
EPI Issue Brief

Issue Brief #206

Economic Policy Institute

March 23, 2005

SOCIAL SECURITY AND THE INCOME OF THE ELDERLY

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Under current law, the Social Security program ensures that Americans can maintain a basic quality of life if they, or a worker they rely on, lose the ability to work due to age, disability, or death. Workers who become disabled or reach retirement receive a Social Security income based on how long they have worked and how much they have earned. Spouses and children of deceased, disabled, and retired workers also receive Social Security.

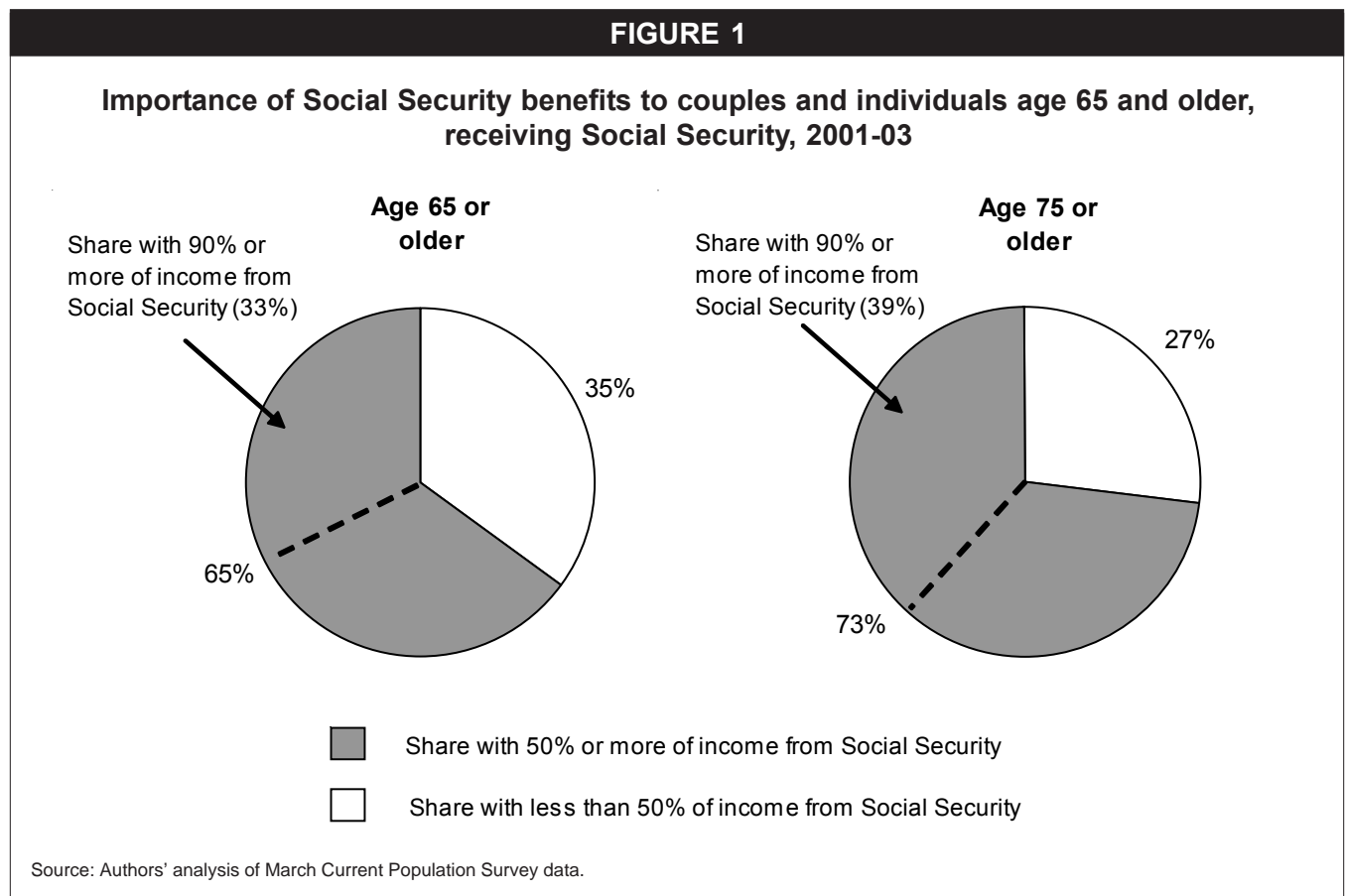
Although Social Security is an important insurance program for people of all ages, at any given point in time the largest single demographic group of recipients is those age 65 and over. For a large majority of this group, the program is critical to their quality of life—65% of these elderly rely on Social Security for over half their income (see **Figure 1** and **Figure 2**). That's a total of over 15 million individuals and couples. One-third (33%) rely on Social Security for over 90% of their income. Nationally, the median married couple or individual recipient age 65 and over relies on Social Security for 67% of income. High reliance on Social Security for the well-being of the elderly is typical regardless of sex, race, or state of residence (shown in **Table 1** and **Table 2**).

The findings are even more pronounced for the elderly age 75 and over. This is not surprising, as these older workers are less able to work than the younger elderly and are more likely to have spent down some of their personal savings. Almost three-quarters (73%) of those age 75 and over who receive Social Security payments rely on Social Security for over half their income.

TABLE 1: Share of income from Social Security for median elderly couples and individuals with Social Security income, 2001-03

Median share of income from Social Security	
<i>By age</i>	
65 or older	67%
75 or older	77%
<i>By gender and marital status (65 and older)</i>	
Nonmarried* men	67%
Nonmarried* women	84%
Married couple	53%
<i>By race (65 and older)</i>	
White	66%
Black	82%
Hispanic	84%

* "Nonmarried" here refers to persons currently widowed, divorced, separated, have never been married, or have an absent spouse.
 Source: Authors' analysis of March Current Population Survey data.



These data suggest that, for most retirees, cuts in benefits would have a very large effect on living standards. With the rate of savings at historically low levels, there is reason to believe that coming generations of retirees will not be in any better position. Replacing the current system's prescribed benefit levels with a system in which

FIGURE 2

Reliance on Social Security income among couples and individuals age 65 and over



Source: Authors' analysis of March Current Population Survey.

income is more reliant on the varying market returns from private investment vehicles would hurt those retirees who do not happen upon the best-performing investments.

There is some variation in these data by state, but in all states the elderly rely very heavily on their Social Security, and the elderly in all but one state count on Social Security benefits for over half their income (see Table 2 and Table 3). The lowest level of reliance is in Alaska, where, at the median, the elderly rely on Social Security for 49% of their income. The highest level of reliance is in Arkansas, at 77%.

Replacing the Social Security system would fundamentally change the experience of retirement in the United States. In particular, making what has been a secure source of income subject, to a significant degree, to the inconsistent performance of market investments instead of lifetime work history would have a substantial effect on retirees. There is good reason to believe that privatization would worsen the financial future of Social Security and result in an overall net decrease in income for seniors. But leaving those issues aside, it is undisputed that privatization would introduce a greater variation among retirees in the income available for their retirement.

By showing how very reliant the elderly are on Social Security income, these data demonstrate that the majority of the elderly can ill-afford to gamble with their retirement income now or in the future. Ending up on the losing side of this bet would have a devastating impact on their quality of life.

TABLE 2: Share of income from Social Security for median elderly couples and individuals with Social Security income, 2001-03

	By age		By gender and marital status (65 and older)			By race (65 and older)		
	65 or older	75 or older	Nonmarried men**	Nonmarried women**	Married couple	White	Black	Hispanic
United States	67%	77%	67%	84%	53%	66%	82%	84%
Alabama	70	76	69	87	54	68	92	*
Alaska	49	*	*	*	*	50	*	*
Arizona	64	76	73	81	48	64	*	69
Arkansas	77	86	62	91	58	77	89	*
California	64	74	72	81	48	60	66	81
Colorado	65	75	66	77	53	65	*	75
Connecticut	58	70	61	72	44	58	72	*
Delaware	59	64	*	76	48	60	*	*
District of Columbia	57	*	*	78	*	*	67	*
Florida	71	81	73	85	60	69	82	90
Georgia	75	85	72	90	61	72	92	*
Hawaii	56	63	*	80	44	50	*	*
Idaho	63	74	*	79	51	63	*	*
Illinois	69	77	70	84	54	67	94	76
Indiana	73	78	74	86	56	72	94	*
Iowa	67	73	70	75	56	66	*	*
Kansas	63	74	71	79	51	64	*	*
Kentucky	68	79	63	86	56	68	83	*
Louisiana	71	77	70	84	61	69	86	*
Maine	74	82	*	85	57	74	*	*
Maryland	62	76	72	82	43	62	89	*
Massachusetts	74	83	71	89	48	74	82	*
Michigan	66	73	63	84	57	66	74	*
Minnesota	60	76	66	78	52	60	*	*
Mississippi	77	83	78	91	56	75	90	*
Missouri	62	72	62	83	51	62	82	*
Montana	65	80	*	88	53	65	*	*
Nebraska	63	73	*	79	49	63	*	*
Nevada	65	80	72	94	44	65	*	*
New Hampshire	66	76	*	82	43	66	*	*
New Jersey	67	73	69	82	54	67	84	82
New Mexico	63	67	75	86	49	59	*	82
New York	68	74	64	84	48	66	78	82
North Carolina	72	84	64	88	61	71	79	*
North Dakota	68	80	*	81	55	68	*	*
Ohio	68	77	69	83	54	68	79	83
Oklahoma	65	75	59	83	56	64	78	*
Oregon	65	78	63	81	51	65	*	*
Pennsylvania	70	77	62	84	58	70	82	79
Rhode Island	70	83	*	84	55	70	*	*
South Carolina	72	87	81	93	55	70	89	*
South Dakota	66	76	*	77	52	66	*	*
Tennessee	73	90	81	90	56	73	86	*
Texas	73	86	88	89	51	65	86	97
Utah	54	69	*	84	42	54	*	*
Vermont	66	81	*	75	*	66	*	*
Virginia	58	68	66	85	44	57	90	*
Washington	59	67	61	68	52	59	*	68
West Virginia	73	83	67	88	64	73	*	*
Wisconsin	61	73	59	74	54	61	*	*
Wyoming	67	*	*	*	*	66	*	*

* Fewer than 75,000 weighted cases.

** "Nonmarried" here refers to persons currently widowed, divorced, separated, have never been married, or have an absent spouse.

Source: Authors' analysis of March Current Population Survey data.

TABLE 3: Reliance on Social Security: elderly couples and individuals with Social Security income, 2001-03

	65 or older				75 or older			
	With 50% or more of income from Social Security		With 90% or more of income from Social Security		With 50% or more of income from Social Security		With 90% or more of income from Social Security	
	Number (in thousands)	Share	Number (in thousands)	Share	Number (in thousands)	Share	Number (in thousands)	Share
United States	15,479	65%	7,915	33%	8,423	65%	4,307	33%
Alabama	267	66	135	34	135	66	68	34
Alaska	14	49	5	16	*	*	*	*
Arizona	277	60	137	30	146	60	72	30
Arkansas	191	69	107	39	96	69	54	39
California	1,395	61	772	34	743	61	411	34
Colorado	171	61	82	29	88	61	42	29
Connecticut	194	58	91	27	110	58	51	27
Delaware	42	61	15	21	22	61	8	21
District of Columbia	25	56	16	36	*	*	*	*
Florida	1,249	66	695	37	695	66	387	37
Georgia	355	68	207	40	169	68	98	40
Hawaii	59	55	31	29	35	55	18	29
Idaho	66	64	28	27	34	64	14	27
Illinois	686	67	338	33	383	67	189	33
Indiana	394	71	197	35	227	71	113	35
Iowa	182	67	70	26	115	67	44	26
Kansas	154	62	78	31	94	62	47	31
Kentucky	250	67	128	34	137	67	70	34
Louisiana	233	66	128	36	122	66	67	36
Maine	98	68	51	36	57	68	30	36
Maryland	259	60	140	32	145	60	78	32
Massachusetts	395	67	219	37	237	67	131	37
Michigan	581	71	240	29	331	71	137	29
Minnesota	218	60	99	27	119	60	54	27
Mississippi	156	68	95	41	84	68	51	41
Missouri	324	63	156	30	175	63	84	30
Montana	59	65	31	35	34	65	18	35
Nebraska	89	63	37	26	51	63	22	26
Nevada	102	61	57	34	46	61	26	34
New Hampshire	71	62	35	31	42	62	21	31
New Jersey	522	67	247	32	306	67	145	32
New Mexico	101	63	53	33	50	63	26	33
New York	1,112	64	571	33	619	64	318	33
North Carolina	467	67	263	38	244	67	138	38
North Dakota	41	67	21	34	24	67	12	34
Ohio	668	67	298	30	370	67	165	30
Oklahoma	203	64	98	31	112	64	54	31
Oregon	188	65	86	30	110	65	50	30
Pennsylvania	883	69	405	32	472	69	216	32
Rhode Island	75	67	38	34	43	67	22	34
South Carolina	256	67	152	40	132	67	78	40
South Dakota	47	64	23	32	25	64	13	32
Tennessee	306	68	169	38	158	68	87	38
Texas	920	65	546	39	489	65	290	39
Utah	68	55	34	27	30	55	15	27
Vermont	35	64	17	31	19	64	9	31
Virginia	309	56	170	31	148	56	81	31
Washington	261	60	105	24	145	60	58	24
West Virginia	147	73	72	36	78	73	39	36
Wisconsin	289	62	116	25	150	62	60	25
Wyoming	27	65	13	32	*	*	*	*

* Fewer than 75,000 weighted cases.

Source: Authors' analysis of March Current Population Survey data.

Methodology

The source for these data is the March Current Population Survey from the U.S. Census Bureau. The methodology mimics that of the Social Security Administration's *Income of the Population 55 or Older, 2000*. Following that publication, the primary unit of interest is the "aged unit," which is either a person who is 65 or older and not married or a married couple living together—one of whom is 65 or older. Aged unit total income and Social Security income are the income coming from the aged unit, disregarding the income of other family members. Total money income includes wages and salaries, self-employment income (including losses), Social Security, Supplemental Security Income, public assistance, interest, dividends, rent, royalties, estates or trusts, veterans' payments, unemployment compensation, workers' compensation, private and government retirement and disability pensions, alimony, and child support. Race of married couple aged units is based on the race of the husband, following the SSA practice.