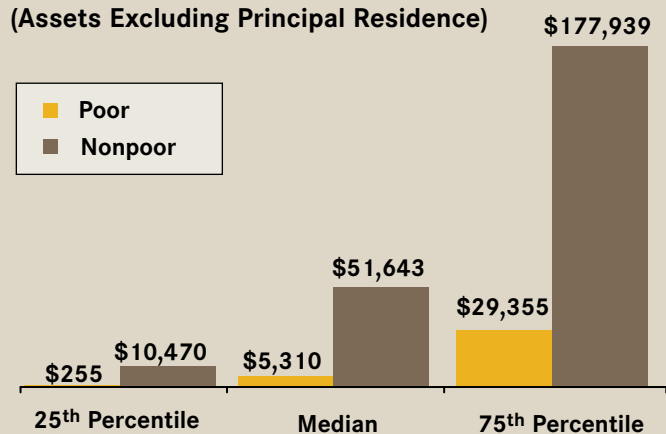
Source: Estimates prepared by Mark Merlis for the AARP Public Policy Institute, based on analysis of the 2005 Survey of Income and Program Participation.

A sizable percentage of poor older adults have no family assets to speak of. The bottom 25 percent of poor adults age 65 and older had assets excluding home equity of no more than \$255, and total assets (including home equity) below \$2,500. However, a small group of poor older adults have significant assets. The top 25 percent of poor older adults had assets (excluding home equity) in excess of \$29,355. When equity in a home is included, the top 25 percent of the poor had assets worth at least \$238,200 in 2005. (Figure 51.)

Poor older adults have substantially fewer assets than do older adults with incomes above the federal poverty level. In 2005, the median family assets (excluding principal residence) of nonpoor older adults were nearly five times those of the poor (\$51,643 vs. \$5,310). Even the “wealthiest” poor older adults (those at the 75th percentile of the asset distribution) have much more limited assets than nonpoor older adults (\$29,355 vs. \$177,939). (Figure 52.) (See appendix tables 6 and 7 for additional data on the distribution of assets for poor and nonpoor older adults.)

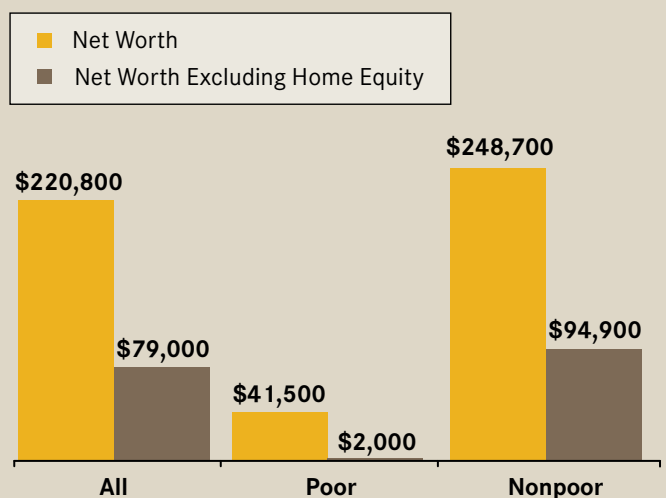
Data from the Survey of Consumer Finances confirm the findings above, which come from the Survey and Income Program Participation. Figure 53 compares the net worth (assets minus liabilities) of poor and nonpoor older families. In 2007, nonpoor older households had net worth more than six times greater than that of poor older households (\$248,700 vs. \$41,500). When home equity is deducted from net worth, the typical older poor family had net assets of just \$2,000 in 2007, compared to \$94,900 for the typical nonpoor older family.

FIGURE 52.
Distribution of Assets of Poor and Nonpoor Adults Age 65 and Older, 2005
(Assets Excluding Principal Residence)



Source: Estimates prepared by Mark Merlis for the AARP Public Policy Institute, based on analysis of the 2005 Survey of Income and Program Participation.

FIGURE 53.
Median Net Worth of Older Families, by Family Income Relative to Poverty, 2007



Source: AARP Public Policy Institute estimates based on the Survey of Consumer Finances, 2007.
Note: “Older families” are those headed by an adult age 65 and older.

IMPROVING THE U.S. POVERTY MEASURE

The picture of the elderly poor sketched to this point may not, in fact, be very accurate. That is because the official poverty measure is seriously outdated. The current thresholds for measuring whether a family lives in poverty are based on more than 50-year-old data about food consumption, updated only for inflation. Recognizing the need for change, the Congress provided funds to the National Academy of Sciences (NAS) for an independent in-depth review of the official poverty measure and alternatives to it. In 1995, the NAS expert Panel on Poverty and Family Assistance published the results of its review and recommendations for a new poverty measure.¹⁶ Since then, the Census Bureau has produced experimental poverty measures based on the NAS recommendations. The Census Bureau recently announced that it will issue a new supplemental poverty measure, based on the NAS recommendations, in September 2011. The official measure will remain in place, but the new supplemental measure will provide a more visible and up-to-date alternative.

A modernized poverty measure provides a more accurate indicator of how many people face severe economic hardship (and who they are), and a better picture of the effectiveness of antipoverty policies. For example, compared with the official poverty measure, the new measure finds a significantly higher poverty rate among adults age 65 and older. When more up-to-date methods of evaluating poverty are used, the percentage of older adults who have incomes inadequate to meet their needs for food, housing, clothing, and other basic necessities is nearly twice the official rate.

What Would a New Poverty Measure Look Like?

The major conclusion of the NAS panel was that the official poverty measure needs to be revised since “it no longer provides an accurate picture of the differences in the extent of economic poverty among population groups or geographic areas of the country, nor an accurate picture of trends over time.”¹⁷

There is no one measure that can indisputably take the place of the current official measure. However, the NAS panel made several recommendations for a new official poverty measure, including the following:

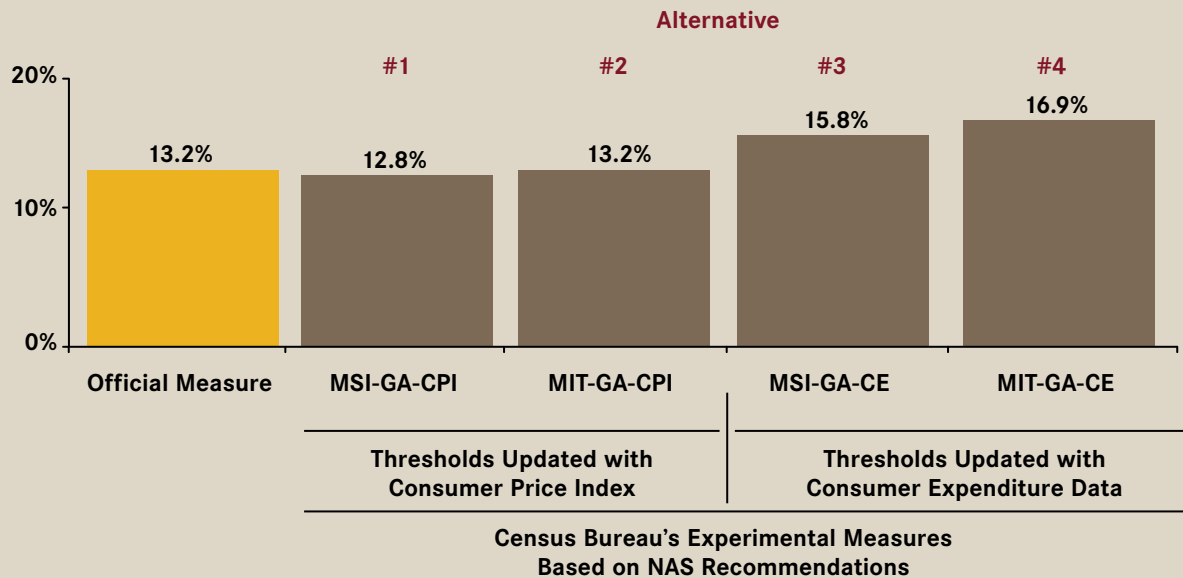
1. The poverty thresholds should represent a **budget for food, clothing, shelter (including utilities), and a small additional amount** to allow for other needs (e.g., household supplies, personal care, and non-work-related transportation).
2. A threshold for a family should be developed using **actual consumer expenditure data** and updated annually to reflect changes in spending over the previous three years.
3. Family resources should be defined as the sum of **money income from all sources together with the value of near-cash benefits (e.g., SNAP) that are available to buy goods and services in the budget, and subtracting expenses that cannot be used** to buy items in the budget. These expenses include income and payroll taxes, child care and other work-related expenses, child support payments, and out-of-pocket medical costs, including health insurance premiums.¹⁸

Improved data and methods make it possible to construct a better poverty measure than the current official measure. In fact, Census Bureau researchers have already produced several experimental poverty measures. These alternative measures reflect different measurement choices, some of which are consistent with the NAS recommendations.

Four of the Census Bureau's experimental poverty measures—in this case, the poverty rate for the entire population, not just for adults age 65 and older—are shown in **figure 54**. The alternative poverty rates reflect different measurement choices, including whether thresholds are adjusted for geographic variation in costs of living (GA), whether medical out-of-pocket expenses are subtracted from income (MSI) or included in the threshold (MIT), and whether thresholds are adjusted over time by an index of price inflation (CPI) or by changes in actual consumer spending on basic needs (CE).

Figure 54 shows that estimates of the U.S. poverty rate under alternative measures are higher (at most, 3 or 4 percentage points higher) than the official poverty rate. Alternative #3 most closely reflects the NAS recommendations (it is based on consumer expenditure data, is adjusted for geographic differences in the cost of living, and deducts medical out-of-pocket spending as an expense out of income—since those expenses reflect resources that cannot be used to buy goods and services in the basic needs budget; it is labeled “MSI-GA-CE” to indicate the measurement choices made).

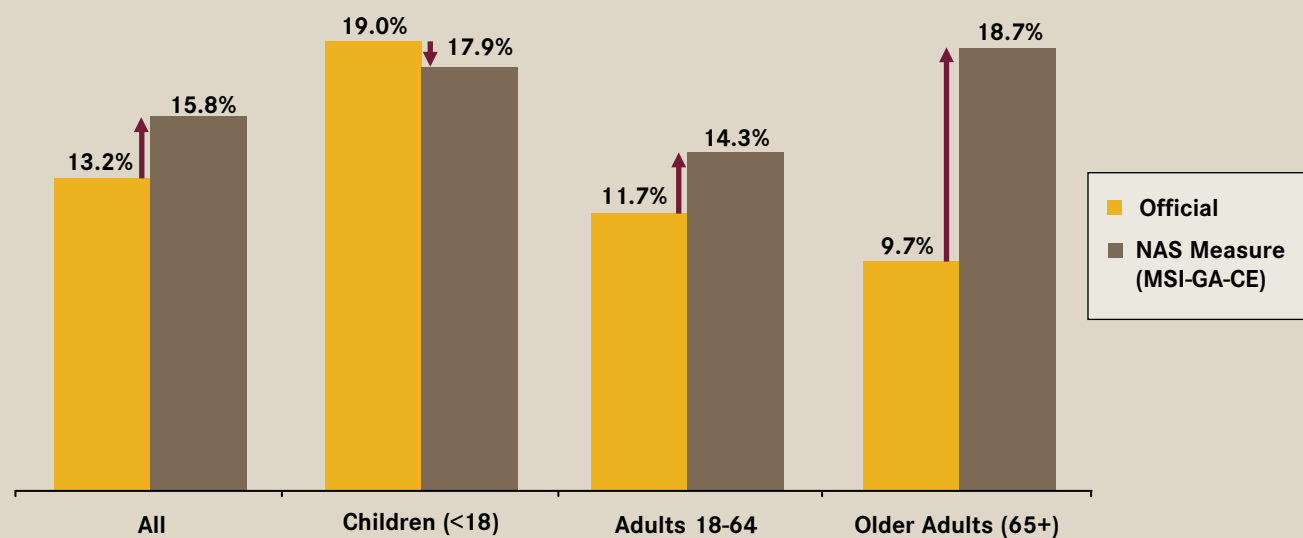
FIGURE 54.
Official and Experimental U.S. Poverty Rates, 2008
 (All Ages)



Source: Census Bureau, “Alternative Poverty Estimates Based on National Academy of Sciences Recommendations, by Geographic and Inflationary Adjustments: 2007 and 2008,” census.gov/hhes/www/povmeas/tables.html.

Figure 55 provides a closer look at alternative #3, which we refer to as the NAS-type poverty measure. The chart shows how a new poverty measure changes both poverty rates and the distribution of poverty by age. Under a new NAS-type poverty measure, the (overall) poverty rate is 2.5 percentage points higher than the official rate (15.8 percent vs. 13.2 percent, in 2008), but the poverty rate among children is slightly lower, while it is modestly

FIGURE 55.
Estimates of Official and Experimental Poverty Rates, by Age, 2008



Source: Census Bureau, "Alternative Poverty Estimates Based on National Academy of Sciences Recommendations, by Geographic and Inflationary Adjustments: 2007 and 2008," census.gov/hhes/www/povmeas/tables.html.

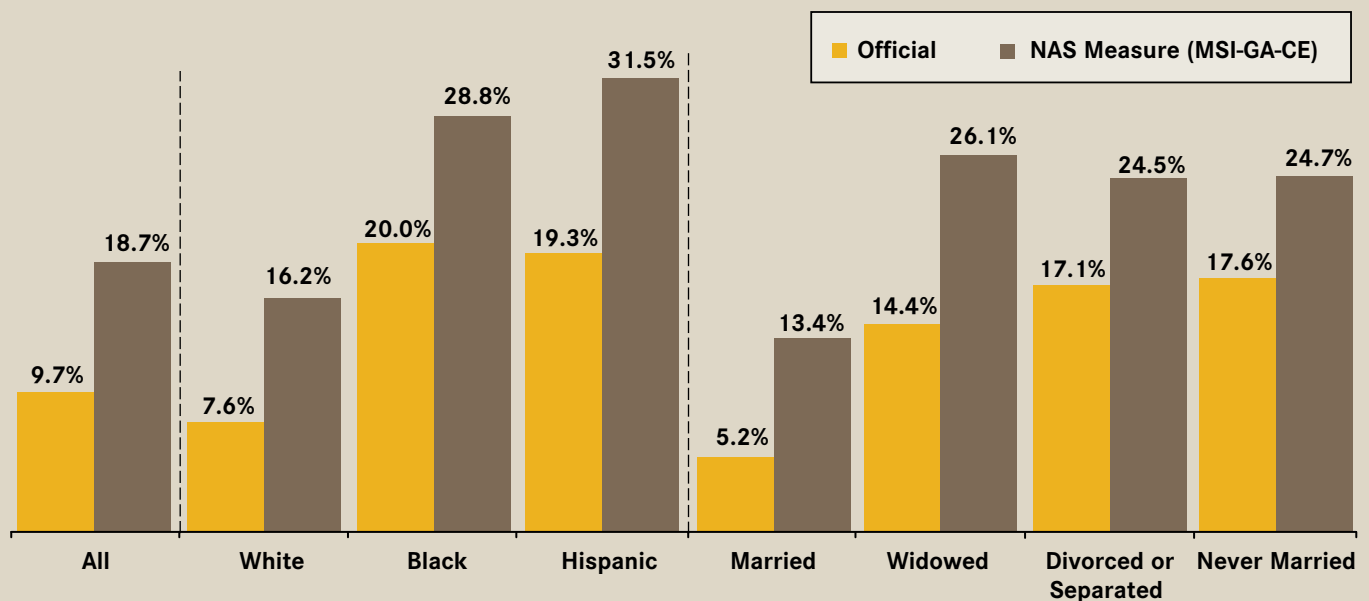
higher for adults age 18 to 64, and much higher for older adults (age 65 and older). In 2008, the NAS poverty rate for older adults is nearly twice the official rate (18.7 percent vs. 9.7 percent).

It is important to note that the new Supplemental Poverty Measure to be issued in September 2011 will be different and will result in somewhat different poverty rates.¹⁹ Compared to the measures reported here, there will be some differences in the data used to make the estimates. In addition, there will be separate thresholds for homeowners with and without a mortgage and renters, which may reduce the poverty rates of the elderly.

For adults age 65 and older, the NAS-type poverty rate is higher than the official rate for all groups, with especially high rates for some: According to the new measure, roughly 30 percent of black and Hispanic older adults and about a quarter of unmarried older adults lived in poverty in 2008. The poverty rate among older adults is higher regardless of marital status. Roughly a quarter of older unmarried adults (widowed, divorced or

separated, or never married) are poor under the NAS approach. Though older adults who are married experience lower rates of poverty, the largest percentage increase (in NAS relative to official poverty) occurs among older married adults. The poverty rate for married older adults with the NAS measure is 2.5 times higher than the official rate. (Figure 56.)

FIGURE 56.
Estimates of Official and Experimental Poverty Rates, Adults Age 65 and Older, 2008



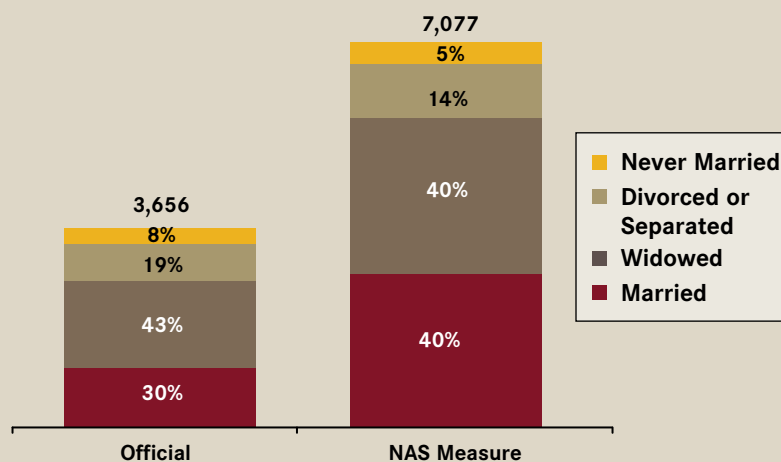
Source: AARP Public Policy Institute estimates based on the Census Bureau's 2009 CPS ASEC Poverty Research File.

Using the NAS approach, the number of older adults in poverty nearly doubles (rises by 93 percent) from 3.656 million to 7.077 million. (Figure 57.) The composition of older adults in poverty also changes. For example, married adults age 65 and older account for 30 percent of the poor under the official measure, compared to 40 percent of the poor under the NAS-type measure.

More than 20 percent of older women and about 23 percent of people over age 80 are living in poverty under the NAS measure. (Figure 58.) Older people are experiencing poverty at substantially higher rates than official statistics indicate.

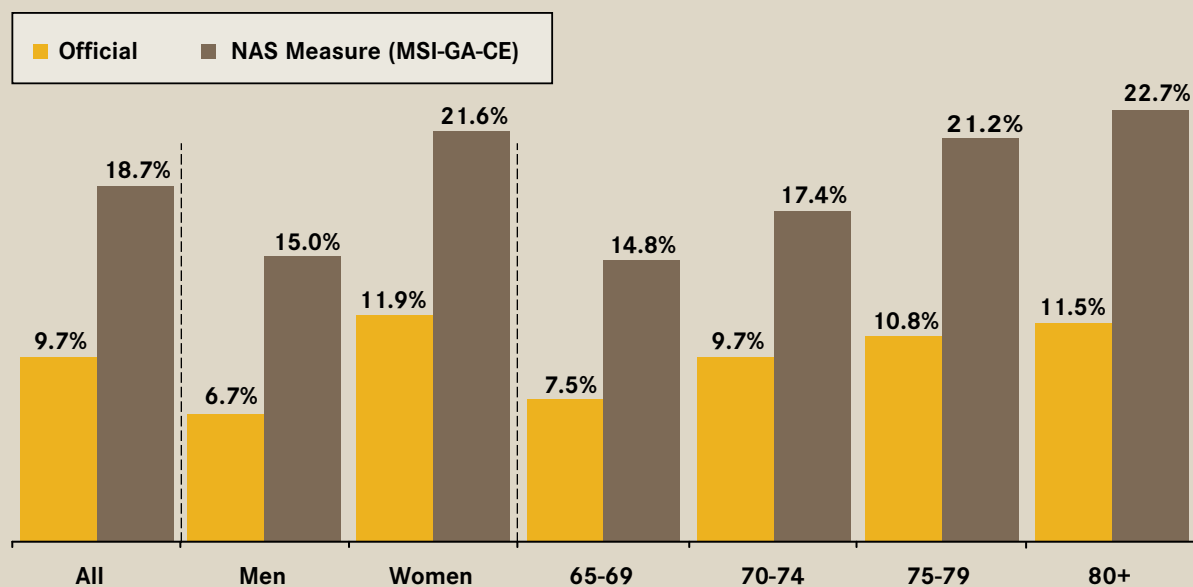
The poverty rate for adults age 65 and older using the NAS approach is higher than the official poverty rate in every state, but it increases more in some states than others.

FIGURE 57.
Number of Poor Older Adults and Distribution by Marital Status, 2008 Official and Experimental Measures (In Thousands)



Source: AARP Public Policy Institute estimates based on the Census Bureau's 2009 CPS ASEC Poverty Research File.

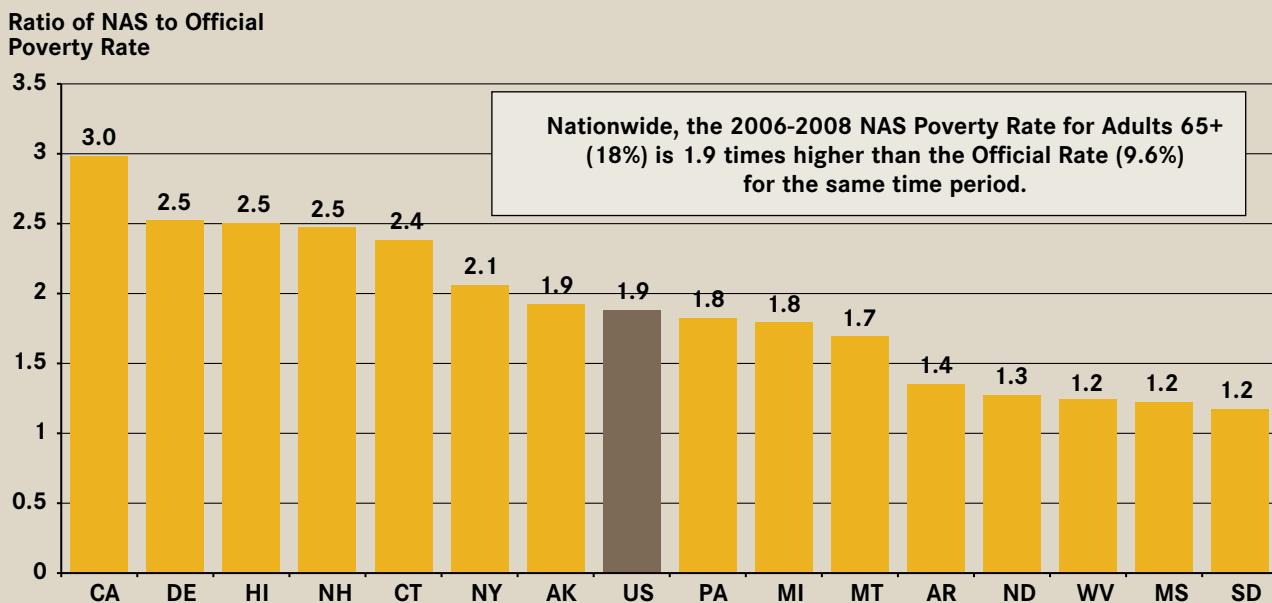
FIGURE 58.
Estimates of Official and Experimental Poverty Rates, Adults Age 65 and Older, 2008



Source: AARP Public Policy Institute estimates based on the Census Bureau's 2009 CPS ASEC Poverty Research File.

The highest rates of increase are in states with high housing costs, including California (where the NAS poverty rate for older adults is three times the official rate) and Delaware (where the NAS rate is 2.5 times the official rate). Increases in NAS poverty relative to official poverty are more modest in states like South Dakota, Mississippi, and West Virginia. (Figure 59.) (Data for each state are in appendix table 3.)

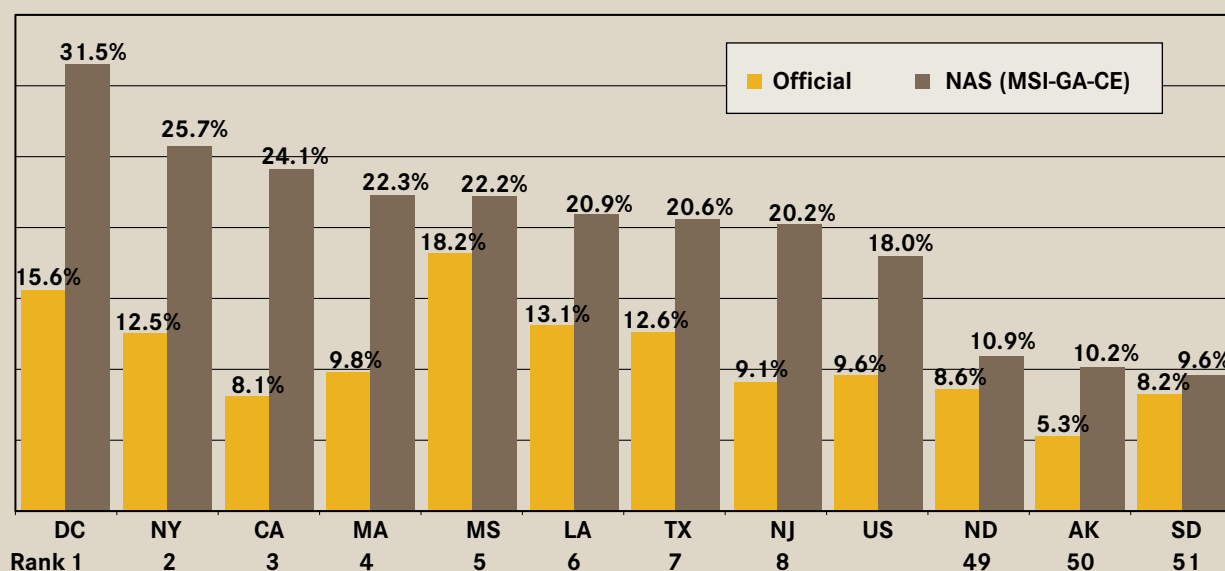
FIGURE 59.
Increase in the Poverty Rate for Older Adults, NAS Relative to Official Rate,
Total U.S. and Selected States
(2006-2008)



Source: AARP Public Policy Institute estimates based on analysis of three years of CPS data, ASEC supplements 2007-2009. Percent increase based on estimates of official and NAS poverty generated using the Census Bureau's Table Creator II, http://www.census.gov/hhes/www/cpstc/apm/cpstc_alt pov.html. See appendix table 3 for data on each state. Note: The NAS measure used here subtracts medical out-of-pocket spending from income, includes geographic adjustment of the thresholds, and adjusts the thresholds with consumer expenditure data (MSI-GA-CE).

Because the NAS approach affects poverty estimates in some states more than others, there is a fairly significant shift in the ranking of states by the rate of elderly poverty. (Figure 60.) Mississippi and Louisiana (and the District of Columbia) remain among the states with the highest poverty rates for older adults, but the states with the highest percentage of adults age 65 and older living in poverty now include New York, California, Massachusetts, and New Jersey, owing to the geographic adjustment of the thresholds (and the relatively high cost of housing in those states). (See detail for all states in appendix tables 2 and 3.)

FIGURE 60.
Comparison of the NAS and Official Poverty Rates for Adults Age 65+, Total U.S. and Selected States
(2006-2008)

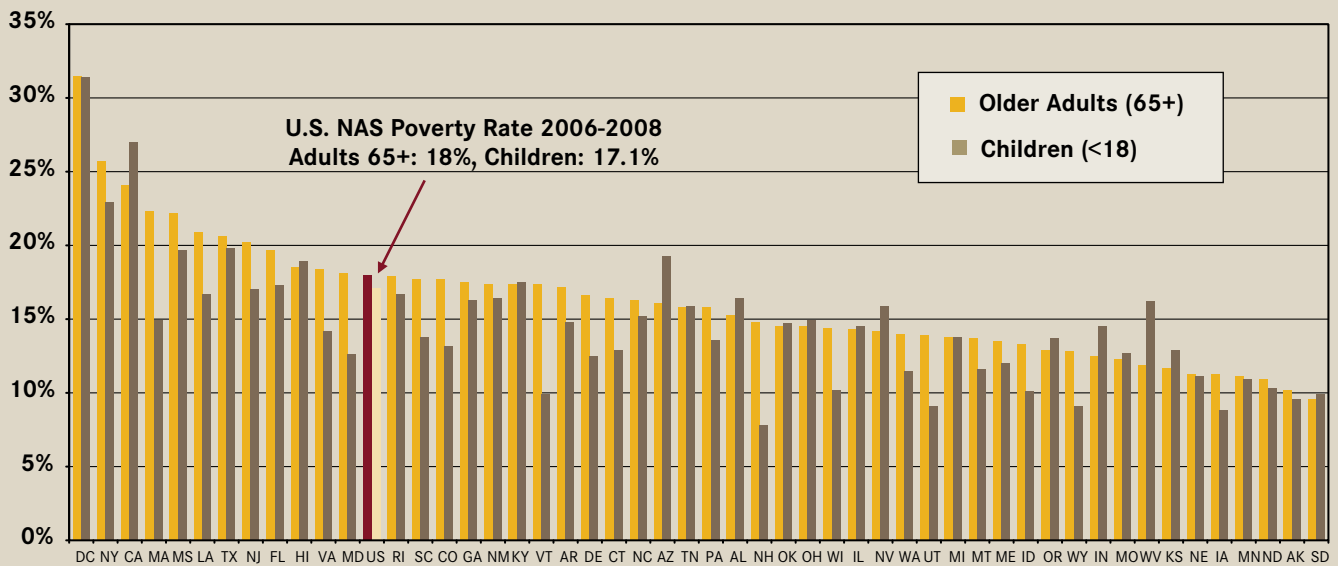


Source: AARP Public Policy Institute estimates based on analysis of three years of CPS data, ASEC supplements 2007-2009. Percentage increase based on estimates of official and NAS poverty generated using the Census Bureau's Table Creator II, http://www.census.gov/hhes/www/cpstc/apm/cpstc_altpov.html. See appendix tables 2-3 for NAS and official poverty rates for each state.

Note: The NAS measure used here (MSI-GA-CE) subtracts medical out-of-pocket spending from income, includes geographic adjustment of the thresholds, and adjusts the thresholds with consumer expenditure data.

The NAS approach also results in elderly poverty rates that are comparable to or higher than those for children in most states. Using the NAS measure, child poverty exceeds elderly poverty by a significant margin in just a handful of states. (Figure 61.)

FIGURE 61.
State-by-State Comparison of the NAS Poverty Rate for Adults Age 65+ and Children
(2006-2008)



Source: AARP Public Policy Institute estimates based on analysis of three years of CPS data, ASEC supplements, 2007-2009. Estimates generated using the Census Bureau's Table Creator II, http://www.census.gov/hhes/www/cpstc/apm/cpstc_alt pov.html. See appendix table 3.
 Note: The NAS measure used here (MSI-GA-CE) subtracts medical out-of-pocket spending from income, includes geographic adjustment of the thresholds, and adjusts the thresholds with consumer expenditure data.

POVERTY POLICY

Despite a perception that the problem of poverty among older Americans largely has been solved, the risks and burdens of poverty among people age 65 and older are significant. Under a new approach to poverty measurement, nearly one in five elderly individuals experience real economic and material hardships. These numbers suggest that current policy responses are not adequate. More needs to be done to reduce the hardships experienced by millions of older people.

What Would It Take to Close the Poverty Gap?

The poverty gap for an elderly family is the difference between the family's annual income and the federal poverty threshold (for that size and type of family). The overall elderly poverty gap is the amount of money it would take to raise all poor elderly persons exactly to the official poverty threshold. In 2008, closing the overall elderly poverty gap would have required an expenditure of \$12.3 billion—or roughly \$3,350 per elderly poor individual. To compare, federal spending on SSI for the aged was \$4.5 billion in 2008; SNAP spending on older households (those with a person age 60 or older) was roughly \$2.6 billion.²⁰ The Medicare Part D Low Income Subsidy had a federal cost of \$16.9 billion in 2008 and the federal portion of the cost of premium assistance for Medicare Part B was \$6.9 billion.²¹ If poverty is measured using the NAS approach, the elderly poverty gap in 2008 is roughly twice as large.

Options for Reducing Poverty among Older Adults

Part of addressing poverty at older ages is putting young people on a path toward good jobs—with decent wages, pensions, secure and affordable health insurance coverage, and protections against other risks, including the risk of disability. But the risks and burdens of poverty must also be addressed for those who fall into poverty at older ages because of job loss, poor health or disability, or other reasons. Options for reducing poverty at old ages include the following:

Improve SSI. SSI, the main cash assistance program that benefits very low-income older adults, has long suffered from neglect and should be reformed

to help alleviate elderly poverty. Substantially raising the asset limit in SSI from \$2,000 for an individual and \$3,000 for a couple would increase the number of very low-income older people eligible for assistance.²² Since an estimated 40 percent of elderly SSI recipients are poor, policymakers should also consider raising SSI benefits (perhaps by expanding income disregards) to lift more elderly recipients out of poverty.²³

Improve Social Security. Social Security lifts more than a third of the elderly out of poverty.²⁴ However, Social Security benefits are not large enough to prevent poverty at older ages for some people, including women who have limited work histories and earnings, people who spent a lifetime working at low wages, and people whose work lives are cut short by disability in the years leading up to retirement. To address the needs of these vulnerable groups, Social Security can be improved. For example, a new minimum benefit could target workers with low lifetime earnings and could compensate workers with time out of the workforce resulting from caregiving, unemployment, or poor health.²⁵

Enhance retirement savings opportunities. Many people who end up poor in old age typically do not have substantial retirement savings accounts or a traditional pension plan. More needs to be done to help workers at midlife who will otherwise approach retirement with limited resources. An Automatic IRA would broaden coverage substantially, providing a savings option to nearly half of the workforce that has no access to any kind of retirement plan or payroll deduction savings mechanism through their employer.²⁶ Improving the Savers' Credit would help an Automatic IRA provide a real boost to retirement security for low-income workers.²⁷

Strengthen health insurance coverage. To prevent out-of-pocket medical spending from pushing older adults into poverty, Medicare’s cost-sharing requirements should be reduced. Changes could be made to the original Medicare program to provide a comprehensive benefit option that eliminates the need to purchase private drug plans or Medigap supplemental coverage.²⁸ Improvements could be made in the low-income assistance programs that supplement Medicare—Medicaid, the Medicare Savings Programs, and the Medicare Low Income Subsidy—to expand eligibility for and enrollment in these programs.

Ensure access to affordable housing. More needs to be done to ensure that older poor homeowners and renters have safe and affordable housing. Governments should ensure that a variety of affordable housing options, including public housing, is available to older poor and low-income people.²⁹ Programs that provide property tax relief to low-income homeowners should be expanded, as should other forms of assistance that can help older low-income people stay in their homes.

A package of reforms to end elderly poverty may seem unlikely in the current political environment, in which debate is focused on the need to limit public spending. As policymakers consider options for reducing the federal cost of entitlements, there is a risk that budget reform will increase rather than decrease the number of older adults living below the poverty line. Options that reduce overall spending should, at the very least, boost protections for the lowest income older adults.

APPENDIX TABLES**TABLE 1.**
**Official Poverty Rates by Age, and State Rank
by Elderly Poverty Rate, 2008**

	Adults 65+		Poverty Rate		
	Poverty Rate	State Rank	Children < 18	Adults 18-64	All Ages
United States	9.9%		18.2%	11.9%	13.2%
Mississippi	16.9%	1	30.4%	18.1%	21.2%
District of Columbia	15.2%	2	25.9%	15.1%	17.2%
Kentucky	13.8%	3	23.5%	15.8%	17.3%
Louisiana	13.5%	4	24.7%	15.1%	17.3%
New Mexico	13.4%	5	24.2%	15.0%	17.1%
North Dakota	13.1%	6	15.3%	10.5%	12.0%
Arkansas	12.5%	7	24.9%	15.3%	17.3%
Texas	12.2%	8	22.5%	13.4%	15.8%
Alabama	12.1%	9	21.7%	14.1%	15.7%
South Carolina	12.1%	9	21.7%	14.1%	15.7%
Georgia	11.9%	11	20.1%	12.8%	14.7%
New York	11.8%	12	19.1%	12.0%	13.6%
North Carolina	11.4%	13	19.9%	13.1%	14.6%
Tennessee	11.4%	13	21.8%	13.9%	15.5%
Oklahoma	10.9%	15	22.6%	14.3%	15.9%
Rhode Island	10.9%	15	15.5%	10.6%	11.7%
West Virginia	10.5%	17	23.0%	16.6%	17.0%
Florida	10.4%	18	18.3%	12.2%	13.2%
South Dakota	10.3%	19	17.6%	10.9%	12.5%
Massachusetts	10.2%	20	12.0%	9.3%	10.0%
Nebraska	9.8%	21	13.4%	10.0%	10.8%
Missouri	9.3%	22	18.6%	12.2%	13.4%
Pennsylvania	9.3%	22	16.8%	11.2%	12.1%
Illinois	9.2%	24	17.0%	10.8%	12.2%

TABLE 1. (continued)
Official Poverty Rates by Age, and State Rank by Elderly Poverty Rate, 2008

	Adults 65+		Poverty Rate		
	Poverty Rate	State Rank	Children < 18	Adults 18-64	All Ages
Maine	9.2%	24	15.8%	11.9%	12.3%
Montana	8.9%	26	20.6%	14.0%	14.8%
Ohio	8.8%	27	18.5%	12.3%	13.4%
California	8.7%	28	18.5%	12.0%	13.3%
Michigan	8.7%	28	19.4%	13.7%	14.4%
Oregon	8.7%	28	18.1%	13.0%	13.6%
Arizona	8.6%	31	20.8%	13.4%	14.7%
Minnesota	8.6%	31	11.4%	9.2%	9.6%
Nevada	8.6%	31	15.0%	10.3%	11.3%
Vermont	8.5%	34	13.2%	10.1%	10.6%
Colorado	8.4%	35	15.1%	10.5%	11.4%
Virginia	8.4%	35	13.8%	9.2%	10.2%
Wisconsin	8.4%	35	13.3%	9.7%	10.4%
Indiana	8.3%	38	18.3%	11.9%	13.1%
Iowa	8.3%	38	14.4%	11.2%	11.5%
New Hampshire	8.3%	38	9.0%	7.0%	7.6%
Maryland	8.2%	41	10.2%	7.2%	8.1%
Washington	8.2%	41	14.3%	10.9%	11.3%
Kansas	8.1%	43	14.5%	10.7%	11.3%
New Jersey	7.9%	44	12.5%	7.5%	8.7%
Delaware	7.7%	45	13.6%	9.1%	10.0%
Connecticut	7.6%	46	12.5%	8.4%	9.3%
Idaho	7.6%	46	15.8%	12.1%	12.6%
Wyoming	7.3%	48	11.6%	9.0%	9.4%
Hawaii	6.8%	49	10.0%	9.4%	9.1%
Utah	6.8%	49	10.5%	9.5%	9.6%
Alaska	3.7%	51	11.0%	7.9%	8.4%

Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

TABLE 2.
Official Poverty Rate, Adults Age 65 and Older, 2006–2008

	Poverty Rate, Adults 65+	State Rank
United States	9.6%	
Mississippi	18.2%	1
District of Columbia	15.6%	2
Louisiana	13.1%	3
Arkansas	12.7%	4
New Mexico	12.7%	4
Texas	12.6%	6
New York	12.5%	7
Kentucky	11.9%	8
Tennessee	11.6%	9
South Carolina	11.0%	10
Alabama	10.9%	11
Vermont	10.7%	12
North Carolina	10.6%	13
Georgia	10.5%	14
Florida	10.3%	15
Oklahoma	10.2%	16
Virginia	10.1%	17
Colorado	9.9%	18
Massachusetts	9.8%	19
West Virginia	9.6%	20
Maryland	9.2%	21
Arizona	9.1%	22
Indiana	9.1%	22
New Jersey	9.1%	22
Maine	8.8%	25
Wisconsin	8.8%	25
Wyoming	8.8%	25
Pennsylvania	8.7%	28

TABLE 2. (continued)**Official Poverty Rate, Adults Age 65 and Older, 2006–2008**

	Poverty Rate, Adults 65+	State Rank
North Dakota	8.6%	29
Rhode Island	8.3%	30
South Dakota	8.2%	31
California	8.1%	32
Montana	8.1%	32
Illinois	8.0%	34
Ohio	8.0%	34
Oregon	7.9%	36
Washington	7.8%	37
Michigan	7.7%	38
Idaho	7.6%	39
Hawaii	7.4%	40
Kansas	7.0%	41
Connecticut	6.9%	42
Missouri	6.8%	43
Utah	6.8%	43
Delaware	6.6%	45
Nebraska	6.5%	46
Nevada	6.5%	46
Iowa	6.3%	48
New Hampshire	6.0%	49
Minnesota	5.7%	50
Alaska	5.3%	51

Source: AARP Public Policy Institute estimates Based on Three Years of Current Population Survey Data, Annual Social and Economic Supplements, 2007-2009.

TABLE 3.
National Academy of Sciences (NAS) Poverty Rates (MSI-GA-CE),
2006–2008

	Poverty Rate, Adults 65+	State Rank	Ratio of NAS Elderly Poverty Rate* to Official Elderly Poverty Rate	NAS Poverty Rate, Children (0-17)
United States	18.0%		1.9	17.1%
District of Columbia	31.5%	1	2.0	31.4%
New York	25.7%	2	2.1	22.9%
California	24.1%	3	3.0	27.0%
Massachusetts	22.3%	4	2.3	14.9%
Mississippi	22.2%	5	1.2	19.7%
Louisiana	20.9%	6	1.6	16.7%
Texas	20.6%	7	1.6	19.8%
New Jersey	20.2%	8	2.2	17.0%
Florida	19.7%	9	1.9	17.3%
Hawaii	18.5%	10	2.5	18.9%
Virginia	18.4%	11	1.8	14.2%
Maryland	18.1%	12	2.0	12.6%
Rhode Island	17.9%	13	2.2	16.7%
Colorado	17.7%	14	1.8	13.2%
South Carolina	17.7%	14	1.6	13.8%
Georgia	17.5%	16	1.7	16.3%
Kentucky	17.4%	17	1.5	17.5%
New Mexico	17.4%	17	1.4	16.4%
Vermont	17.4%	17	1.6	9.9%
Arkansas	17.2%	20	1.4	14.8%
Delaware	16.6%	21	2.5	12.5%
Connecticut	16.4%	22	2.4	12.9%
North Carolina	16.3%	23	1.5	15.2%
Arizona	16.1%	24	1.8	19.3%
Pennsylvania	15.8%	25	1.8	13.6%
Tennessee	15.8%	25	1.4	15.9%
Alabama	15.3%	27	1.4	16.4%

TABLE 3. (continued)
National Academy of Sciences (NAS) Poverty Rates (MSI-GA-CE),
2006–2008

	Poverty Rate, Adults 65+	State Rank	Ratio of NAS Elderly Poverty Rate* to Official Elderly Poverty Rate	NAS Poverty Rate, Children (0-17)
New Hampshire	14.8%	28	2.5	7.8%
Ohio	14.5%	29	1.8	14.9%
Oklahoma	14.5%	29	1.4	14.7%
Wisconsin	14.4%	31	1.6	10.2%
Illinois	14.3%	32	1.8	14.5%
Nevada	14.2%	33	2.2	15.9%
Washington	14.0%	34	1.8	11.5%
Utah	13.9%	35	2.0	9.1%
Michigan	13.8%	36	1.8	13.8%
Montana	13.7%	37	1.7	11.6%
Maine	13.5%	38	1.5	12.0%
Idaho	13.3%	39	1.8	10.1%
Oregon	12.9%	40	1.6	13.7%
Wyoming	12.8%	41	1.5	9.1%
Indiana	12.5%	42	1.4	14.5%
Missouri	12.3%	43	1.8	12.7%
West Virginia	11.9%	44	1.2	16.2%
Kansas	11.7%	45	1.7	12.9%
Iowa	11.3%	46	1.8	8.8%
Nebraska	11.3%	46	1.7	11.1%
Minnesota	11.1%	48	1.9	10.9%
North Dakota	10.9%	49	1.3	10.3%
Alaska	10.2%	50	1.9	9.6%
South Dakota	9.6%	51	1.2	9.9%

*Official elderly poverty rate from table 2 above. This is the ratio of the state poverty rates using the three-year CPS estimates.

Source: AARP Public Policy Institute estimates Based on Three Years of Current Population Survey Data, Annual Social and Economic Supplements, 2007–2009.

TABLE 4.
Self-reported Health Status, Adults Aged 65 and Older, by Family Income Relative to the Federal Poverty Level (FPL), 2008

Health Status	All Elderly	Family Income Relative to FPL			
		<100% FPL	100-199% FPL	200-399% FPL	400%+
Excellent	10%	6%	6%	9%	17%
Very Good	22%	13%	17%	23%	28%
Good	34%	31%	33%	37%	34%
Fair	22%	30%	29%	21%	16%
Poor	11%	21%	15%	10%	6%

Source: AARP Public Policy Institute estimates based on the Current Population Survey, Annual Social and Economic Supplement, 2009.

TABLE 5.
Disability Rates, Adults Aged 65 and Older, by Family Income Relative to the Federal Poverty Level (FPL), 2008

Type of Disability	All Elderly	Family Income Relative to FPL			
		<100% FPL	100%-199% FPL	200%-399% FPL	400%FPL+
Any	38.20%	53.20%	48.30%	37.50%	28.10%
Ambulatory	24.80%	38.70%	32.80%	23.70%	16.70%
Independent Living	17.20%	28.40%	22.70%	15.90%	11.60%
Cognitive	9.90%	17.50%	13.40%	9.00%	6.30%
Self-Care	9.20%	15.70%	12.10%	8.40%	6.20%
Hearing Difficulty	15.70%	18.10%	18.80%	16.10%	12.80%
Vision Difficulty	7.70%	13.40%	11.20%	7.20%	4.40%

Source: AARP Public Policy Institute estimates based on the 2008 American Community Survey.

TABLE 6.
Distribution of Assets, Elderly People in Poverty and Other Elderly People, 2005

	Excluding Principal Residence		Including Principal Residence	
	Poor	Nonpoor	Poor	Nonpoor
25 th percentile	\$ 255	\$ 10,470	\$ 2,500	\$ 81,975
Median	\$ 5,310	\$ 51,643	\$ 66,600	\$ 207,100
75 th percentile	\$ 29,355	\$ 177,939	\$ 238,200	\$ 453,000

Source: Survey of Income and Program Participation.

TABLE 7.
Prevalence and Median Value of Different Types of Assets, Elderly People in Poverty and Other Elderly People, 2005

Type of asset	Poor		Nonpoor	
	Percentage with asset	For those with asset, median value	Percentage with asset	For those with asset, median value
Equity, principal residence	62.7%	\$120,000	82.9%	\$149,500
Equity, other real estate	2.1%	*	6.7%	\$178,500
Retirement accounts	16.5%	\$46,950	42.1%	\$55,000
Other financial assets	61.4%	\$2,000	84.1%	\$13,950
Cash value of life insurance	25.2%	\$9,900	42.2%	\$15,500
Vehicles (net of loans)	58.1%	\$5,580	80.9%	\$7,625

* Population too small for meaningful estimate.

Source: Survey of Income and Program Participation.

NOTES

- ¹ <http://www.census.gov/hhes/www/poverty/threshld/thresho8.html>.
- ² The poverty measure is based on work done by Mollie Orshansky in the 1960s. Her calculation of minimally adequate food budgets (for families of various sizes and composition) was based on data from the 1955 Household Food Consumption Survey. In 1969, the U.S. Bureau of the Budget (now the Office of Management and Budget) adopted the Orshansky measure as a standard government poverty measure. Daniel H. Weinberg, *Measuring Poverty in the United States: History and Current Issues*, Center for Economic Studies discussion paper 06-11 (Census Bureau,, April 2006).
- ³ Census Bureau, "Poverty Thresholds for 2008 by Size of Family and Number of Related Children Under 18 Years," <http://www.census.gov/hhes/www/poverty/threshld/thresho8.html>.
- ⁴ The poverty thresholds are adjusted annually for inflation using the Consumer Price Index for Urban Consumers.
- ⁵ Eligibility requirements for low-income assistance are often based on factors other than income, including age, family composition, and the availability of financial resources through so-called asset tests.
- ⁶ <http://aspe.hhs.gov/poverty/09poverty.shtml>.
- ⁷ See the HHS poverty guidelines at <http://aspe.hhs.gov/POVERTY/09extension.shtml>.
- ⁸ See the 2009 thresholds at the Census Bureau Web site: <http://www.census.gov/hhes/www/poverty/threshld.html>.
- ⁹ Gary V. Engelhardt and Jonathan Gruber, *Social Security and the Evolution of Elderly Poverty* (Cambridge, MA: National Bureau of Economic Research, 2004). <http://www.nber.org/papers/w10466>.

- ¹⁰ Mark Merlis, *Resource Tests and Eligibility for Federal Assistance Programs: Effects of Current Rules and Options for Change* (Washington, DC.: AARP Public Policy Institute, 2010). <http://www.aarp.org/research/ppi/econ-sec/low-income/articles/2010-01-resource-tests.html>.
- ¹¹ The Medical Expenditure Panel Survey does not ask about MSP or LIS enrollment. Johnson and Mommaerts (see note 13) assumed that 33 percent of seniors without Medicaid who had incomes below the poverty level were enrolled in QMB and that 13 percent of those with incomes between 100 and 120 percent of the federal poverty level enrolled in SLMB, consistent with estimates from the Congressional Budget Office. They also assumed that all QMB and SLMB enrollees participated in LIS and that 36 percent of eligible beneficiaries not enrolled in Medicaid, QMB, or SLMB participated in LIS, a recent estimate of the take-up rate.
- ¹² Mary Ellen Stahlman, *The Medicare Drug Benefit: Update on the Low Income Subsidy* (Washington, DC: National Health Policy Forum, 2009). www.nhpf.org/library/issue-briefs/IB833_PartD.LISubsidy_07-31-09.pdf. Recent estimates suggest that only 36 percent of eligible Medicare beneficiaries not enrolled in Medicaid, QMB, or SLMB participated in LIS. See Jack Hoadley, Elizabeth Hargrave, and Juliette Cubanski, *Medicare Part D 2008 Data Spotlight: Low Income Subsidy Plan Availability* (Washington, DC: Henry J. Kaiser Family Foundation, 2008) www.kff.org/medicare/upload/7763.pdf.
- ¹³ Richard W. Johnson and Corina Mommaerts, *Are Health Care Costs a Burden for Older Americans?* (Washington, DC: Urban Institute, 2009). <http://www.urban.org/publications/411924.html> In 2006, average annual spending out of pocket on health care for adults age 65 and older was \$2,959; the median expenditure was \$2,463, and expenditure at the 75th percentile was \$3,848.
- ¹⁴ Mark Merlis, *Resource Tests and Eligibility for Federal Assistance Programs: Effects of Current Rules and Options for Change* (Washington, DC: AARP Public Policy Institute, 2010). <http://www.aarp.org/research/ppi/econ-sec/low-income/articles/2010-01-resource-tests.html>.

- ¹⁵ Barbara A. Butrica, Daniel Murphy, and Sheila R. Zedlewski, *How Many Struggle to Get By in Retirement?* (Washington, DC: The Urban Institute, 2008). <http://www.urban.org/publications/411627.html>.
- ¹⁶ Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995).
- ¹⁷ *Ibid.*, p. 1.
- ¹⁸ *Ibid.*, p. 5.
- ¹⁹ See the March 2010 memo, “Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure,” at http://www.census.gov/hhes/www/poverty/SPM_TWGObservations.pdf.
- ²⁰ SSI expenditure data at <http://www.ssa.gov/OACT/ssir/SSIo8/Payments.html#426908>; SNAP expenditure data at <http://www.fns.usda.gov/ora/menu/Published/SNAP/FILES/Participation/2008Characteristics.pdf>.
- ²¹ LIS expenditure data at <http://www.cbo.gov/budget/factsheets/2009b/medicare.pdf>; Medicare Part B premium assistance expenditure data at <http://www.cbo.gov/budget/factsheets/2009b/medicaid.pdf>.
- ²² Merlis, “Resource Tests and Eligibility for Federal Assistance Programs.”
- ²³ An estimate of poverty rates for elderly SSI recipients can be found in Joyce Nicholas and Michael Wiseman, “Elderly Poverty and Supplemental Security Income,” *Social Security Bulletin* 69, no. 1 (2009): 64.
- ²⁴ Selena Caldera, *Social Security: Ten Facts That Matter* (Washington, DC: AARP Public Policy Institute, 2009). http://www.aarp.org/research/ppi/econ-sec/ss/articles/fs154_socsec.html.
- ²⁵ Melissa Favreault, *A New Minimum Benefit for Low Lifetime Earners* (Washington, DC: Urban Institute, 2009). http://www.urban.org/retirement_policy/url.cfm?ID=411853.

- ²⁶ See the AARP Public Policy Solutions Forum at <http://www.aarp.org/research/ppi/econ-sec/pensions/articles/forum-091026.html>; see AARP's advocacy materials on Auto IRA at http://www.aarp.org/makeadifference/advocacy/GovernmentWatch/RetirementSecurity/articles/aarp_one_minute_guide_auto_ira.html.
- ²⁷ Lisa Southworth and John Gist, *The Saver's Credit: What Does It Do for Saving?* (Washington, DC: AARP Public Policy Institute, 2008). http://www.aarp.org/research/ppi/econ-sec/tax/articles/i1_credit.html.
- ²⁸ Karen Davis, Marilyn Moon, Barbara Cooper, and Cathy Schoen, "Medicare Extra: A Comprehensive Benefit Option for Medicare Beneficiaries," *Health Affairs* 27, no. 3 (May 1, 2008): 646–657 <http://content.healthaffairs.org/cgi/reprint/27/3/646>.
- ²⁹ Rodney Harrell, Allison Brooks, and Todd Nedwick, *Preserving Affordability and Access in Livable Communities: Subsidized Housing Opportunities Near Transit and the 50+ Population* (Washington, DC: AARP Public Policy Institute, 2009). <http://www.aarp.org/research/ppi/liv-com/housing/articles/2009-15.html>.



AARP Public Policy Institute
601 E Street, NW
Washington, DC 20049
www.aarp.org/ppi

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