



Income and Poverty Among Older Americans in 2008

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Summary

Older Americans are an economically diverse group. In 2008, the median income of individuals aged 65 and older was \$18,208 but incomes varied widely around this average. One-fourth of Americans 65 and older had incomes of less than \$11,139 in 2008, while another one-fourth had incomes of \$33,677 or more. Older Americans receive income from a variety of sources, including earnings, pensions, personal savings, and public programs such as Social Security and Supplemental Security Income. This report provides information from the March 2009 *Current Population Survey* on the number of elderly individuals and households who received income from each of these sources in 2008 and the amount of income received by individuals and households. Income from each source is reported as the annual amount received in 2008.

Social Security and pensions are the two most common sources of income among the aged. In 2008, Social Security paid benefits to 86% of individuals aged 65 and older and to 89% of households in which the householder or the householder's spouse was 65 or older. Social Security is the largest single source of income among the aged. Sixty-nine percent of Social Security beneficiaries aged 65 or older received more than half of their income from Social Security in 2008. For 41% of elderly recipients and 28% of elderly households, Social Security accounted for more than 90% of total income in 2008.

Thirty-four percent of persons aged 65 and older received income from private-sector and public sector pensions in 2008. Among individuals aged 65 and older who reported receiving income from government pensions, the median amount received in 2008 was \$18,000. Among recipients of private pensions, median pension income was \$7,584. Forty-four percent of households in which either the household head or spouse was aged 65 or older received income from a private or public pension in 2008. Median household income from public-sector pensions in 2008 was \$19,162. Median household income from private-sector pensions in 2008 was \$8,412.

Many Americans prepare for retirement by saving and investing some of their income while they are working. Of the 37.8 million Americans aged 65 and older who were living in households in 2008, 20.4 million (54%) received income from assets, such as interest, dividends, rent, and royalties. Most received small amounts of income from the assets they owned. Among individuals aged 65 and older who received income from assets in 2008, half received less than \$1,054. Of households with a householder or spouse aged 65 or older, 59% received income from assets in 2008. Among these households, median income from assets in 2008 was \$1,542.

Earnings are a significant source of income for older Americans, especially for those under age 70. Although there was a trend toward earlier retirement from about 1960 to 1985, in recent years more Americans have continued to work at older ages. In 2008, 68% of Americans aged 55 to 64 worked at some time during the year. The median earnings of workers aged 55 to 64 were \$37,000. Although just 20% of individuals aged 65 and older worked in 2008, 35% of those aged 65 to 69 had earnings from work. The median earnings of workers aged 65 to 69 were \$25,000. Among all workers 65 and older, median earnings in 2008 were \$20,000.

Poverty among Americans aged 65 and older has fallen from one in three older persons in 1960 to less than one in ten today. In 2008, the poverty rate among individuals aged 65 and older (9.7%) was lower than the poverty rates among children under age 18 (19%) and adults aged 18 to 64 (11.7%). Although the overall rate of poverty among older Americans is relatively low, it remains high for women, minorities, the less-educated, and people over age 80.

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Introduction

This report describes the sources and amounts of income received by the 37.8 million Americans aged 65 and older who lived in non-institutional settings in 2008.¹ Older persons receive income from a variety of sources, including earnings, pensions, interest and dividends, and from public programs such as Social Security and Supplemental Security Income. The substantial variation in the number of people receiving income from each source and the amounts they receive from each source are the main topics of this report. The report uses data from the Census Bureau's March 2009 *Current Population Survey* to describe the number of elderly individuals and households receiving income from earnings, pensions, Social Security, interest and dividends, veterans' benefits, public assistance, and other sources. It also describes how the proportion of total income received from each source differs between high-income individuals and households and low-income individuals and households.

In addition to looking at sources and amounts of income, the report examines the income of the elderly relative to the federal poverty thresholds. The 2008 poverty rate of 9.7% for Americans 65 and older was lower than both the poverty rate for the population 18 to 64 years old (11.7%) and the poverty rate among children under age 18 (19.0%).² Nevertheless, in 2008, 3.7 million Americans aged 65 and older had family incomes below the federal poverty thresholds of \$10,326 for single persons and \$13,014 for couples.

Although income is an important measure of a person's economic well-being, it is not the only such measure, nor is it always the best one. Individuals with the same cash income may have significantly different levels of financial assets or other forms of wealth. Some own their homes while others rent. Some receive non-cash benefits from former employers, such as fully or partially paid health insurance, while others have to pay for health services or insurance out-of-pocket. The federal and state governments also provide many non-cash benefits and services such as Medicaid, Food Stamps, and the Low-Income Home Energy Assistance Program that improve the financial circumstances of lower-income families, but which do not show up in measures of cash income. Finally, some older Americans live with family members or receive considerable non-financial assistance from their families, while others live alone and pay someone to perform household chores or to provide personal care services. Even with these limitations, however, the amount of income that older Americans receive is an important measure of their ability to purchase the goods and services that contribute to their economic well-being.

The Data

The findings in this report are based on data collected in the March 2009 *Current Population Survey* (CPS), conducted by the Bureau of the Census. The March 2009 CPS consisted of interviews with members of approximately 76,200 households, comprising a representative sample of the civilian, non-institutionalized population of the United States. Each March, the survey includes detailed questions about sources and amounts of income received during the

¹ The data presented here do not include approximately 1.6 million elderly persons who live in nursing homes.

² U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States, 2008*; P60-236, Table 4, p. 14, <http://www.census.gov/prod/2009pubs/p60-236.pdf>. Poverty thresholds differ by age. In 2008, the poverty threshold for an individual under age 65 was \$11,201. The poverty threshold for a couple under age 65 was \$14,417.

previous calendar year. The CPS is widely used by researchers in government, academia, and the private sector, and it is the source of the official statistics published annually by the Census Bureau on median family income, the number of Americans living in poverty, and the number of people without health insurance. Like any survey, the CPS is subject to error. *Sampling error* occurs if the households selected to participate in the survey are not representative of the population. *Non-sampling error* occurs if survey participants provide inaccurate information or if their responses are incorrectly recorded.

Individual Income and Household Income

Income figures in this report are shown both for individual persons and for households. Individuals are classified by the person's age. One-person households were counted as elderly households if the householder was 65 or older. Married-couple households were counted as elderly households if the older of the household head or the household head's spouse was 65 or older. This differs from the Census Bureau's methodology, which classifies households by the age of the household head. The methodology adopted by CRS has the advantage of including in the count of elderly households all households in which *either* the household head or the household head's spouse was 65 or older. The estimated number of elderly persons in poverty is based on the Census Bureau's poverty thresholds, the family's income, the age of the householder, and the number of persons in the family.^a

a. Family income differs from household income in households in which more than one family resides or in which a family resides with unrelated individuals.

Median Individual and Household Income

In 2008, 96.6% of individuals aged 65 and older had income from one or more sources. The median total income of these individuals was \$18,208. (See **Table 1**.) Of all households in which either the householder or the householder's spouse (if present) was 65 or older, 99.0% had income from one or more sources, and the median income of these households was \$31,157. (See **Table 2**.) In general, because more than one member of a household may have had income from one or more sources, elderly households were more likely than elderly individuals to have had income from each source. Households also generally had higher median income from each source. For example, 35.6% of households in which the householder or householder's spouse was 65 or older had income from earnings, and the median earnings of those households were \$30,000. In contrast, just 20.1% of individuals aged 65 or older had income from earnings in 2008, and their median earnings were \$20,000. Because most individuals aged 65 and older receive Social Security, the proportion of elderly households that had income from Social Security in 2008 was only slightly higher than the percentage of elderly individuals with Social Security income. Eighty-nine percent of households in which the householder or householder's spouse was 65 or older had income from Social Security, as did 86% of individuals aged 65 and older. However, because many households had more than a single recipient, the median Social Security income of elderly households that received Social Security was 25% greater than the median Social Security income of individual recipients. Median household Social Security income in 2008 was \$15,557, while median individual Social Security income was \$12,437.

Elderly households also were more likely than elderly individuals to have received income from private pensions, public pensions, and assets. In 2008, 15.8% of households in which the householder or householder's spouse was 65 or older received income from public-sector pensions, compared to 11.7% of individuals aged 65 and older. Elderly households with public-sector pension income had median pension income of \$19,162, compared to \$18,000 among elderly individuals with public pension income. Thirty percent of households in which the householder or householder's spouse was 65 or older received income from private-sector pensions, compared to 23.4% of individuals aged 65 and older. Elderly households with private-

sector pension income had median pension income of \$8,412, compared to \$7,584 among elderly individuals with private pension income. Fifty-nine percent of elderly households had income from assets (mainly interest, dividends, and rent) in 2008 compared to 54.0% of individuals aged 65 and older. Among elderly households with asset income, the median amount of asset income was \$1,542, whereas among elderly individuals with asset income, the median amount of asset income was \$1,054.

Relatively few elderly individuals and households received income from veterans' benefits, public assistance, or other income sources in 2008. Just 4.0% of elderly households and 2.8% of elderly individuals received income from veterans' benefits, which consist mainly of veteran's compensation for service-related disabilities and veterans' pensions for indigent elderly veterans. Among both elderly households and individuals that received income from veterans' programs, the median amount received in 2008 was \$7,800. The median amounts were the same in part because few households had more than one individual who received veterans' benefits.

In 2008, 4.6% of elderly households and 3.2% of elderly individuals received income from public assistance, which consists mainly of Supplemental Security Income, Temporary Assistance for Needy Families, and state general assistance. Among elderly households that received income from public assistance programs, the median amount received in 2008 was \$5,196. Among elderly individuals with income from public assistance, the median amount received in 2008 was \$4,488.

In 2008, 6.3% of elderly households and 3.4% of elderly individuals received income from other sources, including unemployment compensation, workers' compensation, and other unidentified sources. Among elderly households that received income from these sources, the median amount received in 2008 was \$4,800; among elderly individuals with income from other sources, the median amount received in 2008 was \$4,344.

Table 1. Percentage of Older Individuals with Income in 2008, Mean and Median Amounts, by Source

	Age					
	Total, 55+	55 to 64	Total, 65+	65 to 69	70 to 79	80+
Total individuals (in thousands)	72,076	34,289	37,787	11,825	15,908	10,054
Percentage reporting no income	4.9	6.6	3.4	3.4	3.4	3.3
Total income						
Percentage with any income	95.1	93.4	96.6	96.6	96.6	96.7
Mean total income (\$)	37,431	46,756	29,248	36,145	27,852	23,350
Median total income (\$)	23,430	32,000	18,208	22,057	17,573	16,491
Earnings						
Percentage with earnings	42.9	68.1	20.1	34.9	18.0	6.2
Mean earnings (\$)	47,589	51,206	36,499	41,586	30,840	28,879
Median earnings (\$)	33,000	37,000	20,000	25,000	15,000	14,000
Social Security						
Percentage with Social Security	52.7	16.3	85.8	78.2	88.5	90.4
Mean Social Security (\$)	12,699	11,770	12,859	13,010	12,786	12,818
Median Social Security (\$)	12,101	10,937	12,437	12,480	12,113	12,557
Public pensions						
Percentage with public pensions	9.3	6.7	11.7	11.0	11.8	12.5
Mean public pension (\$)	24,052	26,468	22,807	25,580	22,703	20,087
Median public pension (\$)	19,200	21,700	18,000	21,600	17,630	15,432
Private pensions or annuities						
Percentage with private pensions	16.0	7.8	23.4	21.4	23.9	24.9
Mean private pension (\$)	13,326	17,386	12,096	14,051	11,795	10,580
Median private pension (\$)	8,400	12,000	7,584	9,600	7,200	6,636
Income from assets						
Percentage with asset income	54.4	54.9	54.0	55.2	54.2	52.3
Mean asset income (\$)	5,767	4,760	6,697	6,691	6,978	6,243
Median asset income (\$)	750	500	1,054	1,015	1,069	1,150
Veterans' benefits						
Percentage with veterans' benefits	2.6	2.3	2.8	2.2	2.8	3.7
Mean veterans' benefit (\$)	12,116	14,531	10,310	10,501	10,231	10,271
Median veterans' benefit (\$)	8,652	10,800	7,800	6,840	8,568	7,896
Public assistance^a						
Percentage with public assistance	3.4	3.6	3.2	2.7	3.4	3.3
Mean public assistance (\$)	6,429	7,615	5,188	5,325	5,242	4,967
Median public assistance (\$)	6,533	7,644	4,488	4,800	4,106	4,560
Other income^b						
Percentage with other income	4.9	6.5	3.4	3.9	3.1	3.1
Mean other income (\$)	8,673	8,505	8,965	9,441	9,040	8,143
Median other income (\$)	4,356	4,356	4,344	4,080	4,800	4,224

Source: Congressional Research Service (CRS) analysis of the March 2009 *Current Population Survey*.

- a. Includes Supplemental Security Income, Temporary Assistance for Needy Families, and state general assistance.
- b. Includes unemployment compensation, workers' compensation, and income from unidentified sources.

Table 2. Percentage of Older Households with Income in 2008, Mean and Median Amounts, by Source

	Age					
	Total, 55+	55 to 64	Total, 65+	65 to 69	70 to 79	80+
Total households (in thousands)	47,121	20,829	26,292	7,648	11,055	7,589
Percentage reporting no income	1.1	1.3	1.0	0.8	1.1	1.0
Total income						
Percentage with any income	98.9	98.7	99.0	99.2	98.9	99.0
Mean total income (\$)	62,736	81,286	48,083	63,457	46,699	34,571
Median total income (\$)	41,441	60,481	31,157	44,039	30,966	23,657
Earnings						
Percentage with earnings	56.6	83.2	35.6	57.1	34.3	16.0
Mean earnings (\$)	68,133	79,152	47,760	57,309	40,289	36,680
Median earnings (\$)	48,000	60,000	30,000	38,000	24,000	23,000
Social Security						
Percentage with Social Security	59.2	21.6	89.0	80.9	91.6	93.4
Mean Social Security (\$)	16,956	14,121	17,502	17,314	18,256	16,589
Median Social Security (\$)	15,233	12,984	15,557	15,804	16,229	14,400
Public pensions						
Percentage with public pensions	13.1	9.6	15.8	14.9	16.4	15.9
Mean public pension (\$)	26,114	28,746	24,848	28,513	24,749	21,541
Median public pension (\$)	20,400	24,000	19,162	24,000	18,000	16,188
Private pensions or annuities						
Percentage with private pensions	21.9	11.4	30.2	28.3	31.4	30.3
Mean private pension (\$)	14,801	18,729	13,629	15,754	13,613	11,657
Median private pension (\$)	9,600	13,000	8,412	10,800	8,616	7,200
Income from assets						
Percentage with asset income	59.4	60.1	58.8	60.4	58.6	57.5
Mean asset income (\$)	8,413	6,949	9,599	10,020	10,217	8,236
Median asset income (\$)	1,110	736	1,542	1,500	1,600	1,500
Veterans' benefits						
Percentage with veterans' benefits	3.9	3.6	4.0	3.3	4.1	4.7
Mean veterans' benefit (\$)	12,405	14,805	10,686	10,406	10,755	10,800
Median veterans' benefit (\$)	8,568	10,800	7,800	6,936	8,652	7,896
Public assistance^a						
Percentage with public assistance	5.4	6.4	4.6	4.4	5.2	3.9
Mean public assistance (\$)	7,031	7,760	6,236	6,172	6,372	6,048
Median public assistance (\$)	6,876	7,608	5,196	5,304	5,400	4,977
Other income^b						
Percentage with other income	8.8	12.0	6.3	8.2	6.0	4.8
Mean other income (\$)	8,782	8,673	8,948	9,099	8,965	8,657
Median other income (\$)	4,800	4,800	4,800	4,800	4,503	5,200

Source: Congressional Research Service (CRS) analysis of the March 2009 *Current Population Survey*.

Note: Households are grouped according to the age of the older of the householder or householder's spouse.

- a. Includes Supplemental Security Income, Temporary Assistance for Needy Families, and general assistance.
- b. Includes unemployment compensation, workers' compensation, and income from unidentified sources.

Sources of Income by Income Quartile

Figures 1 through 4 show the percentage of total income that was received from each source of income by individuals aged 65 and older who had any income in 2008. For example, **Figure 1** shows that among individuals with total income in the highest 25% among all persons aged 65 and older—those with 2008 income of more than \$33,677—38% of total income came from earnings, 23% of income came from pensions, 17% of income came from assets, 20% of income came from Social Security, less than 1% of income came from public assistance, and 2% came from other sources. Thus, among elderly individuals in the highest income quartile, 78% of total income came from earnings, pensions, and assets.

In contrast, among elderly individuals whose income in 2008 was in the lowest income quartile for people aged 65 and older—those with income of less than \$11,139—2.1% of all income came from earnings, 3.1% of income came from pensions, 3.7% of income came from assets, 84% of income came from Social Security, 6.5% came from public assistance, and less than 1% came from other sources. (See **Figure 4**.) Among individuals in the lowest income quartile, just 9% of total income came from earnings, pensions, and assets. **Figure 2** and **Figure 3** show that Social Security comprised 55% and 84%, respectively, of income received by individuals aged 65 and older in the second- and third-highest income quartiles in 2008.

Figures 5 through 8 show the percentage of total income received from each source by all elderly households that had any income in 2008. For example, **Figure 5** shows that among elderly households with total income in the highest 25% among households in which either the householder or householder's spouse was 65 or older—those with 2008 income of more than \$59,442—49% of all income came from earnings, 16% of income came from pensions, 16% of income came from assets, 17% of income came from Social Security, less than 1% of income came from public assistance, and 2% came from other sources. Thus, among elderly households in the highest income quartile, 81% of total income came from earnings, pensions, and assets.

In contrast, among elderly households whose income in 2008 was in the lowest quartile for households in which either the householder or spouse was 65 or older—those with income of less than \$17,194—3% of all income came from earnings, 5% of income came from pensions, 3% of income came from assets, 84% of income came from Social Security, 4% came from public assistance, and 1% came from other sources. (See **Figure 8**.) Among households in the lowest income quartile, 11% of total income came from earnings, pensions, and assets. **Figure 6** and **Figure 7** show that Social Security comprised 42% and 67%, respectively, of income received by elderly households in the second and third income quartiles in 2008.

Figure 1. Sources of Individual Income in 2008, Top Quartile, Age 65+

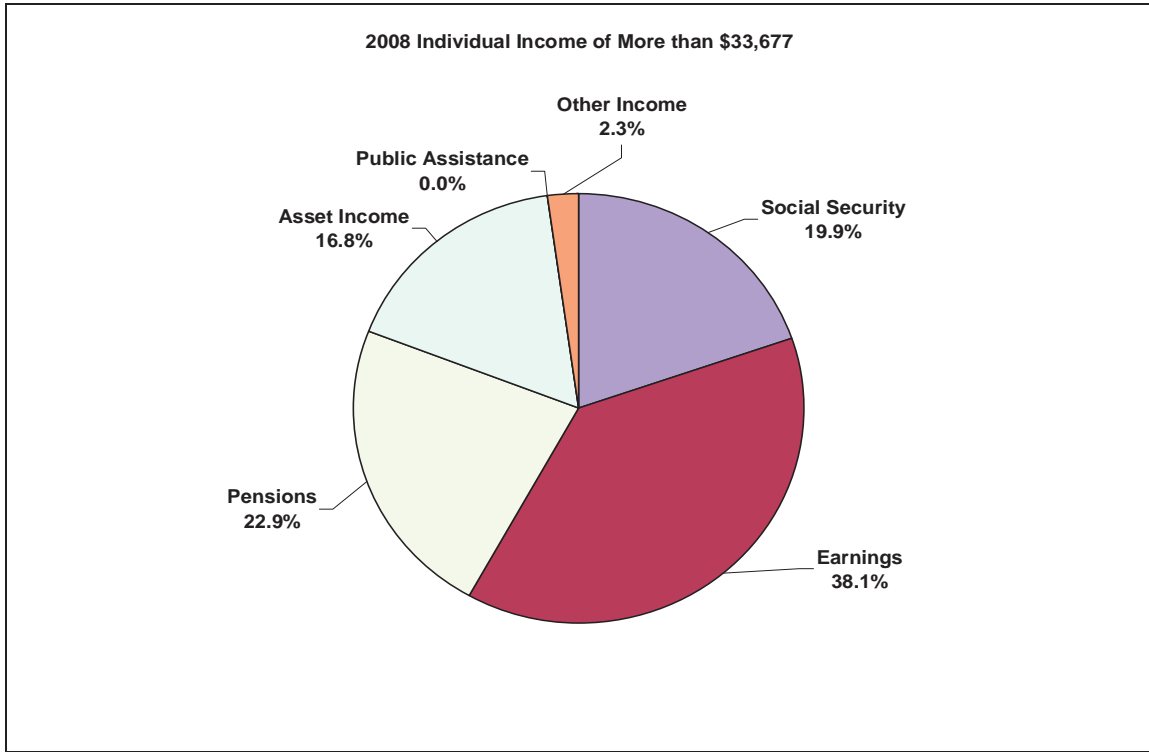
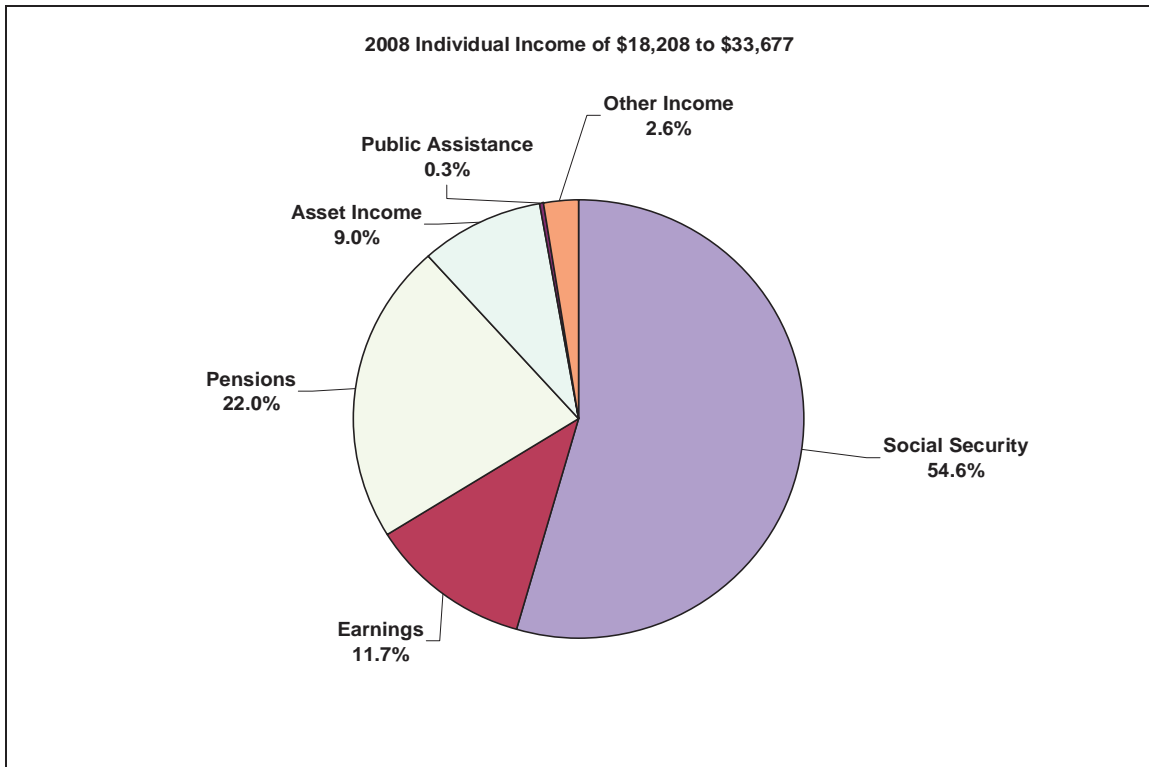


Figure 2. Sources of Individual Income in 2008, Second Quartile, Age 65+



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Figure 3. Sources of Individual Income in 2008, Third Quartile, Age 65+

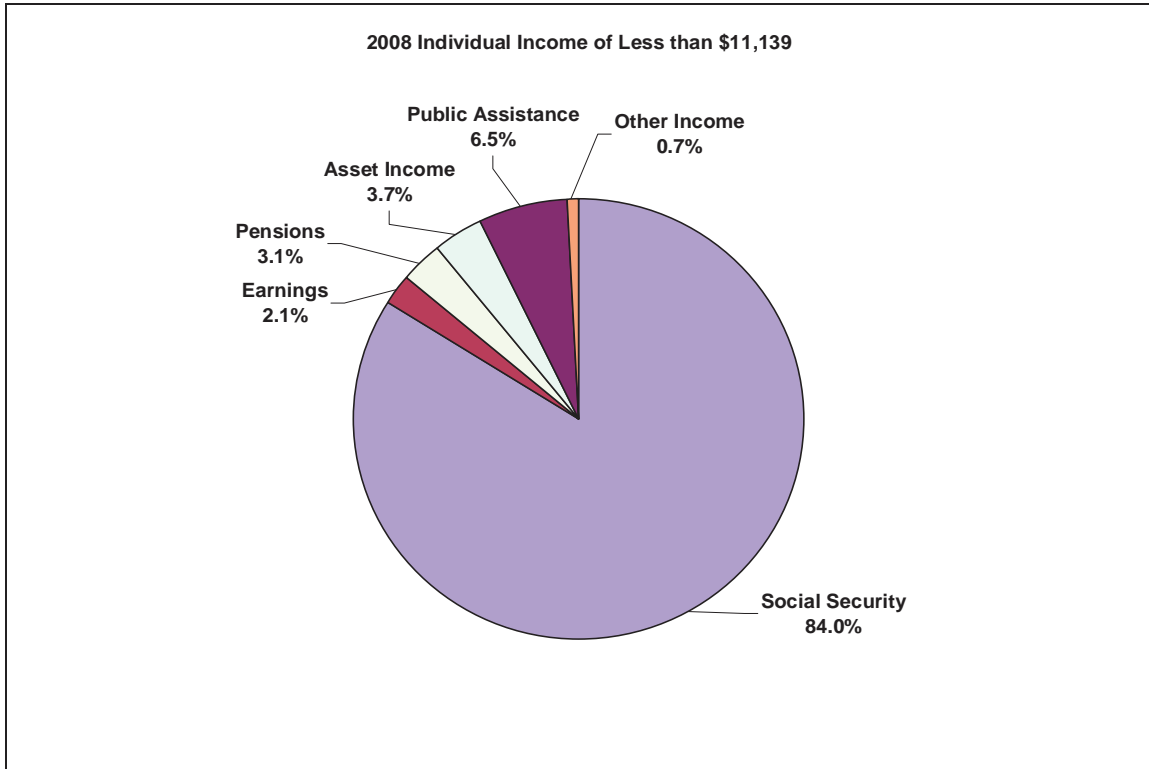
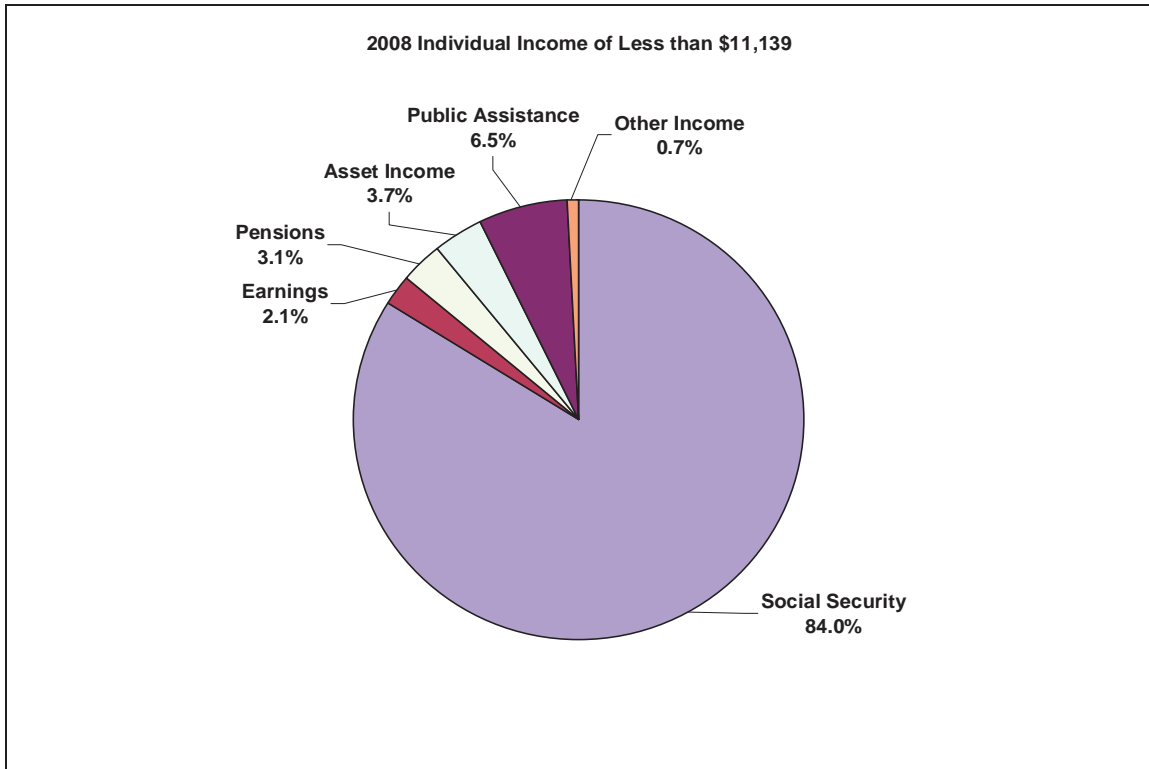


Figure 4. Sources of Individual Income in 2008, Bottom Quartile, Age 65+



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Figure 5. Sources of Household Income in 2008, Top Quartile, Age 65+

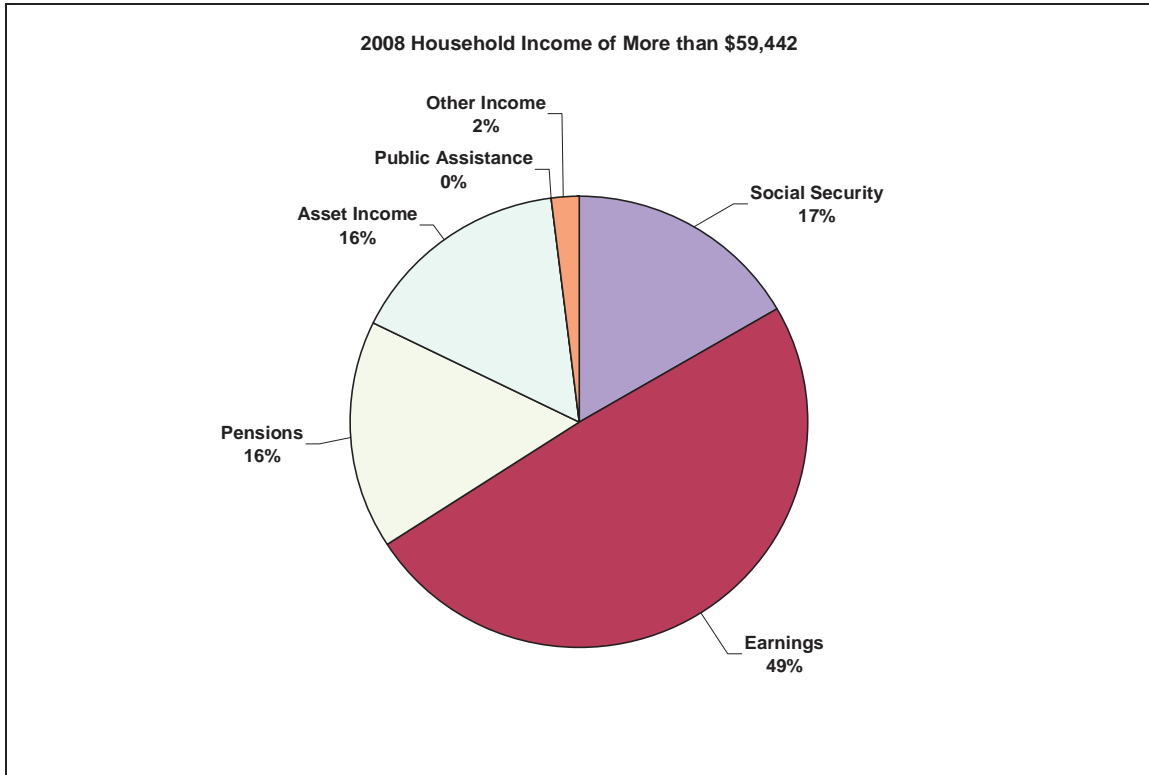
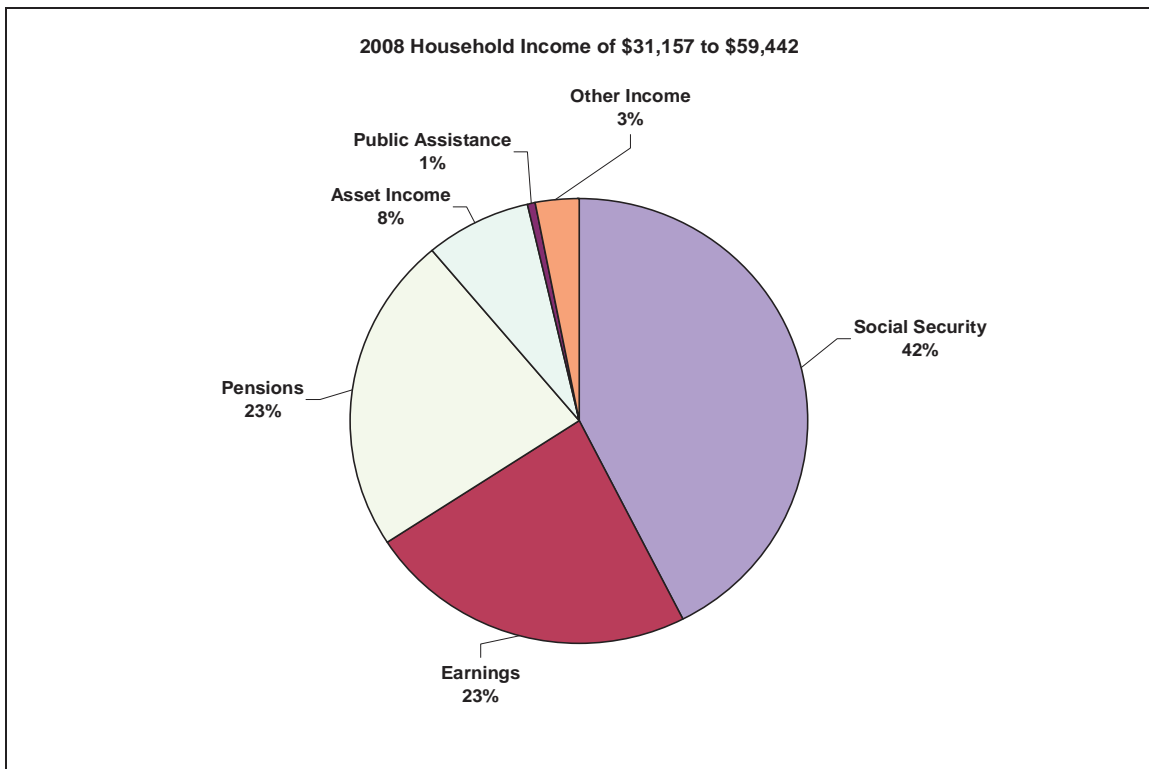


Figure 6. Sources of Household Income in 2008, Second Quartile, Age 65+



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Figure 7. Sources of Household Income in 2008, Third Quartile, Age 65+

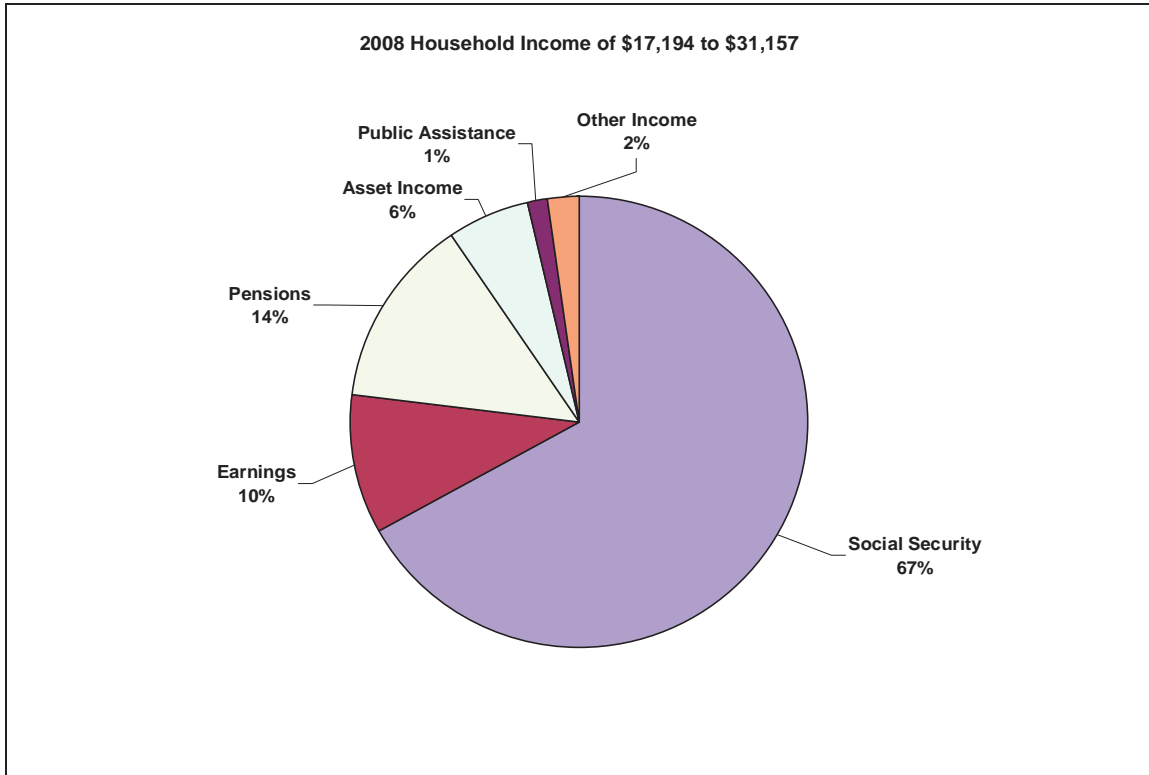
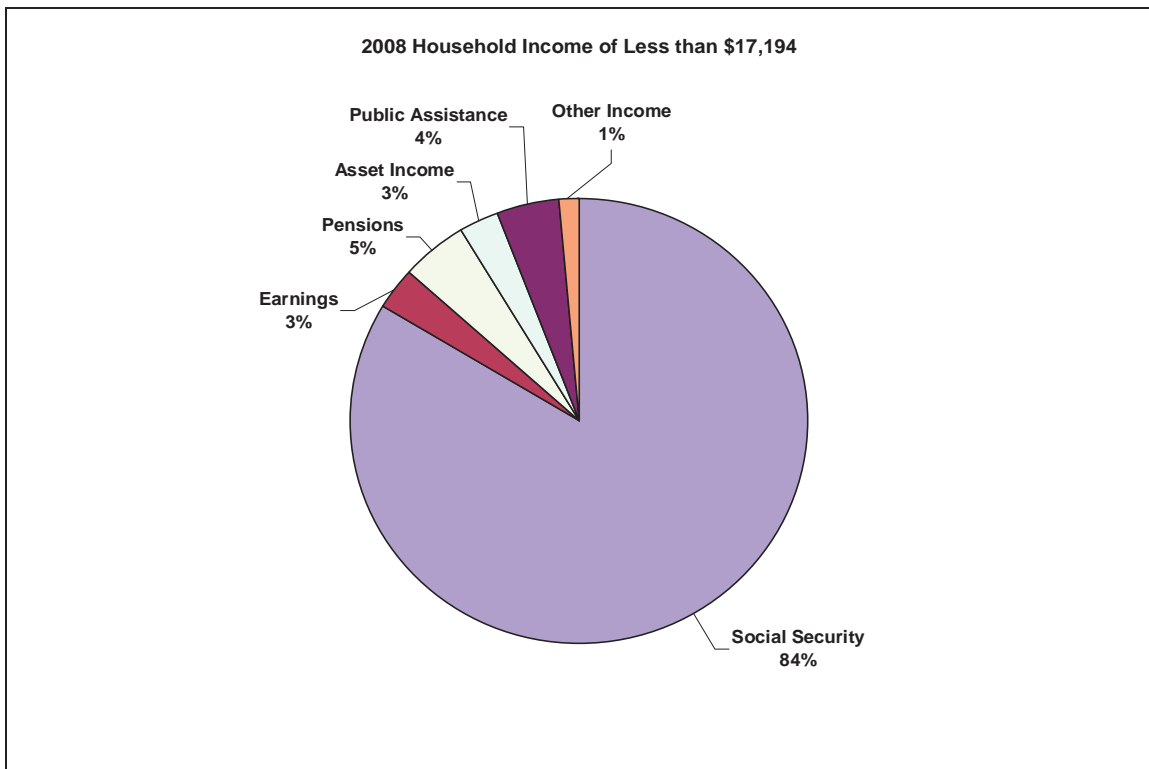


Figure 8. Sources of Household Income in 2008, Bottom Quartile, Age 65+



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Median Individual and Household Income by Demographic Characteristics

Income received by the elderly varies significantly by age, sex, race, education and marital status. **Figure 9** shows that in 2008, individuals between the ages of 65 and 69 had a median income of \$22,057 while those who were 80 or older had a median income of \$16,491. Men 65 and older had a median income of \$25,344, while women 65 and older had a median income of just \$14,429. The median income of older African Americans, \$14,357, was 26% lower than the median income of older white Americans—\$19,372. The median income of older Americans increases substantially with their educational level. Those with only a high-school diploma had a median income of \$16,733 in 2008, whereas college graduates had a median income of \$34,031. The median income of married individuals aged 65 and older—\$19,250—was \$1,893 higher than the median income of single individuals aged 65 and older.

Figure 10 shows the median income of households in which the householder or the householder's spouse was aged 65 or older.³ In 2008, the median income of households in which the household head was 65 to 69 years old was \$44,857. Households in which the household head was 80 or older had a median income of \$22,684. Elderly households with a male household head had a median income of \$40,185, while households with a female household head had a median income of \$25,157. The median income of elderly households in which the householder was African American was \$23,958, 26% lower than the median income of elderly households with a white householder (\$32,514). Elderly households in which the householder had only a high-school diploma had a median income of \$27,684 in 2008, while elderly households headed by a college graduate had a median income of \$57,957. The median income of married-couple households with a householder or spouse aged 65 or older was \$48,099 in 2008, more than twice the median income of elderly households in which the householder was not married (\$20,572).

³ In **Figure 10**, the demographic traits are those of the individual who was designated as the householder on the CPS.

Figure 9. Median Individual Income by Demographic Traits, 2008

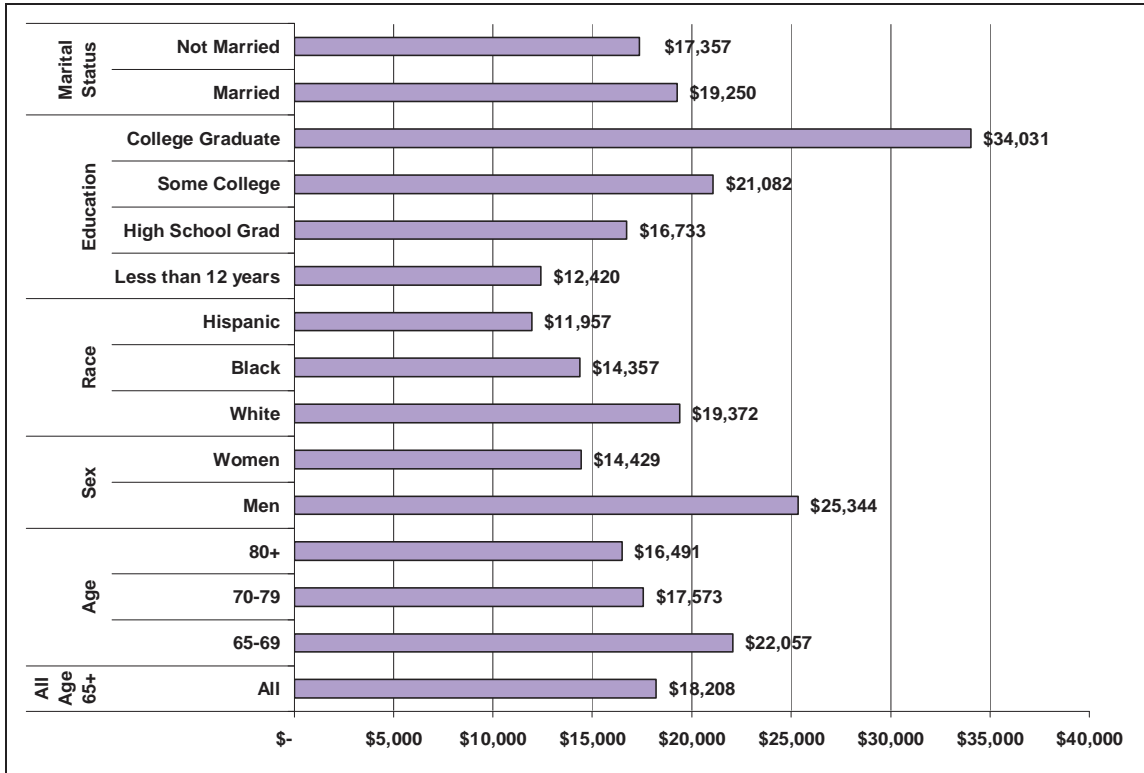
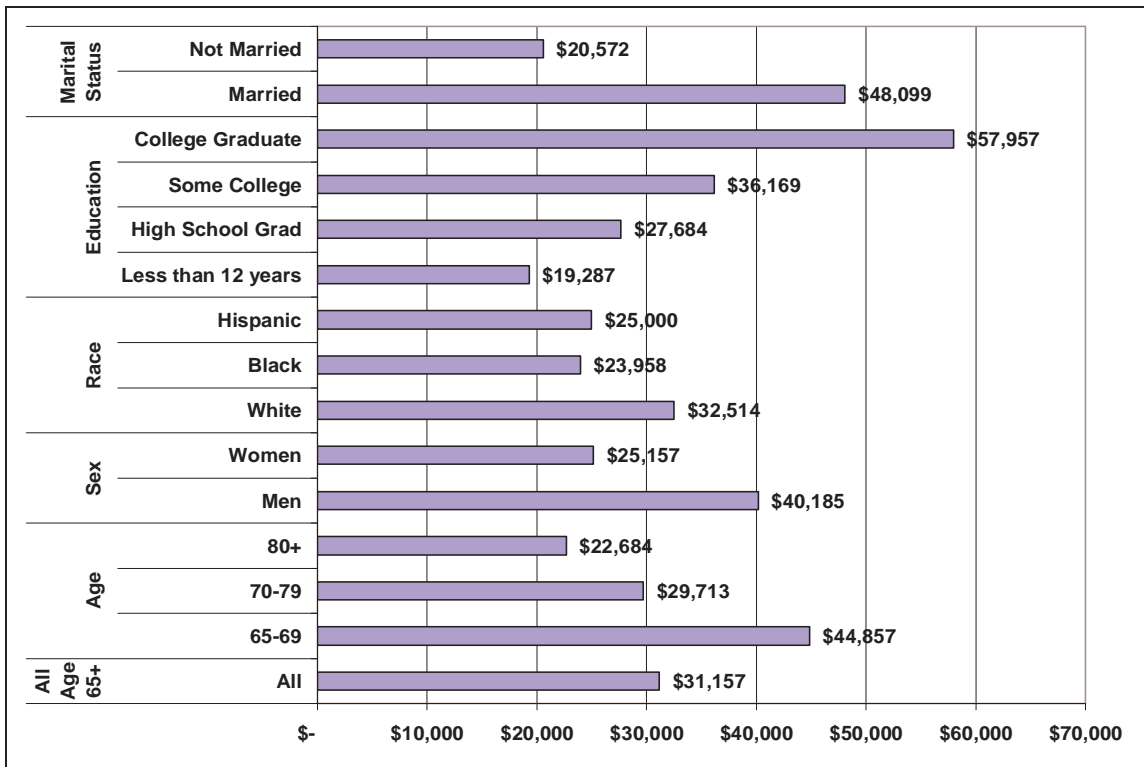


Figure 10. Median Household Income by Demographic Traits of Householder, 2008



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Income from Retirement Benefits

Social Security

Retirement benefits from Social Security are the most common source of income among Americans aged 65 and older. In 2008, Social Security paid benefits to 86% of individuals aged 65 and older and to 89% of households in which the householder or householder's spouse was 65 or older. Social Security is the largest single source of income among the aged. In 2008, 68.9% of Social Security beneficiaries aged 65 or older received more than half of their income from Social Security, and 57.1% of elderly households that received Social Security benefits received more than half of their total household income from Social Security. (See **Table 3** and **Table 4**.)

For 40.6% of elderly individual recipients, Social Security accounted for more than 90% of their income in 2008. Among elderly households receiving Social Security, 27.7% received 90% or more of their total household income from Social Security. Although Social Security is an important source of income for a majority of the elderly, the benefit amounts paid by Social Security are relatively small when compared to many recipients' pre-retirement incomes. According to the Social Security Administration, Social Security retired worker benefits replace approximately 55% of the earnings of a career-long low-wage earner, 41% of the earnings of a career-long average-wage earner, and 27% of the earnings of a career-long high-wage earner.

Average monthly Social Security benefits in December 2008 were \$1,153 for a retired worker and \$1,877 for an elderly couple. As **Figure 11** shows, 34% of all individual beneficiaries received less than \$10,000 from Social Security in 2008, and just 9% received more than \$20,000 in Social Security benefits. Because many elderly households have more than one beneficiary, the median Social Security benefit received by households with Social Security income is higher than the median amount received by individual recipients. In 2008, only 18% of elderly beneficiary households received less than \$10,000 from Social Security, while 32% of households received Social Security benefits totaling more than \$20,000. (See **Figure 12**.)

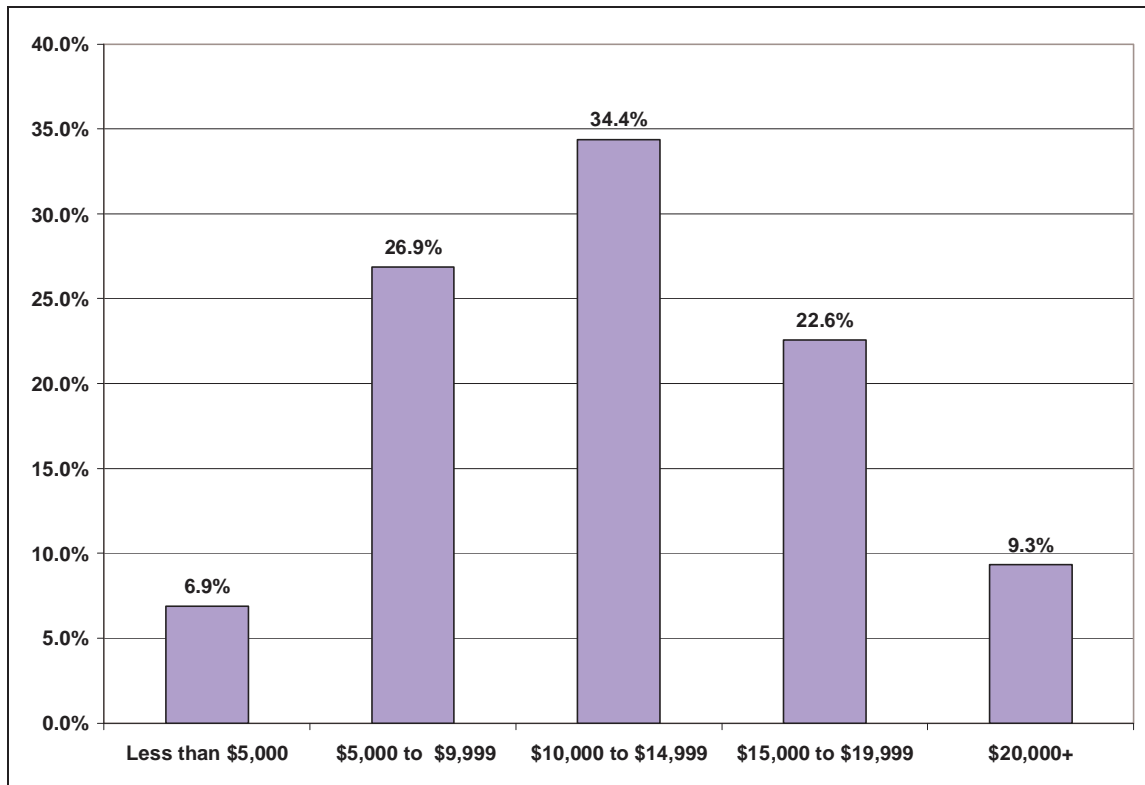
Table 3. Social Security as a Percentage of Income Among Recipients 65 and Older

Percent of Income from Social Security	Recipients (thousands)	Percent of Recipients
Less than 10%	945	2.9
10% to 19%	1,815	5.6
20% to 29%	2,276	7.0
30% to 39%	2,421	7.4
40% to 49%	2,651	8.2
50% to 59%	2,391	7.4
60% to 69%	2,362	7.3
70% to 79%	2,143	6.6
80% to 89%	2,258	7.0
90% to 99%	4,731	14.6
100% of income	8,413	26.0

Source: CRS analysis of the March 2009 *Current Population Survey*.

Note: In 2008, 5.4 million people aged 65 and older had no Social Security income.

Figure 11. Social Security Income of Individuals Age 65+, 2008



Source: CRS analysis of the March 2009 *Current Population Survey*.

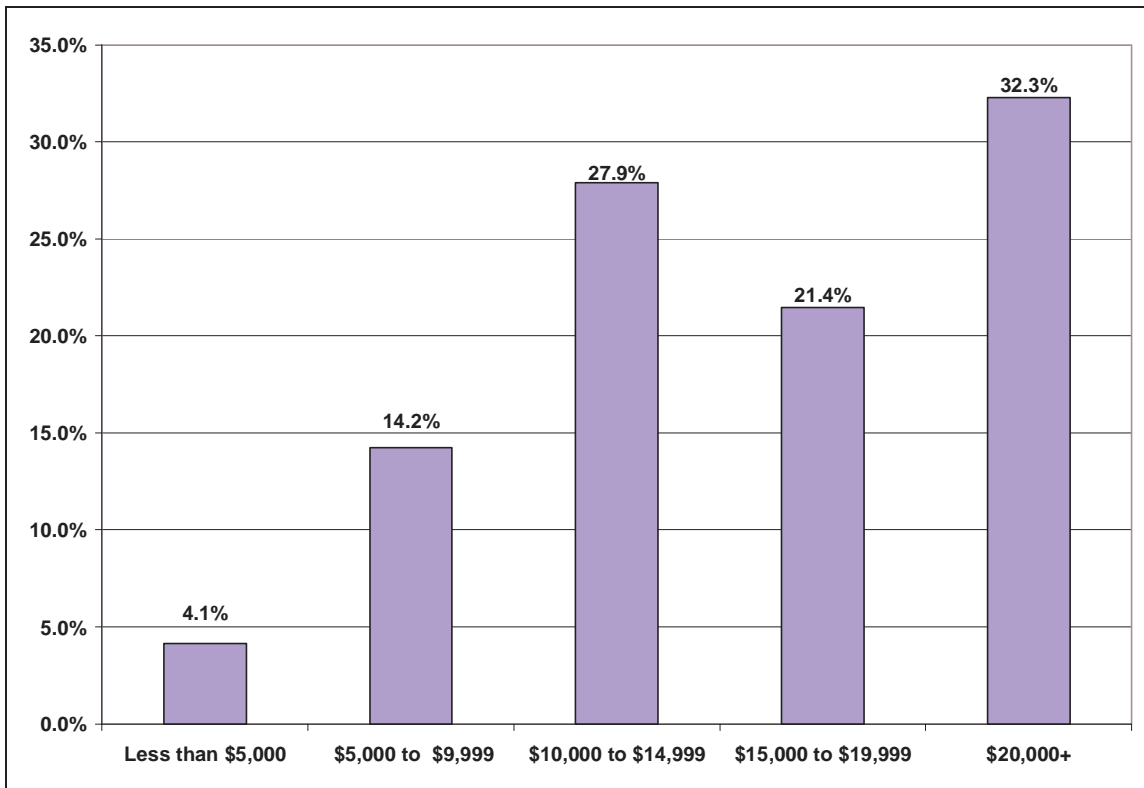
Table 4. Social Security as a Percentage of Household Income Among Recipient Households with Head or Spouse Age 65 or Older in 2008

Percent of Income from Social Security	Households (thousands)	Percent of Households
Less than 10%	1,054	4.5
10% to 19%	2,179	9.3
20% to 29%	2,474	10.6
30% to 39%	2,160	9.2
40% to 49%	2,181	9.3
50% to 59%	1,900	8.1
60% to 69%	1,796	7.7
70% to 79%	1,651	7.1
80% to 89%	1,513	6.5
90% to 99%	2,527	10.8
100% of income	3,962	16.9

Source: CRS analysis of the March 2009 *Current Population Survey*.

Note: In 2008, 2.9 million households with a household head or spouse aged 65 or older had no Social Security income.

Figure 12. Social Security Income of Households Age 65+, 2008



Source: CRS analysis of the March 2009 *Current Population Survey*.

Pension Income

Since the late 1970s, the proportion of American workers who participate in employer-sponsored retirement plans has remained fairly stable at about half of the workforce. The Department of Labor's *National Compensation Survey* reports that in March 2009, 51% of all private-sector workers participated in an employer-sponsored retirement plan of some kind. However, a point-in-time snapshot of pension participation is a poor indicator of who will receive pension income in retirement. Some workers not covered by a pension plan today may have earned a pension at a previous job, or they may earn a pension benefit in the future. Others who are currently participating in a pension plan may never fully vest in their pension benefits, or they might take their accrued benefit as a lump sum before retirement and spend all or part of the distribution.

To receive pension income in retirement, an individual must remain a participant in the plan long enough to earn a pension benefit and must not spend the accrued benefit before retirement. In 1986, Congress shortened the maximum vesting period (the length of time it takes to earn a pension benefit) from 10 years to 5 years, thus making it easier for employees whose employer sponsors a pension to earn a benefit under the plan.⁴ On the other hand, many employers offer separating employees the opportunity to take their accrued retirement benefit as a lump-sum distribution. Most defined contribution plans, such as those authorized under §401(k) of the Internal Revenue Code, and some defined benefit plans permit departing employees to take a lump-sum distribution. Many employees roll these distributions into another employer-sponsored retirement plan or into an individual retirement account, but some spend all or part of the distribution, thus reducing their future retirement income.⁵

In 2008, 12.9 million people aged 65 and older—34.2% of that age group—received income from a private or public pension.⁶ Of these people, 4.4 million had income from a public-sector pension—that is, from previous employment in the federal, state, or local government—and 8.8 million received income from private-sector pension plans.⁷ Together, the federal, state, and local governments account for only about one-seventh of all jobs in the United States. In 2008, for example, just 14.2% of all workers in the United States were employed by the federal, state, and local governments. Nevertheless, more than one-third of pension recipients aged 65 and older received income from government-sponsored pension plans in 2008.

The disparity between the percentage of jobs that are in the government sector and the percentage of retirees with government pensions is accounted for mainly by two factors, both of which make it more likely that a government employee will earn a pension benefit than will a worker in the private sector. First, more government jobs than private-sector jobs offer pension benefits to their employees. According to the Department of Labor, in March 2009, 90% of state and local

⁴ *Tax Reform Act of 1986*, P.L. 99-514. The *Pension Protection Act of 2006* (P.L. 109-280) further reduced the maximum vesting period in many plans to three years.

⁵ See CRS Report RL30496, *Pension Issues: Lump-Sum Distributions and Retirement Income Security*, by Patrick Purcell.

⁶ As reported here, “pension income” includes payments from a company or union pension, payments from a federal, state, or local government pension, military retirement pay, regular payments from an annuity or paid-up insurance policy, and regular payments from an IRA, Keogh account, or a §401(k)-type account. As defined on the CPS, pension income does not include lump-sum distributions from pension plans. To the extent that individuals receive lump-sum distributions from plans and later draw on those amounts to supplement their income, the CPS understates individual and household income from pension plans.

⁷ These numbers sum to 13.2 million. About 300,000 people had both types of pension.

government employees worked at jobs that offered retirement benefits, compared to 67% of employees in the private sector. Eighty-six percent of state and local government employees participated in an employer-sponsored retirement plan, compared to 51% of private-sector employees.⁸ Second, government employees tend to stay in their jobs longer than private-sector workers, making it more likely that the government employee will fully vest in the pension benefits he or she has earned. The Department of Labor reports that in January 2008, the median tenure of government workers with their current employer was double the median tenure of workers in the private sector. Public-sector employees had a median tenure of 7.2 years, while private-sector workers had a median tenure of 3.6 years.⁹

Public-sector employees not only are more likely to receive a pension in retirement than are workers in the private-sector; they also receive larger pensions than those who worked in the private sector. Among the 4.4 million people aged 65 and older who reported income from a government pension in 2008, the median annual amount was \$18,000. Twenty-seven percent of people receiving a public-sector pension had pension income of less than \$10,000 in 2008, while 26% reported pension income of more than \$30,000. (See **Figure 13**.) Among the 8.8 million people aged 65 and older who reported income from a private-sector pension in 2008, the median annual amount was \$7,584. Fifty-nine percent of private pension recipients reported that their pension income was less than \$10,000 in 2008 and 9% reported pension income of more than \$30,000.

Among the 4.2 million elderly households that reported income from a government pension in 2008, the median annual amount was \$19,162. Twenty-six percent of households receiving a public-sector pension reported that their pension income was less than \$10,000 in 2008 and 29% reported pension income of more than \$30,000. (See **Figure 14**.) Among the 7.9 million elderly households that reported income from a private-sector pension in 2008, the median annual amount was \$8,412. Fifty-five percent of households with private pension income reported that their pension income was less than \$10,000 in 2008 and 11.5% reported pension income of more than \$30,000.

Two Types of Pension Plans

Over the past 25 years, there has been a shift away from *defined benefit* pension plans to *defined contribution* plans, such as the 401(k) plan. A defined benefit or “DB” plan usually pays a lifelong annuity based on the employee’s length of service and average salary. Most DB plans are funded entirely by employer contributions and investment earnings. Defined contribution or “DC” plans are much like savings accounts maintained by employers on behalf of each participating employee. The employer contributes a dollar amount or percentage of pay, which is invested in stocks, bonds, or other assets. The employee usually contributes to the plan, too. In a DC plan, it is the employee who bears the investment risk. At retirement, the balance in the account is the sum of all contributions plus interest, dividends, and capital gains—or losses. The account balance is typically distributed as a lump sum or in installments. Many large employers recently have converted their traditional DB pensions to hybrid plans that have characteristics of both DB and DC plans, the most popular of which has been the cash balance plan. In a cash balance plan, the benefit is defined in terms of an account balance. The employer makes contributions to the plan and pays interest on the accumulated balance. However, these account balances are merely bookkeeping devices. They are not individual accounts owned by the participants. Legally, therefore, a cash balance plan is a defined benefit plan.

⁸ U.S. Department of Labor, Bureau of Labor Statistics, news release USDL 09-872, *Employee Benefits in the United States, March 2009*, July 28, 2009, <http://www.bls.gov/news.release/pdf/eb2.pdf>.

⁹ U.S. Department of Labor, Bureau of Labor Statistics, news release USDL 08-1344, *Employee Tenure in 2008*, September 26, 2008, <http://www.bls.gov/news.release/tenure.nr0.htm>.

Figure 13. Individual Income from Pensions in 2008

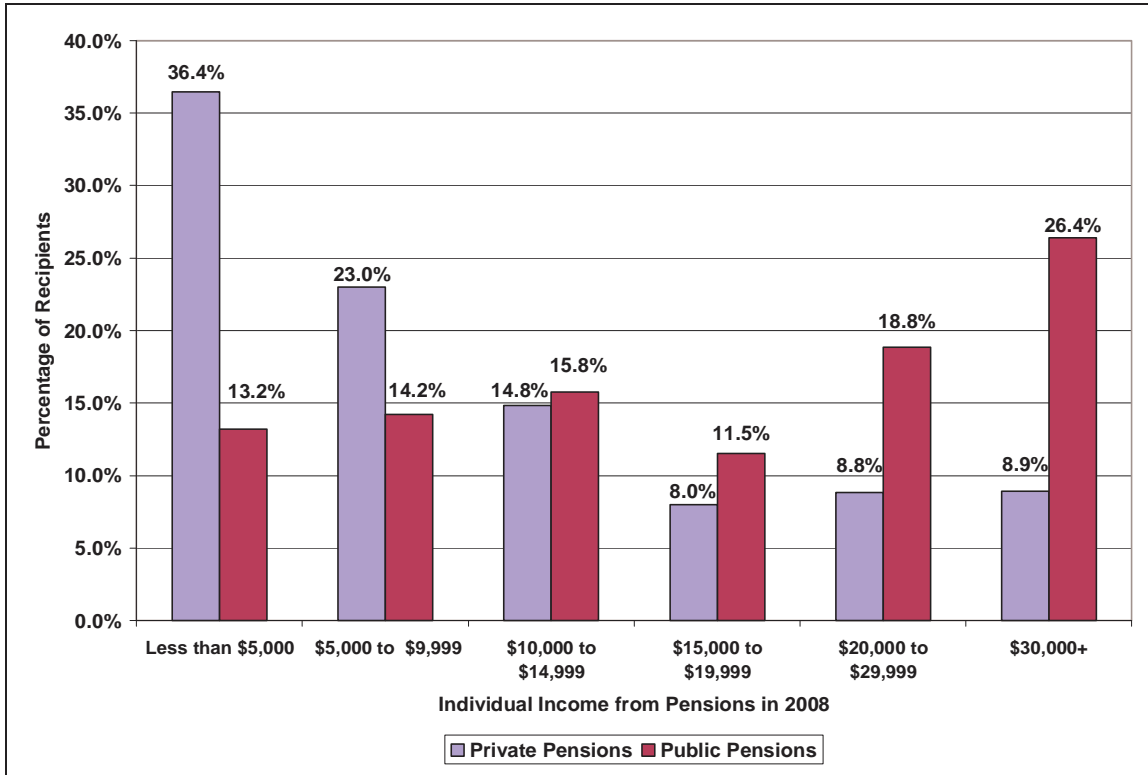
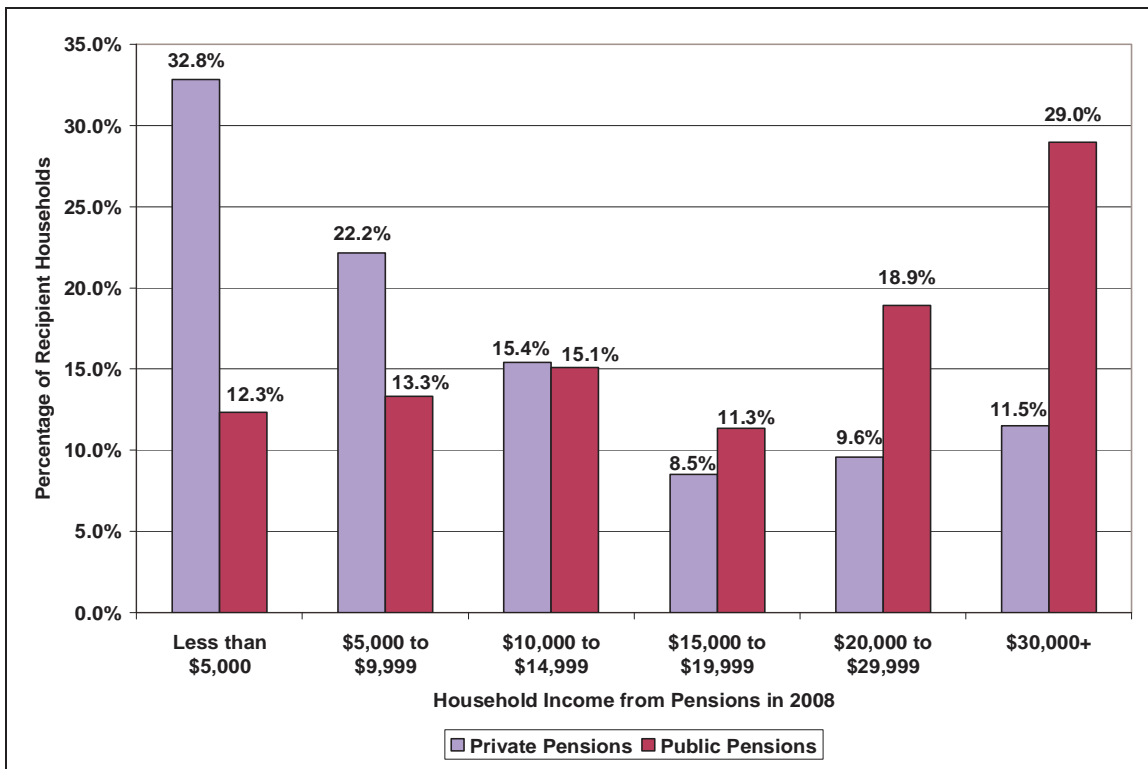


Figure 14. Household Income from Pensions in 2008



Source: CRS analysis of the March 2009 Current Population Survey.

Income from Assets

Many Americans prepare for retirement by saving and investing some of their income while they are working. Of the 37.8 million Americans aged 65 and older who were living in households in 2008, 20.4 million (54%) received income from assets, such as interest, dividends, rent, and royalties. Most received small amounts of such income. Half of those who had income from assets in 2008 received less than \$1,054. The data displayed in **Figure 15** show that low-income individuals were less likely to have received income from assets. Among individuals aged 65 and older whose total income in 2008 was less than \$10,000, 36% had asset income. In contrast, of those whose total income was more than \$50,000, 81% had asset income.

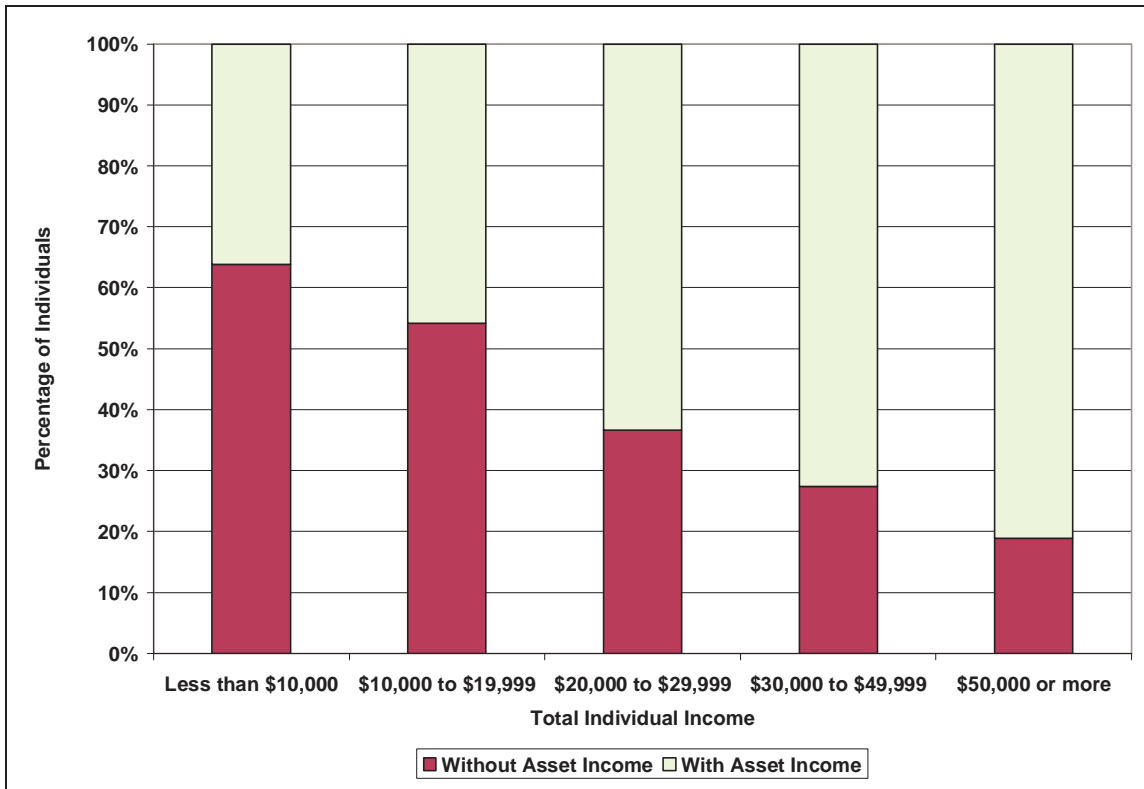
Median income from assets also differed between the lower-income and higher-income elderly. Among people aged 65 and older with total annual income under \$10,000 in 2008 who received asset income, the median amount of this income was only \$225. Among individuals with total annual incomes of more than \$50,000 who received income from assets, their median asset income in 2008 was \$7,313. (See **Table 5**.)

Of the 26.3 million households in which either the householder or the householder's spouse was aged 65 or older in 2008, 15.5 million (59%) received income from assets. Most households received relatively small amounts of income from assets. Half of the elderly households that had income from assets in 2008 received less than \$1,542. The data displayed in **Figure 16** show that low-income households were less likely to have received income from assets. Among elderly households that had total income in 2008 of less than \$10,000, 27% had asset income. On the other hand, of the households with total income of more than \$50,000, 78% had asset income.

Among households in which the householder or spouse was 65 or older that had total annual incomes under \$10,000 in 2008, 27% received income from assets, and the median amount of asset income they received was \$199. Among elderly households with total annual incomes of more than \$50,000, 78% received asset income, and their median asset income in 2008 was \$5,508. (See **Table 6**.)¹⁰

¹⁰ Median asset income among households with total income of more than \$50,000 is lower than median asset income among individuals with total income of more than \$50,000 because this amount of annual income is less common among elderly individuals than among elderly households. In 2008, only 14% of individuals had total annual income of more than \$50,000. In the same year, 31% of households with a household head or spouse age 65 or older had total annual income of \$50,000 or more.

Figure 15. Percentage of Individuals Aged 65 and Older with Income from Assets in 2008, by Total Individual Income



Source: CRS analysis of the March 2009 Current Population Survey.

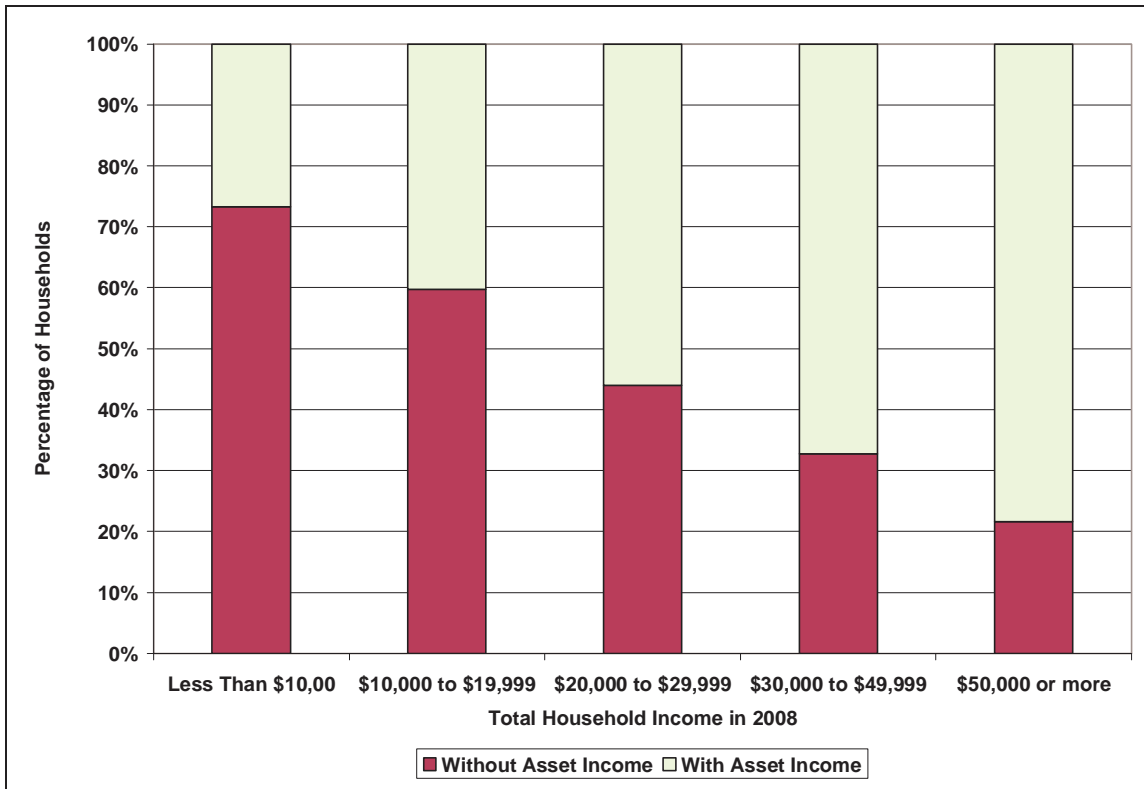
Table 5. Income from Assets, Individuals 65 and Older, 2008

Total Income, 2008	Number of People (thousands)	Percent with Asset Income	Mean Asset Income	Median Asset Income
Less than \$10,000	7,405	36.2	\$695	\$225
\$10,000 to \$19,999	12,351	45.9	1,612	500
\$20,000 to \$29,999	6,137	63.4	3,311	1,111
\$30,000 to \$39,000	3,391	72.0	4,987	1,750
\$40,000 to \$49,999	1,954	73.6	7,271	2,500
\$50,000 or more	5,268	81.2	21,068	7,313
All persons with any income ^a	36,506	55.9	\$6,697	\$1,054

a. Of 37.787 million individuals aged 65 and older in 2008, 36.506 million (96.6%) reported income from one or more sources and 20.397 million (54.0%) reported income from assets. Of the 36.506 million individuals who reported income from any source, 55.9% reported having received asset income.

Source: CRS analysis of the March 2009 Current Population Survey.

Figure 16. Percentage of Households Aged 65 and Older with Income from Assets in 2008, by Total Household Income



Source: CRS analysis of the March 2009 Current Population Survey.

Table 6. Household Income from Assets, Householder or Spouse 65 or Older, 2008

Total Income, 2008	Number of Households (thousands)	Percent with Asset Income	Mean Asset Income	Median Asset Income
Less than \$10,000	2,020	26.8%	\$780	\$199
\$10,000 to \$19,999	5,968	40.3	1,216	266
\$20,000 to \$29,999	4,571	56.1	2,654	1,000
\$30,000 to \$39,000	3,247	66.7	3,768	1,200
\$40,000 to \$49,999	2,153	68.1	4,774	7,753
\$50,000 or more	8,074	78.4	19,463	5,508
All households with any income ^a	26,032	59.4	\$9,599	\$1,542

Source: CRS analysis of the March 2009 Current Population Survey.

- a. Of 26.292 million households with a householder or spouse aged 65 and older in 2008, 26.032 million (99.0%) had income from any source and 15.464 million (58.8%) had income from assets. Of the 26.032 million households with income from any source, 59.4% reported having received asset income.

Earned Income

While many people continue to work into their 60s and beyond, labor force participation rates begin to drop after about age 55. Although there was a trend toward earlier retirement from about 1960 to 1985, the trend for the past 25 years has been that more Americans have continued to work at older ages.¹¹ In March 2009, 69% of men and 62% of women between the ages of 55 and 61 were working either full-time or part-time. Of those between the ages of 62 and 64, 52% of men and 41% of women were employed. Among 65 to 69-year olds, 33% of men and 25% of women were employed. Although the proportion of older Americans who work declines sharply after age 65, **Figure 17** shows that 14% of men and 8% of women who were 70 or older in March 2009 were still working.

Not only are people progressively less likely to work as they pass age 60, the average annual earnings of those who continue to work also begin to decline at about the same age. This can be attributed both to working fewer hours and to workers moving from higher-paying “career jobs” to lower wage “bridge jobs” before they exit the workforce permanently.¹² In 2008, the median earnings of workers aged 55 to 61 were \$38,000, while the median earnings of workers aged 62 to 64 were \$33,000. For those aged 65 or older who were working, median earnings were \$20,000 in 2008. **Figure 18** shows the decline in workers’ annual earnings as they age. At the top of the earnings scale, 38% of workers aged 55 to 61 earned \$50,000 or more in 2008, while only 23% of those aged 65 and older had earned income totaling more than \$50,000 in that year. In contrast, while only 10% of Americans aged 55 to 61 who worked in 2008 had total earnings of less than \$10,000, 30% of workers aged 65 and older had earnings of \$10,000 or less in 2008.

¹¹ Joseph Quinn, “Retirement Trends and Patterns Among Older American Workers” in Stuart Altman and David Shactman (eds.), *Policies for an Aging Society* (Baltimore: Johns Hopkins University Press, 2002), pp. 293-315.

¹² For more information on the labor force participation of older workers, see CRS Report RL30629, *Older Workers: Employment and Retirement Trends*, by Patrick Purcell.

Figure 17. Employment Rates by Age and Sex, March 2009

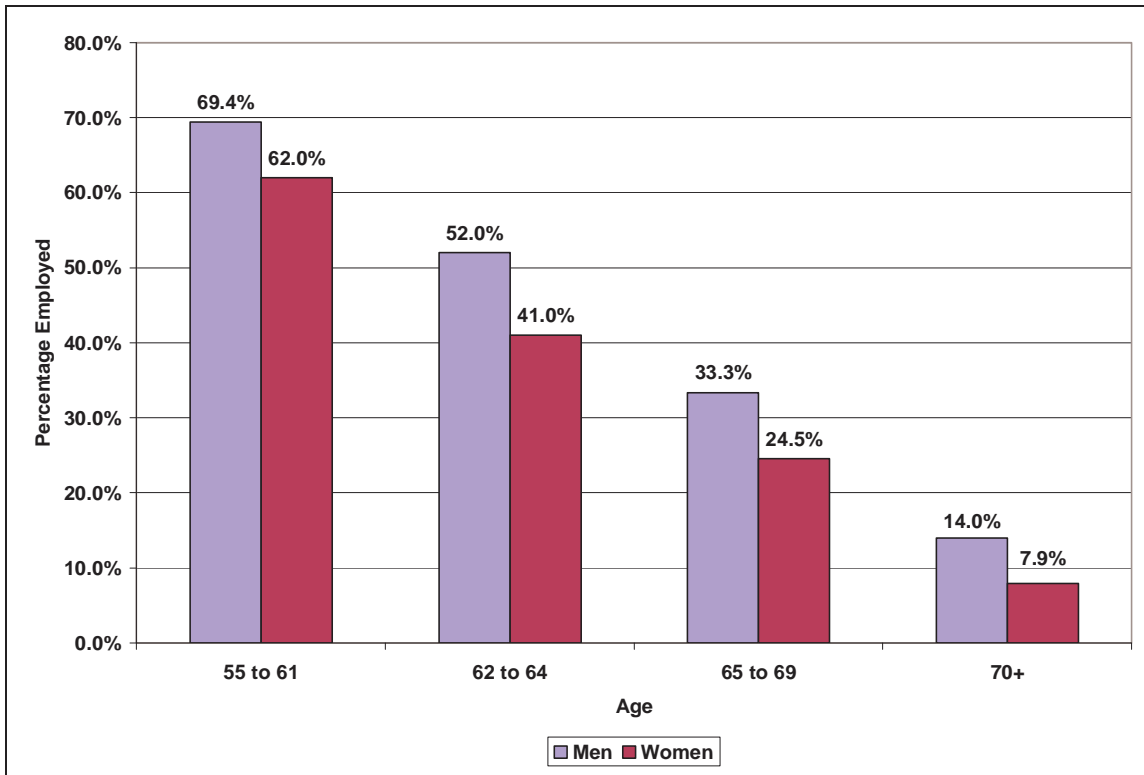
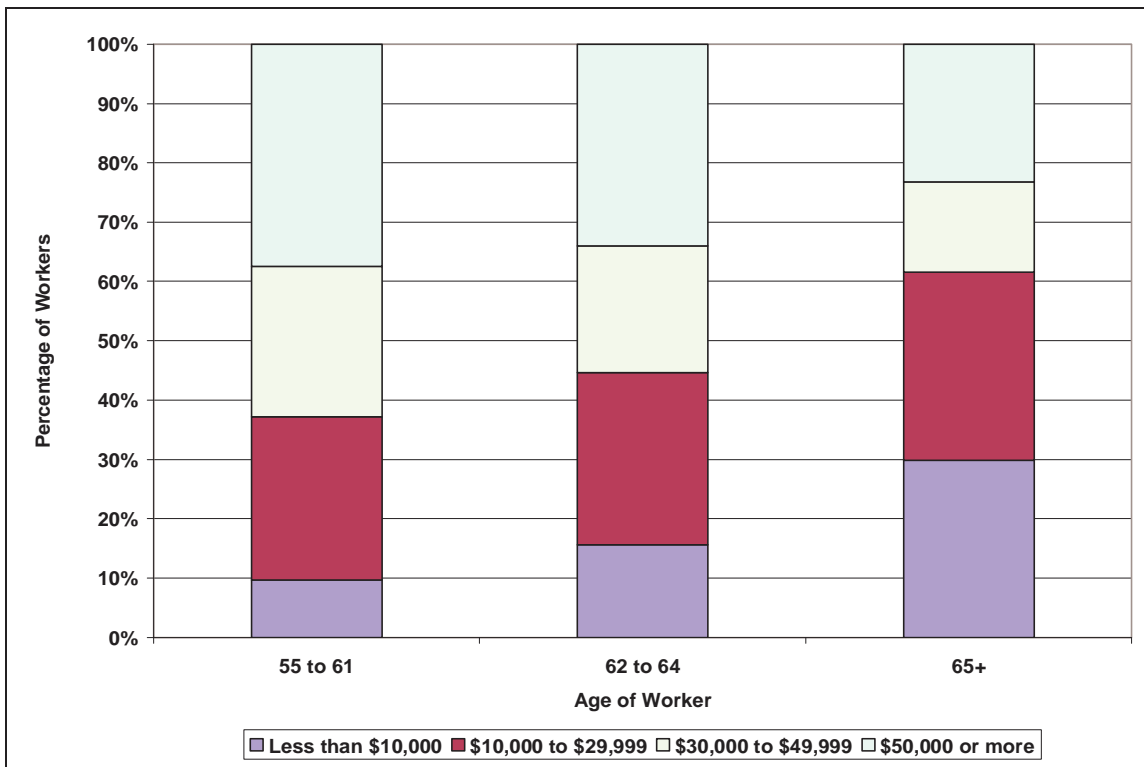


Figure 18. Earned Income, by Age, 2008



Source: Both figures from CRS analysis of the March 2009 Current Population Survey.

Poverty

Poverty among the elderly has decreased dramatically over the past five decades. In 1959, the poverty rate among Americans aged 65 and older was 35%. Largely due to increases in Social Security benefits, the elderly poverty rate fell to about 15% by 1975. The percentage of older Americans in poverty has stayed steady at roughly 10% since the mid-1990s. Although a smaller percentage of the elderly are in poverty than are people under 65, more than 3.6 million Americans aged 65 and older had family incomes below the federal poverty threshold in 2008.¹³

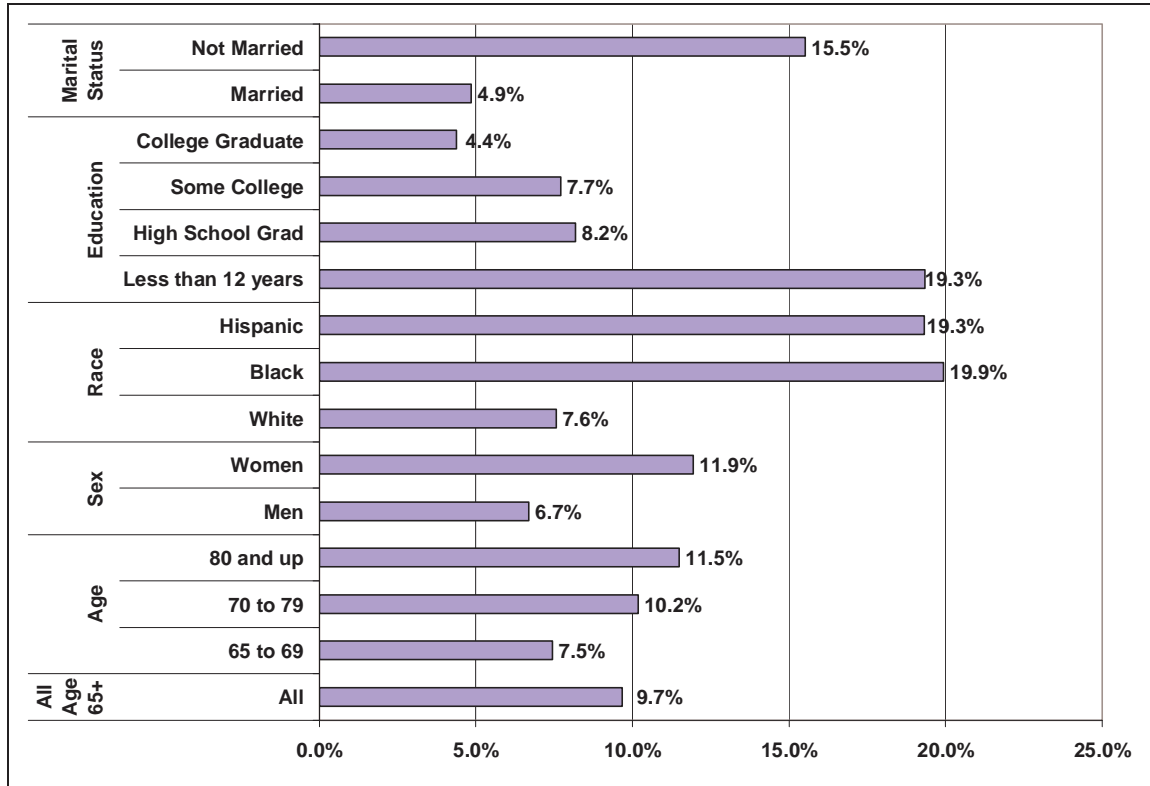
Although the poverty rate for all persons aged 65 and older was just 9.7% in 2008, the poverty rates among women, minorities, single individuals, those with low education, and the oldest old were higher. (See **Figure 19**.) Twelve percent of women aged 65 and older were in poverty in 2008 compared with only 6.7% of men. Because women live longer, the number of poor older women in 2008 (2.5 million) was more than twice the number of poor older men (1.1 million). Poverty rates are especially high among minorities. In 2008, one-fifth of elderly African-Americans and elderly Hispanics were in poverty. About 80% of all older Americans identify their ethnicity as white, non-Hispanic. Thus, although only 7.6% of older white Americans were poor, poor white persons comprised 60% of all poor elderly persons in the United States in 2008.

Older individuals with low education also had high poverty rates. Nineteen percent of those without a high school education had family incomes below the poverty line in 2008 compared with only 4.4% of those with a college degree. There is a significant difference in the poverty rates of married persons and single elderly individuals. Married persons, who often have more than one source of income, had a poverty rate of only 4.9% in 2008. In contrast, 15.5% of unmarried individuals aged 65 and older had incomes below the poverty threshold in 2008. The oldest Americans had the highest poverty rates. Among individuals 80 and older, 11.5% were poor in 2008, compared with 7.5% of those between the ages of 65 and 69.

The Near-Poor

Many older Americans have family incomes that put them just above the official poverty threshold. In 2008, only 9.7% of people aged 65 and older had incomes below the poverty thresholds of \$10,326 for an individual and \$13,014 for a couple; however, another 13.1% of Americans aged 65 and older had family incomes between 100% and 149% of the poverty threshold. Also, whereas 11.5% of persons aged 80 and older had incomes below the poverty threshold, another 17.9% of people aged 80 and older had family incomes between 100% and 149% of the poverty threshold in 2008.

¹³ The official poverty threshold in 2008 for a single person aged 65 or older was \$10,326. The poverty threshold for a couple in which at least one member was 65 or older was \$13,014. See *Poverty Thresholds 2008*, available at <http://www.census.gov/hhes/www/poverty/threshld/thresh08.html>.

Figure 19. Percentage of Individuals Aged 65 and Older in Poverty, 2008

Source: CRS analysis of the March 2009 Current Population Survey.

Conclusion

Americans aged 65 and older receive income from a variety of sources. Although Social Security, pensions, and income from assets are the most common income sources, earnings also are important, especially for those under age 70. Income from assets in the form of interest and dividends makes up a significant percentage of the aggregate income of the elderly population. However, most elderly individuals receive only modest amounts of interest and dividend income, whereas a relatively small number of people receive large amounts of income from these sources. Social Security is both the largest source of aggregate income among the elderly and the biggest single source of income for a majority of Americans aged 65 and older. Compared to the disparity in interest and dividend income, there is relatively little difference between the average monthly Social Security benefit and the highest monthly benefit. This is because the Social Security benefit formula limits the maximum amount paid to a retired high-wage earner to about 150% of the amount paid to a career-long average-wage worker.

Social Security and public assistance together provide more than 90% of all income for the poorest 25% of the elderly population. These public programs have contributed greatly to reducing poverty among the elderly. The reduction in poverty among older Americans is one of the most significant public policy successes of the past half-century. Poverty among those aged 65 and older has fallen from one in three older persons in 1960 to fewer than one in ten today. Nevertheless, the poverty rates remain high for older women, minorities, the less-educated, single persons, and those over age 80.

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